Audit and Governance Committee

Date: Monday, 13 October 2025
Time: 6.30 pm
Venue: Council Chamber, County Hall, Dorchester, DT1 1XJ

Members (Quorum: 3)
Gary Suttle (Chair), Spencer Flower (Vice-Chair), Belinda Bawden, Neil Eysenck, Jill Haynes, Andrew Parry, Andy Todd, Beryl Ezzard, Ryan Holloway and Chris Kippax

Co-opted Members: R Ong and S Roach.

Interim Chief Executive: Sam Crowe, County Hall, Dorchester, Dorset DT1 1XJ

For more information about this agenda please contact Democratic Services
Meeting Contact john.miles@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
1.	**APOLOGIES**	
	To receive any apologies for absence.	
2.	**MINUTES**	5 - 14
	To confirm the minutes of the meeting held on the 4th August 2025.	
3.	**DECLARATIONS OF INTEREST**	
	To disclose any pecuniary, other registrable or non-registrable interest as set out in the adopted Code of Conduct. In making their decision councillors are asked to state the agenda item, the nature of the interest and any action they propose to take as part of their declaration.	

If required, further advice should be sought from the Monitoring Officer in advance of the meeting.

4. PUBLIC PARTICIPATION

Representatives of town or parish councils and members of the public who live, work, or represent an organisation within the Dorset Council area are welcome to submit either 1 question or 1 statement for each meeting. You are welcome to attend the meeting in person or via MS Teams to read out your question and to receive the response. If you submit a statement for the committee this will be circulated to all members of the committee in advance of the meeting as a supplement to the agenda and appended to the minutes for the formal record but will not be read out at the meeting. The first 8 questions and the first 8 statements received from members of the public or organisations for each meeting will be accepted on a first come first served basis in accordance with the deadline set out below.

All submissions must be emailed in full to john.miles@dorsetcouncil.gov.uk by 8.30 am on the 8th October 2025.

When submitting your question or statement please note that:
- You can submit 1 question or 1 statement.
- A question may include a short pre-amble to set the context.
- It must be a single question and any sub-divided questions will not be permitted.
- Each question will consist of no more than 450 words, and you will be given up to 3 minutes to present your question.
- When submitting a question please indicate who the question is for (e.g., the name of the committee or Portfolio Holder)
- Include your name, address, and contact details. Only your name will be published but we may need your other details to contact you about your question or statement in advance of the meeting.
- Questions and statements received in line with the council's rules for public participation will be published as a supplement to the agenda.
- All questions, statements and responses will be published in full within the minutes of the meeting.

5. MINUTES OF THE AUDIT & GOVERNANCE SUB-COMMITTEE

To note the minutes of the Audit & Governance Hearing Sub-committee (if any meetings have been held).

To receive a report by Sally White, Assistant Director SWAP.

To receive a report by Sean Cremer, Corporate Director Finance and

Commercial.

8. RISK MANAGEMENT UPDATE 85 - 140

To receive a report by Chris Swain, Risk Management and Reporting Officer and Liz Crocker, Head of Strategy.

9. GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATES 141 - 166

To receive a report by Julie Masci, Key Audit Partner Grant Thornton.

10. UPDATE ON OUR FUTURE COUNCIL WORK

To receive an update on Our Future Council Work from Lisa Cotton, Corporate Director Transformation Customer and Cultural Services.

11. WORK PROGRAMME 167 - 168

To consider the work programme for the Committee.

12. URGENT ITEMS

To consider any items of business which the Chairman has had prior notification and considers to be urgent pursuant to section 100B (4) b) of the Local Government Act 1972. The reason for the urgency shall be recorded in the minutes.

13. EXEMPT BUSINESS

There is no exempt business.

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AUDIT AND GOVERNANCE COMMITTEE

MINUTES OF MEETING HELD ON MONDAY 4 AUGUST 2025

Present: Cllrs Gary Suttle (Chair), Spencer Flower (Vice-Chair), Belinda Bawden, Neil Eysenck, Jill Haynes, Andy Todd, Beryl Ezzard, Ryan Holloway and Chris Kippax

Co-opted Members: R Ong and S Roach.

Officers present (for all or part of the meeting):
Sean Cremer (Corporate Director for Finance and Commercial), Susan Dallison (Democratic Services Team Leader), Marc Eyre (Service Manager for Assurance), Jonathan Mair (Director of Legal and Democratic and Monitoring Officer), John Miles (Democratic Services Officer), Sally White (Assistant Director SWAP), Louis Wicks (Democratic Services Officer Apprentice), Andrew Billany (Corporate Director for Housing), Liz Crocker (Head of Service Strategy, Performance and Sustainability) and Lisa Cotton (Corporate Director for Customer and Cultural Services)

Also present: Sophie Blackburn, Cllrs Jones, Wilson and Bartlett.

129. **Apologies**

Apologies for absence were received from Cllr Parry.

130. **Minutes**

The minutes of the meeting held on 30th June and 7th July 2025 were confirmed and signed.

131. **Declarations of Interest**

No declarations of disclosable pecuniary interests were made at the meeting.

132. **Public Participation**

Ms Chedgy question was read out to the Committee.

The swap report (item 6 on the agenda) states at page 7 that its counter fraud team has recently completed an investigation arising from a whistleblowing referral. What was the referral about and what was the outcome?

Cllr Suttle read out the response to her question:

The Council was contacted by a whistleblower in August 2024 making allegations against a member of staff, citing alleged potential conflicts of interest and circumventing of procedures alongside accusations of bullying.

The resultant SWAP investigation identified systemic failures with how this work was carried out including:
our financial and procurement rules not being followed,
a lack of oversight of interim staff and budget approvals
poor record-keeping and a lack of transparency in contract awards, instances of potential conflicts of interest and breaches of the Council's Code of Conduct for employees.
A summary of the SWAP investigation findings has been made available to the public.

This audit investigation, and a separate audit into our contract and expenditure processes that was prompted during the investigation, have identified weaknesses in our governance, financial controls, procurement practices and oversight. We take this seriously and we have already begun to implement an action plan that will: strengthen our financial oversight and budget monitoring, improve procurement and contract management processes, review recruitment and management for interim and agency employees, provide enhanced training and guidance for employees, especially for those who manage budgets and procurement, ensure regular monitoring and reporting from officers to the Audit and Governance Committee

Mr Mills presented his question to the Committee:

I will preface this by saying I have no real knowledge of the inner workings of the Council and have never felt compelled to speak up in the past, so apologies if I am missing the point here somewhat and am misguided in some of my statements below as I'm probably unaware of the full picture.

The health and safety compliance report published on the council website is damning on so many levels, highlighting a complete lack of financial discipline, procedural oversight and mismanagement of what we are told are limited resources at a local government level with acute funding pressures.

What I really fail to grasp is how payments can be made without correct approval, staff can be recruited and pay rises implemented without a paper trail and reserves can be accessed without having to justify every penny spent. It is particularly troublesome where over £1m has been spent annually on internal and external audits combined, yet it was a whistleblower who uncovered the irregularities, despite the figures that are being quoted being well over a material misstatement of sorts.

I'm sure that when the dust settles and investigations are concluded we will be made aware that a criminal investigation has been raised against the terminated employees where appropriate and the suppliers who are guilty of overcharging and providing gifts and hospitality are blacklisted. There has to be significant and decisive consequences for those involved to help restore trust in the Council.

But onwards to the report of internal audit activity. Some of the report is currently obscured due to a formatting issue, but I can't help but feel a little dismayed at reading that a relatively simple financial control – that there is to be "a formal process for requesting work and signing off invoices" within the Place Directorate has been pushed back over a year for action? What the residents of Dorset need to see is definitive action, and I am questioning what the justification is to allow this to be pushed back?

Looking at table 2 of the internal audit plan progress, it is also apparent that not a single department reached the "green" standard of sound system of governance, controls and risk management, with over 40% of departments having a limited opinion showing significant gaps and weaknesses. An internal audit department's role is to report and provide recommendations and there is only so much that can be achieved without a decisive shift in management culture on financial governance, so what is being done at departmental manager level to help facilitate this change?

Cllr Suttle read out the response to Mr Mills question:

Thank you for your question, this is a topic which this committee takes very seriously, and we recognise that many members of the public will be feeling the same as you.
This committee has received a copy of the investigation at a private meeting held on 7 July 2025 and our absolute focus is to seek assurances that changes are made to prevent a similar situation happening in future.
This situation is very much ongoing and rebuilding public trust will be core to how the Council moves forward from this.

Your comments and questions helpfully set some of the context for committee members ahead of considering item 6.

The first question is around delays to the audit action. The deadline has been revised twice. Officers have confirmed that:
1. They are working to the new deadline, 30 September 2025, and remain on track.
2. The action is to establish a FORMAL process for work relating to HOUSING

Typically, this is the work carried out at properties which the council providing for housing. Work is requested by the housing team, and then delivery is overseen by the assets and property team and can range from general maintenance work through to more significant works between tenancies.
There are processes in place, the work is to strengthen these and formalise the process, such as the sign off process once work has been completed to ensure the highest quality of work is provided for our tenants.

Turning to your second question, this committee will be receiving a report from Sally White, Assistant Director at SWAP at item 6 who will be able to set some context for the report. There will be an opportunity to further explore table 2 on page 9 of the SWAP report in more detail.

Until then, a brief response is as follows…

The audit coverage ratings are based on the total number of audits undertaken in each strategic risk area, and then an average of the opinions is established.

The audit plan is agreed on a rolling basis through a continuous risk assessment in collaboration with officers together with a wider understanding of the risks facing Councils more generally to inform the approach at Dorset.

The tables in this report act as a useful guide for this committee in assessing adequacy of coverage on what this committee sees as the most significant risks.

This item will be discussed in full shortly on the agenda, so no doubt this aspect can be explored more fully.

I thank you for taking the time to raise these questions, which will no doubt help shape the discussions at this evening's committee - and beyond.

133. **Minutes of the Audit & Governance Sub-committee**

No Meetings held.

134. **Report of Internal Audit Activity Progress Report 2025/26 - July 2025**

The Assistant Director for SWAP Internal Services, Sally White introduced the report. The progress report for July provided a key update on audit activities progress towards adequate management of significant risks and implementation of audit actions. No new limited assurance opinions have been issued since the update in June. SWAP had completed a review of the governance framework for Our Future Council Program and due to the significance of this work a copy of the advisory report had been provided on pg 8 and 9 of the report. All actions in response to the climate emergency have now been fully implemented, and future audits would revisit this or related areas. She went through pages 3-4 Table of Audit Coverage and provided a more detailed explanation of what the tables were showing.

Mr Roach asked how important a priority 2 action was and focused on the word significant. He referenced pg 19 and 20 – actions not yet due but with multiple revisions, of which there were quite a few and when looking at revision dates vs the original dates, there were very significant delays in implementing these actions. He did not think that progress was being made on addressing the fundamental issues of resolving audit actions because these priority 2 actions were delayed for days to months or over a year in some instances. He proposed that if we did have actions with revised dates of more than 6 months or 9 months and if they were priority 1 or 2, that they should come to this Committee and audit should remind us of what the risk was and the directorate leader and accountable owner of the action, should explain to the Committee how the risk was being managed whilst the action was still outstanding.

Cllr Suttle had already had conversations with SWAP that when there was a significant delay, the Committee must see the officer in question and must have a full update on what was going on and the reasons why.

Noted.

135. **Annual Information Governance Report – 2024/25**

The Service Manager for Assurance, Marc Eyre introduced the report. He went through the highlights of which there were 382 data breaches within the financial year of which 14 were reportable to the information commissioner. In response, the service had implemented new sensitivity labels for documents and emails as part of the rollout. In the longer term, the technology should help reduce exposure particularly as the high proportion of the data breaches were related to email. Mandatory training levels for data protection and cyber risk had remained below the 95% compliance rate. There would be stronger compliance measures implemented which continued levels of non-compliance could lead to system access removal for users and were looking at how this would be implemented.

Cllr Holoway asked if this report should come to the committee on a more regular basis in the form of a follow up report 6 months down the line as a year was a long time and a lot could change in a year.

Marc Eyre agreed that it was a good idea as there were measures in place looking at the training rates and addition resource coming in around the action plan and it would be a good opportunity to provide assurance to the Committee in 6 months' time.

Cllr Haynes commented that there was a lot of detail in the report and the Committee needed to understand for future reporting which of the data breaches were a danger to the Council and asked if the details in the data could be explained.

Mr Roach Co-opted member referenced para 552, training for data protection compliance and for cyber training compliance. He explained that training compliance was 65% down from 73% was woefully inadequate. He suggested that there needed to be consequences for individuals that did not complete the mandatory training. Humans were the weakest link in cyber security and only 65% of people had completed their training to educate about the risk and what to do and what not to do. Then there was a significant proportion of people that did not understand the risks. He suggested pursuing the people that had not completed the training.

Noted.

136. **Annual Fraud and Protected Disclosures Report**

The Service Manager for Assurance, Marc Eyre introduced the report. There were no significant changes to the Whistleblowing policy but there was an emphasis on training and awareness. The Counter Fraud and Financial Crime policy brought together policies that were previously separate. The fraud bribery and corruption policy and the anti-money laundering policy and the anti-tax evasion policy had all been combined. These were brought together to remove repetition and inconsistencies.

Roger Ong Co-opted Member referenced 5.3, pg 87 on money laundering reporting, he highlighted that if a member of staff was aware of something and needed to report it. The document needed to make clear that if they failed to do that, they were liable as well for none reporting.

Decision: the Committee approved the revised "Protected Disclosure (Whistleblowing) Policy and the new "Counter Fraud and Financial Crime Policy"; and iv) note the compliance matrix. The annual update on fraud and protected disclosure activity was noted.

Reason for Decision:
To support the Council's zero tolerance to fraud and other financial crimes.

137. **Annual Emergency Planning Report.**

The Cabinet Member for Planning and Emergency Planning, Cllr Bartlett and The Service Manager for Assurance, Marc Eyre introduced the report. The report had been requested by the previous membership of the Committee pre-election. The business continuity framework had been refreshed following an internal audit, due to concerns of the frequency of plan updates across the services and was now in a better position. The report covers the wide array of call outs that the team covers some large and some small. On a national level there had been a UK resilience action plan and a strategic defence review, which emphasise a growing focus on resilience and community resilience.

Noted.

138. **Risk Management Update.**

The Risk Reporting Officer, Chris Swain and Head of Service Strategy, Liz Crocker introduced the report. There were ongoing efforts to ensure that Dorset Council's Risk Management Framework remained proportionate, well aligned and dynamic to the Council's evolving needs. The key areas were covered; the principal risks were now fully embedded within the framework and offered deeper insights to how risks interrelate from a comprehensible organisational wide analysis. For strategic risks, which had been identified with senior leaders and integrated into regular reporting cycles. A further review of strategic risk would be undertaken given the audit report and dynamic nature.

Cllr Todd asked how directorates would be held to account if they operated outside the stated appetite risk?

Chris Swain and Liz Crocker responded that the risk appetite statement was the high-level strategic steer as the amount of risk that the Council would want to take. There was work in the pipeline to develop specific metrics for directorates around what they would accept and what they would not accept and routes of escalation, so further work was needed to develop it to business units. In the update that highlighted the changes and enhancements to the risk reporting register, there was opportunity for officers to identify risk falling outside of the risk appetite which would automatically escalate it for SLT consideration. It would be reported to the committee when risk fell outside of the appetite and needed to be escalated to SLT.

Decision: the Committee agreed and noted the recommendations set out in the report.

Reasons for the recommendation
To ensure that the council's risk management methodologies support informed, risk-based decision-making while remaining proportionate and aligned with organisational objectives and key deliverables.

139. **Treasury Management Annual Report 2024/25**

The Service Manager Treasury and Investments, David Wilkes introduced the report and went through a brief summary on pg 155.

The Corporate Director Transformation, Customer and Culture Lisa Cotton informed that all voluntary redundancies that came through under our future council would be scrutinised through a level of criteria and where critical roles needed to be retained within the organisation that would be considered as part of those decisions that would be made against those roles that came forward.

Noted.

140. **Update on Our Future Council Work.**

The Corporate Director Transformation, Customer and Culture, Lisa Cotton gave an update on Our Future Council Work. She last reported to the Committee on the 30th June 2025 and provided a detailed overview of the Governance Framework supporting Our Future Council Transformation Programme, including internal audit review being conducted by SWAP. Since that report, the Council was now in full active delivery of the program, and 2 weeks into formal consultation with the Council's workforce on the proposed organisation redesigns for customer experience business support and transformation office. This marked a significant milestone and was now in a dedicated period of meaningful consultation, engaging directly with employees, listening to feedback, responding to questions, considering alternatives. This was supported by structural change management activity and transitional planning. Ready for Autumn go live and the Council remained on track against the publish program timeline and the Council's governance arrangements continue to provide assurance and oversight and risks were being actively monitored and managed.

141. **Grant Thornton - IT Audit Findings Report.**

Julie Masci from Grant Thornton introduced the report. There were two recommendations that the action plan highlighted as a red assessment. The first one covered the debugger access to the SAP system, the primary financial access system to the Council. 26 users in the system had been identified with a privilege level of access through the debugger role. Which allowed users to change or delete entries and to change underlying program code and to bypass normal authority checks and execute transactions. The council had taken a number of steps since the prior year to mitigate the previous finding. The overall number of users had been reduced down from 26 to 11, 8 users from the payroll team and 3 from business solution engineer team. Grant Thornton recognised the progress that the Council had made but those 11 users remain with that level of privileged access and this still presented a risk to the Council. Management was looking for alternative controls to manage the residual risk. She referenced the second significant finding on pg 188 which related to third party privileged user access on UPM, supporting pension information that supports the pension fund financial statements.

Simon Roach Co-opted Member commented that payroll users should not have that level of power as it presented a significant risk and it needed to be addressed urgently. He asked Julie Masci to what extent did Grant Thornton validate the response in that it satisfied the fundamental issue that Grant Thornton raised. He referenced pg 189 – management should take a review of all user accounts on the AD to identify all generic privileged accounts. He did not believe that management had agreed to do that and urged that they should and it was a gap that needed to be addressed.

Sean Cremer, Corporate Director Finance and Commercial responded that it was a fundamental flaw in how the system was configured and payroll could not be operated if permissions were removed. As the Council provided payroll services to a number of organisations and to remove access and put it back in would be an unworkable solution. He was working with Grant Thornton and their colleagues across the country to look at systems and how they had been configured but so far a solution had not been found.

The Committee members highlighted that in their view the management responses to the action plan did not fully address the findings raised by the external auditor and officers agreed to take these away to revisit and update.

Noted.

142. **Work Programme**

143. **Urgent items**

There were no urgent items.

144. **Exempt Business**

There was no exempt business.

Duration of meeting: 6.30 - 8.18 pm

Chairman

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Dorset Council

Report of Internal Audit Activity

Progress Report 2025/26 – September 2025

Executive Summary

As part of our update reports, we will provide an ongoing opinion to support our end of year annual opinion.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating previously identified significant risks.

The contacts at SWAP in connection with this report are:

Sally White Assistant Director
Tel: 07820 312469
sally.white@swapaudit.co.uk

Sophie Blackburn Principal Auditor
Tel: 07951 245945
sophie.blackburn@swapaudit.co.uk

SWAP is an internal audit partnership covering 27 organisations. Dorset Council is a part-owner of SWAP, and we provide the internal audit service to the Council.

For further details see:
https://www.swapaudit.co.uk/

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Audit Opinion, Significant Risks, and Audit Follow-Up Work

Audit Opinion:
This is our second full update report for 2025/26 financial year.

Our live Rolling Plan dashboard available through our audit management system AuditBoard AuditBoard | Login (auditboardapp.com), and specifically the Audit Coverage (*located on the first tab of the dashboard or on page 2 of this report*), reflects the outcomes of recently completed reviews. Based on these reviews, we recognise that, in general, risks are well managed. However, we have identified some gaps, weaknesses and areas of non-compliance and whilst we have a reasonable level of confidence that the agreed actions will be implemented to address these issues, we do have a number of long outstanding actions which we continue to address with support from the committee. As a result of this and the significant concerns that were highlighted within the annual opinion for 2024/25 we continue to offer a **Limited** opinion until we are able validate that these areas of significant concern have been resolved.

Since our last report in August 2025, we have not issued any **Limited** assurance opinions on the areas and activities audited.

Significant Corporate Risks
Update on Effectiveness of Business Continuity Plans
In August, we reported that our follow up work identified that only one action remained in progress, with a revised implementation date 31st December 2025. In September 2025, we have been able to close off that one remaining action and can now confirm that this significant corporate risk has been appropriately mitigated.

Contract and Expenditure Compliance with Scheme of Delegation and Council Constitution
We have undertaken a follow-up review which has shown that ten of the sixteen actions have been implemented, some ahead of their scheduled implementation date. A copy of the follow-up report can be found on page 6.

Internal Audit Plan Progress 2025/26

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation's risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.

SWAP Internal Audit Plan Coverage

Table 1 below presents our audit coverage mapped against the Authority's **Principal Risks**, introduced in May 2025. Further detail can be found using our audit management system, AuditBoard [AuditBoard | Login (auditboardapp.com)](auditboardapp.com). As you will see, we continue to make good progress towards coverage of the new principal risks. We have only been working on this updated framework for five months, and it will take time to achieve full coverage.

