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Audit and Governance Committee

Date: Monday, 16 November 2026
Time: 6.30 pm
Venue: Council Chamber, County Hall, Dorchester, DT1 1XJ

Members (Quorum: 3)
Spencer Flower (Chair), Steve Murcer (Vice-Chair), Belinda Bawden, Neil Eysenck, Jill Haynes, Andy Todd, Beryl Ezzard, Ryan Holloway, Ryan Hope and Ray Bryan

Co-opted Members: Roger Ong and Simon Roach

Chief Executive: Catherine Howe, County Hall, Dorchester, Dorset DT1 1XJ

For more information about this agenda please contact Democratic & Governance Services Meeting Contact Louis.Wicks@dorsetcouncil.gov.uk

Members of the public are welcome to attend this meeting, apart from any items listed in the exempt part of this agenda. If you would like to attend this meeting and have any specific requirements please contact the Democratic Services Officer named above.

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Agenda

Item		Pages
8.	**ANNUAL ACCOUNTS AND AUDIT 2025/26**	3 - 332
	To receive a report from the Senior Manager – Grant Thornton.	
a)	Supplementary Information: Appendix 7 - Draft Opinion for Dorset County Pension Fund (Financial Statements) and Appendix 8 - Draft Opinion for Dorset County Pension Fund (Consistency with Pension Fund Annual Report).	333 - 338

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Audit & Governance Committee
16 November 2026
Annual Accounts and Audit 2025/26
For Decision

Cabinet Member:
Cllr S Clifford, Resourses & Finance

Local Councillor(s):
All

Senior Leadership Team:
S Cremer - Director, Resources

Report author and job title: Sean Cremer, Director - Resources, S151 Officer
Email: sean.cremer@dorsetcouncil.gov.uk

Report status: Public Choose an item.

Executive summary

1. This report and attachments come to the Audit and Governance Committee for Approval of the 2025/26 annual accounts of Dorset Council, and to note reports of the external auditor for 2025/26.

1.1 The associated papers contain a summary of the findings from the audit as well as the management response to and findings and/or recommendations as appropriate.

2. **Recommendation(s)**

2.1 Approve the Audited Statement of Accounts for Dorset Council and Dorset County Pension Fund for the period ending 31 March 2026 and delegate authority to the s151 Chief Financial Officer (in consultation with the Chair of the Audit and Governance Committee or the Chair of the Pension Fund Committee as appropriate) to approve the accounts subject to any further changes as required by external auditors Grant Thornton UK LLP.

2.2 Note the content of the Audit Findings Report (ISA260) for Dorset Council 2025/26.

2.3 Note the content of the Audit Findings Report (ISA260) for Dorset County Pension Fund 2025/26

2.4 Note the content of the Auditor's opinions for Dorset Council 2025/26 and the Dorset County Pension Fund 2025/26, covering both the financial statements and their consistency with the Pension Fund Annual Report.

2.5 Approve the content of the Dorset Council and Dorset County Pension Fund letters of management representation and delegate authority to the s151 Chief Financial Officer (in consultation with the Chair of the Audit and Governance Committee or the Chair of the Pension Fund Committee as appropriate) to approve any further changes as required by external auditors Grant Thornton UK LLP.

2.6 Note the content of the Auditor's Annual Report for Dorset Council.

3. Reason for the recommendation(s)

3.1 In accordance with the national backstop deadline of 31 January 2027 for the completion of the 2025/26 audit, the Committee is asked to approve the recommendations which provide a disclaimer of opinion on the financial statements for 2025/26.

4. The report

4.1 The attached reports, provided by the Council's external auditor, Grant Thornton UK LLP, sets out the findings arising from the audit of the Dorset Council financial statements for 2025/26 financial year.

4.2 The report describes the work that the external auditor has undertaken to address the risks identified in the Audit Plan, which was presented to the Audit Committee on 29 June 2026.

4.3 The statement of accounts (subject to any audit amendments from Grant Thornton UK LLP) were submitted to Grant Thornton UK LLP for their final review on 5 November 2026.

5. Alternative options considered

5.1 N/A

6. Legal considerations

6.1 N/A

7. Financial implications

7.1 All covered within this report.

8. Natural environment, climate & ecology implications

8.1 None.

9. Well-being and health implications

9.1 None.

10. Other implications

10.1 None.

11. Risk implications

11.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: High

Residual Risk: High

12. Equalities

12.1 None.

13. Appendices

13.1 Appendix 1 - Audited Statement of Accounts for 2025/26 - Dorset Council and Dorset County Pension Fund

13.2 Appendix 2 - Audit Findings Report (ISA260) 2025/26 - Dorset Council

13.3 Appendix 3 - Audit Findings Report (ISA260) 2025/26 - Dorset County Pension Fund

13.4 Appendix 4 - Draft Letter of Representation for Dorset Council

13.5 Appendix 5 - Draft Letter of Representation for Dorset County Pension Fund

13.6 Appendix 6 - Draft Opinion for Dorset Council Accounts - to follow

13.7 Appendix 7 - Draft Opinion for Dorset County Pension Fund (financial statements) – to follow

13.8 Appendix 8 - Draft Opinion for Dorset County Pension Fund (consistency with Pension Fund Annual Report) – to follow

13.9 Appendix 9 – Auditor's Annual Report year ending 31 March 2026 – to follow

14. Background papers

14.1 Financial Statements for the year ended 31 March 2026 - Dorset Council and Dorset Pension Fund.pdf

15. Report sign-off

15.1 This report has been through the internal report clearance process and has been signed off by the Director for Assurance & Governance (Monitoring Officer), the Director for Resources (Section 151 Officer) and the appropriate Cabinet Member(s).



Dorset Council

Financial Statements 2025 - 2026

dorsetcouncil.gov.uk

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Introduction

I am proud to present the Statutory Financial Statements for Dorset Council for the period from 1 April 2025 to 31 March 2026.

The Statement of Accounts provides information so that members of the public, including electors and residents, Council Members, partners and other interested parties can:
- understand the overarching financial position of the Council;
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- be assured that the financial position of the Council is sound and secure.

The accompanying Narrative Statement is designed to provide context and enable interested parties to understand how the Council operates, its strategic direction, how we are performing and how we work to ensure we operate as a Modern, Sustainable Unitary Council and are economical, efficient and effective with our use of the resources available. It also provides explanations of the core financial statements, their purpose and the relationship between them.

The Council delivers a broad range of services to the residents of Dorset, including education, social care, housing, transport, planning, trading standards, and library services. Decisions about these services are made by elected Councillors, each representing a specific area of the county.
Services within Bournemouth, Christchurch and Poole are the responsibility of a separate unitary authority, which operates independently to serve those areas.

The Council's formal decision-making and governance structure comprises Full Council and the Executive (Cabinet), supported by four outcome-focused overview and scrutiny committees (People and Health, and Place and Resources), along with the Joint Overview Committee and Joint Scrutiny Committee.

Each has clearly defined terms of reference aligned to oversight of the Council's Corporate Plan and delivery performance. These arrangements support monitoring against the Council's four strategic priorities: providing high-quality and affordable housing; growing the economy; supporting communities for all; and responding to the climate and nature crisis.

Each of these committees meets formally on a quarterly basis to provide support and challenge, with the ability to convene additional meetings where required. The Audit and Governance Committee also plays a key role in overseeing the Council's conduct, as well as its financial management, risk, performance, and constitutional matters.

The Council's remaining statutory functions continue to be delivered through established arrangements, including Planning Committees, School Appeals, and other regulatory processes.
Further details about the Council are available at dorsetcouncil.gov.uk.

Certification by Chief Finance Officer
I certify that these Financial Statements give a true and fair view of the financial position of Dorset Council and of its financial performance for the year ended 31 March 2026.

These Financial Statements for 2025/26 were authorised by the Chief Finance Officer following audit, on 17 November 2026.



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Sean Cremer
Director – Resources
(Chief Finance Officer & s151 Officer)

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Introduction

The accounts summarise the Council's performance and financial position for the year ended 31 March 2026. The Council is required to prepare the annual statement of accounts in accordance with the Accounts and Audit Regulations 2015 (as amended), supported by International Financial Reporting Standards (IFRS), other statutory guidance and generally accepted accounting practices.

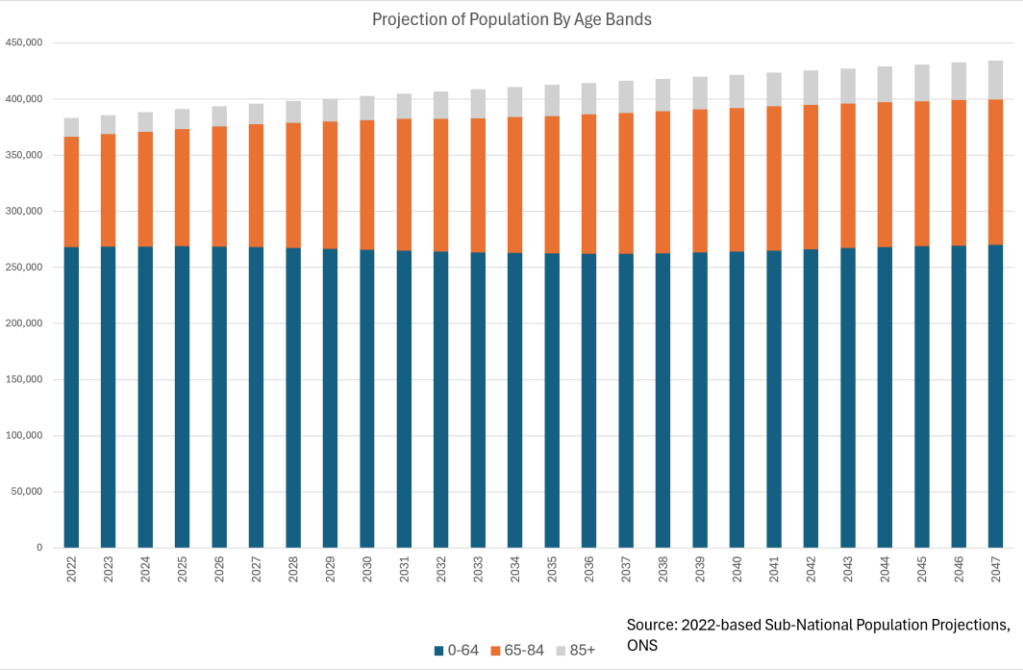
About Dorset

Population

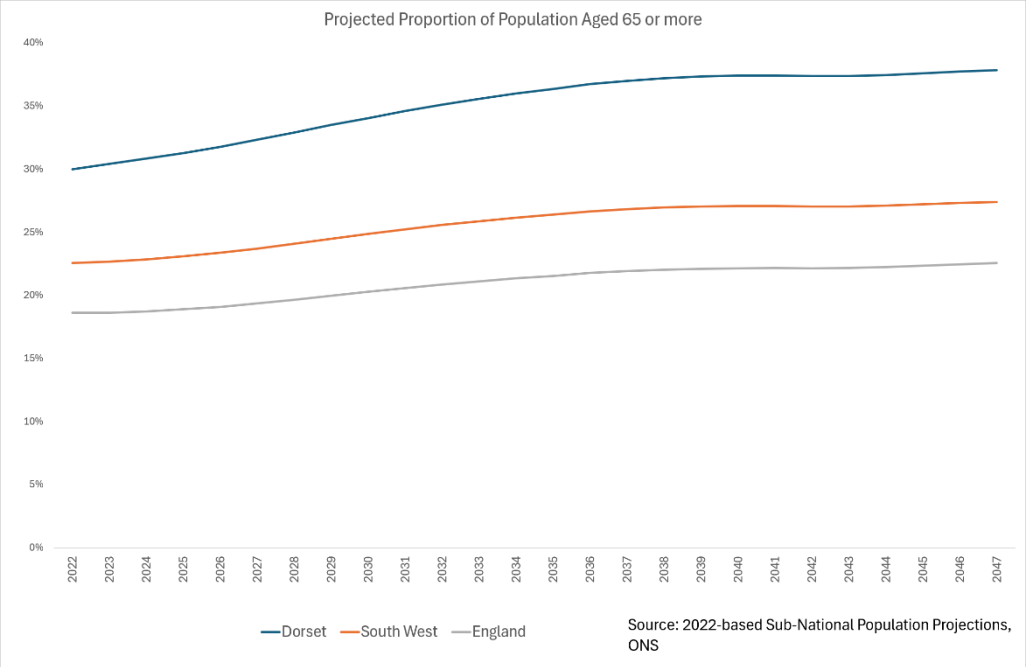
Population data consists of annual mid-year estimates which are produced retrospectively, and population projections which are normally updated every other year. The most recent mid-year population estimate is for 2024 (389,900). The most recent set of projections are from a 2022 baseline and show that the Council provided services to a projected population of 391,100 in 2025 (compared to a projection of 388,400 in 2024).

The 2024 population data showed that 30.5% of Dorset's residents are aged 65 and older, compared to 18.7% in England as a whole. Dorset is an attractive place, and many people choose to retire here. It has a large population of older people – the highest proportion of the population in any English local authority with social care responsibilities - and relatively low birth rates. Population projections from the Office for National Statistics (ONS) show that the over 65 population is likely to grow significantly in the next two decades. As people age, we often need more health and care support, which, unless addressed at an early stage, can put more pressure on already-stretched services. Younger people often move away from the area due to lack of opportunities, low wages and high housing costs. Although Dorset's working-age population is expected to see a marginal growth, this is mainly due to increasing numbers of residents aged 40-64.

Projections summarised in the chart below show the population of Dorset's residents in age bands. In 2025, 27% were projected to be between 65 and 84 years of age, and 5% 85 or more years of age. These numbers are steadily growing, with an estimated 30% being between 65 and 84 years of age, and 8% 85 years of age or more by 2047.



The chart below shows the projected proportion of the population aged over 65 between 2022 and 2047, compared to regional and national averages.

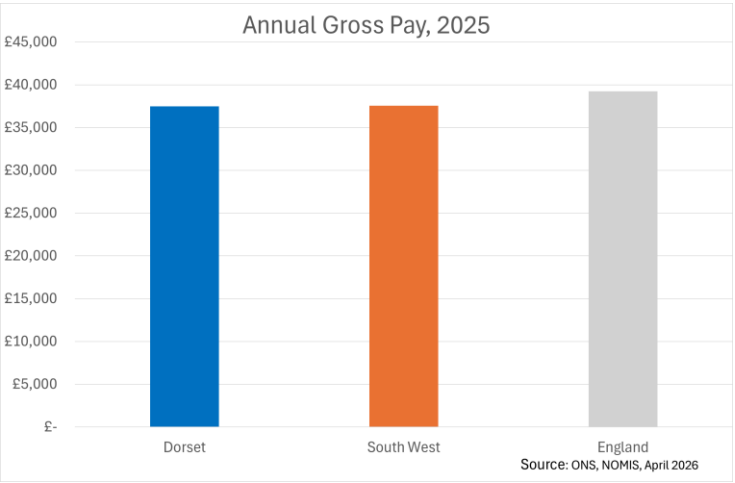


Economy

The Dorset Council area has a significant economy incorporating 20,000 businesses, generating over £8.45 billion of Gross Value Added (GVA - a measure of the value that producers add to goods and services they buy, and is a key indicator of a country's economic performance) and supporting 145,000 jobs.

Dorset's economy is based on fairly traditional industries such as agriculture, retail, coastal and marine, hospitality and leisure, and care services. There are also strengths in advanced manufacturing, maritime, defence, and emerging expertise in renewable energy. Economic growth in Dorset has been lower than the neighbouring Bournemouth, Christchurch & Poole (BCP) area, as well as regional and national averages.

Average full-time earnings for the area served by the Council are shown in the chart below, compared with the South-West and England. The full-time earnings for Dorset are lower than both the regional and national averages.



There are significant areas of deprivation in Dorset, mostly in urban areas (mainly Weymouth and Portland) and also in the east of the county, in Ferndown, Wimborne, and Verwood. Rural deprivation - due largely to isolation and difficulty accessing housing, transport and essential services - is a significant issue too. Crime is generally low, although anti-social behaviour and rural crime are an ongoing problem.

South Dorset is the least socially mobile constituency in the country. Social mobility is the link between a person's occupation or income with that of their parents. Many of our communities face deep poverty having experienced hardships for decades, repeatedly appearing in the bottom national measurement for deprivation. There are also areas of poverty in wealthier rural areas, with data averages masking large income inequalities.

Health inequalities are the unfair and avoidable differences in people's health across social groups and between different populations. In Dorset people are generally healthier and live for longer than England overall; 1.8 years longer for both men and women. However, the length of time people in Dorset live is closely related to the extent of disadvantage and deprivation they experience. Males living in the least deprived areas live on average 5.5 years longer and females 4.9 years longer, than those living in the most deprived areas.

Healthy life expectancy is a measure of how long people can expect to live a healthy life before decline and frailty sets in and is also affected by deprivation and disadvantage. The amount of time spent living in good health before long-term health conditions appear varies greatly across Dorset. People experiencing long-term health conditions affect economic growth and productivity in working-age adults.

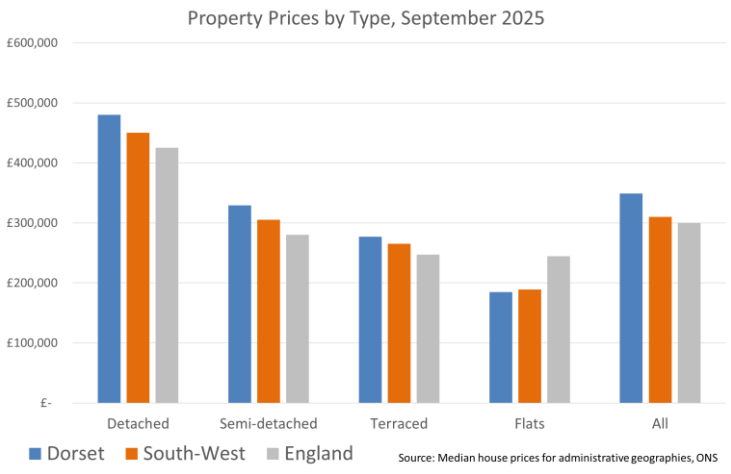
Large numbers of Dorset's young people leave the county to find employment elsewhere. Meanwhile, employers tell us they often struggle to recruit and retain people with the right skills. This challenge is compounded by high house prices and poor transport connectivity in some areas. Digital and mobile phone connectivity is unreliable, especially in rural areas.

Dorset has many strong communities, with an active voluntary and community sector and over 160 town and parish councils. However, the population and world are changing rapidly, and our communities need support to adapt to the challenges ahead. There are also widespread disparities across our area. Our 2023 residents' survey shows significant differences in how residents from different areas view the quality of council services. Some communities are calling for us to work differently to better understand and meet the needs of towns and villages. Some of our town and parish councils are also calling for better partnership working.

Our residents' survey highlighted issues of community cohesion – also evidenced through local protests in August 2024. While three quarters of Dorset's residents feel that they belong in their community, fewer than half (49%) of ethnic minority residents feel the same. In Weymouth and Portland, only 44% of residents feel that people from different backgrounds get on in their local area.

Housing

The average price of properties in the area served by the Council is shown in the chart on the following page, compared with the South-West and England. The average price of properties is higher than the regional and national averages, except for flats.



Rising costs and the growing gap between average house price and average salary makes it difficult for local people, especially working-age residents, to afford to live in Dorset.

There is a chronic lack of genuinely affordable housing. Vulnerable residents, including those in crisis or with special needs, often struggle to find suitable homes. The standard of some rented accommodation is not acceptable.

Environment

Dorset Council covers an area of 2,491 square kilometres (962 square miles). Within this area, 1,406 square kilometres (542 square miles) are designated Areas of Outstanding Natural Beauty. The Jurassic Coast World Heritage Site also lies partly in Dorset.

Climate change is one of the most urgent challenges facing the world today, demanding immediate and decisive action. Rising global temperatures are increasing the frequency and intensity of extreme weather events like heatwaves, floods, and wildfires. Sea levels are rising at a rate three times faster than a century ago.

As a rural, coastal county we are especially vulnerable to the negative impacts of climate change, which will include more frequent heatwaves, fewer frost days, heavier rainfall, increased flooding, and more intense storms. Our seaside communities are particularly exposed to rising sea levels which can lead to coastal erosion, flooding, and damage to infrastructure. Our rural communities risk being impacted by unpredictable weather patterns which can harm crops and livestock, disrupt planting and harvest schedules, and reduce overall agricultural productivity.

The UK is ranked as one of the most nature-depleted countries in the world, with nearly 1 in 6 species threatened with extinction. Within Dorset more than 3,000 species of plants and animals are now of conservation concern, meaning they are rare, threatened, protected, declining or extinct. This loss of natural spaces does not just affect wildlife - it impacts us too. Our green spaces, which are essential for our health and wellbeing, also provide critical nature-based solutions to pressing challenges like flood protection, climate change, and water quality.

Governance and Political Structure

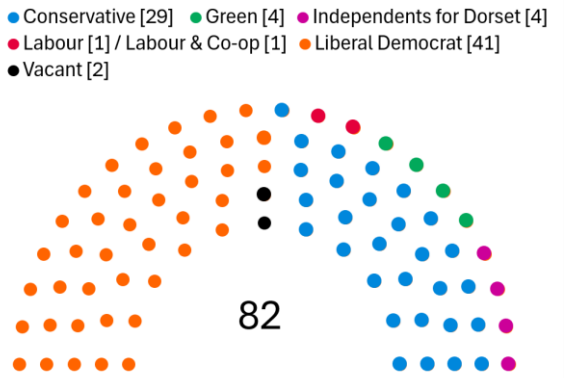
The Council has responsibilities for education, social care for both adults and children, public health, highways, public transport, housing and a wide range of environmental, protective and cultural services. The Council is also the ‘corporate parent’ to children and young people in its care.

Dorset Council operates a leader and cabinet model of governance.

- The full Council of 82 elected members elect the leader of the Council and chairs of committees, set the policy framework, and approve the budget. The full Council also approves the constitution and the key policies and priorities;
- The Cabinet is responsible for all decisions not delegated to others by full Council or the law. This includes setting policies and actions to implement the plan, key policies and budget set by the full Council;

- Officers take operational decisions in order to put agreed policies and strategies into effect and to deliver services efficiently. The Chief Executive is responsible for the operational management, leadership and strategic direction of the council, supported by the Senior Leadership Team comprising Executive Directors from the service directorates (which were People - Children's, People - Adults and Housing, Place, and Public Health & Prevention in 2025/26) and corporate support functions (for example, Finance & Commercial and Legal & Democratic).
- Overview and scrutiny committees scrutinise decisions and advise the Cabinet and Council on policy issues.

The chart below shows the political composition of the Council as at 31 March 2026:



The Council works in partnership with a range of organisations from the public, business, and voluntary and community sectors to deliver the best services we can as efficiently as possible. Further details of the Council's governance arrangements are provided in the Annual Governance Statement.

Council Plan 2024-29

This section of the Statement of Accounts provides a summary of the Council Plan in sufficient detail to put our finances in context. There are several additional sources of information regarding the council's plan that may be of interest to readers of these accounts, including the Annual Report which is submitted to members at the Cabinet meeting in July 2026 and the quarterly performance updates available on the council website at: https://www.dorsetcouncil.gov.uk/how-we-are-performing.

Plan Priorities

The plan focuses on four strategic priorities:

- Provide affordable and high-quality housing
- Grow our economy
- Communities for all
- Respond to the climate and nature crisis
- The main delivery highlights for 2025/26 were as follows:

Priority	Delivery Highlight
Provide affordable and high-quality housing	Dorset continued to perform above the national average in preventing homelessness and supporting residents to remain in their homes. Reliance on temporary accommodation reduced during the year, supported accommodation schemes were expanded, and the council's Empty Homes Strategy successfully brought long-term empty properties back into use.
Grow our economy	The council delivered the Dorset Economic Growth Strategy, established a new delivery company for Dorset Innovation Park, secured significant external investment, and continued to support local businesses through Growth Hub programmes, mentoring and Shared Prosperity Fund investment. Dorset Council's Building Control Service received national recognition as Local Authority Building Control Team of the Year.
Communities for all	Early help services continued to demonstrate positive impact, supporting families at an earlier stage and reducing demand on more intensive services. Care leaver outcomes exceeded targets, more residents were supported to live independently, and health and wellbeing programmes continued to deliver positive outcomes. Dorset also secured £20m of Pride in Place funding and strengthened community engagement through locality-based and partnership approaches. Children's Services were rated Outstanding by Ofsted, and Adult Social Care was assessed as Good by the Care Quality Commission.
Respond to the climate and nature crisis	There was strong progress in reducing the carbon emissions of the council and Dorset, expanding electric vehicle infrastructure, increasing renewable energy generation and supporting nature recovery. Significant partnership working also delivered programmes such as Switch Together Dorset (solar panels), strong progress in the Farming in Protected Landscape scheme and a successful energy saving campaign called Home Habitats was also delivered. Dorset maintained one of the highest recycling rates in England, expanded support through the Low Carbon Dorset programme and Healthy Homes Dorset programmes and adopted the Dorset Local Nature Recovery Strategy to support long-term environmental improvement. Dorset Council also won a national award for its climate leadership.

Detailed reporting of delivery against the Council Plan priorities is broken down into Key Actions and Key Target Measures. Progress is assessed quarterly, using a Red / Amber / Green categorisation, with an additional Completed category for Key Actions (colour coded as blue).

Risks

Risk associated with delivery of the plan is assessed using a matrix of likelihood and impact. Each category is assigned a score out of five and the results multiplied together with the results used to assign risks to one of four categories: Low, Medium, High or Very High. In this instance, the fourth category (Very High) is colour coded as purple.

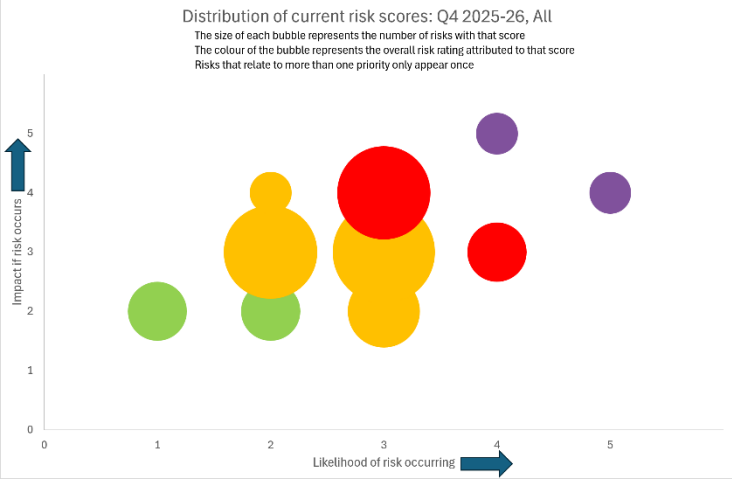
Risk Rating Score	Very Unlikely	Unlikely	Possible	Very Likely	Almost Certain
Catastrophic	5	10	15	20	25
Major	4	8	12	16	20
Moderate	3	6	9	12	15
Slight	2	4	6	8	10
Limited	1	2	3	4	5

The following graphic summarises the assessment of progress and risk at the end of 2025/26, as reported to the Cabinet in July. This information is also available online via the council's performance dashboard.

	Key Actions				Key Target Measures			Risks			
	R	A	G	C	R	A	G	VH	H	M	L
Provide affordable and high-quality housing		2	2	1	2	5	1	2	2	4	
Grow our economy		5	6			5	1	2		5	1
Communities for all		2	9			2	5	2	3	8	4
Respond to the climate and nature crisis	1	1	6		3	2	7	2	2	6	

It should be noted that this presentation appears to suggest that 43 strategic risks have been identified. In practice there are only 28, because 15 span two or more priority areas.

Risk scores are distributed as illustrated in the following chart.



The risks identified as high risk or very high risk are as follows:

Risk rating	Risks applicable to all four priority areas
VH	As a result of a successful cyber-security breach, Dorset Council may experience sustained loss or compromise of its ICT infrastructure, leading to disruption and compromise to service delivery, systems and data.
	As a result of health service reform, Dorset Council may incur additional un-provisioned responsibilities, leading to increased resourcing & budgetary pressures, unmet health needs and potential harm to individuals.

Risk rating	Risks applicable to the priority to provide high quality and affordable housing
H	Due to corporate, market and partnership conditions, the home-in on housing programme may not achieve the housing strategy objectives, leading to residents being unable to access affordable, suitable, secure homes.
	The supply of homes and temporary accommodation is insufficient to meet demand.

Risk rating	Risks applicable to the priority of communities for all
H	Due to the abolition of NHS England, commissioning arrangements for local health services may be disrupted, leading to service delivery and financial sustainability consequences for social care.
	Due to the demand on hospital bed stock, patients with higher complexity needs may be delayed hospital admission, leading to increased demand for Council run services.
	The impact on the Adult Social Care Service user budget of funding for people who previously funded their own care in residential/nursing care settings and now require funding by the local authority.

Risk rating	Risks applicable to the priority to respond to the climate and nature crisis
H	Due to the effects of climate change and extreme weather events, Dorset Council may be unable to adapt its services and infrastructure leading to reduced resilience in service delivery to residents and in our communities.
	As a result of sea level rise and extreme weather events driven by climate change, Dorset Council may not have the resources to adapt its coastal defences, leading to low lying areas of the county being uneconomical to defend.

Budget and performance

The Council set the 2025/26 net budget at £418.0m, funded from general grants (£5.0m), Revenue Support Grant (£1.7m), business rates (£70.2m) and council tax (£342.0m) *meaning a band D equivalent council tax charge of* £2,101.05. In setting the budget the Council faced rising costs of service delivery of £85m, which was met through £44.6m of savings, efficiencies, grants and income and £40.5m of increased funding, mostly reliant upon changes to council tax.

The table below shows the summary outturn for the Council compared with its budget. The analysis shows the outturn reporting a balanced financial position with a small underspend of £0.169m, its first since becoming a unitary in 2019. The analysis of performance against budget and how this feeds through to movements in the Council's General Fund is shown in **Note 7, Expenditure and Funding Analysis**.

Figures used in the Narrative Statement reflect the definitions used for internal management purposes. These differ from the definitions used elsewhere which follow definitions laid out in national guidance issued by the Chartered Institute of Public Finance & Accountancy (CIPFA). It might help the reader to note that the *outturn* figures in Table 1 can also be seen in the *reported in management accounts* line in **Note 9, Expenditure and Income by Nature and Segment,** which includes a reconciliation to service expenditure as disclosed in the Comprehensive Income and Expenditure Statement.

The General Fund started the year at £31.632m and increased by £4.351m[1] during 2025/26 to a closing balance of £35.983m, demonstrating a strengthened level of the Council's general balances and an improved unallocated reserve position over the year.

The following table presents a summary of the 2025/26 outturn position for Dorset Council[2].

Directorate	Net Current Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000	
People - Children's	92,443	96,358	(3,914)	(4.2%)
People - Adults & Housing	166,824	172,754	(5,930)	(3.6%)
Public Health & Prevention	3,036	3,384	(348)	(11.5%)
Place	102,211	94,686	7,525	7.4%
Corporate Development	43,997	42,339	1,658	3.8%
Legal & Democratic Services	8,558	8,080	478	5.6%
Total Service Budgets	**417,069**	**417,601**	**(532)**	**(0.1%)**
General Funding - including Our Future Council	(55,869)	(51,479)	(4,390)	(7.9%)
Capital Financing	18,761	17,703	1,057	5.6%
Contingency	8,858	4,797	4,061	45.8%
Precepts/Levy	21,560	21,591	(31)	(0.1%)
Central Finance	(441,754)	(441,754)	0	0.0%
Retirement costs	1,702	1,699	3	0.2%
Whole Authority	**(29,674)**	**(29,843)**	**169**	
Dedicated Schools Grant budgets	50,447	50,447	0	

Children's Services

The Children's Services outturn was £86.692m compared with a net budget of £83.627m, an overspend of £3.065m (3.7%). This excludes Birth 2 Settled Adults (B2SA) services discussed later in the report.

Nationally, children's services have faced significant financial pressures, leading to widespread overspends. The Institute for Government, October 2025 Performance Tracker states:

"Children's social care is therefore eating up a substantially bigger – and growing – share of available money. In 2011/12, spending on children's social care accounted for 18% of local authority spending. By 2024/25, it had reached 27%. Note: 2025/26, including B2SA, Dorset's Children's Services accounted for 23% of the service spend.

Of the £13.3bn spent (nationally) on children's social care in 2023/24, £2.3bn was not budgeted for, amounting to a 21% overspend."

Dorset, although overspending, is not in the same position as most other LAs. This reflects Dorset Council Children's Services' five-year transformation journey, demonstrated through improved gradings and assessment by external agencies and culminating in the 'outstanding' Ofsted judgement. This means that Children's Services have received the highest possible outcome in both SEND and care aspects of the service.

[1] Excluding elements of the General Balance attributable to Locally Managed Schools
[2] Part of the Dedicated Schools Grant budget is held outside the Children's Services budget.

People Services - Children	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000		Change from December £'000
Quality Assurance	3,881	3,846	35	0.9%	35
Care & Protection	60,946	65,181	(4,235)	(6.9%)	298
Commissioning and Partnerships	8,496	8,179	317	3.7%	222
Director's Services	(4,650)	(5,160)	511	(11.0%)	293
Education and Learning	15,157	14,853	304	2.0%	304
DSG Recharges	(204)	(207)	3	(1.5%)	3
Total Directorate Budget	**83,627**	**86,692**	**(3,065)**	**(3.7%)**	1,155

Initial deficit (all Dedicated Schools Grant budgets)	**(54,452)**	**1,493**
Contribution from Schools Budget towards deficit	1,313	
Deficit after Local Schools Budget contribution	**(53,139)**	
Amount transferred to the DSG Adjustment Account	53,139	
Net effect on General Fund Balance	**0**	

The budgets that were previously reported as being under pressure in December still finished the year overspent:

Pressures	£m
Homes for children in care	6.2
Children in Need (Section 17, Children Act 1989)	0.2
Legal Proceedings and Specialist/Intervention/Testing Services	0.3
Children in Care – family time/transport/other	0.3
Outdoor Education Service	0.1

The budgets that were previously reported as underspending still finished the year underspent:

Underspend in 2025/26	£m
Special Guardianship/Adoption/Child Arrangement Order Allowances	0.5
Care Leaver Staffing & Services including Staying Put & Supported Accommodation	0.6
FS&AL/Locality/Permanence Teams including Agency	1.4
Harbour Outreach & Short Break Services	0.3
Unaccompanied Asylum-Seeking Children Team & Services	0.3
Director's Services including premature retirement costs	0.5
Commissioning & Partnerships Staffing & Services	0.4

The national overspending position for externally purchased homes for children in care is also true at Dorset Council. This area overspent by £6.5m. The number of children in care has risen, particularly in the first half of the year before broadly stabilising in the later part of the year. The number of unaccompanied asylum-seeking children has risen slightly:

	April 2025	March 2026	Change
Children in Care (excluding UASC)	394	430	+36
Unaccompanied Asylum-Seeking Children (UASC)	41	44	+3

Source: Children's Services Monthly Performance report

The externally purchased homes for children in care overspend has been partially offset by in-house fostering and residential homes underspends (£0.3m).

Some of the overspends have been offset by carefully managing vacancies and agency budgets, increases in grants, other funding, and underspending non-pay budgets.

The directorate including B2SA also delivered £7.553m (92%) of savings during the year.

There are risks within the 2026/27 budget that will require careful monitoring and management, particularly points outlined in this section. Additional risks include capital project delays and the subsequent impact on revenue budgets, inflation (particularly for placements and externally provided services), the long-term funding for Pathfinder, future Children's Services grant consolidation and the delivery of transformation and national reform programmes.

Dedicated Schools Grant (DSG)

The DSG was overspent by £54.5m. The grant is split into four blocks, and summarised in the following table:

Block (£m)	Allocation before deductions	Outturn Variance
Schools Block	262.7	0.0
High Needs Block	60.2	(55.2)
Early Years Block	43.6	0.7
Central School Services Block	2.2	0.0
TOTAL	**368.7**	**(54.5)**

Dorset Council accounts have been produced in accordance with the Schools and Early Years Finance (England) Regulations 2020, which required local authorities to carry forward overspends of Dedicated School Grant (DSG). Further regulations which came into force on 29 November 2020 mandated that any deficit must not be charged to the local authorities' revenue account but instead must be recorded in a separate account solely for the purposes of recording deficits relating to its schools' budget.

On 9 February 2026, the High Needs Stability Grant was announced. This outlined proposals for central government to provide a grant to cover up to 90% of the High Needs-related DSG deficit up to 31st March 2026. The ceasing of the Safety Valve programme was also announced during the year.

Each Local Authority was required to submit a Local SEND Reform Plan, which required Secretary of State for Education approval prior to any grant being made available. This sits alongside SEND reforms announced in the SEND White Paper released on 23rd February 2026. Dorset Council's SEND Reform Plan received approval on 2 October 2026, which will result in High Needs Grant of £145 million becoming available towards the accumulated deficit.

As at 31 March 2026, cumulative DSG deficit was £148.7m. Any deficit associated with the DSG is kept off councils' balance sheets because of the statutory override set out in The Local Authorities Capital Finance and Accounting (England) Regulations. This was extended from March 2026 to March 2028 in June 2025.

Whilst the deficit is therefore held separately from the General Fund, there is a cashflow pressure resulting from carrying a £148.7m deficit meaning that the Council has access to £148.7m less cash than it would otherwise. As a result, interest forgone on the deficit equates to £4.9m of pressure met by the General Fund. This is £4.9m which could otherwise be spent on local service delivery.

The historical DSG deficit experienced by most upper tier local authorities is a long and well-documented risk stemming from a change in government legislation in 2014. The number of children who require an Education Health and Care Place (EHCP) continues to rise and coupled with Dorset Special Schools reaching capacity, has seen an increase in the use of generally more expensive independent special school places.

Any reforms will take time to implement. Dorset Council and partners continue to be ahead of the curve, putting the child at the heart of decision making, promoting inclusion and focus on early intervention and prevention.

Birth to Settled Adulthood (B2SA)

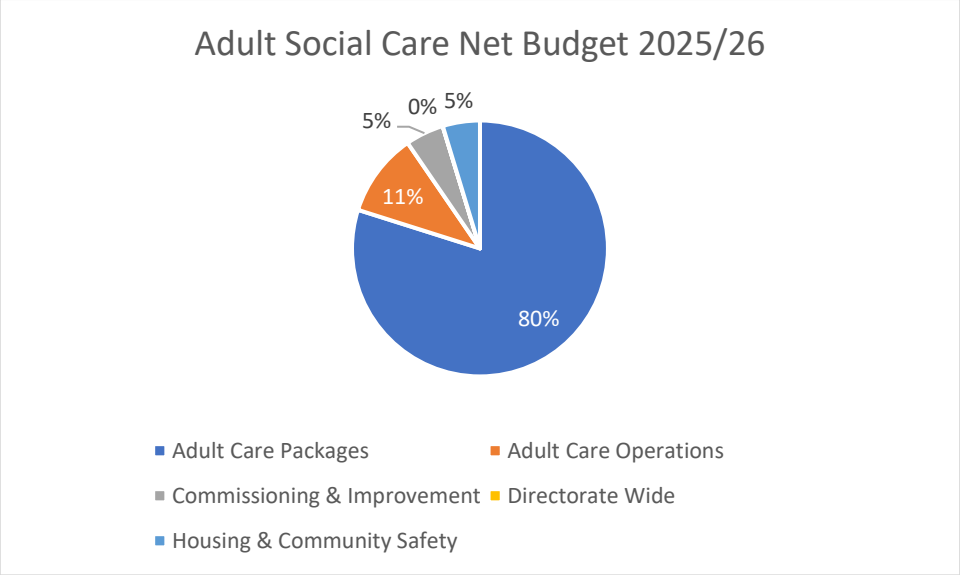
The Birth to Settled Adulthood outturn was £9.666m compared with a net budget of £8.816m, an overspend of £0.849m (9.6%). The final budget and spending is set out in the table below.

People Services - Birth to Settled Adulthood	Net Budget	Forecast Outturn	Outturn (Overspend)/ Underspend		Change from December (Q3)
	£'000	£'000	£'000		£'000
Team	2,774	2,433	341	12.3%	122
Children's	4,293	5,208	(915)	(21.3%)	(99)
Adults	2,378	2,025	354	14.9%	776
B2SA Transformation	(629)	0	(629)	(100.0%)	0
Total Directorate Budget	**8,816**	**9,666**	**(849)**	**(9.6%)**	**799**

- B2SA: Team - largely driven by savings in pay-related costs.
- B2SA: Children's - need and complexity of packages for children and young people higher than budgeted.
- B2SA: Adults - the 18-25 cohort reported an underspend of £0.354m, with a positive improvement of £0.766m in Q4. Of this, £0.109m relates to additional backdated Continuing Health Care (CHC) income agreed in March. Further improvement at year end reflects care packages that did not commence during the year. The improvement since Q3 is due to increased scrutiny and improved data accuracy in forecast projections.
- B2SA Transformation - Birth to Settled Adulthood had a savings target of £1.0m; in-year savings of £0.371m were achieved (37%). Savings were delivered through more effective use of placements to better meet individuals' outcomes.

People - Adults and Housing

People - Adults and Housing is the largest spending directorate in the Council. The approved net revenue budget for 2025/26 was £166.824m with a total outturn of £172.754m resulting in a £5.930m overspend for the Directorate. The largest element of the budget, £131.840m (80%) is for Adult Social Care (spend on packages of care) as shown in the following chart.



The Adult Social Care budget supports approximately 4,536 people on an annual basis an increase of 265 people since April 2025 with the biggest growth in the 65+ cohort.

In line with national trends, the cost of adult social care services in Dorset continues to rise. In 2025/26, expenditure on Adult Care Packages resulted in an overspend of £6.015m. A significant contributing factor has been the increase in the number of people supported.

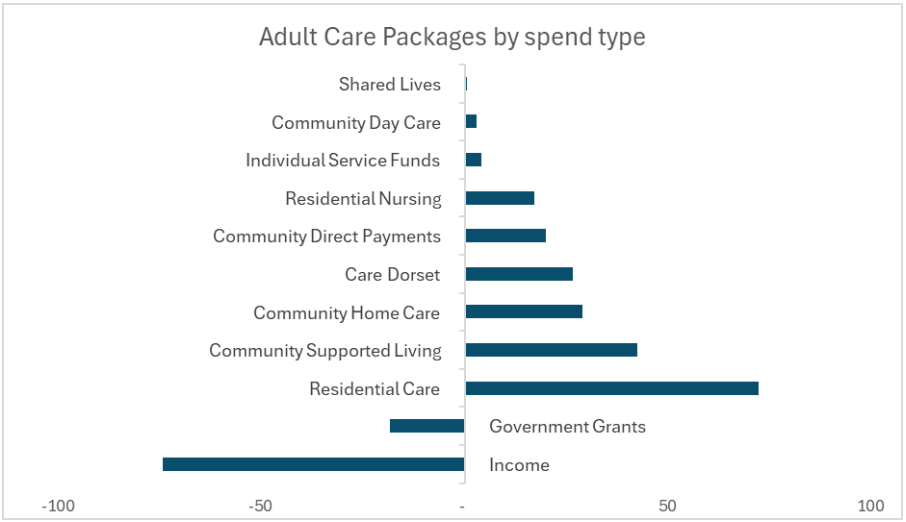
This additional activity of 265 people has placed additional pressure on the budget, including an increase of 50 people in the working-age cohort and 215 aged 65+. The total in-year cost of these additional care packages was approximately £4.975m.

Additional financial pressures included:

- 18 Continuing Health Care (CHC) hand-backs from the NHS, totalling approximately £0.520m
- 30 Joint Funded packages ceased during the year, resulting in an in-year cost pressure of £0.569m

These combined factors contributed to the overall overspend, despite efforts to manage costs and contain demand.

The chart below shows where this was spent.



Housing and Community Safety had a small underspend of £0.099m. This performance through 2025/26 has been positive and bucks the trend of other local authorities.

The focus for Housing and Community safety continues to be early prevention, reducing demand for temporary accommodation, and moving away from high-cost leased and nightly paid accommodation.

There has been a 73% increase in successful homelessness preventions over the last four years, alongside a 49% reduction in successful homeless relief over the same period.

The number of households in bed and breakfast accommodation has reduced by 44% over the last 4 years. Within this, singles in bed and breakfast have reduced by 15% over the last two years, while families have reduced by 53% over four years. In March 2026, only 10 households were placed in bed and breakfast accommodation.

Demand for social housing in Dorset continues to increase, and the team has worked hard to reduce the housing register backlog. This positive work across the Directorate has supported it to remain within budget.

Adults and Housing have delivered £8.125m of transformation savings during the year with a total of £34.254m over the last four years.

Better Care Fund (BCF) grant monies totalling £15.360m were received in 2025/26. These formed a part of a system-wide BCF plan, developed by the Integrated Care Board (ICB) and the local authorities under the governance of the Dorset Health & Wellbeing Board.

The national guidance for the BCF requires the Integrated Care Systems and the Council to set out how they will work together to invest, commission and, where required, deliver health and social care services in a joined-up way for the benefit of Dorset residents.

The combined funds totalled £156.097m with Dorset Council contributing £86.601m as shown in the table below.

Sum of Expenditure for 2025/26 (£)	ICB	LA	Grand Total
1. Proactive care to those with complex needs	55,085,435	71,522,871	126,608,306
2. Home adaptations and tech		5,152,517	5,152,517
3. Supporting unpaid carers	1,112,943		1,112,943
4. Preventing unnecessary hospital admissions	2,188,999		2,188,999
5. Timely discharge from hospital	425,000	3,316,243	3,741,243
6. Reducing the need for long term residential care	10,683,293	6,609,311	17,292,604
Grand Total	**69,495,670**	**86,600,942**	**156,096,612**

The economic situation continues to be challenging. Budget constraints and the need to achieve efficiency targets mean the Directorate continues to face significant challenges in delivering its commitments to those in need of assistance. The Directorate is committed to further cost reductions in the future to balance the budget through transformation of services.

Public Health and Prevention

The Public Health Grant for 2025/26 for Dorset Council was £16.613m.

The final outturn for 2025/26 within the ring-fenced grant budget resulted in an underspend of £1.133m: this has been transferred to reserves to support future expenditure.

2025/26 was the first full year of operating solely as Dorset Council, following the transition from a shared service. Significant work has been undertaken to establish the Directorate, including embedding new structures, processes, and ways of working. This has involved building internal capacity, strengthening governance and oversight arrangements, and developing a more integrated and consistent approach to service delivery.

The Community and Public Protection (CPP) service ended the year with an overspend of £0.397 million. The overspend was largely driven by the non-achievement of legacy savings targets, particularly where budgets and corresponding savings have become misaligned, combined with shortfalls in income and wider cost pressures. There was a partial improvement in the final quarter due to additional income received.

Place

This section of the report refers to the “Place Directorate”, as this is the title that was in use during 2025/26. The Place Directorate has since changed name as part of wider restructuring within the council, which will be reflected in reports relating to 2026/27 onwards.

The Place Directorate has many diverse services it delivers to the community.

- Approximately 1,800 staff work in the Directorate. The exact number fluctuates due to the need for some seasonal employment.
- The Waste team provides waste collection and disposal for over 200,000 properties, businesses and the local community in the Dorset Council area, plus street cleansing, commercial waste services and running Household Recycling Centres.
- Fleet Services are responsible for the procurement and maintenance of the Council’s vehicle and plant fleet at 5 workshop locations across the county.
- Highways is responsible for maintaining 3,798km of carriageway and 1,336 other structures including bridges. The team also manages 47,854 streetlights, illuminated signs and bollards. The Highways Team also manages all of the Council’s on-street and off-street car parking operations.
- Dorset Travel is a complex, high-impact service that underpins access to education, social care, and community connectivity across Dorset. It delivers over 8,000 passenger journeys each day, including highly specialised provision for more than 1,300 learners with SEND, alongside transport for around 350 adults attending day centres. The service manages a significant and diverse supply chain, overseeing more than 700 transport contracts across approximately 104 operators, while maintaining rigorous compliance and safeguarding standards.
- In addition to commissioned transport, Dorset Travel administers the ENCTS scheme for around 90,000 residents, supports a network of commercial and Council-funded bus services, and maintains essential infrastructure including approximately 3,000 bus stops and associated assets. This integrated role positions the service as a key enabler of independence, inclusion, and economic participation, providing a strong foundation to drive efficiencies and respond to future demand.
- The Assets & Property service manages and maintains, for safety, compliance and operational continuity, an estate of over 1,400 property assets which include 450 commercial assets. There is, very broadly, in excess of £10m income from the estate, and A&P commissions and delivers capital projects/expenditure in excess of £20m each year.
- The Planning service deals with all town and country planning responsibilities and a range of other functions. This includes preparation of development plans, determining planning applications (around 4-5,000 per annum), planning enforcement, minerals and waste planning, building control, infrastructure and delivery planning, and a range of environmental responsibilities responsible for biodiversity net gain, the definitive map of rights of way, hosting of Dorset National Landscape and other environmental partnerships.
- The Economic Growth & Regeneration team assist many businesses within the Dorset Council area, through the delivery of business support grants and information.
- Leisure Services manage seven owned or operated Leisure Centres with over 6,000 members paying monthly.
- Place Directorate is responsible for three harbours (Weymouth, West Bay and Lyme Regis) as well as coastal and flood defence assets and infrastructure.
- The gypsy and traveller service manage 4 permanent gypsy and traveller sites providing accommodation for 50 families and managing unauthorised encampments on Council land.
- Greenspace is also responsible for maintaining almost 4,828km of Rights of Way and thousands of km of highway verge. The Service also manages four country parks (Moors Valley, Avon

Heath, Durlston and Thorncombe Woods), and 1,406 square km of Areas of Outstanding Natural Beauty, covering 55% of its total land area, 141 sites of special scientific interest, covering 18,730 hectares, 14 national nature reserves – Local reserves such as Thorncombe Woods, 59 regionally important geological and geomorphological sites (with further sites under consideration), 1,294 sites of nature conservation interest, 95 km of heritage coast and 112 km of the Jurassic Coast World Heritage Site.

- 86% of British mammal species can be found in Dorset, along with 69% of our birds, 78% of our butterflies, 67% of our dragonflies and all of our native reptiles and amphibians.

The final Place Directorate net budget for 2025/26, after in-year adjustments, was £102.2m, and the final net spend was £94.69m, an underspend of £7.5m (circa 7.4%).

The service position is set out in the **following** table: significant variations are explained in the subsequent narrative paragraphs.

Place	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000	
Highways	2,733	1,897	835	30.6%
Dorset Travel	42,594	39,147	3,446	8.1%
Flood & Coastal Erosion Risk Management (FCERM)	892	855	37	4.1%
Greenspace	3,029	3,120	(91)	(3.0%)
Health & Activity	158	36	122	77.2%
Commercial Waste & Strategy	17,305	16,158	1,147	6.6%
Waste – Operations	17,969	17,337	631	3.5%
Fleet	190	206	(16)	(8.4%)
Weymouth 2040 Ancillaries	528	803	(275)	(52.2%)
LUF	0	43	(43)	0.0%
Economic Development	(944)	(926)	(18)	(1.9%)
Harbours	(923)	(883)	(40)	(4.3%)
Leisure, Arts & Cultural Services	3,299	2,779	521	15.8%
Director's Office	1,574	976	598	38.0%
Assets & Property	6,720	6,562	158	2.4%
Planning	7,090	6,575	514	7.3%
Total Directorate Budget	**102,211**	**94,686**	**7,525**	**7.4%**

Highways

The Highways function consists of three services: Network Operations, Highways Infrastructure, and Parking Services. Final 2025/26 figures are in the table below.

Place	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000	
Network Operations	4,646	4,526	120	2.6%
Highways Infrastructure	6,186	5,032	1,154	18.6%
Parking Services	(8,100)	(7,661)	(439)	(5.4%)
Total Highways Budget	2,733	1,897	835	30.6%

Network Operations had a small underspend of £0.120m. This is largely in line with expectations. This includes authorised but unbudgeted spend on highways drainage and flooding issues spent circa £350k.

Highways Infrastructure underspent by £1.154m. This is largely due to a favourable energy position under the streetlighting contract.

Parking Services ended the year at an adverse £0.439m position. Income budgets were exceeded by a small margin (£0.026m) but expenditure budgets were also exceeded, particularly with regard to unplanned emergency resurfacing work in the last quarter of the year prompted by flooding/storm damage.

Dorset Travel

The Dorset Travel budget forms a significant part of the overall Place Directorate net budget, being £42m of the overall £102m (almost 42%). Overall, the service spent £39m against the £42m, an underspend of £3.4m. The table below breaks this down further:

Place	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000	
School Transport	13,098	11,716	1,382	10.5%
Public Transport	4,324	5,709	(1,384)	(32.0%)
Operational Support	1,305	1,497	(191)	(14.7%)
SEND Transport	23,864	20,224	3,640	15.2%
Total Dorset Travel Budget	42,594	39,147	3,446	8.1%

School Transport (mainstream) – School transport costs increased from £11.4m in the previous year to £11.7m for 2025/26. This is an increase of 2.6%, below the average inflation rate for the year. Numbers of solo routes have dropped (from 12 to 3, from one academic year to the next) and effective route optimisation by the team (including use of new software system) has greatly assisted cost control.

SEND Transport – The Dorset Travel team have been able to contain increasing volumes of children within a 2.5% increase (spend of £20.2m in comparison to £19.7m in the prior year). Notably, previous years' increases were 44.5% and 17% for 2022/23 and 2023/24 respectively. This is despite client numbers increasing by 8%. The SEND Travel Reviewing team have absorbed the growth via seat occupancy improvements, merging of routes, and reduction in solo routes, which has meant that overall cost increases have been lower than budgeted.

Public Transport – The main cost pressure within Public Transport is the cost of Concessionary Fares, with spend of £4.6m against a budget of £3.5m.

Waste – Commercial and Strategy

Waste Strategy finished with an outturn of £16.158m against a net budget of £17.305m, an underspend of £1.147m.

The following table shows the breakdown by service.

Place	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000	
Commercial Waste & Strategy General	(1)	(1)	0	0%
Waste Disposal	18,931	18,187	744	4%
Premises	455	481	(26)	(5.8%)
Management & Admin	1,676	1,622	54	3%
Garden Waste	(2,301)	(2,430)	128	5.6%
Trade Waste	(1,348)	(1,628)	279	21%
Container Charging	(107)	(73)	(34)	(32%)
Total Waste – Commercial and Strategy Budget	17,305	16,158	1,147	6.6%

The waste disposal budget ended the year at £744k underspent. As reported during the year, there were adverse variances on recyclate price (including glass) but offset by savings due to lower-than-expected tonnage volumes observed through the year. There may be a variety of factors contributing to this, such as wider economic conditions (for example, the cost of living), modernising approaches from manufacturers with regards to packaging, and customer behaviour on the back of educational campaigns. There were significantly lower than profiled tonnages / spend on the Green Waste budget due to the exceptionally dry and hot weather in Spring and early Summer that impacted organic growth.

