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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:

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

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	To receive a report from the Senior Manager – Grant Thornton.	

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Grant Thornton

Dorset Council

Auditor's Annual Report
Year ending 31 March 2026

10 November 2026

Interim



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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 completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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01 Introduction and context

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Introduction

This report brings together a summary of all the work we have undertaken for Dorset Council (The Council) during 2025/26 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2026 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2025/26.
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 31 of the Local Audit and Accountability Act, the auditor of a local authority may make an application for judicial review of a decision of that authority, or of a failure by that authority to act, which it is reasonable to believe would have an effect on the accounts of that body. They may also issue

- Statutory Recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR)

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. During 2024/25, the NAO consulted on and updated the Code to align it with accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. The deadline requirement for 2025/26 AARs is 30 November 2026.

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Local government – context

Local government has remained under significant pressure in 2025/26

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present



Financial Sustainability

Despite the Fair Funding Review 2.0, many councils continue to face significant financial challenges, including social care, SEND and temporary accommodation pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Digital change

AI and digital change are automating routine processes and enabling more personalised services for residents. This is shifting workforce skills as councils seek productivity gains. Risks around digital exclusion, data quality, ethics, and governance mean strong leadership and controls are increasingly important.



Reorganisation and Devolution

Many councils in England are impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

Dorset Council is a unitary authority serving approximately 380,000 residents across a predominantly rural and coastal area. The Council comprises 82 elected members, with elections held every five years. Following the local elections held in May 2024, the Liberal Democrats secured 42 of the 82 seats and gained overall control of the Council. The Council faces a range of strategic challenges, including responding to the needs of an ageing population, supporting economic growth and productivity, and ensuring effective service delivery across dispersed communities. Dorset's rural and coastal geography also presents climate and environmental considerations.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2025/26.

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02 Executive Summary

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Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2024/25 Assessment of arrangements		2025/26 Risk assessment	2025/26 Assessment of arrangements	
Financial sustainability	R	Significant weakness in arrangements identified in relation to increasing DSG deficit and improvement recommendations also raised.	One risk of significant weakness identified in relation to the DSG deficit.	R	One significant weakness in arrangements retained and key recommendation updated from the prior year relating to the DSG deficit and implementation of the SEND Reform Plan. We have also updated the prior year recommendation focusing on the delivery of recurrent savings as part of the transformation programme.
Governance	R	Significant weaknesses identified and one key recommendation raised in relation to the Building Health and Safety Team. Two improvement recommendations also raised.	Risks of significant weaknesses identified in relation to the Building Health and Safety Team.	R	Significant weaknesses relating to the Building Health and Safety Team retained from the prior year. A new key recommendation has been raised requiring the Council to ensure that actions arising from the Building Health and Safety Compliance reviews are fully implemented, embedded and operating effectively by 31 March 2027.
Improving economy, efficiency and effectiveness	R	One significant weaknesses in arrangements identified and one key recommendation as raised above relating to the Building Health and Safety Team.	One risk of significant weakness identified in relation to procurement and commissioning arrangements.	R	Significant weaknesses relating to the Building Health and Safety Team is retained from the prior year. A new key recommendation has been raised in relation to the Council's contract management arrangements.

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendation(s) made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.

Financial sustainability

In 2025/26, the Council reported a £0.2m revenue underspend, representing the first year-end underspend achieved since the creation of Dorset Council as a unitary authority. This was achieved despite overspends within areas such as Adults and Housing and Children's Services, which were offset by underspends elsewhere.

The Council has strengthened governance and oversight of transformation activity through the establishment of a Transformation Management Office and delivered £20.9m of savings during the year, including £5.7m delivered through the Our Future Council (OFC) transformation programme.

The cumulative Dedicated Schools Grant (DSG) deficit increased from £95.6m to £148.7m, driven principally by a £55.2m High Needs Block overspend. In October 2026, the Council received approval of its Local SEND Reform Plan and confirmation of funding equivalent to 90% of the cumulative DSG deficit at 31 March 2026. We have retained the significant weakness given the continued growth of the deficit and the importance of delivering the SEND Reform Plan to address the underlying cost pressures and achieve a sustainable financial position.

See pages 17-21 for further details.

Governance

The Council has governance arrangements in place to monitor risk and provide assurance over the effectiveness of internal controls, including arrangements for fraud prevention and detection.

During 2025/26, the Council made progress in responding to recommendations arising from internal audit reviews and improved the timeliness of responding to management actions. However, sufficient progress had not been made by 31 March 2026 to conclude that the significant weaknesses identified in the prior year had been fully addressed. In particular, only 10 of the 35 actions agreed following the Building Health and Safety Compliance review had been implemented. We have therefore retained the significant weakness for 2025/26 and raised a new key recommendation for the Council to ensure that the actions implemented are consistently applied across the Council and are operating effectively in practice by 31 March 2027.

See pages 22-27 for further details.

Improving economy, efficiency and effectiveness

The Council has a Strategic Performance Management Framework, published in 2026, which sets out how performance is planned, monitored, reported and improved.

In 2025/26 the Council received strong external inspection outcomes. This included an Ofsted rating of "Outstanding" for its Children's Services, and a "Good" rating from the Care Quality Commission (CQC) for Adults Social Care.

The Council has contract management arrangements in place, supported by a central Commercial and Procurement Team. However, actions arising from the Building Health and Safety Compliance review undertaken in 2024/25, which identified weaknesses in contract management arrangements, had not been fully implemented by the end of 2025/26. In addition, recent Internal Audit reviews identified weaknesses in contract monitoring and oversight arrangements. We have therefore retained the significant weakness in arrangements in the 2025/26 reporting period and have raised a new key recommendation.

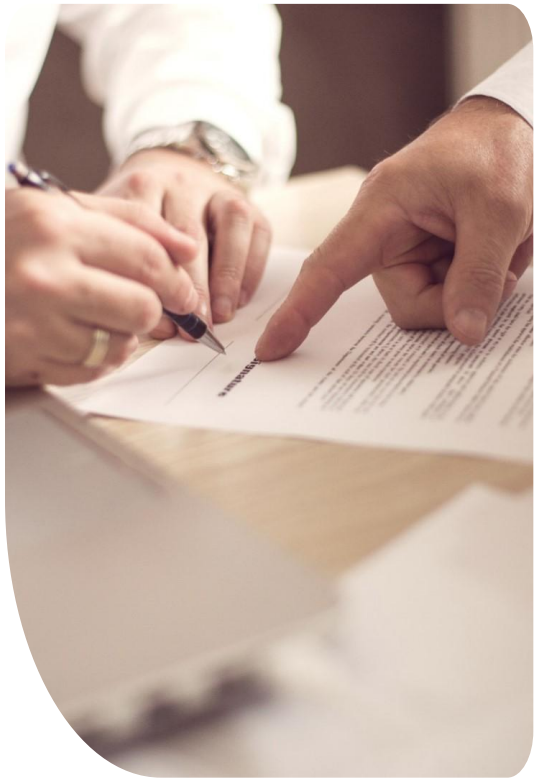
See pages 28-30 for further details.