Table 1

Principal Risk (i) Hover over new Principal Risks to see a definition	Coverage	Average Opinion
Commercial	None	
Data and Information Management	In Progress	
Finance	Adequate	Reasonable
Legal	Some	Limited
Operations	Adequate	Reasonable
People	None	
Project / programme	Some	Non Opinion Audits
Property	None	
Reputation	Some	Reasonable
Security	Some	Reasonable
Technology	Some	Reasonable

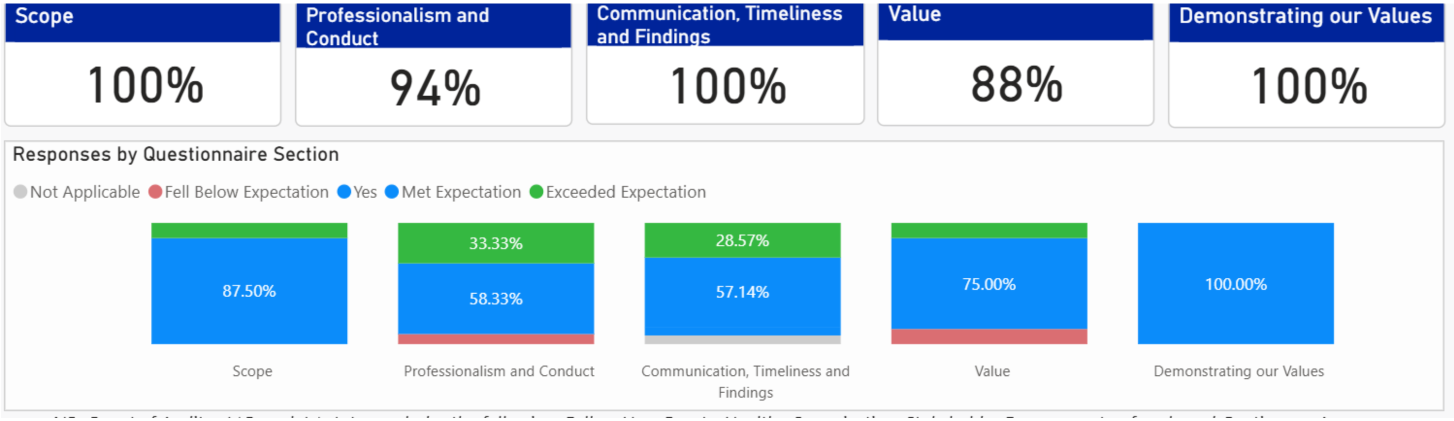
Assurance	Description
Substantial	Sound system of governance, risk management and controls exist
Reasonable	Generally sound system of governance, risk management and control in place
Limited	Significant gaps, weaknesses or non-compliance were identified
No Assurance	Fundamental gaps, weaknesses or non-compliance identified

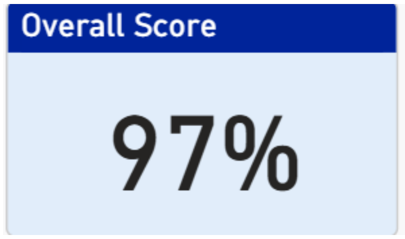
Coverage	Description
Good	Good audit coverage completed
Adequate	Adequate audit coverage completed
Some	Some aspects of audit coverage completed
In Progress	Some aspects of audit coverage in progress
None	No audit coverage to date

Internal Audit Plan Progress 2025/26

We review our performance to ensure that our work meets our clients' expectations and that we are delivering value to the organisation.

Performance scores from post audit questionnaires:





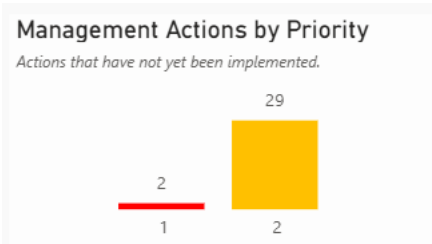
Internal Audit Plan Progress 2025/26

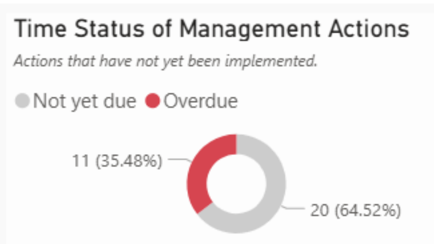
We monitor the Council's performance for implementation of agreed actions.

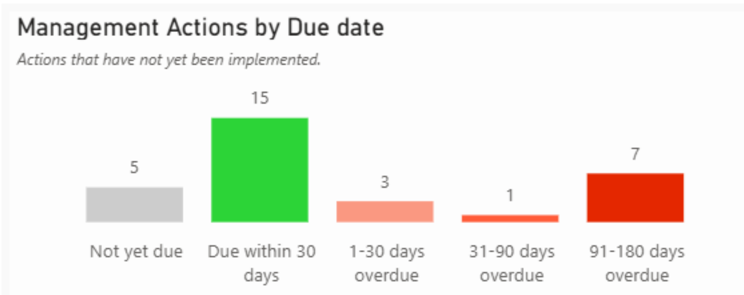
Outcomes from Follow-Up Audit Work

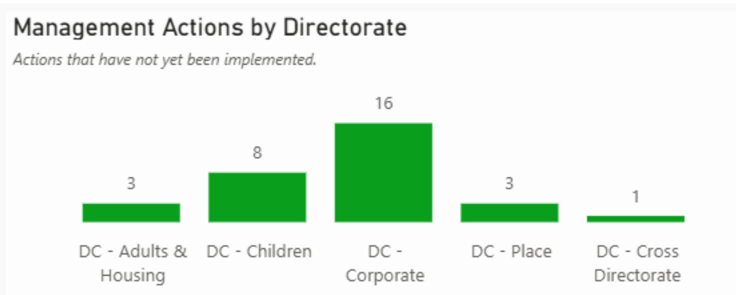
The graphic below provides an analysis of overdue priority 1 and 2 actions. There are 31 actions that have yet to be implemented, 11 of which are currently overdue.

The number of overdue actions and those not due but with revised timescales is slowly improving. Since our report to the committee in August we have stopped amending or extending implementation dates to simplify the overdue action information going forwards. A detailed table in Appendix B (pages 7–17) lists all overdue actions, as well as those with one or more revised implementation dates. It also highlights actions completed since our last report. Additionally, we have agreed that the Business Insight and Performance team will take a greater role in issuing reminders and following up with council officers for updates on action implementation. This reflects the Council's commitment to move towards greater ownership and timely implementation of the internal audit actions. Additional information is available in the Management Actions tab of the SWAP Executive dashboard, which can be accessed via this link: [AuditBoard | Login (auditboardapp.com)]









Added Value

'Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.'

Added Value

Cifas

The use of the Cifas data sharing service continues to deliver benefits in the prevention and detection of fraud. Previously agreed areas are still being routinely checked against the database, with matches identified and appropriate action taken where necessary.

Benchmarking

A benchmarking exercise has been undertaken to provide comparative insights into the Local Government Transparency Code 2015 review of exclusions.

Newsletters and updates

SWAP regularly produces a newsletter and other relevant updates for partners, including fraud bulletins. These communications highlight topical issues and provide useful information to support awareness and risk mitigation.

Contract & Expenditure Compliance with Council Constitution & Scheme of Delegation – Final Follow Up Report September 2025

Follow Up Audit Objective

To provide assurance that agreed actions to mitigate against risk exposure identified within the 2025/26 Limited opinion audit of the Contract & Expenditure Compliance with Council Constitution & Scheme of Delegation report have been implemented.

Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1	1	1	0	2
Priority 2	10	4	0	14
Priority 3	0	0	0	0
Total	11	5	0	16

Follow Up Assessment

The original audit was completed and reported in May 2025 and received a Limited assurance opinion. This is the first follow up audit which has found that ten of the sixteen actions have been completed, some ahead of their proposed implementation date set by the service.

Follow Up Scope

Testing has been performed in relation to all actions and supporting evidence obtained to support implementation of actions.

Key Findings

Following the audit the Council set up a working group which consisted of senior officers from Finance, Legal and Commercial & Procurement. The working group have created an action plan which is being monitored to ensure actions are implemented in a timely manner. Responsibility for some of the actions was assigned to the Senior Leadership Team and they have met formally to discuss these, recording decisions made. Senior Leadership Team have approved some revisions to the Scheme of Delegation, and this will be received by Full Council on the 23rd October.

Legal Services have advised the Monitoring Officer on the legality of the Comensura contract and agreement has been reached that it is not unlawful to continue to use it, however the Monitoring Officer raised concerns resulting in the strengthening of controls around the use of the contract. The current contract is in place until April 2026, with available extensions under consideration.

The Council are committed to implementing the audit actions to ensure that proper procedures are followed when setting up new Statement of Works through Comensura. A review of procedures has resulted in a change to the Project Initiation Document to include authorisation by the budget holder and finance, with the authorisation for setting up new Statement of Works within c.net (Comensura platform) now limited to the senior officers within the Commercial & Procurement Team, who are acting as 'gatekeepers' to ensure correct authorisation has been followed. Intranet guidance has been revised and promoted through meetings held with all c.net users. Monthly management information reports from Comensura are now being circulated with compliance to approved processes being monitored by the Commercial & Procurement Team.

Further Follow-Up Required/Next Steps

Further details of actions can be found in the management action plan. A summary of the key findings from our review will be presented to the Audit and Governance Committee on 13th October 2025. Further follow up will be undertaken for the six remaining actions.

Overdue Actions with Number of Times the Implementation Date has been Amended as at 19.09.2025

Audit Title	Officer Responsible	Directorate	Action	Priority	Original Date	Current Revised Date	No. of Revisions	Change in Timescale (Days)
Use of Consultants and Temporary Staff	Chris Matthews – Head of People and Workforce	Corporate Services	Procurement will work with the BI & Performance Team and develop a dashboard to report performance metrics on consultants and temporary staff.	2	30/04/24	30/04/25	3	365
DC Contract & Expenditure Compliance with Council Constitution & Scheme of Delegation	Service Manager for Commercial and Procurement / Head of Legal	Corporate Services	The authorisation levels in SAP and the Scheme of Delegation will be reviewed by the Head of Legal, the Service Manager for Commercial and Procurement and the Corporate Director for Finance and Commercial who will make a shared recommendation to the Senior L Leadership Team. As part of this consideration will be given to whether there is a need for a two-tier Scheme of Delegation; one for approval to commit expenditure and another for officers processing payments relating to that committed expenditure. If it is proposed that the authorisation levels in SAP should be any different from those currently in the Constitution, then this should be reported to the Audit and Governance Committee and Full Council for approval. This is to ensure that authorisations are aligned, that they deliver appropriate governance, oversight and authorisation of payments without unnecessarily holding up payment to suppliers and that any changes of substance to the Constitution are made by Councillors.	1	10/07/25	n/a	0	0

Audit Title	Officer Responsible	Directorate	Action	Priority	Original Date	Current Revised Date	No. of Revisions	Change in Timescale (Days)
DC Contract & Expenditure Compliance with Council Constitution & Scheme of Delegation	Service Manager for Commercial and Procurement / Head of Legal	Corporate Services	A review of the payments over £500 that are published on the Council's website will be undertaken to ensure that all relevant payments are included each month. The Monitoring Officer will be informed of the outcome of the review so that he can consider whether there is any need to issue a (public interest) report under section 5 Local Government and Housing Act 1989.	2	31/07/25	31/08/25	1	31
MCA Best Interest Assessment - Independent Assessor Investigation	Julie Ingram - Corporate Director for ASC	Adults and Housing	Appropriate recovery steps will be taken regarding two duplicate invoices for work. The payments for BIA work, which appear to be Form 4s will also be considered for recovery. Finance will be instructed to write to these individuals where there is overpayment for work with a view to recovering this money.	2	31/03/25	n/a	0	0
MCA Best Interest Assessment - Independent Assessor Investigation	Julie Ingram – Corporate Director for ASC	Adults and Housing	Flexi balances and long working days will be monitored more effectively in line with the corporate expectations and consideration given to working time directives. Work has started in this area with the Service Manager and the Head of Service. This action will be picked up as part of the wider service enhancement review.	2	31/03/25	n/a	0	0
Children's Service Direct Payments	Pru Caldwell-McGee - Service Manager, B2SA	Children’s	The Direct Payments Policy will be reviewed to ensure alignment with current practices and regulations. A standardised case review process will be established based on policy criteria and provide training to staff and regular monitoring and quality assurance checks for ongoing compliance will be	2	30/04/25	n/a	0	0

Audit Title	Officer Responsible	Directorate	Action	Priority	Original Date	Current Revised Date	No. of Revisions	Change in Timescale (Days)
			conducted.					
Children's Service Direct Payments	Pru Caldwell-McGee - Service Manager, B2SA	Children's	A process will be implemented to ensure all direct payment bank accounts are reviewed on a regular basis. This will check the surplus of money in the account and ensure the money is spent on agreed resources.	2	30/04/25	n/a	0	0
DC Dignity at Work (Place)	Jan Britton – Executive Director	Place	The Place directorate will look at introducing ways of empowering employees to speak up. Examples of this could be: - Sharing anonymised cases studies from other services in the directorate and using these as a basis of a lessons learned exercise. - Introducing a working group which covers all services and employees at all different levels where learning across services can be covered and brought back to the services. - Introducing a positive role model within the services. They would encourage all employees to speak up when they experience unacceptable behaviour in the workplace.	2	31/05/25	n/a	0	0
DC Dignity at Work (Place)	Jan Britton – Executive Director	Place	The directorate will try to identify ways the process after reporting an incident is more transparent for the victim.	2	31/05/25	n/a	0	0
DC ICT Change Management	Paul Thompson - Service Management	Corporate Services	Ensure that mandatory risk and impact assessments are completed for all proposed changes. Develop and implement robust testing	2	30/08/25	n/a	0	0

Audit Title	Officer Responsible	Directorate	Action	Priority	Original Date	Current Revised Date	No. of Revisions	Change in Timescale (Days)
	Lead (ICT Operations)		and validation protocols prior to deployment. Provide targeted training to relevant teams to ensure process adherence and initiate periodic audits to monitor and enforce compliance.					
DC ICT Change Management	Paul Thompson - Service Management Lead (ICT Operations)	Corporate Services	Develop and implement a comprehensive change management policy and procedure aligned with ITIL Best Practices. Establish measurable metrics and reporting mechanisms for Post-Implementation Reviews to ensure insights are used for continuous improvement. Conduct regular training to enhance staff understanding and adherence to the updated processes	2	30/08/25	n/a	0	0

Overdue Actions with Number of Times the Implementation Date amended, complete since last update (14.07.2025)

Audit Title	Officer Responsible	Directorate	Action	Priority	Original Date	No. of Revisions	Date Completed	Completion Time (Days)
DC Data Quality & Information Governance	Marc Eyre – Service Manager for Assurance	Corporate Services	Taking a risk-based approach, the Strategic Information Governance board will review the data sharing arrangements for the cohort of c.800 employees and consider which of them require a Microsoft license.	2	30/6/23	3	26/08/25	788
DC Effectiveness of Manager Self-Service	Head of Human Resources	Cross Directorate	The Work Schedule Rule will be checked for all staff to ensure that they are on the correct rule.	2	30/09/23	4	16/07/25	655

Audit Title	Officer Responsible	Directorate	Action	Priority	Original Date	No. of Revisions	Date Completed	Completion Time (Days)
DC Contract & Expenditure Compliance with Council Constitution & Scheme of Delegation	Senior Leadership Team	Corporate Services	A decision will be made as to what level of officer should be given Approver status in c.net, also whether interim and temporary staff will be allowed to hold approver (either proposal or transaction) status.	2	30/06/25	1	15/09/25	77
DC Contract & Expenditure Compliance with Council Constitution & Scheme of Delegation	Senior Leadership Team	Corporate Services	A review of c.net users who hold Customer Admin rights will be undertaken to establish whether this is to continue for users outside of Commercial & Procurement.	2	30/06/25	1	15/09/25	77
DC Contract & Expenditure Compliance with Council Constitution & Scheme of Delegation	Senior Leadership Team	Corporate Services	Commercial & Procurement will identify monitoring reports that are available to ensure that the controls within the Comensura system are being adhered to. This could include but isn't limited to budget increases, transaction approvals. Compliance will be monitored by the Head of Commercial & Procurement and instances of non-adherence to agreed processes will be escalated to the Corporate Director for Finance and Commercial using the reports available to them.	2	31/07/25	1	15/09/25	76

Audit Title	Officer Responsible	Directorate	Action	Priority	Original Date	No. of Revisions	Date Completed	Completion Time (Days)
DC Contract & Expenditure Compliance with Council Constitution & Scheme of Delegation	Senior Leadership Team	Corporate Services	Commercial & Procurement will run monitoring reports periodically and undertake spot checks to ensure that there are no users outside of Commercial & Procurement who hold Customer Admin status.	2	30/06/25	1	15/09/25	77
DC Contract & Expenditure Compliance with Council Constitution & Scheme of Delegation	Senior Leadership Team	Corporate Services	Consideration will be given to the continued use of Comensura for the engagement of specialist contractors and consultants (SoW projects). Once that decision is made, guidance should be provided to all relevant officers.	2	30/06/25		15/09/25	77
DC Contract & Expenditure Compliance with Council Constitution & Scheme of Delegation	Service Manager for Commercial and Procurement / Head of Legal	Corporate Services	Clarification will be provided to the Senior Leadership Team on the scope of the contract and specific type of supplier(s) that can be engaged using the Comensura SoW contract to ensure that this complies with the contract. If it is concluded that the Comensura contract has likely been used beyond the scope advertised, then the Monitoring Officer will be asked to consider whether to issue a (public interest) report under Section 5 Local Government and Housing Act 1989.	1	31/05/25	1	18/09/25	110

Audit Title	Officer Responsible	Directorate	Action	Priority	Original Date	No. of Revisions	Date Completed	Completion Time (Days)
DC ICT Change Management	Paul Thompson - Service Management Lead (ICT Operations)	Corporate Services	Establish a mandatory process to ensure Post-Implementation Reviews are conducted for all projects and significant changes. Provide training on ITIL v4 framework requirements and integrate PIR detailed completion into project closure checkpoints. Monitor compliance through periodic audits and incorporate lessons learned into future planning.	2	31/07/25	0	17/09/25	48
DC Subject Access Requests	Service Manager for Assurance	Corporate Services	The service will obtain Counsel's opinion on the Council's interpretation of its GDPR obligations in relation to Subject Access Requests (SARs). This legal advice will inform the development or revision of internal guidance and training materials for staff involved in SAR processing. Depending on the outcome, the service will conduct a formal review of current redaction practices applied to SARs.	2	31/07/25	0	15/09/25	46
Temporary Accommodation	Andrew Billany – Corporate Director for Housing	Adults and Housing	The Housing service will design and roll out a thorough staff training program for effective use of the internal software system (Huume).	2	30/4/25	1	18/07/25	79
Temporary Accommodation	Andrew Billany - Corporate Director for Housing	Adults and Housing	The housing service will in conjunction with assets and property formalise a comprehensive asset register to track all accommodation assets. This includes recording property location, ownership, acquisition date, value, and related agreements which will be regularly updated to maintain accuracy and compliance with policies and regulations.	2	31/3/25	1	18/07/25	109

Actions not yet due with multiple revision dates as at 19.09.2025

Audit Title	Officer Responsible	Directorate	Action	Priority	Original Date	Current Revised Date	No. of Revisions	Change in Timescale (Days)
Joint Funding Arrangements	Beth Whittaker - Corporate Director for Education & Learning	Children's	The work being carried out for the automation of decisions made by the MARP will include a mechanism for recording, tracking and monitoring cases. This will include upwards reporting to the appropriate committee/ directorate leadership group.	2	30/04/24	30/09/25	2	518
Temporary Accommodation	Andrew Billany – Corporate Director for Housing	Adults and Housing	The Housing Service will ensure that temporary accommodation rents will be set at the level recommended in the Housing Revenue Accounts guidance.	2	31/03/25	30/06/26	1	456
DC Contract & Expenditure Compliance with Council Constitution & Scheme of Delegation	Corporate Director Finance and Commercial	Corporate Services	Procurement of the new ERP system will include a request for functionality to ensure that orders can be linked to a contract, or the Cabinet approval document for trade payments. There will also be a request for workflow for non trade payments and AP Uploads which includes appropriate authorisation and budget commitments being placed in advance where possible.	2	30/06/25	30/09/25	1	92
DC Contract & Expenditure Compliance with Council	Service Manager for Commercial and Procurement/	Corporate Services	Whenever an agreed existing SoW budget needs to be increased and/or milestones moved, this will go through the approval process as it would if it were a new SoW project, taking into account cumulative spend, and this will be in accordance with the Scheme of Delegation. The	2	31/08/25	30/09/25	1	30

Audit Title	Officer Responsible	Directorate	Action	Priority	Original Date	Current Revised Date	No. of Revisions	Change in Timescale (Days)
Constitution & Scheme of Delegation	Corporate Director Finance & Commercial		process will also include inputting amended commitments on SAP.					
DC Contract & Expenditure Compliance with Council Constitution & Scheme of Delegation	SLT/Service Manager for Commercial and Procurement / Head of Legal/Corporate Director for Finance & Commercial	Corporate Services	The current Comensura contract finishes in April 2026, with options of further 12 month extensions until April 2028. For future arrangements, consideration will be given to the type of contract and works that are to be included, with a clear mandate from Senior Leadership Team (SLT). All relevant guidance will be updated and made available to all staff to ensure that it is used lawfully and within contract procedure rules.	2	30/09/25	31/10/25	1	31
DC Contract & Expenditure Compliance with Council Constitution & Scheme of Delegation	Service Manager for Commercial and Procurement / Senior Leadership Team	Corporate Services	A review of resources within Commercial and Procurement will be undertaken to ensure they are able to carry out the required additional processes as a result of this audit.	2	31/08/25	30/09/25	1	30

Actions not yet due with multiple revision dates, complete since last update (14.07.2025)

Audit Title	Officer Responsible	Directorate	Action	Priority	Original Date	No. of Revisions	Date Completed	Completion Time (Days)
Effectiveness of Business Continuity Plans	Marc Eyre – Service Manager for Assurance	Corporate Services	Services will be required to identify their critical systems within the review of the Business Impact Analysis (BIA). Additionally, a review will be conducted to remove any outdated systems from the list.	2	31/05/25	4	15/09/25	107
Adults Block Booked Beds Contracts	Elaine Stratman - Brokerage & Market Service Manager	Adults and Housing	A standardised reconciliation process will be implemented to compare provider invoices against both void rates and fixed rates to ensure accurate and consistent billing. This process should be conducted regularly to identify and address any discrepancies.	2	31/03/25	3	18/07/25	109
RMMSCW Framework	Jess Maskrey – Head of Assets and Property	Place	Guidance will be written for the procurement of a contractor when a lot becomes available. This will be communicated to all staff and included within the new framework.	2	30/06/24	2	19/09/25	447
RMMSCW Framework	Jess Maskrey – Head of Assets and Property	Place	A system will be established for the approval of works above the limit set for Lots within the current RMMSCW Framework. This should also be duplicated within the new proposed framework.	2	30/06/24	2	19/09/25	447
RMMSCW Framework	Jess Maskrey – Head of Assets	Place	Assets and Property will work with Housing to establish a formal process for requesting work and signing off invoices.	2	30/09/24	2	19/09/25	355

Audit Title	Officer Responsible	Directorate	Action	Priority	Original Date	No. of Revisions	Date Completed	Completion Time (Days)
	and Property							
RMMSCW Framework	Jess Maskrey – Head of Assets and Property	Place	Consideration will be given to including audit actions contained within this report with the tender process for the new framework, for example the requirement to seek an exemption when the estimate is over the schedule of rates prior to the award of the work.	2	30/06/24	2	19/09/25	447
Estates Income and Debt Management	Jess Maskrey – Head of Assets and Property	Place	Once TF Cloud has been implemented and had time to embed, Estates will undertake a benefits realisation exercise to establish the value added by the new system and understand how it is allowing the service to meet its objectives. Any gaps identified by the work will be investigated further.	2	31/01/25	1	22/09/25	235

Audit and Governance Committee

13 October 2025

Period 4 Financial Management Report 2025/26

For Decision

Portfolio Holder:
Cllr S Clifford, Finance & Capital Strategy

Local Councillor(s):
All

Senior Leadership Team:
S Cremer, Corporate Director, Section 151 Officer

Report Author: Sean Cremer
Job Title: Corporate Director, Finance and Commercial, Section 151 Officer
Tel: 01305 228685
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Report Status: Public

Brief Summary:

Following presentation to Cabinet on 9th September 2025, this report comes to the committee with information about the Council's forecast financial performance for the full 2025/26 financial year. The forecasts are based on data as at 31st July 2025 (Period 4).