The income generating services of garden waste, trade waste, and container charging collectively exceeded targets by £373k. All other variances within Waste – Commercial and Strategy were minor.

Waste Operations

The 2025/26 budget was £17.969m, and, in line with the reporting during the year, the final position was a small underspend, of £0.631m, which is around 3.5% of budget. Transport related costs were a major part of this, with an underspend on leased vehicles of £273k and an underspend on vehicle fuel of £157k. Income was also positive, at £115k over budget. Other operational variances were minor.

Weymouth 2040

The revenue aspects of the Weymouth 2040 programme overspent by £275k, however this was done with the approval of the Executive Director, with awareness that the overall Directorate budget had capacity to fund this strategic priority programme.

Director's Office

Director's Office shows an underspend of £0.598m. This is primarily funds accrued from the reduction of posts across the Directorate.

Planning

The Planning function comprises seven services, with the final 2025/26 figures presented in the following table.

Place	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000	
Conservation	1,196	1,105	91	7.6%
Devt Management	769	580	188	24.4%
Spatial Planning	3,628	3,471	157	4.3%
Planning Management	46	36	10	21.7%
Building Control	586	621	(35)	(6%)
Environment Policy	662	558	104	15.7%
National Landscape (formerly AONB)	204	204	0	0
Total Planning Budget	7,090	6,575	514	7.3%

Reporting throughout the year has focused on the volatility of planning income, which can adversely affect the Development Management and Building Control service. The forecast at the end of Quarter 3 was £200k favourable, but the final quarter saw better income than expected and ended at £514k favourable.

Corporate Services

Corporate Development

The net budget was £43.9m and the final outturn was an underspend of £1.7m. There were a number of variances across the services, but in the main the underspend was generated from pay savings from vacant posts and additional income.

Corporate Development	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000	
Financial & Commercial	6,819	6,849	(29)	(0.4%)
Workforce & People	2,157	1,667	490	22.7%
ICT Operations	8,985	8,662	323	3.6%
Chief Executive's Office	1,132	1,082	50	4.4%
Director's Office	115	106	9	7.8%
Strategy, Performance and Sustainability	6,633	6,437	197	3.0%
Customer Hub	11,049	10,768	281	2.5%
Business Support	611	486	125	20.5%
Digital Change	1,553	1,353	201	12.9%
Transformation, Customer & Cultural Services	4,942	4,930	12	0.2%
Total Directorate Budget	**43,997**	**42,339**	**1,658**	**3.8%**

Legal & Democratic Services

The net budget was £8.6m and the final outturn position was an underspend of £0.5m.

Legal & Democratic	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000	
Assurance	1,750	1,703	47	2.7%
Democratic & Elections Services	3,212	3,133	79	2.5%
Land Charges	(308)	(548)	240	78.0%
Legal Services	3,038	2,979	60	2.0%
Archives	865	814	51	5.9%
Total Directorate Budget	**8,558**	**8,080**	**478**	**5.6%**

During 2025/26, there were minor underspends across the services. Within Land Charges, higher search volumes over the past 12 months generated additional income of £0.230m.

Central Finance

The net budget was £446.7m, with a final outturn showing a positive variance of £0.7m.

Central Finance	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000	
Our Future Council Savings	(6,000)	(710)	(5,290)	(88.2%)
General Funding	(49,869)	(50,769)	900	1.8%
Capital Financing	18,761	17,703	1,057	5.6%
Contingency	8,858	4,797	4,061	45.8%
Precepts/Levy	21,560	21,591	(31)	(0.1%)
Central Finance	(440,053)	(440,055)	3	0.0%
Total Central Budgets	**(446,743)**	**(447,444)**	**701**	**0.2%**

The Our Future Council (OFC) programme delivered £0.710m of in-year workforce savings, with a further £2.0m deferred to 2026/27 due to delays in delivery. General Funding reported an underspend of £0.900m, driven by an improved pension deficit position, while Capital Financing underspent by £1.057m due to lower interest costs.

The Contingency budget was applied in line with its purpose to offset pressures arising from the pay award and inflation, with £4.0m also supporting OFC third-party expenditure savings. A shortfall in council tax income of £0.142m, resulting from discretionary reliefs, was more than offset by a £3.1m surplus in business rates; this was largely transferred to the NNDR Business Rate Equalisation Reserve to support future financial resilience.

Developing the 2026/27 budget

For 2026/27 Dorset Council set a net budget of £482.6m funded from National Non-Domestic Rates (NNDR) – more commonly referred to as business rates (£58.9m); Revenue Support Grant (£60.8m); and council tax (£362.9m). The resulting band D equivalent council tax charge is £2,205.90. Several government grants that were previously allocated separately have transferred into the Revenue Support Grant. This is a change to the way the government presents the funding, rather than additional funding.

Part 2 (Section 25) of the Local Government Act 2003 requires officers with responsibilities under section 151 of the Local Government Act 1972 to make a statement regarding the robustness of estimates and the adequacy of reserves at the time the budget is set. When making this statement due consideration is given to the risk of a Section 114 notice being issued in the near future or within the medium term. Further details of the Section 151 Officer assurance is detailed in the budget paper approved by Council each year as part of setting the budget.

Future funding prospects

Development of the next iteration of the Medium-Term Financial Plan (MTFP) will be extremely challenging, especially with growing pressures and a reset expected for business rates.

Borrowing, servicing of debt and liquidity

The Council's overall borrowing stood at £317m at the end of the year, a net increase of £22m during the year. The maturity profile of the Council's borrowing is within the limits set out in the treasury management strategy and includes £75m of borrowing repayable within the next 12 months from the balance sheet date. The average interest rates payable on borrowing were 4.64% on loans from the Public Works Loan Board (PWLB) and 4.21% on loans from other lenders.

Interest payable on external debt (including Private Finance Initiative liabilities and leases) during the year was £11.9m and interest receivable plus other investment income was £4.9m.

The prudential borrowing framework allows councils to borrow for capital investment without Government consent, providing they can afford to service the debt. Details of the Council's capital financing requirement is set out in **Note 21, Capital Financing Requirement**.

Liquidity was maintained at adequate levels during the year with no concerns over the ability to discharge creditors and other payments as they fell due.

More information on debt and liquidity is routinely included in reports to the Council's Cabinet and Audit & Governance Committee available on the Council's website.

Reserves and balances

A full analysis of the Council's reserves is provided in the financial statements and in the notes to the accounts.

The Council closed the year with usable reserves of £330.004m.

The vast majority of the Council's reserves are already earmarked for specific purposes or can only be used for certain types of expenditure and is therefore not available for general use (despite the generic description *usable reserves*). Use of reserves would also be unsustainable for the Council as part of budget setting strategy, and this is specifically mentioned in the reserve's strategy statement.

The Council's level of general balances (usable reserves that have not been specifically earmarked for a particular purpose) is set out in **Note 37, Movement in General Fund Balances** and totals £35.983m. During 2025/26, the General Fund Balance was increased by £4.3m, reflecting a strengthening of the Council's unallocated reserve position over the year.

Provisions, contingencies and contingent assets

Movements in provisions, contingent and other long-term liabilities are disclosed in the notes to the financial statements. There have been no material changes to policy during the year: the amount set aside as provisions reduced by £0.8m.

Changes in statutory functions

There were no changes in statutory functions that require disclosure during the year.

Group financial statements

Having considered the relationships that exist between the Council and partners with whom it operates jointly/together, the Section 151` Officer has concluded there is no material requirement to prepare consolidated financial statements.

Events after the balance sheet date

There were no significant events between the balance sheet date and the approval of these financial statements which would require adjustment of the statements. The allocation of the High Needs Stability Grant announced on 2 October 2026 has been disclosed

Pension Fund

Dorset Council is the local administering authority for the Local Government Pension Scheme (LGPS), a contributory, defined benefit pension scheme that provides pensions and other benefits for employees of Dorset Council, other councils and a range of other bodies within Dorset.

Administering authorities are required to maintain a pension fund for the payment of benefits, and annual accounts for the pension fund are included as an appendix to these financial statements.

Benefits for scheme members are calculated based on factors such as age, length of membership and salary, and are funded by contributions from scheme members and their employers and from returns on contributions invested prior to benefits becoming payable. Contribution levels for scheme members are set nationally, and contribution levels for scheme employers are set locally by actuaries engaged by administering authorities.

As at 31 March 2026, the pension fund's assets were valued at £4.5bn in total, with Dorset Council's 'share' available to fund benefits estimated by the actuary to be approximately £1.6bn. The Council is the scheme's largest employer in Dorset as at 31 March 2025 (the date of the last full actuarial valuation).

Every three years, the actuary undertakes a full assessment of the funding position for all scheme employers to set their contribution rates for the next three years. The last such actuarial valuation was based on assets and liabilities as at 31 March 2025 and estimated Dorset Council's deficit (the difference between assets and liabilities) to be approximately £75m, recoverable through employer contributions over 13 years. At this date, the Council had 6,523 current employees contributing to the scheme, 10,199 former employees of the Council or its predecessor authorities receiving pensions and 9,070 'deferred pensioners' (former employees who will receive pensions in the future).

In addition, the actuary is required, every year, to undertake an indicative assessment of the funding position for disclosure in the accounts of scheme employers. Accounting standards require this assessment to assume that the return on the pension fund's investments is equal to the expected return from high-quality corporate bonds which can vary significantly from the expected returns from the pension fund's actual portfolio of investments. This means that the deficit reported in the accounts can vary significantly from the triennial valuation used to set contribution rates and the Council's accounting deficit was estimated at £73.7m as at 31 March 2026.

Basis of preparation

The accounts for 2025/26 are prepared in accordance with:

- the Accounts and Audit Regulations 2015;
- the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

This narrative statement provides context for the financial performance of the Council for the financial year and its financial position as at 31 March 2026. This includes an interpretation of the financial statements, providing information on the major influences affecting the Council's income and expenditure and cash flow, and on the financial needs and resources of the Council.

Dorset Council's primary financial statements comprise:

i) Comprehensive Income and Expenditure Statement

This statement summarises the Council's total income and expenditure for the year, providing a segmental analysis to report performance on the basis that the Council is structured and how it operates, monitors and manages financial performance. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the movement in reserves statement. The difference between the accounting cost and costs chargeable to taxation are adjusted through the movement in reserves statement.

ii) Balance Sheet (also known as the Statement of Financial Position)

The Balance Sheet shows the value as at a specified date (31 March) of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category is usable reserves, i.e. those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the unapplied capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement In Reserves Statement line *adjustments between accounting basis and funding basis under regulations*.

iii) Movement In Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The movement in reserves statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amount's chargeable to council tax for the year. The net increase/decrease line shows the movements in the general fund in the year following those adjustments.

iv) Cash Flow Statement

The Cash Flow Statement shows the changes in the Council's cash and cash equivalents in the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

v) Notes to the financial statements

These give further information and explanations of the figures in the primary financial statements.

vi) Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.



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Sean Cremer

Director – Resources
(Chief Finance Officer & s151 Officer)

17 November 2026



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Councillor Spencer Flower

Chair, Audit & Governance Committee

17 November 2026

Statement Of Responsibilities

The following statement describes the respective responsibilities of the Council and the Chief Finance Officer for the Financial Statements.

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Finance Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

Further information about policies, procedures, publications and contact details for the Council and other relevant local authorities can be found on the dorsetcouncil.gov.uk website.

The Chief Finance Officer's responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2026 and of its income and expenditure for the year then ended.

<<<Electronic signature>>>

Sean Cremer
Director - Resources
(Chief Finance Officer & s151 Officer)

17 November 2026

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement reports performance on the basis that the Council is structured and how it operates, monitors and manages financial performance.

2024/25 Restated Gross Spending £'000	2024/25 Restated Gross Income £'000	2024/25 Restated Net Spending £'000	Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations	Notes	2025/26 Gross Spending £'000	2025/26 Gross Income £'000	2025/26 Net Spending £'000
359,030	(236,279)	122,751	People - Children	13	**403,040**	**(254,950)**	**148,090**
274,268	(132,605)	141,663	People - Adults & Housing	14	**287,930**	**(138,410)**	**149,520**
223,296	(70,162)	153,134	Place		**220,648**	**(66,679)**	**153,969**
121,947	(77,750)	44,197	Corporate Development	18	**110,228**	**(66,583)**	**43,645**
37,539	(32,988)	4,551	Public Health & Prevention		**36,624**	**(33,826)**	**2,799**
11,325	(3,157)	8,168	Legal & Democratic Services	15	**9,764**	**(1,799)**	**7,965**
4,224	(15)	4,209	Centrally Managed Costs		**3,259**	**(12)**	**3,247**
1,031,629	(552,956)	478,673	**Net Cost of Services**	7-12, 16-17	**1,071,494**	**(562,258)**	**509,236**
1,368		1,368	Net loss/ (gain) on disposal of non-current assets		**5,780**		**5,780**
19,552	(100)	19,452	Levies and Precepts		**21,691**	**(100)**	**21,591**
20,920	(100)	20,820	**Other Operating Income & Expenditure**		**27,471**	**(100)**	**27,371**
9,821		9,821	Interest Payable		**11,890**		**11,890**
	(6,394)	(6,394)	Interest and Investment Income			**(4,865)**	**(4,865)**
	(1,079)	(1,079)	Losses / (gains) on Investments			**(141)**	**(141)**
95		95	Net loss / (gain) on disposal of Academies		**71**		**71**
4,679		4,679	Pensions Interest Cost & Expected Return on Assets	50	**1,010**		**1,010**
14,595	(7,473)	7,122	**Financing & Investment Income & Expenditure**		**12,971**	**(5,006)**	**7,965**
	(698)	(698)	Revenue Support Grant	12		**(1,749)**	**(1,749)**
	(68,506)	(68,506)	Non-Domestic Rates			**(69,049)**	**(69,049)**
	(330,764)	(330,764)	Council Tax			**(359,936)**	**(359,936)**
	(74,970)	(74,970)	Other Central Grants	12		**(77,458)**	**(77,458)**
	(474,938)	(474,938)	**Taxation & Non-Specific Grant Income**			**(508,192)**	**(508,192)**
1,067,144	(1,035,467)	31,677	**(Surplus) / Deficit on the Provision of Services**		**1,111,935**	**(1,075,556)**	**36,380**
		(13,777)	(Surplus) on the revaluation of Property, Plant & Equipment	42			**(36,906)**
		(76,857)	Remeasurements of the net defined benefit liability (asset)	50			**20,343**
		(58,957)	**Total Comprehensive (Income) / Expenditure**				**19,817**

In order to simplify the presentation of the accounts, expenditure on services is summarised at directorate level.

Prior year amounts have been restated on the Comprehensive Income and Expenditure Statement in line with movements of services between directorates during 2025/26 and attribution of some income streams held centrally to services at year-end, so that financial performance is comparable across both financial years. The changes to 2024/25 figures relate to the following lines:

Reattributed 2024/25 net expenditure	Per 24-25 accounts £'000	Commissioning & improvement £'000	Birth 2 Settled Adulthood £'000	Chairman's Fund £'000	Grant income £'000	Internal recharges £'000	Restated 2024-25 £'000
People - Children	131,547		535		(8,902)	(430)	122,751
People - Adults & Housing	163,936	(487)	(535)		(21,251)		141,663
Place	153,134						153,134
Corporate Development	43,887	487		8		(184)	44,198
Public Health & Prevention	4,551						4,551
Legal & Democratic Services	8,176			(8)			8,168
Centrally Managed Costs	4,209						4,209
Net Cost of Services	509,440	-	-	-	(30,153)	(614)	478,674
Other Central funding	(37,250)				30,153	614	(6,483)

Balance Sheet

The Balance Sheet is a record of the financial position of the Council at 31 March 2026. Figures relating to the Dorset County Pension Fund are excluded, except amounts specific to the Council, e.g. the Pensions Liability and Pensions Reserve. The summarised Pension Fund Accounts are set out in separate statements in a separate document. Detailed notes supporting the Balance Sheet are shown later in this document.

As at 31 March 2025 £'000	£'000		Notes	As at 31 March 2026 £'000	£'000
4,452		Intangible Assets		**3,726**	
1,074,854		Property, Plant & Equipment	*22*	**1,094,849**	
3,026		Heritage Assets		**2,970**	
19,328		Long-term Investments		**1,287**	
6,980		Long-term Debtors	*24*	**6,788**	
	1,108,640	**Long-term Assets**	*19-21*		1,109,620
		Current Assets			
1,949		Inventories		**2,131**	
117,986		Debtors and Payments in Advance	*25*	**137,563**	
8,419		Short-Term Investments		**-**	
1,817		Assets held for sale		**1,910**	
69,390		Cash & cash equivalents	*27*	**69,433**	
199,561				**211,037**	
		Current Liabilities			
(54,953)		Short-Term Borrowing	*26*	**(74,637)**	
(7,653)		Short-Term PFI Liability	*24*	**(7,355)**	
(1,265)		Short-Term Lease Obligations	*23*	**(907)**	
(89,955)		Creditors and Receipts in Advance	*28*	**(100,408)**	
(5,805)		Provisions	*33*	**(5,002)**	
(497)		Grants Receipts in Advance - Revenue	*29*	**(1,480)**	
-		Grants Receipts in Advance - Capital	*30*	**-**	
(39,100)		Bank Overdraft	*27*	**(45,396)**	
(199,228)				**(235,185)**	
	333	**Net Current Assets / (Liabilities)**			**(24,148)**
	1,108,973	**Total Assets less Current Liabilities**			**1,085,472**
		Long-Term Liabilities			
(240,010)		Long-Term Borrowing	*26*	**(242,166)**	
(16,690)		Long-Term PFI Liability	*24*	**(13,845)**	
(57)		Other Long-Term Liabilities		**(57)**	
(8,288)		Long-Term Lease Obligations	*23*	**(4,991)**	
(73,428)		Pensions Liability	*50*	**(73,730)**	
	(338,473)	**Total Long-Term Liabilities**			**(334,789)**
	770,500	**Net Assets/(Liabilities)**			**750,683**
		Financed by:-			
	292,961	Usable Reserves	*37 to 40*		**330,004**
	477,539	Unusable Reserves	*13, 41-46, 50*		**420,679**
	770,500	**Total Reserves**	*36*		**750,683**

In order to simplify the presentation of the accounts, aggregated figures are shown for property, plant & equipment, usable reserves and unusable reserves. More detailed breakdowns of these figures can be found in the notes supporting the Balance Sheet. Accounts in previous years have included some of this detail on the face of the Balance Sheet as well.

Movement in Reserves Statement (MIRS)

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves and unusable reserves.

	General fund	Earmarked reserves	**Total general fund**	Capital receipts reserve	Capital grants unapplied	**Total usable reserves**	Total unusable reserves	**Total reserves**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**	£'000	**£'000**
Balance at 31 March 2024	44,775	121,872	**166,647**	9,730	113,093	**289,470**	422,073	**711,543**
(Surplus) / Deficit on the Provision of Services	(31,677)	0	(31,677)	0	0	(31,677)	90,634	58,957
Adjustments between accounting basis and funding basis under regulations	12,950	0	12,950	(5,785)	28,003	35,168	(35,168)	0
Transfers to / (from) earmarked reserves	13,712	(7,859)	5,853	0	(5,853)	0	0	0
Balance at 31 March 2025	39,760	114,013	**153,773**	3,945	135,243	**292,961**	477,539	**770,500**
(Surplus) / Deficit on the Provision of Services	(36,380)	0	(36,380)	0	0	(36,380)	16,563	(19,817)
Adjustments between accounting basis and funding basis under regulations	51,565	0	51,565	1,177	20,681	73,423	(73,423)	0
Transfers to / (from) earmarked reserves	(8,753)	13,002	4,249	0	(4,249)	0	0	0
Balance at 31 March 2026	46,192	127,015	**173,207**	5,122	151,675	**330,004**	420,679	**750,683**
Notes	*37*	*38*		*40*	*39*		*41-46*	*36*

Cash Flow Statement

The cash flow statement outlines the movements in the Council's cash and cash equivalents over the year. It explains how cash is generated and utilised, grouping the flows into operating, investing, and financing activities.

As at 31 March 2025 £'000		Note	As at 31 March 2026 £'000
(31,677)	Net surplus or (deficit) on the provision of services		**(36,380)**
16,140	Adjustment to surplus or deficit on the provision of services for noncash movements	47	**52,060**
(1,259)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**(1,565)**
(16,796)	**Net Cash flows from operating activities**		**14,115**
(56,374)	Net Cash flows from Investing Activities	48	**(36,069)**
83,306	Net Cash flows from Financing Activities	49	**15,701**
10,136	**Net increase or (decrease) in cash and cash equivalents**		**(6,253)**
20,154	Cash and cash equivalents at the beginning of the reporting period		**30,290**
30,290	Cash and cash equivalents at the end of the reporting period		**24,037**
10,136	**Change in cash and cash equivalents during the reporting period**		**(6,253)**

Notes to the Accounts

Notes to the accounts are divided into six sections, starting with a section headed General Notes and then followed by four sections in which the notes are grouped according to which of the primary financial statements the note relates to (Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cash Flow Statement). Some notes include information relevant to more than one primary financial statement where it makes more sense to keep all related information in the same place. Finally, there is an additional section headed Technical Notes that contains information related to pensions and financial instruments.

General Notes

1) Accounting standards that have been issued but not yet adopted

The Authority is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The CIPFA Code for 2026/27 has been updated to reflect amendments to *IFRS 7 (Financial Instruments Disclosures)* and *IFRS 9 (Financial Instruments)*. These standards have been adapted into the Code without adaptation or interpretation.
The changes due to these standards:

- expand on, and clarify, accounting arrangements for contracts related to nature-dependent electricity;
- clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system);
- add guidance on the solely payment of principal and interest (SPPI) criteria; and
- update disclosure requirements for certain financial instruments.

FRS 102 – the Financial Reporting Standard for the UK - introduces a new disclosure requirement for depreciation or amortisation of heritage assets. This was not previously required by the Code.

Volume 11 of the Annual improvements to IFRS accounting standards (issued in July 2024) includes minor amendments to the wording of *IAS 7 (Statement of Cash Flows); IFRS 1 (First-time Adoption of IFRS); IFRS 7 (Financial Instruments: Disclosures): IFRS 9 (Financial Instruments);* and *IFRS 15 (Revenue from Contracts with Customers*).

None of these changes in accounting requirements for 2026/27 are anticipated to have a material impact on the Council's financial performance or financial position.

2) Critical accounting judgements

In applying the accounting policies set out in this document, the Council has made judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Financial Statements are:

(i) Better Care Fund

In 2015/16 a Better Care Fund was established between Dorset County Council and Dorset NHS clinical commissioners, funded and controlled jointly by the partners. Following Local Government Reorganisation in Dorset, Dorset Council has administered the scheme since 1 April 2019. The arrangement has been accounted for as a joint operation - where each partner shows in its accounts its share of the expenditure, assets and liabilities of the Better Care Fund. Further details are disclosed in **Note 14, Pooled Budgets for Health and Social Care**. If the Council had accounted for all the transactions of the Better Care Fund that it had processed (on behalf of all partners) then income and expenditure would have been inflated by £69.5 million (£68.1 million 2024/25).

(ii) Assessment of the requirement for group accounts

The Council applies a series of tests, on an annual basis, to assess whether collaborative arrangements it is involved in give rise to a group accounting situation and the requirement to produce consolidated accounts. The Council has assessed its current portfolio of arrangements as immaterial for the purposes described and group accounts are therefore not produced. Information about joint venture arrangements and other related parties is disclosed in **Note 6, Related party transactions**.

3) Sources of estimation uncertainty

The Statements of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

However, because amounts cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet as at 31st March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting Actuaries, Barnett Waddingham LLP, is engaged to provide the Council with expert advice about the assumptions to be applied.	The present value of the total defined benefit obligation is £1,444 million. The actuary has provided sensitivity analysis, which shows: • a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £22.3 million; • a reduction in life expectancy assumptions of 1 year reduces the pension liability by £22.3 million; • adjustments to salary and pension increases of 0.1% increase the pension liability of £23.1 million and £24 million respectively.

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	The Council's share of Fund assets exceeded its defined benefit obligation by £149m at 31 March 2026, on an IAS 19 basis. Under IFRIC 14 the amount recognised is restricted to the present value of the economic benefit available through reductions in future contributions, measured as the present value of future service cost less the present value of the minimum funding contributions the Council is expected to make. Those contributions are projected from the rates certified by the Fund actuary and assumed to continue for the period of the Council's expected participation in the Fund. On that basis no economic benefit is assessed as available and an asset ceiling adjustment of £89m has been made, bringing the total asset ceiling impact up to £222m and reducing the amount recognised on the Balance Sheet to £nil. The calculation of the pensions asset ceiling can change materially between years because it is affected by the level and duration of future contribution rates, relative to future service cost. Changes in these, particularly following a future funding valuation or change in contribution arrangements, such as the 2026-29 contribution certificate, could therefore result in a material movement in the asset ceiling even if the Pension Fund remains strongly funded.	It is not practicable to quantify the effect of a change in future contribution rates on the asset ceiling, as this depends on further inputs from the actuary which were not available at the date the accounts were authorised for issue. It is reasonably possible that outcomes within the next financial year will require a material adjustment to the net defined benefit position, which is restricted to £149m by the £222m asset ceiling as at the reporting date. The effect of the asset ceiling adjustment is disclosed in **Note 50, Retirement Benefits**.
Pensions Liability	Amounts charged to and income credited to the Comprehensive Income and Expenditure Statement and the valuation of the Pension Reserve in the Balance Sheet in respect of employee pension benefits are heavily influenced by the estimated future inflation and earnings on investments. The assumptions made in making these estimates are set out in disclosure **Note 50, Retirement Benefits**. The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this difference is not considered to be material.	The impact is not expected to be material.
Property, Plant and Equipment (PPE)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	In 2025/26 the total AHS PPE depreciation charge was £55.6m, comprised of: • Infrastructure Assets £32.6m • Buildings £13.7m, • Vehicles, Plant, Equip £8.3m, • Intangible assets £0.9m, • Heritage assets £0.1m If the useful life of assets is increased, depreciation charges reduce and the carrying amount of the assets increase. It is estimated that the annual depreciation charges for buildings, equipment and infrastructure would reduce by £5 million for every year that useful lives are increased.

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment (PPE)	Assets are valued on a five-year rolling basis, supported by indexation adjustments in years where assets are not valued. Where the Authority is unable to obtain a suitable index, a desktop revaluation of the asset is carried out in year three of the five-year cycle. Indices are proxy measures based on measures drawn from data at a regional or national level, which may not be representative of changes to the value of a specific site, particularly where valuations are based on projected demand in existing use.	The average change in the value of assets that were valued in the year as part of the five-year rolling revaluation programme was 5.5%. For those assets where indexation was applied, the average increase in the value of assets was 2.4%. If the average valuation percentage increase were to be applied to the assets valued using indices, this would increase the Balance Sheet asset values before depreciation by £5.7m.

4) Prior period adjustments

Prior period adjustments were made in the financial statements in respect of 2024/25 comparators for (i) adjustments for functions moved between directorates & reallocation of income to match their treatment in 2025/26 (affecting the CIES & Notes 7-12); (an expanded breakdown of income from Government grants (Note 12); (iii) correction of transposed figures for the participants in the Better Care Fund (Note 14); (iv) additional information on input levels for financial assets (Note 51).

5) Events after the Balance Sheet date

The Government notified Dorset Council on 2 October 2026 that our Local SEND Reform Plan had been approved, and that as a result we are eligible for an indicative High Needs Stability Grant allocation of £145.017 million. The grant allocation is subject to further amendment following confirmation of the final audited outturn for 2025/26. Initial payments are expected to take place at the end of November 2026. Further information relating to this grant and its purpose is included in **Note 13, Dedicated Schools Grant**. There were no other material events after the Balance Sheet date that require disclosure in these financial statements.

6) Related party transactions

Local Authorities are required to disclose details of transactions with related parties, including Central Government, Other Local Authorities, and Elected Members, Senior Officers & their close families.

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant proportion of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties.

Significant grants are received from the Department for Education; the Ministry of Housing, Communities and Local Government; and the Department for Health and Social Care. Other Government Departments provide smaller levels of grant.

Specific Grants are set out in **Note 12, Analysis of Government Grants**.

Other Local Authorities and Bodies levying demands on the council tax

Levies and precepts paid to other bodies during 2025/26 included the following material transactions:

2024/25 £'000		2025/26 £'000
582	Environment Agency	**608**
210	Southern Inshore Fisheries & Conservation Authority	**224**
18,762	Town & Parish Precepts	**20,859**

Dorset Council administers the Dorset County Pension Fund on behalf of its employees and those of other local authorities in the county and other admitted bodies (charities or former local authority bodies such as Housing Associations). Employers' Contributions to the Fund are shown in the pension fund accounts.

Transactions with Bournemouth, Christchurch and Poole Council, Primary Care and Hospital NHS Trusts in respect of the pooled budget scheme are detailed in **Note 14, Pooled Budgets for Health and Social Care**.

Disclosure of interests in other entities

Care Dorset

Care Dorset was launched in October 2022 and is an adult care service provider offering Residential services, Day Opportunities, Reablement services and Supported Living Services. Care Dorset is an independent company that is wholly owned by Dorset Council, known as a Local Authority Trading Company.

The accounting year end for Care Dorset was 30th September until 2024 but became 31st March as from 2026. As a result, the most recent financial accounts cover an eighteen-month period from October 2024 to March 2026.

The consolidated turnover for Care Dorset Holding Limited for this period was £48.7m – which would be £32.5m pro-rated to 12 months (compared to £31.9m for 1 October 2023 to 30 September 2024). Care Dorset made a profit of £41k for the period ended 31 March 2026 – £27k pro-rated to 12 months (compared to £10k for the year ended 30 September 2024).

Transactions with Care Dorset for 2025/26, excluding VAT, were as follows:

2024/25 £'000		2025/26 £'000
3,123	Payments due from Care Dorset Ltd	**3,320**
3,980	Debtors as at 31 March (amounts owing from entity)	**1,460**
1,387	Payments made to Care Dorset Ltd	**2,493**
-	Creditors as at 31 March (amounts owed to entity)	**-**
29,340	Payments made to Care Dorset Holding Limited	**28,927**
-	Creditors as at 31 March (amounts owed to entity)	**-**

The care contract with Dorset Council runs on an October to September cycle, so changes take effect mid-way through the council's financial year. Payments under this contract were £26.677m for April 2025 to March 2026 (£26.590m for April 2024 to March 2025).

Dorset Council is contracted to provide support services to Care Dorset; the value of this contract was £785k for April 2025 to March 2026 (£804k for April 2024 to March 2025).

Dorset Centre of Excellence Ltd

The Dorset Centre of Excellence Ltd was established in April 2022 and operates Coombe House

School to provide education for children with special education needs (SEND). The Dorset Centre of Excellence is a limited company, 100% owned by Dorset Council.

Turnover for the Dorset Centre of Excellence was £8.4m for 2025/26 (£6.2m for 2024/25). The Dorset Centre of Excellence received fees from Dorset Council of £8.1m for 2025/26 (£6.009m for 2024/25).

The accounting year end for the Dorset Centre of Excellence is 31st March.

The Dorset Centre of Excellence anticipate reporting a pre-tax surplus of £1.564m for 2025/26 (£736k for 2024/25).

Transactions with The Dorset Centre of Excellence for 2025/26, excluding VAT, were as follows:

2024/25 £'000		**2025/26 £'000**
2,011	Payments due from Dorset Centre of Excellence	**2,866**
276	Debtors as at 31 March (amounts owing from entity)	**325**
6,253	Payments made to Dorset Centre of Excellence	**8,346**
-	Creditors as at 31 March (amounts owed to entity)	**-**

South West Audit Partnership (SWAP)

SWAP is a local authority-controlled company limited by guarantee which started trading on 1 April 2013. The guarantors are all local authorities, Dorset Council being one of them. Dorset Council's influence in SWAP has significantly diminished over the years, given the expansion of the company.

SWAP reports on a financial year ending 31 March. but does not publish a copy of its Profit & Loss Account in reliance on section 444(1) of the Companies Act 2006. Further information can be obtained from SWAP via their website: Audit services | SWAP Internal Audit Services (swapaudit.co.uk)

Dorset Council charged £458k to the 2025/26 accounts (£445k for 2024/25) for services received by SWAP.

Transactions with SWAP for 2025/26, excluding VAT, were as follows:

2024/25 £'000		**2025/26 £'000**
-	Payments due from SWAP	**-**
-	Debtors as at 31 March	**-**
445	Payments made to SWAP	**458**
-	Creditors as at 31 March (amounts owed to entity)	**-**

TRICS Consortium Ltd.

TRICS Consortium Ltd. was incorporated on 14 October 2014 by Dorset County Council and five other local authorities. Each founder member appoints a director to the company's Board.

The Company reports on a financial year ending 31 December but does not publish a copy of its Profit & Loss Account in reliance on section 444(1) of the Companies Act 2006. Further information can be obtained from TRICS via their website: www.TRICS.org.

During 2025/26 Dorset Council received a dividend of £50k from the Company (£85k for 2024/25) and was charged £4k to the accounts for services purchased from the Company (£4k for 2024/25).

Transactions with TRICS for 2025/26, excluding VAT, were as follows:

2024/25 £'000		2025/26 £'000
-	Payments due from TRICS	-
-	Debtors as at 31 March	-
1	Payments made to TRICS	**4**
-	Creditors as at 31 March (amounts owed to entity)	-

Dorset & Kent Commercial Services LLP (trading as Connect2Dorset)

The Limited Liability Partnership (LLP) - formally named Dorset & Kent Commercial Services LLP but more widely known under the trading name of Connect2Dorset - was established to provide agency staffing services. The LLP is jointly owned by Dorset Council and Commercial Services Kent Ltd, each holding a 50% stake, with neither party exercising overall control. This partnership became effective on 8 April 2024.

While the LLP primarily delivers services to Dorset Council, it also undertakes limited external trading with third-party organisations.

The LLP's accounting year ends on 31 March. For the financial year 2025/26, Connect2Dorset reported a turnover of £8.6m (£9.7m for 2024/25) and a net loss of £89k (£147k loss for 2024/25).

The financial impact of the Joint Venture on Dorset Council is not material. As such, its results are not consolidated into the Council's group accounts.

Transactions with Connect2Dorset for 2025/26, excluding VAT, were as follows:

2024/25 £'000		2025/26 £'000
5	Payments due from Connect2Dorset	**7**
-	Debtors as at 31 March (amounts owing from entity)	**-**
9,735	Payments made to Connect2Dorset	**8,533**
-	Creditors as at 31 March (amounts owed to entity)	**-**

Elected Members, Staff and close families

All Councillors, Senior Officers and purchasing staff have been informed of the requirements and the need for disclosure.

Some Councillors and Senior Officers have a role or are appointed by the Council to boards of voluntary bodies or charities in receipt of support from the Council. The following list contains instances where the councillors concerned can be regarded as being in a position of control or significant influence, and where council funding in 2025/26 was £20k or more:

- The Dorchester Youth & Community Centre received grants of £29k in 2025/26 (£23k in 2024/25). Councillor Richard Briggs is the chairman of the centre's trustees. Councillor Stella Jones is also a trustee. Councillor Les Fry was a trustee but has now resigned.
- The Lantern Centre in Weymouth received grants of £30k in 2025/26 (£27k in 2024/25), and income from service level agreements of £112k (£108k in 2024/25). Councillor Jon Orell is one of the centre's trustees, while councillor Nick Ireland is married to another of the trustees.
- The Blackmore Vale Family Hub received grants of £44k in 2025/26 (£136k in 2024/25). Councillor Stella Jones is a trustee.
- The Museum of East Dorset in Wimborne (also known as Priest's House) received grants of £54k (£49k in 2024/25). Councillor David Morgan is a trustee and unpaid director of the museum.

- The Portland Museum Trust received grants of £25k in 2025/26 (£15k in 2024/25). Councillor Rob Hughes is an unpaid director of the trust.
- The Purbeck Youth & Community Foundation received grants of £82k in 2025/26 (£79k in 2024/25) and income from a service level agreement of £14k (£15k in 2024/25). Councillor Beryl Ezzard is a trustee.

In the 2024/25 accounts it was reported that officers were aware of Cllr Holloway being the sole director of Goathorn Precision Engineering Ltd. At the time the company was a tenant of the Council and owed the Council £44k in unpaid rent and unpaid service charges. The tenancy was terminated but the debt remained unpaid during 2025/26 and has since been recommended to be written off. In making this recommendation (to the Executive Director for Economy and Environment) officers have acted in accordance with legal advice and Cllr Holloway's company is being treated no more favourably than any other debtor would be in the same or similar circumstances.

Notes supporting the Comprehensive Income and Expenditure Statement

7) Expenditure and Funding Analysis

2024/25 Restated				2025/26		
Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
113,878	8,873	122,751	People - Children	**136,854**	**11,236**	**148,090**
140,592	1,071	141,663	People - Adults & Housing	**151,641**	**(2,121)**	**149,520**
103,999	49,135	153,134	Place	**94,713**	**59,256**	**153,969**
39,853	4,344	44,197	Corporate Development	**42,018**	**1,627**	**43,645**
4,986	(435)	4,551	Public Health & Prevention	**3,346**	**(547)**	**2,799**
8,346	(178)	8,168	Legal & Democratic	**8,100**	**(135)**	**7,965**
7,187	(2,978)	4,209	Centrally Managed Costs	**7,057**	**(3,810)**	**3,247**
418,842	59,831	478,673	**Net Cost of Services**	**443,730**	**65,506**	**509,236**
15	1,353	1,368	Net loss/(gain) on disposal of non-current assets	**38**	**5,742**	**5,780**
19,452	-	19,452	Levies and Precepts	**21,591**	**-**	**21,591**
19,467	1,353	20,820	**Other Operating Income & Expenditure**	**21,629**	**5,742**	**27,371**
-	95	95	Net loss on disposal of Academies	**-**	**71**	**71**
9,821	-	9,821	Interest Payable	**11,890**	**-**	**11,890**
(3,368)	(3,026)	(6,394)	Interest and Investment Income	**(2,008)**	**(2,857)**	**(4,865)**
(1,079)	-	(1,079)	Unrealised (gains)/ losses on investments	**(141)**	**-**	**(141)**
-	4,679	4,679	Pensions Interest Cost & Expected Return on Assets	**-**	**1,010**	**1,010**
13,916	(13,916)	-	CERA/MRP	**15,063**	**(15,063)**	**-**
(36,056)	36,056	-	Transfers to/from Dedicated Schools Grant reserve	**(53,139)**	**53,139**	**-**
(16,766)	23,888	7,122	**Financing & Investment Income & Expenditure**	**(28,335)**	**36,300**	**7,965**
(698)	-	(698)	Revenue Support Grant	**(1,749)**	**-**	**(1,749)**
(68,885)	379	(68,506)	Non-Domestic Rates	**(74,032)**	**4,983**	**(69,049)**
(326,737)	(4,027)	(330,764)	Council Tax	**(362,738)**	**2,802**	**(359,936)**
(6,483)	-	(6,483)	Other Central Grants	**(13,688)**	**-**	**(13,688)**
(12)	(68,475)	(68,487)	Capital Grants	**(3)**	**(63,767)**	**(63,770)**
(402,816)	(72,122)	(474,938)	**Taxation & Non-Specific Grant Income**	**(452,210)**	**(55,982)**	**(508,192)**
18,727	12,950	31,677	**(Surplus) / Deficit on the Provision of Services**	(15,186)	51,566	36,380
(13,712)			Transfers (to) / from earmarked General Fund reserves	**8,753**		
5,015			(Surplus) / Deficit on General Fund Balance	**(6,433)**		
(44,775)			Opening General Fund Balance as at 01 April	**(39,760)**		
5,015			(Surplus) / Deficit on General Fund Balance	**(6,432)**		
(39,760)			**Closing General Fund Balance as at 31 March**	**(46,192)**		
(121,872)			Opening Earmarked Reserves as at 01 April	**(114,013)**		
13,712			Transfers (to) / from General Fund Balance	**(8,753)**		
(5,853)			Transfers (to) / from Capital Grants Unapplied Account (s106 revenue adjustments)	**(4,249)**		
(114,013)			**Closing Earmarked Reserves as at 31 March**	**(127,015)**		
(166,647)			Opening General Fund as at 01 April	**(153,773)**		
12,874			Movements in General Fund	**(19,434)**		
(153,773)			**Closing General Fund as at 31 March**	**(173,207)**		

The column headed “Net Expenditure In the Comprehensive Income and Expenditure Statement” includes the outturn variance of £53.139m (£36.056m in 2024/25) to the Dedicated Schools Grant (DSG) within the Children’s Services Net Expenditure line in the table above. The Council chooses to report the variance this way to aid transparency of total expenditure related to Children’s Services. Current statutory accounting regulations requires the DSG deficit contribution be transferred to the Dedicated Schools Grant (DSG) Adjustment Account (see **Note 13, Dedicated Schools Grant** and **Note 36, Adjustments between accounting basis and funding basis under regulations**). The Net Expenditure Chargeable to the General Fund after this transfer has been made is shown in the General Fund Balance analysis above and in the Movement in Reserves Statement.

Prior year comparative amounts have been restated on the Expenditure and Funding Analysis, in line with the changes explained in the Comprehensive Income and Expenditure Statement, so that financial performance is comparable between the two financial years.

8) Notes to the Expenditure and Funding Analysis: Adjustments between Funding and Accounting Basis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The statement also shows how this expenditure is allocated for decision making purposes between the Council’s directorates, services or departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2024/25					2025/26			
Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000	**Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	**Total Adjustments £'000**
13,333	(4,283)	(177)	8,873	People - Children	18,032	(6,842)	46	**11,236**
2,704	(1,504)	(105)	1,071	People - Adults & Housing	415	(2,398)	(138)	**(2,121)**
52,138	(2,957)	(46)	49,135	Place	63,664	(4,381)	(27)	**59,256**
6,197	(1,862)	(15)	4,344	Corporate Development	4,332	(2,793)	88	**1,627**
44	(441)	(38)	(435)	Public Health & Prevention	65	(650)	38	**(547)**
132	(307)	(3)	(178)	Legal & Democratic	367	(481)	(21)	**(135)**
-	(2,258)	(720)	(2,978)	Centrally Managed Costs	-	(3,505)	(305)	**(3,810)**
74,548	(13,612)	(1,104)	59,832	**Net Cost of Services**	86,875	(21,050)	(319)	**65,506**
(98,406)	4,679	32,409	(61,318)	Other Income and Expenditure; Financing & Investment Income & Expenditure; Taxation & Non-Specific Grant Income	(75,873)	1,010	60,923	**(13,940)**
(23,858)	(8,933)	31,305	(1,486)	**Difference Between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit**	11,002	(20,040)	60,604	**51,566**

The adjustments between the funding and accounting basis above summarise detailed entries on the Movement in Reserves Statement, categorised by capital, pensions or other differences, that result in movements to the Comprehensive Income and Expenditure Statement to show the net expenditure chargeable to the General Fund Balance.

Other differences relate to items not included in management reporting, but are required to be reflected in the accounts. These include entries for the council tax and business rates Collection Fund Adjustment Accounts, and transfers to and from reserves.

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9) Expenditure and Income analysed by Nature and Segment

The Code requires local authorities to report segmentally on their income and expenditure in accordance with IFRS 8. The Code requires this to be presented in a format which is similar to the internal management accounts used by the Authority and for this to be reconciled to the surplus/deficit on provision of services figure in the Comprehensive Income and Expenditure Statement

Tables in the Narrative Statement are based on the management accounts that the County's Leadership Team reviews on a monthly basis to monitor the Authority's financial performance and service expenditure. The movements between those figures and service expenditure as shown in the Comprehensive Income and Expenditure Statement are shown below. Restatement adjustments to 2024/25 comparators are as disclosed on page 35.

	2025/26										2024/25
	People Services, Children	People Services, Adults & Housing	Place	Corporate Development	Public Health & Prevention	Legal & Democratic	Centrally Managed Costs	**Total**	**Final Budget Estimate**	**Variance**	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**	£'000
As reported in management accounts	96,358	172,754	94,686	42,339	3,384	8,080	6,751	**424,352**	**423,555**	**(798)**	414,141
DSG-related expenditure	50,447							**50,447**	**50,447**	**(0)**	34,785
PFI amortisation moved to Capital Charges	(454)							**(454)**	**(454)**	**-**	(423)
Centrally managed Government grants re-allocated to services	(8,902)	(21,251)				-		**(30,153)**	**(30,153)**	**1**	(30,153)
Centrally managed internal recharges re-allocated to services	(547)			(234)			-	**(782)**	**(534)**	**248**	(614)
IAS 19 Pension Adjustment	(6,842)	(2,398)	(4,380)	(2,793)	(650)	(481)	(3,504)	**(21,048)**	**(20,320)**	**728**	(13,612)
Capital Charges	18,031	415	63,663	4,333	65	366	-	**86,873**	**86,873**	**-**	74,549
Net Cost of Services in the CIES	**148,091**	**149,520**	**153,969**	**43,645**	**2,799**	**7,965**	**3,247**	**509,236**	**509,414**	**178**	478,674

The following tables are based on provision of services as reported on the corresponding line in the Comprehensive Income and Expenditure Statement.

2024/25 Attributed to services £'000	2024/25 Other £'000	2024/25 Total £'000		2025/26 Attributed to services £'000	2025/26 Other £'000	2025/26 Total £'000
			Expenditure			
514		514	Internal Charges/Trading	**12**		**12**
1,795		1,795	Authority (Democratic) Costs	**1,969**		**1,969**
306,056		306,056	Pay Related Costs	**325,142**		**325,142**
32,882		32,882	Premises Related Costs	**29,964**		**29,964**
34,367		34,367	Transport Related Costs	**34,413**		**34,413**
263,934		263,934	Supplies and Service	**284,904**		**284,904**
136,274		136,274	Transfer Payments	**125,401**		**125,401**
193,961		193,961	Third Party Payments	**202,998**		**202,998**
74,549		74,549	Capital Charges	**86,873**		**86,873**
(12,490)		(12,490)	Adjustments (IAS19 etc.)	**(20,182)**		**(20,182)**
1,031,629	-	1,031,629	Gross service expenditure	**1,071,494**	**-**	**1,071,494**
	1,368	1,368	Net loss/ (gain) on disposal of non-current assets		**5,780**	**5,780**
	19,552	19,552	Levies and Precepts		**21,691**	**21,691**
	9,821	9,821	Interest payable		**11,890**	**11,890**
	95	95	Net loss / (gain) on disposal of Academies		**71**	**71**
	4,679	4,679	Pensions Interest Cost & Expected Return on Assets		**1,010**	**1,010**
1,031,629	35,515	1,067,144	Total Expenditure	1,071,494	40,442	**1,111,935**
			Income			
(362,945)	(75,768)	(438,713)	Government Grants	**(370,418)**	**(79,307)**	**(449,725)**
(79,599)		(79,599)	Reimbursements and Contributions	**(81,941)**		**(81,941)**
(110,627)		(110,627)	Fees and Charges	**(109,899)**		**(109,899)**
	(6,394)	(6,394)	Interest and Investment Income		**(4,865)**	**(4,865)**
	(1,079)	(1,079)	Losses / (gains) on Investments		**(141)**	**(141)**
	(399,270)	(399,270)	Council Tax & National Non-Domestic Rates		**(428,985)**	**(428,985)**
(553,171)	(482,511)	(1,035,682)	Total Income	(562,258)	(513,298)	**(1,075,556)**
478,458	(446,996)	31,462	(Surplus) / Deficit on the Provision of Services	509,236	(472,856)	**36,379**

Dorset Council categorises payments to agency staff (£11.6m in 2025/26 & £14.9m in 2024/25) as Third Party Payments in order to retain consistency with Government reporting requirements. CIPFA recommends that these costs be recorded along with Pay Related Costs as Employee Costs instead. Net Service Expenditure is analysed in more detail by segment in the following table.

This table breaks down Net Service Expenditure by nature of transaction.

	2025/26										2024/25
	People Services, Children	People Services, Adults & Housing	Place	Corporate Development	Public Health & Prevention	Legal & Democratic	Centrally Managed Costs	**Total**	**Final Budget Estimate**	**Variance**	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**	£'000
Internal Charges/Trading	3,085	(106)	(273)	(2,772)	577	(229)	(270)	**12**	**(13,482)**	**(13,494)**	514
Authority (Democratic) Costs	-	-	-	-	-	1,969	-	**1,969**	**1,990**	**21**	1,795
Pay Related Costs	167,221	33,320	58,524	42,206	9,494	6,585	7,792	**325,142**	**336,917**	**11,775**	306,056
Premises Related Costs	7,406	2,937	18,387	1,138	96	-	-	**29,964**	**31,830**	**1,866**	32,882
Transport Related Costs	4,056	712	29,565	(36)	101	15	-	**34,413**	**37,720**	**3,307**	34,367
Supplies and Service	185,896	59,690	20,594	13,923	3,431	1,398	(28)	**284,904**	**257,358**	**(27,546)**	263,934
Transfer Payments	3,696	68,237	4	53,464	-	-	-	**125,401**	**141,669**	**16,268**	136,274
Third Party Payments	19,293	125,028	34,262	764	23,510	141	-	**202,998**	**176,443**	**(26,555)**	193,961
Capital Charges	18,031	415	63,663	4,333	65	366	-	**86,873**	**86,419**	**(454)**	74,549
Adjustments											
IAS 19 Pension Adjustment	(6,842)	(2,398)	(4,380)	(2,793)	(650)	(481)	(3,504)	**(21,048)**	**(20,320)**	**728**	(13,612)
Net Schools Budget adjs	790	-	-	-	-	-	-	**790**	**1,799**	**1,009**	709
Cost Centre Balances	76	(5)	-	-	-	-	-	**71**	**7,513**	**7,442**	553
Funding	-	100	(95)	-	-	-	-	**5**	**100**	**95**	(140)
Transfers to/(from) Reserves	334	-	397	-	-	-	(731)	**-**	**(2,114)**	**(2,114)**	-
Government Grants	(236,034)	(50,269)	(12,539)	(53,711)	(17,865)	-	-	**(370,418)**	**(367,409)**	**3,009**	(362,944)
Reimbursements and Contributions	(14,812)	(43,100)	(4,587)	(6,757)	(12,075)	(610)	-	**(81,941)**	**(58,293)**	**23,648**	(79,598)
Fees and Charges	(4,105)	(45,041)	(49,553)	(6,114)	(3,885)	(1,189)	(12)	**(109,899)**	**(108,726)**	**1,173**	(110,626)
Net Cost of Services	**148,091**	**149,520**	**153,969**	**43,645**	**2,799**	**7,965**	**3,247**	**509,236**	**509,414**	**178**	478,674

10) Revenue from Contracts with Service Recipients

IFRS 15 (Revenue from Contracts with Customers) was incorporated into the CIPFA Code with effect from 1 April 2018. IFRS 15 established the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Included in the Council's income as shown on the Comprehensive Income and Expenditure Statement are the following amounts from contracts with customers as defined by IFRS 15. The Council has contract receivables, but no contract assets or contract liabilities. It has been concluded that revenue will be recognised in the correct financial year by accounting practice applied during the year, and the processes for accruals and other year-end adjustments. 2024/25 figures are restated in line with the adjustments made to the Comprehensive Income and Expenditure Statement.

	2025/26			
	Income from contracts with customers £'000	Other Income £'000	Service specific grants £'000	Revenue recognised for the year £'000
People - Children	(750)	(18,166)	(236,034)	**(254,950)**
People - Adults & Housing	(80,098)	(8,043)	(50,269)	**(138,410)**
Place	(16,880)	(37,259)	(12,539)	**(66,679)**
Corporate Development; Legal and Democratic and Centrally Managed	(2,576)	(12,106)	(53,711)	**(68,393)**
Public Health & Prevention	-	(15,961)	(17,865)	**(33,826)**
Total	**(100,304)**	**(91,536)**	**(370,418)**	**(562,258)**

	2024/25 restated			
	Income from contracts with customers £'000	Other Income £'000	Service specific grants £'000	Revenue recognised for the year £'000
People - Children	(573)	(17,760)	(217,946)	**(236,279)**
People - Adults & Housing	(73,069)	(11,965)	(47,571)	**(132,605)**
Place	(15,296)	(39,252)	(15,615)	**(70,163)**
Corporate Development; Legal and Democratic and Centrally Managed	(2,511)	(12,196)	(66,215)	**(80,922)**
Public Health & Prevention	(12,481)	(4,909)	(15,597)	**(32,987)**
Total	**(103,930)**	**(86,082)**	**(362,944)**	**(552,956)**

11) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Total capital expenditure reported by the Council includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute (REFCUS). This is principally capital expenditure on assets which the Council does not own, and which are not included on its asset register or Balance Sheet. This expenditure is charged in the Comprehensive Income and Expenditure Statement with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that, although financing is from a capital source, it funds revenue expenditure in the Council's accounts.

For 2025/26, the main areas of REFCUS expenditure financed in the year were in Children's Services (£4.0m on education facilities and £3.9m relating to social care); Repairs and

Maintenance (£2.1m); Leisure facilities (£1.9m); Warm Homes (£1.0m); and Community Grants (£0.9m). Other REFCUS schemes came to £1.4m in total.

2024/25 £'000		2025/26 £'000
18,585	Expenditure in Service Budgets funded from Capital Adjustment Account	**15,219**

12) Analysis of Government Grants

This table summarises grants received from central Government Departments (over 100 different funding streams in total). 2024/25 figures are restated in line with the adjustments disclosed in the Comprehensive Income and Expenditure Statement and to reflect transfers of funding responsibility between central Government Departments for comparability between years.

2024/25 restated £'000		2025/26 £'000
185,847	Education	**200,174**
65,372	Housing, Communities & Local Government	**70,490**
66,684	Work & Pensions	**55,551**
30,788	Health & Social Care	**32,098**
5,023	Environment, Food & Rural Affairs	**3,544**
4,879	Home Office	**4,172**
1,749	Transport	**2,409**
-	Business & Trade	**315**
-	Justice	**11**
163	Science, Innovation & Technology	**-**
148	Digital, Culture, Media & Sport	**-**
8	European Union	**4**
2,283	Other	**1,651**
362,944	**Total grants credited to services**	**370,418**
100	Environment, Food & Rural Affairs	**100**
100	**Total grants credited to precepts & levies**	**100**
	Housing, Communities & Local Government	
698	Revenue Support Grant	**1,749**
5,919	Other	**13,624**
500	Health & Social Care	**-**
64	Home Office	**64**
68,487	Capital grants	**63,770**
75,668	**Total grants credited to non-specific grant income**	**79,207**
438,712	**Total grant income**	**449,725**

13) Deployment of Dedicated Schools Grant

These accounts have been produced in accordance with the Schools and Early Years Finance (England) Regulations 2020, which required local authorities to carry forward overspends of Dedicated Schools Grant (DSG). Such DSG deficits have accumulated over a number of years and are now common amongst upper tier councils responsible for SEND provision and have come about as a result of national policy decisions about the SEND system for which the grant is “far

from sufficient to meet this demand" (Reference: Select Committee Report into Local Authorities in Financial Distress).