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Executive summary – auditor's other responsibilities

This page summarises our opinion on the Council's financial statements and sets out whether we have used any of the other powers available to us as the Council's auditors.

Auditor's responsibility	2025/26 outcome
Opinion on the Financial Statements	We have completed our audit of your financial statements and currently anticipate issuing a disclaimed audit opinion, following the Audit and Governance Committee meeting scheduled on 16 November 2026. Our findings are set out in further detail on pages 11 to 14.
Use of auditor's powers	We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



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03 Opinion on the financial statements and use of auditor's powers

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Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Due to the backstop disclaimer opinion issued on the 2022/23 financial statements. Although we commenced rebuilding assurance in 2025/26, as a result of the limitations imposed by the backstop date, we have been unable obtain sufficient appropriate audit evidence over the Council's opening balances of property, plant and equipment and reserves reported in the financial statements for the year ended 31 March 2025. Consequently, we have been unable to satisfy ourselves over their in-year movements. Similarly, this has also resulted in uncertainty over the closing balance of property, plant and equipment and reserves as at 31 March 2025. The full opinion is included in the Council's Annual Report for 2025/26, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2026 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2025/26
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the NAO Code of Audit Practice (2024, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2026.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

- A number of misclassification errors were noted in the accounts relating to the classification of grants, these also impacted on the prior year.
- We made a number of recommendations to improve the controls, relating predominantly to contract management, improvements to related party arrangements, and management of the valuation process.
- We currently anticipate issuing a disclaimed audit opinion later in November 2026, ahead of the national statutory deadline.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Audit and Governance Committee on 16 November 2026. Requests for this Audit Findings Report should be directed to the Council.

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Opinion on the pension fund statements

These pages set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

The Pension Fund is required to publish its Annual Report by 1 December 2025. We plan to issue an auditor's consistency report which includes our opinion that the 2025/26 Dorset Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We plan to issue an unqualified consistency report on the pension fund financial statements contained within the Pension Fund's Annual Report shortly after the November Audit and Governance Committee.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2026 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2025/26
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers. A number of disclosure amendments were made and control recommendations raised. We have received good cooperation from officers throughout the course of our work.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Audit and Governance Committee on 16 November 2026. A final version will be issued alongside our audit opinion which is expected by end of November. Requests for this Audit Findings Report should be directed to the Council.

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Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Due to the matters giving rise to the disclaimed 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.



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Use of auditor's powers

We bring the following matters to your attention:

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.

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04 Value for Money commentary on arrangements

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Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

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Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Council reported an overall underspend of £0.2m for 2025/26, the first year-end underspend reported since the creation of Dorset Council as a unitary authority. This position was achieved despite significant pressures within demand-led services, including overspends of £5.9m in Adults and Housing and £3.9m in Children's Services, driven by increasing demand, rising complexity of need and higher care and placement costs. The Council outlined actions to address overspends within its Medium-Term Financial Plan (MTFP), such as through the FutureCare Programme initiative, which aims to manage demand through improved patient flow, reduced hospital stays, and more efficient use of resources. These overspends were offset by underspends elsewhere including £7.5m in Place, £1.7m in Corporate Development and £0.5m in Legal and Democratic Services. Capital expenditure totalled £75.7m against a budget of £116.4m, resulting in slippage of £40.7m into future years. The Council strengthened its reserves position during the year, with the General Fund balance increasing from £31.6m to £36.0m, equivalent to approximately 7.5% of the 2026/27 net budget of £482.6m. Earmarked reserves increased from £114m to £127m. Notwithstanding the Council's overall financial position, significant risks remain in relation to the Dedicated Schools Grant (DSG). In our 2024/25 Auditor's Annual Report, we identified a significant weakness relating to the growing DSG deficit. During 2025/26, the cumulative DSG deficit increased from £95.6m to £148.7m, driven primarily by a £55.2m High Needs Block overspend. The Council forecasts further DSG overspends of £73.3m in 2026/27 and £78.9m in 2027/28, highlighting the continued financial pressures within the High Needs Block. The Council, which was previously part of the Safety Valve Programme, submitted its SEND Reform Plan in line with the national deadline and has established a DSG Recovery Reserve of £17.5m. The Council forecast a residual funding gap of £1.3m by March 2028, assuming Government support equivalent to 90% of the DSG deficit liability. In October 2026, the Council received approval of its SEND Reform Plan and confirmation that funding equivalent to 90% of the cumulative DSG deficit at 31 March 2026 would be provided, with payment in the region of £145m expected in November 2026. Whilst the Council's reserves position appears sufficient to address the £1.3m gap, the projected position remains dependent on the level and duration of future Government support. We therefore consider the significant weakness to have remained during 2025/26, given the continued growth in the DSG deficit and the importance of successfully delivering the SEND Reform Plan to address the underlying causes of the deficit and mitigate its further growth. See **Key Recommendation 1** at page 20.	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
Plans to bridge its funding gaps and identify achievable savings	The Council had appropriate arrangements in place to identify savings however focus needs to remain on ensuring effective delivery. The Council delivered £20.9m (57%) of its total savings target for 2025/26 of £36.6m. The 2025/26 budget included a portfolio of savings plans across directorates, alongside the Council's Our Future Council (OFC) transformation programme, which aims to contribute to the Medium-Term Financial Plan (MTFP) through recurrent savings and improved cost control. For 2025/26, the Council set an OFC savings target of £10.0m, which was subsequently revised to £6.0m to reflect learning from the first year of delivery and a reassessment of the pace at which benefits could realistically be realised. Savings of £5.7m were delivered during the year in relation to this target, comprising £1.7m of workforce and efficiency savings and £4.0m of third-party spend reductions, although only £0.7m of the total was delivered recurrently in 2025/26. No capital receipts were budgeted for or applied to OFC in 2025/26. The Council has strengthened governance and oversight of transformation activity through the establishment of a Transformation Management Office, which aims to bring together delivery capacity and oversight across the Council's transformation activity. From our review, in-year reporting of savings delivery was clear and comprehensive. However, the Council's MTFP continues to forecast cumulative budget gaps of £17.5m in 2027/28, £33.6m in 2028/29, £47.7m in 2029/30 and £61.5m in 2030/31. Continued progress in developing and delivering sustainable savings plans, including the 2026/27 OFC savings target of £9.4m and the wider £14.7m savings requirement, will therefore remain important to the Council's medium financial sustainability. Accordingly, we have updated our prior year **improvement recommendation**. See page 21.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council Plan 2024-29 sets out four strategic priorities: providing high-quality and affordable housing, growing the economy, creating communities for all, and responding to the climate and nature crisis. These priorities are supported by a range of performance measures and actions and are used as a framework for the Council's governance and financial planning. From our review, the Council has directed investment towards addressing rising demand and cost pressures in key services, such as £29m for Adults and Housing and Children's Services.	G
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council's financial planning and investment decisions are aligned to the priorities set out in the Council Plan and supporting strategies. For example, the Our Future Council transformation programme sets out plans to deliver cumulative recurrent savings of £77.4m by 2029/30 supported by cumulative investment of £48.0m to enable delivery. Progress reports indicate that these savings are expected to be delivered primarily through workforce reductions and service redesign. The Council's capital programme also reflects strategic priorities. For example, the Council approved £10m of capital funding to support delivery of its Climate Strategy. As reported to Cabinet in January 2026, approximately £6m of this funding had been spent, with the remaining £4m allocated to projects planned for delivery by 2027.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Council continues to have appropriate arrangements in place to identify, manage and report financial risks. Quarterly financial monitoring reports identify key risks, with the growing Dedicated Schools Grant (DSG) deficit highlighted as the Council's most significant strategic risk. The risk register includes financial risks on adult social care, DSG, revenue streams, local government funding and public health. For 2026/27, the budget setting report includes a risk assessment, noting that the budget is "high" risk, and the potential implications around service delivery.	G