Recommendation:

Audit & Governance is asked to:

1. note SLT's forecast of the full year's outturn for the Council, made at the end of July 2025 including progress of the transformational and efficiency savings incorporated into the budget;

2. note the capital programme for 2025/26;

Reason for Recommendation:
Review of the organisation's performance against budget is a key aspect of this Committee's role.

Cabinet

9 September 2025

July 2025 (Period 4) financial management report 2025/26

Portfolio Holder:
Cllr S Clifford, Finance & Capital Strategy

Local Councillor(s):
All

Senior Leadership Team:
S Cremer, Corporate Director, Section 151 Officer

Report Author: Sean Cremer
Job Title: Corporate Director, Finance and Commercial
Tel: 01305 228685
Email: sean.cremer@dorsetcouncil.gov.uk

Report Status: Public

Executive Summary:

1. This Period 4 (P4) financial management report provides a comprehensive overview of Dorset Council's financial performance as of 31 July 2025, offering critical insights into forecasted outturns, budget pressures, savings delivery, and strategic financial risks for the 2025/26 fiscal year.

1.1 At the end of July, the Council is forecasting a £7.705 million overspend, representing 1.8% of the total budget requirement of £417.2 million. This pressure - largely due to the rising cost of adults' and particularly children's social care placements and packages (£6.4m) and a delay in savings from the Our Future Council (OFC) transformation programme (£5m), partially offset by £3.5m in contingency releases. SLT is preparing to implement enhanced financial controls to manage discretionary spending and reinforce budget discipline in order to protect the year end position.

1.2 The Council continues to operate in a challenging national context, with rising demand, inflationary pressures, and systemic underfunding. The Dedicated Schools Grant (DSG) deficit is forecast to reach £148.18 million, posing significant cashflow risks despite the statutory override extension to March 2028. The Safety Valve agreement with the Department for Education remains under review, with contributions withheld pending a revised plan submission

1.3 Directorate-level forecasts show mixed performance:

a. Children's Services face a £4.016m overspend, driven by rising costs in external placements and increasing complexity of care needs. Despite this, the service is on track to deliver its £7.182m savings target.
b. Birth to Settled Adulthood (B2SA) reports a £1.368m overspend, with its £1m savings target currently unmet due to demand and market cost pressures.
c. Adults & Housing forecasts a £0.853m overspend, primarily from increased demand in adult care packages. The directorate has achieved 52% of its £10.597m savings target.
d. Public Health & Prevention shows a £0.44m overspend, with several savings at risk due to staffing and income shortfalls.
e. Place Directorate projects a £0.434m underspend, though risks remain due to market volatility and unachieved vacancy savings.
f. Corporate Development and Legal & Democratic Services report minor variances, with ICT costs and restructuring delays contributing to pressures.

1.4 The OFC programme, central to the Council's transformation strategy, is forecast to deliver £5m of its £10m savings target with the remainder phased into future years. Governance measures are being strengthened to accelerate delivery and align service-level savings with corporate objectives.

1.5 The capital programme totals £169.7m for 2025/26, with £31.7m (19%) committed by July. Slippage and re-profiling are being actively managed, with oversight from the Capital Strategy and Asset Management Group

1.6 Debt management remains a priority, with £36.6m in outstanding sundry debt, of which £25.6m is deemed collectable. Deferred payments and gross without prejudice debts are being monitored closely.

1.7 For the first time, the report includes data on contract exemptions, with seven exemptions totalling £668k.

1.8 In conclusion, Dorset Council faces significant financial pressures requiring decisive action. SLT will introduce strengthened controls and reprofile transformation efforts to mitigate risks. These measures, alongside ongoing monitoring, will inform the 2026/27 budget strategy and ensure the Council remains on a path toward financial sustainability.

2. **Recommendation**:

Cabinet is asked to:

2.1 Note SLT's forecast of the full year's outturn for the Council, made at the end of July 2025 including progress of the transformational and efficiency savings incorporated into the budget;

2.2 Note SLT will be bringing forward financial control measures in response to the forecast position.

2.3 Note the capital programme for 2025/26;

2.4 Note the number and extent of contract exemptions.

3. **Reason for Recommendation**:

3.1 The Council is legally required to set a balanced budget every year, and so must deliver services within the resources made available through the revenue and capital budgets for 2025/26. This report summarises the Council's forecast financial performance for the year at the end of July 2025.

3.2 The operating environment for Local Authorities across the UK remains challenging with increasing numbers of Local Authorities issuing Section 114 notices and exceptional financial support (EFS) in recent years. External factors are bringing pressure to bear through increased demand, rising costs and complexity, in addition to reducing funding. These factors, together with the findings of the SWAP investigation and review of contract procedures and the officer scheme of delegation, mean that effective management and monitoring of activities and budgets has never been more important.

3.3 It is therefore essential to understand the developing financial performance and projected position this year. This ensures that resources are deployed to deliver the Council's services in line with the Council Plan priorities, and so that the organisation remains in good financial health and that service delivery remains sustainable. The Council makes a significant contribution in supporting employment, training and economic prosperity, as well as being a provider and commissioner of critical public services. Balancing all of these strategic, and often, competing priorities is a responsibility is taken extremely seriously.

3.4 The number and extent of contract exemptions is also included for the first time below in response to a recent external audit.

4. Financial Implications

4.1 Financial implications are covered within the body of this report.

5. Climate Implications

5.1 The Council's budget continues to fund action set out in the climate and ecological emergency action plan, including a £10m capital expenditure commitment over the term of the current MTFP.

6. Well-being and Health Implications

6.1 The Council has continued its focus on keeping people safe and well, it works closely with health partners in order to ensure that public services as a whole work closely to help people stay well.

6.2 The Council continues to play an essential role in distributing government grants to individuals, businesses and other qualifying groups during the year as well as delivering high-quality public services.

7. Other Implications

7.1 None specific.

8. Risk Assessment

8.1 Having considered the risks associated with this decision; the level of risk has been identified as:

Current Risk: High
Residual Risk: High

8.2 The residual risk reflects the operating environment for council finances across the UK as these are under extreme pressure.

8.3 The current risk reflects pressures faced by this Council and are outlined within the commentary on the revenue budgets and Dedicated Schools Grant (DSG) position.

8.4 Revenue budget - mitigation will be required to prevent further draws on reserves which have reduced from 2023/24 to 2025/26 and will reduce further if required to meet the forecast revenue overspend.

8.5 DSG - looking ahead, further pressure on the Council's reserves comes from the cumulative deficit on the DSG, which is forecast to exceed available reserves by the end of 2025/26. Whilst an extension has been agreed to the statutory override to March 2028, the cashflow pressure remains.

8.6 Based on the Fair Funding Review 2.0 consultation the revised funding from Central Government does not provide confidence that the underlying, systemic underfunding for Local Government service delivery will be addressed. As a result, it is expected that the local and national pressures the Council is facing in the current financial year can be expected to continue over the medium term.

8.7 Taking both the local and national operating environment into consideration, the S151 Officer, the Council's Chief Finance Officer, establishes the current risk assessment as *high* and that readers of the report should expect:

i. the budget gap for next year (2026/27) should be expected to widen
ii. delivering a balanced budget to require a reprioritisation of service delivery to ensure ongoing financial sustainability.

9. Equalities Impact Assessment

9.1 No specific equalities issues have emerged in drafting the Council's various reports on financial performance and position.

10. Appendices

10.1 Appendix A - Savings Plans

Appendix B – Climate Wheel

Appendix C – Contract Exemptions

11. Background Papers

11.1 2024/25 draft outturn report
2025/26 budget strategy report

12. Budget Setting 2025/26 and context

12.1 2024/25 ended with an overspend of £10m in service budgets and an overspend on the Our Future Council savings of £8.6m which was offset by Central Finance adjustments of £11.9m, resulting in a net £6.7m overspend. Setting the budget for 2025/26 saw rebasing of the ongoing pressures within service budgets increasing by £19m, £14.6m of which was in the Adults and Housing directorate.

12.2 The Council's *budget requirement* is £417.2m and was funded from new homes bonus (£3.2m), business rates (£70.2m), revenue support grant (£1.8m) and council tax (£342m).

12.3 In setting the budget the Council included £44.6m of savings, efficiencies, grants and income broken down as; savings and efficiencies including new service grants and income of £12m, managing and meeting need differently of £14m, as well as reducing 3rd party spend of £3m and operating more efficiently as a Council of £14.4m including £10m from Our Future Council programme. budget strategy report.

12.4 If budget pressures were not already a sufficient driver the SWAP audit report brings with it a focus upon the need for more stringent financial management across the whole council. The direction to implement changes recommended by SWAP is being overseen by a member working group drawn from the Audit and Governance Committee and led by the Cabinet member for Finance and Capital Strategy.

13. Overall projection

13.1 At the end of July, the Council is forecasting an overspend of £7.705m, which represents 1.8% of the Council's budget requirement (£417.2m).

13.2 This forecast is of a concern as it identifies unbudgeted service pressures of £6.4m, and a forecast shortfall in Our Future Council of £5m. These are partially mitigated by release of contingency funding of £3.5m.

13.3 Without mitigation the current forecast will require use of reserves. SLT are therefore recommending additional budget control measures be designed and implemented in order to ensure that discretionary spend is more closely managed collectively in addition to the current budget control measures managed within directorate budgets.

13.4 Section 12 of the report also outlines a number of forecast uses of reserves. In the event that the £7.705m forecast improves, there remains an underlying reliance on reserves during 2025/26, which will need to be replenished during the life of the current MTFP.

13.5 The directorate variances are summarised in the table below.

Directorate	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000	
People - Adults & Housing	166,312	167,164	(853)	(0.5%)
People - Children's	82,563	86,579	(4,016)	(4.9%)
Place	109,538	109,104	434	0.4%
Corporate Development	41,268	41,447	(179)	(0.4%)
Birth 2 Settled Adulthood	9,046	10,414	(1,368)	(15.1%)
Legal & Democratic Services	8,560	8,526	35	0.4%
Public Health & Prevention	4,378	4,821	(444)	(10.1%)
Total Service Budgets	**421,663**	**428,055**	**(6,391)**	**(1.5%)**
General Funding - including Our Future Council	(41,238)	(36,597)	(4,641)	(11.3%)
Capital Financing	22,630	22,630	0	0.0%
Contingency	4,253	753	3,500	82.3%
Precepts/Levy	21,560	21,591	(31)	(0.1%)
Central Finance	(438,678)	(438,536)	(142)	(0.0%)
Retirement costs	1,702	1,702	0	0.0%
Whole Authority	**(8,108)**	**(403)**	**(7,705)**	
Dedicated Schools Grant budgets	8,108	60,642	(52,534)	

13.6 More detail on the specific directorates is set out in the following paragraphs.

Children's Services

13.7 The Children's Services forecast is £86.579m compared with a net budget of £82.563m an overspend of £4.016m (4.9%).

13.8 The Birth to Settled Adulthood service is now a separate area containing budgets from Adults and Children's Services. The table below reflects this change.

People Services - Children	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000	
Quality Assurance	4,091	4,091	0	0.0%
Care & Protection	57,347	61,517	(4,169)	(7.3%)
Commissioning and Partnerships	6,341	6,341	0	0.0%
Director's Services	(267)	(367)	100	37.4%
Education and Learning	15,254	15,201	53	0.3%
DSG Recharges	(204)	(204)	0	0.0%
Total Directorate Budget	**82,563**	**86,579**	**(4,016)**	**(4.9%)**

Care & Protection

13.9 The overspend sits within Care and Protection, the social services side of the directorate. Children in Care continues to be the significant pressure within the Service.

13.10 Other areas, including Special Guardianship Orders, The Harbour Services and use of psychologists are forecast to underspend.

Children in care

13.11 As mirrored nationally, pressure on external placements for our children in care population continues. Increasing numbers of Children in Care not only impact placement budgets, but non-placement budgets are also affected including assessment costs, legal, interpreter fees and travel costs.

13.12 The Children in Care placements budget is currently forecast to overspend by £4.167m, with an additional £0.250m overspend in non-placement costs.

13.13 An overspend is reported for supporting our children in care, and this is mainly driven by three factors: our children's needs increasing in complexity, inflation and an external residential placement market that isn't functioning effectively, as referenced in the Competition and Markets Authority (CMA) published in 2022, which was a market study into children's social care provision. Children's social care market study final report - GOV.UK (www.gov.uk)

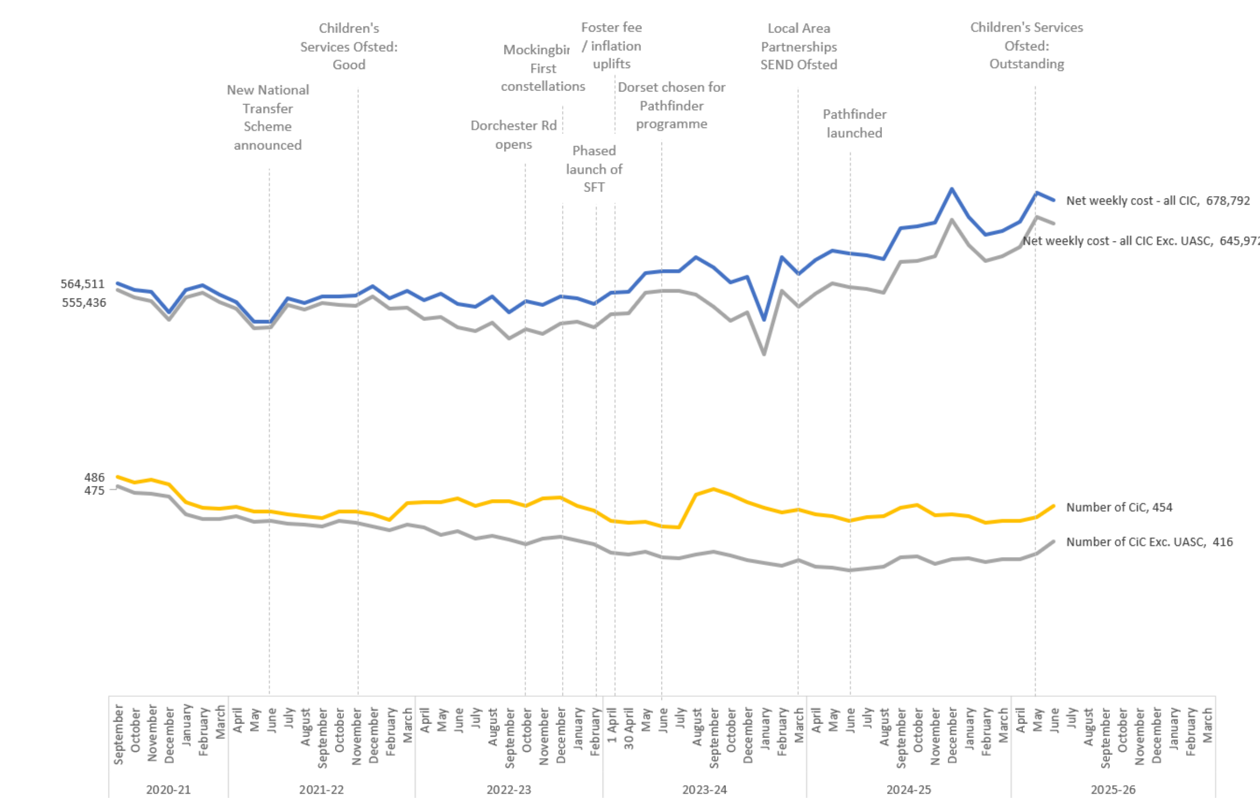
13.14 Section 9.22 lists the strategies and approaches to mitigate the impact of the above.

13.15 Dorset’s Children in Care has reduced since September 2020 (475), although there has been a recent increase in numbers from 397 in April 2025, to 416 in early July 2025.

13.16 Dorset Council fostering placements have increased to the 2020 levels (212) although there has been an increase of six external residential placements since April 2025, taking this cohort to 50.

13.17 Weekly average costs for external residential placements have risen from an average of £4.27k in 2020 to the current average of £6.4k, an increase of 50%. External fostering has increased from £0.96k to £1.2k, an increase of 25%.

Dorset Council: Children in Care - net weekly cost and number of children



13.18 If the number of children in care (exc. our unaccompanied children) had remained at 475, at June 2025 averages, it is estimated an additional £4.7m of annual cost would be incurred.

13.19 Dorset Council are seeking to return the Children in Care trajectory downwards and influence the placement mix of the cohort, through:

i. Through our work in the Families First For Children Pathfinder, we are continuing to rebalance the system. Strong partnership work (including education) in communities, our conversation-based Family Support and Advice Line, integrated ‘Thrive’ locality model, and expanded innovative edge of care Harbour offer, is delivering the right services and support to families and their children, and at an earlier and therefore lower level of intervention.

ii. Participating in the Southwest regional pilot trialing a regional fostering recruitment and retention hub

iii. Year five of the transformation programme, for example Mockingbird for foster carer placement stability.

iv. Starting to implement Vcare as a tool and way of working

v. Our own in-house provision. Two children’s homes have recently been inspected with Good and Outstanding outcomes, delivering better value for money and experiences for children. Further capital investment in this area continues.

vi. The number of permanent social workers in our workforce has remained steady, with consistently manageable caseloads allowing our workers to build strong relationships with the families they serve. High case loads can lead to placement instability.

vii. Exceptions to higher caseloads have been rare and typically due to specific reasons. Our recruitment efforts, 'grow our own' initiatives, and retention plans are yielding positive results. As of March 2025, each Child Protection social worker supports an average 14 children, Family Help teams 15 children and Permanence teams 12 children, enabling them to foster meaningful relationships with the children under their care.

viii. Maintaining constructive conversations with providers to understand their cost base and reasons for price uplifts before any agreements are finalised.

Savings

13.20 Children’s Services are currently forecast to achieve the full value of budgeted savings, £7.182m (excluding B2SA).

Families First for Children Pathfinder

13.21 Dorset Council are a Pathfinder authority for Families First for Children reforms. Pathfinder finished in March 2025 and Dorset are supporting the nation rollout of the reforms.

13.22 There are three grants to support Families First for Children reforms: A Pathfinder Grant, the Prevention Grant and Families and Children's Grant. All are currently forecast to be spent.

Risks and mitigations

13.23 This is the forecast outturn position at the end of July. The main risks for Children's Services that may further impact the outturn position are: inflation (including cost of living upon the children and families we support as this may increase demand), delivering capital projects on time and on budget (there are revenue implications for late projects), new placements and placement changes, delivery of transformation savings, and new government policy that may not be funded.

13.24 Children's Services will continually review grants and other funding sources, plus regularly review the vacancies to help reduce the overspend.

Birth to Settled Adulthood

13.25 The Birth to Settled Adulthood forecast is £10.414m compared with a net budget of £9.046m an overspend of £1.368m (15.1%).

13.26 The Birth to Settled Adulthood service is now a separate area containing budgets from Adults and Children's Services. The table below reflects this change.

People Services - Birth to Settled Adulthood	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000	
Team	2,766	2,766	0	0.0%
Children's	3,454	4,823	(1,368)	(39.6%)
Adults	2,825	2,825	0	0.0%
Total Directorate Budget	**9,046**	**10,414**	**(1,368)**	**(15.1%)**

13.27 B2SA aims to improve support for children and young people with complex needs or disabilities as they transition into adulthood. By integrating multiple internal and external services into a single, coordinated team, the programme seeks to enable smoother—and potentially more cost-effective—transitions to independence. There are further phases with this programme.

13.28 The Birth to Settled Adulthood (B2SA) service has a savings requirement of £1 million, which is currently forecast to be unmet. A recovery plan is being developed but rising demand and increased market costs since the target was set in 2022 present significant risks to its delivery.