As at 31 March 2026, the cumulative DSG deficit is £148.768 m (31 March 2025 was £95.629m).

Further regulations which came into force on 29 November 2020 mandated that any deficit must **not** be charged to the local authorities' revenue account but instead must be recorded in a separate account solely for the purposes of recording deficits relating to its schools' budget. These regulations also mean that the use of funding from the revenue account to make good any deficit can only be made upon approval from the Secretary of State. This reflects the statutory requirement that a deficit must be carried forward to be funded from future DSG income.

In February 2026 the Government announced that a High Needs Stability Grant would be provided to fund 90% of agreed High Needs elements of DSG deficits as at 31 March 2026, upon approval of a reform plan for Special Educational Needs & Disabilities (SEND). The proportion of the overall DSG deficit deemed to relate to high needs was subject to negotiation with the Government.

The Council had not submitted a SEND reform plan for Government approval as at 31 March 2026 and so did not include any estimate in the 2025/26 accounts of the grant that might be receivable if such a plan were to receive approval. The SEN reform plan was submitted to the Department for Education on 19 June 2026, and - as disclosed in **Note 5, Events after the Balance Sheet date** - the Council was informed that it had been approved on 2 October 2026. This approval makes the Council eligible for an indicative High Needs Stability Grant allocation of £145.017 million.

Current Government regulations require that once the High Needs Stability Grant is received, it must be placed into an earmarked reserve for application against the accumulated DSG deficit upon expiry of the statutory override in 2028.

2024/25 £'000		Central Expenditure £'000	Individual Schools Budget (ISB) £'000	2025/26 £'000
335,265	Final DSG before Academy and High Needs recoupment			**368,669**
(176,988)	Academy figure and High Needs figure recouped for year			**(190,003)**
158,277	Total DSG after academy and high needs recoupment for year			**178,666**
-	Plus: Brought forward from previous year			**-**
-	Less: Carry-forward to following year agreed in advance			**-**
158,277	Agreed initial budgeted distribution	57,088	121,578	**178,666**
449	In year adjustments		332	**332**
158,726	Final budgeted distribution	57,088	121,910	**178,998**
(89,764)	Less: Actual central expenditure	(111,286)		**(111,286)**
(105,018)	Less: Actual ISB deployed to schools		(120,851)	**(120,851)**
-	Plus Local Authority contribution			**-**
(36,056)	In Year Carry forward to following financial year	(54,198)	1,059	**(53,139)**
-	Plus/Minus: Carry-forward agreed in advance			**-**
-	Carry-forward to following financial year			**-**
	DSG Adjustment Account			
(59,573)	DSG unusable reserve at the end of previous financial year			**(95,629)**
(36,056)	Addition to DSG unusable reserve during financial year			**(53,139)**
(95,629)	Total of DSG unusable reserve at the end of financial year			**(148,768)**
(95,629)	Net DSG position at the end of financial year			**(148,768)**

14) Pooled Budgets for Health and Social Care

Better Care Fund (BCF)

The BCF provides a financial incentive for the integration of health and social care. It requires Integrated Commissioning Boards and local authorities in every area of England to pool or align budgets and to agree an integrated spending plan for how they will use their Better Care Fund.

Dorset Council's Better Care Fund is overseen by the Health and Wellbeing Board which is responsible for the development and update of a Joint Strategic Needs Assessment, any Pharmaceutical Needs Assessment and the Better Care Fund. It also assists in the development and overseeing of various other plans and strategies in relation to health. The Board also encourages collaboration with other key health stakeholders including NHS England and any other health and wellbeing board.

The figures for Dorset Council and NHS Dorset ICB were transposed in the published 2024/25 accounts but have been restated in their correct positions in the table below.

2024/25 Restated			2025/26	
£'000	£'000		**£'000**	**£'000**
		Funding provided to the pooled budget:		
84,836		Dorset Council	**86,963**	
68,122		NHS Dorset Integrated Care Board	**69,496**	
	152,958			**156,459**
		Expenditure met from the pooled budget:		
84,836		Dorset Council	**86,963**	
68,122		NHS Dorset Integrated Care Board	**69,496**	
	152,958			**156,459**
	-	**Net surplus arising on the pooled budget during the year**		-

Integrated Community Equipment Store (ICES)

Within the Better Care Fund (BCF) the Authority has entered into a pooled budget arrangement with BCP and NHS Dorset for Equipment for Living Service (ICES). The authorities and NHS Dorset have an agreement in place with the partners contributing funds to the agreed budget equal to 18% BCP, 15% Dorset Council and 67% NHS Dorset ICB. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by BCP on behalf of the three partners to the agreement.

2024/25 £'000	£'000		2025/26 £'000	£'000
		Funding provided to the pooled budget:		
1,940		BCP Council	**1,940**	
1,554		Dorset Council	**1,554**	
7,055		NHS Dorset Integrated Care Board	**7,056**	
0		HDP Contribution	**-**	
	10,550			**10,550**
		Expenditure met from the pooled budget:		
1,687		BCP Council	**1,576**	
1,278		Dorset Council	**1,229**	
6,955		NHS Dorset Integrated Care Board	**8,268**	
	9,921			**11,073**
	629	**Net surplus/(deficit) arising on the pooled budget during the year**		**(523)**
	93	**Authority share 15% of the net surplus / (deficit)**		**(78)**

15) Members' allowances

The total amount of Members' allowances paid in the year is shown in the following table.

2024/25 £'000		2025/26 £'000
1,744	Members' allowances	**1,923**
34	Members Travel	**28**
1	Members Subsistence	**1**

16) Remuneration of senior staff

Dorset Council follows Local Government salary scales and conditions of service, negotiated and agreed at national level. The Accounts & Audit Regulations 2015 require the disclosure of remuneration of senior officers whose salary was £150,000 or more per annum. In line with the Council's published pay policy, information on certain other senior posts is also disclosed.

2024/25							2025/26		
Salary	Pension Contributions	Total	Post Holder Information	Name	Start date	End Date	Salary	Pension Contributions	Total
£'000	£'000	£'000					£'000	£'000	£'000
			Chief Executive						
			Current Postholder	Catherine Howe	4 August 2025		**126**	**24**	**150**
15	3	18	Previous Postholder	Sam Crowe	1 March 2025	3 August 2025	**65**	**12**	**77**
178	31	209	Previous Postholder	Matt Prosser		16 March 2025			
			Executive Director People, Adults						
154	28	182	Current Postholder	Jonathan Price			**160**	**28**	**188**
			Executive Director of Place						
64	12	76	Current Postholder	Jan Britton	11 November 2024		**159**	**30**	**189**
128		128	Previous Postholder	Jan Britton	4 January 2024	10 November 2024			
			Executive Director People, Children's						
135	24	159	Current Postholder	Paul Dempsey	1 October 2024		**159**	**28**	**187**
85	16	101	Previous Postholder	Theresa Leavy		27 October 2024			
			Corporate Director Finance & Commercial (Section 151 Officer)						
			Current Postholder	Sean Cremer	28 July 2025		**85**	**15**	**100**
			Executive Director Corporate Development (Section 151 Officer)						
154	29	183	Previous Postholder	Aidan Dunn		1 August 2025	**66**	**13**	**79**
			Director of Public Health						
			Current Postholder	Sam Crowe	4 August 2025		**98**	**18**	**116**
12	2	14	Previous Postholder	Rachel Partridge	1 March 2025	3 August 2025	**50**	**7**	**57**
132	24	156	Previous Postholder	Sam Crowe		28 February 2025			
			Director Legal & Democratic Services (Monitoring Officer)						
126	22	148	Current Postholder				**130**	**23**	**153**
1,183	191	1,374					**1,098**	**198**	**1,296**

Mr Jonathan Price left Dorset Council in April 2026, but was in post as at 31st March 2026.

The Accounts & Audit Regulations 2015 cover the requirement to disclose remuneration of senior employees. The requirement includes the duty to disclose details of the numbers of staff with remuneration and benefits in excess of £50,000 per annum.

Non-schools	2024/25 LEA Schools	VA/VC Schools	Group	**Non-schools**	**2025/26 LEA Schools**	**VA/VC Schools**
211	81	41	£50,000 to £54,999	**242**	**90**	**59**
96	58	30	£55,000 to £59,999	**145**	**73**	**30**
72	26	25	£60,000 to £64,999	**86**	**28**	**30**
18	12	10	£65,000 to £69,999	**57**	**28**	**14**
7	7	4	£70,000 to £74,999	**12**	**13**	**6**
9	6	4	£75,000 to £79,999	**6**	**4**	**7**
9	5	1	£80,000 to £84,999	**12**	**6**	**3**
13	4	0	£85,000 to £89,999	**14**	**5**	**1**
8	2	4	£90,000 to £94,999	**4**	**6**	**-**
3	2	2	£95,000 to £99,999	**8**	**-**	**3**
-	-	1	£100,000 to £104,999	**4**	**2**	**2**
3	3	-	£105,000 to £109,999	**3**	**-**	**1**
1	1	-	£110,000 to £114,999	**2**	**-**	**-**
2	-	-	£115,000 to £119,999	**3**	**3**	**-**
-	1	1	£120,000 to £124,999	**1**	**-**	**-**
1	-	-	£125,000 to £129,999	**-**	**1**	**-**
-	2	1	£135,000 to £139,999	**-**	**-**	**-**
-	-	-	£140,000 to £144,999	**-**	**1**	**1**
-	-	-	£145,000 to £149,999	**-**	**1**	**-**
453	210	124		**599**	**261**	**157**

17) Exit packages and termination benefits

The Code requires the Authority to disclose details of the number and value of exit packages agreed in the bandings shown below in the table and to distinguish these by compulsory redundancies and other departures. Voluntary early retirement under the scheme rules is not a termination benefit and does not require disclosure.

2024/25				**2025/26**		
Compulsory redundancies	Other	Total cost £	**Value of exit package**	**Compulsory redundancies**	**Other**	**Total cost £**
			Non-Schools			
21	11	174,732	Up to £20,000	10	33	**373,436**
3	4	182,080	£20,001 to £40,000	3	11	**362,549**
1	-	58,159	£40,001 to £60,000	-	2	**92,344**
1	-	68,110	£60,001 to £80,000	-	2	**132,435**
26	15	483,081		13	48	**960,764**
			Schools			
1	4	45,816	Up to £20,000	-	5	**53,927**
	1	23,902	£20,001 to £40,000	-	1	**21,668**
1	5	69,718		-	6	**75,595**
27	20	552,798	**Total**	13	54	**1,036,359**

As at 31 March, the following exit packages (with estimated costs) had been approved but not yet paid by the Authority. These costs have been included in the Comprehensive Income and Expenditure Statement.

2024/25 Redundancies		**Value of exit package**	**2025/26 Redundancies**	
Number	£		**Number**	**£**
-	-	Up to £20,000	**3**	**17,005**
-	-	£20,001 to £40,000	**4**	**140,495**
1	58,159	£40,001 to £60,000	**-**	**-**
1	68,110	£60,001 to £80,000	**-**	**-**
-	-	£80,001 to £100,000	**1**	**85,000**
2	126,269		**8**	**242,499**

18) Audit fees

Fees payable by the Council relating to external audit and inspection are summarised in the table below.

2024/25 £'000		**2025/26 £'000**
610	External audit services as appointed auditor for the year	**612**
14	Teachers Pensions Audit	**13**
33	Housing Benefit audit fee	**44**
657		**668**

Notes supporting the Balance Sheet

19) Summary of capital expenditure and financing

This table gives details of capital spending by service, and how that spending was financed.

2024/25 £'000	£'000		2025/26 £'000	£'000
		Children's Services		
11,625		New Construction & Improvements (including REFCUS)	**8,639**	
3,169		Property Improvements	**414**	
64		ICT	**-**	
	14,858			**9,053**
		Adults and Housing		
3,207		New Construction & Improvements (including REFCUS)	**6,028**	
1,691		Property Improvements	**267**	
13		ICT	**3**	
	4,911			**6,298**
		Place		
54,583		Infrastructure Improvements (including REFCUS)	**52,831**	
2,583		Property Improvements	**197**	
122		ICT	**273**	
	57,288			**53,301**
		Cabinet/Whole Authority		
365		New Construction & Improvements (including REFCUS)	**2,174**	
874		Property Improvements	**318**	
9,541		Corporate Fleet Vehicle Replacements	**2,908**	
1,591		ICT	**1,694**	
	12,371			**7,094**
	89,428	**Total Capital Expenditure**		**75,746**
		Sources of Finance		
37,695		Borrowing (internal & external)	**27,604**	
43,512		Grants	**45,956**	
1,191		Revenue Contributions	**1,812**	
7,030		Use of Capital Receipts	**374**	
-		Use of Reserves and Balances	**-**	
	89,428	**Total Financing**		**75,746**

The analysis above includes expenditure referred to **Note 11, Revenue Expenditure Funded from Capital Under Statute (REFCUS)**.

Legislation requires REFCUS expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried in the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on council tax payers. These items are generally expenditure on property not owned by the Authority. **Note 21, Capital financing requirement** includes provision for this expenditure.

The amounts in the table above do not include capital expenditure or sources of finance for street lighting infrastructure assets accounted for as a Private Finance Initiative scheme, with relevant information for that shown in **Note 24, Long-term contracts (Private Finance Initiative)**.

2024/25 £'000	Long-term contracts (Private Finance Initiative)	2025/26 £'000
3,391	Street lighting PFI - Additions / developments / lifecycle	**3,519**

20) Future capital commitments

The Council has entered into contracts for a number of capital projects in 2025/26 and earlier years, which were not completed by 31 March 2026. Details of further expenditure on such major schemes which will be incurred in later years are set out below.

2024/25 £'000	Commitments	2025/26 £'000	
	Capital Subgroup: IT		
-	No Future Capital Commitments to Report		
	Capital Subgroup: Highways & Engineering		
4,000	Local Transport Plan programme of works	5,000	
354	Parley Cross	-	
250	Upton Safety Scheme	-	
1,350	Maumbury Cross Junction Improvement	-	
2,690	Weymouth Relief Road		
100	Dinahs Hollow	6,000	
700	Highways Corporate Funding (EAP)	4,000	
	Weymouth Harbour Walls F & G	1,340	
	Upgrading Traffic Control Equipment	1,243	
	Works to the Cobb in Lyme Regis	465	
336	Weymouth FCRM OBC		
9,780	**Highways & Engineering Total**		**18,048**
	Capital Subgroup: Property, Schools & People		
1,530	Dorset Waste Infrastructure - Blandford site	8,783	
800	Modernising Schools Programme	-	
263	Dorset Innovation Park, Quadrant 2 - Light Industrial Units	-	
-	SEND	5,000	
2,593	**Property, Schools & People Total**		**13,783**
	Capital Subgroup: Fleet		
3,032	Fleet Replacement Programme	6,465	
3,032	**Fleet Total**		**6,465**
15,405	Total future capital commitments		**38,296**

21) Capital financing requirement

The total amount of capital expenditure incurred during the year is shown in **Note 19, Summary of capital expenditure and financing,** together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed as:

2024/25 £'000		2025/26 £'000
1,082,332	Property, Plant & Equipment, Heritage Assets and Intangible Assets	**1,101,545**
1,817	Assets held for sale	**1,910**
1,084,149	Total Assets to be funded	**1,103,455**
(225,807)	Revaluation Reserve	**(255,007)**
(424,790)	Capital Adjustment Reserve	**(399,636)**
433,552	**Capital Financing Requirement 31 March**	**448,812**
(16,690)	Less Long Term PFI Liability	**(13,845)**
(8,288)	Less Long Term Obligations under Finance Leases	**(4,991)**
408,574	**Underlying Borrowing Requirement 31 March**	**429,976**

2024/25 £'000		2025/26 £'000
37,011	Increase/(Decrease) on the underlying need to borrow	**21,402**
37,011		**21,402**

22) Property, plant and equipment

The following table shows the overall movements in property, plant and equipment during the year. Infrastructure assets include, for example, highways, and community assets include country parks. Intangible assets are computer software licences which have a useful economic life of more than one financial year. The table also shows the cost of assets under construction not yet in operational use, and those declared surplus awaiting disposal plans. Surplus assets continue to be depreciated - but once a surplus property is being actively sold, it is transferred to the class referred to as assets held for sale and these assets are not depreciated.

	Other land and buildings	Vehicles, plant, furniture & equipment	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment (excluding infrastructure assets
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 31 March 2025	**519,164**	**102,279**	**13,037**	**15,077**	**33,769**	**683,326**
Additions	3,787	4,985	-	-	22,465	31,237
Revaluation increases/(decreases) recognised in the revaluation reserve	10,921	-	-	5	-	10,926
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(13,445)	-	-	(2,117)	-	(15,562)
IFRS 16 Annual Remeasurements	768	-	-	-	-	768
Derecognition - disposals	(12,514)	(44,938)	-	(2)	-	(57,453)
Unplanned depn adjustment for Disposals/Transfers	(85)	-	-	647	-	562
Asset Transfers	7,247	345	118	(937)	(15,164)	(8,392)
As at 31 March 2026	**515,844**	**62,671**	**13,155**	**12,673**	**41,070**	**645,413**
Accumulated depreciation and impairment						
As at 31 March 2025	**(22,618)**	**(73,472)**	**-**	**(51)**	**-**	**(96,140)**
Depreciation charge	(13,669)	(8,347)	-	(13)	-	(22,029)
Depreciation Written back on revaluation	25,771	-	-	130	-	25,901
Unplanned depn related to disposals and transfers	85		-	(647)		(562)
Depreciation Written out on disposal of assets	1,214	44,836	-	0	-	46,050
Accumulated Depreciation Transfers	(667)	(6)	-	673	-	-
As at 31 March 2026	**(9,884)**	**(36,989)**	**-**	**93**	**-**	**(46,780)**
Net book value						
As at 31 March 2026	**505,960**	**25,682**	**13,155**	**12,766**	**41,070**	**598,633**
As at 31 March 2025	496,547	28,807	13,037	15,026	33,769	587,186

Comparative movements for 2024/25 were as follows:

Cost or valuation	Other land and buildings £'000	Vehicles, plant, furniture & equipment £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total property, plant & equipment (excluding infrastructure assets £'000
As at 31 March 2024	**485,363**	**93,503**	**12,884**	**16,839**	**33,155**	**641,744**
Additions	14,311	11,724	123	22	18,178	44,358
IFRS 16 Leases Recognition	22,770	65				22,835
Adjust out In-year Dorchester Library lease Postings	3,738					3,738
Revaluation increases/(decreases) recognised in the revaluation reserve	(19,971)	-	-	(395)	-	(20,366)
Revaluation increases/(decreases) recognised in the surplus/deficit on the prc	(6,766)	-	-	(62)	-	(6,829)
Derecognition - disposals	(2,581)	(6,237)	-	(1,925)	-	(10,743)
Unplanned depn adjustment for Disposals/Transfers	1,154			283		1,437
Component Depreciation Adjustment	18,395			314		18,709
Other movements in cost or valuation	2,751	3,224	30	-	(17,564)	(11,559)
As at 31 March 2025	**519,164**	**102,279**	**13,037**	**15,077**	**33,769**	**683,326**
Accumulated depreciation and impairment						
As at 31 March 2024	**(26,043)**	**(71,853)**	**-**	**(48)**	**-**	(97,944)
Depreciation charge	(12,906)	(7,714)	-	119	-	(20,501)
Depreciation written out to the revaluation reserve	34,295	-	-	(152)	-	34,143
Unplanned depn related to disposals and transfers	(1,154)			(283)		(1,437)
Derecognition - disposals	1,563	6,094	-	**627**	-	8,285
Component Depreciation Adjustment	(18,395)	-	-	**(314)**	-	(18,709)
Other movements in depreciation and impairment	24	-	-	-	-	24
As at 31 March 2025	**(22,616)**	**(73,473)**	**-**	**(51)**	**-**	**(96,140)**
Net book value						
As at 31 March 2025	**496,548**	**28,806**	**13,037**	**15,025**	**33,769**	**587,185**
As at 31 March 2024	459,320	21,650	12,884	16,791	33,155	543,800

The Council maintains a rolling programme of revaluations that ensures all PPE required to be measured at fair value is revalued at least every five years. Indexation is applied to adjust the value of assets that have not been revalued. All valuations are carried out by our external professional RICS Accredited Scheme Valuers:

- Carter Jonas (property assets other than the farm estate)
- Rural Solutions (farm estate)

All valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The effective date for all valuations is 1 January 2026 for the financial year 2025/26. The basis of valuation is explained in the Statement of Accounting Policies (**Accounting Policy 19 – Property Plant & Equipment**). **Note 3, Sources of estimation uncertainty** discloses the effect of variations in asset valuations.

	2025/26					
	Other land and buildings	**Vehicles, plant, furniture & equipment**	**Community assets**	**Surplus assets**	**Assets under construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
NBV Held at historic cost		25,679	13,155		41,070	**79,904**
Total NBV per note 21	505,961			12,766		**518,727**
Total	**505,961**	**25,679**	**13,155**	**12,766**	**41,070**	**598,630**
Remove Leases (Not Revalued)	(15,335)					
Total Per Asset History Sheet	**490,626**			**12,766**		
Asset History Sheet NBV Revaluation Years Split:						
De Minimis Assets Not Revalued	27			-		
Valued/Acquired in 2021/22	59,106			1,679		
Valued/Acquired in 2022/23	3,818			-		
Valued/Acquired in 2023/24	67,950			54		
Valued/Acquired in 2024/25	53,983			2,992		
Valued/Acquired in 2025/26	305,743			8,041		
Total	**490,626**			**12,766**		

Infrastructure Assets

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Financial Year End 31 March 2026	**£'000**
Net Book Value (Modified Historic Cost) as at 31 March 2025	**487,667**
Additions	32,958
Derecognition	-
Depreciation	(32,649)
Depreciation on disposals	-
Other Movements	8,239
Net Book Value as at 31 March 2026	**496,215**

Financial Year End 31 March 2025	£'000
Net Book Value (Modified Historic Cost) as at 31 March 2024	469,059
Remeasurement - IFRS 16 Implementation	8,210
Additions	29,819
Derecognition	-
Depreciation	(30,981)
Depreciation on disposals	-
Other Movements	11,559
Net Book Value as at 31 March 2025	**487,666**

PFI Remeasurement – IFRS 16

From 1 April 2024, Dorset Council adopted *IFRS 16 (Leases),* which changed the accounting treatment of PFI contracts. Under IFRS 16, indexation of unitary payments linked to inflation is now included in the measurement of the PFI liability, rather than treated as contingent rent.

These changes affect the presentation of costs in the accounts but do not impact the actual payments made under the PFI contract.

23) IFRS 16 Leases – Right of Use assets

Dorset Council accounts for leases in accordance with the accounting policies set out in this document. From 2024/25 onwards arrangements previously treated as operating leases where Dorset Council was lessee are now treated as Right of Use leases under IFRS 16 and shown on the Balance Sheet as a right-of-use asset and a lease liability. The Council has applied exemptions allowed under IFRS 16 as follows:

- low value exemption: Applied where assets are below £15k when new
- short-term exemption: Applied where existing leases expire on or before 31 March 2025; or to new leases with a duration of less than 12 months.

Council as lessee

The Council's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles, which are individually immaterial. The table below shows the change in the value of right-of-use assets held under leases by the Council.

2024/25 Right of Use - Vehicles, Plant, Furniture & Equipment	2024/25 Right of Use - Land and Buildings	2024/25 Total		**2025/26 Right of Use - Vehicles, Plant, Furniture & Equipment**	**2025/26 Right of Use - Land and Buildings**	**2025/26 Total**
£'000	£'000	£'000		**£'000**	**£'000**	**£'000**
46	23,871	23,917	Balance at 1 April 2025	51	22,779	22,830
19	-	19	Additions	33	155	188
-	-	-	Disposals	-	(7,546)	(7,546)
-	-	-	IFRS 16 Remeasurements	-	768	768
(14)	(1,092)	(1,106)	Depreciation and amortisation	(23)	(821)	(844)
51	22,779	22,830	**Balance at 31 March 2026**	61	15,335	15,396

Transactions under leases

The Council incurred the following expenses and cash flows in relation to leases:

2024/25 Right of Use - Vehicles, Plant, Furniture & Equipment £'000	2024/25 Right of Use - Land and Buildings £'000		2025/26 **Right of Use - Vehicles, Plant, Furniture & Equipment £'000**	2025/26 **Right of Use - Land and Buildings £'000**
		Comprehensive Income and Expenditure Statement		
3	551	Interest expense on lease liabilities	4	352
-	-	Expense relating to short-term leases	-	-
-	-	Expense relating to leases of low-value assets	-	-
-	-	Variable lease payments not included in the measure of lease liabilities	-	-
3	551	**Total cash outflow for leases**	4	352
-	-	Income from subletting Right of Use assets	-	-
-	-	Gains or losses arising from sale and leaseback transactions	-	-
		Cash Flow Statement		
75	16,484	Minimum lease payments	69	8,518

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

2024/25 Right of Use - Vehicles, Plant, Furniture & Equipment £'000	2024/25 Right of Use - Land and Buildings £'000	2024/25 Total £'000		**2025/26 Right of Use - Vehicles, Plant, Furniture & Equipment £'000**	**2025/26 Right of Use - Land and Buildings £'000**	**2025/26 Total £'000**
18	1,247	1,265	Less than one year	24	883	907
57	4,770	4,827	One to five years	44	2,528	2,572
-	10,468	10,468	More than five years	-	5,107	5,107
75	16,485	16,560	**Total undiscounted liabilities**	68	8,518	8,586

Carrying Amount of Liabilities for Leases on Right of Use Assets

2024/25 Right of Use - Vehicles, Plant, Furniture & Equipment £'000	2024/25 Right of Use - Land and Buildings £'000	2024/25 Total £'000		**2025/26 Right of Use - Vehicles, Plant, Furniture & Equipment £'000**	**2025/26 Right of Use - Land and Buildings £'000**	**2025/26 Total £'000**
18	1,247	1,265	Current Liabilities	24	883	907
68	8,221	8,289	Long-Term Liabilities	68	4,921	4,989
86	9,468	9,554	**Total Obligations**	92	5,804	5,896

Council as lessor

The net book value of the assets leased out by Dorset Council as at 31/03/2026 is £205m.

The Authority leases out property operating leases for the following purposes:

• for the provision of community services, such as sports facilities, tourism services and community centres.

• for delivery of Special Educational Needs education

• for economic development purposes to provide suitable affordable accommodation for local businesses.

Transactions under leases

The Authority made the following gains and losses as a lessor during the year:

2024/25 Vehicles, Plant, Furniture & Equipment £'000	2024/25 Land and Buildings £'000		2025/26 Vehicles, Plant, Furniture & Equipment £'000	2025/26 Land and Buildings £'000
		Finance Leases		
-	-	Selling gain or loss	-	-
-	32	Finance income on the net investment in the lease	-	32
-	40	Income relating to variable lease payments not included in the measurement of the net investment in the lease	-	33
		Operating Leases		
-	5,202	Total lease income	-	7,741
-	213	Share of lease income relating to variable lease payments that do not depend on an index or a rate	-	251

Net investment in finance leases

The Authority experienced the following changes in the carrying amount of its net investment in finance leases during the year:

2024/25 Vehicles, Plant, Furniture & Equipment £'000	2024/25 Land and Buildings £'000	2024/25 Total £'000		**2025/26 Vehicles, Plant, Furniture & Equipment £'000**	**2025/26 Land and Buildings £'000**	**2025/26 Total £'000**
-	1,296	1,296	Net investment at 1 April	-	1,282	1,282
-	-	-	New leases entered into	-	-	-
-	(14)	(14)	Payments by lessees	-	(14)	(14)
-	-	-	Lease modifications	-	-	-
-	-	-	Impact of changes in unguaranteed residual values	-	-	-
-	-	-	Movements in impairment loss allowances	-	-	-
-	1,281	1,281	**Net investment at 31 March**	-	1,268	1,268

Maturity analysis of lease receivables

The finance lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts):

2024/25 Vehicles, Plant, Furniture & Equipment £'000	2024/25 Land and Buildings £'000	2024/25 Total £'000		**2025/26 Vehicles, Plant, Furniture & Equipment £'000**	**2025/26 Land and Buildings £'000**	**2025/26 Total £'000**
			Finance Leases			
-	46	46	Less than one year	-	46	46
-	46	46	One to two years	-	46	46
-	46	46	Two than three years	-	46	46
-	46	46	Three to four years	-	46	46
-	46	46	Four to five years	-	46	46
-	2,626	2,626	More than five years	-	2,580	2,580
-	2,856	2,856	**Undiscounted Receivables Finance Leases**	-	2,810	2,810

The total undiscounted receivables for finance leases reconcile to the net investment in leases as follows:

2024/25 Vehicles, Plant, Furniture & Equipment £'000	2024/25 Land and Buildings £'000	2024/25 Total £'000		**2025/26 Vehicles, Plant, Furniture & Equipment £'000**	**2025/26 Land and Buildings £'000**	**2025/26 Total £'000**
-	2,856	2,856	Total undiscounted lease receivables	-	2,810	2,810
-	(1,575)	(1,575)	Unearned finance income	-	**(1,542)**	**(1,542)**
-	-	-	Discounted amount of unguaranteed residual values	-	-	-
-	1,281	1,281	**Net investment in leases**	-	1,268	1,268

The operating lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts):

2024/25 Vehicles, Plant, Furniture & Equipment £'000	2024/25 Land and Buildings £'000	2024/25 Total £'000		**2025/26 Vehicles, Plant, Furniture & Equipment £'000**	**2025/26 Land and Buildings £'000**	**2025/26 Total £'000**
			Operating Leases			
-	4,989	4,989	Less than one year	-	3,577	3,577
-	3,374	3,374	One to two years	-	3,309	3,309
-	3,119	3,119	Two than three years	-	3,169	3,169
-	2,978	2,978	Three to four years	-	3,109	3,109
-	2,923	2,923	Four to five years	-	2,999	2,999
-	72,431	72,431	More than five years	-	69,221	69,221
-	89,814	89,814	**Undiscounted Receivables Operating Leases**	-	85,384	85,384

24) Long-term contracts (Private Finance Initiative)

In 1997 a contract was entered into for the replacement of Colfox School, Bridport, using the Government's Private Finance Initiative (PFI). The contract provides for fully serviced accommodation for the school including buildings, grounds maintenance, catering, caretaking, security, waste disposal, energy, utilities, IT equipment and renewal of furniture and equipment. Payments under the contract commenced in 1999 and continue for a 30-year period. The school became an Academy on 1 April 2015 but despite the change in status, the PFI arrangement will continue to be the responsibility of the Council.

In 2006, the Council entered into a PFI scheme for the provision and replacement of street lighting. This arrangement deals with a backlog of replacements and maintenance over 25 years.

Payments made and PFI Grants receivable to support the schemes were as follows:

Payments 2024/25 £'000	Grants Rcvd 2024/25 £'000		**Payments 2025/26 £'000**	**Grants Rcvd 2025/26 £'000**
6,676	(2,546)	Street lighting (provider)	**7,009**	**(2,546)**
2,117	-	Street lighting (energy)	**1,963**	**-**
(826)	-	Contribution from Bournemouth, Christchurch and Poole	**(851)**	**-**
3,480	(1,559)	Colfox School (provider)	**3,394**	**(1,559)**

Movements of PFI asset and liability balances are analysed as follows:

2024/25 Street lighting £'000	2024/25 Colfox School £'000	**Assets**	**2025/26 Street lighting £'000**	**2025/26 Colfox School £'000**
45,539	-	Opening balance	**54,419**	**-**
8,210		Remeasurement - IFRS 16 Implementation	**-**	**-**
3,391	-	Additions/developments/lifecycle	**3,519**	**-**
(2,721)	-	Depreciation	**(2,897)**	**-**
54,419	-	**Closing balance**	**55,041**	**-**

The Sir John Colfox school transferred to Academy status since the commencement of the contract: therefore, the asset value has been removed from the Balance Sheet as required under accounting standards. The liability for the PFI contract remains with the Authority: however, there is no additional financial burden for the Authority.

2024/25 Street lighting £'000	2024/25 Colfox School £'000	**Liabilities**	**2025/26 Street lighting £'000**	**2025/26 Colfox School £'000**
(10,489)	(6,201)	Opening balance	**(16,891)**	**(7,452)**
(8,210)	(2,452)	Remeasurement - IFRS 16 Implementation	**-**	**-**
(3,390)	(457)	Additions/developments/lifecycle	**(3,519)**	**(292)**
5,198	1,658	Repayments	**5,313**	**1,642**
(16,891)	(7,452)	**Closing balance**	**(15,097)**	**(6,102)**

From 1 April 2024, Dorset Council adopted *IFRS 16 (Leases)* in accordance with the Code of Practice on Local Authority Accounting. The accounting treatment of service concession arrangements, including Private Finance Initiative (PFI) contracts, are now measured using principles consistent with lease accounting under IFRS 16. These changes do not affect the budgeting treatment of PFI schemes, nor do they alter the total unitary payments made under the contract. However, they do impact the timing and presentation of costs in the financial statements, particularly through increased interest charges and reduced contingent rent disclosures.

Future PFI Repayments to be made and when they fall due as analysed in the tables below:

2025/26	**Payments due within one year £'000**	**Payments due between one and five years £'000**	**Payments due between six and ten years £'000**	**Total future payments £'000**
Street lighting				
Capital repayment	**5,426**	**23,039**	**4,580**	**33,045**
Interest charges	**452**	**1,248**	**110**	**1,810**
Service charges	**2,224**	**9,434**	**1,861**	**13,519**
Street Lighting Total	**8,102**	**33,721**	**6,551**	**48,374**
Colfox				
Capital repayment	**1,929**	**5,494**	**-**	**7,423**
Interest charges	**610**	**848**	**-**	**1,458**
Service charges	**1,227**	**3,098**		**4,325**
ColfoxTotal	**3,766**	**9,440**	**-**	**13,206**
Total future payments	**11,868**	**43,161**	**6,551**	**61,580**

2024/25	Payments due within one year £'000	Payments due between one and five years £'000	Payments due between six and ten years £'000	Total future payments £'000
Street lighting				
Capital repayment	5,313	22,480	10,565	38,359
Interest charges	490	1,495	315	2,300
Service charges	2,170	9,213	4,307	15,689
Street Lighting Total	7,973	33,188	15,187	56,348
Colfox				
Capital repayment	1,642	7,423	-	9,065
Interest charges	745	1,458	-	2,203
Service charges	1,136	4,325	-	5,461
ColfoxTotal	3,523	13,206	-	16,729
Total future payments	11,496	46,394	15,187	73,077

25) Debtors and payments in advance

An analysis of amounts due to the Council or paid in advance at 31 March 2026 is shown below:

2024/25 Debtors £'000	2024/25 Payments in advance £'000		2025/26 Debtors £'000	2025/26 Payments in advance £'000
32,360	76	Central Government Departments	**32,099**	**-**
5,572	27	Other Local Authorities	**8,087**	**17**
505	-	Health	**312**	**-**
18,407	-	Collection Fund	**26,330**	**-**
41,869	19,170	Other	**45,108**	**25,608**
98,713	19,273		**111,936**	**25,625**

Debtors in the other category at £45.1m (£41.9m for 2024/25) include: £53.9m sundry trade debtors for invoices raised to customers less £17.3m provision for bad debts on those invoices (£48.2m less £15.6m for 2024/25),£1.6m of court costs and penalties for council tax and NNDR debts (£1.5m for 2024/25), £2.7m relating to housing benefits (£2.8m for 2024/25), and £4.2m for other debtors (£5.1m for 2024/25).

Payments in advance in the other category at £25.6m (£19.2m for 2024/25) include £5.2m relating to private finance initiative (PFI) schemes (£5.3m for 2024/25). The balance of £20.4m (£13.9m for 2024/25) consists of payments made in advance to trade suppliers, social care clients who receive cash payments to arrange their own care or the Inshore Fisheries & Conservation Authority (which is categorised as neither a central government department or a local authority).

Debtors for Local Taxation

Included in "Debtors and payments in advance" (Debtors) are the debtors (net of any provision for bad debts) for council tax and business rates. The past due but not impaired amount for local taxation (council tax and non-domestic rates) is analysed by age as follows:

2024/25			Council Tax	2025/26		
Gross Arrears £'000	Provision for Bad Debts £'000	Net Debtor £'000		Gross Arrears £'000	Provision for Bad Debts £'000	Net Debtor £'000
14,112	(4,234)	9,878	Less than one year	19,401	(4,850)	14,551
14,673	(10,684)	3,989	Between one year and three years	16,475	(12,327)	4,148
18,805	(16,560)	2,245	More than three years	22,036	(19,375)	2,661
47,590	(31,478)	16,112		57,912	(36,552)	21,360

2024/25			Business Rates	2025/26		
Gross Arrears £'000	Provision for Bad Debts £'000	Net Debtor £'000		Gross Arrears £'000	Provision for Bad Debts £'000	Net Debtor £'000
3,472	(1,736)	1,736	Less than one year	4,868	(1,460)	3,408
3,842	(2,881)	961	Between one year and three years	3,325	(1,902)	1,423
4,526	(4,378)	148	More than three years	5,837	(5,578)	259
11,840	(8,995)	2,845		14,030	(8,940)	5,090

26) Borrowing

An analysis of the Council's outstanding debt as at 31 March 2026 is shown below, analysed between the Government's Public Works Loans Board (PWLB) and other lenders.

2024/25 PWLB £'000	2024/25 Other £'000	Analysis of Loans by maturity	2025/26 PWLB £'000	2025/26 Other £'000
2,666	52,287	**Short Term Borrowing** (less than 1 year)	**17,645**	**56,992**
17,536	-	Between 1 and 2 years	**32,500**	**-**
52,609	-	Between 2 and 5 years	**52,500**	**-**
30,181	-	Between 5 and 10 years	**18,750**	**-**
1,268	-	Between 10 and 20 years	**-**	**-**
41,816	-	Between 20 and 30 years	**41,816**	**-**
-	15,000	Between 30 and 40 years	**-**	**40,000**
-	45,000	Between 40 and 50 years	**-**	**20,000**
-	36,600	More than 50 years	**-**	**36,600**
143,410	96,600	**Long Term Borrowing**	**145,566**	**96,600**
135,901	125,065	**Fair Value of Borrowing**	**152,360**	**128,133**
4.81%	4.10%	Average rate of interest	**4.64%**	**4.21%**

Actual borrowing shown here is less than shown in **Note 21, Capital Financing Requirement** because of unfinanced capital expenditure carried forward or decisions when to take out borrowing to finance the capital programme. These decisions are taken in consultation with advisers, taking into account interest rate movements and other factors.

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments. Loans from the PWLB and other loans payable have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans and are therefore classified as Level 2 in the fair value hierarchy as set out in **Note 51, Financial Instruments**.

Other lenders include banks, building societies and local authorities that meet the criteria for borrowing in the approved treasury management strategy.

27) Cash and cash equivalents

Cash and cash equivalents comprise balances held in bank current accounts, plus same-day notice interest-earning deposit accounts and same-day notice low volatility money market funds.

2024/25 £'000		2025/26 £'000
32,207	Cash held by the council	**36,969**
37,183	Liquidity funds	**32,464**
69,390	Cash and cash equivalents	**69,433**
(39,100)	Bank overdraft	**(45,396)**
30,290	Net cash and cash equivalents	**24,037**

28) Creditors and receipts in advance

An analysis of amounts owed by the Council or received in advance at 31 March 2026 is shown below. Receipts in advance do not include grants or contributions held in respect of future spending where conditions attached to the grant have been met.

2024/25 Creditors	2024/25 Receipts in advance		2025/26 Creditors	2025/26 Receipts in advance
£'000	£'000		**£'000**	**£'000**
1,818	-	Central Government Departments	**3,678**	**-**
2,441	791	Other Local Authorities	**3,165**	**637**
560	-	Health	**3,870**	**-**
10,451	8,623	Collection Fund	**3,987**	**10,020**
57,624	7,647	Other	**67,403**	**7,648**
72,894	17,061		**82,103**	**18,305**

Creditors in the other category at £67.4m (£57.6m for 2024/25) include: £39.5m of accruals for trade creditors (£35.4m for 2024/25), £20.7m third party payroll deductions (£18.5m for 2024/25) £4.9m accrual for accumulated absences (£4.8m for 2024/25), and £2.3m for other creditors ((£1.1m) for 2024/25).

Receipts in advance in the other category at £7.6m (£7.6m for 2024/25) include: £7.4m deferred income (£7.4m for 2024/25), and £0.2m for other receipts in advance (£0.3m for 2024/25).

29) Grants receipts in advance – revenue

An analysis of grants receipts in advance for the Council at 31 March 2026 is shown below. Receipts in advance do not include grants or contributions held in respect of future spending where conditions attached to the grant have been met.

2024/25 Receipts in advance		2025/26 Receipts in advance
£'000		**£'000**
497	Central Government Departments	**1,480**
497		**1,480**

30) Grants receipts in advance – capital

2024/25 Receipts in advance		2025/26 Receipts in advance
£'000		**£'000**
-	Central Government Departments	**-**
-		**-**

31) Contingent Assets

In addition to the amounts included in **Note 25, Debtors and payments in advance** further sums estimated to amount to £81m may fall due to Dorset Council in respect of Section 106 (of the Town and Country Planning Act 1990) planning and CIL (Community Infrastructure Levy) agreements.

These amounts are not due, yet, but will accrue in future in line with the progress made on the developments covered by individual agreements.

32) Contingent Liabilities

Provision has been made in the accounts for known claims against the Council at the level of the Council's own estimation. There are potential claims against the Council, which are at this stage unquantifiable, and no provision has been made for these. There are various other minor claims against the Council, where the validity is disputed, and the Council has made no provision for these in the accounts.

Virgin Media judgement

In June 2023, the UK High Court (V*irgin Media Ltd v NTL Pension Trustees II Ltd)* ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The case was taken to the Court of Appeal in June 2024 and the original ruling was upheld.

In September 2025 the Government published proposed amendments to the Pensions Scheme Bill that would allow retrospective actuarial validation to confirm whether historic changes to contracted out benefits complied with statutory requirements. The legislation set out that for the LGPS (England and Wales), the scheme manager role was to be carried out by Ministry of Housing, Communities & Local Government (MHCLG) as the responsible authority for the scheme.

The Pensions Regulator and the Financial Reporting Council issued guidance for scheme managers and scheme actuaries responsible for giving retrospective confirmation, and the Government Actuary's Department (GAD) has been working with the MHCLG to consider whether any action was required in respect of the LGPS (England and Wales). The Government was confident that public sector pension schemes, including the LGPS, would not have failed the Reference Scheme Test at all relevant times during the period in question. No changes to the scheme were therefore expected to arise as a result of this legal case.

33) Provisions

The Council self-insures most of its insurance claims, funding these internally. The insurance provision also covers potential liabilities arising from the performance of building and civil engineering contracts in excess of £750k. Balances for specific provisions as at 31 March 2026 are as follows:

	1 April 2025 £'000	Transfers In £'000	Transfers Out £'000	**31 March 2026 £'000**
Misc Provisions	127	60	(87)	100
NNDR appeals provision	2,500	7,383	(6,914)	2,969
General Insurance Provision	3,178	-	(1,245)	1,933
	5,805	7,443	(8,246)	5,002

NNDR Appeals Provision

When the new arrangements for the retention of business rates came into effect on 1 April 2013, local authorities assumed the liability for refunding rate payers who have successfully appealed against the rateable value of their properties on the rating list.

Insurance Provision

The insurance provision of £1,993m as at 31st March 2026 is for the Council's liabilities in respect of outstanding claims already reported.

It is expected that some insurance claims will be settled within the next financial year and others over the longer period, but it is not possible to say on a claim-by-claim basis when or if a particular claim will be settled due to their varied nature and changing legislation.

Municipal Mutual Insurance (MMI) was the insurer of all of the predecessor Councils prior to ceasing its underwriting operations in September 1992 having suffered substantial losses. The predecessor Councils elected to participate in the "Scheme of Arrangement", effectively becoming a "Scheme Creditor". Since LGR in 2019 Dorset Council is now the sole administrator for the scheme and is responsible for the liabilities of the 6 Councils which merged to form Dorset Council. The Council contributes to the settlement of any claim payments made at the rate of the levy set at the time of the payment. It continues to receive historic claims and has paid back part of the claims for which it has received settlements since 1993 as the "Scheme of Arrangement" has been triggered.

34) Trust funds and bequests

The Council administers a number of funds which have been established by gift or bequest. The bequests are for the benefit of certain Social Care or Library service users. These funds are held by the Council as trustees and are summarised below. Opening figures for individual bequests have been updated since last year's accounts.

	Balance 1 April 2025 (restated) £'000	Income £'000	Expenditure £'000	**Balance 31 March 2026 £'000**	**Capital 31 March 2026 £'000**
B Norwood Bequest	8	1	-	**9**	**63**
T Elliott Bequest	10	2		**12**	**55**
M Dorling Bequest	5	3		**8**	**64**
	22	6	**-**	**28**	**182**

35) Business Improvement Districts

The Council acts as an agent, collecting Business Improvement District (BID) levy income on behalf of four BIDs and distributing this income to each of them when requested by the Board. The Council maintains separate accounts for the transactions relating to each BID and these are not included in the Council's Comprehensive Income and Expenditure Statement.

The balances as at 31 March 2026 relating to the BIDs are as shown below: these do form part of the Council's Balance Sheet.

	Credits from previous years	**Levy Income raised**	**Amounts paid to the BID**	**Amounts written off**	**Refunds**	**Provision for bad debts**	**Balance on the Account**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Wimborne	**(13)**	**(112)**	**117**	**-**	**10**	**-**	**2**
Ferndown & Uddens	**(18)**	**(196)**	**191**	**-**	**15**	**-**	**(8)**
Dorchester	**(15)**	**(129)**	**126**	**-**	**6**	**-**	**(12)**
Weymouth	**(55)**	**(318)**	**315**	**-**	**10**	**-**	**(48)**
Total	**(101)**	**(755)**	**749**	**-**	**41**	**-**	**(66)**

Notes supporting the Movement In Reserves Statement

36) Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure figure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure together with movements in reserves under statute.

Usable Reserves 2025/26	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Change in Total Usable Reserves**	**Change in Total Unusable Reserves**	**Change in Total Reserves**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
Adjustments between accounting basis and funding basis under regulations							
Charges for depreciation & Impairment of non-current assets	70,811				**70,811**	**(70,811)**	-
Charges for depreciation of ROU Assets to CAA	844				**844**	**(844)**	-
Revenue expenditure funded from capital under statute	15,219				**15,219**	**(15,219)**	-
MiRS Adj Gain on Recognition of IFRS16 Peppercorn/nominal ROU Asset to CAA	3,523				**3,523**	**(3,523)**	-
Net gains/(losses) on disposal of non-current assets	2,219		1,565		**3,784**	**(3,784)**	-
Net gains/(losses) on disposal of Academies	71				**71**	**(71)**	-
Statutory provision for financing of capital investment	(13,250)				**(13,250)**	**13,250**	-
Capital Expenditure charged against the General Fund	(1,812)				**(1,812)**	**1,812**	-
Usable Capital Receipts funding revenue income from finance leases	14		(14)		**-**	**-**	-
Capital Receipts flexibility	-		-		**-**	**-**	-
Use of Capital Receipts to finance new capital expenditure			(374)		**(374)**	**374**	-
Transfer to Capital Grants Unapplied Reserves	(63,780)			63,780	**-**	**-**	-
Transfer from Capital Grants Unapplied to CAA				(45,956)	**(45,956)**	**45,956**	-
Interest on Developer Contributions	(2,857)			2,857	**-**	**-**	-
Adjustments for Capital Purposes	11,002	-	1,177	20,681	**32,860**	**(32,860)**	-
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	25,620				25,620	(25,620)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(45,661)				(45,661)	45,661	-
Net Change for the Pensions Adjustments	(20,041)	-	-	-	(20,041)	**20,041**	-
Amounts by which the finance costs charged to the Comprehensive Income & Expenditure Statement differ from statutory requirements	(467)				(467)	467	-
Mandatory statutory override for changes in fair value of investments in pooled funds	29				29	(29)	-
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	2,801				2,801	(2,801)	-
Amount by which Non-Domestic Rates income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	4,983				4,983	(4,983)	-
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	120				120	(120)	-
Net transfers to/from DSG Adjustment Account	53,138				53,138	(53,138)	-
Other Adjustments	60,604	-	-	-	**60,604**	**(60,604)**	-
Total Adjustments 2025/26	51,565	-	1,177	20,681	**73,423**	**(73,423)**	-

Usable Reserves 2024/25	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Change in Total Usable Reserves**	**Change in Total Unusable Reserves**	**Change in Total Reserves**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
Adjustments between accounting basis and funding basis under regulations							
Charges for depreciation & Impairment of non-current assets	54,855				**54,855**	**(54,855)**	-
Charges for depreciation of ROU Assets to CAA	1,106				**1,106**	**(1,106)**	-
Revenue expenditure funded from capital under statute	18,585				**18,585**	**(18,585)**	-
MiRS Adj Gain on Recognition of IFRS16 Peppercorn/nominal ROU Asset to CAA	(14,438)				**(14,438)**	**14,438**	-
Net (gains)/losses on disposal of non-current assets	1,354		1,259		**2,613**	**(2,613)**	-
Net (gains)/losses on disposal of Academies	95				**95**	**(95)**	-
Statutory provision for financing of capital investment	(12,723)				**(12,723)**	**12,723**	-
Capital Expenditure charged against the General Fund	(1,192)				**(1,192)**	**1,192**	-
Usable Capital Receipts funding revenue income from finance leases	14		(14)		**-**	**-**	-
Capital Receipts flexibility	-		-		**-**	**-**	-
Use of Capital Receipts to finance new capital expenditure			(7,030)		**(7,030)**	**7,030**	-
Transfer to Capital Grants Unapplied Reserves	(68,489)			68,489	**-**	**-**	-
Transfer from Capital Grants Unapplied to CAA				(43,512)	**(43,512)**	**43,512**	-
Interest on Developer Contributions	(3,026)			3,026	**-**	**-**	-
Adjustments for Capital Purposes	(23,859)	-	(5,785)	28,003	**(1,641)**	**1,641**	-
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	33,948				33,948	(33,948)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(42,881)				(42,881)	42,881	-
Net Change for the Pensions Adjustments	(8,933)	-	-	-	(8,933)	**8,933**	-
Amounts by which the finance costs charged to the Comprehensive Income & Expenditure Statement differ from statutory requirements	(468)				(468)	468	-
Mandatory statutory override for changes in fair value of investments in pooled funds	(325)				(325)	325	-
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	(4,026)				(4,026)	4,026	-
Amount by which Non-Domestic Rates income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	379				379	(379)	-
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	(313)				(313)	313	-
Net transfers to/from DSG Adjustment Account	36,057				36,057	(36,057)	-
Other Adjustments	31,304	-	-	-	**31,304**	**(31,304)**	-
Total Adjustments 2024/25	(1,488)	-	(5,785)	28,003	**20,730**	**(20,730)**	-

37) Movement in General Fund balances

Total balances increased by £6.4m during the year to £46.2m. There is more information on reserves and balances in the Narrative Statement.

2024/25 Total £'000		2025/26 General £'000	2025/26 LMS* £'000	**2025/26 Total £'000**
44,775	Brought forward	31,632	8,128	**39,760**
(13,143)	Net use in year	4,351	(8,128)	**(3,777)**
8,128	Additions/outturn	-	10,210	**10,210**
39,760	Carried Forward	35,983	10,210	**46,193**

* LMS - balances held on behalf of schools under the scheme for Local Management of Schools.

38) Earmarked Reserves

The Council has established a number of reserves that earmarked for capital and revenue purposes. The contents and purposes of these reserves are reviewed at least twice yearly. These reserves are summarised in the table below:

Balance 1 April 2024 £'000	Income and / or Transfers £'000	Payments and / or Transfers £'000	Balance 31 March 2025 £'000		Balance 1 April 2025 £'000	Income and / or Transfers £'000	Payments and / or Transfers £'000	**Balance 31 March 2026 £'000**
				General Fund				
18,622	6,080	(8,622)	16,080	(A) Financial strategy	16,080	23,922	(14,548)	**25,454**
5,976	898	(1,552)	5,322	(B) PFI Reserves	5,322	1,024	(1,640)	**4,706**
2,324	714	(1,005)	2,033	(C) Insurance Reserve	2,033	488	-	**2,521**
333	-	(16)	317	(D) Trading Account Reserves	317	10	(51)	**276**
3,314	81	(2,848)	547	(E) Transformation Fund	547	1,863	(2,410)	**-**
11,744	4,438	(1,617)	14,566	(F) Other Reserves	14,566	2,464	(5,783)	**11,247**
754	1,000	(3)	1,751	(G) Repairs & maintenance	1,751	1,000	(1,003)	**1,748**
36,622	17,476	(16,948)	37,150	(H) Unused Grant Funds	37,150	18,261	(12,391)	**43,020**
9,747	1,003	(4,870)	5,880	(I) Infrastructure related	5,880	847	(1,100)	**5,627**
236	320	(32)	524	(J) Innovation	524	49	(2)	**571**
89,672	**32,010**	**(37,513)**	84,170	**Sub-total**	**84,170**	**49,928**	**(38,928)**	**95,170**
16,637	2,130	(7,767)	11,000	(K) Section 31 Grant Reserve	11,000	3,083	(1,200)	**12,883**
2,663	15	(1,330)	1,348	(L) Public Health	1,348	1,168	(734)	**1,782**
12,900	10,274	(5,679)	17,495	(M) DSG recovery plan funding	17,495	-	(314)	**17,181**
121,872	**44,429**	**(52,289)**	114,013	**Total Revenue Reserves**	**114,013**	**54,179**	**(41,176)**	**127,016**

a) Financial strategy
These reserves provide support for any possible changes in the spending review (£10m) and also includes the savings from Minimum Revenue Provision (£13.4m).

b) PFI reserves
These reserves are sinking funds held for replacement furniture and equipment, and to cover additional costs of any future legislative changes.

c) Insurance reserve
This is in addition to the provision referred to above, to cater for any claims not covered by that sum.

d) Trading Account reserves
The balance held in this reserve represents retained surpluses from traded services which are reinvested in future services.

e) Transformation Fund
This reserve was set up to fund investment expenditure that would generate reductions in revenue costs.

f) Other reserves
Various reserves to cover partnership working, one-off activities or smooth future cost pressures or activities that may be required where a grant or budget may not be available. These reserves also covers the risks of cost overruns on projects, costs that are contingent upon project outcomes and potential conversion of schools to sponsored academies.

g) Repairs & maintenance
This is a reserve to provide short-term support for the revenue budget for repairs and maintenance.

h) Unused grant funds
Various reserves to fund future expenditure where the received grant for the work or service has not been fully utilised in the year.

i) Infrastructure
Various reserves to cover infrastructure development in the area.

j) Innovation
Associated reserves linking to Enterprise Zone and related business park developments.

k) Section 31 Grant Reserve
This reserve holds unapplied Section 31 grant.

l) Public Health
Reserved underspends from the Public Health grant, to cover any future related Public Health activity or budget pressures that may arise and associated Covid related grants (Contain Outbreak Management).

m) DSG recovery plan funding
Reserves specific for the Dedicated Schools Grant recovery plan. Currently Safety Valve payments were paused by the DfE however this has all been superseded by the SEND Reform announcement in early 2026. Dorset will submit a SEND reform plan to the DfE in June 2026.