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Financial sustainability (continued)

Significant weakness identified in relation to DSG deficit

Key Finding: The Council continues to face significant pressures associated with its increasing Dedicated Schools Grant (DSG) deficit position.

Evidence: During 2025/26, the Council reported an £54.5m overspend on the DSG, increasing the cumulative DSG deficit from £95.6m at 31 March 2025 to £148.7m at 31 March 2026. The deficit continues to be driven by growth in High Needs Block expenditure, reflecting increasing demand for SEND services and rising complexity of need. See table 1. The Council submitted its SEND Reform Plan in line with the national deadline and seeks to address the underlying drivers of expenditure through earlier intervention, strengthening inclusion in mainstream schools, expanding local specialist provision and reducing reliance on high-cost independent and out-of-area placements. Based on current projections and the Council's assumption that Government support will cover 90% of its DSG deficit liability through to March 2028, the Council estimates a residual funding gap of £1.3m. In October 2026, the Council received approval of its SEND Reform Plan and confirmation that funding equivalent to 90% of the cumulative DSG deficit at 31 March 2026 would be provided. However, continued overspends could result in the cumulative DSG deficit increasing to around £150m by March 2028. In addition, the level of government support beyond 2025/26 remains uncertain at the time of reporting, with the DfE noting that local authorities can expect it to continue taking an "appropriate and proportionate" approach.

Impact: There is uncertainty as to the level of funding the Council will receive in 2027/28 and 2028/29, if the deficit for those years continues to increase and the Council is unable to reduce the rate of increase of the DSG deficit, a greater proportion than planned may need to be funded from the Council's own resources. This could reduce reserve levels, increase pressure on future budgets and adversely affect the Council's medium-term financial resilience and sustainability.

Table 1: High Needs Block Deficits

	2024/25	2025/26	2026/27	2027/28
Status	Actual	Actual	Forecast	Forecast
In-Year Deficit	38.2m	55.2m	73.3m	78.9m
% change year-on-year	-	44.5%	32.8%	7.6%

Source: Financial Statements and the Council's Local SEND Reform Plan

Key recommendation 1

KR1: The Council must continue to work urgently with partners to implement and embed the changes it is making as part of the SEND Reform Plan, the underlying causes of the DSG deficit are addressed to ensure it that the growing DSG deficit is mitigated, the financial risk to the Council is reduced as far as possible to a sustainable level across the medium term, and effective governance and oversight arrangements to support delivery of the Plan are in place, including robust monitoring of financial, operational and delivery risks, and timely corrective action where required.

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Financial sustainability (continued)

Area for Improvement identified: identifying and delivering recurrent savings

Key Finding: The Council has improved delivery of transformation savings through the Our Future Council (OFC) programme. However, the Council continues to face significant medium-term funding gaps and will need to identify and deliver further sustainable savings to support its medium-term financial sustainability.

Evidence: The Council's 2025/26 budget included a range of savings plans across directorates, including the OFC transformation programme. The Council delivered £20.9m of its total savings target of £36.6m, and £5.7m of the £6m OFC savings target. The OFC delivery comprised £1.71m of workforce and service efficiency savings, delivered through initiatives including the Customer Hub, Business Support Hub, Communications and Marketing redesign and wider organisational changes, together with £4.0m of third-party spend savings achieved through strengthened commissioning, procurement and commercial governance arrangements. This represents an improvement on the previous reporting period, when no transformation savings were delivered, and reflects the Council's efforts to strengthen governance and oversight such as through the establishment of a Transformation Management Office. However, only £0.7m of savings through the OFC programme were delivered recurrently, and the programme aims to deliver cumulative savings of £77.4m by 2029/30. The Council's MTFP also continues to forecast cumulative funding gaps of £17.5m in 2027/28, rising to £61.5m by 2030/31.

Impact: Failure to identify and deliver sustainable and recurrent savings could affect the Council's ability to address future funding gaps, increasing pressure on budgets and reducing financial resilience.

Improvement Recommendation 1

IR1: The Council should strengthen the delivery and monitoring of its savings programme and increase the level of recurrent savings, in both directorate and its Our Future Council programme to address the forecast funding gaps.