13.29 There are 385 children who are receiving (or have received) one or more services during 2025/26.

13.30 The Adult's element of this service supports young adults (18-25) transitioning into independent living arrangements and long term care solutions. The service is currently funding 38 individuals, with supported living representing the most significant area of expenditure. At this stage, a breakeven position is reported; however, a contingency has been built into the forecast to accommodate future demand identified through the birth to settled adulthood pathway.

13.31 Demand for the services is predominantly for externally commissioned support packages, direct payments and short breaks. The cause is a mixture of inflation, increased complexity and the difficulty finding providers through the direct payment mechanism.

13.32 This is an evolving area and will change and practices, processes and budgets continue to match to meet the B2SA requirements.

Adults Services & Housing

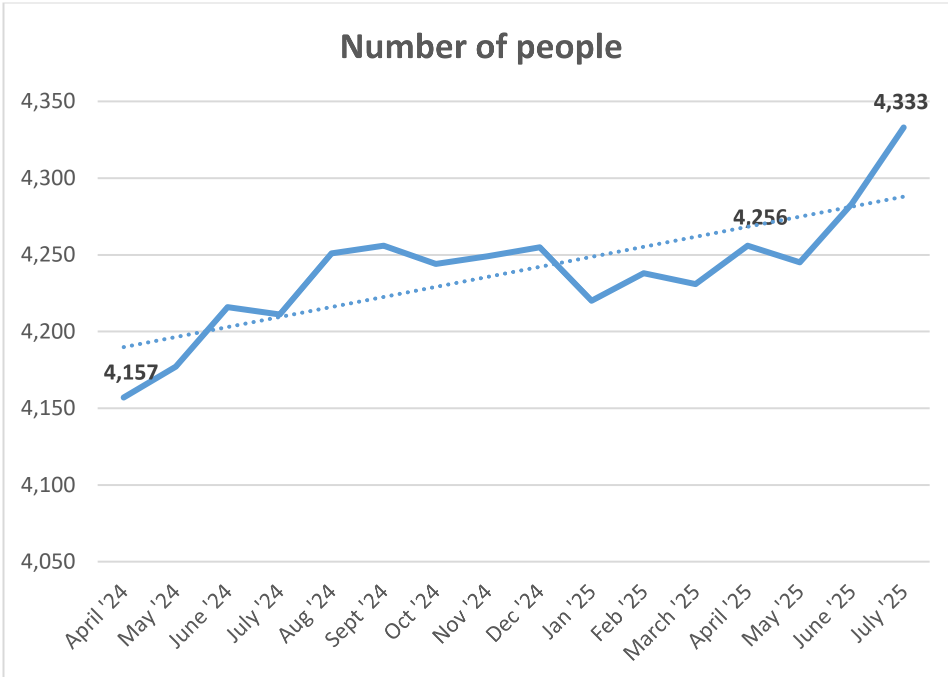
13.33 The Adults Services & Housing Directorate is currently forecasting a net expenditure of £167.164m against a budget of £166.312m, resulting in a projected overspend of £0.853m (0.5%).

People Services - Adults	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000	
Adult Care Packages	128,017	128,656	(640)	(0.5%)
Adult Care	20,724	20,724	(0)	(0.0%)
Commissioning & Improvements	7,615	7,835	(220)	(2.9%)
Directorate Wide	1,874	1,874	(0)	(0.0%)
Housing & Community Safety	8,082	8,075	7	0.1%
Total Directorate Budget	**166,312**	**167,164**	**(853)**	**(0.5%)**

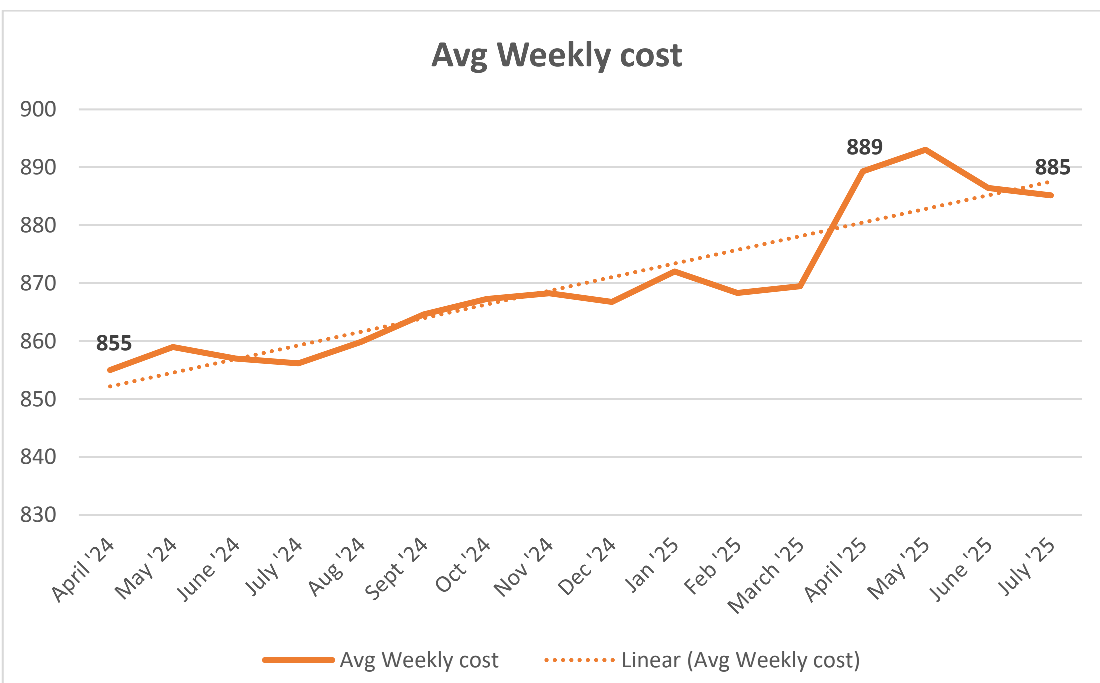
Adult care packages

13.34 The primary contributor to this overspend is adult care packages, which are forecast to exceed budget by £0.860 million. This estimate reflects the current cohort of individuals receiving support. As a needs-led service, predicting future demand remains complex and uncertain, particularly at this early stage of the financial year.

13.35 Between April and July 2025, the number of individuals supported increased from 4,256 to 4,333, representing a net growth of 77 people. This rise in demand is a key contributor to the current budget pressure.



13.36 During the same period, the average weekly cost of care packages decreased slightly from £889 in April to £885 in July. It is important to note that April costs include annual uplifts, which temporarily elevate the baseline. While the cost trend appears stable, the combination of increased demand and elevated baseline costs continues to drive financial pressure.



13.37 Additionally, there has been continued growth in the Section 117 (S117) aftercare for people who have been detained in hospital under certain sections of the Mental Health Act cohort, further intensifying demand and expenditure. These patterns highlight the evolving complexity of adult care needs and reinforce the importance of robust forecasting and responsive budget management.

13.38 To help manage demand and improve outcomes, the directorate is actively engaged in the FutureCare programme—a system-wide initiative launched in January 2025. Delivered in partnership with health and care organisations across Dorset, FutureCare aims to transform urgent, emergency, and intermediate care services.

The programme focuses on:

i. Reducing unnecessary hospital admissions and improving discharge processes.
ii. Delivering responsive, safe, and person-centred care across home, community, and hospital settings.
iii. Enhancing prevention and early intervention to avoid escalation of care needs.
iv. Improving data sharing, workforce investment, and collaboration with voluntary and community sectors.

13.39 These efforts are expected to support budget containment and inform planning for future financial years.

13.40 Care packages continue to be reviewed under the oversight of Corporate Directors, in line with the scheme of delegation. Existing system-wide activity is focused on reviewing packages for appropriateness, exploring joint funding opportunities, and assessing eligibility for continuing healthcare. These efforts are being factored into the forecasting process to improve accuracy and financial control.

13.41 The directorate remains focused on managing both cost and demand pressures. Prevention programmes and targeted interventions are central to efforts to contain the forecast overspend, with many savings initiatives centred around demand management. Despite these measures, the demand-led nature of the Adult Care budget requires ongoing and proactive oversight.

Housing

13.42 Housing is currently forecasting an underspend of £0.007m (0.1%).

13.43 Homelessness approaches remain high although there are seasonal dips through the summer months. Resources are being targeted at the front door, and changes in triage processes mean the directorate is now working in real time on cases as individuals approach the Council.

13.44 Effective early prevention work by the triage and tenancy sustainability team has resulted in fewer clients facing homelessness. The shift towards upstream prevention work has proven highly effective. While this approach can be labour intensive, the financial benefits are clear – particularly in reducing the use of bed and breakfast (B&B) and temporary accommodation. Outcomes for individuals improve, and the overall risk of homelessness is reduced. Current data shows that 7 in 10 people who approach Dorset Council have their situation resolved before homelessness occurs.

13.45 As prevention efforts become more successful, the flow of households into temporary accommodation decreases, leading to fewer statutory decisions. This improvement is evident when comparing the number of acceptances year on year, which is contributing to significant savings and improved performance.

13.46 The number of households in B&Bs continues to decline. The number of single households in B&Bs has improved in line with the B&B reduction plan. Successful placements often depend on the availability of self-contained accommodation to meet individual needs.

13.47 Family placements in B&Bs have also reduced. Families are being allocated alternative temporary accommodation more quickly. Notably, the number of family households in B&Bs for longer than six weeks has significantly decreased, with no households in this category at the end of June.

Public Health and Prevention

13.48 Public Health and Prevention is currently forecasting a net expenditure of £4.821m against a budget of £4.378m, resulting in a projected overspend of £0.44m (10.1%)

People Services - Public Health and Prevention	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000	
Community and Public Protection	3,844	4,288	(444)	(11.5%)
PH Joint Partnership	0	0	0	0.0%
People - Children's	0	0		
Public Health	533	533	0	0.0%
Total Directorate Budget	**4,378**	**4,821**	**(444)**	**(10.1%)**

13.49 The position reflects the challenges in delivering some of the savings' targets set during budget planning. These include:

i. A vacancy factor that is unlikely to be realised due to low staff turnover.

ii. An income target uplift of £100,000, with current projections indicating only £50,000 is achievable.

iii. A planned saving from regulatory services reduction, of which £40,000 has been achieved as a one-off, leaving £70,000 still to be identified and delivered.

13.50 Current performance indicates that several of the savings put forward are at risk. Continued monitoring and mitigation planning will be essential to manage the financial position going forward.

13.51 The Public Health Grant for 2025/26 for Dorset Council is £16.258m.

13.52 Public Health is currently forecasting a breakeven position. Following the disaggregation of the previously shared service, work is underway to review and stabilise operations as a newly formed directorate. This transitional phase includes reassessing service delivery models and financial planning to ensure long term sustainability.

Place directorate

13.53 When setting the 2025/26 budget for Place, the Council approved a net budget of just over £108m. This was an increase of £4.1m from the prior year, where the equivalent budget was circa £103.9m. Since then, the service "Community and Public Prevention" has been moved out from the Place Directorate and into the new Public Health & Prevention Directorate together with its budget of circa £3.8m.

13.54 During July, a savings target of £3.535m related to OFC savings was removed from Place Directorate and returned to Central Finance. As a result, and considering other in-year budget movements, the Place budget as at July is circa £109.5m.

13.55 The overall forecast for Place Directorate for July 2025 is a projected favourable position of £0.434m (0.4%), with a projection of £109.1m net spend against a net budget of £109.5m.

Place	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000	
Highways	5,524	5,093	431	7.8%
Dorset Travel	42,903	42,840	63	0.1%
Flood & Coastal Erosion Risk Management (FCERM)	1,070	1,081	(11)	(1.0%)
Greenspace	3,294	3,334	(40)	(1.2%)
Health & Activity	144	144	(0)	(0.0%)
Commercial Waste & Strategy	17,230	17,130	100	0.6%
Waste - Operations	17,766	17,766	0	0.0%
Fleet	184	184	0	0.0%
Weymouth 2040 Ancillaries	410	410	0	0.0%
LUF	0	0	0	0.0%
Economic Development	1,472	1,528	(56)	(3.8%)
Harbours	16	63	(47)	(302.3%)
Leisure, Arts & Cultural Services	3,276	3,152	124	3.8%
Directors Office	2,217	2,217	0	0.0%
Assets & Property	8,182	8,182	0	0.0%
Planning	5,851	5,980	(129)	(2.2%)
Total Directorate Budget	**109,538**	**109,104**	**434**	**0.4%**

13.56 It is worth reiterating at this early stage that the Place Directorate is greatly affected by external factors which cannot be easily predicted at this early stage of the year. Examples include how global markets affect the prices of recyclate material, and how the wider economy affects the levels of income for items such as car parking, planning fees, and garden waste scheme sign up etc.

13.57 Across the Place Directorate there is circa £0.250m of vacancy factor not yet achieved. The rate of progress in the year to date suggests that this is achievable but is not guaranteed. This means that there is risk that the forecast could worsen by circa £0.250m in relation to unachieved vacancy factor savings.

13.58 There are several movements of funding that have taken place, of which the significant ones are as follows:

a) A virement of £0.450m in total from Dorset Travel to provide funds for various unfunded projects and initiatives led by the Strategic Lead Corporate Director, as follows:
   i) Supporting the Green Energy proposals in Weymouth (£125k)
   ii) Urban renewal in Weymouth (£195k)
   iii) Future plans around the Dorset Innovation Park (£130k)

b) A virement of £0.450m from Dorset Travel into Assets and Property to provide mitigation for interim staffing costs including partial funding for temporary staff costs working on asset disposals.

c) A virement of £0.150m into Assets and Property from the contingency budget as a partial contribution to temporary staff costs working on asset disposals.

d) A virement of £0.235m was received from contingency to compensate for the proposed additional income to be received from evening parking charges. Although the saving was built into the budget for 2025/26, the decision was taken not to proceed.

e) A virement of £0.250m was received from contingency to implement work relating to using HVO (hydrotreated vegetable oil) as fuel in DC vehicles.

13.59 Other caveats for this report are:

13.60 The start of the new academic year sees a significant number of contracts renewed in Dorset Travel for SEND transport and to a lesser extent for mainstream school transport. The budget allows for potential uptick in costs as a result. However, given the size of the budgets (£13m for mainstream school transport and £24m for SEND transport) even a small percentage change in costs can mean a big change in expenditure. For this reason, the forecast for Dorset Travel will be much clearer after the effect of the new school year contracts are known.

13.61 In a similar vein, the forecast for PFI Streetlighting is potentially subject to significant change when the annual price uplift for electricity is announced each September.

13.62 Commercial Waste and Strategy is incurring expenditure at several waste sites to make improvements following advice from the Health and Safety Executive. The work is not expected to exceed £0.5m although that figure is not certain at this stage. There is no funding for this work as part of the revenue base budget, however the expected costs can be met from money received from central government specifically for waste services (Extended Producer Responsibility funding grant).

13.63 Commentary on the specific Place Directorate services is as follows:

Highways

13.64 The Highways budget is forecast to be underspent by £431k. This is primarily due to the current cost of utilities (energy) in street lighting. However, there will not be complete certainty on this until September, when the annual price increase in energy is confirmed. Highways includes Parking Services, which currently is not forecasting any variance of significance.

Dorset Travel

13.65 Overall, Dorset Travel is projecting a £63k underspend on a net budget of £43.3m. The underspend is in relation to slightly lower Passenger Assistant costs in the year to date. However, given the scale of activity, and the price volatility seen in the market in previous years, these figures should be considered as indicative only and need to be kept under regular review.

Commercial Waste and Strategy

13.66 An underspend of £100k is predicted. This is the net effect of a worsening recyclate price creating a budget pressure but offset by lower tonnages seen in the year so far. This budget line is volatile and needs to be kept under constant review.

Waste Operations and Fleet

13.67 There are no variances to report at this early stage of the year.

Weymouth 2040 and Levelling Up revenue

13.68 These areas started the financial year with zero base budget. Funding has now been provided for various projects under these headings, via a transfer of funds from Dorset Travel. The various projects are expected to be contained with the funding available.

Economic Development

13.69 The Economic Development service is forecasting a £56k adverse variance around the Tourism service, which is a combination of vacancy factor, in-built savings, and staffing budget pressure. The Digital Place service includes significant in-built savings of circa £320k, and this forecast assumes that those savings will be found through reduced staffing costs.

Harbours

13.70 All three harbours (Weymouth, West Bay, and Lyme Regis) are set with a net nil budget i.e. any costs incurred are expected to be met from harbour income. Weymouth and West Bay harbours have reserves, and any surplus or deficit at year end is applied to the relevant reserve. However, Lyme Regis harbour does not have any funds in reserve.

13.71 Lyme Regis harbour is currently projected to be £47k over budget around staffing issues including seasonal hours.

13.72 Given the above point about lack of reserves at Lyme Regis, the £47k overspend would therefore fall to Dorset Council general reserves.

Leisure, Arts and Cultural

13.73 The projection of £124k underspend is the net effect of unbudgeted Leisure review costs and vacancy factor, offset by predicted utility costs and some staff vacancies.

Assets and Property

13.74 Assets and Property are incurring additional costs in relation to staffing, particularly for additional staff who have been employed to work on asset disposals. However, additional funding has been provided from within the Place Directorate as mentioned above, in the sum of £0.450m from Dorset Travel and £0.150m from contingency.

13.75 Assets and Property have several savings in-built into the budget which are dependent on a restructure to take place. The restructure is in progress.

13.76 The current year saw additional funds added to the repairs & maintenance base budget in the sum of £2m for compliance, plus an additional £1m added as a one-off for fire related compliance work

13.77 Overall, the Assets and Property service is currently forecast to be on budget i.e. nil variance.

Planning

13.78 Overall, an £129k adverse variance is projected, largely due to income. Adverse variances are partially offset by several vacancies. Income for planning applications and building control always fluctuates significantly from one month to the next. Pre-application advice is performing positively and is a useful barometer of future planning applications, while the national uplift in statutory housing targets is likely to see an increase in planning applications later in the autumn when the fixed 5-year supply period comes to an end. Building control has seen similar fluctuations but market share remains robust and there may be further increases in activity in advance of the 2026 introduction of the Building Safety Levy as developers seek to get in before the deadline.

Mitigations are as follows:

- Active vacancy management
- Active promotion of discretionary chargeable services and expanding the offer
- An anticipated uplift in housing applications during the later part of this financial year
- Minimisation of spend on other budget lines which will mitigate any budget pressures elsewhere.

Corporate Development

13.79 The Corporate Development forecast is £41.447m compare with a net budget of £41.268m, showing a minor overspend, with a variance of £179k (0.4%).

Corporate Development	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000	
Financial & Commercial	10,517	10,563	(46)	(0.4%)
Human Resources	1,903	1,903	0	0.0%
ICT Operations	8,909	8,992	(83)	(0.9%)
Chief Executive's Office	1,154	1,154	0	0.0%
Directors Office	232	232	0	0.0%
Strategy, Performance and Sustainability	13,092	13,092	0	0.0%
Digital Change	2,322	2,322	0	
Transformation	3,138	3,188	(50)	(1.6%)
Total Directorate Budget	**41,268**	**41,447**	**(179)**	**(0.4%)**

13.80 **Finance & Commercial** is reflecting the impact of a reduced income stream following the dissolution of the Dorset Local Enterprise Partnership at the end of March 2025. Dorset Council had previously received an annual contribution of £60k, which will no longer be available. Some residual activities will continue to support the final closure of the organisation.

13.81 **ICT Operations** is reporting an overspend of £83k, primarily driven by increased Microsoft licensing costs. The annual renewal exceeded the allocated budget by £30k, and the anticipated £50k savings from a planned reduction of 200 licenses will not be achieved. This is due to delays in Our Future Council timings, which prevented confirmation of license reductions within the required deadlines of the Microsoft agreement.

13.82 **Transformation, Customer and Cultural Services are showing an** overspend of £50k, this relates to a restructure originally proposed which could not be progressed due to other restructures taking place. The saving is now held to be reviewed alongside wider service savings and transformation.

Legal & Democratic Services

13.83 The Legal & Democratic forecast is £8.526m compared with a net budget of £8.560m, an underspend of £35k (0.4%).

Legal & Democratic	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000	
Assurance	1,737	1,741	(5)	(0.3%)
Democratic & Elections Services	3,113	3,113	0	0.0%
Land Charges	(315)	(343)	28	9.0%
Legal Services	3,055	3,043	12	0.4%
Archives	970	970	0	0.0%
Total Directorate Budget	**8,560**	**8,526**	**35**	**0.4%**

13.84 **Land Charges** is currently forecasting a modest underspend, primarily driven by higher-than-anticipated fee income. The volume of search requests has exceeded budget expectations, resulting in a projected income above target. This increased activity may be linked to recent policy changes regarding council tax on second homes.

Central Finance budgets

13.85 The forecast for central finance budgets is £428.458m compared with a net income budget of £429.771m, is a forecast overspend of £1.3m (0.3%).

Central Finance	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000	
Our Future Council Savings	(10,000)	(5,000)	(5,000)	(50.0%)
General Funding	(31,238)	(31,597)	359	1.1%
Capital Financing	22,630	22,630	0	0.0%
Contingency	4,253	753	3,500	82.3%
Precepts/Levy	21,560	21,591	(31)	(0.1%)
Central Finance	(436,976)	(436,834)	(142)	(0.0%)
Total Central Budgets	**(429,771)**	**(428,458)**	**(1,314)**	**(0.3%)**

Transformation and savings plans

Our Future Council – Whole Council Transformation

13.86 The 2025/26 Dorset Council budget includes a portfolio of savings plans across each directorate, alongside the Our Future Council (OFC) whole council transformation programme. OFC is designed to modernise shared functions across the organisation and underpin them with appropriate, enabling technology.

13.87 The programme delivers cross-cutting transformation, focusing on service redesign, digital capability, and improved delivery models. It supports the

Council's ambition to operate more efficiently and deliver better outcomes for residents and communities.