39) Capital Grants Unapplied Account

Where the acquisition of a non-current asset is financed wholly or partly by a capital grant or other contribution, the amount of the grant is credited initially to a capital grants unapplied account. Once the appropriate expenditure has been incurred, the funding is transferred from the capital grant unapplied account to the Capital Adjustment Account.

2024/25 £'000		**2025/26 £'000**
113,093	Balance brought forward	**135,243**
68,489	Receipts	**63,780**
3,026	Notional Interest	**2,857**
(43,512)	Transferred to Capital Adjustment Account	**(45,956)**
(5,853)	Adjusted to revenue earmarked reserves	**(4,249)**
135,243	Balance carried forward	**151,675**

40) Usable Capital Receipts Reserve

Capital Receipts from the sale of surplus assets are used to finance the capital expenditure programme.

2024/25 £'000		2025/26 £'000
9,730	Balance brought forward	**3,945**
1,259	Net (gains)/losses on disposal of non-current assets	**1,565**
(14)	Usable Capital Receipts funding revenue income from finance leases	**(14)**
(7,030)	Use of Capital Receipts to finance new capital expenditure	**(374)**
-	Flexible use of capital receipts	**-**
-	Reclassifications between balances and Reserves	**-**
3,945	Balance carried forward	**5,122**

41) Capital Adjustment Account

This account provides a balancing mechanism between the different rates at which assets are depreciated and are financed through the capital control system.

2024/25 £'000		2025/26 £'000
417,444	Balance brought forward	424,790
14,438	MiRS Adj Gain on Recognition of IFRS16 Peppercorn/nominal ROU Asset to CAA	
431,882	**Restated Opening balance**	
(49,860)	Depreciation & Impairment	**(64,561)**
(1,106)	Charges for depreciation of ROU Assets to CAA	**(844)**
	Amortisation of intangible assets	
	Revaluation losses on property, plant and equipment	
(18,585)	Revenue expenditure funded from capital under statute (REFCUS)	**(15,219)**
(1,925)	Net gains/(losses) on disposal of non-current assets	**(2,359)**
(73)	Net gains/(losses) on disposal of Academy assets	**(40)**
	Net gains/(losses) on disposal of Right of Use Assets	
	Adjusting amounts written out of the revaluation reserve	**(3,523)**
12,723	Minimum Revenue Provision	**13,250**
1,192	Capital Expenditure Charged to the General Fund	**1,812**
43,512	Application of grants to capital financing from the capital grants unapplied account	**45,956**
7,030	Use of Capital Receipts	**374**
-	Transfer from revenue to fund capital expenditure	**-**
424,790	Balance carried forward	**399,636**

42) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

a) Revalued downwards or impaired and the gains are lost;
b) Used in the provision of services and the gains are consumed through depreciation; or
c) Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date on which it was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2024/25 £'000		2025/26 £'000
217,735	Balance brought forward	**225,807**
28,834	Revaluation gains on property, plant & equipment	**100,261**
(15,057)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	**(63,355)**
(4,995)	Charges for depreciation & Impairment of non-current assets	**(6,250)**
(688)	Net (gains)/losses on reversing out historic upward revaluation on disposal of non-current assets	**(1,425)**
(22)	Net (gains)/losses on disposal of Academies	**(31)**
225,807	Balance carried forward	**255,007**

43) Accumulated Absences Account

The IFRS-based Code requires Local Authorities to account for benefits payable during employment in accordance with *IAS 19 (Employee Benefits)*. One aspect of this is that accruals must be made at 31 March for any "accumulating, compensated absences", or untaken leave, time-off-in-lieu etc.

The balance on this account at the end of the year is mirrored by a creditor in the Balance Sheet. As with other changes in creditors, the change in the balance between the start and the end of the year is charged in the Comprehensive Income and Expenditure Statement within individual costs of services.

2024/25			2025/26	
£'000	£'000		**£'000**	**£'000**
	(5,129)	Opening balance		**(4,816)**
5,129		Reverse previous year provision	**4,816**	
(4,816)		Current year provision	**(4,936)**	
	313	(Charge)/credit to I&E		**(120)**
	(4,816)	Closing balance		**(4,936)**

44) Pooled Funds Adjustment Account

The Pooled Funds Adjustment Account comprises the accumulated unrealised gains or losses made by the Council arising from changes in the fair value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is increased when investments are revalued upwards, and the balance is reduced when investments are revalued downwards or disposed of and the gains are realised.

2024/25 £'000		2025/26 £'000
1,291	Balance brought forward	**1,616**
325	Gains/(Losses) on revaluation of investments	**(29)**
1,616	Balance carried forward	**1,587**

45) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2024/25 £'000		2025/26 £'000
(12,372)	Balance brought forward	(11,904)
322	Release of deferred premia	322
146	Soft Loan Interest Adjustment	145
(11,904)	Balance carried forward	(11,437)

46) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2024/25 £'000		2025/26 £'000
6,317	Balance brought forward	9,964
3,648	Movement in year	(7,785)
9,964	Balance carried forward	2,180

Notes supporting the Cash Flow Statement

47) Net Cash flows from operating activities

As at 31 March 2025 £'000		As at 31 March 2026 £'000
(7,163)	Interest received	(5,115)
9,009	Interest paid	12,169
1,845		7,054

As at 31 March 2025 £'000		As at 31 March 2026 £'000
43,253	Depreciation	**54,735**
6,829	Impairment	**15,580**
936	Amortisation	**886**
978	Increase/(decrease) in impairment for bad debts	**(1,739)**
(21,629)	Increase/(decrease) in creditors	**11,436**
452	(Increase)/decrease in debtors	**(17,646)**
49	(Increase)/decrease in inventories	**(182)**
(8,933)	Movement in pension liability	**(20,041)**
10,994	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	**11,403**
14,438	MiRS Adj Gain on Recognition of IFRS16	**-**
-	Leased assets remeasurement	**(768)**
(31,226)	Other non-cash items charged to the net surplus or deficit on the provision of services	**(1,603)**
16,140		**52,061**

As at 31 March 2025 £'000		As at 31 March 2026 £'000
(1,259)	Proceeds from the sale of property, plant and equipment, and intangible assets	**(1,565)**
(1,259)		**(1,565)**

48) Net Cash flows from investing activities

As at 31 March 2025 £'000		As at 31 March 2026 £'000
(82,464)	Purchase of property, plant and equipment and intangible assets	**(64,235)**
1,259	Proceeds from the sale of property, plant and equipment and intangible assets	**1,565**
24,831	Proceeds from short-term and long-term investments	**26,601**
(56,374)	**Net cash flows from investing activities**	**(36,069)**

49) Net Cash flows from financing activities

As at 31 March 2025 £'000		As at 31 March 2026 £'000
102,500	Cash receipts of short- and long-term borrowing	**65,000**
15,342	Cash payments for the reduction of outstanding liabilities	**(6,798)**
(34,536)	Repayments of short- and long-term borrowing	**(42,501)**
83,306	**Net cash flows from financing activities**	**15,701**

Technical Notes

50) Retirement benefits

Dorset Council participates in four different pension schemes that meet the needs of employees in particular services. Three are defined benefit schemes providing members with benefits related to pay and length of service, and one is a defined contribution scheme providing members with benefits related to the investment returns on contributions.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The schemes are as follows:

a) The Local Government Pension Scheme for employees other than teachers is administered by the Council. This is a funded scheme, meaning that the Council and the employees pay contributions into a fund, calculated at a level intended to balance over time the pension liabilities with investment assets.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when they are eventually paid as pensions. However, the charge against council tax has to be based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement in Reserves (General Fund Balance).

Service costs are included within the 'Net Cost of Services'. The net interest on the defined liability and administration expenses is included in 'Net Operating Expenditure' in the Comprehensive Income and Expenditure Statement. Remeasurement gains and losses arising are recognised in the Statement of Movement in Reserves. The independent actuary has determined these amounts in accordance with IFRS and Government regulations.

2024/25 £'000		2025/26 £'000
	Cost of services:	
29,269	Service Cost	**24,610**
3,636	Net interest on the defined liability (asset)	**(27)**
1,043	Administration expenses	**1,037**
33,948	**Total post-employment benefits charged to the surplus or deficit on provision of services**	**25,620**
	Remeasurement of the net defined benefit liability comprising	
(5,455)	Return on assets less interest	**89,155**
-	Other actuarial gains/(losses) on assets	**(16,185)**
207,543	Actuarial gains and losses on changes in financial assumptions	**53,520**
3,998	Actuarial gains and losses on changes in demographic assumptions	**8,183**
3,745	Experience gain/(loss) on changes on defined benefit obligation	**(73,100)**
(132,974)	Changes in impact of asset ceiling	**(81,916)**
76,857	**Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement**	**(20,343)**
	Movement in reserves statement:	
(33,948)	Total post-employment benefits charged to the surplus or deficit on provision of services	**(25,620)**
42,881	Employers' contributions payable to the scheme	**45,661**
8,933	**Adjustments between accounting basis and funding basis under regulations for the Pensions Reserve**	**20,041**
	Actual amount charged against the General Fund balance for pensions in the year	
42,881	Employers' contributions payable to the scheme	**45,661**

The costs of 'added years' awarded to ex-staff are charged centrally as non-distributed costs.

The underlying assets and liabilities for retirement benefits attributable to the Council as at 31 March are shown in the following table, which also shows the distribution of assets by proportion of the total and the expected long-term return. The assets are valued at fair value, principally market value for investments, and consist of the following categories:

2024/25			2025/26	
% Assets	£'000		% Assets	£'000
63%	913,580	Equities	**65%**	**1,028,795**
0%	-	Liability Driven Investment	**0%**	**-**
2%	31,784	Cash	**2%**	**33,419**
7%	95,563	Other Bonds	**6%**	**99,116**
7%	97,150	Diversified Growth Fund	**6%**	**101,434**
7%	101,987	Property	**6%**	**101,561**
8%	111,906	Infrastructure	**8%**	**119,557**
7%	104,647	Multi Asset Credit	**7%**	**108,619**
	1,456,617	Estimated Assets in Council Fund		**1,592,501**
	1,387,959	Present value of scheme liabilities		**1,437,959**
	132,974	Impact of asset ceiling		**222,467**
	9,112	Present value of unfunded liabilities		**5,805**
	1,530,045	Total value of liabilities		**1,666,231**
	(73,428)	Net Pensions Asset/(Liability)		**(73,730)**

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the

General Fund the amounts required by statute as described in the Statement of Accounting Policies.

Liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates are based on the latest full valuation of the scheme as at 31 March 2025, as updated for changes in numbers of staff and pensioners. The next full valuation will be carried out by the Actuary as at 31 March 2028.

The main assumptions used in their calculations are:

2024/25			2025/26	
% p.a.	Real		**% p.a.**	**Real**
2.90%	0.00%	CPI inflation	**2.90%**	0.00%
3.90%	1.00%	Rate of increase in salaries	**3.90%**	1.00%
2.90%	0.00%	Rate of increase in pensions	**2.90%**	0.00%
5.80%	2.90%	Rate for discounting scheme liabilities	**6.10%**	3.20%

Note 3, Sources of Estimation Uncertainty contains further information relating to the impact of variations in these assumptions.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme.

The assumed life expectations from age 65 are as follows:

2024/25			2025/26	
Male	Female	Years	**Male**	**Female**
21.8	24.0	Retiring today	**22.3**	**23.2**
23.1	25.4	Retiring in 20 years	**23.9**	**24.9**

The Authority is required to provide the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

2024/25 £'000		2025/26 £'000
1,563,596	Opening defined benefit obligation	**1,397,071**
28,957	Current service cost	**23,367**
76,525	Interest cost	**74,893**
(207,543)	Change in financial assumptions	**(53,520)**
(3,998)	Change in demographic assumptions	**(8,183)**
(3,745)	Experience loss/(gain) on defined benefit obligation	**73,100**
1,020	Liabilities assumed/(extinguished) on settlements	**265**
(65,499)	Estimated benefits paid (net of transfers in)	**(72,696)**
328	Past service costs including curtailments	**1,398**
10,992	Contributions by scheme participants	**11,613**
(3,562)	Unfunded pension payments	**(3,544)**
1,397,071	Closing defined benefit obligation	**1,443,764**

The Authority is also required to provide a reconciliation between the opening and closing balances of the fair value of the scheme assets.

2024/25 £'000		2025/26 £'000
1,404,378	Opening fair value of scheme assets	**1,456,617**
72,889	Interest on assets	**82,497**
(5,455)	Return on assets less interest	**89,155**
-	Other actuarial gains/(losses)	**(16,185)**
(1,043)	Administration expenses	**(1,037)**
39,319	Contributions by employer	**42,117**
3,562	Unfunded pension payments	**3,544**
10,992	Contributions by scheme participants	**11,613**
(65,499)	Estimated benefits paid (net of transfers in)	**(72,696)**
(3,562)	Unfunded pension payments	**(3,544)**
1,036	Settlement prices received/(paid)	**420**
1,456,617	Fair value of scheme assets at end of period	**1,592,501**

Analysis of the attributable movements in the surplus / (deficit) in the scheme during the year:

2024/25 £'000		2025/26 £'000
(159,218)	Surplus / (Deficit) brought forward	**(73,428)**
(29,269)	Service Cost	**(24,610)**
39,319	Employer contributions	**42,117**
3,562	Unfunded pension payments	**3,544**
(1,043)	Administration expenses	**(1,037)**
(3,636)	Net interest on the defined liability/(asset)	**27**
76,857	Actuarial Gain/(Loss)	**(20,343)**
(73,428)	Surplus/(Deficit) as at 31 March	**(73,730)**
(73,428)	Pension Reserve	**(73,730)**

As at 31 March 2026, the fair value of plan assets was measured at greater than the present value of the defined benefit obligation, resulting in a net pension asset. However, the accounting standard interpretation *IFRIC 14* for *IAS 19 (Employee Benefits)* restricts the amount of the net pension asset that can be recognised on the Balance Sheet to the estimated economic benefit of the net asset arising from a reduction in future contributions, amending for any additional liabilities arising from past service contributions. This adjustment - known as the asset ceiling calculation - has resulted in a credit to the Balance Sheet value of £222.467m (2024/25 £132.974m). The resulting net liability is the figure which is included in the Balance Sheet in the Pension Reserve.

2024/25 £'000		2025/26 £'000
(1,397,071)	Defined benefit obligation	**(1,443,764)**
1,456,617	Fair value of scheme assets	**1,592,501**
59,546	Net position before asset ceiling adjustments	**148,737**
(132,974)	Impact of asset ceiling	**(222,467)**
(73,428)	Pension Reserve	**(73,730)**

The change in the impact of asset ceiling is shown in the following table.

2024/25 £'000		2025/26 £'000
-	Opening impact of asset ceiling	**132,974**
-	Interest on impact of asset ceiling	**7,577**
132,974	Actuarial losses / (gains)	**81,916**
132,974	Closing impact of asset ceiling	**222,467**

The estimated employer contribution to the scheme for the period 1 April 2026 to 31 March 2027 is £38.825m. This excludes the capitalised cost of any early retirements or augmentations which may occur after 31 March 2026

b) Teachers are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2025/26 the Council paid £14.5m to the TPA at 28.68% of pensionable pay. The figure for 2024/25 was £14.1m – also at 28.68% of pensionable pay. The cost of added years payments to ex-staff was £1.6m (£1.6m in 2024/25). There were no contributions remaining payable at the year-end.

The Teachers' Pension Scheme is a defined benefit scheme, which is unfunded. The Teachers' Pension Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. It is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. The benefits are fully accrued in the pension's liability detailed above.

c) Public Health professionals who have transferred employment from the National Health Service (NHS) to Local Authorities may retain membership of the NHS Pension Scheme (NHSPS). The NHSPS is a defined benefit scheme, which is unfunded. Local Authorities contribute towards the costs by making contributions based on a percentage of members' pensionable salaries. The NHSPS uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. It is not possible for a Local Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. In 2025/26 the Council paid contributions of £60k to the NHSPS, being 14.38% of pensionable pay.

d) Employees can also opt to become members of the National Employment Savings Trust (NEST), the pension scheme set up by the Government and run by its trustee, NEST Corporation. NEST is a defined contribution scheme. Local Authorities contribute by making contributions based on a percentage of members' pensionable salaries. In 2025/26 the Council paid contributions of £5.9k to NEST at 3.0% of pensionable pay.

51) Financial Instruments

IFRS 9 (Financial Instruments) was incorporated into the CIPFA Code with effect from 1 April 2018. It specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. It requires an entity to recognise a financial asset or a financial liability in its Balance Sheet when it becomes party to the contractual provisions of the instrument.

Under IFRS 9 financial instruments are accounted for at either amortised cost, fair value through profit and loss (FVTPL), or fair value through other comprehensive income (FVOCI).

Financial Instrument Balances

The financial assets and liabilities at 31 March include the following categories of financial instruments:

2024/25 Long-Term £'000	2024/25 Current £'000	Financial Assets	2025/26 Long-Term £'000	2025/26 Current £'000
		Amortised cost:		
-	32,207	Cash and Cash Equivalents	**-**	**36,969**
6,980	88,481	Debtors	**6,788**	**92,178**
		Fair value through profit and loss (FVTPL):		
	37,183	Investments in pooled funds (liquidity funds)		**32,464**
19,295	8,419	Investments in pooled funds (other)	**1,254**	**-**
33	-	Equity investments	**33**	**-**
26,308	166,290	**Total Financial Assets**	**8,075**	**161,611**

A strategic decision was made to reduce investments in pooled funds as an alternative to additional external borrowing to meet the Council's Capital Financing Requirement (CFR).

2024/25 Long-Term £'000	2024/25 Current £'000	Financial Liabilities	2025/26 Long-Term £'000	2025/26 Current £'000
		Borrowing (amortised cost)		
(143,410)	(2,666)	Public Works Loan Board (PWLB)	**(145,566)**	**(17,645)**
(96,600)	(52,287)	Other lenders	**(96,600)**	**(56,992)**
(240,010)	(54,953)	**Total Borrowing**	**(242,166)**	**(74,637)**
		Other Long-Term Liabilities (amortised cost)		
(16,690)	-	PFI Liability	**(13,845)**	**-**
(57)	-	Other Long Term Liabilities	**(57)**	**-**
(8,288)	-	Long-Term Lease Obligations	**(4,991)**	**-**
(25,035)	-	**Total Other Long-Term Liabilities**	**(18,893)**	**-**
		Current Liabilities (amortised cost)		
-	(39,100)	Bank overdraft	**-**	**(45,396)**
-	(7,653)	PFI Liability	**-**	**(7,355)**
-	(1,265)	Current Lease Obligations	**-**	**(907)**
-	(57,744)	Creditors (payable within 12 months)	**-**	**(78,116)**
-	(105,763)	**Total Current Liabilities**	**-**	**(131,774)**
(265,045)	(160,716)	**Total Financial Liabilities**	**(261,059)**	**(206,411)**

The amounts disclosed in the tables above for debtors and creditors exclude council tax and business rates, as these are statutory and not contractual arrangements. The tables also exclude payments in advance, receipts in advance and the accrual for untaken leave which do not meet the criteria of a financial instrument. The following tables provide reconciliations to the total assets and liabilities on the Balance Sheet:

Financial assets	**Non-current**				**Current**				**Total**	
	Investments		**Debtors**		**Investments**		**Debtors**			
	31-Mar-25 £'000	**31-Mar-26 £'000**	31-Mar-25 £'000	**31-Mar-26 £'000**	31-Mar-25 £'000	**31-Mar-26 £'000**	31-Mar-25 £'000	**31-Mar-26 £'000**	31-Mar-25 £'000	**31-Mar-26 £'000**
Fair value through profit or loss	19,328	**1,287**	-	**-**	45,602	**32,464**	-	**-**	64,930	**33,751**
Amortised cost	-	**-**	6,980	**6,788**	32,207	**36,969**	88,481	**92,178**	127,668	**135,935**
Fair value through other comprehensive income	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**
Total financial assets	19,328	**1,287**	6,980	**6,788**	77,809	**69,433**	88,481	**92,178**	192,598	**169,686**
Assets not defined as financial instruments	1,086,098	**1,105,586**	-	**-**	-	**-**	29,505	**45,385**	1,115,603	**1,150,971**
Total assets	1,105,426	**1,106,873**	6,980	**6,788**	77,809	**69,433**	117,986	**137,563**	1,308,201	**1,320,657**

Financial liabilities	Non-current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31-Mar-25	**31-Mar-26**	31-Mar-25	**31-Mar-26**	31-Mar-25	**31-Mar-26**	31-Mar-25	**31-Mar-26**	31-Mar-25	**31-Mar-26**
	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**
Fair value through profit or loss	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**
Amortised cost	248,298	**247,157**	16,747	**13,902**	54,953	**74,637**	8,918	**8,262**	328,916	**343,958**
Total financial liabilities	248,298	**247,157**	**16,747**	13,902	54,953	**74,637**	8,918	**8,262**	328,916	**343,958**
Liabilities not defined as financial instruments	-	-	73,428	**73,730**	39,100	45,396	96,257	**106,890**	208,785	**226,016**
Total liabilities	248,298	**247,157**	90,175	**87,632**	94,053	**120,033**	105,175	**115,152**	**537,701**	**569,974**

The following tables analyse the financial instruments into input levels for fair value measurement techniques:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
Level 3 inputs – unobservable inputs for the asset.

2024/25 restated				2025/26		
Level 1	Level 2	Level 3	**Financial Assets**	**Level 1**	**Level 2**	**Level 3**
£'000	£'000	£'000		**£'000**	**£'000**	**£'000**
37,183	-	-	Investments in pooled funds (liquidity)	**32,464**	**-**	**-**
8,419	19,295	-	Investments in pooled funds (other)	**-**	**1,254**	**-**
-	-	33	Equity investments	**-**	**-**	**33**
-	-	88,481	Current Debtors	**-**	**-**	**92,178**
-	-	6,980	Long Term Debtors	**-**	**-**	**6,788**
45,602	19,295	95,494	**Total**	**32,464**	**1,254**	**98,999**

The 2024/25 figures have been restated to include investments in pooled funds.

	2024/25			2025/26		
Level 1	Level 2	Level 3	**Financial Liabilities**	**Level 1**	**Level 2**	**Level 3**
£'000	£'000	£'000		**£'000**	**£'000**	**£'000**
			Borrowing			
-	(146,076)	-	Public Works Loan Board (PWLB)	**-**	**(163,211)**	**-**
-	(148,887)	-	Other lenders	**-**	**(153,592)**	**-**
-	(294,963)	-	**Total Borrowing**	**-**	**(316,803)**	**-**
			Other Long Term Liabilities			
-	-	(16,690)	PFI Liability	**-**	**-**	**(13,845)**
-	(57)	-	Other Long Term Liabilities	**-**	**(57)**	**-**
-	-	(8,288)	Obligations Under Finance Leases	**-**	**-**	**(4,991)**
-	(57)	(24,978)	**Total Other Long Term Liabilities**	**-**	**(57)**	**(18,836)**
			Other Current Liabilities			
-	-	(7,653)	PFI Liability	**-**	**-**	**(7,355)**
-	-	(1,265)	Obligations Under Finance Leases	**-**	**-**	**(907)**
-	-	(8,918)	**Total Other Current Liabilities**	**-**	**-**	**(8,262)**
-	(295,020)	(33,896)	**Total**	**-**	**(316,860)**	**(27,098)**

The value of the Council's borrowing in the table above has been disclosed at amortised cost to be consistent with the Balance Sheet treatment. The fair value of borrowing is disclosed in **Note 26, Borrowing.**

Transfers between levels of the fair value hierarchy – Financial Assets

There were no transfers between input levels 1 and 2 during the year.

Transfers between levels of the fair value hierarchy – Financial Liabilities

There were no transfers between input levels 1 and 2 during the year.

Financial Instrument Gains and Losses were as follows:

2024/25 £'000	Gains/(Losses)	2025/26 £'000
(9,821)	Interest payable	**(11,890)**
6,394	Interest and investment income	**4,865**
1,079	Gains/(losses) from changes in fair value	**141**
(2,348)	**Net Gain/(Loss) for the Year**	**(6,884)**

52) Disclosure of nature and extent of risk arising from financial instruments

In line with CIPFA's Code of Practice on Treasury Management, the Council approves a treasury management strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also maintains treasury management practices specifying the practical arrangements to be followed to manage these risks.

The main risks covered are:

Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and financial markets movements.

Credit risk

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality and by limiting the amounts that can be invested with any single counterparty as set out in the treasury management strategy.

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral as at 31 March 2026 was £19.9m.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council. Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 110% (2025: 62%), as estimated by Moody's credit ratings agency, to adjust for current and forecast economic conditions.

A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31 March 2026, £nil (2025: £nil) of loss allowances related to treasury investments.

Liquidity risk
The Council has a comprehensive cash flow management system that seeks to ensure that cash is available when it is needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets, other local authorities and the Public Works Loan Board (PWLB). There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments.

The Council is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed primarily by setting limits, agreed in the annual treasury management strategy, on the proportion of fixed rate borrowing that can mature during specified periods. A maturity analysis of the Council's external borrowing is shown in **Note 26, Borrowing**.

Market risk
The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise;
- borrowings at fixed rates – the fair value of the liabilities will fall;
- investments at variable rates – the interest income will rise;
- investments at fixed rates – the fair value of the assets will fall.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. As at 31 March 2026 the Council had no variable rate borrowing or investments.

If interest rates had been 1% higher at 31 March 2026, the 12-month revenue impact is estimated as follows (with the movements reversed for a 1% fall):

2024/25 £'000	**Interest Rate Risk**	**2025/26 £'000**
-	Increase in interest payable on variable rate borrowings	**-**
-	Increase in interest receivable on variable rate investments	**-**
(399)	Decrease in fair value of investments held at FVTPL	**(40)**
(399)	**Impact on Surplus or Deficit on the Provision of Services**	**(40)**
-	Decrease in fair value of investments held at FVOCI	**-**
(399)	**Impact on Comprehensive Income and Expenditure**	**(40)**
-	Decrease in fair value of loans and investments at amortised cost *	**-**
(19,058)	Decrease in fair value of fixed rate borrowing *	**(17,974)**
	*No impact on Comprehensive Income and Expenditure.	

Movements in the value of investments that have a quoted market price will be treated as fair value through profit or loss (FVTPL) unless the investments have been designated as fair value through other comprehensive income (FVOCI). As at 31 March 2026 the Council had no such investments designated as FVOCI.

The Council's investment in pooled property funds is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £20m per fund. A 5% fall in commercial property prices at 31 March 2026 would result in a £60k charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates (NDR).

	2024/25			2025/26		
	Council Tax £'000	NDR £'000	Total £'000	**Council Tax £'000**	**NDR £'000**	**Total £'000**
Income						
Council Tax	394,602	-	394,602	**429,717**		**429,717**
Council Tax S13A(1)C Relief	146	-	146	**142**		**142**
Non-Domestic Rates	-	98,281	98,281		**115,363**	**115,363**
Transitional Protection Payments		3,353	3,353		**679**	**679**
Business Rates Deferral Scheme			-			**-**
Grant Income to the Collection Fund			-			**-**
Discretionary Reliefs Income	-	-	-			**-**
Total income	394,748	101,634	496,382	**429,859**	**116,042**	**545,901**
Precepts / NDR Distribution						
Central Government	-	50,227	50,227		**55,890**	**55,890**
Dorset Council	307,877	49,223	357,100	**337,833**	**54,773**	**392,606**
Dorset Police Authority	45,167	-	45,167	**49,457**		**49,457**
Dorset Fire Authority	13,377	1,005	14,382	**14,785**	**1,118**	**15,903**
All Parishes	18,762	-	18,762	**20,859**		**20,859**
Previous Year Collection Fund Surplus / (Deficit) Redistributed						
Central Government	-	2,431	2,431		**5,759**	**5,759**
Dorset Council	245	2,382	2,627	**4,187**	**5,644**	**9,831**
Dorset Police Authority	34	-	34	**579**		**579**
Dorset Fire Authority	10	49	59	**172**	**115**	**287**
Allowances to charging authority						
Non-Domestic Rate Cost Of Collection	-	643	643		**643**	**643**
Transitional Protection Payments	-	-	-			**-**
Renewable Energy Scheme	-	1,205	1,205		**1,451**	**1,451**
Enterprise Zones	-	277	277		**645**	**645**
Provision for appeals						
Increase/(Decrease) To Provision	-	(7,494)	(7,494)		**957**	**957**
Provision for bad debts						
Increase/(Decrease) To Provision	4,528	1,666	6,194	**5,291**	**(47)**	**5,244**
Total Deductions	390,000	101,614	491,614	**433,163**	**126,948**	**560,111**
Surplus / (Deficit) Arising In Year	4,748	20	4,768	**(3,304)**	**(10,906)**	**(14,210)**
Balance B/F 1st April	485	10,982	11,467	**5,233**	**11,002**	**16,235**
Balance C/F 31st March	5,233	11,002	16,235	**1,929**	**96**	**2,025**

Notes to the Collection Fund

1. Income from Council Tax

The Council's Tax Base for 2025/26, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Number of Taxable Dwellings After Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	19.8	5/9	11.0
A	12,234.6	6/9	8,156.4
B	22,737.9	7/9	17,685.0
C	35,132.4	8/9	31,228.8
D	32,495.8	9/9	32,495.8
E	25,898.0	11/9	31,653.1
F	14,909.4	13/9	21,535.8
G	7,668.6	15/9	12,781.0
H	619.9	18/9	1,239.8
	151,716.3		**156,786.7**
Class O exempt dwellings			760.4
Council Tax Base for Revenue Support Grant Purposes			**157,547.1**
Reduction due to the Council Tax Reduction Scheme			**3,245.9**
Council Tax Base for Council Tax Setting Purposes			**160,793.0**

2. Income from Business Rates

The Council collects Business Rates on behalf of the Government based on local rateable values and National multipliers as follows:

	2024/25	**2025/26**
Rateable value at year-end	324,182,690	324,586,280
National Multiplier	54.6p	55.5p
Small Business Multiplier	49.9p	49.9p

3. Allocation of Collection Fund Surplus / (Deficit)

2025/26	**Council Tax** **£'000**	**Non-Domestic Rates** **£'000**	**Total** **£'000**
Central Government	-	48	**48**
Dorset Council	1,636	47	**1,683**
Dorset Police Authority	226	-	**226**
Dorset Fire Authority	67	1	**68**
Total Surplus As At 31 March 2026	**1,929**	**96**	**2,025**

2024/25	**Council Tax** £'000	**Non-Domestic Rates** £'000	**Total** £'000
Central Government	-	5,501	5,501
Dorset Council	4,438	5,391	9,829
Dorset Police Authority	613	-	613
Dorset Fire Authority	182	110	292
Total Surplus As At 31 March 2025	5,233	11,002	16,235

1. General Principles

The Statement of Accounts summarises the authority's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act as they apply to Local Authorities in England.

The financial information in this Statement, including the techniques used for estimation, has been prepared after taking into account its relevance, reliability, comparability, understandability and materiality. All material transactions have been disclosed, and the accounts include relevant accruals.

Local authorities derive their powers from statute, and their financial and accounting framework is closely controlled by primary and secondary legislation. Therefore, where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments, except where disclosed otherwise in accounting policies or notes, or where required by International Financial Reporting Standards (IFRS).

Areas where there is divergence from the historic cost convention typically include the revaluation of property, plant and equipment; inventories; and certain financial assets, liabilities and instruments.

The Financial Statements have been prepared with due regard to the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements.

2. Accruals of Income and Expenditure

The revenue recognition principle is a cornerstone of accrual accounting and determines the accounting period in which revenues and expenses are recognised. The Council's policy is that revenues are recognised when they are realisable and are earned (usually when goods are transferred or services rendered), no matter when cash is received.

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Interest receivable on temporary investments is reported in the Comprehensive Income & Expenditure Statement in the period to which it relates. Interest payable on external borrowing is fully accrued in

order that the period bears the full cost of interest relevant to actual borrowing. Other types of interest (e.g. for finance leases out and Right of Use assets) are reported in service accounts.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the primary statements and notes and adjusting the opening balances for the current period for the cumulative effect.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, if the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component for the earliest prior period presented, along with other comparative amounts disclosed for each prior period presented and restating them as if the new accounting policy had always been applied.

5. Charges to Revenue for Non-Current Assets

Services, support services, and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision or the Statutory Repayment of Loans Fund Advances), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves.

Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

For council tax, the Council is collecting precepts on behalf of Dorset Police and Crime Commissioner and Dorset and Wiltshire Fire and Rescue Authority as well as Dorset Council.

For NDR, this means that the Council is dealing with the collection of business rates on behalf of the Government and Dorset and Wiltshire Fire and Rescue Authority as well as Dorset Council.

Accounting for Council Tax and NDR
The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

7. Employee Benefits

Benefits Payable During Employment & Termination Benefits
Short-term employee benefits, such as wages, salaries, paid leave, and non-cash benefits, are recognised as expenses in the year services are provided. Annual leave not taken at the end of the financial year is accrued for in the Surplus or Deficit on the Provision of Services. Termination benefits arising from redundancy or early termination are recognised when the obligation becomes unavoidable or restructuring costs are incurred.

Post-employment Benefits
The cost of pensions is accounted for in accordance with IAS 19.

The net total of the following amounts is recognised in the Surplus or Deficit on the Provision of Services except to the extent that the Code requires or permits their inclusion in the cost of an asset:
a) current service cost;
b) interest cost;
c) the expected return on any plan assets and on any reimbursement right recognised as an asset;
d) past service cost;
e) the effect of any curtailments or settlements;

f) actuarial gains and losses.

Discretionary Benefits
The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

The accounting treatment for employee benefits is in accordance with CIPFA Code guidance.

8. Events after the Balance Sheet date

These are defined as events, which could be favourable or unfavourable, that occur between the end of the reporting period and the date that the Financial Statements are authorised for issue.

An adjusting event is an event that provides evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. An adjusting event is one where the Financial Statements are adjusted to reflect the event.

A non-adjusting event is an event that is indicative of a condition that arose after the end of the reporting period. The nature and estimated financial effect of non-adjusting events is disclosed in the Financial Statements if material and it is considered that non-disclosure would affect the ability of users to make proper evaluations and decisions, but the Financial Statements themselves are not adjusted to include the financial impact of it.

Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

9. Financial Instruments

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Short-term liabilities including short-term borrowing and trade payables are carried at fair value.

Long-term financial liabilities
Borrowings are initially measured at fair value, net of transaction costs. PFI liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised

cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets
Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:
- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Amortised cost
Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model
The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. This model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss
Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair Value through Other Comprehensive Income (FVOCI)
Equity Instruments not held for trading, i.e. held for strategic purposes, are accounted for on a FVOCI basis. Movements in fair value are not debited/credited to the Surplus or Deficit on the Provision of

Services as they arise. Instead, movements are accumulated in the Financial Instruments Revaluation Reserve until the asset is derecognised, at which point the net gain or loss is transferred to the CIES.

Fair value measurements of financial assets
The fair value measurements of the financial assets are based on the following techniques:
- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:
- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10. Foreign Currency Translation

In accordance with IAS 21, income and expenditure arising from transactions in foreign currency are translated into sterling at the exchange rate in operation on the date on which the transaction occurred. Balances denominated in a foreign currency are translated at the prevailing exchange rate at the Balance Sheet date.

Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

11. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:
- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant

has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Unspent revenue grants are transferred to an earmarked revenue reserve. Once the expenditure is incurred the reserve is applied to fund that expenditure.

Business Improvement Districts

Business Improvement Districts (BIDs) are funded through a levy paid by non-domestic ratepayers within the BID area. Levies are renewed by vote of the businesses in the BID area every five years: votes in favour must represent both a majority of businesses and a majority of the Rateable Value of businesses. Both measures are based on those businesses that chose to cast their vote.

There are currently four active BIDs in the Dorset Council area.

BID scheme	Date started	Delivery company
Dorchester	1 August 2008	Dorchester BID Limited
Ferndown & Uddens	1 September 2014	Ferndown & Uddens BID Limited
Weymouth	1 September 2013	We Are Weymouth Limited
Wimborne	1st August 2011	Wimborne BID Limited

Each delivery company has its own board of directors.

The Council, in its capacity as the billing authority for the area, acts as an agent for each BID by collecting the levy from ratepayers and distributing the levy income to the BID body. The income raised on behalf of each BID does not belong to the Council, and a separate BID Revenue Account is maintained for each BID to which all transactions relating to the BID are allocated.

The transactions relating to the BIDs are not included in the Council's Comprehensive Income and Expenditure Account but are dealt with as Balance Sheet items in terms of money owed from BID levy payers and money owed to the BID body. The transactions relating to the BID Revenue Accounts and balances relating to the BIDs are disclosed in notes to the Financial Statements.

12. Heritage Assets

FRS 102 defines a heritage asset as one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Code offers further interpretation of this definition: "heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of heritage."

Dorset Council has interpreted this to mean that an asset is not classified as a heritage asset merely because it has certain qualities (e.g. a listed building). It is the intention to preserve the asset for future generations that is important, coupled with a demonstrable contribution to knowledge and culture.

Operational heritage assets have always been shown in the Balance Sheet under their appropriate classifications. These assets continue to be shown in this way and carried in accordance with the other asset accounting policies set out herein. FRS 102 does not apply to such assets per the Code (4.10.2.7).

Heritage assets (other than operational heritage assets) are measured at a valuation in line with FRS 102. The standard states that the valuation may be made by any method that is appropriate and relevant. Buildings are valued at depreciated replacement cost. Most of Dorset's heritage assets are not deemed to have a material value and the cost involved in valuing them would be disproportionate to the benefit received by the users of these Financial Statements. Shire Hall is an exception to this, and the asset is held at depreciated historic cost per information which transferred across to Dorset Council as part of Local Government Reorganisation in 2019.

Dorset also owns significant volumes of archive information and collections. These are not included in the Balance Sheet as the cost of valuation would not be commensurate with the benefits of the information and the valuations would not be readily ascertainable in many cases.

13. Intangible Assets

Recognition
Expenditure on the purchase of computer software licences is capitalised as intangible non-current assets. Internally developed intangible assets can only be capitalised where they satisfy the criteria set out in IAS 38: there are no such assets for Dorset Council.

Measurement
Purchased intangible assets are capitalised at cost and are unlikely to be revalued unless there is a readily ascertainable market value.

Amortisation
Intangible assets are amortised on a straight-line basis over their useful economic lives, with no residual value. Intangible assets are over periods determined at recognition – a timeframe is established by considering the ability of the organisation to use such intangibles to acquire value or deliver service potential in the future.

Charges to revenue
Capital charges to services are for depreciation or impairment. These charges are reversed in the Statement of Movement in Reserves (General Fund Balance) so the cost to the local taxpayer is unaffected by capital accounting requirements.

Impairment
Impairment of intangible assets is taken to the Revaluation Reserve in the first instance and will only be charged to Surplus or Deficit on the Provision of Services once the balance on the reserve in relation to the intangible asset has been reduced to zero.

Reversal of impairment
Intangible assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years is treated as a revaluation gain and charged to the Revaluation Reserve.

14. Interests in Companies and Other Entities

In accordance with the Code of Practice, Dorset Council has carried out an assessment of its interests in other entities to determine the nature of any group relationships that exist. This includes an assessment of the extent of Dorset Council's control over the entity considered either through ownership (such as a shareholding) or representation on an entity's board of directors.

The main interests held by Dorset Council in other entities are detailed in the related party transactions disclosure note in this statement of accounts. However, none are considered to be material, and the production of group accounts is not required.

15. Long-Term Contracts

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

16. Jointly Controlled Operations and Jointly Controlled Assets

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

17. Leases - IFRS 16

The accounting policy for leases changed for the financial years from 2024/25 onwards, in line with the mandatory adoption of IFRS 16. The change in accounting policy is in accordance with the transitional provisions in the CIPFA Code.

The authority as lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 *Leases* to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounted by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the authority is reasonably certain to exercise;
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option;
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value by a RICS accredited external valuer.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for assets held under non-commercial leases.

For the non-commercial leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate;
- there is a change in the group's estimate of the amount expected to be payable under a
- residual value guarantee;
- the authority changes its assessment of whether it will exercise a purchase, extension or
- termination option; or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £15,000 when new, provided they are not highly dependent on or integrated with other items; or
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rental payments for items falling within the low value or short lease exemption are charged to the comprehensive income and expenditure statement.

Depreciation and impairments are not charges against council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The authority as lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Finance leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals received are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

Operating leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

18. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

19. Property, Plant & Equipment

Recognition

The Code requires Authorities to maintain asset registers to record information on their capital assets. These assets are valued and revalued periodically by professional valuers, for inclusion in the Balance Sheet in accordance with IFRS 13 and IAS 16.

A de-minimis level of £25,000 has been applied to Land and Buildings. There is no de-minimis for other asset classes.

Property, plant and equipment is capitalised if:
a) it is held for use in delivering services or for administrative purposes;
b) it is probable that future economic benefits will flow to, or service potential will be supplied to the Authority;
c) it has a useful economic life of more than one year;
d) the cost of the item can be measured reliably.

The valuations have been undertaken in accordance with RICS Valuation Global Standards (The Red Book) and the RICS UK National Supplement (published on 19 October 2023, effective from 1 May 2024) and the IFRS based Code of Practice on Local Authority Accounting 2025/26 (The Code).

Property, plant and equipment (PPE):
These assets form the majority of the Council's portfolio and are used in the delivery of services and/or the production of goods. These operational assets may be rented to others but would not be held solely for that purpose or they would be re-classified as investment assets (INV).

PPE assets are tangible fixed assets that bring longer-term economic benefits or service potential to the authority.

Property, plant and equipment - Surplus (PPES):
Surplus Assets are formerly PPE assets which have been declared surplus to service needs and the needs of the Council. These are non-operational assets which are yet to meet the criteria of asset held for sale (AHS).

Assets held for sale (AHS):
Assets held for sale is the next classification afforded to PPES assets which are being marketed for disposal. The asset must be immediately available for sale and the sale of the property must be highly probable and anticipated to be within a year. AHS should be measured at the lower of carrying amount and fair value less costs to sell.

Measurement
Assets will be valued to either Fair Value (FV) or Current Value (CV):

Fair Value (FV) - defined under IFRS as: 'The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. Fair Value applies to the measurement of PPES and AHS categories of assets. For most practical purposes the figure to be reported as the Fair Value of an asset is likely to be conceptually the same as that which would be reported as market value and implies the highest and best use of that asset in the principal or most advantageous market.

Current Value (CV) – defined as: the amount that would be exchanged for the asset in its existing use. Several methods are identified as appropriate for arriving at a CV.

Existing Use Value (EUV) - is used where a readily identifiable active market exists for the use and utilises comparable data and judgement to arrive at the current value. EUV is defined as: The estimated amount for which a property should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Depreciated Replacement Cost (DRC) is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. Where DRC is used as the valuation methodology the 'instant build' approach is used. This method of valuation is applied to assets for which there is a good degree of observable specialisation or for which there is no readily reliable or observable market data. It should be noted that the DRC method of valuation does not represent the figure that could be achieved if the asset were to be placed on the market for sale. It is a representation of the value of the asset to the authority while it is providing service potential.

Where insufficient market-based evidence of current value is available because an item of property, plant and equipment is specialised and/or rarely sold, the Code permits the use of depreciated replacement cost (DRC).

Assets are re-valued on a rolling 5-year basis with indexation applied to assets on the years in which they are not revalued.

Comparable evidence, including Building Cost Information Service (BCIS) build costs and baseline build costs, is compiled and assessed and utilised as appropriate to provide the values for each asset. Dorset Property Buildings and Design services are utilised to provide component details for each asset as required, including updates to previously componentised assets as required and where replacement of elements has occurred.

In respect of DRC calculations where multiple age buildings exist on one site, an average age and obsolescence factor is applied, taking into account the age and type of structures and the anticipated replacement cycle of the asset as assessed by the service head/asset team.

Valuations of land may include calculations utilising a Residual Valuation approach to arrive at a Fair Value where there is limited suitable comparable data to available.

Section 2.10.2.29 of the Code follows IFRS 13 in the provision of valuation hierarchy levels for assets classified as Surplus or Held for Sale to increase consistency and comparability in fair value measurements and related disclosures. These are categorised into three levels:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

The highest priority is given to quoted prices (unadjusted) in active markets for identical assets or liabilities and lowest priority to unobservable inputs.

Where the MV of an asset valued using the DRC method is:
• significantly lower than that attributed to the continued occupation and use by the Authority it will be noted in the notes section of the summary valuation.
• significantly higher for a readily identifiable use the value will also be given in the same notes section.

County Farms are categorised as Property Plant and Equipment (PPE) and have been valued on a EUV basis as tenanted farms to be re-let on a rolling and planned basis for the foreseeable future due to established Council policy drivers. There will be occasional rationalisation of farm units which may release additional value but which would not be appropriate to report against any of the assets due to the overriding principle of maintaining a County Farm asset base. The County Farms are valued using capitalised net income flows: this approach excludes any alternative use, FV basis or break-up value: if those policies were reversed all County Farms would display considerably higher FV figures

As part of the 2026 Report the Valuer undertook impairment and material economic change reviews to ensure that assets are carried at no more than their recoverable amount (i.e. the amount to be recovered through use or sale of the asset). Otherwise, assurance has been sought from the estates management team and infrastructure maintenance teams. This year end assessment is required to indicate if an asset might be impaired or had any material economic change to its value.

The valuation for property assets is produced with a valuation date of 1 January 2026 by the following external professional RICS Accredited Scheme Valuers:
- Carter Jonas
- Rural Solutions

These valuations are reviewed in-house by one or more RICS Accredited Scheme Valuers within the Estates and Assets Service.

Indexation

Where an asset has not been revalued in a given financial year, Dorset Council applies indexation in line with the requirements of the CIPFA code. Carter Jonas was contracted as a RICS accredited valuer to provide indices appropriate for the assets owned by Dorset Council. The provided indices are summarised in relation to the asset class they were applied to, in the table below:

Asset Type	Index Used
Nurseries - Building Primary Schools - Building Middle Schools - Building Secondary Schools - Building Libraries - Building Public Conveniences - Building Children's Centre - Building Day Centre - Building Gypsy & Traveller Site - Building Education Centre - Building Children's Residential Home - Building Adults Care Home - Building Special Schools - Building Crematoria/Cemeteries - Building Community Centre - Building	**BCIS - All in TPI**
Bare Land Garages Nurseries - Land Primary Schools - Land Middle Schools - Land Secondary Schools - Land Libraries - Land Public Conveniences - Land Children's Centre - Land Day Centre - Land Gypsy & Traveller Site - Land Education Centre - Land Children's Residential Home - Land Adults Care Home - Land Special Schools - Land Crematoria/Cemeteries - Land Community Centre - Land	**Overall Land Average Percentage Change** (calculated by Carter Jonas with reference to indices published by Knight Frank and Savills), along with the Carter Jonas Rural indices.
Residential	**Office for National Statistics House Price Index for Dorset**
Car Parks	**CPIH**
Farms	**Carter Jonas Rural Index**
Leisure Hotels/Guest Houses	**MSCI Monthly Index – Leisure**
Shop	**MSCI Monthly Index - Standard Shop - Rest of UK**
Office	**MSCI Monthly Index - Standard Office - Rest of UK**
Standard Industrial	**MSCI Monthly Index - Standard Industrial - Rest of UK**

Impairment

Completed assets are reviewed annually for evidence of impairment. Impairment is the reduction in the recoverable amount of a non-current asset below the amount at which it is being carried in the Balance Sheet. It can be the result of physical damage, use, obsolescence or the passing of time. If

any indication of impairment exists, the recoverable amount is estimated. Upward revaluation of an asset is matched by an increase to the Revaluation Reserve to reflect an unrealised gain. Where an asset is impaired (downward revaluation), the value of the asset is written down to the recoverable amount as soon as the impairment is recognised. Impairment losses on revalued assets are recognised in the Revaluation Reserve, up to the amount in the Reserve for each respective asset and thereafter charged to Surplus or Deficit on the Provision of Services.

Reversal of impairment
Assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years, is treated as a revaluation gain and charged to the Revaluation Reserve.

Disposals
Capital receipts from the disposal of property and other assets owned by the Council, less up to 4% of the cost of the sale, are credited to the usable capital receipts reserve and used to finance new capital expenditure.

However, during 2015/16, Government issued guidance setting out new flexibilities for the use of capital receipts, which the Council – and its predecessor councils prior to Local Government Reorganisation - started to apply from 2016/17 onwards. The flexibility involved the use of capital receipts for transformation costs which would normally have fallen to the revenue budget.

Gains and losses on disposal of assets
A gain or loss arises when the proceeds from the sale of an asset differ from the net book value of that asset in the Balance Sheet. The gain or loss is shown in the Other Operating Income & Expenditure section of the Comprehensive Income & Expenditure Statement and reversed out in the Statement of Movement in Reserves (General Fund Balance).

Depreciation
Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:
- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer – when Dorset Council gets its properties valued, a new useful life estimate is requested from the valuer, which will be applied from the first day of the following financial year.
- vehicles, plant, furniture and equipment – straight line basis.
- infrastructure – straight line basis.

Useful economic life ranges for each asset class are as follows:

Asset Class	UEL range		
Operational Buildings	6	-	100
Surplus Assets	15	-	100
Farms Assets	24	-	100
Intangible Assets	2	-	60
Vehicle	1	-	15
Plant	3	-	20
Equipment	1	-	20
Fixtures & Fittings	1		10
IT Equipment	3	-	10

These figures exclude the UELs for de-minimis assets and assets written out in the current financial year.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Charges to revenue
Capital charges to services are for depreciation and/or impairment only. These charges are reversed in the Statement of Movement in Reserves (General Fund Balance) in order that the cost to the local taxpayer is unaffected by capital accounting requirements.

Subsequent expenditure
Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Subsequent expenditure which does not add to the future economic benefits or service potential of the asset, is expensed in the Comprehensive Income and Expenditure Statement in the year in which it is incurred.

Componentisation
Component accounting became a requirement of the CIPFA Code since 1 April 2010, and was applied (prospectively) by the predecessor councils. Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (i.e. as if each component were a separate asset in its own right) where the useful life is substantially different.

Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Assets are reviewed for componentisation whenever they are acquired, revalued, or enhanced.

The annual valuation exercise that is carried out by the Authority re-values a proportion of the Council's assets each year. A policy is applied for assessing these assets for componentisation.

When an asset is deemed to need componentisation, Dorset Council will request a componentised valuation and create the components at the beginning of the following financial year.

Component derecognition
Where a component is replaced or restored, the carrying amount of the old component is derecognised to avoid double-counting and the new component reflected in the carrying amount, subject to the recognition principles set out in accounting policy 19(i) and 25(ix). This includes

derecognition of parts of an asset not previously recognised as a separate component, the componentisation of which has been triggered by the replacement or restoration.

Residual values
The Council does not use residual values in its asset accounting or depreciation calculations. The accounting policy is to depreciate the full cost of the asset over the useful economic life.

Highways infrastructure assets
Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

a) Recognition
Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

b) **Measurement**
Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

c) Depreciation
Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

d) Parts of the highways network & coastal infrastructure - straight line basis

- Drainage Infrastructure: 21 Years
- Roads: 24 Years
- Street Furniture/Traffic Calming Infrastructure: 24 Years
- Harbour Infrastructure: 50 Years
- Coast Protection Infrastructure: 50 Years
- Bridges: 100 Years

e) Disposals and derecognition
When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

20. Private Finance Initiative (PFI) Schemes

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the authority at the end of the contracts for no additional charge, the authority carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The Council is party to two long-term contracts under the Private Finance Initiative (PFI); one for the provision of a replacement secondary school, the other for the provision of street lighting. The Council accounts for both of these schemes in accordance with IFRIC 12 (Service Concessions). The secondary school converted to an academy in 2015, so is no longer held on Dorset Council's balance sheet, however the street lighting is maintained in the Council's Balance Sheet. Both PFI's have liabilities which are maintained in the balance sheet and discharged over the period of the contract.

The amounts payable to the PFI operators each year are analysed into four elements:

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **finance cost** – an interest charge based on the outstanding Balance Sheet liability, debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

21. Provisions, Contingent Liabilities and Contingent Assets

Provisions
Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The Council maintains external insurance only for major risks, self-funding the remaining significant elements of risk. A provision has been established to meet insurance liabilities not covered externally. Provisions are separately disclosed on the face of the Balance Sheet, classified as to current or non-current liabilities (all are deemed to be current liabilities).

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances

where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets
A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

22. Reserves

A number of earmarked reserves have been established to meet future expenditure. These include reserves to finance particular capital projects and reserves to smooth irregular expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

23. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Where capital expenditure does not result in the acquisition of a non-current asset, or is incurred on an asset not belonging to the Council (such as a Voluntary Aided school), the project expenditure is charged directly to the relevant service in the year it is completed, with the necessary appropriations from the Capital Adjustment Account shown in the Statement of Movement in Reserves.

24. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

25. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

26. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets, and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:
a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:
- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

27. Redemption of Debt

The Council finances a proportion of its capital spending by borrowing and is required to charge a prudent percentage of the previous year's Capital Financing Requirement as a Minimum Revenue Provision (MRP). How funding available to the Council for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices, is reflected in the Statement of Movement in Reserves and disclosure notes to the accounts in relation to the Capital Adjustment Account and General Fund Balance. Details are shown in the notes to the Financial Statements.

28. Donated Assets

Donated assets, transferred to the Council for nil consideration, are recognised immediately at fair value as assets on the Balance Sheet. The asset is recognised in the Comprehensive Income & Expenditure Statement as income unless the transfer has a condition that the Council has not satisfied. In which case the asset is credited to the Donated Assets Account and recognised in the Comprehensive Income & Expenditure Statement once the condition has been met. Donated assets are valued, depreciated and impaired in accordance with the accounting policies for other non-current assets.