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Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	During 2025/26, the Council strengthened its risk management arrangements through the implementation of an updated Risk Management Framework, which was published in October 2025. Strategic risks are identified, monitored and reported regularly to members through Cabinet, Scrutiny Committees and the Audit and Governance Committee. These improvements address the improvement recommendation raised in previous reporting periods. Internal Audit is provided externally and provides regular progress reports to the Audit and Governance Committee. Our review highlighted improvements in the monitoring and implementation of Internal Audit recommendations, with stronger follow-up arrangements and more timely completion of agreed actions. The 2025/26 Head of Internal Audit Opinion was Reasonable Assurance, representing an improvement from the Limited Assurance opinion reported in the prior year. The Council also maintains a range of governance, counter-fraud and whistleblowing arrangements, supported by annual reporting to members and regular review of key governance policies. In the 2024/25 reporting period, we raised a significant weakness and key recommendation following the two Internal Audit reviews which found significant failings in budgetary control by the Building Health and Safety Compliance Team. During 2025/26, the Council made progress in addressing the weaknesses identified by the reviews through the development of two improvement plans. By 31 March 2026, all actions arising from the Scheme of Delegation review and 10 of the 35 actions relating to Building Health and Safety Compliance had been completed. However, as the majority of the Building Health and Safety Compliance actions remained outstanding at year-end, we were unable to conclude that weaknesses identified had been fully addressed as at 31 March 2026. We therefore consider the significant weakness identified in the prior year to remain in place for 2025/26. Furthermore, Internal Audit reviews in relation to contract management (see page 29), together with discussions with Internal Audit and the Monitoring Officer, identified additional areas requiring further improvement within governance, budget monitoring, procurement and internal controls. Accordingly, we have raised a new key recommendation (see **Key Recommendation 2** on page 26). This also impacts our assessment on page 23, 24 and 25.	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	The Council continues to demonstrate appropriate budget-setting arrangements. Budget proposals are updated to reflect known demand, inflation and other cost pressures and are developed through officer-led planning with significant Member involvement throughout the process. This included cross-party Member engagement sessions, Portfolio Holder discussions and a series of budget briefing events prior to formal scrutiny by the People and Health Scrutiny Committee and the Place and Resources Scrutiny Committee. Feedback from scrutiny and public consultation, together with the Cabinet's response to matters raised, is clearly reported within the budget papers.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	Financial monitoring reports presented to Cabinet are timely and clear, setting out the forecast outturn position for each Directorate and key financial pressures. The reports also summarise the capital programme, reserves, DSG position and key risks. For each Directorate, they include analysis by service area showing budgets, forecast outturns, movements since the previous quarter, explanations for significant variances, relevant performance information and mitigating actions. The Council also improved budgetary controls during the 2025/26 reporting period, such as through the introduction of spend controls requiring all purchase orders over £2,500 to be countersigned by a Corporate Director before approval. The Council published its 2025/26 Draft Statement of Accounts within the statutory deadline of 30 June. The findings underpinning the significant weakness within this section are detailed at page 22, with the new **Key Recommendation 2** set out on page 26.	R

G No significant weaknesses or improvement recommendations.
A No significant weaknesses, improvement recommendations made.
R Significant weaknesses in arrangements identified and key recommendation(s) made.

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Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Council has a Constitution in place which sets out its governance and decision-making arrangements. Formal decision-making is undertaken through Full Council and Cabinet, supported by Overview and Scrutiny Committees covering People and Health and Place and Resources, as well as the Joint Overview Committee and Joint Scrutiny Committee. These committees meet regularly throughout the year to provide support, challenge and scrutiny of Council activities, with additional meetings convened where necessary. The Audit and Governance Committee also plays a key role in overseeing the Council's governance framework, including financial management, risk management, performance and constitutional matters. Based on our review of committee papers and minutes, the Committee demonstrates effective challenge and scrutiny, providing appropriate oversight of key governance and financial issues. The findings underpinning the significant weakness within this section are detailed at page 22, with the new **Key Recommendation 2** set out on page 26.	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Council has Codes of Conduct in place for both members and officers, including requirements relating to the declaration of interests, gifts and hospitality. In our 2024/25 report, we raised an improvement recommendation to strengthen these arrangements, including the introduction of a central record for officer declarations. The Council has responded by issuing updated guidance, delivering staff training, and introducing a central register for employee declarations of interests, gifts and hospitality through its DES system. However, declarations of interest were not completed by councillors in a timely manner during the 2025/26 reporting period. The Council also failed to publish its 2025/26 Annual Governance Statement alongside their 2025/26 Draft Statement of Accounts by 30 June. We have therefore issued an updated **Improvement Recommendation**. See page 27. During the 2025/26 reporting period, the Council updated several key governance documents, including its Constitution, Whistleblowing Policy and Counter Fraud and Financial Crime Policy. In addition, contract waivers are now routinely reported to members through quarterly finance reports presented to Cabinet and the Audit and Governance Committee. The findings underpinning the significant weakness within this section are detailed at page 22, with the new **Key Recommendation 2** set out on page 26.	R

Page 27

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Governance (continued)

Significant weakness identified in relation to governance

Key finding: During 2025/26, the Council took steps to address the weaknesses identified in the Building Health and Safety Compliance and Contract and Expenditure Compliance reviews through two improvement plans. By 31 March 2026, all actions arising from the Scheme of Delegation review and 10 of the 35 actions relating to Building Health and Safety Compliance had been completed. As 25 of the 35 actions (71%) were still outstanding at 31 March 2026, we consider the significant weakness to have remained during 2025/26 as the Council had not yet fully implemented the improvements required at year end.

Evidence:

- The two internal audit reviews undertaken in the 2024/25 reporting period identified significant control weaknesses in governance arrangements such as failure to obtain Cabinet approval for the compliance work undertaken, inadequate independent oversight of interim staff appointments, insufficient consideration of conflicts of interest, inadequate budget monitoring and scrutiny arrangements, ineffective escalation procedures, and a lack of structured project management.
- Internal Audit confirmed that all 16 actions arising from the Contract and Expenditure Compliance review had been completed by 31 March 2026.
- 10 of the 35 actions arising from the Building Health and Safety Compliance review had been completed by 31 March 2026, and by September 2026, 34 actions have been completed. 4 actions were completed past their target dates.
- The Council approved an updated Scheme of Delegation in October 2025 and strengthened procurement and expenditure approval controls.
- Discussions held with Internal Audit and the Monitoring Officer indicated that some approval and expenditure monitoring issues continue to emerge.
- Internal Audit identified further weaknesses relating to contract management in other reviews undertaken.
- **Impact:** The Council has made progress in addressing the weaknesses identified in the prior year. However, the outstanding Building Health and Safety Compliance actions, together with further issues identified through Internal Audit reviews and discussions with officers, demonstrate that the improvements required to address the underlying weaknesses had not been fully implemented by 31 March 2026. We therefore consider the significant weakness identified in the prior year to have remained in place during 2025/26.

Key recommendation 2

KR2: The Council must ensure that the actions implemented in response to the Building Health and Safety Compliance and Contract and Expenditure Compliance Internal Audit reviews are fully embedded across the organisation and operating effectively in practice by 31 March 2027, particularly in relation to budget monitoring, procurement and contract management. This should be evidenced through follow-up Internal Audit reviews confirming that improvements have been sustained and that no recurring control weaknesses have been identified.