13.88 The approved business case for OFC included a savings target of £10.0m for 2025/26, with further savings profiled for 2026/27 and 2027/28. These contribute to the Council's overall savings portfolio and form part of the return on investment required to deliver the organisational and technological changes.

13.89 The savings requirement built into the 2025/26 budget is illustrated in the table below:

Opportunity	Business Case £m	July position £m
Our Future Council consolidation	5	1
Third Party Spend	1	1
Removal of vacancies	2	0
Review of span and controls	2	0
Voluntary redundancy	0	3
Total savings	**10**	**5**

Progress to Date – July 2025

13.90 The programme is currently forecasting delivery of £5m in savings for 2025/26. This reflects implementation of new operating models, a voluntary redundancy programme, third party spend review and initial service redesign efficiencies.

13.91 Workstreams such as commissioning and procurement are progressing and expected to contribute more significantly over the three-year programme.

Savings Area	Confidence Level for 25/26	Commentary
Consolidation	Low	Confidence is currently low due to extended implementation timelines. Further clarity will be provided as revised delivery plans are confirmed.
Third-Party Spend	Low	Low confidence in delivery. Analyst expertise has been requested to review spend in detail and identify immediate opportunities. Outcomes of this work,

Savings Area	Confidence Level for 25/26	Commentary
		expected in December which leaves little time in-year to realise benefit.
Vacancies	Low	Confidence is low at present. A review is underway to ensure vacancy-related savings are accurately reflected.
Voluntary Redundancy (VR)	Low	Low confidence based on level applications, exit dates and value of savings available to be released in 2025/26 alignment with the approved business case.

Forecast Position – July 2025

13.92 As of July 2025, the programme is forecasting an under-delivery of £5.0m, primarily due to:

- A £4.2m shortfall in vacancy-related savings.
- A £0.8m reduction in forecasted savings from third-party expenditure, which is offset by release of £0.8m contingency.

13.93 While the initial forecast reflects a shortfall against the year one target, this is not unexpected at this stage of a multi-year transformation programme. The Council remains confident in its ability to build on progress to date, with transformation savings to be realised in future months and years. The enhanced budget control measures proposed in 13.3 will ensure that vacancy management, third party spend, and discretionary spend across the council is more closely managed collectively, addressing the shortfall and extending the timescale for the delivery of transformation outcomes.

14. Governance and Oversight for Our Future Council

14.1 The programme is closely supported and monitored through a robust governance framework including officer and cross-party member boards. This has now prompted a proactive set of actions to:

- Accelerate investment in enabling technology.
- Embed alignment between service-level and whole-Council savings and transformation plans to avoid duplication and competing priorities.
- Ensure all savings initiatives are captured within the overall portfolio and programme milestones.
- Undertake a full review of vacancy management assumptions that underpin year one savings delivery.

14.1 These actions reflect the Council's commitment to maintaining momentum and ensuring that the programme continues to deliver against its strategic objectives.

15 Next Steps

15.1 A revised investment case, building on the original business case, will be brought forward to a future Cabinet. This will support delivery of the enabling technology, digital and change management requirements to ensure the programme remains on track to meet its medium- and longer-term objectives.

16 Savings - Adults & Housing

16.1 The Adults and Housing directorate has a savings programme in place to deliver £10.597m. At this stage, £5.529m (52%) has been achieved. Below details the progress on each of the programmes.

16.2 A total of 27 savings programmes have been developed across Adult Social Care and Housing, each varying in scale, complexity and east of delivery. These initiatives collectively demonstrate a strong commitment to financial sustainability and service transformation.

16.3 Key achievements include securing £1.8 million from the Social Care Grant, £785,000 through Better Care Fund growth, and significant progress in reablement, working age support, and day services. Operational efficiencies—such as reducing void costs, eliminating B&B use, and improving temporary accommodation are also underway to deliver savings.

16.4 While some programmes have already delivered full savings, others are progressing through implementation or refinement stages, reflecting a balanced and strategic approach.

17. Savings – Children's

17.1 The Children's Services directorate has a savings programme to deliver £7.182m. To date, £6.862m has been achieved.

17.2 Children's Services compare and benchmark nationally and against statistical neighbours who are Ofsted Good or Outstanding to help demonstrate value for Money. From the LG Futures 'Finance Intelligence Toolkit 2024/25 Subscription – Financial Benchmarking – Unit Costs', Dorset's unit costs were 10.7% lower than average. Unit cost is calculated by calculating unit costs for various components of Children's Services, from Children in Care to Youth Justice. The Ofsted inspection of Dorset local authority children's services in March 2025 was deemed 'Outstanding', and the Ofsted Area SEND inspection of Dorset Local Area Partnership in March 2024 achieved the highest result possible.

17.3 **Family Hubs** - a network of Family Hubs, embedded in communities in Dorset where families can get the support they need. External contributions (£1m), earned through successful bids, has enabled eight family hubs to be opened across the county (Ferndown, Wimborne, Wareham, Swanage, Bridport, Dorchester, Sturminster and Littlemoor), with three more (Blandford, Weymouth and Portland) to be opened over the coming months. In line with Department for Education service expectations, all Hubs are providing information and activities for families with children from conception to age 25 (with SEND). Family Hubs bring together workers and services from multiple agencies in one place. A digital offer is also provided, which includes a new parenting app, available for free for all parents and carers of children aged 0-5 in Dorset to support young children's development. Following the Department for Education's recent publication of Giving Every Child the Best Start in Life, we are preparing for future delivery from April 2026, which will include Home Learning Environment (HLE) and Parenting support programmes. These evidence-based programmes will become part of Dorset's core funding for Best Start Family Hubs from April 2026. Funding details and further information on expectations to be shared in the autumn.

17.4 **Mockingbird** - Mockingbird has continued to grow in strength and support for our foster carers across Dorset over the last 12 months. Whilst we have not seen a growth in constellation numbers, we have had 3 hub home carers leave and 3 new hub home carers recruited. The reasons for leaving their hub home positions were due to changes in family circumstances and significant health changes which led to the families not being able to offer the support and homes for our children in care. The newly recruited hub homes for Draco, Aquarius and Orion constellations have settled in well and are providing support that enabled emergency/unplanned homes to teenagers, buddy support to newly recruited foster carers. Collaboration with Pegasus and Gemini constellations provides consistent wrap around support which includes offering short breaks, accessing monthly constellation activities and stepping into the foster family homes to provide direct parenting support. These strategies continue to enable our children to have safe and settled homes with a network of familiar people and support. The current constellations support 57 children and 41 fostering households. We are recruiting for the Advance Practitioner/Mockingbird Liaison worker role which will enable us to expand and continue to strengthen the programme over the coming months. We aim to launch a further 2 constellations during this financial year.

17.5 **Safeguarding Families Together** - is a whole family, strengths-based approach to safeguarding children. The design encompasses a co-located multi-disciplinary team that includes children's social workers and specialist adult practitioners from domestic abuse, substance use/recovery and mental health services, which initially piloted in Chesil, Dorchester and West and from October 2024 rolled out across Dorset. 305 children from 166 families are currently receiving help under SFT. We are now seeing evidence of families successfully stepping down from Child Protection plans or Child in Need plans and sustaining change.

17.6 **Early Support and Digital Family Offer** - is about making Children's Services digital by design, shaping services around families' needs and making online access the preferred choice. Some parts of the project, like machine learning and AI, link closely with the Our Future Council programme. Progress depends on having enough digital capacity to keep things on track and deliver benefits. Recent updates include, the booking system and NEXUS contract are now managed by Corporate, The Directory and secure file have moved to Commissioning and Service redesign work is closed due to team changes. Digital work on User Experience (Iteration 2) and Personalisation is on hold due to limited resources and dependencies on OFC projects. However, the Family Information Service is now scoping the first stage of personalisation—families share basic information and receive tailored support, like childcare options or extra nappy sacks.

17.7 **Service savings** – In addition to the above savings totalling £3.9m, Children's identified an additional £3.28m of savings as part of the 2025/26 budget set. Savings range from additional Social Care Grant allocations being retained centrally, through to increased vacancy factors.

All the savings in this category are forecast to be achieved, although not without risk. For example, service delivery being impinged through vacancies being held for longer and the reporting requirements of grants**.**

18. Savings – Birth to Settled Adulthood

18.1 **Birth to Settled Adulthood** – in April 2024 the new 0-25 Birth to Settled Adulthood Service for children with disability and complex needs was launched. This is a partnership between Children's Services, Adult Services, the Health Service, and Dorset Parent Carer Council, and managed within Children's Services. It is designed and committed to the provision of a consistently good service for disabled children and young people and their families, which continues seamlessly from childhood to young adulthood. The phase 2 timeline working on the integration with Health is underway. To date the savings of £1m have not been realised and a plan is being formulated to address.

19. Savings - Place

19.1 The Place Directorate budget for 2025/26 includes £4.740m of in-built specific savings targets. This is in addition to in-built vacancy factor targets.

19.2 The savings fall across 47 budget lines, and so they are not reported individually here, but are as referenced in the budget setting report.

19.3 At this stage, two savings proposals are marked as Red. These are:

- The proposals to charge for car parking in the evening was not pursued (£235k)
- An alternative model for Tourism is not on track (£84k).

19.4 At this stage, the majority of savings are marked as "Amber" meaning that, whilst the savings cannot be considered "banked" as yet, they are broadly on track.

19.5 In summary, of the £4.740m savings, just over £1m can be considered as achieved with a further £3.388m subject to further ongoing monitoring.

20. Savings – Corporate

20.1 The Corporate savings target for 2025/26 is £2.7m, which is in addition to in-built vacancy factor targets. To date £1.34m (50%) have been achieved. Of the remainder £0.4m (14%) are on target to be achieved, £0.8m (29%) are low risk and are still likely to be achieved and £0.2m (7%) are deemed high risk and are unlikely to be achieved this year.

20.2 The high-risk items include £125k within ICT, primarily due to the annual Microsoft renewal exceeding the budget by £30k. Additionally, the expected £50k savings from a planned reduction of 200 licenses will not be realised, and there have been further increases in software costs. Within Transformation, Customer and Cultural a £50k saving was anticipated from a restructure originally proposed; however, this restructure is no longer considered feasible.

21. Dedicated Schools Grant (DSG)

21.1 2024/25 ended with a £37.3m overspend. At the 31 July 2025, the forecast outturn is a £52.534m overspend for 2025/26. Adding the historic cumulative deficit position, a revised cumulative deficit would be £148.18m. This figure reflects the withholding of DfE contributions whilst the safety valve agreement is being reviewed. If the agreement is reinstated and previously committed contributions are received this would reduce to a cumulative deficit of £111.84m after DfE and Council contributions.

21.2 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.

21.3 Until March 2028 the deficit is therefore held separately from the general fund, however, there remains an underlying cashflow pressure from carrying a £148m deficit meaning that the Council has access to £148m less cash than it would otherwise. As a result, interest foregone during 2025/26 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.

21.4 As the deficit grows, there will come a point at which it exceeds Council reserves, and the Council would be technically insolvent. However, the government announced a two-year extension to the statutory instrument in June 2025, and in addition, will set out their approach to SEND reform in a white paper in the autumn. These commitments from the government should mean the future risk is lowered.

23. Safety Valve

23.1 To address the deficits nationally the DfE introduced the Safety Valve Programme. As mentioned earlier in this report, Dorset's agreement is currently under review, with partner contributions being withheld.

23.2 The agreement with the Department for Education in March 2022 to help eradicate the cumulative DSG deficit and support a return to a balanced in-year DSG position by 2026-27. Dorset Council will contribute £33m of revenue as part of the agreement. Additionally, Dorset are investing £47m into capital schemes across the county.

23.3 To date, the DfE funding received totals £23.75m and Dorset Council contributions equal £15m. As at the 31 July 2025, no DfE contributions for 2023-24 and 2024-25 have been received.

23.4 A revised plan was submitted in March 2025. This is part of the DfE Enhanced Monitoring and Support (EMS) programme and includes allocated DfE advisors.

23.5 The financial advisors have reviewed the March plan, and the practice advisor visited Dorset in July 2025. An updated plan is required by the 12 September once demographic, capacity and other alternative strategies have been input into the model.

24. Local Context

24.1 A significant driver for the historic deficit is the continued rise in the number of children and young people who require an Education, Health, and Care Plan (EHCP). Chart 1 demonstrates this growth since the introduction of the SEND reforms introduced in 2014.

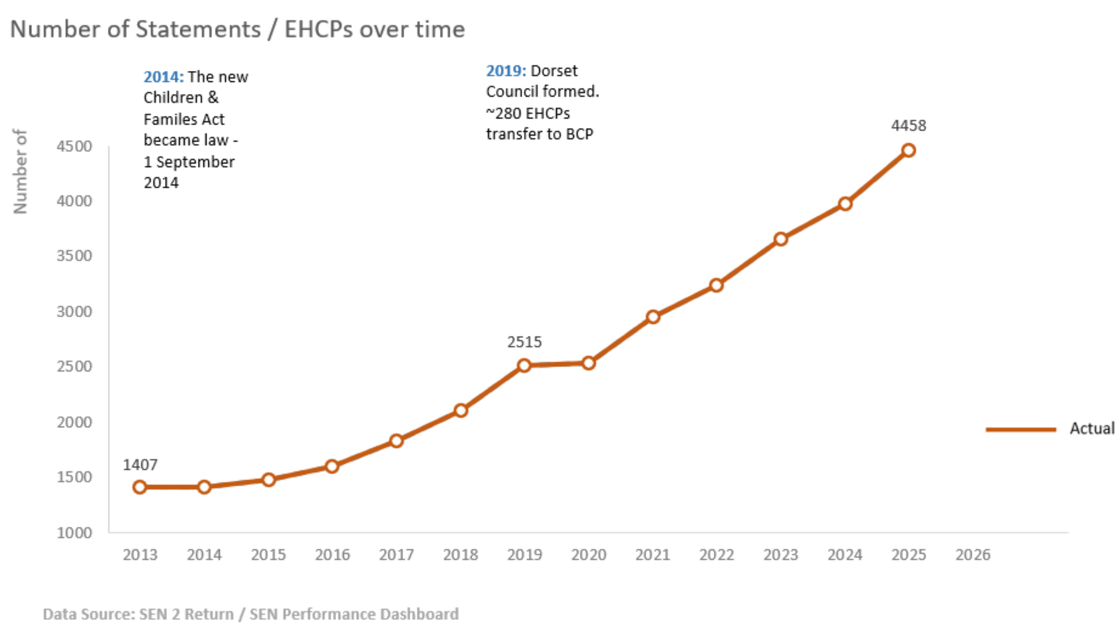


CHART 1: Number of pupils with an EHCP since 2013

24.2 There has been a notable increase in Independent Special School Placements, with current forecasts indicating 305 FTE at an average cost of £67,377. This compares to the budgeted 261 FTE at £74,000. Although the average unit cost is lower than anticipated, the higher volume of placements is contributing to a projected overspend on Independent Special School Placements of £1.19m.

24.3 The DSG budget for financial year 25/26 was set with a starting in-year deficit of £51.11m. The majority of the movement from this starting deficit to the current overspend position of £52.534m is the forecast position on Independent Special School Placements mentioned above.

24.4 Learning Centres and Resourced Provision funding is seeing overspends of £1.13m as a result of high top-ups and additionally commissioned places for 25/26 academic year. However, these pressures have been partially mitigated by the removal of a previously forecasted cost, linked to a review whose conclusion has now been deferred to the next financial year.

24.5 A new EHCP database, Synergy Case Management, was implemented on 7th May 2025. Due to delays with reporting and data cleansing, EHCP data as at the end of July is currently unavailable but detail will be provided in the Q2 report.

25. Local Authority Trading Companies (LATC)

25.1 The council has involvement with three LATC's that support the work of the council. This report focuses on the financial performance of the LATC's and highlights any material financial matters which could impact the Council's finances.

New company at the Dorset Innovation Park

25.2 Cabinet recently approved setting up a new company in relation to the Dorset Innovation Park. Set up is in progress.

Care Dorset

25.3 In the second year of trading, Care Dorset achieved a profit of £0.010m, generated from a total revenue of £31.9m. This marks a positive financial outcome, particularly in the context of a growing and evolving service portfolio. Notably, the gross profit margin improved from 12.55% to 13.65%, reflecting enhanced control over the direct cost base and more efficient operational management.

25.4 The majority of Care Dorset's income is derived from Dorset Council, which funds both the block contract and the registered reablement services through the Better Care Fund. Additional revenue streams, which account for just 5% of total income, ensures the organisation remains well within the local authority trading company procurement threshold, with over 80% of its revenue coming from its controlling authority.

25.5 During the reporting period, Care Dorset successfully completed the operational set up of a new extra care service in Gillingham. This involved the recruitment and training of a dedicated team of twenty colleagues, preparing them to deliver high-quality support. The expected revenue generated from this service in the upcoming financial year contributes to the organisation’s continued growth.

25.6 Staffing remains the most significant cost for Care Dorset, with the total pay expenditure reaching £23.3m. The organisation employed 872 colleagues, of whom 841 were directly involved in service delivery. The reliance on agency staff was reduced by 35% compared to the previous year, indicating progress in stabilising the workforce and improving cost efficiency.

25.7 The second largest cost area related to property and equipment. Property rent totalled £2.3m, with £2m attributed to Dorset Council owned properties.

25.8 As of 30 September 2024, Care Dorset Holding Ltd reported a cash balance of £5m alongside debtors of £2.2 million and creditors of £7.8 million. The most significant creditor balances were linked to unsettled rent charges from Dorset Council, pending finalisation of occupancy agreements, and accrued utility costs awaiting invoicing. Since the end of the financial year, Care Dorset has made substantial payments totalling £2.8 million to Dorset Council, covering rent and utility obligations.

Dorset Centre of Excellence Ltd

25.9 The Dorset Centre of Excellence Ltd was established in June 2021. The Company became leaseholder of the site previously owned and occupied by St Mary’s Independent School in May 2022 and opened Coombe House School in the same month.

25.10 Coombe House provides education for children with special educational needs and/or disability (SEND). The Dorset Centre of Excellence Ltd is a limited company, 100% owned by Dorset Council.

25.11 The accounting year end for the Dorset Centre of Excellence Ltd is 31 March and accounts for the year ended 31 March 2025 are not yet published.

25.12 Turnover for the Company was £6.2m in 2025/26 (£3.3m for 2023/24). The Company received fees from Dorset Council of £6.0m for 2025/26 (£2.9m for 2023/24).

25.13 The Company anticipate a reported surplus before tax of £736k for 2024/25 (£493k pre-tax loss 2023/24). This is significantly ahead of the performance forecast in the 5-year Business Plan (revised and approved March 2024) which anticipated a surplus of £233k.

25.14 The Company continues to meet growth targets in pupil numbers and staff in line with the 5-year Business Plan (revised March 2024). The surplus for year ending 31 March 2025 was achieved with minimal development of other commercial activities on the site, pupil numbers not yet at capacity and cost pressures from inflation and Teachers' Pension Scheme employer contribution increases.

25.15 The Company purpose is to provide special school places for Dorset children at a fee significantly below the market rate. An agreement was made to increase the annual fee to £52k as of April 2025 after the fee had remained at £42k per pupil since opening in May 2022. This increased fee is still far below the current average cost of an Independent Special School setting. Any future surplus will support maintaining a low fee for Dorset placements

Connect2Dorset

25.16 Connect2Dorset is a joint venture with Commercial Services Group (a company wholly owned by Kent County Council). The new service came into effect at the beginning of April 2024 and provides the Council with contingent agency, contract and interim employees.

25.17 The long-term aim of Connect2Dorset is to improve the quality of our agency workers, and where suitable convert agency workers to permanent employees.

26. Central Finance and Contingency

26.1 **Central Finance –** These budgets include income from council tax and business rates. A business rates surplus of £2.5 million has been identified; however, this has not yet been reflected in the forecast, as it is anticipated that the surplus will also be required to fund OFC.

26.2 **Capital Financing** At the end of the 2024/25 financial year, the Council revised its approach to calculating the Minimum Revenue Provision (MRP). This change was primarily introduced to better align the charge with the actual usage of assets over time, while continuing to ensure a prudent level of provision is maintained to support the repayment of debt.

26.3 The change in the calculation also results in a reduced budget requirement, with an anticipated underspend. However, this has not yet been reflected in the forecast, as it is expected that the underspend will be needed to support the funding of Our Future Council.

26.4 **Contingency** The Council's base budget included a contingency of £13m.

26.5 The Contingency budget includes £4.5m allocated for inflation, originally set aside due to the complex impacts of inflation driven by demand and changes to national insurance policy. To help mitigate the overall overspend and the reduced savings from the Our Future Council programme, £1.0m has now been released.

26.6 A further £2.5m has been released following confirmation of the Nationally agreed pay award at 3.2%.

27. General fund position and other earmarked reserves at year-end

27.1 Any overspend at the end of the year will mean a drawn down from reserves will be required. At the end of financial year 2024/25 the council held £31.632m in the general fund and £114m in earmarked reserves which was a reduction of £7.859m from the previous year.

27.2 Based on the revenue forecast as at the end of 2025/26 there will be a requirement for the following use of reserves:

i. £7.705m from the general fund overspend, £5m of which is required to cover Our Future Council.
ii. £5.1m contribution to the Dedicated Schools Grant for 2026/27.

27.3 Unless some currently earmarked reserves can be repurposed, this could mean the Council is required to use its General Fund reserve, reducing the balance from 7.58% of General Fund (General Fund/Annual Budget allocation) to 6.88% (after the budgeted £4.774m into reserves is applied). Depleting reserves at this rate in a single year would be a cause for real concern as the minimum operating level for the council to hold in its general fund would be 5%.

28. Capital programme and financing

28.1 The capital strategy and capital programme for the MTFP period, which totalled almost £550m, was agreed by Council in February 2025.

28.2 The 2024/25 capital outturn was reported to Cabinet in June 2025 and the result of that was that there was programme slippage of £22.770m into 2025/26.

28.3 This, along with the agreed budget and updates since that date, mean a programme of £494.7m for the next five years, as summarised in the table below.