29. Acquired and Discontinued Operations

Activities are considered to be acquired only if they are acquired from outside the Public Sector. The Code does not include local government reorganisation since any 'machinery of government' changes are neither acquired nor discontinued operations. Similarly, activities are deemed to be discontinuing only if they are transferring outside of the Public Sector, or if they are ceasing completely.

30. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Annual Governance Statement 2025/26

(Supported by 2025/26 Local Code of Corporate Governance)

SECTION ONE - Introduction

Governance in public services is closely watched and sometimes criticised. The Accounts and Audit Regulations (2015) require the Council to review its internal control system's effectiveness at least once a year. This review is reported in this Annual Governance Statement, which is included with the Statement of Accounts. Dorset Council must ensure its operations comply with laws and standards, safeguard public money, and use resources efficiently and effectively. This document outlines the processes and procedures that help the council function effectively and continuously improve.

The Chartered Institute of Public Finance and the Society of Local Authority Chief Executives (CIPFA/SOLACE) published "Delivering Good Governance" in 2016. This document measures Dorset Council's arrangements against seven core principles of good governance. An addendum was released in May 2025 which set updated expectations for Annual Governance Statements preparation from 2025/26 onwards. In particular to:

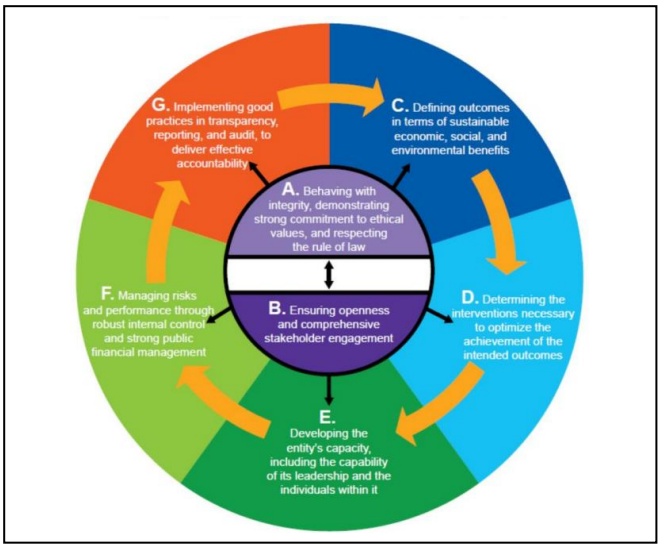
i) Provide a meaningful, high-level, outcome-focused account of governance arrangements;
ii) Summarise how governance effectiveness was monitored and evaluated during the year;
iii) Report planned changes for the coming period; and
iv) Include a forward look and identification of significant governance issues, with an action plan

Our Annual Governance Statement is supported by a Local Code of Corporate Governance. The purpose of this document is to translate the national CIPFA/SOLACE Delivering Good Governance in Local Government Framework into a localised, council-specific document. It sets out the principles, behaviours and governance arrangements that we commit to follow in demonstrating that we act with integrity, transparency and accountability. Dorset Council has refreshed its Local Code ahead of the preparation of this statement, to provide a mechanism for self-assessment of the various controls, processes and practices in place, to support the requirements of the May 2025 addendum (adopting a ranking of i) no assurance; ii) limited assurance; iii) reasonable assurance; and iv) substantial assurance, aligned to our audit partners ranking). Each principle within the Annual Governance Statement provides a summary of this assurance ranking, highlighting levels aligned to each item of evidence supporting the frameworks sub principle:

	None	Limited	Reasonable	Substantial
Sub Principle	Number of evidence, aligned to assurance ranking			

Both the Local Code and this Statement have been aligned to the seven CIPFA/SOLACE principles:

A. Behaving with integrity
B. Openness and stakeholder engagement
C. Defining sustainable outcomes
D. Determining interventions
E. Developing capacity
F. Managing risk, internal control and financial management
G. Transparency, reporting and accountability



Each Principle has nominated officer leads, and each item of supporting evidence has a nominated owner. These have each made judgements on the level of assurance allocated, and supported the development of the improvement action plan. Both the Statement and the Local Code are presented to the Statutory Officers Group (Chief Executive; Section 151 and Monitoring Officer for challenge), and to other officers and councillors, including Senior Leadership Team, as part of report clearance processes. It is shared with internal audit providers, SWAP Internal Audit, for additional challenge. The Statement is then subject to scrutiny by the Council's Audit and Governance Committee. Alongside this self assessment, the statement also references internal and external audit opinion, alongside cross reference with the Council's risk register.

The Council's governance arrangements are continuously reviewed and updated, including through internal audit, inspections, learning processes, and corporate planning cycles. This is summarised within this statement, but with detail set out in the Local Code.

The conclusion of this document sets out an assurance opinion based on this self assessment, and guided by the internal audit opinion, and signed by the Leader of the Council and the Chief Executive. The Statement will be updated where necessary to reflect any significant governance matters that may arise or be identified in between the closure of the financial year, and the signing and publication of this statement alongside the annual accounts.

SECTION TWO - Summary of Assurance for 2025/26

The self assessment set out in the Local Code demonstrates that the Council's overall governance environment remains generally sound, with many areas demonstrating Reasonable or Substantial levels of assurance. Strengths include:

- a robust Council Plan and performance framework
- strong risk management arrangements following the 2025 review and implementation of the risk appetite
- active scrutiny arrangements
- effective strategic asset management (supported by a Substantial assurance audit)
- strong external inspection outcomes, including Ofsted "Outstanding" for Children's Services (2025) and CQC "Good" for Adults Social Care (2026)

A number of actions have been taken since the publication of last years statement to enhance the Council's governance arrangements. Principally, an extensive action plan was developed in response to the investigations commissioned by the Council into Health and Safety Compliance, and assurance work on Contract and Expenditure Compliance with the Council's Constitution and Scheme of Delegation. This has improved governance around spend and contract management, and actions are now largely complete, and subject to a positive internal audit review. The outcomes of this work have also influenced an improved scrutiny. As an example, owners of internal audit actions are now required to attend Audit and Governance Committee to report on mitigation and progress, where timescales are missed, to provide assurance that risk exposures are not left unmanaged. The new Chief Executive initiated a range of staff discussions ("Conversations with Catherine") to ensure that the voices of staff are heard, and supporting direction of strategic work and transformation.

There are however areas that are identified as requiring improvement or ongoing work, which includes:

- elements of our information governance framework (including our response to our data maturity audit)
- mandatory training compliance
- improving alignment of our whistleblowing and fraud arrangements to the requirements set out in the Economic Crime and Corporate Transparency Act
- embedding the revised Risk Appetite across all services
- updated policy and governance frameworks following organisational change

- additional governance around the recruitment of interim staff

These are set out more clearly under the assessment for each of the Principles in the next pages.

Principle A — Behaving with integrity, demonstrating commitment to ethical values and respecting the law

	None	Limited	Reasonable	Substantial
1) Arrangements to ensure ethical conduct for both members and officers, including codes of conduct, management of conflicts of interest, declarations of gift and hospitality, training and evaluation.		3	11	
2) Arrangements covering the ethical behaviour of external service providers			2	
3) Arrangements to support whistleblowing		1	5	
4) How compliance with laws and regulations and internal policies and procedures is ensured and arrangements to ensure expenditure is lawful			6	
5) How breaches of ethical arrangements, laws, regulations and procedures are addressed and learning adopted			2	
6) How all those in governance roles and senior managers demonstrate their leadership of an ethical culture.			2	

Summary

The Council operates within a strong ethical and constitutional environment supported by:

- Dorset Council Constitution, Scheme of Delegation, Contract Procedure Rules
- Member and Officer Codes of Conduct
- Whistleblowing Policy and Counter Fraud arrangements
- Corporate Complaints frameworks
- Caldicott Guardian and statutory officer roles

Detail

The Council's Constitution sets out how the Council operates. It states what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees, and partners. Decision making powers not reserved for councillors are delegated to chief officers (Chief Officer is defined as: Chief Executive; Executive Director; Director or Corporate Director). Each chief officer has a scheme of nomination setting out the powers that others may exercise on their behalf.

The constitution establishes the roles and responsibilities for members of the executive (the Cabinet), Overview, Scrutiny, Audit and Governance and Regulatory Committees,

together with officer functions. It includes details of delegation arrangements, codes of conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose, with any proposed changes being considered by the Audit and Governance Committee.

It also contains procedural rules, standing orders and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer, and Chief Financial Officer (S151) are described together with their respective roles and contributions to provide for robust assurance on governance and to ensure that expenditure is lawful and in line with approved budgets and procedures.

During 2025/26 the Head of Paid Service is the Chief Executive and is responsible for all Council employees. The Executive Director for Corporate Development was the Council's Chief Financial Officer until August 2025, with the role now undertaken by the Director for Finance (previously known as Corporate Director for Finance and Commercial). The Chief Financial Officer is responsible for safeguarding the Council's financial position and ensuring value for money. The Director for Assurance (formerly known as Director for Legal and Democratic) is the Monitoring Officer and is responsible for ensuring legality and promoting exacting standards of conduct in public life. Under Section 18(2) of the Children Act 2004, Local Authorities in England have a duty to appoint a Director of Children's Services. Local Authorities in England are also required to appoint a Director of Adult Services. Alongside these officers, the Executive Director for Economy and Environment and the Executive Director for Housing, Communities and Prevention comprise the Council's senior leadership team, alongside the Assistant Chief Executive and Executive Director for Modernisation and Customer (currently filled by an interim officer, pending completion of a recruitment process). This new Senior Leadership Team took effect 17 April, following approval by Full Council. The purpose of this revised structure is to bring services together around communities, make it easier to work across boundaries, strengthen accountability, and support prevention and financial sustainability. This design is purposeful and based on working together, not creating new silos.

Senior officer appointments are overseen by the Staffing Committee.

The Members' Code of Conduct advises an elected member (or co-opted member) what conduct is expected of them and whether their conduct constitutes a criminal offence. A Code of Conduct also exists for staff which sets out the standards of conduct expected of all council employees and prevents employees from being in a situation where they may be vulnerable to an accusation of favouritism or bias or other improper motives, whether this is real or perceived. Arrangements are in place for dealing with any Code of Conduct complaints made against councillors, including review by independent persons who support determining the need for investigation and

escalation to the Audit and Governance Committee to determine any sanctions. The process was reviewed by Audit and Governance Committee during 2024 and a revised process approved by Full Council in February 2025. Changes may be required during 2026/27 to reflect legislative change.

The Council operates under an Executive (Cabinet) model, which oversees the formulation of all major policies, strategies, and plans. The Cabinet also lead on the preparation of the Council's budget. The primary counterbalance to our Cabinet is through the two Overview Committees (People & Health and Place & Resources), the two Scrutiny Committees (People & Health and Place & Resources), and the Audit and Governance Committee. These Committees are in place to provide support and a robust level of challenge to the Executive.

We are committed to promoting equality of opportunity, valuing diversity, and eliminating discrimination. An Equality, Diversity and Inclusion Strategic Board oversees equality, diversity, and inclusion within our organisation and in our external work. It also supports the implementation of the council's Equality, Diversity, and Inclusion Strategy by prioritising activity within its action plan and monitoring progress. Elected member oversight is provided by a Cabinet Lead.

The final quarter of 2025/26 has seen work commence on a review of governance in relation to decision making groups, with the aim of providing consistency, removing duplication and ensuring that governance is clear, led by the Head of Strategy. This Group will evolve into a Governance Group, led by the Director of Assurance & Governance, that will challenge effectiveness of the Strategic Delivery Boards alongside having a responsibility for future development and review of both the Local Code of Corporate Governance and Annual Governance Statement processes.

Behaviours and cultural direction has been challenged via the commencement of the new Chief Executive, including reinforcing stronger budget controls and dialogue between budget holders and finance team. New design principles are being established moving forward, to enable delivery of Council priorities during a time of ongoing financial pressures and uncertainty:

- Co-design with communities;
- Shared approaches to prevention;
- Agency and skills to lead change; and
- Modern ways of working

The self-assessment undertaken in the Local Code of Corporate Governance notes most evidence as providing Reasonable assurance. The following areas are noted with limited assurance:

- Mandatory training compliance;

- Policy library and management of policies by owners;
- Improving alignment of our whistleblowing and fraud arrangements to the requirements set out in the Economic Crime and Corporate Transparency Act with appropriate targeted training.

Actions Taken in Response to 2024/25 Annual Governance Statement

- A new Counter Fraud and Financial Crime policy was developed and approved (replacing previous fraud and money laundering policy frameworks);
- Protected disclosure (whistleblowing) policy was updated and approved;
- An action plan was developed, with councillor oversight, to respond to the findings of the internal audit on Contract and Expenditure compliance with Council constitution and scheme of delegation and wider SWAP investigation. This is largely complete.

Key improvements identified for 2026/27:

Ref	Summary	Local Code Link	By Whom
A1	Roll out the new financial section of the Officer Scheme of Delegation with guidance	1b (Reasonable)	Head of Legal Services
A2	Review of Contract Procedural Rules to reflect changes to the financial section of the Scheme of Delegation	1c (Reasonable)	Service Manager for Commercial and Procurement
A3	Review impacts of Mazur case recommendations on constitution, and professional support from legal services	1a (Reasonable)	Director of Legal & Democratic / Head of Legal Services
A4	Review Councillor Code of Conduct complaints policy to reflect legislative change	5b (Reasonable)	Head of Legal Services
A5	Refresh of Counter Fraud and Financial Crime policy to reflect legislative change	3b (Reasonable)	Service Manager for Assurance
A6	Develop training matrix for improved targeting of fraud and whistleblowing training	3c (Reasonable)	Service Manager for Assurance
A7	Evolve the Governance Design Group into a permanent Governance Group	1l (Reasonable)	Director for Legal and Democratic
A8	A structured induction and training program will be established for interim staff to promote corporate integration and oversight.	1n (Limited)	Head of People and Workforce
A9	Corporate policies and procedures for conflict of interest checks during the recruitment and management of interim staff will be enforced	1n (Limited)	Head of People and Workforce

Principle B — Ensuring openness and comprehensive stakeholder engagement

	None	Limited	Reasonable	Substantial
1) How the authority ensures that decisions are made in the public interest and the rationale for decisions is recorded			4	
2) How the authority achieves expected standards of openness and transparency, including a culture of internal challenge and self-assessment			6	
3) The arrangements for consultation and engagement with citizens, service users and stakeholders and how these inform decision-making.			4	
4) The ways in which the authority communicates with the community and stakeholders			5	

Summary

The Council has strong arrangements for transparency and public engagement, including:

- committee meetings live-streamed on YouTube
- publicly available decisions, minutes and impact assessments
- open data publications, FOI and SAR compliance monitoring
- the Citizenspace consultation platform
- State of Dorset data reporting
- performance dashboards and regular scrutiny reviews

Detail

Committee meetings are open to the public, and agenda papers and minutes are transparently available on the internet. Meetings are streamed on Youtube and members of the public can attend virtually or in-person.

Minutes for the two Stakeholder committees, Care Dorset Holdings Ltd and Dorset Centre of Excellence, are available on the Council's website.

A customer strategy was approved by Place and Resources Overview Committee during 2025. This has been supported by the rollout of the Council's Customer Hub in January 2026.

Our Communications team provides a wide range of support for the whole council including using social media, internal communications, marketing and promotions

advice, media relations. A review and restructure of the communications function was completed in March 2026.

Public consultation plays a key part in the decision making process, across the full range of the Councils services, utilising the Citizens Space platform.

Annual updates will be provided to the State of Dorset report. A performance dashboard is available transparently for members of the public.

A complaints procedure and whistleblowing procedures are maintained and kept under review, providing the opportunity for members of the public and staff to raise issues when they believe that appropriate standards have not been met. An annual report analysing complaints received and their resolution is presented to the Scrutiny Committees. The Audit and Governance Committee has responsibility for overseeing the investigation of complaints against members.

The Local Government and Social Care Ombudsman's 2025/26 report noted that 82% of complaints escalated to them and investigated were upheld, compared to an average of 85% in similar authorities. In 11% of cases they found that the Council had provided a satisfactory remedy before the complaint reached the Ombudsman, compared to an average of 13% in similar authorities.

The Council has a Protected Disclosure (Whistleblowing) policy, which encourages employees and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment.

A disclosure log is available on the Council' website, transparently including responses to Freedom of Information requests received.

Assurance across this principle is Reasonable.

Actions Taken in Response to 2024/25 Annual Governance Statement

None Identified

Key improvements identified for 2026/27:

Ref	Summary	Local Code Link	By Whom
B1	Annual update to the State of Dorset report (first published by February 2026). With additional ad hoc data briefings aligned to release of national data sets.	3d (Reasonable)	Head of Strategy
B2	Review and update Subject Access Request policy, replicating good practice within the corporate SARs	2e and 2f (Reasonable)	Service Manager of Assurance

	team to wider Dorset Council responses		
B3	Seek to improve Directorate's performance in providing satisfactory remedies to complainants ahead of LGSCO escalation	4d (Reasonable)	Service Manager for Assurance

Principle C — Defining outcomes in terms of sustainable economic, social and environmental benefits

	None	Limited	Reasonable	Substantial
1) How the authority establishes its vision, target outcomes, and associated long-term plans to deliver sustainable outcomes.		1	5	1
2) Its decision-making arrangements and how it ensures consideration and demonstration of value for money and best value.			3	
3) Arrangements to achieve fair access to services			1	
4) The authority's strategic approach to commissioning across the entity and its partnerships and collaborations.			1	

Summary

The Council has clear long-term plans and defined strategic outcomes through:

- the Council Plan 2024–2029
- strategic frameworks (Climate & Ecological Emergency Strategy, EDI Strategy)
- performance dashboards and the Strategic Performance Framework
- commissioning and commercial strategies
- Statement of Accounts and Budget processes

Detail

Our council plan reflects the administrations priorities:

- Provide affordable and high-quality housing
- Grow our economy
- Communities for all
- Respond to the climate and nature crisis

Delivery of this plan is supported by service plans, team plans and individual performance development reviews. These all include targets and, where appropriate, service standards against which service quality and improvement can be judged.

A performance management framework is operated to underpin and monitor the council plan. Progress is monitored via public performance dashboards, quarterly reviews by the two Scrutiny Committees and twice yearly progress reports to Cabinet, alongside monitoring by the Senior Leadership Team. Those indicators showing as Red are noted in Section Five. The risk management framework is closely aligned to

performance monitoring, with all risks linked back to a council priority. Those risks noted as Very High are shown in Section Four.

The self-assessment undertaken in the Local Code of Corporate Governance notes most evidence as providing Reasonable or Substantial assurance. The following area is noted with limited assurance:

- The Data and Business Intelligence Strategy is outdated and will be replaced by a new Data and Technology Strategy.

Actions Taken in Response to 2024/25 Annual Governance Statement

None Identified

Key improvements identified for 2026/27:

Ref	Summary	Local Code Link	By Whom
C1	Complete whole council service planning exercise	1b (Reasonable)	Head of Strategy
C2	Replace the outdated Data and Business Intelligence strategy with a new Data and Technology Strategy	1d (Limited)	Head of ICT Operations
C3	Publish end year progress report in July 2026 as part of the twice a year update to Cabinet on Council Plan delivery/ progress	1g (Reasonable)	Head of Strategy

Principle D — Determining the interventions necessary to achieve intended outcomes

	None	Limited	Reasonable	Substantial
1) The arrangements for medium and short-term service planning, supported by projects and programmes, to ensure alignment to the vision and objectives.			12	1
2) How budgets and resource strategies align to the delivery of objectives.			5	1
3) How the authority uses self-assessment and continuous improvement to achieve value for money			10	2
4) The authority's performance management arrangements to ensure continued alignment to its objectives.			2	
5) Arrangements for the achievement of social value in commissioning, procurement and contracting.			1	

Summary

The Council demonstrates structured planning and delivery through:

- service planning aligned to the Council Plan
- the Our Future Council programme
- the Design Authority (change governance)
- robust use of impact assessments (EIA, DPIA)
- transformation plan 2025–2029
- scrutiny arrangements

Detail

A value for money framework sets out how to develop value for money service benchmarking across the council. For Local Government bodies, the National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria. Improving economy, efficiency and effectiveness, Financial Sustainability & Governance.

Each Cabinet member has been assigned as a specific Cabinet Lead with roles and responsibility for different themes:

i) Regeneration, Economic Growth and Strategic Assets;

ii) Resources and Finance;

iii) Transformation, Customer and Workforce;

iv) Children, Families and Education;

v) Adult Social Care and Health;

vi) Housing and Homelessness;

vii) Place Services (including highways, waste and transport);

viii) Public Health, Prevention and Communities; and

ix) Planning

The Leader of the Council is the portfolio holder for Climate, Performance, communications and Safeguarding.

Our Future Council is a whole council transformation plan, that aims to change the way we work, to not only make sure our services are financially sustainable for the future, but are also achieving the best outcomes for our residents, families, communities and businesses across the county. Our Future Council reports to a Design Authority, chaired by the Chief Executive and with cross-Directorate representation. Looking forward, a proposal is being worked through to establish a number of strategic boards that will replace existing corporate working group structures. This allows for a one council approach to governance of the programme and wider decision making. A cross party members transformation steering group monitors strategic organisational performance and holds officers accountable for delivery. Public facing scrutiny is delivered via Audit and Governance Committee and both Scrutiny Committees.

The self-assessment undertaken in the Local Code of Corporate Governance notes most evidence as providing Reasonable or Substantial assurance. The following areas are noted with limited assurance:

- Link commissioning and wider use of resources into a more transparent process that challenges whether best value is being secured

Actions Taken in Response to 2024/25 Annual Governance Statement

- Embedded a new strategic performance framework and reporting tool

Key improvements identified for 2026/27:

Ref	Summary	Local Code Link	By Whom
D1	Whole council service planning exercise to be undertaken for 26/27 - 2029 to align with the multiyear financial settlement	1c (Reasonable)	Head of Strategy
D2	Review outstanding actions in ICT change management audit (ITIL v4 training actions are currently being tolerated)	1i (Reasonable)	Head of ICT Operations
D3	Community Conversations throughout 2026	1m (Reasonable)	Head of Strategic Comms and Engagement
D4	Ensure that wider transformation work reflects and embeds the cultural and behavioural improvements identified in the Investigation Action Plan	3c (Reasonable)	Senior Leadership Team

Principle E — Developing capacity and capability of leadership and individuals

	None	Limited	Reasonable	Substantial
1) Member and officer protocols and clarity over roles and responsibilities, including schemes of delegation.			3	
2) Application of the Code of Practice on Good Governance for Local Authority Statutory Officers.			2	
3) How financial management roles align with: – CIPFA Financial Management Code (FM Code) – CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)			2	
4) The arrangements in place for the discharge of the monitoring officer function.			1	
5) The arrangements in place for the discharge of the head of paid service function.			1	
6) Induction and development programmes to meet the needs of members and senior officers in relation to their strategic roles			4	
7) Workforce planning and organisational development.			10	
8) Arrangements for learning and development, and health and wellbeing.		1	5	

Summary

The Council continues to invest in leadership and workforce capability through:

- statutory officer governance
- member and staff induction programmes
- Management Academy and Leadership Forum
- People and Culture Strategy
- My Roadmap appraisal system for officers
- comprehensive HR policy framework
- internal audit of establishment control (Reasonable assurance)

Detail

The Council has developed a People and Culture strategy.

Appraisal and review processes (including “My Roadmap”) are the general means of identifying the training needs of members and officers. Appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the Council’s needs.

The Employee Wellbeing team provide support to all employees and can offer links to a wide range of external sources of support for employees to look after both their physical and mental wellbeing.

An extensive member induction programme is put in place after the Council elections to ensure that newly elected members can quickly make an effective contribution to the work of the authority. This is supported by regular member briefing sessions to ensure that members are kept up to date on key issues.

Our values act as guiding principles, defining what we believe is important in the ways we work together. Our values are Respect, Together, Accountability, Openness and Curiosity.

The self-assessment undertaken in the Local Code of Corporate Governance notes most evidence as providing Reasonable or Substantial assurance. The following areas are noted with limited assurance:

- Mandatory training compliance

Actions Taken in Response to 2024/25 Annual Governance Statement

- Launch of new Employee Assistance Programme providing employees with access to a broader wellbeing support offer;
- Manage the transfer of staff into the new operating model
- Develop officer register of interests portal

Key improvements identified for 2026/27:

Ref	Summary	Local Code Link	By Whom
E1	Implement compliance regime for information governance mandatory training	8e (Limited)	Service Manager for Assurance
E2	Improve compliance levels of wider mandatory training	8e (Limited)	Head of People and Wellbeing

Principle F — Managing risks and performance through robust internal control and strong financial management

	None	Limited	Reasonable	Substantial
1) Risk management policy, strategy and arrangements for review.			3	2
2) How financial management arrangements align with the Financial Management Code.			9	3
3) Internal control arrangements including: – Cyber, AI and information security arrangements – information governance – asset management – procurement and contract management.		6	23	2
4) Assurance frameworks across the three lines. The framework should set out how the leadership team obtains its assurance, including from management, risk and compliance arrangements, and internal audit.			4	
5) Internal audit arrangements in conformance with the Global Internal Audit Standards in the UK public sector(GIAS and the Application Note) and the CIPFA Code of Practice on the Governance of Internal Audit			2	
6) Arrangements for formal overview and scrutiny (as applicable)			2	
7) Facilitation of internal and external challenge.			5	
8) Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2022).			2	
9) Counter fraud and anti-corruption developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).		1	4	
10) Governance, risk and control arrangements across companies, partnerships, collaborations and arm's length bodies.			2	

Summary

This principle shows a mix of **Substantial**, **Reasonable**, and **Limited** assurances. Strengths include:

- updated Risk Management Strategy
- new Risk Register and Dashboard
- Risk Appetite adoption

- treasury management
- robust main accounting, revenues and benefits, capital strategy support
- strong asset management with Substantial assurance via the Assets & Property Improvement Plan audit
- business continuity and emergency planning frameworks
- a broad suite of internal control policies and professional advice routes

Detail:

The Council's monetary management arrangements conform with the governance requirements of the CIPFA (Chartered Institute of Public Finance and Accountancy) "Statement on the Role of the Chief Financial Officer in Local Government" (2010) as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The Chief Financial Officer (a role performed by the Executive Director for Corporate Development) has statutory responsibility for the proper management of the Council's finances and is a key member of the senior leadership team. The Council's assurance arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Head of Internal Audit in Public Service Organisations" (2010).

Dorset Council continues to experience funding pressures through central government annual settlements, limited increases in its council tax and under funding from the current business rates distribution methodology.

Global issues present challenges and uncertainty around energy and fuel prices.

Risk Registers are maintained at a corporate (theme), service and project level to ensure that the authority is able to make risk informed decisions, with reporting to Audit and Governance and the two Scrutiny Committees. Internal audit is mapped to the risk themes set out in the register, with reporting highlighting a spread of audit opinion across these themes. Risk maturity continues to improve, with compliance rates high on risk register review, development of the risk appetite and councillor challenge embracing this risk appetite as part of scrutiny and challenge. Work will continue during the next financial year to further embed how the risk framework is utilised for decision making.

The Council is committed to achieving high standards of integrity and accountability. Our Counter Fraud and Financial Crime policy sets out our zero tolerance approach to such acts and records a clear commitment to deal with any cases robustly.

The Council's approach to information governance is led by a Strategic Information Governance Board, chaired by the Senior Information Risk Owner (the Director for Legal and Democratic). The work of the Board is supported by three working groups: i)

Operational Information Governance Group; ii) Cyber Security Technical Group; and iii) an Organisational Compliance and Risk Learning Group. The Board works to an action plan, based on the Information Commissioners Accountability Framework, and reported annually to the Audit and Governance Committee. This board structure is subject to change during 2026/27, as part of the review of strategic boards.

The Business Continuity Framework includes a Business Impact Analysis setting out the criticality of services, supported by service level action cards. An action plan has been developed to improve business continuity across the Council.

The Emergency Planning function sits within the Assurance Service and works in conjunction with Local Resilience Forum partners to plan, respond and learn from civil emergencies.

The previous two Annual Governance Statements reported that the Council identified potential non-compliance with contract procedure rules, Council's constitution and the scheme of delegation. SWAP Internal Audit was commissioned to conduct a thorough and independent investigation. The findings identified a number of weaknesses, and initiated an improvement action plan, which have been subject to regular reporting and oversight by the Audit and Governance Committee. Financial and contract control has been improved following these actions, but work remains outstanding to review Contract Review Procedures in the context of changes to the financial section of the Scheme of Delegation, and to deliver a number of more cultural and behavioural actions.

The self-assessment undertaken in the Local Code of Corporate Governance notes most evidence as providing Reasonable or Substantial assurance. The following areas are noted with limited assurance:

- Internal audit findings on data maturity, including information asset owner compliance
- Internal audit findings on cyber security assurance mapping
- Outstanding organisation-wide learning from SWAP investigations, focussed primarily on culture and behaviour
- Review and update of information governance policy framework
- Cyber training compliance (training below 90%; need for more capacity and proactive defence)
- Fraud and whistleblowing action plan and training matrix, including extending to embrace arms length companies
- Contract management culture and earlier procurement involvement

Actions Taken in Response to 2024/25 Annual Governance Statement

- Responded to remaining actions on the risk management action plan, including development of risk appetite statement;
- Completed outstanding priority actions following business continuity audit

Key improvements identified for 2026/27:

Ref	Summary	Local Code Link	By Whom
F1	Propose internal audit on risk function in 2027 to guide further work.	1a (Reasonable)	Head of Strategy
F2	Embedding risk appetite statement, supported by the development of additional metrics that provide clearer insight and operational guidance aligned to the high-level appetite and the mechanism for informing internal audit planning	1b (Reasonable)	Head of Strategy
F3	Revision of the risk matrix / scoring, including how reflected within committee reports	1c / 1d (Substantial / Reasonable)	Head of Strategy
F4	Develop revised risk learning module	1e (Reasonable)	Head of Strategy
F5	Respond to outstanding actions from health and safety compliance report, which are largely associated with culture and behaviour	3e (Limited)	Director of Public Health and Prevention
F6	Replace Data and BI strategy with Data and Technology strategy	3f (Limited)	Head of ICT Operations
F7	Respond to actions identified within the Data Maturity audit, including Information Assets	3g (Limited)	Head of ICT Operations; Service Manager for Archives and Records
F8	Analysis of systems and processes across information compliance and complaints teams	3h (Reasonable)	Service Manager for Assurance
F9	Enable compliance regime for non compliance of information governance training mechanisms (data protection / cyber)	3o / 3p (Reasonable / Limited)	Service Manager for Assurance
F10	Build capacity into the new IT structure post restructure to give more time for proactive work to strengthen defences, monitor network activity and build	3q (Reasonable)	Head of ICT Operations

	organisational awareness and vigilance to potential cyber attack		
F11	Respond to actions identified during ICT Assurance mapping audit, and following assessment work undertaken by Public Digital	3s (Limited)	Head of ICT Operations
F12	Develop a risk overview as part of the end of year performance report to Cabinet.	3k (Limited)	Head of Strategy
F13	Develop a whole authority exercise on business continuity	3a (Reasonable)	Service Manager for Assurance
F14	Consider development of Service Assurance statements, in line with Head of Audit Annual Governance Statement Effectiveness Checklist	3c (Reasonable)	Service Manager for Assurance
F15	Strengthening assurance reporting across cyber risk, audit activity, compliance requirements and improvement actions	3n (Limited)	Executive Director for Modernisation & Customer
F16	Embedding Responsible AI governance and continuing to evaluate AI opportunities, risks and learning through a controlled test-and-learn approach	3n (Limited)	Executive Director for Modernisation & Customer

Principle G — Implementing good practices in transparency, reporting and audit to deliver accountability

	None	Limited	Reasonable	Substantial
1) Arrangements for the timely response and support to the work of external audit, internal audit and other inspection or regulatory action.		1	13	3
2) Approach to welcoming external challenge and implementing recommendations.			3	2
3) How learning and improvement are actioned.			3	
4) How transparency and accountability are maintained across collaborations and arm's length bodies, such as trading companies and joint ventures.			2	
5) Accountability to the public and stakeholders is supported by clear assurance and ensures core areas are covered to enable better accountability in practice.			6	

Summary

Assurance is generally **Reasonable**, supported by:

- regular internal audit reporting and follow-up
- Audit and Governance Committee oversight
- external audit engagement and action planning
- performance reporting to Cabinet and Scrutiny
- organisational learning arrangements
- strong outcomes from Ofsted and other regulators
- transparency via FOI, publication schemes and open meetings

Detail

Our operational internal audit work has been carried out under contract by SWAP Internal Audit Services. This includes an annual independent and objective opinion to the Authority on its risk management, governance and control environment. Their work aligns with the aims and objectives of the council, considering key risks, operations, and changes. The plan is flexible in adapting audit plans to manage changing risks, priorities, and challenges. A dashboard is available for senior managers and councillors. Audits that have provided a "limited" assurance ranking have been referenced within the Local Code of Corporate Governance. Where actions remain outstanding, this is reflected within the improvement action plans that support this statement.

An advisory ICT assurance mapping audit report issued in January 2026 notes a High operational risk. Management has commenced immediate action to address the report. Public Digital were engaged to support this review work during March 2026.

We aim to provide an open environment whereby employees and those working for the Council can raise issues that they believe to be in the public interest. Our Protected Disclosure (Whistleblowing) Policy provides protection from any harassment, victimisation, or other detriment to any whistleblowing on serious wrongdoing.

External Audit are required to audit the annual financial statements and undertake a Value for Money Audit as per the code of practice of on Local Authority Accounting.

The interim 2024/25 external auditors report identified three significant weaknesses:

- Not satisfied that there are proper arrangements re value for money work for securing economy, efficiency and effectiveness in the use of resources;
- Arrangements for Dedicated Schools Grant (ongoing from 23/24);
- Governance and securing economy, efficiency and effectiveness in the use of resources due to the significant findings identified through the Building Health and Safety investigations (ongoing from 23/24). It was noted that police investigations are ongoing.
- Due to the backstop legislation, areas on which auditors are unable to conclude are the closing balance of property, plant and equipment, the net defined benefit liability and reserve balances.

The following risks have been identified:

- Management override of controls (significant)
- Valuation of land and buildings (significant)
- Valuation of the defined benefit pension liability (Significant)
- Implementation of IFRS 16

Dorset Council learns from external inspection and peer reviews, with improvement action plans.

The self-assessment undertaken in the Local Code of Corporate Governance notes most evidence as providing Reasonable or Substantial assurance. The following areas are noted with limited assurance:

- Annual Audit opinion report;
- Audit findings on temporary accommodation;
- Audit findings on Children with Disability service (CWAD)

Improvements addressed since 2024/25 Annual Governance Statement

None Identified

Key improvements identified for 2026/27:

Ref	Summary	Local Code Link	By Whom
G1	Respond to outstanding actions for internal audit on temporary accommodation	1l (Limited)	Action Owners
G2	Respond to remaining actions on internal audits	1h; 1i; 1j; 1m; 1n (All Reasonable or Substantial)	Action Owners
G3	Respond to actions identified in the external auditors reports	1q (Reasonable)	Director for Resources
G4	Deliver on most recent Ofsted inspection recommendations	2b (Substantial)	Executive Director for Childrens
G5	Deliver on most recent CQC inspection recommendations	2c (Substantial)	Director for Adult Social Services
G6	Corporate Peer Challenge	2a (Reasonable)	Chief Executive

SECTION FOUR – Corporate Risks Identified as "Very High" Moving in to 2026/27

Risk : As a result of a successful cyber attack Dorset Council IT systems may be compromised leading to a loss of service or data.

What are we doing : The council is working to build on E5 baseline capabilities to increase the organisations ability to detect and respond to threats within our infrastructure. In tandem with Our Future Council the staffing requirements to fulfil the organisations cyber security capabilities are being reviewed as part of the wider ICT structure. Additional capacity would significantly improve our ability to use the cyber monitoring data to identify actions to strengthen our technical defences. Third party monitoring would also be funded by these additional funds to provide a managed service providing out of hours monitoring service and response to cyber threats.

Risk : As a result of health service reform, Dorset Council may incur additional unprovisioned responsibilities, leading to increased resourcing and budgetary pressures, unmet health needs and potential harm to individuals.

What are we doing : Drafting of lobbying for elected members to influence how funding arrangements are to be met in the future. Maintaining dialogue on developments with the integrated care system. Publication of the new ICB structure is expected and will support greater clarity on roles, responsibilities, and continuity of existing agreements.

SECTION FIVE – Performance Indicators noting "Red" Performance

The following measures are reported as red to Place & Resources Scrutiny Committee on 24 September 2026 and People & Health Scrutiny Committee on 5 October 2026. Supporting dialogue is contained within the linked reports:

Type	Indicator
Council Plan	Ensure our services are resilient to climate change by having climate adaptation plans for each service by March 2026
People & Workforce	Percentage of staff who have been DBS checked in job roles which require DBS clearance – DC Overall
Waste & Operations	Number of waste collections missed per 100,000 collections of household waste
Waste & Operations	Percentage of missed waste collections revisited within 5 days (caused by service disruptions)
Adult's Social Care	Adults - Number of outstanding assessments (Care Act)
Adult's Social Care	Adults - Number of overdue 12 month reviews (Care Act)
Adult's Social Care	Adults Safeguarding Activity - number of safeguarding concerns received during the month
Adult's Social Care	Permanent admissions per 100k population to adults' residential and nursing care homes (65+)
Children's Services	Number of special educational needs (SEND) tribunals against the authority
Children's Services	Percentage of 3 and 4 year olds benefitting from funded EY education
Children's Services	Percentage of EHCP at an Independent Setting EXCLUDING Coombe House
Children's Services	Percentage of Education, Health & Care Plans (EHCPs) reviews completed on time (12 months from most recent assessment)
Children's Services	Rate of Early Help open cases at month end
Children's Services	Rate of permanent exclusions from schools (all schools) (%)

SECTION SIX - Significant Governance Issues Identified for 2026/27

Based on the 2025/26 assurance map, the following are considered significant themes requiring continued governance attention, as set out in the improvement action plans contained within each theme:

1. **Information Governance capability, compliance and maturity**, including:
    - Data Maturity audit recommendations
    - Information Asset Register completeness and ownership
    - Information Governance policy framework refresh
    - Data Protection Impact Assessment compliance
    - NHS Data Security and Protection Toolkit compliance
2. **Cyber security resilience**, with actions to:
    - increase training compliance
    - build additional cyber capacity post-ICT restructure
    - complete internal audit actions related to governance and assurance
3. **Mandatory training compliance** across the organisation, with targeted intervention and clearer consequence frameworks.
4. **Whistleblowing and counter-fraud improvements**, specifically:
    - aligning policies to the Economic Crime and Corporate Transparency Act
    - updating the fraud action plan
    - risk based training
    - embedding fraud arrangements across arm's-length companies
5. **Embedding the new Risk Appetite Statement** across all services and enhancing reporting insights.
6. **Culture and behaviour improvements** being coordinated through the Organisational Learning Group.
7. **Updating key corporate strategies**, including the new Data and Technology Strategy and the internal policy library tool.

SECTION SEVEN – Conclusions and Signatories

This Annual Governance Statement (AGS) describes how the Council has complied with its Local Code of Corporate Governance during 2025/26 and identifies areas for further development. It draws on assurance from management, internal audit (SWAP), external inspection, the Monitoring Officer, the Section 151 Officer, and the Council's risk, performance and scrutiny arrangements. The Council will however look to improve these assurance mechanisms further during 2026/27 by establishing a Governance Group, that will include a role in developing and challenging the Annual Governance Statement and supporting Local Code, alongside effectiveness of our Strategic Delivery Boards.

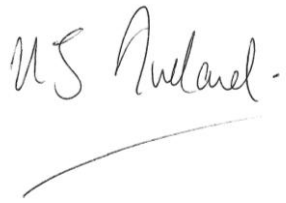
The Council is satisfied that this Annual Governance Statement demonstrates that generally adequate internal control, governance and risk management is in place.

The 2023/24 and 2024/25 statements referenced the investigation commissioned by the Council into Health and Safety Compliance, and assurance work on Contract and Expenditure Compliance with the Council's Constitution and Scheme of Delegation which indicated that a series of corporate procurement and finance controls were either circumvented or absent which led to significant governance and control failings. As a result, both the Statement and annual internal audit opinions offered a limited assurance. A significant amount of work has been undertaken to respond to these findings, which are broadly complete and have been subject to positive review by SWAP Internal Audit . It is however recognised that some cultural change takes time to embed. Since drafting of this statement, internal audit work has identified some issues relating to contract management, and a governance matter raised through whistleblowing channels, which are subject to investigation and will be reflected within the 2026/27 statement.

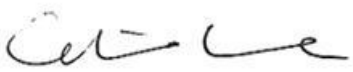
The Council strives for continual improvement and this statement identifies a number of areas where the Council can improve further. The improvement action plan forms part of this statement, and identified improvements will be monitored through the year by senior officers (via the proposed Governance Group) and Audit and Governance Committee. In addition, and recognising the financial challenges that local authorities face, the Council will move to new operating principles, to support delivery of our Council priorities.

Noting the positive assurance from the majority of items noted in the Local Code of Corporate Governance, and the internal auditors annual opinion, the overall assessment within this Annual Governance Statement is consider "reasonable", whilst recognising that further improvement measures have been identified as we strive to become a modern sustainable unitary council.

Signed: Councillor Nick Ireland, Leader of the Council



Signed: Catherine Howe, Chief Executive



Level of Assurance
None
Limited
Reasonable
Substantial

Principles	Level of Assurance			
	None	Limited	Reasonable	Substantial
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law				
1) Arrangements to ensure ethical conduct for both members and officers, including codes of conduct, management of conflicts of interest, declarations of gift and hospitality, training and evaluation.		3	11	
2) Arrangements covering the ethical behaviour of external service providers			2	
3) Arrangements to support whistleblowing		1	5	
4) How compliance with laws and regulations and internal policies and procedures is ensured and arrangements to ensure expenditure is lawful			6	
5) How breaches of ethical arrangements, laws, regulations and procedures are addressed and learning adopted			2	
6) How all those in governance roles and senior managers demonstrate their leadership of an ethical culture.			2	
Principle B: Ensuring openness and comprehensive stakeholder engagement				
1) How the authority ensures that decisions are made in the public interest and the rationale for decisions is recorded			4	
2) How the authority achieves expected standards of openness and transparency, including a culture of internal challenge and self-assessment			6	
3) The arrangements for consultation and engagement with citizens, service users and stakeholders and how these inform decision-making.			4	
4) The ways in which the authority communicates with the community and stakeholders			5	
Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits				
1) How the authority establishes its vision, target outcomes, and associated long-term plans to deliver sustainable outcomes.		1	5	1
2) Its decision-making arrangements and how it ensures consideration and demonstration of value for money and best value.			3	
3) Arrangements to achieve fair access to services			1	
4) The authority's strategic approach to commissioning across the entity and its partnerships and collaborations.			1	
Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes				
1) The arrangements for medium and short-term service planning, supported by projects and programmes, to ensure alignment to the vision and objectives.			12	1
2) How budgets and resource strategies align to the delivery of objectives.			5	1
3) How the authority uses self-assessment and continuous improvement to achieve value for money			10	2
4) The authority's performance management arrangements to ensure continued alignment to its objectives.			2	
5) Arrangements for the achievement of social value in commissioning, procurement and contracting.			1	

Principles	Level of Assurance			
	None	Limited	Reasonable	Substantial
Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it				
1) Member and officer protocols and clarity over roles and responsibilities, including schemes of delegation.			3	
2) Application of the Code of Practice on Good Governance for Local Authority Statutory Officers.			2	
3) How financial management roles align with: – CIPFA Financial Management Code (FM Code) – CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)			2	
4) The arrangements in place for the discharge of the monitoring officer function.			1	
5) The arrangements in place for the discharge of the head of paid service function.			1	
6) Induction and development programmes to meet the needs of members and senior officers in relation to their strategic roles			4	
7) Workforce planning and organisational development.			10	
8) Arrangements for learning and development, and health and wellbeing.		1	5	
Principle F: Managing risks and performance through robust internal control and strong public financial management				
1) Risk management policy, strategy and arrangements for review.			3	2
2) How financial management arrangements align with the Financial Management Code.			9	3
3) Internal control arrangements including: – cyber, AI and information security arrangements – information governance – asset management – procurement and contract management.		6	23	2
4) Assurance frameworks across the three lines. The framework should set out how the leadership team obtains its assurance, including from management, risk and compliance arrangements, and internal audit.			4	
5) Internal audit arrangements in conformance with the Global Internal Audit Standards in the UK public sector(GIAS and the Application Note) and the CIPFA Code of Practice on the Governance of Internal Audit			2	
6) Arrangements for formal overview and scrutiny (as applicable)			2	
7) Facilitation of internal and external challenge.			5	
8) Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2022).			2	
9) Counter fraud and anti-corruption developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).		1	4	
10) Governance, risk and control arrangements across companies, partnerships, collaborations and arm's length bodies.			2	
Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability				
1) Arrangements for the timely response and support to the work of external audit, internal audit and other inspection or regulatory action.		1	13	3
2) Approach to welcoming external challenge and implementing recommendations.			3	2
3) How learning and improvement are actioned.			3	
4) How transparency and accountability are maintained across collaborations and arm's length bodies, such as trading companies and joint ventures.			2	

Principles	Level of Assurance			
	None	Limited	Reasonable	Substantial
5) Accountability to the public and stakeholders is supported by clear assurance and ensures core areas are covered to enable better accountability in practice.			6	

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law Lead(s): Jonathan Mair, Director - Governance & Assurance; Grace Evans, Head of Legal Services									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Means of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
1) Arrangements to ensure ethical conduct for both members and officers, including codes of conduct, management of conflicts of interest, declarations of gift and hospitality, training and evaluation.	a	Dorset Council constitution	Link	Director - Assurance & Governance	**Reasonable**	Self Assessment	Review following the Mazur case about conduct of litigation, review of shareholder governance and changes to the financial section of the Scheme of Delegation	tbc	Head of Legal Services
	b	Scheme of Delegation	Link	Director - Assurance & Governance	**Reasonable**	Self Assessment	Roll out the new financial section of the Officer Scheme of Delegation with guidance	tbc	Head of Legal Services
	c	Contract Procedural Rules	Link	Director - Assurance & Governance	**Reasonable**	Self Assessment	Review needed following changes to financial section of Scheme of Delegation	tbc	Service Manager for Commercial & Procurement
	d	Officer Code of Conduct, incl register of interests, gifts and hospitality; Portal goes live 14/7/26	Link	Director - Assurance & Governance	**Reasonable**	Self Assessment			
	e	Member Code of Conduct, incl register of interests, gifts and hospitality	Link	Director - Assurance & Governance	**Reasonable**	Self Assessment			
	f	Protocol for officer and member relations	Link	Director - Assurance & Governance	**Reasonable**	Self Assessment			
	g	Complaints Policies (Corporate; Childrens Social Care; Adults Social Care)	Link	Service Manager for Assurance	**Reasonable**	Internal Audit on Childrens Services Complaints (Limited) but actions completed. Self Assessment			
	h	Caldicott Guardian	Link	Director of Adult Social Services	**Reasonable**	Self Assessment			
	i	Equality, Diversity and Inclusion Strategic Board and Strategy / action plan	Link	Head of Strategic Comms and Engagement	**Reasonable**	Self Assessment			
	J	Mandatory training regime, incl data protection and equalities		Head of People and Workforce	**Limited**	Self Assessment	Enable policing process for cyber/data protection training	Sep-26	Service Manager for Assurance

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law Lead(s): Jonathan Mair, Director - Governance & Assurance; Grace Evans, Head of Legal Services									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Means of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
	k	Policy Library	Link	Head of Strategy	**Limited**	Self Assessment	An internal policy library tool will be developed to enable all policy and strategy owners to self-serve, manage, and update their review cycles. This will support forward planning and ensure consistent publication standards and processes across the public-facing policy library.	tbc	
	l	Governance working group		Head of Strategy	**Reasonable**	Self Assessment	Develop this group into a permanent governance group	Sep-26	Director - Assurance and Governance
	m	Corporate Social Responsibility Standards	Link	Service Manager for Commercial & Procurement	**Reasonable**	Self Assessment			
	n	Processes for recruitment of interim staff		Head of People and Workforce	**Limited**	Internal audit on Irregularities investigation	A structured induction and training program will be established for interim staff to promote corporate integration and oversight. Corporate policies and procedures for conflict of interest checks during the recruitment and management of interim staff will be enforced. Individuals	tbc	Head of People and Workforce
2) Arrangements covering the ethical behaviour of external service providers	a	Commercial Strategy, incl Corporate Social Responsibility Standards)	Link	Service Manager for Commercial & Procurement	**Reasonable**	Self Assessment			
	b	Protected Disclosure (Whistleblowing Policy)	Link	Service Manager for Assurance	**Reasonable**	Self Assessment			
3) Arrangements to support whistleblowing	a	Protected Disclosure (Whistleblowing Policy) and supporting reporting process	Link	Service Manager for Assurance	**Reasonable**	Self Assessment			
	b	Counter Fraud and Financial Crime Policy	Link	Service Manager for Assurance	**Reasonable**	Self Assessment	Review to ensure fully captures obligations of Economic Crime and Corporate Transparancy Act	Oct-26	Service Manager for Assurance

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law Lead(s): Jonathan Mair, Director - Governance & Assurance; Grace Evans, Head of Legal Services									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Means of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
	c	Fraud and Whistleblowing learning modules		Service Manager for Assurance	**Reasonable**	Self Assessment - Limited internal audit opinion but actions completed	Develop training matrix, for better targetting of training	Oct-26	Service Manager for Assurance
	d	Fraud action plan		Service Manager for Assurance	**Limited**	Self Assessment	Update action plan to better articulate requirements of Economic Crime and Corporate Transparancy Act	Oct-26	Service Manager for Assurance
	e	Annual fraud and whistleblowing report to Audit and Governance Committee	Link	Service Manager for Assurance	**Reasonable**	Self Assessment			
	f	Internal audit on whistleblowing procedures		Service Manager for Assurance	**Reasonable**	Internal Audit			
4) How compliance with laws and regulations and internal policies and procedures is ensured and arrangements to ensure expenditure is lawful	a	Statutory Monitoring Officer (and Deputy)		Director - Governance & Assurance	**Reasonable**	Self Assessment			
	b	Chief Financial Officer (and Deputy)		Director - Resources	**Reasonable**	Self Assessment			
	c	Committee report clearance process, incl statutory officer review		Service Manager for Elections and Democratic Services	**Reasonable**	Self Assessment			
	d	Professional support from Legal Services		Head of Legal Services	**Reasonable**	Self Assessment	Review Legal Services resource v service resource following the Mazur case about conduct of litigation and review and clarify system arrangements for instruction of external legal	Sep-26	Head of Legal Services
	e	Professional support from finance business partners and teams		Director - Resources	**Reasonable**	Self Assessment			
	f	Senior Leadership Team		Chief Executive	**Reasonable**	Self Assessment			
5) How breaches of ethical arrangements, laws, regulations and procedures are addressed and learning adopted	a	"Our Values" Behaviours Framework	Link	Head of People and Workforce	**Reasonable**	Self Assessment			
	b	Councillor Code of Conduct complaints processes	Link	Director for Legal and Democratic	**Reasonable**	Self Assessment	Respond to anticipated change in legislation.	tbc	Head of Legal Services

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law Lead(s): Jonathan Mair, Director - Governance & Assurance; Grace Evans, Head of Legal Services									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Means of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
6) How all those in governance roles and senior managers demonstrate their leadership of an ethical culture.	a	Scrutiny and challenge by Audit and Governance Committee	Link	Director - Governance & Assurance	**Reasonable**	Self Assessment			
	b	1-2-1 / appraisals		Head of People and Workforce	**Reasonable**	Self Assessment			

Principle B: Ensuring openness and comprehensive stakeholder engagement Lead(s): Jen Lowis, Head of Strategic Comms and Engagement; Jacqui Andrews, Service Manager for Electoral and Democratic Services									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Means of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
1) How the authority ensures that decisions are made in the public interest and the rationale for decisions is recorded	a	Committee Meetings open to the public, streamed and accessible on Youtube (unless exempt). Members of the public can attend virtually or in person to ask questions	Link	Service Manager for Electoral and Democratic Services	**Reasonable**	Self Assessment			
	b	Committee papers and minutes published, including decisions reached	Link	Service Manager for Electoral and Democratic Services	**Reasonable**	Self Assessment			
	c	Impact assessments as part of committee clearance process		Service Manager for Electoral and Democratic Services	**Reasonable**	Self Assessment			
	d	Declarations of interest within committee minutes	Link	Service Manager for Electoral and Democratic Services	**Reasonable**	Self Assessment			
2) How the authority achieves expected standards of openness and transparency, including a culture of internal challenge and self-assessment	a	Open Data and Transparency information	Link		**Reasonable**	Self Assessment			
	b	Pay Policy Statements	Link	Head of People and Workforce	**Reasonable**	Self Assessment			
	c	Publishing of payments to suppliers over £500	Link	Service Manager for Commercial & Procurement	**Reasonable**	Self Assessment			
	d	Freedom of Information process and compliance monitoring	Link	Service Manager for Assurance	**Reasonable**	Self Assessment			
	e	Subject Access Request internal audit		Service Manager for Assurance	**Reasonable**	Internal Audit	Look to replicate good practice within the corporate SARs team to wider Dorset Council responses, as part of transformation work	Oct-26	Service Manager for Assurance
	f	Right of Access Compliance (Subject Access Request) process and compliance monitoring	Link	Service Manager for Assurance	**Reasonable**	Self Assessment	Review and update policy, to reflect any change arising from transformation work	Oct-26	Service Manager for Assurance

Principle B: Ensuring openness and comprehensive stakeholder engagement Lead(s): Jen Lowis, Head of Strategic Comms and Engagement; Jacqui Andrews, Service Manager for Electoral and Democratic Services									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Means of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
3) The arrangements for consultation and engagement with citizens, service users and stakeholders and how these inform decision-making.	a	Consultation and engagement activities		Head of Strategic Comms and Engagement	**Reasonable**	Self Assessment			
	b	Citizenspace consultation platform		Head of Strategic Comms and Engagement	**Reasonable**	Self Assessment			
	c	Consultation and engagement policy	Link	Head of Strategic Comms and Engagement	**Reasonable**	Self Assessment			
	d	Data and Insight for Dorset Resources	Link	Head of Strategy	**Reasonable**	Self Assessment	Annual update to the State of Dorset report- State of Dorset 2025 to be published by February 2026. With additional ad hoc data briefings aligned to release of national data sets.	Feb 2027; Feb 2028 etc.	Head of Strategy
4) The ways in which the authority communicates with the community and stakeholders	a	Communication and marketing activities		Head of Strategic Comms and Engagement	**Reasonable**	Peer review			
	b	Corporate Plan Progress reporting - public performance dashboards, quarterly review via scrutiny committees and twice yearly progress reports to Cabinet	Link	Head of Strategy	**Reasonable**	Self Assessment			
	c	Statutory annual complaints report	Link	Service Manager for Assurance	**Reasonable**	Self Assessment			
	d	Annual Local Government and Social Care Ombudsman's report		Service Manager for Assurance	**Reasonable**	Self Assessment	Seek to improve Directorate's performance in providing satisfactory remedies to complainants ahead of LGSCO escalation	Mar-27	Service Manager for Assurance