This key recommendation should be considered along side the key recommendation on page 30.

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Governance (continued)

Area for Improvement identified: compliance with legislative and regulatory requirements

Key Finding: The Council did not fully comply with key governance requirements during the 2025/26 reporting period. Declarations of interest were not completed by councillors in a timely manner during the 2025/26 reporting period, and the 2025/26 Annual Governance Statement (AGS) was published after the statutory deadline.

Evidence: The Council has improved its arrangements to promote the declaration of interests and gifts and hospitality, including the provision of guidance, training, and the implementation of a register of interests and gifts and hospitality declarations for Council employees. However, 74% of Councillors' registers of interests were not updated until June and July 2026, with some records having last been updated in 2021 prior to the 2026 update. Consequently, the Council had limited assurance that members' declarations had been reviewed and confirmed as up to date at the time the draft 2025/26 Statement of Accounts was published. In addition, the draft Statement of Accounts did not include the AGS as required by the Accounts and Audit Regulations 2015. The AGS was subsequently published in August 2026, after the statutory deadline of 30 June 2026.

Impact: The lack of timely completion of declarations of interest limits transparency and increases the risk that relevant interests may not be identified, reviewed and considered as part of the Council's related party disclosure process. It also reduces assurance that members' interests have been reviewed and confirmed as up to date when key financial and governance documents are prepared. The late publication of the AGS demonstrates non-compliance with statutory requirements and reduces assurance that the Council's governance arrangements are being reported and communicated in line with expected timescales.

Improvement Recommendation 2

IR2: The Council should strengthen its arrangements to ensure compliance with legislative and regulatory requirements by:

1) Ensuring the Annual Governance Statement (AGS) is prepared, approved and published within the required statutory timescales.

2) Ensuring declarations of interest of councillors are submitted in a timely manner and that appropriate follow-up action is undertaken where submissions are outstanding.



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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	In 2025-26, the Council improved arrangements for performance reporting. It has established a Strategic Performance Management Framework, supported by Council Plan updates, dashboards, quarterly scrutiny reporting and Cabinet reporting. Data quality is a key consideration with controls in place and benchmarking against national and local peers helps to inform performance assessments and identify areas for learning and improvement. During the reporting period, an internal audit review of data maturity provided a limited assurance opinion. The review identified weaknesses in data governance arrangements, including the absence of a data governance lead, incomplete asset management records, a significant backlog of paper records awaiting retention decisions and no formal data literacy or quality training in place. Management agreed 10 medium-priority actions in response, and the report noted senior leadership's commitment to improvement, with a follow-up review planned in approximately two years.	G
evaluates the services it provides to assess performance and identify areas for improvement	In 2025/26 the Council received strong external inspection outcomes. This included an Ofsted rating of "Outstanding" for its Children's Services, improving on its previous "Good" rating. It also received a "Good" rating from the Care Quality Commission (CQC) for Adults Social Care in June 2026, following inspections earlier in the year. Cabinet received action plans in response to minimal findings in the Ofsted inspection, and a SEND Reform Plan has been submitted to Government. The Annual Report also picks up inspection findings with areas for improvement correlating with areas of weaker reported performance.	G
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council Plan and strategic priorities were developed through engagement with residents, stakeholders and partner organisations. Progress against these priorities is monitored through regular performance reporting. During 2025/26, key partnership working took place through the SEND Reform Plan and the Safeguarding Children Partnership, involving partners such as Dorset Police and NHS Dorset.	G

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits	The Council operates a decentralised contract management model, with responsibility for contract oversight resting within individual service areas and support provided by a central Commercial and Procurement Team. The Council maintains a contracts register through an online portal and has refreshed its procurement and contract management guidance, procedures, templates and training materials to reflect the requirements of the Procurement Act 2023. Consistent with our prior year reporting, we consider that a significant weakness remains in the Council's arrangements for commissioning and procuring services. This reflects the findings of recent Internal Audit reviews, which identified weaknesses in contract monitoring, governance and oversight. The reviews highlighted issues including supplier overcharges, weaknesses in payment controls, ineffective contract monitoring arrangements, inconsistent communication processes and insufficient management oversight. The identification of weaknesses in contract management, alongside those reported through the Building Health and Safety Compliance and Contract and Expenditure Compliance reviews undertaken during 2024/25, suggest that the issues may not be isolated to individual services and could indicate wider organisational shortcomings in contract management and oversight arrangements. Internal Audit has therefore planned further work to review the Council's contract management arrangements, the outcome of which we will consider as part of our 2026/27 work. As a result, we continue to consider there to be a significant weakness in the Council's arrangements for commissioning and procuring services and have updated the key recommendation accordingly. See new **Key Recommendation 3** at page 30. Since the year end, the Council's ERP programme has been delayed, and the Council is currently working to agree a revised implementation date. We will review progress in delivering the programme as part of our 2026/27 VFM work.	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Improving economy, efficiency and effectiveness

Significant weakness identified in relation to contract management arrangements

Key finding: Weaknesses in the Council's procurement and contract management arrangements continue to be identified through internal audit reviews. Findings from the reviews identified deficiencies in contract monitoring and oversight, suggesting that the issues identified may not be isolated to individual contracts and that wider contract management weaknesses may exist across the organisation.

Evidence:

- Two recent Internal Audit reviews relating to contract management identified weaknesses in contract monitoring and oversight arrangements, including inadequate monitoring of a supplier contract, as well as instances of overpayments during the life of a contract.
- The Council has taken steps to address weaknesses identified through internal audit reviews, and has updated procurement guidance, procedures, templates and training materials. The Council has also created a new commissioning and procurement hub in order to better grip contract management. However, control weaknesses were also identified through the Building Health and Safety Compliance review and the Contract and Expenditure Compliance with the Constitution and Scheme of Delegation review undertaken during 2024/25 and 25 of the 35 actions (71%) in relation to the Building Health and Safety Compliance review were still outstanding at 31 March 2026, indicating that the Council had not yet fully implemented the improvements required at year end.
- Internal Audit has planned further work to review contract management arrangements, which we will consider as part of our 2026/27 assessment.

Impact: There is a risk that the weaknesses identified are more widespread across the Council's contract portfolio, resulting in contracts not being managed effectively and the Council not achieving value for money from its contractual arrangements.