Capital Programme	Total Budget					
	2025/26	2026/27	2027/28	2028/29	2029/30	Total Budget 24/25-29/30
Full external funding	33,842	2,938	2,768	0	0	39,548
Partial external funding	63,168	21,992	0	0	0	85,160
Partial external funding	0	25,224	29,462	18,349	17,687	90,722
Council funded	49,767	54,744	45,618	18,140	3,359	171,628
Funded from other Reserves	0	0	0	0	0	0
Capital Receipts Applied	5,800	9,900	1,000	1,000	1,000	18,700
Minimum Revenue Provision	11,241	12,972	14,602	16,499	16,749	72,063
Self Funded	5,879	4,432	2,850	2,750	1,000	16,911
Total funding	**169,697**	**132,202**	**96,300**	**56,738**	**39,795**	**494,732**

28.4 The spend and commitments against the programme of £169.7m at 31 July 2025 was £31.7m (19%). The programme is under continuous review to monitor the progress of all approved projects and to identify any issues that may impact on the overall programme. Where slippage is identified the project budgets will be reprofiled within the overall programme.

28.5 The project budgets for the current year are outlined below.

Directorate	No. of projects	Project Budget £,000	Spend / Commitments £,000	Variance £,000	% Spent
Adults & Housing	20	8,940	1,431	7,509	16%
Children's	13	17,798	2,811	14,987	16%
Place	113	125,502	26,136	99,366	21%
Public Health & Prevention	1	26	0	26	0%
Corporate	12	17,431	1,314	16,117	8%
Total	**159**	**169,697**	**31,692**	**138,005**	**19%**

28.6 The movements in the project budgets since the beginning of the financial year are shown in the table below.

Directorate	01/04/2025 £,000	Adjustments £,000	Re-profiling £,000	New funding £,000	Q1 Budget £,000
Adults & Housing	13,756	-526	-4,290	0	8,940
Children's	38,732	0	-23,946	3,012	17,798
Place	129,975	-5,659	1,186	0	125,502
Public Health & Prevention	26	0	0	0	26
Corporate	17,349	82	0	0	17,431
Total	**199,838**	**-6,103**	**-27,050**	**3,012**	**169,697**

28.7 Changes to the Capital scheme since the beginning of the financial year include the following items.

28.8 There has been an adjustment of £6.1m relating to Lyme Regis Environmental Plan Phase 5 - The Cobb. The original funding is no longer available so a new proposal will be brought forward.

28.9 There has been re-profiling of £27.0m into future years to more accurately reflect the timing of works and therefore spend incurred. This includes Dorset Centre of Excellence - Phase 5 £7.8m; SEND capital strategy £7.0m; Lyme Regis Environmental Plan Phase 5 - The Cobb £6.1m; Reablement Centres £4.3m and Dorset Centre of Excellence - Coombe House School Phase 3 development £3.7m.

28.10 There has also been new external funding of £3.0m confirmed, most significantly £2.7m relating to the SOCA Board programme of works.

28.11 It is too soon to forecast what level of slippage we might anticipate into future years, based on previous financial years it is unlikely that all aspects of the programme will be deliverable this year based on the current rate of spend.

28.12 The delivery of the capital programme is reviewed monthly by the Capital Strategy and Asset Management Group (CSAMG).

29. Sundry debt management

New invoices for 2024/25

29.1 The total value of debts (invoices) raised between 1 April 2025 and 31 July 2025 is £84.2m, a breakdown by directorate is shown below:

Total debt raised	2025/26 £'000
Adults & Housing	£24,705
Children's Services	£2,726
Place	£12,255
Corporate	£44,545
Total	**£84,231**

Overall amounts owed

29.2 Looking at debt across all years, the balance of sundry debt outstanding at 31 July 2025 was £36.6m.

29.3 The breakdown of the current sundry debt is as follows:

Total Debt					
Directorate	**Total due £'000**	**Less than 30 days £'000**	**30-90 days £'000**	**90-365 days £'000**	**Over 365 days £'000**
Adults & Housing	28,438	803	2,342	8,692	16,601
Children's Services	575	239	75	72	189
Place	5,802	709	1,031	2,212	1,850
Corporate	1,831	515	1,146	83	87
Grand Total	**36,646**	**2,267**	**4,594**	**11,059**	**18,726**

29.4 £28.4m of the £36.6m of outstanding debt is within Adults & Housing. Of which, some relates to deferred payment arrangements, or care provided through gross without prejudice.

29.5 After adjusting for these the debt which is currently collectable is as follows:

Collectable Debt					
Directorate	**Total due £'000**	**Less than 30 days £'000**	**30-90 days £'000**	**90-365 days £'000**	**Over 365 days £'000**
Adults & Housing	17,390	1,349	1,736	5,605	8,701
Children's Services	575	239	75	72	189
Place	5,802	709	1,031	2,212	1,850
Corporate	1,823	508	1,146	83	86
Total	**25,591**	**2,805**	**3,988**	**7,972**	**10,826**

Prior year performance

29.6 At the end of 2024/25 the Collectable Debt arrears were £43.36m and to date £25.8m (60%) has been collected.

29.7 The next table breaks down performance for prior year debts.

Prior year arrears	**Amount owed 31/03/2025 £,000**	**Collected in year £,000**	**Amount outstanding 31/07/2025 £,000**	**% collected**
Pre 1 April 2019	641	43	598	7%
2019/20	777	-9	787	-1%
2020/21	1,203	-7	1,211	-1%
2021/22	1,163	-9	1,172	-1%
2022/23	1,942	87	1,855	4%
2023/24	3,247	267	2,980	8%
2024/25	34,383	25,462	8,921	74%
Total	**43,356**	**25,833**	**17,523**	**60%**

Deferred payments

29.8 Deferred payments are debts that relate to adult care provided by Dorset Council, which have been secured against the property of the customer. The Council will eventually receive full payment of the debt when the property is sold.

Deferred Payments					
Directorate	Total due £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	4,308	-189	294	1,261	2,943

Gross without prejudice

29.9 Gross without prejudice debts also relate to adult care, the debt is raised but not actively pursued whilst a care act assessment and subsequent financial assessment is undertaken to determine whether the recipient of the care is financially assessed as able to contribute towards the cost of their care.

Gross Without Prejudice					
Directorate	Total due £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	6,739	-357	312	1,826	4,958

29.10 The negative figure in the “Less than 30 days” category reflects a credit that was processed through Mosaic following the receipt of the necessary documents. The timing of this adjustment meant that it wasn’t matched against the relevant charges at the time the reports were produced.

30. Write-offs

30.1 The write-offs processed so far this year are shown in the table below. There is adequate provision to cover these debts, which are a relatively small proportion of the total outstanding debt (0.28%).

Debts written off	2025/26
	£'000
Adults & Housing	12
Children's Services	0
Place	0
Corporate	0
Total	**12**

31. Council tax and business rates debt management

Council tax

31.1 The value of council tax debt raised in 2025/26 is £431.1m and £162.6m has been collected to date. The collection rate at 31 July 2025 is 37.73%, which is slightly less than the corresponding position from the previous year, which was 38.14%.

31.2 It is important to highlight that, while the percentage collected is slightly lower than the previous year, the total debit raised in 2025/26 is £38m higher than in 2024/25.

Business rates (non-domestic rates – NDR)

31.3 The value of business rates debt raised in 202/26 is £119.6m and £51.2m has been collected to date. The collection rate at 31 July 2025 is 42.88%, which is slightly less than the corresponding position from the previous year, which was 45.27%.

31.4 The initial dip on NDR was anticipated as a reliable taxpayer, with a significant number of liabilities, who has historically paid as a one-off payment at the start of the year, has opted to pay over an instalment plan throughout the year from this year. We are confident full payment will be received, just now throughout the year rather than as a one-off payment.

Write offs

31.5 The write-offs processed by the Revenues & Benefits Service during the year are shown in the table below.

Debts written off	2025/26 £'000
Council tax	2
Business rates	0
Housing Benefit overpayments	23
Total	**25**

Financial planning, strategy and the MTFP

31.6 The Council has already started the process of refreshing the MTFP and developing the budget strategy for 2026/27 which, as well as meeting new pressures, will also need to deal with any ongoing pressures from 2025/26.

31.7 Changes to Council Funding through the Fair Funding review, will potentially have significant impact to the Council. As a result, it is expected that the local and national pressures the Council is facing in the current financial year can be expected to continue over the medium term.

31.8 Taking both the local and national operating environment into consideration, readers of the report should expect:

i. the budget gap for next year (2026/27) to widen

ii. delivering a balanced budget to require a reprioritisation of service delivery to ensure ongoing financial sustainability.

31.9 Recent budget rounds have seen significant turbulence and volatility, and the backdrop to setting the budget for next year is likely to be very similar, with uncertainty around prices, markets and labour.

31.10 The first update of the refreshed update of the MTFP financial model will come to Cabinet in November for endorsement of the planning assumptions for the year ahead, as well as the longer-term financial planning horizon.

32. Number and extent of contract exemptions

32.1 Appendix C includes the number and extent of contract exemptions, and the narrative is included in the appendix.

32.2 Contract breaches may occur when suppliers or the council fail to meet agreed terms, such as deadlines or service standards, posing financial, reputational, and legal risks. These breaches are typically operational contract management matters and remain confidential and excluded from standard reporting until they published in accordance with legislation.

32.3 Contract exemptions, meanwhile, are permitted in accordance with the council's Contract Procedure Rules ("CPR" which apply to the procurement award and management of contracts for goods, services and works). The council's CPR provide for advance approval to depart from the standard rules, where certain criteria are met; for example to allow a contract to be awarded directly to one supplier, after investigating the market and identifying the only that supplier could perform the contract. Each exemption request and approval or rejection is documented.

32.4 A Section 5 (Local Government and Housing Act 1989) report is a formal legal report issued by the council's Monitoring Officer where it appears that any proposal, decision or omission of the council (by committee or officer) has or is likely to be unlawful or amount to maladministration or injustice. Section 5 reports, follow a separate public process and are not included in the paper. The Monitoring Officer has not issued any such reports in 2025/26.

33. Summary, conclusions and next steps

33.1 2025/26 continues to be an extremely challenging time for local government, with inflationary and demand pressures impacting on income and expenditure. There remains a large degree of financial uncertainty and, having reviewed expenditure for the first four months of the year, Dorset Council's prudent financial forecast is a £7.705m budget pressure.

33.2 Steps proposed to mitigate this with additional spend controls while the transformation work is reprofiled will be closely monitored and reported on in the next monitoring report. These controls will broadly fall into the three areas of:

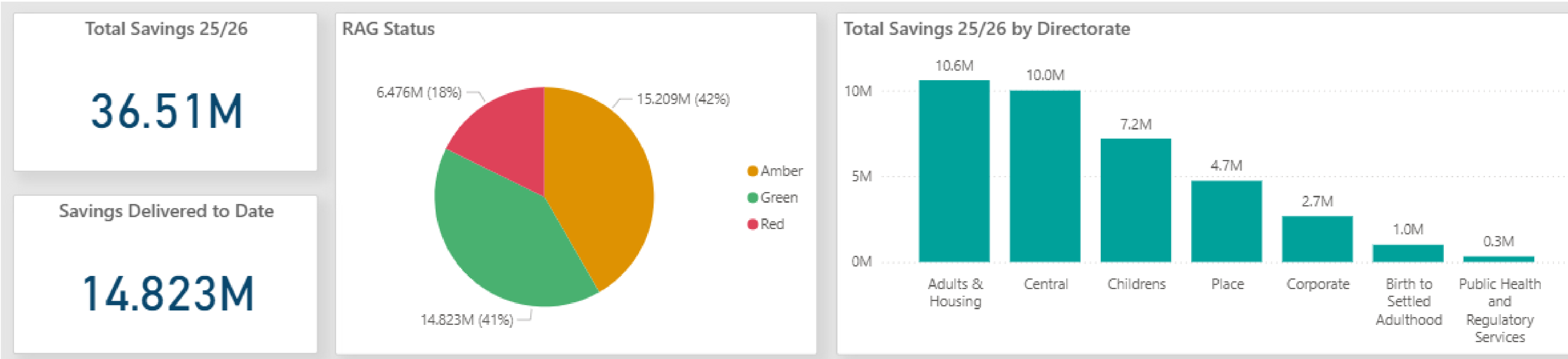
i. Consolidated establishment & vacancy management which will better align the council's transformation objectives
ii. Acceleration of the work already being undertaken to address 3rd party spending as the 'commissioning and procurement' workstream of our future council
iii. In year spending controls with respect to discretionary and/ purchase order spend which will also reinforce learning from the SWAP audit

33.3 Members are asked to note these planned spending controls as well as reprofiling of the spending / transformation programme which will be reflected in the next monitoring report.

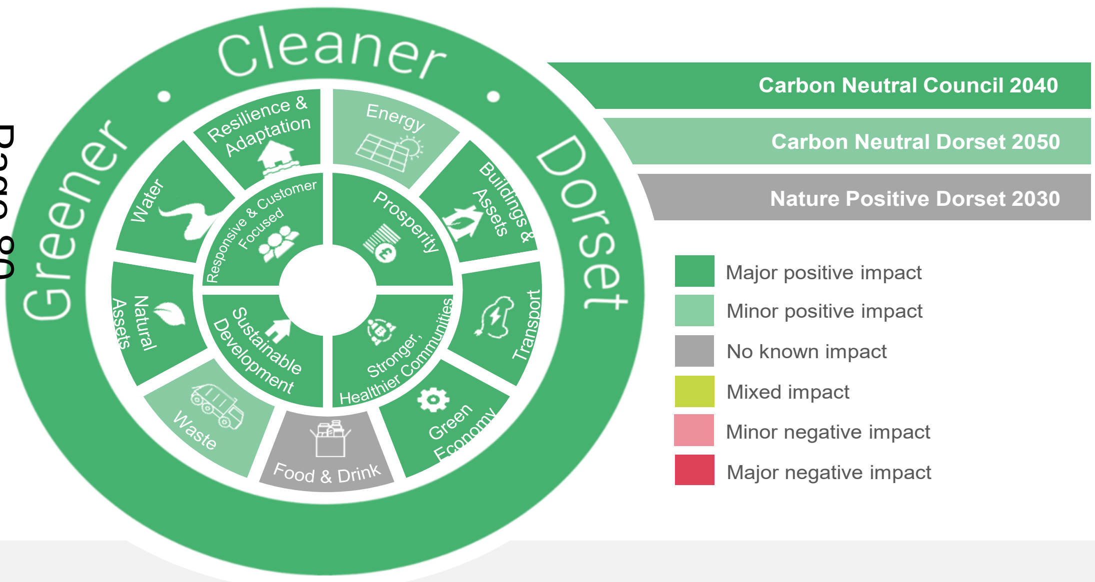
33.4 The information contained within this report will form the basis of the starting position for the 2026/27 budget setting process, which will once again prove to be extremely tough as the Council seeks to achieve its priorities whilst meeting the growing cost of demand, all from within limited funds.

Sean Cremer
Corporate Director – Finance and Commercial (S151 Officer)

<u>**Appendix A - Savings**</u>



Appendix B – Climate wheel



Quantitative Impact on CEE targets (if known)		
	Unit	Number of units (+/-)
2030 - Natural asset extent & condition	Ha	0
2040 - Operational Emissions	CO_2 (tonnes)	0

ACCESSIBLE TABLE SHOWING IMPACTS

Natural Environment, Climate & Ecology Strategy Commitments	Impact
Energy	minor positive impact
Buildings & Assets	major positive impact
Transport	major positive impact
Green Economy	major positive impact
Food & Drink	No known impact
Waste	minor positive impact
Natural Assets & Ecology	major positive impact
Water	major positive impact
Resilience and Adaptation	major positive impact

Corporate Plan Aims	Impact
Prosperity	strongly supports it
Stronger healthier communities	strongly supports it
Sustainable Development & Housing	strongly supports it
Responsive & Customer Focused	strongly supports it

TABLE OF RECOMMENDATIONS

Recommendations	Responses -will this be incorporated into your proposal? How? And if not, why not?
Energy	
Find out energy use of buildings that are being brought into the Dorset Council carbon footprint, as this will affect our ability to hit our carbon reduction targets	
Find out energy use of any new build buildings that are being added to the Dorset Council carbon footprint, as this will affect our ability to hit our carbon reduction targets	
Support the acceleration of heating and energy and water efficiency through cavity and solid wall insulation, draught proofing, improved glazing and shading, and high energy and water efficient smart appliances	
Buildings & Assets	
No recommendations found for this category	
Transport	
No recommendations found for this category	
Green Economy	
No recommendations found for this category	
Food & Drink	
No recommendations found for this category	
Waste	
Look at ways to reduce the amount of waste produced	
Natural Assets & Ecology	
No recommendations found for this category	

Water	
No recommendations found for this category	
Resilience & Adaptation	
No recommendations found for this category	

Appendix C

Commercial Exemptions April to July 2025.

The table below gives the data for the exemptions that have taken place between April and July 2025, the data includes the number of exemptions per directorate and the extent (value) of these exemptions.

Exemptions	Number of exemptions *	Total value of exemptions (£)*
Adults	1	£131,016.44
Children's	1	£19,096.00
Corporate	0	£0.00
Place	5	£518,072.21
Public Health	0	£0.00
Total	7	£668,184.65

*data is correct as submitted by internal stakeholders.

Many of the extensions relate to Place, approximately three quarters of the value of the Place exemptions (£386,364) relate to one exemption, this was for urgent work that was required for repairs.

Audit and Governance Committee

13 October 2025

Risk Management Update

For Review and Consultation

Cabinet Member:
Cllr N Ireland, Leader of the Council, Climate, Performance and Safeguarding

Senior Leadership Team:
S Ford, Corporate Director, Strategy, Performance and Substainability

Report author and job title:
- Chris Swain, Risk Management & Reporting Officer
- Liz Crocker, Head of Strategy

Email:
- chris.swain@dorsetcouncil.gov.uk
- liz.crocker@dorsetcouncil.gov.uk

Statutory Authority:

While there is no statutory requirement for a risk report, Dorset Council's Constitution and governance best practice establish a clear expectation that the Audit and Governance Committee receives and reviews regular updates on risk management.

Report status: Public

1. **Executive summary**

1.1 Dorset Council continues to strengthen its risk management approach. Key developments since the last Audit and Governance Committee meeting on 4 August 2025 include the formal approval of the Council's Risk Appetite Statement, progress on the enhanced risk dashboard, and a strategic risk review within the Place Directorate.

1.2 A consolidated risk management framework is presented for the Committee's review. It sets out a unified organisational standard aligned with national guidance and supports informed, risk-based decision making. Risk and performance reporting cycles have also been aligned to improve transparency and coherence across governance structures. The report also outlines next steps and recommendations to support continuous improvement.

2. **Recommendation(s)**

2.1 That the Audit and Governance Committee:

- Note the actions undertaken since the last risk management update on the 04 August 2025.

- Provide feedback on, and endorse the use of, the risk management framework (Appendix A) as part of a holistic approach to standardising Dorset Council's risk management.

- Accept the invitation to receive a briefing and demonstration of the enhanced risk dashboard outside of the formal committee meeting, to support understanding and familiarisation with the new system.

- Note the Quarter 1 risk data, escalating any matter to the relevant scrutiny committee where appropriate.

3. **Reason for the recommendation(s)**

3.1 To ensure that the council's risk management methodologies support informed, risk-based decision making while remaining proportionate and aligned with organisational objectives and key deliverables.

4. **The report**

4.1 Since the last report to Audit and Governance Committee on 04 August 2025, a series of targeted actions have been undertaken to strengthen Dorset Council's risk management position. At the heart of this report is the draft Risk Management Framework, which brings together the incremental work developed in collaboration with the committee over the past year into a single, cohesive approach.

Risk Appetite Statement Approval

4.2 Following its presentation and consideration by the Audit and Governance Committee on 04 August 2025, Dorset Council's Risk Appetite Statement has been formally approved via delegated authority. It is available to view via Dorset Council's Decision Record here. The statement will also be published within the forthcoming Risk Management Framework (Appendix A).

4.3 To ensure the Risk Appetite Statement is effectively embedded across the Council, the following steps will be taken:

- Assessment of existing risks. Through enhancements to the corporate risk register, all risks owners will be required to determine whether the risk falls within the agreed risk appetite levels. Any risks identified as outliers, those exceeding the defined appetite, will be escalated to the Senior Leadership Team (SLT) for review, resolution and would be reported to Audit and Governance Committee.

- Directorate-level interpretation. Each directorate will be supported in interpreting the Risk Appetite Statement and understanding its practical implications.

Enhanced Risk Dashboard

4.4 Development of the enhanced risk dashboard continues to progress following successful initial testing. Final refinements are underway, supported by a suite of preparatory activities to ensure a smooth and effective rollout, including:

- Creation of user tutorials to support adoption
- A communications plan for organisation-wide launch
- Planning of drop-in sessions to demonstrate functionality and encourage user engagement

4.5 We remain on track for launch in autumn 2025, with a provisional phased go live approach to be implemented by November. A private demonstration of the new system will be arranged for the committee, and a formal update will be provided at the committee's next meeting to include the risk management update in January 2026.

Strategic Risk Review – Place Directorate

4.6 Following a recent SWAP audit, engagement with the Place Directorate has initiated a review of its strategic risks. This work is progressing well, with the finalised set of updated strategic risks scheduled for inclusion in the Quarter 2 reporting cycle, to be presented at the Audit and Governance Committee on 12 January 2026.

Development of the Risk Management Framework

4.7 Dorset Council's Risk Management Framework is presented for committee review within Appendix A. This framework consolidates previously separate elements, many of which have been shaped through Committee engagement, into a single organisational standard. It promotes consistency, clarity, and alignment with the Orange Book, the UK Government's guidance on Risk Management.

4.8 Structured around three core components: Architecture, Strategy, and Protocols. The framework strengthens the council's ability to identify, assess, and manage risk in a consistent and proportionate manner across all levels of the organisation.