Principle B: Ensuring openness and comprehensive stakeholder engagement Lead(s): Jen Lowis, Head of Strategic Comms and Engagement; Jacqui Andrews, Service Manager for Electoral and Democratic Services									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Means of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
	e	Customer Strategy and Delivery Plan - Reframes communication as a two-way relationship built around accessibility, clarity, trust and collaboration, redefining as 'one organisation', not as multiple departments	Link	Head of Customer Experience	**Reasonable**	Self Assessment			

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits Lead(s): Steve Ford, Assistant Chief Executive; Sean Cremer, Director - Resources									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
1) How the authority establishes its vision, target outcomes, and associated long-term plans to deliver sustainable outcomes.	a	Council Plan	Link	Head of Strategy	**Substantial**	Self Assessment			
	b	Golden thread running through Council Plan, Service Plans and 1to1s /"My Road Map" appraisals. Revised service plans in development.		Head of Strategy	**Reasonable**	Self Assessment	Complete whole Council service planning exercise	tbc	Head of Strategy
	c	Committee report impacts sheet		Service Manager for Democratic and Electoral Services	**Reasonable**	Self Assessment			
	d	Data & BI Strategy	Link	Head of Strategy	**Limited**	Internal Audit	Replace this historic strategy with the new Data and Technology Strategy which is being developed by the Head of ICT.	Apr-27	Executive Director for Modernisation & Customer
	e	Climate and Ecological Emergency Strategy	Link	Assistant Chief Executive	**Reasonable**	Self Assessment			
	f	Equality Diversity and Inclusion Strategy	Link	Head of Strategic Communications & Engagement	**Reasonable**	Self Assessment			
	g	Strategic performance framework and reporting tool, including risk. Corporate Plan Progress reporting - public performance dashboards, quarterly review via scrutiny committees and twice yearly progress reports to Cabinet	Link	Head of Strategy	**Reasonable**	Self Assessment	Publish end year progress report in July 2026 as part of the twice a year update to Cabinet on Council Plan delivery/ progress	Jul-26	Head of Strategy
2) Its decision-making arrangements and how it ensures consideration and demonstration of value for money and best value.	a	Statement of Accounts	Link	Director - Resources	**Reasonable**	Seld Assessment			
	b	Budget Reports	Link	Director - Resources	**Reasonable**	Seld Assessment			
	c	Design Authority managing change activity		Head of Transformation and Design	**Reasonable**	Seld Assessment			

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits Lead(s): Steve Ford, Assistant Chief Executive; Sean Cremer, Director - Resources									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
3) Arrangements to achieve fair access to services	a	Equality Diversity and Inclusion Strategy	Link	Head of Strategic Communications & Engagement	**Reasonable**	Self Assessment			
4) The authority's strategic approach to commissioning across the entity and its partnerships and collaborations.	a	Commercial Strategy	Link	Service Manager for Commercial and Procurement	**Reasonable**	Self Assessment			

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes Lead(s) Steve Ford, Assistant Chief Executive									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
1) The arrangements for medium and short-term service planning, supported by projects and programmes, to ensure alignment to the vision and objectives.	a	Council plan	Link	Head of Strategy	**Substantial**	Self Assessment			
	b	Corporate Plan Progress reporting - public performance dashboards, quarterly review via scrutiny committees and twice yearly progress reports to Cabinet	Link	Head of Strategy	**Reasonable**	Self Assessment	Publish end year progress report in July 2026 as part of the twice a year update to Cabinet on Council Plan delivery/ progress	Jul-26	Head of Strategy
	c	Service Plans		Head of Strategy	**Reasonable**	Self Assessment	Whole council service planning exerciseis underway to align with the multiyear financial settlement.	Jul-26	Head of Strategy
	d	Cabinet leads	Link	Service Manager for Democratic and Electoral Services	**Reasonable**	Self Assessment			
	e	Design Authority		Head of Transformation and Design	**Reasonable**	Self Assessment			
	f	Our Future Council Programme and Directorate level changes		Head of Transformation and Design	**Reasonable**	Self Assessment			
	g	Transformation Plan 2025 to 2029	Link	Head of Transformation and Design	**Reasonable**	Self Assessment			
	h	Professional support from Transformation and Design team		Head of Transformation and Design	**Reasonable**	Self Assessment			
	i	ICT Change Management audit (Actions have been taken as far as they can, pending IT restructure)		Head of ICT Operations	**Reasonable**	Internal Audit	Further actions in the audit are to do ITIL v4 training - this is currently a tolerated risk	tbc	Head of ICT Operations
	j	Overview Committees	Link	Service Manager for Democratic and Electoral Services	**Reasonable**	Self Assessment			
	k	Equality Impact Assessments		Head of Strategic Comms and Engagement	**Reasonable**	Self Assessment			
	l	Data Protection Impact Assessments (and screening tool)		Service Manager for Assurance	**Reasonable**	Self Assessment			

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes Lead(s) Steve Ford, Assistant Chief Executive									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
	m	Consultation and Engagement policy	Link	Head of Strategic Comms and Engagement	**Reasonable**	Self Assessment	Community Conversations throughout 2026	2026	Head of Strategic Comms and Engagement
2) How budgets and resource strategies align to the delivery of objectives.	a	Design Authority		Head of Transformation and Design	**Reasonable**	Self Assessment			
	b	Financial strategy	Link	Director - Resources	**Reasonable**	Self Assessment			
	c	Capital Strategy	Link	Director - Resources	**Reasonable**	Self Assessment			
	d	Strategic asset management plan 2024-30	Link	Head of Assets and Property	**Substantial**	Internal Audit			
	e	Budgets and Spending	Link	Director - Resources	**Reasonable**	Self Assessment			
	f	Budget cafes for councillors		Director - Resources	**Reasonable**	Self Assessment			
3) How the authority uses self assessment and continuous improvement to achieve value for money	a	Design Authority		Head of Transformation and Design	**Reasonable**	Self Assessment			
	b	Lessons Learnt processes		Various	**Reasonable**	Self Assessment			
	c	Organisational Learning group		Executive Director - Housing, Communities & Prevention	**Reasonable**	Self Assessment / Internal Audit and Investigation	Ensure that wider transformation work reflectsand embeds the cultural and behavioural improvements identified in the Investigation Action Plan	tbc	Senior Leadership Team
	d	Annual Audit and Inspection letter	Link	Director - Resources	**Reasonable**	Self Assessment			
	e	Scrutiny Committees	Link	Service Manager for Democratic and Electoral Services	**Reasonable**	Self Assessment			
	f	People and Health Scrutiny Performance Dashboard	Link	Head of Strategy	**Reasonable**	Self Assessment			
	g	Place and Resources Scrutiny Performance Dashboard	Link	Head of Strategy	**Reasonable**	Self Assessment			
	h	Peer Reviews and Inspections		Various	**Reasonable**	Self Assessment			
	i	Ofsted inspections and reports	Link	Executive Director for Childrens	**Substantial**	Ofsted Inspection			

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes Lead(s) Steve Ford, Assistant Chief Executive									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
	j	CQC inspections and reports	Link	Director for Adult Social Services	**Substantial**	CQC inspections and reports			
	k	Organisational Compliance and Risk Learning Group		Service Manager for Assurance	**Reasonable**	Self Assessment	The remit of this working group is to be combined with the Operational Information Governance Group	Sep-26	Service Manager for Assurance
	l	Response to SWAP investigation on governance and financial controls		Director - Governance & Assurance	**Reasonable**	Self Assessment			
4) The authority's performance management arrangements to ensure continued alignment to its objectives.	a	Performance management framework, incorporating risk		Head of Strategy	**Reasonable**	Self Assessment			
	b	Performance monitoring and challenge by Scrutiny Committees	Link	Head of Strategy	**Reasonable**	Self Assessment			
5) Arrangements for the achievement of social value in commissioning, procurement and contracting.	a	Commercial Strategy, incl Corporate Social Responsibility Standards)	Link	Service Manager for Commercial and Procurement	**Reasonable**	Self Assessment			

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it Lead(s): Catherine Howe, Chief Executive; Chris Matthews, Head of People and Workforce									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
1) Member and officer protocols and clarity over roles and responsibilities, including schemes of delegation.	a	Officer Code of Conduct, incl register of interests, gifts and hospitality	Link	Director for Legal and Democratic	**Reasonable**	Self Assessment			
	b	Member Code of Conduct, incl register of interests, gifts and hospitality	Link	Director for Legal and Democratic	**Reasonable**	Self Assessment			
	c	Scheme of Delegation	Link	Director for Legal and Democratic	**Reasonable**	Self Assessment	Roll out of guidance to support revised financial section of the Officer Scheme of Delegation?	tbc	Head of Legal
2) Application of the Code of Practice on Good Governance for Local Authority Statutory Officers.	a	Head of Paid Service, Chief Finance Officer, and Monitoring Officer act in compliance with the Code of Practice		Chief Executive	**Reasonable**	Self Assessment			
	b	Statutory officers group		Chief Executive	**Reasonable**	Self Assessment			
3) How financial management roles align with: – CIPFA Financial Management Code (FM Code) – CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)	a	CIPFA Financial Management Code self assessment		Director - Resources	**Reasonable**	Self Assessment			
	b	Section 151 Officer		Director - Resources	**Reasonable**	Self Assessment			
4) The arrangements in place for the discharge of the monitoring officer function.	a	Monitoring Officer (and Deputy)		Director - Assurance & Governance	**Reasonable**	Self Assessment			
5) The arrangements in place for the discharge of the head of paid service function.	a	Chief Executive		Chief Executive	**Reasonable**	Self Assessment			

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it Lead(s): Catherine Howe, Chief Executive; Chris Matthews, Head of People and Workforce									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
6) Induction and development programmes to meet the needs of members and senior officers in relation to their strategic roles	a	Elected member induction and training programme supported by Councillor Development and Support Officer		Service Manager for Democratic and Electoral Services	**Reasonable**	Self Assessment			
	b	Staff induction programme		Head of People and Workforce	**Reasonable**	Self Assessment			
	c	Mentoring and coaching		Head of People and Workforce	**Reasonable**	Self Assessment			
	d	1-2-1 / Appraisals / "My Roadmap"		Head of People and Workforce	**Reasonable**	Self Assessment			
7) Workforce planning and organisational development.	a	People and Culture strategy	Link	Head of People and Workforce	**Reasonable**	Self Assessment			
	b	"My Roadmap" / Appraisals		Head of People and Workforce	**Reasonable**	Self Assessment			
	c	Management Academy		Head of People and Workforce	**Reasonable**	Self Assessment			
	d	Leadership Forum		Head of People and Workforce	**Reasonable**	Self Assessment			
	e	Recruitment and Attraction team		Head of People and Workforce	**Reasonable**	Self Assessment			
	f	Suite of HR policies	Link	Head of People and Workforce	**Reasonable**	Self Assessment			
	g	Employee seminars		Head of People and Workforce	**Reasonable**	Self Assessment			
	h	Internal audit on establishment control		Head of People and Workforce	**Reasonable**	Internal Audit			
	i	"Conversations with Catherine" - Chief Executive meeting members of staff		Chief Executive	**Reasonable**	Self Assessment	Second round of "Conversations with Catherine" during 2026	tbc	Chief Executive
	j	Staffing Committee	Link	Service Manager for Democratic and Electroral Services	**Reasonable**	Self Assessment			
8) Arrangements for learning and development, and health and wellbeing.	a	People and Culture strategy	Link	Head of People and Workforce	**Reasonable**	Self Assessment			
	b	Staff Development Scheme		Head of People and Workforce	**Reasonable**	Self Assessment			

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it Lead(s): Catherine Howe, Chief Executive; Chris Matthews, Head of People and Workforce									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
	c	Employee Assistance Programme		Head of People and Workforce	**Reasonable**	Self Assessment			
	d	Staff Consultative Panels		Head of People and Workforce	**Reasonable**	Self Assessment			
	e	Mandatory training (and optional modules		Head of People and Workforce	**Limited**	Self Assessment	Enable compliance regime for non compliance of information governance training mechanisms (data protection / cyber) Improve wider mandatory training compliance levels	Sep-26	Service Manager for Assurance Head of People and Wellbeing
	f	Employee networks		Head of Comms and Strategic Engagement	**Reasonable**	Self Assessment			

Principle F: Managing risks and performance through robust internal control and strong public financial management Lead(s): Sean Cremer, Director - Resources; Liz Crocker, Head of Strategy; Marc Eyre, Service Manager for Assurance									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
1) Risk management policy, strategy and arrangements for review.	a	Risk management strategy	Link	Head of Strategy	**Substantial**	Self Assessment	Published in 2025,the strategy will be subject to regular review to ensure it remains current and up to date. Propose internal audit on risk function in 2027 to guide further work.	Apr-27	Head of Strategy
	b	Risk appetite statement	Link	Head of Strategy	**Reasonable**	Self Assessment	Following the adoption of the organisation's Risk Appetite Statement, work will now progress with all directorates to ensure the approach is fully embedded across services. This will be supported by the development of additional metrics that provide clearer insight and operational guidance aligned to the high-level appetite. The agreed Risk Appetite will also inform the internal audit planning process, strengthening the alignment between risk management, assurance activities, and organisational priorities.	Jul-26	Head of Strategy
	c	Risk Register / Dashboard		Head of Strategy	**Substantial**	Self Assessment	Following the launch of the revamped risk register in 2025, further development will continue through the introduction of a more granular, revised matrix scoring approach—designed to generate deeper insight and enable automated scoring.	Dec-26	Head of Strategy
	d	Risk assessment within Committee report template		Head of Strategy	**Reasonable**	Self Assessment	Risk assessment sections within committee report templates will be updated to reflect the revised risk-scoring approach.	Dec-26	Head of Strategy

Principle F: Managing risks and performance through robust internal control and strong public financial management Lead(s): Sean Cremer, Director - Resources; Liz Crocker, Head of Strategy; Marc Eyre, Service Manager for Assurance									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
	e	Professional support provided by the Risk and Reporting Officer		Head of Strategy	**Reasonable**	Self Assessment	Continued professional development of IRM-Cert qualified Risk Management and Reporting officer. Risk Learning module to be created to develop competency across the organisation	Apr-27	Head of Strategy
2) How financial management arrangements align with the Financial Management Code.	a	Section 151 Officer		Director - Resources	**Reasonable**	Self Assessment			
	b	CIPFA Financial Management Code self assessment		Director - Resources	**Reasonable**	Self Assessment			
	c	Medium Term Financial Plan	Link	Director - Resources	**Reasonable**	Self Assessment			
	d	Budget updates to committees and SLT		Director - Resources	**Reasonable**	Self Assessment			
	e	Capital Strategy	Link	Director - Resources	**Reasonable**	Self Assessment			
	f	Internal audit on Repairs, Maintenance, Minor and Small Capital Works (RMMSCW) Framework (NB - we no longer have a framework and are now moving to contracts)		Head of Assets and Property	**Reasonable**	Self Assessment; Internal Audit (was limited, but actions complete)			
	g	Treasury Management Strategy	Link	Corporate Director for Finance and Commercial	**Reasonable**	Self Assessment			
	h	Internal audit on treasury management (continuous)		Corporate Director for Finance and Commercial	**Substantial**	Internal Audit			
	i	Internal audit on key controls main accountacy (continual)		Corporate Director for Finance and Commercial	**Reasonable**	Internal Audit			
	j	Internal audit on UK shared propserity fund			**Substantial**	Internal Audit			
	k	Internal audit on revenues and benefits (continuous)		Head of Revenues and Benefits	**Substantial**	Internal Audit			
	l	Annual Outturn and Financial Statements		Director - Resources	**Reasonable**	Self Assessment			

Principle F: Managing risks and performance through robust internal control and strong public financial management Lead(s): Sean Cremer, Director - Resources; Liz Crocker, Head of Strategy; Marc Eyre, Service Manager for Assurance									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
3) Internal control arrangements including: – Cyber, AI and information security arrangements – information governance – asset management – procurement and contract management.	a	Business Continuity framework, with supporting business impact assessment and service level action cards		Service Manager for Assurance	**Reasonable**	Self Assessment. Internal Audit (Limited) but actions responded to	Revise the business continuity portal; roll out of whole authority cyber exercise	Dec-26	Service Manager for Assurance
	b	Emergency Response Plan / Command and Control structure		Service Manager for Assurance	**Reasonable**	Self Assessment			
	c	Annual Governance Statement supported by Local Code of Corporate Governance		Service Manager for Assurance	**Reasonable**	Self Assessment	Consider development of Service Assurance statements, in line with Head of Audit Annual Governance Statement Effectiveness Checklist to incorporate: Governance; Risk; Internal control; Financial stewardship; Safeguarding (where relevant)	Mar-27	Service Manager for Assurance
	d	Internal Audit on Contract and Expenditure compliance with Council constitution and scheme of delegation;		Director for Public Health and Protection	**Reasonable**	Internal Audit			
	e	Internal investigations by SWAP re health and safety compliance		Director - Assurance & Governance	**Reasonable**	Internal Audit - Limited assurance opinion, but actions now largely completed (one outstanding)	Ensure that wider transformation work reflects and embeds the cultural and behavioural improvements identified in the Investigation Action Plan	tbc	Senior Leadership Team
	f	Data & BI Strategy	Link	Head of Strategy	**Limited**	Internal Audit - Data Maturity	Replace this historic strategy with the new Data and Technology Strategy which is being developed by the Head of ICT.	Apr-27	Executive Director for Modernisation & Customer

Principle F: Managing risks and performance through robust internal control and strong public financial management Lead(s): Sean Cremer, Director - Resources; Liz Crocker, Head of Strategy; Marc Eyre, Service Manager for Assurance									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
	g	Data Maturity internal audit		Director - Assurance & Governance	**Limited**	Internal Audit - Data Maturity	Respond to priority actions identified within internal audit report, including progressing the records management and information resilience business case through governance	Apr-27	Various
	h	Professional advice from Information Compliance Team and Data Protection Officer		Service Manager for Assurance	**Reasonable**	Self Assessment	Capacity is stretched due to extent of organisational change. Seeking Service Design challenge across information compliance and complaints functions	Oct-26	Service Manager for Assurance
	i	Senior Information Risk Owner	Link	Director - Assurance & Governance	**Reasonable**	Self Assessment			
	j	Caldicott Guardian	Link	Director for Adult Social Services	**Reasonable**	Self Assessment			
	k	Strategic Information Governance Board and supporting groups	Link	Service Manager for Assurance	**Reasonable**	Self Assessment			
	l	Data Sharing Agreements		Service Manager for Assurance	**Reasonable**	Self Assessment			
	m	Annual Information Governance report to SLT and Audit and Governance Committee	Link	Service Manager for Assurance	**Reasonable**	Self Assessment			

Principle F: Managing risks and performance through robust internal control and strong public financial management Lead(s): Sean Cremer, Director - Resources; Liz Crocker, Head of Strategy; Marc Eyre, Service Manager for Assurance									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
	n	Information Governance policy framework (information compliance; information management; cyber security; AI/automation)	Link	Service Manager for Assurance	**Limited**	Self Assessment	Ongoing review and update of information governance policies, on a risk assessed basis. Embedding Responsible AI governance and continuing to evaluate AI opportunities, risks and learning through a controlled test-and-learn approach Strengthening assurance reporting across cyber risk, audit activity, compliance requirements and improvement actions	Dec-26	Service Manager for Assurance Executive Director for Modernisation & Customer Executive Director for Modernisation & Customer
	o	Mandatory data protection training		Service Manager for Assurance	**Reasonable**	Current compliance levels exceed 90%	Enable consequences for officers with low compliance (reminders; lock down of emails)	Sep-26	Service Manager for Assurance
	p	Mandatory cyber training		Executive Director for Modernisation & Customer	**Limited**	Current compliance levels just below 90% but improving	Enable consequences for officers with low compliance (reminders; lock down of emails)	Sep-26	Service Manager for Assurance
	q	Professional advice provided by Cyber security and ICT continuity Lead		Head of ICT Operations	**Reasonable**	Self Assessment	Build more capacity into the new IT structure post restructure to give more time for proactive work to strengthen defences, monitor network activity and build organisational awareness and vigilance to potential cyber attack	tbc	Executive Director for Modernisation & Customer
	r	Internal audit on cyber security risk governance		Head of ICT Operations	**Reasonable**	Internal Audit			
	s	Cyber security assurance mapping		Head of ICT Operations	**Limited**	Internal Audit and subsequent work with Public Digital	Progress actions identified following the work with Public Digital	Mar-26	Executive Director for Modernisation & Customer

Principle F: Managing risks and performance through robust internal control and strong public financial management Lead(s): Sean Cremer, Director - Resources; Liz Crocker, Head of Strategy; Marc Eyre, Service Manager for Assurance									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
	t	Data Protection Impact Assessments, with challenge from Operational Information Governance Group		Service Manager for Assurance	**Reasonable**	Self Assessment			
	u	NHS Data Security and Protection Toolkit		Service Manager for Assurance	**Reasonable**	NHS assessment (awaiting confirmation that standards met) "approaching standards"			
	v	Information Asset Register and identified Information Asset Owners		Service Manager for Archives and Records	**Limited**	Internal Audit	Respond to Data Maturity audit recommendations to improve monitoring and compliance of Information Asset Owners	Apr-27	Service Manager for Archives and Records
	w	Professional advice by Assets and Property Team		Head of Assets and Property	**Reasonable**	Self Assessment			
	x	Capital Strategy & Asset Management Group		Director - Resources	**Substantial**	Internal Audit			
	y	Strategic asset management plan 2024-30	Link	Head of Assets and Property	**Substantial**	Internal Audit			
	z	Strategic Performance Framework	Link	Head of Strategy	**Reasonable**	Self Assessment			
	aa	Commercial Strategy	Link	Service Manager for Commercial and Procurement	**Reasonable**	Self Assessment			
	ab	Modern Slavery Transparancy Statement	Link	Service Manager for Commercial and Procurement	**Reasonable**	Self Assessment			
	ac	Contract Management Procedure Guide	Link	Service Manager for Commercial and Procurement	**Reasonable**	Self Assessment			
	ad	Accord Contract Management platform	Link	Service Manager for Commercial and Procurement	**Reasonable**	Self Assessment			
	ae	Commercial and Procurement Team(internal control tools)	Link	Service Manager for Commercial and Procurement	**Reasonable**	Self Assessment			

Principle F: Managing risks and performance through robust internal control and strong public financial management Lead(s): Sean Cremer, Director - Resources; Liz Crocker, Head of Strategy; Marc Eyre, Service Manager for Assurance									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
4) Assurance frameworks across the three lines. The framework should set out how the leadership team obtains its assurance, including from management, risk and compliance arrangements, and internal audit.	a	Risk management strategy embraces the three lines model	Link	Head of Strategy	**Reasonable**	Self Assessment	Risk Learning module to be created to develop competency across the organisation in 2026. Propose internal audit of risk function in 2027 to guide further work.	Apr-27	Head of Strategy
	b	Quarterly SWAP internal audit reports to SLT and Audit and Governance Committee		Chief Executive	**Reasonable**	Self Assessment			
	c	Audit and Governance Committee call-in where audit actions not progressed		Director - Assurance & Governance	**Reasonable**	Self Assessment			
	d	Quarterly risk management reports to SLT, Informal Cabinet, Audit and Governance Committee and Scrutiny Committees		Head of Strategy	**Reasonable**	Self Assessment	A risk overview will form part of the end of year performance report to Cabinet.	Jul-26	Head of Strategy
5) Internal audit arrangements in conformance with the Global Internal Audit Standards in the UK public sector(GIAS and the Application Note) and the CIPFA Code of Practice on the Governance of Internal Audit	a	Internal audit provision via SWAP Internal Audit		Service Manager for Assurance	**Reasonable**	Self Assessment			
	b	Chief Internal Auditors report		Service Manager for Assurance	**Reasonable**	Self Assessment			
6) Arrangements for formal overview and scrutiny (as applicable)	a	Two Overview Committees, covering i) Place and Resources; and ii) People and Health		Service Manager for Democratic and Electoral Services	**Reasonable**	Self Assessment			
	b	Two Scrutiny Committees, covering i) Place and Resources; and ii) People and Health		Service Manager for Democratic and Electoral Services	**Reasonable**	Self Assessment			

Principle F: Managing risks and performance through robust internal control and strong public financial management Lead(s): Sean Cremer, Director - Resources; Liz Crocker, Head of Strategy; Marc Eyre, Service Manager for Assurance									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
7) Facilitation of internal and external challenge.	a	Peer Reviews and Inspections		Various	**Reasonable**	Self Assessment			
	b	Ofsted inspections and reports		Executive Director for Childrens	**Reasonable**	Self Assessment			
	c	CQC inspections and reports		Director for Adult Social Services	**Reasonable**	Self Assessment			
	d	Officer Task and Finish Group following SWAP investigation, and resultant action plan		Director - Resources	**Reasonable**	Self Assessment			
	e	Overview, Scrutiny, Audit and Governance Committees		Service Manager for Democratic and Electoral Services	**Reasonable**	Self Assessment			
8) Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2022).	a	Audit and Governance Committee		Service Manager for Democratic and Electoral Services	**Reasonable**	Self Assessment			
	b	SWAP skills audit		Service Manager for Democratic and Electoral Services	**Reasonable**	Advisory internal audit			
9) Counter fraud and anti-corruption developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).	a	Protected Disclosure (Whistleblowing Policy) and supporting reporting process		Service Manager for Assurance	**Reasonable**	Self Assessment			
	b	Counter Fraud and Financial Crime Policy		Service Manager for Assurance	**Reasonable**	Self Assessment			
	c	Fraud and Whistleblowing learning modules		Service Manager for Assurance	**Reasonable**	Self Assessment - Limited findings in an internal audit but actions complete	Develop training matrix, for better targetting of training	Sep-26	Service Manager for Assurance

Principle F: Managing risks and performance through robust internal control and strong public financial management Lead(s): Sean Cremer, Director - Resources; Liz Crocker, Head of Strategy; Marc Eyre, Service Manager for Assurance									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
	d	Fraud action plan		Service Manager for Assurance	**Limited**	Self Assessment	Update action plan to better articulate requirements of Economic Crime and Corporate Transparancy Act	Sep-26	Service Manager for Assurance
	e	Cifas fraud checks on all new employees and agency workers		Service Manager for Assurance	**Reasonable**	Self Assessment			
10) Governance, risk and control arrangements across companies, partnerships, collaborations and arm's length bodies.	a	Shareholder Committees for i) Care Dorset Holdings; ii) Dorset Innovation Park; and iii) Dorset Centre of Excellence		?	**Reasonable**	Self Assessment	Extend fraud action plan to embrace arms length companies, in compliance with Economic Crime and Corporate Transparancy Act Review arrangements for multiple or single shareholder committee.	Sep-26	Service Manager for Assurance Head of Legal Services
	b	Councillor representation on outside bodies	Link	Service Manager for Democratic and Electoral Services	**Reasonable**	Self Assessment			

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability Lead(s): Liz Crocker, Head of Strategy; Marc Eyre, Service Manager for Assurance									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
1) Arrangements for the timely response and support to the work of external audit, internal audit and other inspection or regulatory action.	a	Quarterly SWAP internal audit reports to SLT and Audit and Governance Committee		Chief Executive	**Reasonable**	Self Assessment			
	b	Annual Internal Audit Opinion report		Service Manager for Assurance	**Reasonable**	SWAP opinion			
	c	Audit and Governance Committee call-in where audit actions not progressed		Director - Assurance & Governance	**Reasonable**	Self Assessment			
	d	Internal audit on brokerage service		Head of Good Care Provision	**Reasonable**	Internal Audit			
	e	Internal audit on payroll key controls (continuous)		HR Manager	**Reasonable**	Internal Audit	Respond to outstanding action	Aug-26	HR Manager
	f	Internal audit on High Needs Block - Transaction and Case Review		Corporate Director - Education & Learning	**Reasonable**	Internal Audit			
	g	Internal audit on school attainment and improvement		Corporate Director - Education & Learning	**Substantial**	Internal Audit			
	h	Internal audit on Childrens Services Direct Payments		Head of B2SA	**Reasonable**	Internal Audit	Respond to outstanding actions	tbc	Head of B2SA
	i	Internal audit on Safer Recruitment and Keeping Children Safe in Education		HR Manager	**Reasonable**	Internal Audit	Respond to outstanding actions	tbc	HR Manager
	j	Internal audit on Voluntary Redundancy (VR)		Head of People & Workforce	**Substantial**	Internal Audit	Respond to outstanding action	tbc	Head of People & Workforce
	k	Main Accounting Continuous Audit		Director for Resources	**Substantial**	Internal Audit			
	l	Internal audit on temporary accommodation		Corporate Director for Housing	**Limited**	Internal Audit	Respond to outstanding actions	tbc	Corporate Director for Housing
	m	Internal audit onQuality Assurance Process for Care Providers		Quality & Contracts Monitoring Manager	**Reasonable**	Internal Audit	Respond to outstanding actions	tbc	Quality & Contracts Monitoring Manager

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability Lead(s): Liz Crocker, Head of Strategy; Marc Eyre, Service Manager for Assurance									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
	n	Internal audit on application of fixed notice penalties		Head of Children Thriving in Education	**Reasonable**	Internal Audit	Respond to outstanding actions	tbc	Head of Children Thriving in Education
	o	Internal audit on family hubs		Head of Locality & Strategy	**Reasonable**	Internal Audit - Provided a "Limited" assurance opinion, but actions have been completed			
	p	Internal audit on maintained schools financial management		Team Manager - Schools Finance & Support	**Reasonable**	Internal Audit			
	q	External Auditor report and action plan		Director - Resources	**Reasonable**	Self Assessment			
2) Approach to welcoming external challenge and implementing recommendations.	a	Peer Reviews and Inspections		Various	**Reasonable**	Self Assessment	Corporate Peer Challenge	Sep-26	Chief Executive
	b	Ofsted inspections and reports - Full ILACS inspection of service found us outstanding in March 2025. All children's homes currently rated good or outstanding		Executive Director for Childrens	**Substantial**	Ofsted	Deliver on most recent Ofsted inspection recommendations	Ongoing	Executive Director for Childrens
	c	CQC inspections and reports - rated "Good" June 26		Director for Adult Social Services	**Substantial**	Self Assessment	Deliver on most recent CQC inspection recommendations	Ongoing	Director for Adult Social Services
	d	Commissioning SWAP		Service Manager for Assurance	**Reasonable**	Self Assessment			

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability Lead(s): Liz Crocker, Head of Strategy; Marc Eyre, Service Manager for Assurance									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
	e	Organisational Learning Group		Executive Director - Housing, Communities & Prevention	**Reasonable**	Self Assessment	Develop further improvement actions on culture and behaviour, to be reported through Audit and Governance committee on a regular basis - ensuring join up with wider functions including internal comms, learning and development etc. Including measures for validating effectiveness	Mar-27	
3) How learning and improvement are actioned.	a	Organisational Learning Group		Executive Director - Housing, Communities & Prevention	**Reasonable**	Self Assessment	Develop further improvement actions on culture and behaviour, to be reported through Audit and Governance committee on a regular basis - ensuring join up with wider functions including internal comms, learning and development etc. Including measures for validating effectiveness	Mar-27	Executive Director - Housing, Communities & Prevention
	b	Internal Audit actions tracker		Head of Strategy	**Reasonable**	Self Assessment			
	c	Assurance Service Lessons Learnt processes (Emergency Planning debriefs; complaints and data breach lessons learnt mechanisms)		Service Manager for Assurance	**Reasonable**	Self Assessment			

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability Lead(s): Liz Crocker, Head of Strategy; Marc Eyre, Service Manager for Assurance									
Principles	**Ref**	**Evidenced By**	**Link**	**Owner**	**Level of Assurance**	**Method of Assurance**	**Further Improvement Actions Identified**	**By When**	**By Whom**
4) How transparency and accountability are maintained across collaborations and arm's length bodies, such as trading companies and joint ventures.	a	Shareholder Committees for i) Care Dorset Holdings; ii) Dorset Innovation Park; and iii) Dorset Centre of Excellence			**Reasonable**	Self Assessment			
	b	Freedom of Information and Disclosure log		Service Manager for Assurance	**Reasonable**	Self Assessment			
5) Accountability to the public and stakeholders is supported by clear assurance and ensures core areas are covered to enable better accountability in practice.	a	Annual Governance Statement		Service Manager for Assurance	**Reasonable**	Self Assessment			
	b	Independent remuneration panel		Service Manager for Democratic and Electoral Services	**Reasonable**	Self Assessment			
	c	Committee report clearance process		Service Manager for Democratic and Electoral Services	**Reasonable**	Self Assessment			
	d	Committee reports published and meetings open to the public, including streaming (unless exempt)		Service Manager for Democratic and Electoral Services	**Reasonable**	Self Assessment			
	e	Accountable officers for performance and risk matrices	Internal link	Head of Strategy	**Reasonable**	Self Assessment	Launch of performance indicator library with all accountable officers listed	Jul-26	Head of Strategy
	f	Corporate Plan Progress reporting - public performance dashboards, quarterly review via scrutiny committees and twice yearly progress reports to Cabinet	Link	Head of Strategy	**Reasonable**	Self Assessment	Publish end year progress report in July 2026 as part of the twice a year update to Cabinet on Council Plan delivery/ progress	Jul-26	Head of Strategy

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APPENDIX C: PENSION FUND ACCOUNTS 2025-26

2024/25 £'000	2024/25 £'000	FUND ACCOUNT	Note	2025/26 £'000	2025/26 £'000
		Dealings with members, employers and others directly involved in the Fund:			
	174,620	**Contributions**	*8*		**175,031**
138,248		Employer contributions		136,925	
36,372		Member contributions		38,106	
	22,951	**Transfers in from other pension funds**	*9*		**18,485**
	197,571	**Total additions from dealing with members etc.**			**193,516**
	(181,830)	**Benefits**	*10*		**(189,519)**
(147,340)		Pensions		(155,195)	
(31,218)		Commutation and lump sum retirement benefits		(29,550)	
(3,272)		Lump sum death benefits		(4,774)	
	(27,631)	**Payments to and on account of leavers**	*11*		**(19,313)**
(508)		Refunds of contributions		(620)	
(27,123)		Transfers to other pension funds		(18,693)	
	(11,890)	**Net additions/(withdrawals) from dealings with members and others**			**(15,316)**
	(22,204)	**Management expenses**	*12*		**(26,785)**
	(34,094)	**Net additions/(withdrawals) including Fund management expenses**			**(42,101)**
		Returns on investments:			
	21,937	**Investment Income**	*13*		**23,153**
	177,810	**Profit/(loss) on disposal of investments and changes in the value of investments**			**483,298**
	199,747	**Net return on investments**			**506,451**
	165,653	**Net increase/(decrease) in assets available for benefits during the year**			**464,350**
	3,919,664	**Opening net assets of the Fund**			**4,085,317**
	4,085,317	**Closing net assets of the Fund**			**4,549,667**

31 March 2025		NET ASSETS STATEMENT	Note	31 March 2026	
£'000	£'000			£'000	£'000
	750	**Long term investments**	*14*		**786**
750		Brunel Pension Partnership Ltd		786	
	4,003,758	**Investment assets**	*15*		**4,468,149**
60		Equities		125	
3,631,761		Pooled investment vehicles		4,077,540	
137,149		Private equity		153,095	
211,980		Property		215,065	
21,444		Cash & cash equivalents		21,766	
782		Derivative contracts	*17*	-	
582		Other investment assets		558	
	-	**Investment liabilities**			**(4,836)**
-		Derivative contracts	*17*	(4,836)	
-		Other investment liabilities		-	
	4,004,508	**Total net investments**			**4,464,099**
	89,004	**Current assets**			**92,959**
17,925		Contributions due from employers		13,014	
66,795		Cash & cash equivalents (not forming part of investment assets)		72,870	
4,284		Other current assets		7,075	
	(8,195)	**Current liabilities**			**(7,391)**
(470)		Unpaid benefits		(750)	
(7,725)		Other current liabilities		(6,641)	
	4,085,317	**Net assets available to fund benefits**			**4,549,667**

DISCLOSURE NOTES

NOTE 1. DESCRIPTION OF THE FUND

The Dorset County Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by Dorset Council ("the Council").

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the Council to provide pensions and other benefits for pensionable employees of the Council, other councils and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Pension Fund Committee, which is a committee of the Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

- **Scheduled bodies**, which are automatically entitled to be members of the Fund.
- **Admitted bodies**, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

31 March 2025		31 March 2026
346	**Total Employers**	**361**
	Employees	
6,523	Administering Authority	6,184
19,587	Other Scheduled Bodies	18,419
664	Admitted Bodies	545
26,774	**Total Employees**	**25,148**
	Pensioners	
10,199	Administering Authority	10,639
15,995	Other Scheduled Bodies	16,915
2,254	Admitted Bodies	2,355
28,448	**Total Pensioners**	**29,909**
	Deferred Pensioners	
9,070	Administering Authority	8,698
16,910	Other Scheduled Bodies	16,905
1,577	Admitted Bodies	1,496
27,557	**Total Deferred Pensioners**	**27,099**
82,779	**Total Members**	**82,156**

c) **Funding**
Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2026. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2025. Currently, employer contribution rates range from 10.0% to 29.0% of pensionable pay.

d) **Benefits**
Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits.

NOTE 2. BASIS OF PREPARATION

The statement of accounts summarise the Fund's transactions for the 2025/26 financial year and its financial position at 31 March 2026. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. There are no changes in accounting requirements for 2026/27 that are anticipated to have a material impact on the Fund's financial performance or financial position.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information by appending an actuarial report.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account:

Contribution income
Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.
- Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

Transfers to and from other schemes
Transfers in and out relate to members who have either joined or left the Fund:

- Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 9).

- Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment income

- Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Rental income is recognised on a straight-line basis over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.
- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the Fund on an accruals basis as follows:

Administrative expenses:

All staff costs relating to the pensions administration team are charged direct to the fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the Fund.

Oversight and Governance:

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund.

Investment management expenses:

Investment fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments. Fees charged by external investment managers and custodians are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. The costs of the time spent by officers on investment management activity are also included.

Net Assets Statement:

Financial assets
All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 18). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Freehold and leasehold properties
Properties are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards. See Note 18 for more details.

Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives
The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Cash and cash equivalents
Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, subject to minimal risk of changes in value and are close to maturity at the time of acquisition, generally within three months or less.

Loans and receivables
Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

Financial liabilities
A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an actuarial report appended to the accounts.

Additional voluntary contributions
The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 23.

Contingent assets and contingent liabilities
A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise in circumstances where it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (see Note 25).

NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Directly held property
The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

NOTE 5. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the financial statements and notes and by adjusting the opening balances for the current period for the cumulative effect.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the pension fund's financial position. Where a change is made, if the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component for the earliest prior period presented, along with other comparative amounts disclosed for each prior period presented, and restating them as if the new accounting policy had always been applied.

NOTE 6. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Private equity investments (Note 18)
Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Private equity investments are valued at £153m in the financial statements. Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts, by up to 15% i.e. an increase or decrease of £23m.

Freehold and leasehold property (Note 18)
Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.

Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 15% i.e. an increase or decrease of £32m on carrying values of £215m.

Level 2 and 3 investments (Note 18)
The Fund’s remaining level 2 and 3 investments (excluding private equity investments and freehold and leasehold property mentioned above) are valued at £3,745m and £354m respectively, £4,099m in total. Uncertainty will exist when investments are not valued using quoted prices in active markets, or by reference to markets which are not considered to be active and are valued based on alternative pricing sources supported by observable inputs. Level 3 investments will have significant unobservable inputs.

For every 1% increase in the value of level 2 and 3 investments, the value of the Fund will increase by £41m with a decrease having the opposite effect.

Actuarial present value of promised retirement benefits (Note 22)
The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £3,979m as at 31 March 2026.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on Fund assets. A firm of consulting actuaries, Barnett Waddingham LLP, is engaged to provide the Fund with expert advice about the assumptions to be applied.

If actual results differ from key assumptions (based on the most recent triennial funding valuation as at 31 March 2025):

- a 0.1% p.a. increase in the discount rate would reduce future pension liabilities by c. £170m
- a 0.5% p.a. increase in earnings inflation would increase future pension benefits by c. £120m
- a 10% reduction in mortality rate would increase future pension benefits by c. £190m

NOTE 7. EVENTS AFTER THE REPORTING DATE

There are events, both favourable and unfavourable, that can occur between the end of the reporting period and the date when the financial statements are authorised for issue. There are events that provide additional information about conditions that existed at the end of the reporting period (adjusting events), and events that occur after the reporting period (non-adjusting events).

Reforms to LGPS asset pooling arrangements in England and Wales (non-adjusting event)

Up to 31 March 2026 the Fund's assets, together with the assets of nine other LGPS pension funds, were managed by Brunel Pension Partnership Ltd ("Brunel"), an LGPS investment pooling company owned wholly in equal shares by the ten administering authorities. From 1 April 2026, in response to the government's 'fit for future' pensions reforms, the Fund's assets are managed by Local Pension Partnership Investments Ltd (LPPI). In preparation for this change in investment pooling arrangements, in March 2026 the Fund divested in full from Brunel's Emerging Markets Equity Fund and invested the proceeds in emerging markets equity funds managed by Ninety One and Robeco.

No other events after the reporting date have been identified.

NOTE 8. CONTRIBUTIONS RECEIVABLE

By category:

2024/25		2025/26
£'000	**Employer contributions**	£'000
108,094	Contributions re future service costs	112,591
18,676	Contributions re past service costs (deficit recovery)	20,042
-	Voluntary additional contributions	-
5,908	Augmentation cost of early retirements	4,181
5,570	Exit payments from employers	111
-	Exit credits to employers	-
138,248	**Total employer contributions**	**136,925**
36,372	**Member contributions**	**38,106**
174,620	**Total contributions receivable**	**175,031**

By type of employer:

2024/25		2025/26
£'000		£'000
51,567	Administering authority	54,451
113,540	Other scheduled bodies	116,853
9,513	Admitted bodies	3,727
174,620	**Total contributions receivable**	**175,031**

NOTE 9. TRANSFERS IN FROM OTHER PENSION FUNDS

2024/25		2025/26
£'000		£'000
22,896	Individual transfers from other pension funds	18,223
55	AVC to purchase scheme benefits	262
22,951		**18,485**

NOTE 10. BENEFITS PAYABLE

By category:

2024/25		2025/26
£'000		£'000
147,340	Pensions	155,195
31,218	Commutation and lump sum retirement benefits	29,550
3,272	Lump sum death benefits	4,774
181,830	**Total benefits payable**	**189,519**

By type of employer:

2024/25		2025/26
£'000		£'000
59,473	Administering authority	63,900
108,371	Other scheduled bodies	112,875
13,986	Admitted bodies	12,744
181,830	**Total benefits payable**	**189,519**

NOTE 11. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2024/25		2025/26
£'000		£'000
508	Refunds to members leaving service	620
8,431	Group transfers to other pension funds	-
18,692	Individual transfers to other pension funds	18,693
27,631		**19,313**

NOTE 12. MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

2024/25		2025/26
£'000		£'000
2,726	Administrative expenses	2,798
610	Oversight and governance costs	791
18,868	Investment management expenses	23,196
22,204	**Total management expenses**	**26,785**

The scale fee for the 2025/26 external audit is £100,886 and is included in oversight and governance costs above. Additional fees for the audit relating to 2025/26 are estimated to be £15,000. This includes £5,000 for 2025 triennial valuation data testing and £10,000 for direct properties valuation work. The total fee for the 2025/26 external audit is estimated to be £115,886.

There is a non-audit service fee of £1,100 for 2025/26 in relation to the provision of an IAS19 assurance letter to United Learning Trust, a scheduled body of the pension fund.

Investment management expenses consisted of:

2024/25 £'000		2025/26 £'000
15,699	Investment management fees	18,457
32	Performance related fees	759
21	Custody fees	24
1,758	Transaction costs	1,994
1,358	Other fees and costs	1,962
18,868	**Total investment management expenses**	**23,196**

Transaction costs associated with pooled investment vehicles are taken into account in calculating the bid/offer spread of these investments and are therefore embedded within the purchase and sales costs and not separately identifiable. All other transaction costs have been charged to the fund account.

The following table summarises investment management expenses by asset class:

2024/25 £'000		2025/26 £'000
15,294	Pooled investments	18,816
2,873	Private Equity	3,589
516	Property	626
164	Derivatives (FX contracts)	141
21	Custody Costs	24
18,868	**Total investment management expenses**	**23,196**

NOTE 13. INVESTMENT INCOME

2024/25 £'000		2025/26 £'000
6	Equities	256
3,433	Pooled Investments	3,198
2,427	Pooled Property Investments	3,225
11,824	Rents from property	11,965
214	Private Equity	202
3,413	Interest from Cash and Short Term Deposits	3,986
620	Fee Rebate Income	321
21,937	**Total Investment Income**	**23,153**

NOTE 14. LONG TERM INVESTMENTS

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel) was formed to oversee the investment assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds.

Each of the ten funds owned an equal share of Brunel, with share capital invested by each fund at a cost of £840k. The value of each fund's shareholding based on Brunel's most recently audited accounts was £786k (£750k at 31 March 2025).

NOTE 15. INVESTMENT ASSETS

31 March 2025			31 March 2026	
Market Value		Description / Investment Manager	Market Value	
%	£'000		£'000	%
0.0%	**60**	**Equities**	**125**	**0.0%**
0.0%	60	Investec	125	0.0%
3.4%	**137,149**	**Private Equity**	**153,095**	**3.4%**
1.4%	56,205	HarbourVest	52,837	1.2%
0.2%	8,029	Patria	2,793	0.1%
0.3%	11,365	Capital Dynamics Global Secondary Fund V	10,475	0.2%
0.4%	14,002	Neuberger Berman Private Equity Impact Fund	13,160	0.3%
0.4%	16,603	Neuberger Berman SCIOP IV	16,897	0.4%
0.3%	11,039	Neuberger Berman Clifton Fund III	25,516	0.5%
0.1%	5,394	Ardian LBO Fund	6,545	0.1%
0.1%	5,519	Vespa Capital III	8,950	0.2%
0.1%	2,760	Summit Eur Growth EQ III SCSP LP	3,378	0.1%
0.1%	4,886	Alpinvest Secondaries Fund VII Limited Partnership	4,786	0.1%
0.0%	1,345	Neuberger Berman Clifton Private Equity IV	7,758	0.2%
5.3%	**211,980**	**Property (directly owned)**	**215,065**	**4.8%**
5.3%	211,980	CBRE Global Investors	215,065	4.8%
		Pooled Investment Vehicles:		
6.7%	**267,053**	**Bonds**	**282,327**	**6.3%**
6.7%	267,053	Royal London Mutual Insurance Mutual Fund	282,327	6.3%
10.9%	**436,080**	**UK Equities - Quoted**	**532,564**	**11.9%**
5.3%	212,237	LGIM UK Equity Index (passive)	532,564	11.9%
5.6%	223,843	Brunel UK Equities	-	0.0%
49.4%	**1,979,734**	**Global Equities - Quoted**	**2,244,701**	**50.2%**
9.3%	373,355	LGIM Smart Beta Fund	424,865	9.5%
5.7%	229,038	LGIM World Developed Equities Index Fund	272,269	6.1%
6.8%	270,952	Brunel Global High Alpha Equities	290,598	6.5%
3.9%	157,228	Brunel Emerging Markets Equities	-	0.0%
9.6%	383,022	Brunel Global Sustainable Equities	412,307	9.2%
6.5%	262,841	Brunel Smaller Companies Equities	294,100	6.6%
7.6%	303,298	Brunel Low Volatility	349,861	7.8%
0.0%	-	Ninety One Funds Series IV E (Emerging Markets)	132,641	3.0%
0.0%	-	Robeco Capital Growth Funds RO (Emerging Markets)	68,060	1.5%
7.3%	**292,439**	**Multi Asset Credit (MAC)**	**309,397**	**6.9%**
1.5%	61,883	CQS Global Funds Mutual Fund	65,686	1.5%
1.5%	60,013	Oaktree (LUX) III SA SICAV Mutual Fund	63,308	1.4%
4.3%	170,543	Neuberger Berman Investment Mutual Fund	180,403	4.0%
1.8%	**73,026**	**Property Funds**	**74,229**	**1.7%**
0.1%	2,290	Standard Life UK Shopping Centre Trust	-	0.0%
0.3%	13,912	CBRE UK Long Income Property Fund	13,255	0.3%
0.7%	28,030	Aberdeen Standard Long Lease Property Fund	29,892	0.7%
0.7%	28,794	M&G Secured Income Property Fund	31,082	0.7%
6.8%	**270,705**	**Diversified Returns Funds**	**293,766**	**6.6%**
6.8%	270,705	Brunel Diversifying Returns Fund	293,766	6.6%
7.8%	**312,725**	**Infrastructure**	**340,555**	**7.6%**
1.9%	77,642	Hermes GPE Infrastructure Funds	77,432	1.7%
4.3%	171,151	IFM Global Infrastructure Fund	191,032	4.2%
0.7%	27,435	Greencoats Renewable Income Infrastructure Fund	24,906	0.6%
0.9%	36,497	STEPSTONE B III	47,186	1.1%
90.7%	**3,631,761**	**Total - Pooled Investments**	**4,077,540**	**91.2%**

31 March 2025			31 March 2026	
Market Value		Description / Investment Manager	Market Value	
0.5%	21,444	Cash & Cash Equivalents	21,766	0.5%
0.0%	782	Derivatives	-	0.0%
0.0%	582	Investment Receivables	558	0.0%
100.0%	4,003,758	Total Investment Assets	4,468,149	100.0%

Single investments exceeding 5% of total value of the net assets are shown in the table above.

Investments analysed by fund manager:

31 March 2025			31 March 2026	
Market Value		Description / Investment Manager	Market Value	
%	£'000		£'000	%
85.9%	3,439,680	Investments managed by the Brunel Pension Partnersh	3,692,586	82.6%
0.7%	28,030	Aberdeen Standard Investments	29,892	0.7%
0.1%	4,886	Alpinvest Partners	4,786	0.1%
0.1%	5,394	Ardian	6,545	0.1%
46.8%	1,871,889	Brunel Pension Partnership Ltd	1,640,633	36.7%
0.3%	11,365	Capital Dynamics	10,475	0.2%
1.5%	61,883	CQS	65,686	1.5%
0.7%	27,435	Greencoat Capital	24,906	0.6%
20.3%	814,629	LGIM	1,229,698	27.5%
0.7%	28,794	M&G Investments	31,082	0.7%
5.3%	213,533	Neuberger Berman	243,734	5.5%
1.5%	60,013	Oaktree	63,308	1.4%
6.7%	267,053	Royal London	282,327	6.3%
0.9%	36,497	StepStone Infrastructure and Real Assets	47,186	1.1%
0.1%	2,760	Summit Partners	3,378	0.1%
0.1%	5,519	Vespa Capital	8,950	0.2%
13.5%	541,269	Investments managed outside the Brunel Pension Partı	753,239	16.9%
5.7%	228,182	CBRE Investment Management	228,320	5.1%
1.9%	77,642	Federated Hermes	77,432	1.7%
1.4%	56,205	HarbourVest	52,837	1.2%
4.3%	171,151	IFM Investors	191,032	4.3%
0.0%	60	Investec	125	0.0%
0.2%	8,029	Patria	2,793	0.1%
0.0%	-	Ninety One	132,641	3.0%
0.0%	-	Robeco	68,060	1.5%
0.5%	22,808	Cash, derivatives and investment receivables:	22,324	0.5%
0.5%	21,444	Cash	21,766	0.5%
0.0%	782	Derivatives	-	0.0%
0.0%	582	Investment Receivables	558	0.0%
100.0%	4,003,758	Total Investment Assets	4,468,149	100.0%

NOTE 15B. PROPERTY HOLDINGS

The pension fund's investment portfolio includes a number of directly owned properties that are leased commercially to various tenants. Details of these properties are as follows:

31 March 2025		31 March 2026
£'000		£'000
235,645	Opening balance	211,980
716	Purchases	55
(23,966)	Disposals	-
(415)	Change in market value	3,030
211,980	Closing balance	215,065

The future minimum lease payments receivable are as follows:

31 March 2025 £'000		31 March 2026 £'000
9,498	Within one year	10,437
20,667	Between one and five years	28,386
37,360	Later than five years	23,287
67,524	**Total future lease payments due under existing contracts**	**62,110**

NOTE 16. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

The following tables summarise details of purchases, sales and changes in the market valuation of investments in the fund during the financial year and prior year.

2025-26	Value 1 April 2025 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2026 £'000
Long Term Investments	750	-	-	36	786
Equities	60	315,052	(317,616)	2,629	125
Pooled Investment Vehicles	3,631,761	508,701	(516,360)	453,438	4,077,540
Private Equity	137,149	20,577	(19,087)	14,456	153,095
Property	211,980	55	0	3,030	215,065
Total Securities	**3,981,700**	**844,385**	**(853,063)**	**473,589**	**4,446,611**
Forward Foreign Exchange	782	-	-	(5,618)	**(4,836)**
Total Securities and Derivatives	**3,982,482**	**844,385**	**(853,063)**	**467,971**	**4,441,775**
Other Investment Balances:					
Cash & cash equivalents*	21,444			15,304	**21,766**
Other investment assets	582			23	**558**
Other investment liabilities	-			-	-
Total Net Investments	**4,004,508**			**483,298**	**4,464,099**

2024-25	Value 1 April 2024 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2025 £'000
Long Term Investments	722	-	-	28	750
Equities	77	-	0	(17)	60
Pooled Investment Vehicles	3,464,168	420,731	(417,196)	164,058	3,631,761
Private Equity	138,390	14,478	(20,827)	5,108	137,149
Property	235,645	716	(23,966)	(415)	211,980
Total Securities	**3,839,002**	**435,925**	**(461,989)**	**168,762**	**3,981,700**
Forward Foreign Exchange	(2,824)	-	-	3,606	782
Total Securities and Derivatives	**3,836,178**	**435,925**	**(461,989)**	**172,368**	**3,982,482**
Other Investment Balances:					
Cash & cash equivalents*	27,895			5,448	**21,444**
Other investment assets	729			(6)	**582**
Other investment liabilities	-			-	-
Total Net Investments	**3,864,802**			**177,810**	**4,004,508**

The closing value of securities and derivatives equals the opening value plus purchases and derivative payments, less sales and derivative receipts, plus increases (or less decreases) in market value over the period. The value of other investment balances will change with cashflows over the year and therefore closing values do not 'cast' from opening values in the same way as for securities and derivatives.