Key recommendation 3

KR3: The Council must undertake a review of governance and contract management arrangements in the 2026/27 reporting period to determine whether the weaknesses identified through recent internal audit reviews are indicative of wider organisational weaknesses and must take timely action to address any systemic shortcomings identified.

This key recommendation should be considered along side the key recommendation on page 26.

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Pension Fund

The Council is the administering authority for the Dorset County Pension Fund. As part of our VfM work we are required to consider the Council's arrangements in respect of the Pension Fund.

We considered the Pension Fund's:	Commentary on arrangements	Rating
Financial Sustainability: sufficiency of funds to meet liabilities	The Pension Fund remains in a strong financial position, with assets of approximately £4.5 billion at 31 March 2026, compared with £4.1 billion in the previous year. The 2025 triennial actuarial valuation was completed and informed the Funding Strategy Statement. Both reports were published in March 2026 and approved following consultation with scheme employers. The Fund has established arrangements for monitoring funding, cashflow and investment risks.	G
Governance: appropriateness of governance arrangements	The Fund has established governance arrangements through its Pension Fund Committee and Local Pension Board, supported by regular reporting covering investment, administration, risk and regulatory developments. Training is provided to members, including Committee training sessions and access to external online resources The Fund undertook a Good Governance assessment in 2022 but has not subsequently undertaken a structured assessment of its governance arrangements against The Pensions Regulator's General Code, which came into force in March 2024. We understand the Fund intends to consider this through its forthcoming Independent Governance Review, which is not required to be completed until 2028. We have therefore raised an improvement recommendation at page 33 that the Fund establishes a clear timetable to assess its arrangements against the General Code, identify the gaps and monitor resulting actions to completion, sufficiently in advance of the 2028 deadline.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Pension Fund (continued)

We considered the Pension Fund's:	Commentary on arrangements	Rating
Improving Economy, Efficiency and Effectiveness: annual report findings	Pension administration performance has remained strong overall, with regular KPI reporting to the Pension Fund Committee. The Fund has also continued to progress significant regulatory programmes, including the McCloud remedy and Pensions Dashboard, alongside wider LGPS regulatory changes. Significant work has also been undertaken in response to the Government's investment pooling reforms. Following the Government's decision that Brunel should consolidate with another pool, Dorset selected Local Pensions Partnership Investments (LPPI) as its new pooling partner and approved the governance arrangements necessary to support transition. Overall, the Fund demonstrates arrangements to support the effective administration and management of the scheme, while managing a significant programme of regulatory and investment change. Continued focus will be required on successful delivery of the LPPI transition, McCloud and Pensions Dashboard requirements and on demonstrating that these changes deliver the intended benefits and efficiencies.	G

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Pension Fund

Area for Improvement: Pension Fund

Key Finding: The Pension Fund has established governance arrangements and previously commissioned a Good Governance Review in 2022. However, it has not subsequently undertaken a structured assessment of its governance arrangements against The Pensions Regulator's General Code, which came into force in March 2024.

Evidence: The 2022 Good Governance Review provided an independent assessment of the Fund's governance arrangements and resulted in recommendations for improvement. However, this review pre-dated the General Code coming into force in March 2024.

From the documentation reviewed, we have not identified a subsequent documented General Code gap analysis, self assessment of or equivalent exercise demonstrating how the Fund's existing arrangements comply with the requirements of the Code, identifying areas requiring further development and tracking resulting actions.

Management has indicated that General Code compliance is expected to be considered through the forthcoming Independent Governance Review (IGR), but a firm timetable for completing this work sufficiently in advance of the 2028 deadline has not yet been established.

Impact: Without a timely and structured assessment against the General Code, there is a risk that the Fund does not identify gaps in its governance arrangements, or opportunities for improvement, sufficiently promptly. This could also limit the assurance available to the Pension Fund Committee and Local Pension Board that the Fund's governance arrangements remain aligned with current regulatory expectations.

Improvement Recommendation 3

IR3: The Council should establish and approve a clear timetable for reviewing its governance arrangements against The Pensions Regulator's Code. This assessment should be undertaken sufficiently in advance of the 2028 Independent Governance Review (IGR) deadline, either through an earlier IGR or as a separate General Code assessment.



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05 Summary of Value for Money Recommendations raised in 2025/26

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Key recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
KR1	The Council must continue to work urgently with partners to implement and embed the changes it is making as part of the SEND Reform Plan, the underlying causes of the DSG deficit are addressed to ensure it that the growing DSG deficit is mitigated, the financial risk to the Council is reduced as far as possible to a sustainable level across the medium term, and effective governance and oversight arrangements to support delivery of the Plan are in place, including robust monitoring of financial, operational and delivery risks, and timely corrective action where required	Financial sustainability (pages 17 – 21)	**Actions:** The Council will continue to work urgently with partners to implemented and embed the changes as part of the SEND Reform Plan. Grant Thorntons recommendation is to continue, and so have not identified anything new to be put in place. As a result, the due date has been set to March 2028 reflecting when the current financial arrangements end. Regular progress updates will be reported through to Cabinet and other committees as appropriate. **Responsible Officer:** Paul Dempsey, Executive Director – Children's Services **Due Date:** 31 March 2028.
KR2	The Council must ensure that the actions implemented in response to the Building Health and Safety Compliance and Contract and Expenditure Compliance Internal Audit reviews are fully embedded across the organisation and operating effectively in practice by the end of the 2026/27 reporting period, particularly in relation to budget monitoring, procurement and contract management. This should be evidenced through follow-up Internal Audit reviews confirming that improvements have been sustained and that no recurring control weaknesses have been identified.	Governance (pages 22 – 27)	**Actions:** A follow up internal audit will take place during the 2026/27 financial year to confirm the extent to which improvements have been made, controls fully embedded across the organisation and operating effectively in practice and that no recurring control weaknesses have been identified. The report and action plan will be presented to Audit & Governance Committee. **Responsible Officer:** Jonathan Mair, Director of Assurance & Governance - Monitoring Officer **Due Date:** 31 March 2027

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Key recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
KR3	The Council must undertake a review of governance and contract management arrangements in the 2026/27 reporting period to determine whether the weaknesses identified through recent internal audit reviews are indicative of wider organisational weaknesses and must take timely action to address any systemic shortcomings identified.	Improvement economy, efficiency and effectiveness (pages 28 – 30)	**Actions:** A review of governance and contract management arrangements will take place during the 2026/27 financial year to determine the extent to which the weaknesses identified are indicative of wider organisational weaknesses and develop an action plan to address any shortcomings identified. The report and action plan will be presented to Audit & Governance Committee. **Responsible Officer:** Jonathan Mair, Director of Assurance and Governance - Monitoring Officer **Due Date:** 31 March 2027