4.9 While it incorporates content previously shared with the committee, new additions include:

- A clear overview of roles and responsibilities
- A revised Risk Policy Statement

4.10 Designed for both internal and external audiences, the framework supports greater transparency and accountability. It reflects Dorset Council's commitment to fostering a risk-aware culture that enables innovation while ensuring risks are managed in support of strategic goals.

4.11 In line with its constitutional role, the committee is invited to endorse the framework. The framework will be monitored for effectiveness, with a review every five years at a minimum, ensuring it remains relevant and responsive to the Council's evolving risk landscape.

Alignment of Risk and Performance Reporting Cycles

4.12 To improve consistency and transparency, Dorset Council's risk reporting to the Audit and Governance Committee will now follow a unified quarterly cycle. This aligns reporting across SLT, Cabinet, Scrutiny, and Audit and Governance Committees, enabling more coherent and constructive discussions around risk and performance. Appendix B, C and D are reflective of this new approach, displaying Quarter 1 risk data.

5. Alternative options considered

5.1 None.

6. Legal considerations

6.1 There are no direct legal implications arising from this report. However, uncontrolled risks may pose a threat to Dorset Council's ability to comply with statutory obligations.

7. Financial implications

7.1 There are no direct financial implications arising from this report. However, uncontrolled risks may pose a threat to Dorset Council's financial stability. Additionally, implementing risk controls may have budgetary impacts, which should be evaluated through a cost-benefit analysis prior to adoption.

8. **Natural environment, climate & ecology implications**

8.1 There are no specific natural environment, climate or ecological implications associated with this report; however, the Corporate Risk Register identifies several risks in this category.

9. **Well-being and health implications**

9.1 There are no specific well-being or health implications associated with this report; however, the Corporate Risk Register identifies several risks in this category.

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: N/A

Residual Risk: N/A

This report outlines the Risk Management Framework, Principal and Strategic Risks for Dorset Council. It therefore does not have a rating to consider related to a decision. The appendix provides an update on the current Principal and Strategic Risks.

12. **Equalities**

12.1 There are no specific equality implications associated with this report; however, the Corporate Risk Register identifies several risks in this category.

The Risk Management framework has undergone an EQIA screening assessment where it has been established that a full EQIA is not required because:

- it is a technical governance document that sets out risk protocols and reporting structures, rather than changing services or policies.
- it does not introduce new services, remove existing ones, or change access to services.
- it does not supersede or replace existing procedures or protocols concerning the assessment of protected characteristics, nor does it constitute a decision.

13. **Appendices**

13.1 Appendix A – Enterprise Risk Management – Dorset Council's Risk Management Framework

13.2 Appendix B – Principal Risks

13.3 Appendix C – Scoring Matrix and Overall Summary

13.4 Appendix D – Strategic Risks

14. **Background papers**

14.1 Audit and Governance Committee Risk Management Update 04 August 2025

14.2 Risk Management Policy Statement (Under Review)

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 Legal and Democratic (Monitoring Officer), the Executive Director for Corporate Development (Section 151 Officer) and the appropriate Portfolio Holder(s)

APPENDIX A

Audit and Governance Committee

13 October 2025

Enterprise Risk Management – Dorset Council's Risk Management Framework

Enterprise Risk Management

Dorset Council’s Risk Management Framework

October 2025

Dorset Council

Contents

1. Executive Summary

Dorset Council has developed a comprehensive Enterprise Risk Management (ERM) Framework. This framework strengthens the Council's ability to identify, analyse, evaluate and treat risks in a consistent manner across all levels of the organisation.

The framework is built around three core components:

1. **Architecture** – The structure through which risk information flows and is governed across the organisation, in addition to roles and responsibilities.
2. **Strategy** – The Council's overarching approach to risk, including its Risk Management Policy and Risk Appetite Statement.
3. **Protocols** – The tools, templates, and guidance that support the practical implementation of risk management.

The architecture introduces 11 Principal Risks , under which all organisational risks are categorised. This structure enables the Council to record, manage, and monitor operational risks, while strategic risks are identified in collaboration with senior leaders and aligned with the Council's priorities. This ensures that risk management supports both effective service delivery and long-term strategic planning through its governance structures.

The risk strategy outlines Dorset Council's overarching approach to risk management. It incorporates the Council's Risk Policy Statement, which affirms its commitment to managing risk effectively across all services. The Risk Appetite Statement defines the level and types of risk the Council is willing to accept in pursuit of its strategic objectives. This is underpinned by a Risk Appetite Framework that aligns with the Council's Principal Risks and enables services to make informed, proportionate decisions within clearly defined boundaries.

Dorset Council's protocols include its Risk Dashboard which serves as the central hub for documenting, monitoring, reviewing, and reporting on risk. It supports senior leaders and decision-makers to make informed, risk-aware decisions based on timely and transparent insights.

This ERM Framework reflects Dorset Council's commitment to fostering a risk-aware culture, enabling innovation, and ensuring that risks are managed in a way that supports the achievement of its strategic goals.

2. Architecture

Overview:

ERM is a cohesive and structured approach that unites Dorset Council's various risk management disciplines under a single framework. Its primary aim is to support senior leaders and decision-makers in making informed, risk-aware choices that enhance service delivery to our communities and help achieve the Council's strategic objectives.

ERM considers both the internal and external environments in which Dorset Council operates, ensuring that risk insights are relevant, proportionate, and aligned with our organisational goals. It is a collective responsibility, integrated across all levels of the organisation, from strategic planning to daily operations, and embedded within a culture that promotes risk awareness and emphasises accountability over blame.

Strategic Integration

The ERM architecture brings together strategic performance, risks and other business intelligence, to support decision makers in driving delivery of our corporate ambitions and Council Plan priorities.

It ensures a clear demarcation between operational/tactical performance and risk (managed by directorates), from strategic performance and risk (overseen by the Senior Leadership Team (SLT)). This separation ensures that SLT are appropriately sighted on strategically important data, with directorates responsible for management of their operational and tactical performance and risk.

When the architecture is utilised in line with Dorset Council's values: Respect, Openness, Together, Accountability and Curiosity, it fosters a culture of continuous improvement and shared ownership of risk.

Governance and Reporting

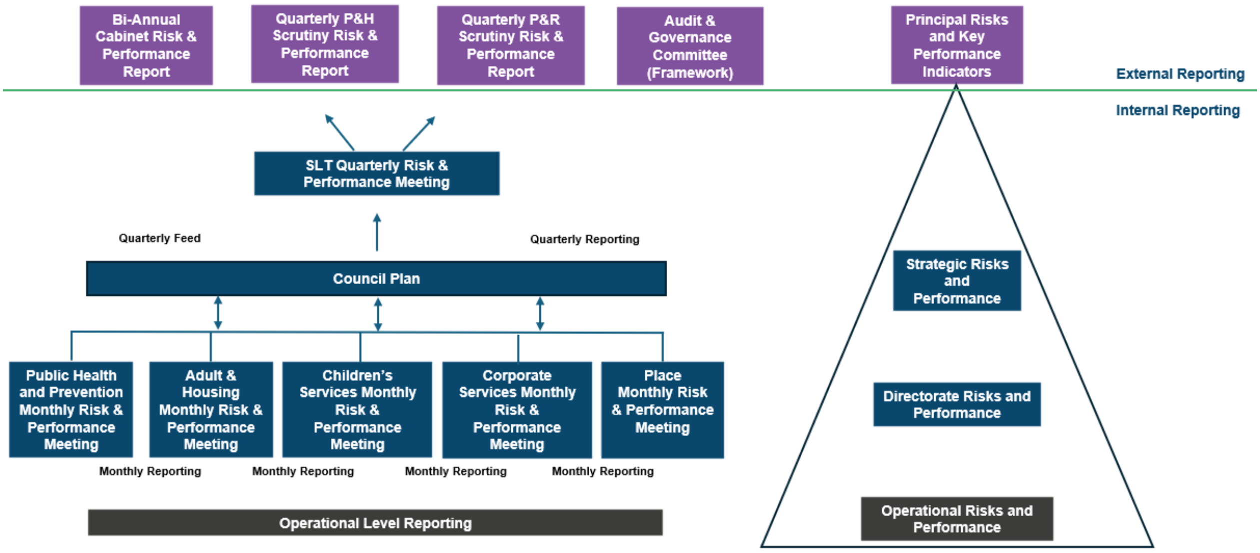
The architecture ensures transparent reporting of performance and risk across Dorset Council, with each directorate conducting monthly reviews of performance and directorate risks. At a strategic level, SLT review strategic risks, strategic performance, and Council Plan delivery on a quarterly basis.

Following internal review, strategic performance and risk are presented to the relevant Scrutiny Committee, either Place and Resources or People and Health, ensuring public consideration and accountability.

The Audit and Governance Committee provides oversight of the risk management framework and receives quarterly risk reports. In addition, Cabinet receives a bi-annual Council Plan performance report.

This risk and performance architecture is illustrated in the diagram below.

Dorset Council Risk and Performance Architecture



Role and Responsibilities

ERM at Dorset Council is a shared responsibility, embedded across all levels of the organisation, from individual operational teams to committee structures. This integrated approach ensures that the Council's collective risk management expertise supports both the achievement of Council Plan priorities and the effective delivery of day-to-day services. The table on the following page provides an overview of roles and responsibilities within Dorset Council's risk structure.

Roles and Responsibilities Overview

Area	Key Responsibilities
Audit and Governance Committee	Provides independent assurance on the adequacy of the Council's risk management framework including the internal control environment, integrity of financial reporting and governance arrangements.
Cabinet	Oversees Dorset Council's approach to ERM, ensuring it is embedded in strategic decisions and operations. Endorses the organisation's risk appetite statement, monitors key risks, and promotes a culture of informed risk-taking to support the achievement of the Council's objectives and effective service delivery.
Directorate Leadership	Promotes a risk-aware culture within services, implements risk management actions, identifies and reports changes in risks, and agrees strategic risks aligned with the organisation's objectives.
ERM Function (Risk Management & Reporting Officer)	Develops and maintains the Council's risk management policy, fosters a risk-aware culture through training and building organisational understanding, and establishes internal risk frameworks. Coordinates risk management activities and prepares risk reports for senior leaders and committees.
Internal Audit	Internal Audit at Dorset Council provides independent assurance on the effectiveness of the Council's risk management, control, and governance processes. It evaluates how well risks are identified and managed, supports continuous improvement, and ensures risk driven audit planning.
Risk Owners	Understand, and apply ERM protocols. This includes reporting ineffective or unnecessary controls, loss events, and near misses through the appropriate channels, as well as cooperating with management during incident investigations.
Scrutiny Committees	Examine specific risks that may impact Dorset Council's services or strategic objectives, by scrutinising decisions, monitoring performance, and holding senior officers to account.
Senior Leadership Team	Takes overall responsibility for coordinating ERM through an agreed framework and policy, promotes a risk-aware culture, and allocates resources to manage risks effectively.
Specialist Risk Management Functions	Develop and maintain specialist risk policies and contingency plans, monitor emerging risks, assist in incident investigations, and produce detailed reports to inform risk control measures.

Dorset Council Three Lines Model

Dorset Council's approach to risk management is further supported by alignment with the Three Lines Model. This model builds on the roles and responsibilities overview to ensure effective governance, risk management, and assurance.

The following description outlines how the model works in practice:

First Line: Business and Operational Management

The first line is responsible for delivering services and achieving objectives. Key responsibilities include:

- identifying risks and opportunities for improvement
- implementing controls
- reporting on progress
- ensuring compliance
- providing management assurance

Roles in the first line include:

- operational managers and staff
- colleagues responsible for performance and data quality
- programme and project managers
- service plan delivery teams

Second Line: Oversight and Support

The second line provides support and oversight to the first line. Key responsibilities include:

- setting strategy, policy, and direction
- making decisions
- provide assurance oversight

Roles in the second line include:

- senior management
- risk management and compliance functions
- quality control teams
- committee and scrutiny functions

Third Line: Independent Assurance

The third line offers independent assurance by validating the effectiveness of the first and second lines. Key responsibilities include:

- providing challenge and audit
- reporting on assurance levels
- conducting independent reviews

Roles in the third line include:

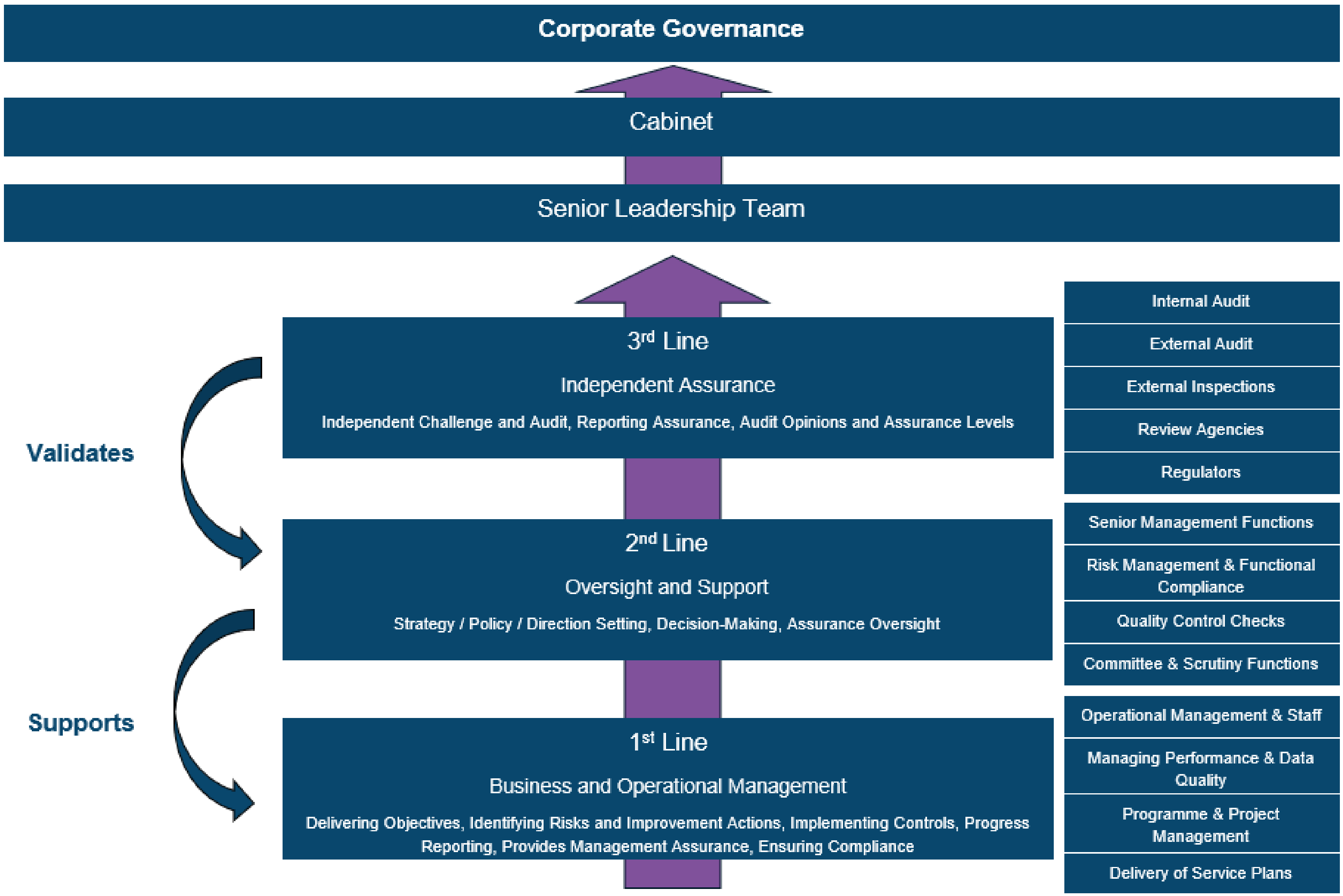
- internal audit
- external audit
- regulatory inspections
- independent agency reviews

Governance and Escalation

All three lines escalate matters to the Senior Leadership Team and Cabinet, forming a key strand of Dorset Council’s corporate governance framework.

A diagram is provided on the following page to visually represent this structure.

Dorset Council Three Lines Model Diagram



Principal Risks

Principal Risks provide the structure under which all organisational risks are categorised within Dorset Council's risk management framework, as illustrated in the Dorset Council Risk and Performance Architecture. All risks identified across the organisation will align with one or more of these Principal Risks. This alignment helps to demonstrate the potential breadth and impact of individual risks, highlighting how they may contribute to wider strategic concerns. The Council's current Principal Risks are outlined below:

Principal Risk	Definition
Commercial	Commercial risks are those that could result in the council losing a commercial partnership or failure of a supply chain.
Data and information management	Risks of this nature are centred around failures to prevent unauthorised or inappropriate access, as well as failures to enable legitimate use of our data, systems, and assets.
Finance	Our financial stability is driven by increased budgetary pressures in an increasingly challenging financial environment.
Legal	These are risks concerned with non-compliance of regulations, laws or statutory obligations that may result in penalties, fines or other legal consequences.
Operations	Operational risks are associated with the uncertainties that we face during our day-to-day activities delivering services.
People	We are faced with a challenging environment in recruiting and retaining the necessary people to deliver our objectives.
Project / programme	Project and programme risks are centred around projects not aligning with our strategic priorities as well as projects being unable to deliver the intended benefits, on time and within budget.
Property	We have a large portfolio of properties and as such associated risks ranging from property defects to ineffective or inefficient safety management protocols.
Reputation	Reputational risks are those that could be uncovered through adverse events in the form of ethical infringements, failure to meet objectives or lack of innovation.
Security	Our security risks include unauthorised and / or in appropriate use of our systems and assets including cyber security, digital and physical access to our assets.
Technology	Technology risks are such risks that arise from technology not delivering services as expected because of deficient systems or processes.

Strategic Risks

Strategic risks represent the second tier of risk reporting at Dorset Council and sit underneath the organisations Principal Risks as demonstrated in the Risk and Performance Architecture. These risks are aligned with either:

- Council Plan priorities, or
- Key Organisational Deliverables, which include two strands:
    - risks related to overall organisational health
    - risks concerning compliance with statutory obligations

Strategic risks are identified collaboratively with senior leaders and are reported to SLT, Cabinet, and the Scrutiny and Audit & Governance Committees.

Subject matter experts may be invited to provide additional context and insight, to support informed decision making when strategic risks are discussed.

Criteria for Strategic Risk Classification

A risk may be classified as strategic if it meets one or more of the following criteria:

- it will have a noticeable impact on achieving strategic priorities as documented in the council plan or key organisational deliverables.
- it is rated 20 or more according to the Council's risk scoring matrix based on the existing controls that are in place.
- it has a noticeable impact upon the use of the Council's key resources (finance, people etc).
- it may result in significant attention from external stakeholders with the potential to cause significant reputational and or political damage.

Dorset Council's strategic risks are monitored quarterly and reviewed at least annually to ensure they remain proportionate, relevant, and aligned with the organisation's objectives. This ongoing review process supports the Council's commitment to delivering effective outcomes for the residents of Dorset and maintaining a robust approach to risk management.

3. Strategy

Dorset Council's Risk Strategy outlines its overarching approach to risk management. It is comprised of two key components:

1. Risk Management Policy Statement
   This statement defines the Council's overall approach to managing risk. It sets out the objectives of risk management and explains how it supports the achievement of Dorset Council's strategic aims.
2. Risk Appetite Statement
   This statement provides a high-level strategic direction on the amount of risk the Council is willing to accept in pursuit of its objectives. It defines the optimal level of risk and establishes the guiding principles for operational teams when making decisions.

The following pages provide detailed information on both the Risk Management Policy Statement and the Risk Appetite Statement, both of which are kept under regular review to ensure they are appropriate.

Risk Management Policy Statement

Dorset Council is committed to managing risk across all levels of the organisation, adopting a proportionate approach to identifying, analysing, evaluating, and treating risks. This approach underpins the achievement of our strategic objectives and strengthens the quality and resilience of the services we deliver to our communities.

We foster a culture that prioritises accountability over blame, ensuring that risks are actively managed rather than avoided.

Our Risk and Performance Architecture reflects Dorset Council's commitment to being a risk-informed organisation, where decisions are guided by a balanced understanding of risk, and where it is recognised that not all risks can be controlled to the same extent.

This policy statement forms part of our Risk Management Strategy with the following subset of objectives:

- ensure compliance with legal, regulatory, and statutory obligations.
- provide assurance that risk management activities are proportionate, aligned with our enterprise, comprehensive in scope, embedded in organisational processes, and responsive to emerging challenges.
- deliver relevant, risk-based information to support effective decision-making.
- enable the efficient and effective delivery of Dorset Council's strategic, tactical, operational and compliance goals.

Risk Appetite

Dorset Council's risk appetite statement provides a high-level strategic direction on the amount of risk the Council is willing to accept in the pursuit of its objectives. It has been developed using Dorset Council's Risk Appetite Framework which is informed by the Orange Book, a recognised risk management standard for the public sector.

The statement reflects the outcomes of consultation with SLT and Cabinet and has been formally approved by the Leader of the Council under delegated authority.

The following sections outline Dorset Council's risk appetite statement, as adopted on 21 August 2025, followed by an overview of the Risk Appetite Framework that underpins its development.

Once adopted, the risk appetite will be actively monitored to ensure it remains appropriate. It will be reviewed by each new administration, to maintain alignment with the Council's strategic priorities and governance arrangements.

Risk Appetite Statement

"Dorset Council is committed to building a secure, resilient, and forward-looking organisation, where risk is not only managed but also embraced as a catalyst for innovation and improvement. We are shaping a future where thoughtfully considered opportunities for change drive better outcomes for our communities, services, and workforce.

We maintain strong safeguards to protect our people, property, assets and information, from harm or unauthorised use.

We accept that some financial uncertainty may be necessary to unlock significant improvements in service delivery and operate within a robust legal and regulatory framework, preparing for a future where adaptability and resilience are key to success.