Equity purchases and sales were unusually high during the year due to a restructuring of the Fund's UK equity investments. A redemption from the Brunel UK Equities fund was received 'in-specie' as a basket of underlying securities rather than as cash. Market trading then took place on those securities to meet a target asset list for the LGIM UK Equities Index fund, and those assets were then exchanged for units in the LGIM fund. This approach reduced transaction costs and the risk of being out of the market while the transition took place.

*The change in market value shown for cash and cash equivalents is the net increase/(decrease) in cash balances resulting from the realised profits or losses on forward foreign currency contracts during the period.

NOTE 17. ANALYSIS OF DERIVATIVES

The Fund's holdings in derivatives are to hedge liabilities or hedge exposures to reduce risk. To maintain appropriate diversification a significant proportion of the Fund's equity portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the Fund hedges 50% of the US Dollar, Euro and Japanese Yen exposure within its global equities investments. As at 31 March, the Fund held the following open forward currency contracts.

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
2-6 months	GBP	41,654	EUR	47,835	0	(298)
2-6 months	GBP	42,500	JPY	8,897,939	0	(198)
2-6 months	GBP	340,199	USD	454,229	0	(4,340)
Open Forward Currency Contracts at 31 March 2026					**-**	**(4,836)**
Net Forward Currency Contracts at 31 March 2026						**(4,836)**

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
2-6 months	GBP	36,936	EUR	43,722	185	(0.3)
2-6 months	GBP	34,747	JPY	6,557,632	478	(0)
2-6 months	GBP	329,365	USD	424,943	119	0
2-6 months	USD	11,230	GBP	8,701	0	0
Open Forward Currency Contracts at 31 March 2025					**782.1**	**(0.3)**
Net Forward Currency Contracts at 31 March 2025						**781.8**

NOTE 18. FAIR VALUE OF INVESTMENT ASSETS

All investment assets have been valued using fair value techniques based on the characteristics of each asset class. Asset valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values, as follows:

- **Level 1**: where fair values are derived from unadjusted quoted prices in active markets for identical assets;
- **Level 2**: where quoted market prices are not available, for example, where an asset is traded in a market that is not considered to be active, but where valuation techniques are based significantly on observable market data;
- **Level 3**: where at least one input that could have a significant effect on the asset's valuation is not based on observable market data.

During the year ended 31 March 2026 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

The basis of the valuation of each class of investment asset is summarised below.

Description of Asset		Basis of Valuation	Key Inputs	Key Sensitivities
Level 1:				
	Market quoted investments	Published bid market price ruling on the final day of the accounting period.	Not required.	Not required.
	Exchange traded pooled investments	Published exchange prices at the reporting date.	Not required.	Not required.
	Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Level 2:				
	Pooled investments - unit trusts etc.	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Not required.
	Cash and cash equivalents	Where held in vehicles priced once a month.	Not required.	Not required.
Level 3:				
	Freehold and leasehold properties	Valued at fair value at the reporting date by Savills, acting as independent valuers and in accordance with current RICS Valuation Standards.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
	Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and the IPEV Board's Special Valuation Guidance (March 2020).	Earnings (EBITDA) and revenue multiples, discount for lack of marketability, control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Level 3:				
	Property funds (where regular trading does not take place)	Underlying assets valued at fair value at the reporting date by each fund's valuers in accordance with current RICS Valuation Standards, taking account of other financial assets and liabilities within the fund structure.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing values of investments held at 31 March 2026.

	Valuation range % (+/-)	Value at 31 March 2026 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Investment Vehicles	15.00%	353,810	406,882	300,739
Private Equity	15.00%	153,095	176,059	130,131
Property	15.00%	215,065	247,325	182,805
Total		**721,970**	**830,266**	**613,675**

	Valuation range % (+/-)	Value at 31 March 2025 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Investment Vehicles	15.00%	327,581	376,718	278,444
Private Equity	15.00%	137,149	157,721	116,577
Property	15.00%	211,980	243,777	180,183
Total		**676,710**	**778,216**	**575,204**

The following tables provide analysis of the Fund's investment assets and liabilities by fair value hierarchy.

31 March 2026	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss				
Equities	125	-	-	125
Pooled investments	-	3,662,756	340,555	4,003,311
Pooled property investments	-	60,974	13,255	74,229
Private equity	-	-	153,095	153,095
Derivative contracts	-	-	-	-
Cash and cash equivalents	586	21,180	-	21,766
Sub-total	**711**	**3,744,909**	**506,905**	**4,252,526**
Non financial assets at fair value through profit and loss				
Property	-	-	215,065	215,065
Financial liabilities at fair value through profit and loss				
Derivative contracts	-	(4,836)	-	(4,836)
Total	**711**	**3,740,073**	**721,970**	**4,462,755**

31 March 2025	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss				
Equities	60	-	-	60
Pooled investments	-	3,247,356	311,379	3,558,735
Pooled property investments	-	56,824	16,202	73,026
Private equity	-	-	137,149	137,149
Derivative contracts	-	782	-	782
Cash and cash equivalents	264	21,180	-	21,444
Sub-total	**324**	**3,326,142**	**464,730**	**3,791,196**
Non financial assets at fair value through profit and loss				
Property	-	-	211,980	211,980
Financial liabilities at fair value through profit and loss				
Derivative contracts	-	-	-	-
Total	**324**	**3,326,142**	**676,710**	**4,003,176**

The following table provides a reconciliation of fair value measurements within Level 3.

	Pooled Investmen £'000	Private Equity £'000	Property £'000	Total £'000
Opening value at 1 April 2025	**327,581**	**137,149**	**211,980**	**676,710**
Purchases and derivative payments	47,754	20,577	55	68,386
Sales and derivative receipts	(43,747)	(19,087)	-	(62,834)
Unrealised gains and losses	28,157	4,393	3,030	35,580
Realised gains and losses	(5,935)	10,063	-	4,128
Closing value at 31 March 2026	**353,810**	**153,095**	**215,065**	**721,970**

	Pooled Investmen £'000	Private Equity £'000	Property £'000	Total £'000
Opening value at 1 April 2024	**305,226**	**138,390**	**235,645**	**679,261**
Purchases and derivative payments	21,731	14,478	716	36,925
Sales and derivative receipts	(5,347)	(20,827)	(23,966)	(50,140)
Unrealised gains and losses	11,350	(8,289)	(415)	2,646
Realised gains and losses	(5,379)	13,397	-	8,018
Closing value at 31 March 2025	**327,581**	**137,149**	**211,980**	**676,710**

NOTE 19. CLASSIFICATION OF FINANCIAL INSTRUMENTS

As at 31 March 2026	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at fair value through profit & loss £'000	Liabilities at amortised cost £'000
Financial assets				
Long term investments	786			
Equities	125	-		
Pooled investments	4,003,311	-		
Pooled property investments	74,229	-		
Private equity	153,095	-		
Derivative contracts	-	-		
Cash and cash equivalents	49,073	45,563		
Other investment balances	-	558		
Debtors	-	7,075		
Total	**4,280,619**	**53,196**		
Financial liabilities				
Derivative contracts			4,836	
Other investment balances				-
Sundry creditors				7,391
Total			**4,836**	**7,391**

As at 31 March 2025	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at fair value through profit & loss £'000	Liabilities at amortised cost £'000
Financial assets				
Long term investments	750			
Equities	60	-		
Pooled investments	3,558,735	-		
Pooled property investments	73,026	-		
Private equity	137,149	-		
Derivative contracts	782	-		
Cash and cash equivalents	83,044	5,195		
Other investment balances	-	582		
Debtors	-	4,284		
Total	**3,853,546**	**10,061**		
Financial liabilities				
Derivative contracts			-	
Other investment balances				-
Sundry creditors				8,195
Total			**-**	**8,195**

NOTE 19A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

All realised gains and losses arise from the sale or disposal of financial assets that have been derecognised in the financial statements. The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

2024/25 £'000		2025/26 £'000
	Financial assets	
172,783	Fair value through profit and loss	464,769
	Financial liabilities	
	Fair value through profit and loss	
172,783	**Total**	**464,769**

NOTE 20. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunities for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, interest rate risk and currency risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Pension Fund Committee receives regular reports from all investment managers and from its Independent Investment Adviser on the nature of the investments made and their associated risks.

(a) Market Risk
Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset classes, geographical and industry sectors, and individual securities. Exposure to

specific markets and asset classes is limited by applying strategic targets to asset allocation, which are agreed and monitored by the Pension Fund Committee.

(a) (i) Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all such instruments in the market. The Fund's investment managers mitigate this risk through diversification in line with their own investment strategies.

The following table demonstrates the change in the net assets available to pay benefits if the market price for each class of investment had increased or decreased by 15%, excluding cash and other investment assets.

As at 31 March 2026	Value £'000	Change %	Increase £'000	Decrease £'000
Equities	125	15.00%	19	(19)
Pooled Investment Vehicles	4,077,540	15.00%	611,631	(611,631)
Private Equity	153,095	15.00%	22,964	(22,964)
Derivatives	-	15.00%	-	-
Total	**4,230,760**		**634,614**	**(634,614)**

As at 31 March 2025	Value £'000	Change %	Increase £'000	Decrease £'000
Equities	60	15.00%	9	(9)
Pooled Investment Vehicles	3,631,761	15.00%	544,764	(544,764)
Private Equity	137,149	15.00%	20,572	(20,572)
Derivatives	782	15.00%	117	(117)
Total	**3,769,752**		**565,462**	**(565,462)**

(a) (ii) Interest Rate Risk

Interest rates can vary and can affect both income the Fund and the value of Fund assets, both of which affect the value of net assets available to pay benefits. The Fund's exposure to interest rate movements on those investments at 31 March 2026 and 2025 are provided below, based on underlying financial assets at fair value.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of an increase or decrease of 1% (100 basis points) in interest rates.

The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalents but they will affect the interest received on those balances.

As at 31 March 2026	Market Value £'000	Impact of 1% Rate Decrease £'000	Increase £'000
Cash & cash equivalents	94,636	-	-
Assets held in pooled investment vehicles:			
Bonds	282,327	16,108	(16,108)
Multi Asset Credit (MAC)	309,397	7,410	(7,410)
Total	**686,360**	**23,518**	**(23,518)**

As at 31 March 2025	Market Value £'000	Impact of 1% Rate Decrease £'000	Increase £'000
Cash & cash equivalents	88,239	-	-
Assets held in pooled investment vehicles:			
Bonds	267,053	15,342	(15,342)
Multi Asset Credit (MAC)	292,439	7,086	(7,086)
Total	**647,731**	**22,428**	**(22,428)**

(a) (iii) Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling (GBP).

To mitigate the effect of movements in foreign exchange rates against its overseas equities investments, the Fund has in place a 50% passive currency hedge against the three major currencies, the US Dollar, the Euro and the Japanese Yen, and 50% of its holdings in the LGIM Passive Developed Equities and Smart Beta funds are in hedged units.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than +/- 15% in total. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of these hedges.

As at 31 March 2026	Total Exposure £'000	Unhedged Exposure £'000	Potential Movement £'000
Equities	125	63	9
Pooled Investment Vehicles	3,038,896	2,016,896	302,534
Private Equity	153,095	153,095	22,964
Total	**3,192,116**	**2,170,054**	**325,508**

As at 31 March 2025	Total Exposure £'000	Unhedged Exposure £'000	Potential Movement £'000
Equities	60	30	4
Pooled Investment Vehicles	2,714,029	1,802,776	270,416
Private Equity	137,149	137,149	20,572
Total	**2,851,237**	**1,939,954**	**290,993**

(b) Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund’s credit criteria. The Fund also sets limits as to the maximum percentage of deposits placed with any one individual institution. In addition, the Fund invests in low volatility money market funds, all of which have a AAA rating from the leading credit rating agencies.

The table below summarises the Fund's exposure to credit risk at 31 March 2026 and 31 March 2025.

Investment	31 March 2026 £'000	31 March 2025 £'000
Cash and Cash Equivalents	94,636	88,239
Assets held in pooled investment vehicles:		
Bonds	282,327	267,053
Multi Asset Credit (MAC)	309,397	292,439
Total	**686,360**	**647,731**

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Such risks are mitigated by maintaining a detailed cashflow model and taking appropriate steps to ensure that there is adequate cash available to meet liabilities as they fall due.

The Fund has immediate access to its cash holdings and defines liquid assets as assets that can be converted to cash within three months' notice, subject to normal market conditions. As at 31 March 2026, liquid assets were £3,741m representing 82% of total net assets (£3,326m at 31 March 2025 representing 81% of total net assets at that date).

NOTE 21. FUNDING ARRANGEMENTS

In accordance with the LGPS Regulations, the Fund's actuary, Barnett Waddingham LLP, undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The most recent such valuation took place as at 31 March 2025, setting employer contribution rates for the period 1 April 2026 to 31 March 2029.

The next valuation is taking place as at 31 March 2028 and will set employer contribution rates for the period 1 April 2029 to 31 March 2032.

The key elements of the funding policy are:

- to ensure that the long-term solvency of the Fund i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

Contribution rates for the year ending 31 March 2026 were set at the valuation calculated as at 31 March 2022. The common contribution rates set at the 2025 valuation for the three-year period ending 31 March 2029 are as follows.

	2026/27	2027/28	2028/29
Primary rate (future service contributions)	16.30%	16.30%	16.30%
Secondary rate (deficit recovery contributions)	4.50%	3.90%	3.60%
Total employer contributions	**20.80%**	**20.20%**	**19.90%**

The contribution rates paid by each employer, in addition to those paid by members of the scheme, are set to be sufficient to meet the liabilities that build up each year within the Fund in respect of the benefits earned by each employer's active members of the Fund during the year plus an amount to reflect each participating employer's share of the value of the Fund's assets compared with the liabilities that have already accrued at the valuation date. Each employer pays an individual rate of contributions to reflect its own circumstances and funding position within the Fund. The contribution rates were calculated using the projected unit method taking account of market conditions at the valuation date.

At the 2025 actuarial valuation, the Fund was assessed as 98% funded (96% at the 2022 valuation) with a deficit recovery period of no more than 13 years (16 years at the 2022 valuation). The key assumptions applied by the actuary for the 2025 and 2022 valuations are summarised below. To be consistent with the market value of assets, the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date.

	Valuation 2022	Valuation 2025
Annual rate of return on investments (discount rate)	4.90%	5.10%
Annual rate of increases in pay (long term)	4.00%	3.70%
Annual rate of inflation (CPI)	3.00%	2.70%

NOTE 22. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham LLP, also undertakes a valuation of the Fund's liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year but taking account of changes in membership numbers and updating assumptions to the current year. This annual valuation is not carried out on the same basis as that used for setting employer contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

This valuation as at 31 March 2026 is set out in Appendix D to these financial statements. The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £3,979m as at 31 March 2026 (£3,724m as at 31 March 2025).

NOTE 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

The Council administers an in-house AVC Scheme with two designated providers, Prudential Plc and Utmost Life and Pensions Limited (formerly Equitable Life). The amounts contributed to AVC plans by employees who are members of the pension scheme do not form any part of, and are not included in, the Fund accounts.

Each employer in the Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset Council, in its capacity as a scheme employer, deducted and paid to the AVC providers a total of £2,084k in 2025/26 (£1,714k in 2024/25).

The market value of the separately invested additional voluntary contributions as at 31 March 2026 was £11,217k (£9,551k as at 1 April 2025).

NOTE 24. RELATED PARTY TRANSACTIONS

Related party issues arise primarily from the fact that the Council is the administering authority for the Fund. The Council also has various operational, contractual and financial dealings with a number of scheduled and admitted bodies of the Fund, however, these activities do not relate to the Council's role as administering authority for the Fund.

The Pension Fund has transactions with Brunel Pension Partnership Ltd (“Brunel”), company number 10429110. Brunel was formed on 14 October 2016 and oversees the investment of pension fund assets for Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire funds. Each of the ten administering authorities, including Dorset Council, own 10% of Brunel. Transactions with Brunel were £2.9m for 2025/26 and £1.5m for 2024/25. The 2025/26 amount includes a payment of £1.3m towards the expected costs of winding up the company.

The Council remits monthly contributions to the Fund in arrears, and total contributions for the year were £54.5m. £3.7m of this related to March 2026 contributions and was accrued as at 31 March 2026. Management and administration costs of £3.0m were incurred by the Council and recharged to the Fund in 2025/26. In addition, at any given time there may be amounts which have been paid or received by both the Council or the Fund where indebtedness arises between the two. These can

arise due to operational necessity or where single transactions have elements relating to both the Council and the Fund and are settled on a regular basis.

NOTE 24A. KEY MANAGEMENT PERSONNEL

Senior officers of the Council are members of the Fund as employee contributors. As at 31 March 2026, no members of the Pension Fund Committee were contributing members of the Fund. The key management personnel of the Fund are the members of the Pension Fund Committee and the Council's Chief Financial Officer (who is the Fund Administrator). The £3.0m recharge from the Council includes a charge of £24k for the Chief Financial Officer's time spent working for the Fund. The £24k charge is categorised as a short-term employee benefit.

NOTE 25. CONTINGENT ASSETS, LIABILITIES AND CONTRACTUAL COMMITMENTS

Recovery of withholding tax
The Fund is continuing the process required to recover withholding tax from various EU investments following rulings requiring equal treatment for all EU investors. These claims will be retrospective and will cover a varying number of years depending on the domicile. Neither the amount nor the expected time of settlement are known so consequently the financial statements as at 31 March 2026 do not reflect any potential recovery of tax.

Commitments to private markets' portfolios
Outstanding capital commitments (investments) at 31 March 2026 were approximately £110m (£135m at 31 March 2025). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the pension fund. The amounts ‘called’ by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

Virgin Media case
In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Ltd) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

In September 2025, the government published proposed amendments to the Pension Schemes Bill that would allow retrospective actuarial validation to confirm whether historic changes to contracted-out benefits complied with statutory requirements. The legislation set out that for the LGPS (England and Wales), the scheme manager role was to be carried out by the Ministry of Housing, Communities and Local Government (MHCLG) as the responsible authority for the scheme.

In January 2026, The Pensions Regulator and the Financial Reporting Council issued guidance for scheme managers and scheme actuaries responsible for giving retrospective confirmation. The Government Actuary’s Department have been working with MHCLG to consider whether any action was required in respect of the LGPS (England and Wales). The Government was confident that public sector pension schemes, including the LGPS, would not have failed the Reference Scheme Test at all relevant times during the period in question. No changes to the scheme were therefore expected to arise as a result of this legal case.

BARNETT WADDINGHAM

Part of HOWDEN

Dorset County Pension Fund

Dorset County Pension Fund

IAS26 as at 31 March 2026

v1

11 June 2026



Introduction

We have been instructed by Dorset Council, the administering authority to the Dorset County Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2026. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations and summarised on the LGPS website.

This report is prepared in accordance with our understanding of IAS26. This advice complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2026.

In this report, we have allowed for the results of the 2025 actuarial valuation of the Dorset County Pension Fund. Where assumptions have differed from actual experience, this will lead to changes to the balance sheet position. There is a positive experience item in the reconciliation of the liabilities, which means that experience has been worse than assumed.

Experience has been observed due to changes in the underlying member data and because observed CPI inflation over the accounting period has differed from the assumption made. Experience has also been observed in relation to the impact of changing the financial assumptions - there was a very significant change to discount rates following the UK mini budget event in September 2022 which led to significant changes to the balance sheet position, and the estimated impact of the change in assumptions was larger than implied when re-callibrating at the full actuarial valuation as at 31 March 2025.

We would be pleased to answer any questions arising from this report.



Roisin McGuire FFA
Principal

Data used

We have used the following items of data which we received from the administering authority:

Results of the latest funding valuation as at	31 March 2025
Results of the previous IAS26 report as at	31 March 2025
Fund asset statement as at	31 March 2026
Fund income and expenditure items to	31 March 2026
Details of any new unreduced early retirement payments out to	31 March 2026

The data has been checked for reasonableness, including consistency with previous valuation data where relevant, and we are happy that the data is sufficient for the purposes of this advice.
Although some estimation of the data to the accounting date may be required, we do not believe it is likely to be material to the results in this report.
We are not aware of any material changes or events since we received the data.

Fund membership statistics

The table below summarises the membership data at 31 March 2025.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	23,562	558,146	47
Deferred pensioners	37,198	65,649	51
Pensioners	28,472	154,769	73

Payroll

The total pensionable payroll for the employers in the Fund is set out below and is based on information provided to us by the administering authority.

Estimated payroll for the year to 31 March 2026	£596,369,000

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2026.
We have been notified of 88 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £869,300.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2026 is calculated to be 11.82% based on the Fund asset statements and Fund cashflows as set out in the Data section preceding this section.

The estimated asset allocation for the Fund is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2026		31 Mar 2025	
	£000s	%	£000s	%
Equities	2,931,272	64%	2,553,773	63%
Cash	107,720	2%	102,835	3%
Other Bonds	282,327	6%	267,053	7%
Diversified Growth Fund	288,930	6%	271,487	7%
Property	289,294	6%	285,006	7%
Infrastructure	340,555	7%	312,725	8%
Multi Asset Credit	309,397	7%	292,438	7%
Total	**4,549,495**	**100%**	**4,085,317**	**100%**

Financial Assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2026 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

Financial assumptions	31 Mar 2026 p.a.	31 Mar 2025 p.a.	31 Mar 2024 p.a.
Discount rate	6.10%	5.85%	4.90%
Pension increases (CPI)	2.90%	2.90%	2.90%
RPI inflation	3.30%	3.20%	3.20%
Salary increases	3.90%	3.90%	3.90%

Projected unit method is used in our calculations.

In addition, we have allowed for actual ONS CPI inflation observed between March 2025 and March 2026. This is reflected in the Experience loss/(gain) on defined benefit obligation figure in the results.

Fund duration

The estimated Macaulay duration of the Employer's liabilities as at the accounting date using the assumptions set out above is 15 years.

Demographic Assumptions

Post retirement mortality	31 Mar 2026	31 Mar 2025
Base table	S4PA	S3PA
Multiplier (M/F)	95% / 115%	95% / 100%
Future improvements model	CMI_2025	CMI_2023
Long-term rate of improvement	1.50%	1.25%
Smoothing parameter	7.0	7.0
Initial addition parameter	0.0% p.a.	0.00 p.a.
2020 weight parameter	n/a	0%
2021 weight parameter	n/a	0%
2022 weight parameter	n/a	15%
2023 weight parameter	n/a	15%
Half life parameter	1.0	n/a

The assumed life expectancies, based on the assumptions set out above, are set out in the table below:

Life expectancy from age 65 (years)		31 Mar 2026	31 Mar 2025
Retiring today	Males	22.3	21.8
	Females	23.2	24.0
Retiring in 20 years	Males	23.9	23.1
	Females	24.9	25.4

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2025, except for an update of the CMI projection model. Details of the post retirement mortality assumption are set out above; further details of the demographic assumptions adopted can be found in the briefing note corresponding to this report, and the Fund's actuarial valuation report.

Results

Balance sheet Net pension asset in the statement of financial position	As at 31 Mar 2026 £000s	As at 31 Mar 2025 £000s	As at 31 Mar 2024 £000s
Present value of the defined benefit obligation	3,978,587	3,723,670	4,227,493
Fair value of Fund assets (bid value)	4,549,495	4,085,317	3,919,664
Net liability in balance sheet	**(570,908)**	**(361,647)**	**307,829**

The present value of the defined benefit obligation consists of both vested and non-vested benefits, where members have not reached their vesting period. Non-vested benefits have been assumed to have a negligible value.

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2026 £000s	Year to 31 Mar 2025 £000s
Opening defined benefit obligation	**3,723,670**	**4,227,493**
Current service cost	84,150	93,459
Interest cost	213,613	203,612
Change in financial assumptions	(146,722)	(632,328)
Change in demographic assumptions	(27,621)	(10,473)
Experience loss/(gain) on defined benefit obligation	278,610	(10,006)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(190,105)	(185,416)
Past service costs, including curtailments	4,886	3,848
Contributions by Scheme participants	38,106	33,481
Closing defined benefit obligation	**3,978,587**	**3,723,670**

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2026 £000s	Year to 31 Mar 2025 £000s
Opening fair value of Fund assets	**4,085,317**	**3,919,664**
Interest on assets	238,556	191,276
Return on assets less interest	243,605	9,821
Other actuarial gains/(losses)	-	-
Administration expenses	(2,909)	(2,909)
Contributions by employers	136,925	119,400
Contributions by Scheme participants	38,106	33,481
Estimated benefits paid net of transfers in	(190,105)	(185,416)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**4,549,495**	**4,085,317**

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	3,922,310	3,978,587	4,036,221
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	3,981,123	3,978,587	3,976,065
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	4,037,183	3,978,587	3,933,386
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**- 1 Year**
Present value of total obligation	4,117,615	3,978,587	3,844,843

Academy	An academy is a school that is directly funded by central government (specifically, the Department for Education) and which is independent of control by a Local Authority.
Accounting Date	The date to which an organisation makes up its Financial Statements. Like all local authorities, Dorset Council's accounting date is 31 March.
Accounting Period	The period of time covered by the accounts, which for this Authority means a period of twelve months commencing on 1 April through to the following 31 March.
Accounting Policies	The principles, conventions, rules and practices that specify how the effects of transactions and other events are recognised, measured and presented in the financial statements.
Accrual	Sums included in the final accounts to cover income and expenditure attributable to the accounting period but for which payment has not been made or received by 31 March.
Accumulated Absences Account	This Account is an Unusable Reserve which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward. It is permitted to have a negative balance.
Actuarial Gains And Losses	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses where events have not coincided with actuarial assumptions or actuarial assumptions have changed.
Actuarial Valuation	An independent report on the financial status of the Pension Fund, which determines its ability to meet future payments.
Agency Services	The provision of services by one body (the agent) on behalf of and generally with reimbursement from the responsible body.
Amortisation	Amortisation is the equivalent of depreciation for intangible assets (see below).
Amortised Cost	This is a mechanism that sees through the contractual terms of a Financial Instrument to measure the real cost or return to the Authority by using the effective interest rate method which incorporates the impact of premiums or discounts.
Asset	Something of worth that can be measured in monetary terms and which has an economic value that spans more than one financial year. Assets can be tangible (e.g. land and buildings) or intangible (e.g. computer software).
Assets Held for Sale	Assets which are no longer intended for operational use in the Authority and which are being actively marketed with likely sale within 12 months.
Balance Sheet	A statement that summarises an authority's financial position at the accounting date each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. The bottom half is comprised of reserves that show the disposition of an authority's net worth.
Balances	The accumulated surplus of income over expenditure.
Budget	A statement of the Council's plans expressed in financial terms.
Call To Account	The Audit & Governance Committee may 'call to account' members of the Cabinet and senior officers to explain any particular decision they have made and, the extent to which actions taken implement Council policy and to account for their performance.
Capital Charge	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. This equates to depreciation and impairment charges under the IFRS based Code.
Capital Expenditure	Expenditure on the acquisition, construction or enhancement of significant assets (e.g. land and buildings, vehicles and equipment) which have a long-term value to the Authority (also referred to as capital spending or capital payments).
Capital Receipts	Income from the sale of capital assets (land, buildings, etc.).
Carrying Amount	The amount at which an asset or liability is shown in the balance sheet at a specified date; for example, the cost of a vehicle less the accumulated depreciation.
Cash Flow Statement	This Statement summarises the flows of cash that have taken place into and out of the Authority's bank accounts over the financial year.

Chartered Institute of Public Finance And Accountancy (CPFA)	This is an accountancy body that produces standards and codes of practice for accounting and financial functions in the public sector. It is one of the bodies responsible for the two principal codes of practice that determine how the Council presents its accounts.
Codes Of Practice	In addition to the Service Reporting Code of Practice (SeRCOP), the principal code of practice that governs the presentation of local authority accounts is the Code of Practice on Local Authority Accounting in the UK. This code is approved by the Financial Reporting Advisory Board and is recognised by statute as representing proper accounting practice.
Collection Fund	A statutory fund maintained by the council for recording the collection and distribution of council tax receipts. Unitary, Town and Parish Councils; along with the Police and Fire authorities; and central government precepts are met from this fund. Surpluses or deficits are carried forward and included in the following year's council tax calculation.
Collection Fund Adjustment Account	This Account is an Unusable Reserve which manages the differences arising from the recognition of Council Tax income in the Comprehensive Income & Expenditure Statement as it falls due from Council Taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
Community Assets	Assets that an Authority holds, that have no determinable useful life and may have restrictions on their disposal. An example would be a country park.
Comprehensive Income And Expenditure Statement (Cies)	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Component Accounting	Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (i.e. as if each component were a separate asset in its own right) where the useful life is substantially different.
Consistency	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingency	A sum of money set aside to meet unforeseen expenditure.
Contingent Liability	A possible obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
Corporate & Democratic Core	Those activities which local authorities engage in specifically because they are elected, multi-purpose authorities. There is no basis for apportioning these costs to services.
Cost Centre	A specific area of activity where control of certain budgets has been delegated.
Council Tax	A property based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
Creditors	Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the accounting period.
Current Assets	Current assets are those which can either be converted to cash or used to pay current liabilities within 12 months.
Current Liabilities	Amounts owed by the Local Authority which are due to be settled within 12 months.
Current Service Cost	The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
Curtailment	For a defined benefit pension scheme, an event that reduces expected future years' service or accrual of benefits. Examples include redundancies from discontinuing an activity or amendment of scheme terms.
Debtors	Amounts due to the Authority but unpaid by the end of the accounting period.
Depreciation	The measure of the use or consumption of a fixed asset during the accounting period.
Donated Asset	An asset which is acquired by the Authority for no cost. Not the same as assets which are transferred to the Authority as part of the "machinery of Government".

Emoluments	All sums paid to an employee, including any allowances chargeable to UK income tax, but excluding pension contributions payable by either employer or employee.
Earmarked Reserves	These are Usable Reserves which have been set aside from revenue to meet particular spending needs, including funding capital projects.
Estimation Techniques	The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. These implement the measurement aspects of the accounting policies, and include selecting methods of depreciation and making provision for bad debts.
Financial Asset	Financial assets are cash and cash equivalents, plus any other assets that can be converted into cash in a reasonably short period of time.
Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities.
Financial Liability	Financial liabilities are liabilities that are contractual obligations to deliver cash or other financial assets to another entity.
Formula Spending Share (FSS)	The Government's assessment of each authority's spending needs, used as the mechanism to distribute government grants (RSG and NNDR).
Full Time Equivalent (FTE)	In terms of staffing time, a full time equivalent is 37 hours per week. So if two staff are employed working 18.5 hours per week each, they can be said to constitute one FTE.
General Fund	This is the main revenue account of the Council and incorporates the net cost of all services (as shown in the Comprehensive Income and Expenditure Statement) together with the adjustments between accounting basis and funding basis under regulations and transfers to and from Earmarked Reserves (as shown in the Movement in Reserves Statement).
Heritage Asset	A heritage asset is one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
IAS	International Accounting Standards are statements of standard accounting practice issued by the International Accounting Standards Committee and with which all local authorities are now required to comply.
IFRS	International Financial Reporting Standards are statements of standard accounting practice issued by the International Accounting Standards Board and with which all local authorities are now required to comply.
Impairment	A reduction in the value of a fixed asset or financial instrument below its carrying amount, arising from physical damage such as a major fire or a significant reduction in market value, or a situation where capital spending on an asset has no effect on the value of the asset.
Infrastructure Assets	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.
Inventories	The amount of unused or unconsumed stock held for future use. Examples include consumable stores and services in intermediate stages of completion.
Investment Property	Investment property is property (land or a building) held by the Authority to earn rental income or for capital appreciation or both.
Lease (Embedded Lease)	While it does not necessarily take the form of a lease, an embedded lease is an arrangement that conveys the right to use an asset in return for payment.
Lease (Finance Lease)	A finance lease is an arrangement where substantially all of the risks and rewards of ownership of the leased asset pass to the lessee, regardless of whether the lease arrangement provides for actual transfer of ownership. This term is only used where the council is the lessor (ie, the council owns the asset and leases it to a third party).
Lease (Operating Lease)	Any lease where the council is the lessor and which is not a finance lease.

Lease (Right of Use)	Nearly all leases where the council is the lessee (ie, a third party owns the asset and leases it to the council) are treated as right-of-use assets, which appear on the balance sheet along with corresponding lease liabilities. Limited exceptions exist for low-value and short-term leases, which are treated as operating expenditure.
Local Management In Schools (LMS)	Control of a significant proportion of school budgets is devolved to schools for them to manage under the LMS scheme. Balances held by schools under this scheme are ring-fenced and are not available to the remainder of the Council.
Measurement	Measurement is the process of determining the monetary amounts at which the elements of financial statements are to be recognised and carried in the balance sheet and comprehensive income and expenditure statement. Measurement bases include historical cost, current cost, present value, depreciated replacement cost and fair value.
Medium Term Financial Plan (MTFP)	The Council's five-year, rolling, financial plan.
Minimum Revenue Provision (MRP)	The sum required to be met from revenue under current capital controls to provide for the repayment of outstanding borrowings; additional sums may be voluntarily set aside.
Movement In Reserves Statement (MIRS)	This statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves and Unusable Reserves.
National Non-Domestic Rates (NNDR)	Billing authorities (District, Borough and Unitary Councils) collect this tax locally and pay it to the Government. It is then redistributed to County, Unitary, Borough and District councils, and Fire Authorities on the basis of the resident population.
Non-Current Assets	Assets that provide benefits to the Authority and the services it provides, for a period of more than one year.
Non-Distributed Costs (NDC)	Overheads for which no user benefits, and therefore not apportioned over services.
Non-Operational Assets	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
Operating Segments	Local Authorities are required to present information on reportable segments within the notes to the Financial Statements. Reportable segments must be based on an authority's internal management reporting, for example departments, directorates or portfolios. Dorset Council has chosen Directorates as its operating segments.
Other Operating Income and Expenditure	Items that are required to be shown in the Authority's Comprehensive Income and Expenditure Statement, but which should not be charged to specific services.
Outturn	The final actual income and expenditure earned or incurred in the financial year
Past Service Cost	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
Precept	A levy requiring the Council to collect income from council taxpayers. Sums collected are held in the Collection Fund (see above) and paid to the preceptor in ten instalments.
Provisions	Amounts set aside to meet liabilities or losses which arise in the accounting period and which are likely to be incurred, but where the actual sum and timing are uncertain.
Related Party	A related party is a person or entity that is related to the reporting entity. There are different rules and definitions for public and private sector bodies. An entity can be regarded as a related party to Dorset Council if, for example, a person employed by Dorset Council has significant influence over the entity or is a member of the key management personnel of that entity.
Reserves	Sums set aside and earmarked to meet the cost of specific future expenditure.

Residual Value	The amount at which an asset will be carried in the Authority's accounts after it has been depreciated.
Revaluation Reserve	Revaluation reserves (or, more precisely, revaluation surplus reserves) arise when the value of an asset becomes greater than the value at which it was previously carried in the Balance Sheet. When accounting rules allow/require the Authority to revalue the amount at which the asset is carried in the Authority's Balance Sheet, there is an increase in the Authority's net worth.
Revenue Expenditure	The day to day costs (pay, premises, transport, supplies and services, etc.) incurred by the Authority in providing services.
Revenue Expenditure Funded From Capital Under Statute (REFCUS)	This is principally expenditure of a capital nature on properties which the Council does not own and which are not included in its asset register, and which does not result in the acquisition or enhancement of a fixed asset owned by the Authority. Such expenditure is written out of the accounts in the year it is incurred, but is financed by a capital stream. This expenditure is reported in the Comprehensive Income and Expenditure Statement in the year it is incurred with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that although financing is from a capital source, it funds revenue expenditure in the Authority's accounts.
Revenue Support Grant (RSG)	A general central government grant paid to a local authority in support of its day to day expenditure and distributed on a formula basis.
Running Costs	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
Section 106 Receipts	Under Section 106 of the Town and Country Planning Act 1990, developers and local authorities can enter into planning obligations to enable the developments to proceed, when permission might otherwise not be approved. These obligations are commonly referred to as Section 106 (S106) agreements and usually provide for the developer to make financial payments to the Council that will be used for specific compensatory works or measures. Most S106 receipts are treated as capital contributions and applied to capital expenditure.
Segmental Analysis	A breakdown of the Authority's income and expenditure by major business segment (Service Area).
Service Concession	Service concessions are arrangements whereby a government or other body grants contracts for the supply of public services (such as roads, energy distribution, prisons or hospitals) to private operators.
Soft Loan	A loan with an interest rate below market rates.
Specific Grants	Grants paid by government, government agencies and similar bodies, to local authorities in support of particular services. These are often in return for past or future compliance with certain conditions relating to the activities of the Authority.
Subsequent Expenditure	Expenditure which is incurred on an asset after it has begun its useful economic life.
Surplus Assets	Non-current assets which are surplus to service needs, but which do not meet the criteria required to be classified as Investment Property, or Assets Held For Sale.
Third Party Payments	The cost of specialist or support services purchased by the Council from outside contractors or other bodies.
Total Cost	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.
Trading Undertaking	A workforce employed by the authority to carry out work in competition with the private sector. These were formerly called Direct Service Organisations (DSOs) or Direct Labour Organisations (DLOs).
Trust Funds	Funds administered by the Authority for such purposes as prizes, charities and special projects.
Unusable Reserves	Those reserves that cannot be applied to fund expenditure or reduce local taxation as they are required for statutory purposes.
Usable Reserves	Those reserves that can be applied to fund expenditure or reduce local taxation.

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Audit Findings for Dorset Council

Year ended 31 March 2026

5 November 2026

Grant Thornton

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5 November 2026

Dear Members of the Audit and Governance Committee

Audit Findings for Dorset Council for the year ended 31 March 2026

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2025-.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Julie Masci

Director
for Grant Thornton UK LLP

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Headlines

This page and the following summarise the key findings and other matters arising from the statutory audit of Dorset Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2026 for the attention of those charged with governance.

Financial statements

Under International Standards on Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion, the Authority's financial statements:

- give a true and fair view of the financial position of the Authority and its income and expenditure for the year
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was undertaken between July and November as planned. Our findings are summarised on pages 10 to 47. The headline results currently remain unchanged; however, a number of presentational changes have been made to the financial statements. These currently have no impact on the level of the Authority's usable reserves. Details of audit adjustments are provided on page 29.

For work not yet concluded, we have highlighted the work undertaken to date, and any findings or recommendations.

We have set out recommendations for management on page 35 and our follow up of prior year recommendations on page 44.

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Headlines

This page and the following summarise the key findings and other matters arising from the statutory audit of Dorset Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2026 for the attention of those charged with governance.

Financial statements

Our work is progressing well, subject to the following outstanding matters:

- receipt of the assurance letter from the auditor of Dorset Pension Fund;
- finalising our work on property, plant and equipment, specifically the format and disclosures in the note;
- resolution of technical review queries and senior review;
- review of the final set of financial statements; and
- receipt of management representation letter.

Owing to the challenges of undertaking an audit where the previous year's audit was subject to backstop-related disclaimed audit opinions, we have been unable to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 31 January 2027. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report opinion will be disclaimed.

Our draft Audit Report will be provided separately. Because of the significance of the matters described in the basis for disclaimed opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.

We anticipate issuing the auditor's report by 30 November 2026.

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Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

We have completed our VFM work. Detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified significant weaknesses in the Authority's arrangements and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the 'Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act
- certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of our work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until the following matter is resolved:

Confirmation has not been received from the NAO that the group audit (Whole of Government Accounts) has been certified by the Comptroller and Auditor General, and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2026.

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Headlines

Local audit recovery

Due to no substantive audit work being completed by the predecessor auditor in 2022/23, the audit report for the year ended 31 March 2025 was a disclaimed opinion due to the backstop legislation.

As a result, for 2025/26:

- we have limited assurance over the opening balances for 2025/26.
- we have limited assurance over the closing reserves balance and property valuations due to the uncertainty over their opening amount.

Our aim for the 2025/26 audit has been to continue with rebuilding assurance; therefore, our focus has been on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures, and closing balances.

We have discussed and agreed the strategy and trajectory for rebuilding assurance, with the Section 151 Officer and Chief Officer; details of the assurance build-back plan can be found within Regaining Assurance Strategy for Dorset Council & Dorset Pension Fund report presented to the Audit and Governance Committee on 3 August 2026. We will continue to work in accordance with this plan, with the Authority's ongoing support and cooperation.

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Our approach to materiality

As communicated in our Audit Plan dated 13 April 2026, we determined materiality at the planning stage as £21 million based on 2% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements. On receipt of the draft financial statements, materiality was increased to £22 million, reflecting the actual expenditure reported for the year ended 31 March 2026.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

We have determined materiality at £22 million based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as changes in services delivered and operating environment.

We have used 2% of gross expenditure as the basis for determining materiality.

The benchmark used reflects industry practice for public sector organisations and remains unchanged from the prior year.

Performance materiality

We have determined performance materiality at £15.4 million, based on 70% of headline materiality.

We have revised performance materiality as a result of actual gross expenditure changing significantly from that anticipated at the planning stage, requiring a reassessment of materiality.

Specific materiality

An item may be considered to be material by nature where it may affect instances when greater precision is required.

We have identified senior officer remuneration as a balance where we will apply a lower materiality level of £20,000, as these are considered sensitive disclosures.

Reporting threshold

We will report to you all misstatements identified in excess of £1.1 million, in addition to any matters considered to be qualitatively material.

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Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Authority (£)
Materiality for the financial statements	22 million
Performance materiality	15.4 million
Specific materiality for senior officers' remuneration	20,000
Reporting threshold	1.1 million

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Overview of significant and other risks

The table below summarises the significant risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Risk 1 Management override of controls	Significant	↔	✓	Low	G
Risk 2 Valuation of land and buildings	Significant	↔	×	Medium	G
Risk 3 Valuation of net pension liability	Significant	↔	×	Medium	G
Risk 4 High Needs Stability Grant / DSG Deficit Support Grant	Other	↔	×	Low	G

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease since Audit Plan

G Not likely to result in material adjustment or change to disclosures within the financial statements
A Potential to result in material adjustment or significant change to disclosures within the financial statements
R Likely to result in material adjustment or significant change to disclosures within the financial statements

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Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business, as a significant risk of material misstatement.	We have: • evaluated the design and implementation of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.	Our review of the Authority's IT system in prior years, followed up in the current year, identified ongoing deficiencies which impacted on our testing of journal entries: – Users with inappropriate access to develop and import changes; – Users with inappropriate access to development access in the production system; and – Inadequate control over generic accounts in SAP. We investigated all users highlighted above and noted that none posted or processed journals in the SAP system during the year. Our audit work on journals identified that there is automatic self-approval on journal entries below £50k. The lack of second user authorisation creates a risk that journals could be posted erroneously or fraudulently. This deficiency was identified in our previous audits, and the Authority has implemented a further control requiring a review of these journals to be undertaken. The timeliness and manual nature of this control does not fully mitigate the risk identified. There is also no automated process to monitor the system workflow or approval record to demonstrate that such a review occurred for these journals within the SAP system. We tested a total of 60 journals, a reduction from the 80 journals tested in the prior year, recognising the actions taken by management to address the deficiencies identified by our IT audit. No issues were identified from this work. Having assessed management judgements and estimates individually and in aggregate, we are satisfied that there is no material misstatement arising from management bias across the financial statements.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in expenditure recognition Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies.	As a result of the investigations in the building health and safety team, we have reassessed the risk of fraud in expenditure relating to this area and sought assurances from the Authority to determine whether the issue is confined to this department or wider. Although significant failings in the control environment have been identified as a result of the Authority's investigations, we do not consider that these would result in a material misstatement to the financial statements. This is due to the total spend in the area of review being immaterial and the failures resulting in inadequate procurement and monitoring arrangements rather than an intention to manipulate the reported results of the Authority by management. We carried out additional testing of transactions relating to activities commissioned through the Commensura system, which was identified as contributing to the matters raised in the prior year.	We do not consider this to be a significant risk for the audit of the Authority, given materiality and the nature of the issues identified. Our detailed audit testing on journals, operating expenditure, capital additions and revenue expenditure funded from capital under statute (REFCUS) was subject to a heightened level of scepticism in light of the investigation findings. Our testing did not identify any additional matters to bring to your attention.
The revenue cycle includes fraudulent transactions Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	Where we have rebutted the risk of fraud in revenue recognition for revenue streams, this is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the revenue streams both individually and collectively.	There are no findings from our audit that have required us to change our assessment of this risk.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings The Authority undertakes a rolling five-year revaluation programme. The valuation of land and buildings represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit. The 2025/26 Code requires indexation in the intervening years between revaluations. The Authority will be adopting this for the first time and applying indexation to land and buildings assets. (continued on following page)	We have: – evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; – evaluated the competence, capabilities and objectivity of the valuation experts; – written to the valuers to confirm the basis on which the valuation was carried out; – evaluated the reasonableness of the assumptions made by the valuers in determining the valuations; – challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding; – tested revaluations made during the year to see if they have been input correctly to the Authority's asset register; and – evaluated the indices used by management to adjust those assets not revalued during the year.	The Authority's land and buildings were valued using the Authority's external valuer. This is their second year of appointment. We considered the instructions to valuation experts and their competence, capabilities and objectivity. We instructed our internal valuations team to review and comment on the valuation instruction process (i.e. terms of engagement), the valuation methodology, approach, and the assumptions adopted within the valuation report. We are satisfied that these are in accordance with relevant sector guidance. We also raised a number of queries in the valuation approach with our internal expert which were satisfactorily resolved. Our testing identified a small number of errors in the work of the Authority's valuer. Nineteen of the Authority's car parks were valued in the year, and we noted inconsistencies in the valuation calculations. The valuer reworked the calculations for all car parks valued, which resulted in an overstatement of the valuation of £2.5 million.

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Significant risks

Risk identified	Key observations
Valuation of land and buildings (continued)	We also identified that one valuation was based on an incorrect rental income figure which resulted in an understatement of its value by £600k. A further understatement of £225k was identified due to conversion works being undertaken on a property between the valuation date and the year end, the valuation being subsequently updated by the valuer. These errors have not been adjusted in the current year due to their immaterial nature. We have noted no material adjustments or findings in relation to valuation of land and buildings. We have raised a recommendation in respect of the valuations process on page 36. The Authority did not fully implement the CIPFA Code changes in respect of indexation of assets in 2025/26. Peppercorn leases were not included in the indexation calculations. As the omission is highly trivial, no adjustment has been made to the current year accounts, and these assets will be included in future years. The audit opinion for 2024/25 is disclaimed, which means that although audit work has been undertaken on assets valued from 2023/24 onwards, we are unable to gain assurance that they are not materially misstated until the full valuation cycle has been completed.

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Significant risks

Risk identified	Audit procedures performed
Valuation of net pension liability The Authority's share of the pension fund net liability, as reflected in its Balance Sheet as the net defined benefit liability (£74 million), represents a significant estimate in the financial statements. The net position comprises a gross pension liability of £1,445 million, offset by gross pension assets of £1,593 million, and adjusted by £222 million in respect of the impact of the asset ceiling under IFRIC 14 (see next page). The gross liability, determined at Authority level, is subject to significant actuarial judgement and estimation uncertainty, and is therefore the element giving rise to the significant risk. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. However, the actuarial assumptions used are the responsibility of the entity, based on advice from the actuary. Small changes in the key assumptions (such as discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. The Authority has also considered the impact of 'IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset'. This introduces an additional layer of complexity in determining an asset ceiling to apply. However, we do not deem the IFRIC 14 assessment to be a significant risk, as the approach is established and no prior issues have been noted.	We have: • documented our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • reviewed the IFRIC 14 calculations to understand if there is any asset ceiling which may impact the overall net defined benefit liability position.

(continued on following page)

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Significant risks

Risk identified	Key observations
Valuation of net pension liability (continued)	This is the second year in which the Authority has been required to apply an asset ceiling due to the continuing reduction in the net defined benefit liability position over recent years. We have requested assurances from the auditor of Dorset Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. These are expected to be received imminently. The audit of Dorset Pension Fund identified an error relating to the valuation of assets in the pension fund. The Authority's share of this understatement was £2.3 million and is reported as an unadjusted misstatement. The error arose due to the requirement to complete the pension fund accounts to meet the statutory deadline. Other than the above unadjusted error, we have not identified any issues from our work.

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Other risks

Risk identified	Audit procedures performed	Key observations
High Needs Stability Grant / DSG Deficit Support Grant The Authority has made an application for the High Needs Stability Grant / DSG Deficit Support Grant. The grant is based on the DSG deficit position as at 31 March 2026. Under the scheme, up to 90% of the deficit may be written off, with the Authority required to fund the remaining 10%. The total eligible DSG deficit will not include overspends charged to DSG for matters other than High Needs. This creates a potential risk that the Authority could increase the reported year-end deficit or allocate ineligible DSG costs as High Needs in order to secure additional funding.	The deficit eligible for the High Needs Stability Grant is the DSG deficit recognised in the unusable reserve as at 31 March 2026, after excluding any expenditure or charges that are deemed ineligible for relief. Following receipt of the accounts and the reported increase in the DSG deficit of £55 million, we have completed targeted audit procedures this year to ensure the classification and occurrence of high needs block expenditure is accurately recorded.	Our audit work has not identified any issues in respect of DSG expenditure. The Authority received confirmation that its plan met the required threshold and provides a sound foundation from which Dorset can move into delivery. It is approved to receive its grant allocation. The indicative High Needs Stability Grant allocation for Dorset is £145,016,732, with payment expected on 30 November 2026. The Authority has recognised this outcome as a non-adjusting post balance sheet event and made appropriate disclosure in note 5 to the accounts.

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Other areas impacting the audit

Issue	Audit procedures performed	Key observations
Recognition and presentation of grant income The Authority receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine when the grant should be recognised in the accounts, whether the Authority is acting as principal/agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant received should be recognised as a receipt in advance or income. The Authority also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.	We sample tested grant income against the relevant criteria and agreed to grant notifications.	We identified that an element of social care grants had been classified as non-specific grant income within Taxation & Non-Specific Grant Income. As the income is for specific use for social care, the Authority does not have unfettered discretion on the use of these funds, so they should be treated as credited to services within provision of services. This results in an adjustment within the Comprehensive Income and Expenditure Statement of £30.9 million. As this misclassification is also present in the prior year, a prior period adjustment of a similar amount has been made. The Authority has also reconfigured the grant note 12 to provide consistency between this note and other areas of the financial statements.

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Other findings – significant matters

Issue	Commentary
Significant events or transactions that occurred during the year	There were no significant events and transactions
Business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement	No such matters identified
Concerns about management's consultations with other accountants on accounting or auditing matters	No such matters identified
Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	No such matters identified
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	No such matters identified
Other matters that are significant to the oversight of the financial reporting process	No such matters identified
Prior period adjustments identified	Prior period adjustments were required due to a classification error in grants, which is detailed on page 20. We also identified that in note 14, there was an error in the headings in both the current and prior year. Investments held at fair value through profit and loss was omitted from note 51.

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Other findings – information technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. The table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. Further detail of the IT audit scope and findings can be requested from management. This is a summary of the detailed IT report presented to the Audit and Governance Committee at the meeting on 3 August 2026. There are no further matters to report.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
CAP	Detailed ITGC assessment D&I					Management override of controls See page 13
R&B	Detailed ITGC assessment D&I					n/a
UPM	Detailed ITGC assessment D&I					n/a
Active Directory	Detailed ITGC assessment D&I					n/a

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

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Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We carried out follow-up procedures on transactions potentially impacted by the Building Health and Safety matters reported in previous years, with no findings identified. An additional matter is currently being investigated by management and, although we do not anticipate any impact on the current year, our work in this area is not yet concluded.
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed; however, in the interests of transparency, the Authority has included details of transactions which do not meet the strict definition of IAS 24 due to control.
Matters in relation to laws and regulations	• The principal laws and regulations with which the Authority complies include the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024 and the Local Government Act 2003. We are not aware of any significant instances of non-compliance.
Written representations	• Representations will be requested from management in respect of the significant assumptions used in making accounting estimates for land and buildings and the defined benefit pensions liability. • We draw your attention to the draft Letter of Representation, including a specific representation in respect of the prior period adjustments. The letter is included on the Committee agenda.

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Other communication requirements

Issue	Commentary
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent with positive confirmations received.
Disclosures	• A number of amendments were made to the disclosures within the financial statements to better align with the requirements of the Code. The Authority has also undertaken an exercise during the year to better match notes to the structure of the accounts. • Details of disclosure note findings/adjustments can be found on page 30 of this report.
Significant difficulties	• No significant difficulties were encountered; however, some delays were experienced in the receipt of evidence and responses to queries. We will work with officers to further refine the audit process over the coming year.
Other matters	• There are no other matters to bring to your attention which are not separately documented within this report.

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Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • The use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis of accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities. • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. (continued)

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Other responsibilities

Issue	Commentary
Going concern	Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets these criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. However, as this year's audit will be disclaimed, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Because of the significance of the matter described on page 6 of this report, setting out the basis for the disclaimer of opinion, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.
Matters on which we report by exception	We are required to report on matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • if we have applied any of our statutory powers or duties • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. We have nothing to report on these matters; however, we note that the Annual Governance Statement was not published in line with the required deadline of 30 June 2026.

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Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Our work has not yet commenced, as we await auditor instructions from the NAO. In line with NAO guidance, audit certificates are required to remain open pending confirmation that the WGA group audit has been certified by the Comptroller and Auditor General (C&AG), including where no issues exceed reporting thresholds. Accordingly, we cannot formally conclude the audit and issue an audit certificate until this confirmation is received. We are satisfied that this does not have a material effect on the financial statements for the year ended 31 March 2026. This is reflected in our audit report.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2025/26 audit of the Authority in the audit report due to the WGA matters described above.