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Improvement recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
IR1	The Council should strengthen the delivery and monitoring of its savings programme and increase the level of recurrent savings, in both directorate and its Our Future Council programme to address the forecast funding gaps.	Financial sustainability (pages 17 – 21)	**Actions:** Cabinet receive a report twice a year on the Council's arrangements and plans for transformation activity. With the recent appointment of a new senior officer with responsibility for transformation arrangements will be reviewed during 2026/27. **Responsible Officer:** Lucie Laker, Executive Director - Modernisation and Customer Delivery **Due Date:** 31 March 2027
IR2	The Council should strengthen its arrangements to ensure compliance with legislative and regulatory requirements by: 1) Ensuring the Annual Governance Statement (AGS) is prepared, approved and published within the required statutory timescales. 2) Ensuring declarations of interest for Councillors are submitted in a timely manner and that appropriate follow-up action is undertaken where submissions are outstanding.	Governance (pages 22 – 27)	**Actions:** The Annual Governance Statement (AGS) for 2026/27 will be published alongside the statement of accounts. **Responsible Officer:** Jonathan Mair, Director of Assurance & Governance - Monitoring Officer **Due Date:** 31 March 2027
IR3	The Council should establish and approve a clear timetable for reviewing its governance arrangements against The Pensions Regulator's Code. This assessment should be undertaken sufficiently in advance of the 2028 Independent Governance Review (IGR) deadline, either through an earlier IGR or as a separate General Code assessment.	Pension Fund (pages 31-33)	**Actions:** A timeline, showing how the Council will meet the March 2028 deadline, will be presented to Pension Fund Committee and the Local Pensions Board during 2027. **Responsible Officer:** Sean Cremer, Director - Resources - CFO & S151 Officer **Due Date:** 30 June 2027

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06 Follow up of previous Key recommendations

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Follow up of 2024/25 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	The Council should take immediate action to ensure members and officers have effective control and oversight of its budgets, commissioning and procurement procedures to ensure effective governance arrangements are in place. This should include: • financial governance to prevent expenditure occurring where a budget has not been set or funding arrangements agreed • compliance with procurement regulations, the Council's scheme of delegation and procedures as set out within its Constitution.	2024/25	In response to internal audit findings relating to Building Health and Safety Compliance and compliance with the Council's Constitution and Scheme of Delegation, the Council has taken steps to strengthen procurement and approval controls, including updates to the Scheme of Delegation and enhanced reporting of significant procurement decisions. However, our review found that 25 of the 35 actions (71%) in relation to the Building Health and Safety Compliance review were still outstanding at 31 March 2026, and subsequent internal audit reviews identified further weaknesses in expenditure monitoring, governance and contract management. We have therefore raised a new key recommendation to focus on ensuring that the actions taken are implemented consistently and operating effectively across the Council.	Closed	New Key Recommendation raised. See page 26.

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Follow up of 2024/25 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR2	The Council should ensure that prompt and immediate action is taken to address the control failures and weaknesses identified following the Internal Audit investigation of Building Compliance. To do this it should: • develop its own action plan in response to the review undertaken by the Internal Audit, due to the number and extent the Council may need to prioritise these • ensure progress is reported to members to ensure effective progress and action is taken.	2024/25	The Council implemented a 35-action improvement plan and provided regular progress reports to the Audit and Governance Committee, following the Building Health and Safety Compliance review. As at 31 March 2026, 10 actions had been completed, meaning 71% of actions were outstanding at year end, indicating that the Council had not yet fully implemented the improvements required at year end. In addition, subsequent internal audit reviews in relation to contract management identified further issues relating to governance, expenditure monitoring and contract management. We have therefore raised a new key recommendation to focus on reviewing the Council's contract management arrangements and addressing any wider organisational weaknesses identified.	Closed	New Key Recommendation raised. See page 30.

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Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR3	The Council should continue to renegotiate its Safety Valve management plan with the Department for Education (DfE) to ensure the Council can manage its DSG deficit and remain financially sustainable.	2023/24	The Council reported a £54.5m overspend on the DSG, increasing the cumulative DSG deficit from £95.6m at 31 March 2025 to £148.7m at 31 March 2026. The Council's latest financial monitoring forecasts a further £73.7m DSG overspend in 2026/27, and £78.9m in 2027/28, giving a total estimated cumulative deficit of £152.2m. The Council submitted its SEND Reform Plan and estimates its total contribution requirement to March 2028 at £18.8m, assuming it receives 90% of grant funding of the deficit annually through to 2027/28. Based on this, the Council has established a DSG Recovery Reserve of £17.5m, leaving a projected funding gap of £1.3m. Whilst the Council's reserves position appears sufficient to address this gap, the projected position remains dependent on the level and duration of future Government support. As a result, continued growth in the deficit and uncertainty over future Government support mean the DSG position continues to present a significant risk to the Council's financial sustainability. We have therefore updated the key recommendation.	In progress	Key Recommendation Updated. See page 20.

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07 Appendices

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Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



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Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council's Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

A range of different recommendations can be raised by the Council's auditors as follows:

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

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Appendix C: Follow up of 2024/25 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should: • ensure robust and realistic plans are in place for the delivery of its transitional savings (Our Future Council) target of £10m in 2025/26. • have effective governance arrangements in place so that mitigating actions can be taken as necessary.	2024/25	The Council delivered £5.7m of savings through the Our Future Council (OFC) programme during 2025/26 against a revised target of £6.0m, representing an improvement on the previous year when no transformation savings were achieved. During the year, the Council strengthened governance and oversight arrangements through the establishment of a new Transformation Management Office, bringing together transformation activity across the organisation under a single governance framework. While these developments represent positive progress, the Council remains reliant on the successful delivery of future transformation and savings programmes to address forecast medium-term funding gaps. We have therefore updated our prior year improvement recommendation.	In progress	Improvement Recommendation updated. See page 21.
IR2	The Council should improve its capital programme governance arrangements and implement the recommendations raised by Internal Audit.	2024/25	Our review of the tracker of recommendations arising from the capital programme internal audit review showed that all actions had been addressed. The Capital Programme Review was also approved by Cabinet in June 2026. Our review of the Capital Programme Review found that the Council had strengthened its capital governance arrangements, including through the establishment of the Capital Strategy and Asset Management Group (CSAMG), which operates as a key gateway for reviewing and challenging capital proposals before consideration by Cabinet.	Implemented and closed	No.