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Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Debtors and Creditors The Debtors and Payments in Advance and Creditors and Receipts in Advance were overstated by £24.7 million due to a prepayment arising from an error in the accounting treatment of expenditure with Care Dorset Ltd. During 2025/26, a purchase order for expenditure relating to 2026/27 was raised and subsequently goods receipted in full, despite no services having been received by 31 March.		Debtors (24,710) Creditors 24,710		0
Grant income classification Better Care Fund income and social care grant income were incorrectly classified to non-specific grant income. Their correct classification is within cost of services, as there are restrictions on the use of these funds.	Non-specific grant income 30,934 Cost of services 30,934			
Overall impact	0	0	0	0

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Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted?
CIES	The terminology used in the CIES has been revised to reflect Code requirements and ensure consistency with other statements.	✓
Cash Flow Statement and notes	A number of amendments were made to the cash flow statement to reconcile throughout the financial statements. These impacted depreciation, debtor and creditor movements and the carrying value of non-current assets derecognised. Proceeds from investments have been consolidated onto the correct line.	✓
Notes 2 and 3	Some presentational changes were made to more appropriately reflect key estimates and judgements relevant to the financial statements.	✓
Note 5 – Events after the balance sheet date	This note has been updated to reflect the approval of the High Needs Stability Grant.	✓
Note 6 – Related parties	A number of amendments were made to this note. The most significant related to the overstatement of transactions with Care Dorset Ltd, which included 18 months of transactions instead of 12. This reduced the turnover reported from £48.7 million to £32.5 million. A number of further amendments were made to correct typographical errors.	✓
Notes 7 and 8 – Expenditure and Funding Analysis	These notes have been updated to reflect the reclassification of grant income. Some further presentational changes have been made to provide further explanation of the treatment of the DSG deficit.	✓

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Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 12 – Analysis of government grants	This note has been restated to provide further analysis between grants credited to services and non-specific grant income.	✓
Note 14 – Pooled budgets	An error was identified in the current and prior year due to the transposition of the row descriptions between the Authority and Integrated Care Board.	✓
Note 16 – Senior officers' remuneration	The senior officers' remuneration note has been amended to more fully include comparatives and to provide a more appropriate flow of information. Minor changes to the wording were made to provide greater clarity.	✓
Note 16 – Senior officers' remuneration	The Authority has included the names of all senior officers in note 16. The Code only requires this to be disclosed for officers paid in excess of £150,000. Management has not made this amendment to be consistent within the note as only one officer was affected.	X
Note 22 – Property, plant and equipment	We have identified the following differences during our reconciliation of the fixed asset register (FAR) to the statement of accounts (SoA): - For Other land and buildings, total depreciation should be £13.7 million but was recorded in Note 22 as £22.6 million and depreciation written out to the revaluation reserve should be £25.8 million but was recorded as £34.3 million. - Other trivial amendments were also made to reflect the fixed asset register. This was due to figures pulling through incorrectly to the PDF accounts.	✓

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Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 23 – Leases	As in previous years, errors were identified in our testing of amounts due in respect of operating leases granted. This resulted in an extrapolated error in lease receivables due to be collected of £1.5 million.	X
Note 28 – Creditors	The creditors note was understated by £2.2 million due to figures incorrectly pulling through to the draft accounts.	✓
Note 32 – Contingent liabilities	The note has been updated to reflect the latest position in respect of the Virgin Media legal cases.	✓
Note 50 – Financial instruments	A number of presentational changes were made to this note to reflect the balance sheet position and clarify confirmation with the Code.	✓
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓

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Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on surplus/deficit on the provision of services £'000	Impact on general fund £'000	Management's reason for not adjusting
Property valuation errors Dr Reserves Errors identified in respect of land and buildings valuations		Reserves 1,675 Property, plant and equipment (1,675)			Immaterial
Defined benefit pension assets The audit of Dorset Pension Fund identified an understatement error relating to the differences in asset valuations.	Remeasurement of the net defined benefit liability (2,342)	Net defined benefit liability 2,342 Reserves (2,342)			Immaterial
Overall impact of current year unadjusted misstatements	(2,342)	667			

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Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2024/25, and the resulting impact upon the 2025/26 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2025/26 financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Impact on opening Balance Sheet £'000	Impact on surplus/deficit on the provision of services £'000	Impact on general fund £'000	Reason for not adjusting
The audit of Dorset Pension Fund identified two understatement errors relating to the differences in asset valuations arising from timing differences due to the necessity to meet completion deadlines for the financial statements.	(1,480)	1,480	0	0	Immaterial
Impact of prior year unadjusted misstatements on the current year's financial statements	0	0	0	0	0
Cumulative impact of prior year and current year unadjusted misstatements on 2025/26 financial statements	(2,342)	667	0	0	0

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Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● High	**Publication of the Annual Governance Statement** The Accounts and Audit Regulations 2015 require that the Annual Governance Statement is published by 30 June 2026. The draft financial statements published by the deadline did not include it.	We recommend that the Annual Governance Statement is published in line with requirements in future. **Management response** The omission in publishing the Annual Governance Statement by 30 June 2026 is noted and will be adhered to in future years. Finalisation of the statement was delayed for the 2025/26 year pending presentation of the Internal Audit opinion, which supported the assurance opinion within the statement.

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

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Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Asset valuations** We encountered a number of issues with the valuation of the Authority's assets. There were a number of errors identified from our testing that should have been identified if a review of the valuations had been undertaken before processing for inclusion in the financial statements. These included calculation inconsistencies and incorrect source data being sent to the valuer.	We recommend that responsibility for commissioning and review of the valuations is more clearly defined between Finance and Estates to ensure that an appropriate review is undertaken to identify and correct errors in the valuations prior to preparing the accounts. **Management response** The process has been reviewed. Discussions have already taken place with Estates, and changes are being made to the 2026/27 closedown timetable to allow sufficient time for valuations to be reviewed before they are included in the accounts. Estates will review the valuations provided by the external valuer to ensure that the information used is accurate and that the valuation methods and calculations are reasonable. Any issues, unusual movements or apparent errors will be discussed and resolved with the valuer before the accounts are finalised. This should strengthen the quality assurance process and reduce the risk of errors being included in the financial statements.

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Action plan

Assessment	Issue and risk	Recommendations
Medium	**Related parties – identification of transactions** Controls for identifying and attributing transactions to the correct entity are not operating effectively. Expenditure with Care Dorset Ltd was recorded in the wrong financial year and transactions relating to Dorset Centre of Excellence Ltd were not identified by the vendor number based process.	We recommend that management reviews controls in place in respect of transactions with related entities to ensure disclosures are correctly recorded and reported. **Management response** The year-end disclosure process has been updated so that it captures all transactions with related parties, rather than relying solely on vendor number reporting. This strengthened approach includes additional checks to identify transactions that may be recorded under alternative supplier or customer records and to ensure that all relevant balances and transactions are reflected in the related party disclosures.
Medium	**Related parties – registers of interest** The register of interest entries for 10 councillors were not publicly available at the time of our review. This limits transparency and increases the risk that relevant interests are not identified and considered in the related party disclosure process.	We recommend that management ensures that declarations are up to date and available for viewing. **Management response** All councillors are regularly reminded of their responsibility to keep register entries up to date. Introduction of a new software platform for the register may have contributed to delays in updating entries this time.

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Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Related parties – declarations of interest** The annual process begins in early March, but a number of returns were submitted in June and July, after the draft statement of accounts was published. There is no follow-up process and no Authority-wide system for recording senior officers' declarations during the year. There is a risk that related party relationships could go undetected.	Management should implement a formal process to follow up outstanding declarations and review annual returns at year end. Management should also maintain a central register of senior officer declarations, with regular review and monitoring. **Management response** A new corporate process has been introduced through DES (Dorset Enterprise System), which requires employees to record, update and amend declarations of interest as circumstances change, rather than relying solely on an annual exercise. This provides a central record of declarations and allows information to be maintained on an ongoing basis. Updated guidance has also been issued to employees and managers, setting out their responsibilities for recording and reviewing declarations. Managers are required to undertake periodic reviews and employees are expected to update their records promptly where there is a change in circumstances.

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Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Review and challenge of accruals** A goods receipt error led to debtors and creditors both being overstated. The accrual spot check process did not detect it because automated GR/IR transactions were excluded from the review population, and there was insufficient challenge of the accounting treatment between service and finance accountants.	We recommend that management puts processes in place to ensure all transactions are appropriately recorded. **Management response** The review process has been updated to include more detailed checks of high-value accruals, including automated GR/IR transactions where these could have a significant impact on the accounts. This will help ensure that errors are identified and corrected before the financial statements are finalised. In addition, staff will be reminded of the importance of using the correct accrual coding and applying the correct accounting treatment through the 2026/27 closedown workshop. This will help improve the consistency and accuracy of accruals recorded across the Council.
● Medium	**Contract management and supplier records** Customer records were not updated following the creation of Dorset Council from its predecessor bodies. Income due to the Authority was therefore not identified or monitored on a timely basis and income relating to prior years was not recognised in the correct periods.	The Authority should introduce procedures to periodically review contracts and supplier and customer account details so that income and expenditure are recorded and collected on time. **Management response** The review of customer records is closely related to records for operating leases (see response to the following audit finding). Responsibility for managing individual contracts sits within services; although reviews are conducted, these prioritise high-value contracts. Improvements to contract management are ongoing and need to take a whole system approach rather than focus solely on individual sections within the Council.

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Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Treatment of leases** As in previous years, our testing of operating lease receivables due to be collected contained a number of errors. These result from a number of issues including incorrect rentals, incorrect lease terms or tenancies that have ended.	We recommend that management undertakes a thorough review of its operating leases to ensure that the information retained to support the note is accurate, up to date and can be supported by appropriate documentation. **Management response** A number of key projects currently in progress as part of the ongoing service improvement plan for Assets & Property, which include: A review of our available data and system architecture including an assessment of whether our existing systems are fit for purpose. An audit of data and documents held within our Civica database. Cross-referencing and reconciliation of financial data held in DES (being a separate system currently utilising independent data coding protocols thus negating effective cross-system reporting). This work also relates to the previous recommendation insofar as it relates to customer records for asset-related income. Our assessment to date indicates that both system and procedural enhancements will be required in order to ensure a robust operating platform for the future, and in turn enable us to mitigate the risk of recurrence of the issues raised in the audit.

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Action plan

Assessment	Issue and risk	Recommendations
Medium	**Journal approval without supporting evidence** Journals posted in the month are approved from a ledger report on a central Teams page. Approvers do not view supporting evidence, so inappropriate journals without evidence could be posted without appropriate challenge.	Management should require approvers to see supporting evidence for journals, or sample check evidence, so the control gives sufficient assurance. **Management response** The current process requires a large number of journals to be reviewed after they have been posted, which makes it impractical to check supporting evidence for every individual journal. To strengthen the control, additional checks will be introduced for high-value journals to ensure that appropriate supporting evidence is available and that the journal has been processed correctly. In the longer term, the implementation of Oracle Fusion will improve the control environment as all journals will be subject to a workflow approval process within the system before they are posted. This will provide greater assurance that journals are properly reviewed and approved, supported by appropriate evidence.
Medium	**Journals – access to the approval spreadsheet** The approval spreadsheet is accessible to all approvers and to the finance officer who downloads the ledger report. Users who should not change approvals can edit other people's entries, creating a potential management override risk.	Management should restrict access so that each approver can only edit their own lines, and others only have read-only access. **Management response** We are looking at the best way to restructure the approval spreadsheet to meet this objective. The most likely solution is to set up separate worksheets for each approver and for each worksheet to have individual password protection. However, we need to work out how to apply this approach if approvals need to be passed further up the management hierarchy due to unavailability of the approver originally anticipated.

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Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Journal approval without description** We identified that not all journals contained an appropriate description of their nature. The absence of a journal description reduces the clarity of the audit trail and may make it more difficult for reviewers to understand the purpose of the transaction. Requiring complete and meaningful descriptions for all journals would improve the overall control environment.	We recommend that management ensures all journal entries contain an appropriate description before posting. **Management response** Staff will be reminded that all journals should include a clear and meaningful description that explains the nature and purpose of the transaction. This will strengthen the audit trail and ensure that the purpose of journal entries can be readily understood by reviewers.

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Action plan

Assessment	Issue and risk	Recommendations
Low	**Capital commitments** During our testing of capital commitments, management was unable to provide sufficient supporting evidence for the SEND project to demonstrate how the estimated commitment value had been derived. We recommend that project managers be required to prepare and retain appropriate supporting documentation to explain the basis of future capital commitment estimates.	We recommend that project managers be required to prepare and retain appropriate supporting documentation to explain the basis of future capital commitment estimates. **Management response** The current process will be reviewed to ensure that project managers apply a consistent approach to documenting how commitment values are calculated and ensure that adequate supporting evidence is available.
Low	**Accruals and prepayments de minimis thresholds** The Authority does not consistently apply its £500 de minimis threshold for accruals and prepayments. Items above the threshold were not always processed in line with this policy. It may also be appropriate to review the threshold to ensure it remains fit for purpose.	Management should either review and increase the threshold to better balance the benefit of recognition against the effort involved or improve processes, so the existing threshold is applied consistently. **Management response** The process will be reviewed to consider whether the existing £500 threshold remains appropriate and whether it is being applied consistently across the Council. Guidance and procedures will also be reviewed to ensure there is a clear and consistent understanding of when accruals and prepayments should be processed.

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Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2024/25 financial statements, which resulted in 5 recommendations being reported in our 2024/25 Audit Findings Report. Our update is set out below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Income and debtor recognition** The Authority engages a property management agent to handle the management and rent collection for a number of its commercial properties. It was identified that remittances and reconciliations were monitored on a cash basis which does not recognise accrued rental income or debtors in the financial statements. There is a risk that income and debtors are both understated in the financial statements. We recommend that management implements processes to ensure the completeness of the reporting of income from its rental portfolio. Management responded that it is implementing new processes to ensure completeness of the reporting of income from the rental portfolio. We will review progress during our audit work.	No such errors were identified in the current year.

Assessment

✓ Action completed

X Not yet addressed

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Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
	Treatment of leases Our testing of the changes arising from the adoption of IFRS 16 identified a number of errors including the historic incorrect recognition of one school, incorrect lease recognition and trivial differences due to incorrect rental figures used, although the overall error is immaterial. Testing of the disclosures for future income receivable by the Authority as lessor identified a number of errors due to incorrect rental values and lease terms used. Management has reviewed a number of the lease arrangements, and testing has identified that there is not a risk of material misstatement in the remaining population. We recommend that management reviews its leasing records and ensures that these are correct and are updated on a regular basis. Management responded that it acknowledges the audit findings relating to lease receivables. The issues identified arose during a period of significant planned improvement within Assets & Property, which includes ongoing data cleansing and alignment of lease and asset records across the Authority's financial and property systems. These activities form part of the service's 12-month-plus Improvement Plan, which is designed to establish strong, long-term foundations for continuous improvement. Internal Audit has recently reviewed progress against the plan and issued Substantial Assurance with no management actions, providing independent confirmation that the work underway is appropriate and strengthening controls. The recent restructure also increases capacity within Estate Management, enabling improved lease administration and management as well as enhanced data quality. New commissioned estate management arrangements will further support this, bringing in specialist expertise, improving the timeliness and consistency of lease activity, and ensuring that assets are actively managed to maximise value. These arrangements will also include clear requirements for accurate data and robust information sharing, ensuring the Authority continues to hold reliable and up-to-date lease records. We will review progress during our audit testing.	See current year recommendation.

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Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Nil net book value assets** In the prior year we recommended that management undertakes a review of its fixed asset register to identify assets with a nil net book value (fully depreciated) and carry out a stocktake to ensure that these assets were still in use by the Authority. Due to the timing of our recommendation, this work has been carried out during the current year and not reflected in the financial statements under review. The exercise is substantially complete and identified that of the £74 million of vehicles, furniture and equipment assets, £52 million were fully depreciated. Of these, management has ascertained that 52% were confirmed to have been disposed of or could not be located. Although there is no impact on the balance sheet, cost and accumulated depreciation will be overstated in the property, plant and equipment note. We also identified that the fixed asset register contains £12.9 million of refuse bins. Due to the nature of these assets, it is not possible to determine how many of these bins remain in use. While bins are typically replaced when damaged or lost, some from the original population are likely still in service. Purchases of new bins are capitalised, resulting in an increasingly large value within the register. We recommend that management ensures that it regularly reviews its assets and removes assets no longer in use from its fixed asset register. We also recommend that management implements a policy to write out refuse bins at the end of their assigned life.	Management has continued its asset stocktake and removed assets no longer in use from the fixed asset register. Fully depreciated assets totalling £44.9 million have been written out of the financial statements as a result of the ongoing asset stocktake. Of the assets remaining to be assessed we have extrapolated that potentially a further £7 million of cost and accumulated depreciation may need to be removed from the asset register.

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Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	**Negative asset values** Testing identified a trivial number of assets in the fixed asset register with negative values that related to incorrect postings being made to transfer assets under construction to operational assets. We recommend that management reviews the fixed asset register to correct anomalous entries. Management responded that additional controls have been put in place to identify any assets with negative asset values so the records can be corrected at that time.	We continued to identify a small number (six) of assets with a negative value totalling £345k. Five arose from incorrectly posted journals; the sixth may reflect outstanding costs or accruals not yet recognised. The amount is trivial and there is no material misstatement, but the fixed asset register should not contain negative values. We also identified a small number of assets with a negative useful life remaining in the fixed asset register.
✓	**Policy for time in lieu (TOIL)** Our testing of exit packages identified an individual who had accrued 260 hours of TOIL, which was paid on their departure from the Authority. We recommend that management ensures that it has a policy to prevent excessive TOIL being accrued and to ensure that any required instances are subject to approval. Management responded that there is clear guidance on the use of TOIL available on the Authority's intranet. In response to the audit finding, a reminder will be issued to reinforce expectations of both staff and managers.	Similar issues were not identified in the current year.

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Value for money arrangements

Approach to value for money work for the year ended 31 March 2026

The National Audit Office issued its latest value for money guidance to auditors in March 2026. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, the Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30 November each year from 2025/26. Our draft AAR will be reported to you at the November Audit and Governance Committee.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

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Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, there are no independence matters that we would like to report to you.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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Independence considerations

As part of our assessment of our independence, we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or investments in the group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management role covering financial, accounting or control-related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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Independence considerations

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective, reasonable and informed third party would take the same view. The firm and each covered person has complied with the Financial Reporting Council's Ethical Standard and confirmed that we are independent and are able to express an objective opinion on the financial statements.

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Fees and non-audit services

The tables below set out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to 31 October 2026, as well as the threats to our independence and the safeguards that have been applied to mitigate these threats.

The non-audit services are consistent with the Authority's policy on the allotment of non-audit work to your auditor.

None of the services were provided on a contingent fee basis.

We confirm that the fees from non-audit services to the audited entity and its controlled entities do not exceed 70% of the total audit fee for the year.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Dorset Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Audit fees	£
Audit of the Authority	611,529
Additional fee in respect of IFRIC 14	3,000
Work required in response to recent fraud investigations	TBC
Total	TBC

This covers all services provided by us and our network to the Authority, its senior officers and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

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Fees and non-audit services

Audit-related non-audit services

Service	2024/25 £	2025/26 £	Threats identified	Safeguards applied
Certification of Housing Benefits Subsidy claim *Proposed fee	33,000	44,000*	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £44,000 in comparison to the total fee for the audit of £611,529 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers' Pension Return	12,500	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £611,529 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	45,500	56,500		

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Fees and non-audit services

Total audit and non-audit fee £TBC	
(Audit scale fee, additional fees to be confirmed.) £611,529	(Non-audit fee) £56,500

The above fees are exclusive of VAT and out-of-pocket expenses.
The fees agree to the financial statements.

This covers all services provided by us and our network to the Authority, its senior officers and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

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Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Authority's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issues arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

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A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the members and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to those charged with governance.

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Audit Findings (ISA 260) Report for Dorset County Pension Fund

Year ended 31 March 2026

6 November 2026

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6 November 2026

Dear Members of the Audit and Governance Committee

Audit Findings for Dorset County Pension Fund for the 31 March 2026

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent.

Chartered Accountants

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We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at grant-thornton-transparency-report-2025.pdf.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Julie Masci

Director
For Grant Thornton UK LLP

Chartered Accountants

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Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Dorset County Pension Fund (the 'Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2026 for the attention of those charged with governance.

Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion, the Pension Fund's financial statements:

- give a true and fair view of the financial transactions of the Pension Fund year ended 31 March 2026 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the year.
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), the Narrative Report and the administering authority's financial statements), is materially consistent with the Pension Fund's financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work commenced in June 2026 and is substantially complete. Our findings are summarised on pages 9 to 29.

We have not identified any adjustments that impact on the Pension Fund's reported financial position.

We identified £6.673 million of unadjusted differences in the valuation of the Fund's investments disclosed in the financial statements as at 31 March 2026. Details of the unadjusted differences are provided on page 25.

Management are proposing not to amend the financial statements on the basis that the differences are not material both quantitatively and qualitatively. The Audit and Governance Committee will be asked to confirm their agreement to this through the Letter of Representation.

We have also raised recommendations for management, set out on page 27, and reported our follow up of prior year recommendation on page 30.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters:

- final manager and engagement lead review;
- receipt of management representation letter; and
- review of the final set of financial statements and LGPS annual report.

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Headlines (continued)

Financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the audited financial statements.

Our anticipated financial statements audit report opinion will be unmodified.

Whilst our work on the Pension Fund financial statements is substantially complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete. This is expected to be completed by end of November, ahead of the statutory deadline.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

We propose to issue our 'consistency statement' on the Pension Fund's Annual Report upon conclusion of audit of both the Pension Fund and the administering authority, which is expected by end of November.

We are unable to certify completion of the audit of the administering authority until this work has been completed.

Significant Matters

We did not identify any significant matters arising during our audit. However, we would like to highlight the challenges encountered as part of the transition from Brunel to Local Pension Partnership Investment (LPPI). As part of this transition, the process for handling audit queries has changed, resulting in additional administrative effort on both audit team and management. For further information, please refer to page 16.

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Our approach to materiality

As communicated in our Audit Plan presented to the Audit and Governance Committee on 29 June 2026, we determined headline materiality at the planning stage as £78.0 million based on 1.77% of Gross Investment Assets as at 31 March 2026. At year-end, we have reconsidered planning materiality based on the 2025/26 figures in the draft financial statements. Following a significant movement in materiality since planning, we have revised our overall materiality, together with the specific materiality levels applied to benefits payable.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £81.9 million based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as control environment, concentration of ownership, prior year issues, etc.
- We have used 1.84% of gross investment assets as at 31 March 2026 as the benchmark for our materiality. This represents an increase from 1.77% at planning, reflecting a change in materiality levels at one of the admitted bodies for which we are required to provide IAS 19 assurance, allowing us to re-consider our materiality threshold.

Performance materiality

- We have determined performance materiality at £61.4 million, based on 75% of headline materiality. We have revised the performance materiality proportionate to the change of headline materiality.

Specific materialities for Benefits Payable and Contributions

- We have determined lower specific materialities for benefits payable and contributions, they are based on 10% of the corresponding figure as at 31 March 2026. We have revised the benefits payable materiality following the significant change in the benchmark applied, on receipt of the draft accounts. We have not had to revise the contributions materiality from the planned level.

Reporting threshold

- We will report to you all misstatements identified in excess of £4.0 million, in addition to any matters considered to be qualitatively material.

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Our approach to materiality (continued)

A summary of our approach to determining materiality is set out below.

Description	Amount (£)	Qualitative factors considered
Materiality for the financial statements (updated from planning)	£81,900,000	Headline Materiality for planning equates to 1.84% of your gross investment assets as at 31 March 2026. We considered the business environment and industry conditions in which the Fund operates in determining our materiality. We have also considered the materiality applied for the admitted bodies for which we are required to provide IAS 19 assurance.
Performance materiality (updated from planning)	£61,400,000	We have determined this using 75% of headline materiality. These factors reflect the absence of material errors within the 2024/25 accounts, a historically low incidence of significant misstatements, stability in senior management and key finance function personnel, and consistency in the scoped items for audit.
Lower specific materiality for Benefits Payable (updated from planning)	£18,900,000	We have determined a lower specific materiality for Benefits Payable at 10% of the Benefits Payable figure as at 31 March 2026. A lower specific materiality has been applied due to the qualitative importance of pension benefit payments, which are fundamental to the Fund's operations and of significant interest to pensioners and other stakeholders.
Lower specific materiality for Contributions (same as planning)	£17,400,000	We have determined a lower specific materiality for Contributions Receivable at 10% of the Contributions figure as at 31 March 2026. A lower specific materiality has been applied due to the qualitative importance of contributions, which are fundamental to the Fund's operations and are relied upon by employers, members and pensioners as being accurately recorded.
Trivial matters - reporting threshold (updated from planning)	£4,000,000	This is based on 5% of headline materiality, which we consider to be an appropriate threshold to use in terms of our reporting to the Audit and Governance Committee as 'Those Charged with Governance'.

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Overview of significant risks

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	G
Valuation of Level 3 Investments	Significant	↔	✗	High	G
Valuation of directly held property	Significant	↔	✗	High	G
The revenue cycle includes fraudulent transactions	Rebutted	↔	✗	Low	G
The expenditure cycle includes fraudulent transactions	Rebutted	↔	✗	Low	G

↑ Assessed risk increased since audit plan

↔ Assessed risk consistent with audit plan

↓ Assessed risk decrease since audit plan

G Not likely to result in material adjustment or change to disclosures within the financial statements

A Potential to result in material adjustment or significant change to disclosures within the financial statements

R Likely to result in material adjustment or significant changes to disclosures within the financial statements

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Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. **Significant**	As part of our audit procedures, we : • evaluated the design and implementation of management controls over journals and the financial reporting process; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	We have not noted material adjustments or findings in relation to management override of controls. However, we have identified the following control deficiencies as part of our audit: • We identified that journals below £50k are posted directly into SAP without authorisation. Journals above £50k are required to be approved prior to posting with the exception of FB05 transactions. FB05 transactions are relating to bank postings and direct postings of income and expenditure from the bank statement imports. These journals are automatically approved without the need of approval regardless of value. Journals not subject to second user authorisation are at risk of error or fraud, and hence, we have identified a control deficiency and recommend that compensatory controls are put in place; and • The Section 151 Officer has access to post journals. Although no journals were posted by the Section 151 Officer during the year, this access increases the risk of management override of controls. We have therefore identified a control deficiency and recommend that the Fund restricts journal posting rights to appropriate personnel, excluding senior management with responsibility for authorising material transactions. We are satisfied that judgements made by management are appropriate and have been determined using a consistent methodology. Having assessed management's judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements. Based on the work undertaken, there are no other matters we wish to bring to the Audit and Governance Committee's attention in respect of the management override of controls.

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Significant risks (continued)

Risk identified	Audit procedures performed

Valuation of level 3 investments
 	
The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.
 	
Significant
	As part of our audit procedures, we :
	• documented and evaluated management's process for valuing Level 3 investments, including the design and implementation of the relevant controls of management's process for valuing Level 3 investments;
	• challenged management's valuation (for a sample – where applicable) of the investments through:
	  • comparing the valuation to purchase and sale transactions of the investment near the reporting date where appropriate
	  • reviewing the audited financial statements of the investment accounts. Where there were different reporting dates, we carried out 'look back tests' to gain assurance on the valuation methods of the investment manager, comparing audited accounts to capital statements at the same date and then considering cashflows to year end (and indices where appropriate)
	  • reviewing the corresponding independently sourced capital statements at 31 March 2026;
	• reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts;
	• reviewed and challenged management's classification of the assets; and
	• obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate.
	
	Key observations are detailed on the next page.

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Significant risks (continued)

Key Observations

A number of differences regarding the valuation of Level 3 investments were identified. These typically arise as the values at 31 March 2026 are estimated using the most up to date figures at that time (e.g. capital account statement at 31 December 2025) which was then adjusted for known changes, such as calls and distributions up to the year end date (i.e. further investments or capital withdrawals).

We have identified a £5.74m understatement of level 3 investments which we report as an unadjusted misstatement. Note that the unadjusted misstatement reported includes £0.93m understatement of level 2 investments.

We also identified estimation differences of £4.26m in the valuation of Level 3 investments. This arose from differences between the Fund's year-end valuations and our own independent estimates of what the investments should be worth, which we based on supporting evidence such as the underlying funds' latest audited financial statements. As this is an immaterial estimation variance and not deemed to be an error, this is not reported as an unadjusted misstatement in the financial statements. However, this is reported for transparency of the work performed and supports the conclusion that level 3 investments are materially accurate.

Our sample testing identified two Level 3 investments, totalling £40.58m, which the fund manager confirmed are valued using observable inputs and should therefore be classified as Level 2 under the Fair Value hierarchy. We discussed this with management, who agreed with our finding. Therefore, to establish whether other investments were affected, we asked management to review the remaining Level 3 investments. This review identified a further £20.39m of investments that should also be classified as Level 2, giving a total misclassification of £60.97m. The disclosure has been corrected by management and is reported as a corrected disclosure error on page 21. The comparative figures were also adjusted.

We are satisfied that judgements made by management are appropriate and the valuations have been determined using consistent methodology.

We have gained sufficient assurance that the valuation of level 3 investments is materially correct as at 31 March 2026.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of directly held investment property The valuation of directly held property is a significant accounting estimate based upon a number of judgments and key assumptions and hence there is a risk if material misstatement due to error and/or fraud. Significant	As part of our audit procedures, we: • evaluated management's processes for valuing directly held property investments; • assessed the qualification, competence and objectivity of the management's expert; • obtained and reviewed the valuation report provided by management's expert; • engaged auditor's expert to review the terms of engagement with the valuer including the methodology and assumptions used for reasonableness; • reviewed the methodology and assumptions used in valuation; • reviewed the movement in valuation from the prior year where appropriate; and • reviewed the inputs and significant assumptions used as part of the valuation for a sample of assets.	Our work has not identified any significant issues with regards to the valuation of directly held properties. We have gained sufficient assurance that the valuation of directly held properties is materially correct as at 31 March 2026.

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Other areas impacting the audit

This section provides commentary on other issues and risks which were identified during the course of the audit and were previously communicated in the Audit Plan.

Issue	Commentary	
2025 triennial valuation Under Regulation 62 of the Local Government Pension Scheme Regulations 2013 the Fund must obtain an actuarial valuation of its assets and liabilities every three years. The latest valuation is as at 31 March 2025 (published in March/April 2026). The purpose of the valuation is to set employer contribution rates for the period from 1 April 2026 to 31 March 2029. The underlying demographic data will also be rolled forward and utilised in the 2025/26 estimate of the actuarial present value of promised retirement benefits disclosure calculations made under IAS 26 (on an IAS 19 basis as required by IAS 26 and 6.5. 2.9 of the CIPFA Code).	The data used by actuaries to produce IAS 19 liabilities and assets can be broadly split into two categories: 1) Individual member data used to calculate the triennial valuation liabilities and assets which the IAS 19 liabilities and assets are based on. 2) Data used to carry out the roll-forward calculation from the triennial valuation liabilities and assets to the IAS 19 liabilities and assets. This data is provided by administering authorities and the relevant employers. As auditors, we therefore needed to test the individual member data used by the actuaries in their triennial valuation calculations (Item 1) against independent records every three years. Item 2 testing is carried out annually.	Auditor view We completed testing of a sample of 25 individual member data provided to the actuary for the purpose of the 2025 Triennial Valuation. No issues were identified in our testing of this data.

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Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report. This has been shared with management directly and presented to the Audit and Governance Committee on 3rd of August 2026.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
SAP	Detailed ITGC assessment (design implementation effectiveness only)	🟡	🟢	🟡	⚫	Management override of controls
Civica (UPM)	Detailed ITGC assessment (design and implementation effectiveness only)	🟢	🟢	🟢	⚫	Contributions, benefits payment and membership data

Assessment:

- 🔴 [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ [Black] Not in scope for assessment

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Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	• We have requested a Letter of Representation from management and this is included as a separate agenda item.
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted, and the requests were issued and responses received.
Disclosures	• We have found no material omissions in the financial statements. A number of disclosure corrections were proposed from our audit work.
Audit evidence and explanations	• All information and explanations requested from management was provided.
Significant difficulties	• The Fund transitioned from Brunel to LPPI with effect from 1 April 2026. Responsibility for the management of the Fund's pooled assets, including responding to audit queries, transferred to LPPI accordingly. Alongside this change, the process for coordinating requests across GT's pension fund audits under the pooling arrangement also changed. We have been asked to direct our queries and requests directly to individual fund managers, rather than through Brunel, as was the case in previous audits. This has resulted in additional administrative effort for the Fund's audit, requiring direct correspondence with, and monitoring of responses from, each fund manager.
Other matters	• There are no other matters to bring to the Audit and Governance Committee's attention.

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Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. – Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10.

The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Pension Fund and the environment in which it operates
- the Pension Fund's financial reporting framework
- the Pension Fund's system of internal control for identifying events or conditions relevant to going concern

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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Other responsibilities

Issue	Commentary
Other information	The Pension Fund is administered by Dorset Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements (including the Annual Governance Statement (AGS), the Narrative Report and Council's financial statements) and report whether it is materially consistent with the Pension Fund financial statements and our knowledge obtained during the audit. Immaterial inconsistencies have been identified and have been adequately rectified by management. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited pension fund financial statements within the administering authority's accounts. Our work remains in progress but no material inconsistencies have been identified to date. We propose to issue our 'consistency statement' on the Pension Fund's Annual Report shortly after the November Audit and Governance Committee. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.

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Adjusted misstatements and disclosure misstatements

To date, we have not identified any misstatements requiring adjustments. A number of disclosure misstatements were identified as part of our audit:

Disclosure misstatement	Detail	Auditor recommendations
Note 3. Summary of Significant Accounting Policies	Our review of the accounting policies identified that the policy for loans and receivables was insufficiently detailed. Management agreed to expand it as follows: *"Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest"*	We recommend that this disclosure adjustment is processed. **Management response** The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 6. Assumptions made about the future and other major sources of uncertainty	Our review identified that the carrying value of the actuarial present value of promised retirement benefits has not been disclosed, as required by paragraph 3.4.2.96 b) of the CIPFA Code. Management agreed to include the carrying value of £3,978,587k. The sensitivity disclosure for the actuarial valuation has also been updated to reflect the latest triennial valuation report.	We recommend that this disclosure adjustment is processed. **Management response** The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 7. Events after reporting period	The change in LGPS pooling arrangements from Brunel to LPPI was reported within events after the reporting date. Management has expanded this note to provide further detail on the assets transitioned between fund managers in the year ahead of the Brunel wind-up. The following narrative was added: *"In preparation for this change in investment pooling arrangements, in March 2026 the Fund divested in full from Brunel's Emerging Markets Equity Fund and invested the proceeds in emerging markets equity funds managed by Ninety One and Robeco".*	We recommend that this disclosure adjustment is processed. **Management response** The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.

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Adjusted misstatements and disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Note 15B. Property holdings	Our review of the future minimum lease payments receivable identified issues with the calculation that resulted in differences. Although these differences were not material, management reviewed the calculation and revised the disclosure as follows: Between one and five years – adjusted from £23,041k to £28,386k Later than five years – adjusted from £28,928k to £23,287k Total – adjusted from £62,405k to £62,110	We recommend that this disclosure adjustment is processed. **Management response** The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 16. Reconciliation of movements in investments and derivatives	Our testing of purchases and sales of investments identified a share conversion that had been recorded as both a purchase and a sale. Based on the supporting evidence we inspected, this represented a change of name from Standard Life Investments to Aberdeen Standard Investments rather than an actual purchase and sale. Purchases and sales of investments were therefore both overstated by £28,457k, with no impact on the Net Asset Statement and Fund Account.	We recommend that this disclosure adjustment is processed. **Management response** This has not been adjusted by management on the grounds of immateriality and no impact on the primary financial statements.

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Adjusted misstatements and disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Note 16. Reconciliation of movements in investments and derivatives	Management has added narrative to the Note 16 disclosure to help readers understand the high level of purchases and sales of investments during the year. The following narrative has been added: "Equity purchases and sales were unusually high during the year due to a restructuring of the Fund's UK equity investments. A redemption from the Brunel UK Equities fund was received 'in-specie' as a basket of underlying securities rather than as cash. Market trading then took place on those securities to meet a target asset list for the LGIM UK Equities Index fund, and those assets were then exchanged for units in the LGIM fund. This approach reduced transaction costs and the risk of being out of the market while the transition took place."	We recommend that this disclosure adjustment is processed. Management response The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 18. Fair value of investments	Our testing of Level 3 investments identified two investments which the fund managers confirmed are valued using observable inputs and should therefore be classified as Level 2 in line with the requirements of paragraph 2.10.2.29 of the CIPFA Code. These investments total £60.9m. This is a disclosure error and has no impact on the Net Asset Statement. The related prior year figure of £56.8m has also been reclassified.	We recommend that this disclosure adjustment is processed. As to the prior year adjustment, the amount is not material. Under IAS 8, the Fund is therefore not required to restate the comparative figures or make a prior period adjustment. Management response The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts. Further, the comparative figures have been amended to ensure comparability with the 2025/26 figures.

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Adjusted misstatements and disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Note 19. Classification of financial instruments	Our testing of the classification of financial instruments identified that short-term deposits presented within cash and cash equivalents had been incorrectly classified as financial assets held at fair value through profit or loss. In line with the Code and the applicable financial reporting framework, these should be classified as financial assets at amortised cost. The total adjustment is a reclassification of £45,000k from financial assets at fair value through profit or loss to financial assets at amortised cost.	We recommend that this disclosure adjustment is processed. Management response The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 20. Nature and extent of risks arising from financial instruments	We identified an incorrect sign in the prior year comparative for interest rate risk relating to multi asset credit. Management has corrected the figure from £15,342k to (£15,342k), and the total from £8,256k to £22,428k.	We recommend that this disclosure adjustment is processed. Management response The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 20. Nature and extent of risks arising from financial instruments	We agreed the amount to the currency exposure report and identified a variance in the unhedged exposure relating to pooled investment vehicles. We raised this with management, who confirmed that the figure had been incorrectly updated. Management agreed to amend the disclosure, increasing the unhedged exposure from £1,916,546k to £2,016,896k.	We recommend that this disclosure adjustment is processed. Management response The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.

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Adjusted misstatements and disclosure misstatements

Disclosure misstatement8	Detail	Auditor recommendations
Note 20. Nature and extent of risks arising from financial instruments	The Fund has updated its liquid assets disclosure to reflect the reclassification between levels of investments. Liquid assets have increased from £3,685m (81% of total net assets) to £3,741m (82% of total net assets).	We recommend that this disclosure adjustment is processed. **Management response** The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 24. Related Party Transactions	Our review of the related party disclosure identified that total contributions from the administering authority were stated as £50m. This was inconsistent with Note 8 (Contributions Receivable), which discloses contributions of £54m. Management confirmed that the correct figure is £54m and has agreed to revise the related party disclosure.	We recommend that this disclosure adjustment is processed. **Management response** The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 25. Contingent assets, liabilities and contractual commitments	The Fund updated its disclosure on Virgin Media Case under Note 25 to ensure that it reflects the latest updates set out in the LGPC bulletin released in June 2026.	We recommend that this disclosure adjustment is processed. **Management response** The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.

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Adjusted misstatements and disclosure misstatements

Disclosure misstatement8	Detail	Auditor recommendations
Net Asset Statement	The Fund restated its 2024/25 net assets statement, reclassifying £66.8m of cash from investment assets to current assets. This cash is held for treasury management purposes rather than for investment.	The amount is not material. Under IAS 8, the Fund is therefore not required to restate the comparative figures or make a prior period adjustment. Management response The comparative figures have been amended to ensure comparability with the 2025/26 figures.
Throughout	Following review of accounts by engagement lead and manager and also consistency checks carried out, we have noted minor errors and wording amendments. Management has agreed to update the financial statements to reflect these changes.	We recommend that this disclosure adjustment is processed. Management response The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.

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Unadjusted misstatements

This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

	Pension Fund Account		Net Asset Statement £'000			
Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000	Reason for not adjusting
Total net assets per final accounts					**£4,549,495**	
We have noted variances between the Level 2 and 3 investment values stated in the financial statements and the Level 2 and 3 investment values confirmed by Fund manager. This resulted to understatement in Level 2 and 3 investments.	-	(£6,673)	£6,673	-	£6,673	Not material.
Total net assets – recalculated to include unadjusted misstatements					**£4,556,168**	

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Impact of unadjusted misstatements in the prior year

This is a summary of unadjusted misstatements identified during the prior year audit, which impact the current year financial statements.

	Pension Fund Account		Net Asset Statement £'000			
Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000	Reason for not adjusting
Total net assets – recalculated to include unadjusted misstatements identified in the current year (total from previous page)					**£4,556,168**	
Unadjusted misstatement identified in the Prior Year*						
We have noted variances between the Level 2 and 3 investment values stated in the financial statements and the Level 2 and 3 investment values confirmed by Fund manager. This resulted to understatement in Level 2 and 3 investments in prior year.	£5,195			(£5,195)	-	Not material
Cumulative impact of prior year and current year unadjusted misstatements on 2025/26 financial statements.					**£4,556,168**	

*Note that we have 2 other unadjusted misstatement in 2024/25 as follows:

- An error relating to transfers in was identified during testing in 2024/25 that originated in the 2023/24 financial year. This error does not affect the 2025/26 figures.
- Cash balances held for treasury management purposes should have been reported as current assets rather than investment assets. Management has restated the comparative figures, and this therefore has no impact on the 2025/26 figures.

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Action plan

We have identified five recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2026/27 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
●	Our audit work has again identified FB05 transaction journals can be posted directly to the ledger without authorisation. This increases the risk of error and the potential for fraud and management override of controls.	We recommend that compensatory controls are put in place. **Management response** The process for approval of journals in the pension fund accounts is the same as that for the 'main' Council accounts. The financial system currently used by the Council (SAP) does not allow for approvals within the system. Compensatory controls are in place that require Service Managers (or equivalent) to approve journals above £50k and Senior Accountants (or equivalent) to approve all journals below that threshold. The Council is in the process of replacing SAP with a new system within which there will be a requirement for journals to be approved before they are posted to the ledger.

Assessment key:

- ● [Red] High – Significant effect on financial statements
- ● [Amber] Medium – Limited effect on financial statements
- ● [Green] Low – Best practice

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Action plan

Assessment	Issue and risk	Recommendations
●	The Section 151 Officer has access to post journals. Although no journals were posted by the Section 151 Officer during the year, this access increases the risk of management override of controls.	We recommend that that the Fund restricts journal posting rights to appropriate personnel, excluding senior management with responsibility for authorising material transactions. **Management response** Agreed.
●	During testing of benefits pensions payable, the scheme administrator was unable to provide supporting documentation for Sample 4, including the retirement assessment sheet. The administrator explained that retirement cases processed in 2006 were paper-based and that the file was either not returned for scanning or not captured during the scanning process. We were therefore unable to obtain sufficient appropriate audit evidence to support the pension benefit calculation and payment for this sample. Incomplete retention of pension administration records may leave the Fund unable to evidence that benefits have been correctly calculated, authorised and paid in accordance with scheme rules. It may also limit its ability to respond to audit, regulatory or member enquiries.	Management should strengthen record management controls so that pension administration records are completely captured, retained and readily accessible. This should include retaining electronic copies of key retirement documentation, monitoring the completeness of scanned records and investigating any cases where supporting documentation cannot be located. **Management response** Record management controls have been considerably strengthened since 2006 which was prior to our current software system being introduced, within which such issues could not occur. Our current software system (UPM provided by Civica since 2021) holds scanned documents on individual member records. Incoming post is scanned internally by the team before being passed for checks and allocation to the relevant member task. We have not used paper records since 2021 and so this is no longer a risk.

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Action plan

Assessment	Issue and risk	Recommendations
●	We have again identified that there was no budget monitoring undertaken for the pension fund. Investments are monitored throughout the year but there is no monitoring of items within the fund account such as management expenses, benefit payments and contributions. Monitoring and reporting of these values through out the year would help early identification of anomalies.	We recommend that a budget for fund account items is developed and reporting against throughout the year. **Management response** A budget for fund account items has been developed and is now reported against throughout the year on a quarterly basis to the Pension Fund Committee.
●	Dorset County Pension Fund has provided an order form and terms of engagement relating to its contract with Barnett Waddingham for actuarial services. Our review identified that the order form is out of date. However, the Fund continues to receive actuarial services, payment for those services continues to be made, and Barnett Waddingham continues to fulfil its contractual obligations. There is a risk that contractual arrangements are not formally documented through current agreements, which could lead to uncertainty over the rights and obligations of either party should a dispute arise or should service requirements change. In addition, outdated contract records may limit management's ability to demonstrate effective contract governance and oversight.	The Fund should review its contract management arrangements and ensure that all relevant supplier agreements and supporting contractual documentation are kept up to date and formally renewed or extended where appropriate. This will help ensure that current service expectations, responsibilities, and commercial terms are clearly documented and support effective contract governance. **Management response** Agreed.

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Follow up of prior year recommendations

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
→	Our audit work has identified that journals below £50k are posted directly into SAP without authorisation. Journals above £50k are required to be approved prior to posting with the exception of FB05 transactions. This increases the risk of error and the potential for fraud and management override of controls.	A retrospective review of journals below £50,000 is now in place, and journals above £50,000 require approval before posting. However, FB05 transactions can still be posted directly without authorisation. We have again raised this as recommendation – see page 27.
✖	We have again identified that there was no budget monitoring undertaken for the pension fund. Investments are monitored throughout the year but there is no monitoring of items within the fund account such as management expenses, benefit payments and contributions. Monitoring and reporting of these values through out the year would help early identification of anomalies.	This remains as finding in our audit. We have raised this again as part of this year's audit recommendation – see page 29.
✓	Our testing of starters and leavers identified that a number of leavers did not have leaving dates recorded. This was due to a backlog of leaver processing within the Pension Fund team. All leavers tested had left and evidence to support this was provided. However, their pension leaving date and status had not been updated in the UPM system.	We did not identify a similar control deficiency in our leavers testing. We therefore consider this recommendation to have been addressed.

Assessment:

✓ Action completed

→ Partially addressed

✖ Not yet addressed

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Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We identified issue in our testing wherein transfers in payment relating to 2023/24 was only recognised in the general ledger in 2024/25 due to resourcing issue creating backlog in pensions admin team. This creates risk that material transaction could be missed causing material error within the accounts.	We did not identify a similar control deficiency in our audit as this have been scoped out due to immateriality. We therefore consider this recommendation to have been addressed as risk of material misstatement is low.
✓	Our testing identified that the Fund does not have its own assessment of the classification and valuation level of the investments they hold as well as the detailed breakdown of their cash equivalent under Level 1 and 2 investments. They solely rely on their custodian to provide this assessment and information. This cause some delays in the audit wherein we had been back and forth with the Fund to obtain this information. Due to the significance of the investment the Funds hold, there is a risk of material misstatement in the disclosure if the classification is incorrect.	We received the Fund's assessment of the classification of investments, together with a detailed breakdown of cash equivalents, during the audit. We therefore consider this recommendation to have been addressed.
✓	Our review of investments disclosures identified that the tenancy schedule were not updated by the Fund and its property manager. It still includes properties that were sold by the Fund and some of the annual rent were not updated in line with the latest agreed rent. This resulted to disclosure error in future minimum lease receivable payments which the Fund amended. This creates risk of material error within the disclosure.	We did not identify a similar control deficiency in our directly held property investment disclosures testing. We therefore consider this recommendation to have been addressed.

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Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we confirm there are no independence matters that we would like to report to you.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies and the Terms of Appointment and further guidance issued by the Public Sector Audit Appointments (PSAA).

As part of our assessment of our independence, we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund or investments in the Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's committees, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

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Fees and non-audit services

The tables below and on the next page set out the total fees for the audit and any non-audit services that we have been engaged to provide or charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor. None of the services were provided on a contingent fee basis

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Dorset County Pension Fund. The table overleaf summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Our firm also provides audit and non-audit services to the Administering Authority. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to TCWG for that entity. Consequently, such fees are disclosed in the Council's financial statements rather than the Pension Fund's.

Audit fees	£
Audit of Pension Fund (scale fee)	£100,886
2025 triennial valuation data testing	£5,000
Direct properties valuation work	£10,000
Total	**£115,886**

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Fees and non-audit services (continued)

Audit related non-audit services	£	Threats identified	Safeguards applied
IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	£1,100	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £1,100 in comparison to the total proposed fee for the audit of 115,886 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	£1,100		

Total audit fee	Non-audit fee
£115,886	£1,100

The above fees are exclusive of VAT and out of pocket expenses.

The fees agree to the financial statements

This covers all services provided by us and our network to the Fund and senior management, that may reasonably be thought to bear on our integrity, objectivity or independence.

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A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

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A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

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Grant Thornton UK LLP
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Date: 16 November 2026
Ref: SC
Officer: Sean Cremer
01305 228685
Sean.cremer@dorsetcouncil.gov.uk

Dear Grant Thornton UK LLP

Dorset Council
Financial Statements for the year ended 31 March 2026

This representation letter is provided in connection with the audit of the financial statements of Dorset Council (the "Authority") for the year ended 31 March 2026 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings and the net defined benefit pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities include identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for land and

buildings valuations reflecting the requirement to use indexation to estimate the values of assets not revalued in the year. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent;

b. none of the assets of the Authority has been assigned, pledged or mortgaged; and

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. The prior period adjustments disclosed in note 4, note 14 and note 51 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

xv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters except for the information outlined in paragraph xxvi below;

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others. We have considered the continuing impact of the findings relating to the recent fraud investigations on the financial statements as a whole and are satisfied that this does not give rise to a material misstatement.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

xxv. On 30 September 2024 Parliament approved the Accounts and Audit (Amendment) Regulations 2024. These regulations set a publication date for financial statements in respect of 2025/26 of 31 January 2027. The National Audit Office Code of Audit Practice, which was published on 14 November 2024, also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'backstop date'. It has not been possible to provide you with all the information required for you to complete your audit for the year ending 31 March 2026 by the backstop date in relation to property, plant and equipment and reserves.

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit and Governance Committee at its meeting on 16 November 2026.

Yours faithfully

<<< electronic signature >>>

Name: **Sean Cremer**

Position: **Director – Resources (CFO & s151 Officer)**

Date: **16 November 2026**

Signed on behalf of the Authority

Appendix I
Unadjusted misstatements

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on surplus/deficit on the provision of services £'000	Impact on general fund £'000	Management's reason for not adjusting
Property valuation errors Dr Reserves Errors identified in respect of land and buildings valuations		Reserves 1,675 Property, plant and equipment (1,675)			Immaterial
Defined benefit pension assets The audit of Dorset Pension Fund identified an understatement error relating to the differences in asset valuations.	Remeasurement of the net defined benefit liability (2,342)	Net defined benefit liability 2,342 Reserves (2,342)			Immaterial
Overall impact of current year unadjusted misstatements	(2,342)	667			

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Date: 16 November 2026
Ref:
Officer: David Wilkes
01305 254119
investments@dorsetcouncil.gov.uk

Dear Grant Thornton UK LLP

Dorset County Pension Fund: Financial Statements for the year ended 31 March 2026

This representation letter is provided in connection with the audit of the financial statements of Dorset County Pension Fund ("the Fund") for the year ended 31 March 2026 for the purpose of expressing an opinion as to whether the Fund financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025-26 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Fund's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of level 2 and level 3 investments and directly owned properties. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities include identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. Except as disclosed in the financial statements:

    a. there are no unrecorded liabilities, actual or contingent;

a. none of the assets of the Fund has been assigned, pledged or mortgaged; and

b. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

ix. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the Fund to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Fund from whom you determined it necessary to obtain audit evidence.

xiv. We have communicated to you all deficiencies in internal control of which management is aware.

xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xvii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
   a. management;
   b. employees who have significant roles in internal control; or
   c. others where the fraud could have a material effect on the financial statements.

xviii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xix. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xx. Annual Benefit Illustrations (ABIs) for the year were issued without McCloud data due to delays in receiving the remedial software. This affected approximately 5% of the 5,823 scheme members in scope of the McCloud remedy and was reported to The Pension Regulator as a material breach. There have been no other communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

xxi. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

xxii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Audit and Governance Committee at its meeting on 16 November 2026.

Yours faithfully

<<< electronic signature >>>

Sean Cremer

Director – Resources (CFO & s151 Officer)

16 November 2026

Signed on behalf of the Fund

Appendix I

Unadjusted misstatements

Detail	Pension Fund Account Debit £'000	Pension Fund Account Credit £'000	Net Asset Statement £'000 Debit £'000	Net Asset Statement £'000 Credit £'000	Impact on total net assets £'000	Reason for not adjusting
Total net assets per final accounts					**£4,549,495**	
We have noted variances between the Level 2 and 3 investment values stated in the financial statements and the Level 2 and 3 investment values confirmed by Fund manager. This resulted to understatement in Level 2 and 3 investments.	-	(£6,673)	£6,673	-	£6,673	Not material.
Total net assets – recalculated to include unadjusted misstatements					**£4,556,168**	

DRAFT Independent auditor's report to the members of Dorset Council on the pension fund financial statements of Dorset County Pension Fund

Opinion on financial statements

We have audited the financial statements of Dorset County Pension Fund (the 'Pension Fund') administered by Dorset Council (the 'Authority') for the year ended 31 March 2026, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2026 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director – Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Director – Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Director – Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director - Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Director - Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Director - Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director – Resources. The Director – Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, for being satisfied that they give a true and fair view, and for such internal control as the Director – Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Director – Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 (as amended), the Local Government Act 2003**,** Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).
- We enquired of management and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
    - the identification, evaluation and compliance with laws and regulations;
    - the detection and response to the risks of fraud; and
    - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. We determined that the principal fraud risk was in relation to management override of control, specifically material post year-end journals posted, journals posted by senior finance personnel and unapproved manual journals.
- Our audit procedures to address the principal fraud risk included:
    - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
    - journal entry testing, with a focus on unusual journals as defined above; and
    - challenging assumptions and judgements made by management in its significant accounting estimates and considering whether there are indicators of management bias.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it or recognise non-compliance.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
    - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
    - knowledge of the local government pensions sector
    - understanding of the legal and regulatory requirements specific to the Pension Fund including:
        - the provisions of the applicable legislation
        - guidance issued by CIPFA/LASAAC and SOLACE

  - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[**Signature**]

Julie Masci, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

X November 2026

DRAFT Independent auditor's statement to the members of Dorset Council on the pension fund financial statements of Dorset County Pension Fund included within the Pension Fund annual report

Opinion

We have examined the pension fund financial statements of Dorset County Pension Fund (the 'Pension Fund') for the year ended 31 March 2026 included within the pension fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to the financial statements, including material accounting policy information.

In our opinion, the Pension Fund financial statements included within the pension fund annual report are consistent, in all material respects, with the audited pension fund financial statements of Dorset Council for the year ended 31 March 2026 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

We have not considered the effects of any events between X November 2026, being the date we signed our auditor's report on the audited financial statements of Dorset Council, and the date of this statement.

Respective responsibilities of the Corporate Director Finance and Commercial and the auditor

As explained more fully in the Statement of Responsibilities, the Director – Resources is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

Our responsibility is to state to the members of Dorset Council our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of Dorset Council.

We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of Dorset Council describes the basis of our opinion on those financial statements.

Use of this auditor's statement

This statement is made solely to the members of Dorset Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Dorset Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Dorset Council and the members of Dorset Council as a body, for our work, for this statement, or for the opinions we have formed.

[**Signature**]

Julie Masci, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

X November 2026

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