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Appendix C: Follow up of 2024/25 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	The Council should strengthen its arrangements for the declaration of interest and gifts and hospitality for members and officers by: • raising awareness and providing training to ensure all requirements are declared • establishing a central record for officers' declarations (gifts, hospitality and interests) • introducing an annual declarations of interest, including nil returns where appropriate • setting out guidelines for declaring gifts, hospitality and interests in the Officer Code of Conduct.	2024/25	• Guidance in relation to employee declarations and gift and hospitality is now available on the Council's intranet. • The Council highlighted that training is in place. • The Council has introduced a publicly accessible Register of Members' Interests for each councillor. The register includes Disclosable Pecuniary Interests (DPIs), Employment and sponsorships, Land and property interests, Directorships, Membership of organisations, Other registerable interests, Gifts and hospitality declarations. • The register of interests/ declaration of gifts and hospitality for Council employees has been added to the Council's enterprise system (DES), and staff have been given until 12th October to complete their declarations. • A significant number of councillor declarations of interest were not submitted until June and July 2026, after publication of the draft 2025/26 Statement of Accounts. Consequently, the Council had limited assurance that members' interests had been reviewed and confirmed as up to date at the time the draft accounts were prepared and published.	In progress	Improvement Recommendation updated. See page 27.

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Appendix C: Follow up of 2024/25 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	The Council should: • review and update its Contract Procedure Rules, to ensure they cover the direct award of contracts and the Procurement Act 2023 • update its key governance strategies (Whistleblowing Policy, Codes of Conduct, Counter Fraud and Financial Crime Policy, Anti Fraud, Corruption and Bribery Strategy and Anti-Money Laundering Policy) for the Procurement Act 2023 and the Economic Crime and Corporate Transparency Act 2023 • ensure members have access to and are able to review contract waivers • introduce the use of fraud red flag monitoring for procurement and contract monitoring. These reg flags should act as an early warning system to alert management to fraud risk areas.	2024/25	• The Council's Contract Procedure Rules form part of the Constitution. The CPRs have not been revised, as the Council notes that the existing provision remains legally effective as noted by legal advice. However, procurement intranet and supporting guidance has been updated while the constitutional review is progressing, to reflect requirements of the Procurement Act 2023. • Policies have been updated in line with current legislation. Such as the "Protected Disclosure (Whistleblowing) Policy and the "Counter Fraud and Financial Crime Policy. The Constitution was updated in April 2026 and includes the Member and Officer Code of Conduct. • Contract waivers are now included in the quarterly finance reports provided to members at Cabinet and Audit & Governance. • The use of fraud red flag monitoring or equivalent functionality for procurement and contract monitoring has not been implemented. However, the Council has published guidance on mitigating fraud and corruption risks in procurement, which states that fraud and corruption risks should be considered throughout the procurement lifecycle and that supplier checks are undertaken before contract award, including the use of fraud prevention agencies and CIFAS checks.	Implemented and closed	No.

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Appendix C: Follow up of 2024/25 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	Officers should develop or augment existing contingency plans for additional savings that the Council may need to make if existing savings plans are not progressing adequately.	2023/24	While progress has been made in strengthening transformation governance and delivering savings through the Our Future Council programme, further work is required to improve the delivery of recurrent savings and support the Council's longer-term financial sustainability. Accordingly, we have provided an updated improvement recommendation.	In progress	Improvement Recommendation updated. See page 21.
IR5	To improve its risk management arrangements the Council should: • require Cabinet to review the corporate risk register in a public meeting to ensure they are formally involved in the risk management process, as the Council's decision makers, and to ensure the corporate risk register is publicly available; and • ensure the recommendations raised by Internal Audit regarding risk management are actioned in a timely manner, including the review and update of the risk management policy and framework.	2023/24	Strategic risks are reviewed quarterly by the Senior Leadership Team and reported to Cabinet, Scrutiny Committees and the Audit and Governance Committee in public, with the latter receiving quarterly risk reports and providing independent oversight of the framework. The Council's Enterprise Risk Management Framework was published in October 2025.	Implemented and closed	No.

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Appendix C: Follow up of 2024/25 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR6	The Council should ensure that recommendations raised by Internal Audit (SWAP) are implemented in a timely manner.	2023/24	Responsibility for audit action monitoring has transitioned to the Policy, Intelligence & Performance service, with audit actions aligned to Principal Risks, assigned inherent risk scores and monitored through a structured workflow. Completed actions are supported by evidence and closure requests through AuditBoard, with progress reported to Audit and Governance Committee.	Implemented and closed	No.
IR7	The Council should consider including a section within the member committee reports titled 'Legal Implications', to ensure legal issues have been considered and can be easily identified by the reader (Cabinet and Full Council members).	2023/24	Board papers include a 'legal considerations' agenda item.	Implemented and closed	No.
IR8	The Council should ensure the continued effectiveness of the Audit and Governance Committee by conducting a self-assessment exercise, in line with the Chartered Institute of Public Finance and Accounting's (CIPFA) methodology.	2023/24	The Council has not undertaken an effectiveness review of the Audit and Governance Committee.	In progress	Recommendation retained.

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Appendix C: Follow up of 2024/25 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR8	The Council should: • establish a central record for officers' declarations (gifts, hospitality and interests); and • consider introducing annual declarations of interest, including nil returns where appropriate, for officers.	2023/24	• Guidance in relation to employee declarations and gift and hospitality is now available on the Council's intranet. • The Council highlighted that training is in place. • The Council has introduced a publicly accessible Register of Members' Interests for each councillor. The register includes Disclosable Pecuniary Interests (DPIs), Employment and sponsorships, Land and property interests, Directorships, Membership of organisations, Other registerable interests, Gifts and hospitality declarations. • The register of interests/ declaration of gifts and hospitality for Council employees has been added to the Council's enterprise system (DES), and staff have been given until 12th October to complete their declarations. • A significant number of councillor declarations of interest were not submitted until June and July 2026, after publication of the draft 2025/26 Statement of Accounts. Consequently, the Council had limited assurance that members' interests had been reviewed and confirmed as up to date at the time the draft accounts were prepared and published.	In progress	Improvement Recommendation updated. See page 27.
IR9	The Council should enable easy public access to performance information and show how this information is used in the organisation.	2023/24	The Council has a Strategic Performance Management Framework, published in 2026, which sets out how performance is planned, monitored, reported and improved. Performance is reported through Council Plan updates, a public dashboard, quarterly scrutiny reporting and Cabinet reports. The Council uses RAG ratings, with red and amber indicators receiving greater focus through exception reporting, supporting narrative and escalation where needed. There is also evidence of performance reporting to scrutiny which follows the same approach.	Implemented and closed	No.

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