Our open approach to commercial and procurement activity demonstrates a willingness to pursue innovation, with some non-critical decisions being made via devolved authority. We actively promote the legitimate transparency, openness, and information sharing to support effective decision-making and collaboration in providing better services to our communities. Our Operational stance empowers local managers to make non-critical decisions and encourages evidence-based experimentation, fostering a culture of responsible innovation.

Dorset Council's people policies provide a strong and stable foundation, while remaining open to flexible, people-centred approaches that foster innovation, adaptability, and growth. Dorset Council is committed to investing in its workforce, developing a diverse range of skills to meet evolving needs and challenges. We ensure that all projects and programmes display demonstrable benefits, so that every initiative actively contributes to building a thriving, future-ready council.

In property and asset management, we are exploring diverse, adaptive solutions to meet evolving organisational needs in delivering services to our communities. We are eager to develop new models, partnerships, and technologies that can enhance our impact and outcomes for communities.

Dorset Council is preparing for the future with a clear focus on resilience, adaptability, and continuous improvement. By taking a thoughtful and balanced approach to risk, and aligning our efforts with long-term priorities, we aim to build a council that is responsive to change and committed to delivering the best outcomes for our communities."

Dorset Council's Risk Appetite Framework

Dorset Council's Risk Appetite Framework outlines the agreed risk appetite levels for each Principal Risk, following consultation with Cabinet and SLT. These determinations directly inform the overarching Risk Appetite Statement and establish the context for risk-taking across defined parameters. The Framework, along with the corresponding appetite selections, is presented on the following pages, with the highlighted cells representing the risk appetite level.

Risk Appetite Level Definitions					
	Averse (1)	Minimal (2)	Cautious (3)	Open (4)	Eager (5)
Commercial	Dorset Council has a strong preference for engaging in tested and established commercial agreements with close management controls and oversight.	Dorset Council accepts low-scale commercial / procurement activity via devolved authority, with medium and high-level activity validated by senior management.	Dorset Council tends to stick to the status quo. Commercial innovations are avoided unless necessary, with decisions generally held by senior management.	Dorset Council has a willingness to pursue innovation, which has previously showed benefit. Its non-critical decisions may be devolved to local managers.	Dorset Council has a desire to innovate and break the mould. Commercial initiatives are pursued in improving services with high levels of devolved authority to increase business agility.
Data and Information Management	Dorset Council 's data and information are secured through strict access controls and extensive monitoring.	Dorset Council ensures minimal distribution of data and information to reduce risks and damages because of disclosure.	Dorset Council's data is distributed cautiously, and only when required to maintain operational effectiveness.	Dorset Council accepts that openness and information sharing is needed for effective operations in a controlled environment.	Dorset Council's data and information is subject to minimal controls. Its data is open and easily accessible in the pursuit of operational effectiveness.

Risk Appetite Level Definitions					
	Averse (1)	Minimal (2)	Cautious (3)	Open (4)	Eager (5)
Finance	Dorset Council safeguards its financial resources as a priority and avoids any activities that could lead to financial loss or impact.	Dorset Council considers financial impacts and risk are only acceptable when related to the essential delivery of services.	Dorset Council's financial decisions accept some uncertainty related to loss or impact, only if they yield upside opportunities in service delivery.	Dorset Council is willing to invest and take on higher financial risks to support the business where they have been appropriately managed with controls.	Dorset Council seeks to invest for the best possible benefit in opportunities, acknowledging that there may be significant financial loss or impact.
Legal	Dorset Council avoids areas that could be potentially challenged legally, even if the chances of winning any case are high.	Dorset Council operates on a basis that ensures it would be successful in any legal challenge.	Dorset Council takes decisions where it must be reasonably certain that it would be able to win any legal challenge.	Dorset Council takes tough decisions and accepts that any legal challenge is likely to be difficult, but the potential benefits outweigh the downsides.	Dorset Council accepts the possibility of losing any legal case is high, but the potential benefits that could be realised in the event of success are exceptional.

Risk Appetite Level Definitions					
	Averse (1)	Minimal (2)	Cautious (3)	Open (4)	Eager (5)
Operations	Dorset Council adopts a “tried and tested” approach to operational delivery, with close management control.	Dorset Council pursues innovations only in the instance that it is deemed essential for operational delivery and validated by senior management.	Dorset Council tends to stick to the status quo. Operational innovations are carefully selected where necessary, and decisions are generally held by senior management.	Dorset Council pursues innovation that has evidence of previous benefits. There is a willingness to innovate and responsibility for non-critical decisions may be devolved to local managers.	Dorset Council seeks innovative approaches to operational delivery by constantly challenging current practices. This is supported by high levels of devolved authority.
People	Dorset Council maintains close management control, with little devolved authority. There is limited flexibility in working practices and development of staff is limited to “essential” services only.	Dorset Council’s Senior Leadership hold decision-making authority. The organisation adopts strict recruitment and retention strategies to minimise disruption and development is limited to being role specific.	Dorset Council’s decision-making is generally controlled by senior management. There is acceptance of safe and standard people / working policies.	Dorset Council adopts devolution of certain work-related decision-making responsibilities. The organisation is willing to invest in its people to create a variety of skills in its workforce.	Dorset Council adopts high levels of devolved authority. The organisation constantly challenges working practices to pursue innovation and invests significantly in staff development to create a broad skillset.

Risk Appetite Level Definitions					
	Averse (1)	Minimal (2)	Cautious (3)	Open (4)	Eager (5)
Project/ Programme	Dorset Council prioritises projects / programmes with almost certain outcomes that are supported by close management control and oversight. There is a preference for maintaining and protecting rather than creating or innovating.	Dorset Council prioritises only the most essential innovations. Decision making is held by senior management with projects / programmes needing to demonstrate clear links to the organisation's strategic priorities.	Dorset Council tends to stick to the status quo and innovations are generally avoided unless necessary. Decision making is typically made by senior management with projects and programmes aligned to strategic priorities.	Dorset Council pursues innovation when projects / programmes display demonstrable benefits. Decision making may be devolved to local managers, with plans aligned to functional standards.	Dorset Council constantly pursues innovation to achieve the best working practices and "break the mould". There are high levels of devolved authority with plans largely aligned to organisational governance.
Property	Dorset Council complies with strict policies for purchase, rental, disposal, construction, and refurbishment of property, that ensures it is producing good value for money.	Dorset Council is recommended to follow strict policies for purchase, rental, disposal, construction, and refurbishment of property that ensures it is producing good value for money.	Dorset Council can adopt a range of agreed solutions for purchase, rental, disposal, construction and refurbishment of property that ensures it is producing good value for money.	Dorset Council can adopt a range of agreed solutions for purchase, rental, disposal, construction and refurbishment of property that ensures it meets organisational needs.	Dorset Council applies dynamic solutions for the purchase, rental, disposal, construction and refurbishment of property that ensures it meets organisational needs.

Risk Appetite Level Definitions					
	Averse (1)	Minimal (2)	Cautious (3)	Open (4)	Eager (5)
Reputation	Dorset Council has no appetite for any decisions with a high chance of repercussion to the organisation's reputation.	Dorset Council's appetite for risk taking is limited to those events where there is no chance of any significant repercussion to the organisation's reputation.	Dorset Council's appetite for risk taking is limited to those events where there is little chance of any significant repercussion to the organisation's reputation.	Dorset Council has appetite to take decisions with the potential to expose the organisation to additional scrutiny, but only where appropriate steps are taken to control the risk.	Dorset Council has an appetite to take decisions which are likely to bring additional Governmental / organisational scrutiny, only where potential benefits outweigh the risks.
Security	Dorset Council has no tolerance for security risks causing loss or damage to its property, assets, information or people with stringent control measures in place.	Dorset Council aims to minimise loss or damage to property, assets, information or people with significant control measures in place.	Dorset Council accepts limited security risks to support business need, with industry standard controls in place to protect its property, assets, information or people.	Dorset Council accepts some security risks to support business need with tailored controls in place to protect its property, assets, information or people.	Dorset Council accepts security risks to support business need with the minimum level of controls in place to support agile use of its property, assets, information or people.
Technology	Dorset Council generally avoids developments in systems and technology.	Dorset Council considers development in systems and technology that is deemed vital to protect current operations.	Dorset Council implements the use of established / mature systems and technology to enhance the organisations performance.	Dorset Council welcomes new systems and technologies in the pursuit of improved service delivery and organisational performance.	Dorset Council views new systems and technology as essential for organisational development and service delivery.

Applying Dorset Council's Risk Appetite Framework

To implement Dorset Council's Risk Appetite Statement effectively, each Principal Risk area must include clear parameters. These metrics should distinguish between acceptable and unacceptable levels of risk-taking. They must also identify when escalation is needed, in line with the Council's existing governance structures.

The following template is designed to help all business areas align their operational risk-taking with the strategic direction set out in the Risk Appetite Statement and Framework.

The table on the following pages includes:

- the Principal Risk area.
- the selected risk appetite level and its definition from the Risk Appetite Framework.
- a prompt for users to define metrics that reflect the chosen appetite level. These metrics should indicate:
    - what is considered acceptable.
    - what is not acceptable.
    - when and where escalation may be required.

These decisions may be guided by existing policies and processes. If current practices conflict with the selected risk appetite, this may highlight areas where review or change is needed to ensure alignment with the Council's strategic intent.

Principal Risk	Risk Appetite	Will Accept	Will Not Accept	Escalate
Commercial	Open: Dorset Council has a willingness to pursue innovation, which has previously showed benefit. Its non-critical decisions may be devolved to local managers.			
Data and Information Management	Open: Dorset Council accepts that openness and information sharing is needed for effective operations in a controlled environment.			
Finance	Cautious: Dorset Council's financial decisions accept some uncertainty related to loss or impact, only if they yield upside opportunities in service delivery.			

Principal Risk	Risk Appetite	Will Accept	Will Not Accept	Escalate
Legal	Cautious: Dorset Council takes decisions where it must be reasonably certain that it would be able to win any legal challenge.			
Operations	Open: Dorset Council pursues innovation that has evidence of previous benefits. There is a willingness to innovate and responsibility for non-critical decisions may be devolved to local managers.			
People	Open: Dorset Council adopts devolution of certain work-related decision-making responsibilities. The organisation is willing to invest in its people to create a variety of skills in its workforce.			
Project / Programme	Open: Dorset Council pursues innovation when projects / programmes display demonstrable benefits. Decision making may be devolved to local managers, with plans aligned to functional standards.			

Principal Risk	Risk Appetite	Will Accept	Will Not Accept	Escalate
Property	Open: Dorset Council can adopt a range of agreed solutions for purchase, rental, disposal, construction and refurbishment of property that ensures it meets organisational needs.			
Reputation	Open: Dorset Council has appetite to take decisions with the potential to expose the organisation to additional scrutiny, but only where appropriate steps are taken to control the risk.			
Security	Averse: Dorset Council has no tolerance for security risks causing loss or damage to its property, assets, information or people with stringent control measures in place.			
Technology	Eager: Dorset Council views new systems and technology as essential for organisational development and service delivery.			

4. Protocols

Dorset Council’s Risk Management Protocols comprise the tools, templates, and guidance that support the practical implementation of risk management across the organisation. They ensure consistency, transparency and accountability in how risks are identified, assessed and managed.

The Risk Dashboard

Dorset Council’s Risk Dashboard serves as the central internal platform for recording, updating, and reporting on organisational risks and their corresponding control measures. It captures risks with broad, authority-wide impact, particularly those that could affect the achievement of the Council’s strategic objectives or key organisational deliverables. This includes high-level risks associated with strategic implementation, tactics such as portfolios, programmes, and major projects, as well as risks related to legal compliance and statutory obligations.

While operational risks specific to individual business units are typically managed at the local level, they may be escalated to the Risk Dashboard if they become relevant to strategic, tactical, or compliance-related concerns.

The Risk Dashboard supports informed, risk-aware decision-making by providing senior leaders and decision-makers with key insights. Via the Dashboard risks can be organised into groups including Principal Risk and Council Plan priority, enabling proportionate and objective-aligned analysis. Additionally, the Risk Dashboard serves as a dynamic record of Dorset Council’s risk landscape, requiring regular updates from designated risk owners. This process not only ensures accountability in risk management but also maintains an accurate and fit-for-purpose organisational risk register.

The Risk Dashboard is a tool that is accessible to all internal Dorset Council colleagues and elected members. While the platform itself is internal, the information it contains is used to populate risk data in report format for public consumption via Committees and other public briefings as required.

Dorset Council’s Risk Scoring Matrix

Dorset Council’s Risk Scoring Matrix guides risk owners to assess each risk using two key dimensions:

- impact, which refers to the consequences if the risk materialises,
- likelihood, which refers to the probability of the risk occurring.

When entering a risk into the Risk Dashboard, unless otherwise stated, assessments should be made based on the impact and likelihood in relation to the existing controls that are currently in place to manage the risk. This ensures that senior leaders and decision-makers receive information that reflects the Council’s actual operating environment.

Impact is scored on a scale from 1 to 5. Each score is supported by descriptors that explain the type and severity of impact. If a risk spans multiple impact levels, best practice is to select the highest applicable score.

Likelihood is also scored on a scale from 1 to 5. The descriptors for likelihood are more subjective and rely on the judgement of subject matter experts. These experts assess how likely the risk is to occur, using the descriptors as guidance.

The overall risk score is calculated by multiplying the impact and likelihood scores. This score determines the risk's position on the Risk Scoring Matrix:

- a score of 1 to 4 indicates a low risk.
- a score of 5 to 10 indicates a medium risk.
- a score of 12 to 16 indicates a high risk.
- a score of 20 to 25 indicates a very high risk.

The vertical axis of the matrix represents impact, and the horizontal axis represents likelihood.

The assigned risk rating not only highlights the significance of the risk to Dorset Council but also determines its review cycle by risk owners:

- risks rated low or medium must be reviewed every 180 days from the last review date.
- risks rated high or very high must be reviewed every 90 days.

The following three pages present Dorset Council's Impact Matrix, Likelihood Matrix, and the overall Risk Scoring Matrix. These should be used when scoring risks within the Risk Dashboard.

Assessing Impact		
In assessing impact, the following 1 to 5 scoring system is to be followed:		
Impact	**Catastrophic** Score 5	**Multiple deaths** of employees or those in the Council’s care. **Inability to function** effectively, Council-wide. Will lead to **resignation of Chief Executive** and/or Leader. Corporate Manslaughter charges. Service delivery must be **taken over by Central Government.** **Front page news story** in National Press. Financial **loss over £10m.**
	Major Score 4	**Suspicious death** in Council's care. **Major disruption** to Council's critical services for more than 48 hours. Noticeable **impact achieving strategic objectives.** Will lead to **resignation of Senior Officers** and/or Cabinet Member. **Adverse coverage** in National press/Front Page news locally. Financial **loss £5m-£10m.**
	Moderate Score 3	**Serious injury** to employees or those in the Council's care. **Disruption to one critical Council service** for more than 48 hours. Will lead to **resignation of Head of Service** / Project Manager. Adverse Coverage in **local press**. Financial **loss £1m-£5m.**
	Slight Score 2	**Minor injury** to employees or those in the Council's care. **Manageable disruption** to services. **Disciplinary action** against employees. Financial **loss £100k-£1m.**
	Limited Score 1	**Day-to-day operational problems.** Financial **loss less than £100k.**

Assessing Likelihood		
In assessing likelihood, the following 1 to 5 scoring system is to be followed:		
Likelihood	**Almost Certain** Score 5	Reasonable to expect that the event **will** happen, reoccur, possibly or frequently.
	Likely Score 4	Event is **more than likely** to occur. Will probably happen or reoccur but is not a persisting issue.
	Possible Score 3	**Little likelihood** of event occurring. It might happen or reoccur occasionally.
	Unlikely Score 2	Event **not expected.** Do not expect it to happen or reoccur, but it is possible that it might do so.
	Very Unlikely Score 1	**Exceptional event.** This will probably never happen or reoccur.

Dorset Council Risk Scoring Matrix

Impact	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
		Very Unlikely	Unlikely	Possible	Likely	Almost Certain
		Likelihood				

Risk Score	**Risk Rating**
20 to 25	Very High
12 to 16	High
5 to 10	Medium
1 to 4	Low

5. Further Information

For further information on ERM at Dorset Council, the following sources provide further details:

- the internal Strategic Performance, Intelligence & Risk Hub
- email: performanceandresearch@dorsetcouncil.gov.uk

Version	Date	Status	Author	Change Description
V0.1	30 June 2025	Draft	Chris Swain	New framework in line with SWAP audit
V0.2	01 July 2025	Draft	Chris Swain	Addition of the revised Policy Statement
V0.3	04 July 2025	Draft	Chris Swain	Updated to ERM Framework document
V0.4	19 September 2025	Draft	Chris Swain	Final draft for presentation to Audit and Governance Committee

6. Glossary

To support consistency and clarity in the application of Dorset Council's Risk Management Protocols, the following glossary provides definitions of key terms. Establishing a shared understanding of language is essential to ensure that risk is communicated effectively across all levels of the organisation.

Control	Actions or measures designed to reduce the impact or likelihood of a risk.
Corporate Governance	The rules and practices that control the way an organisation is directed.
Enterprise Risk Management (ERM)	A cohesive and structured approach that unites Dorset Council's various risk management disciplines under a single framework.
Impact	Something that has a marked influence on an objective, individual, community or organisation if a risk materialises.
Likelihood	A judgement on the chance a risk may materialise.
Operations	Organised activities to deliver objectives or services.
Principal Risk	A risk classification system that all other risks align under one or more as subsets.
Risk	The effect of uncertainty on objectives.
Risk Analysis	The scoring and assessment of the significance of a risk.
Risk Appetite	The level of risk Dorset Council is willing to accept in pursuit of its objectives.
Risk Evaluation	The assessment of the controls in place to manage a risk.
Risk Identification	The recognition and initial documentation of a risk.
Risk Treatment	The actions to be taken to control or maintain the risk.
Specialist Risk Management Function	Areas within the organisation that possess dedicated expertise in managing specific risks. Examples include cyber security, emergency planning, health and safety, insurance and project and programme risk management.
Strategic Risk	Specific risks that may be most consequential in achieving the organisations Strategic Priorities or Key Organisational Deliverables if they materialise.

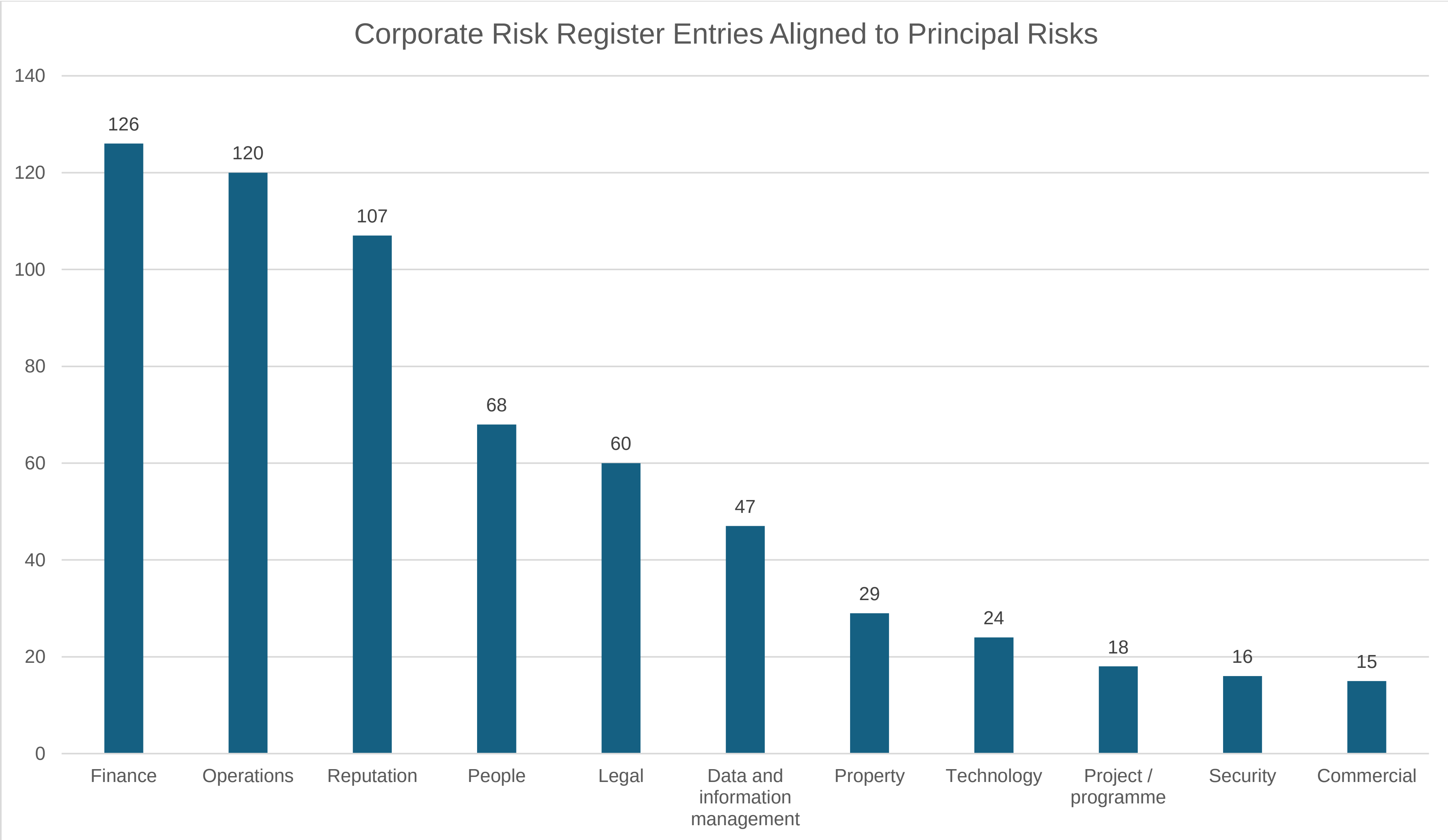
APPENDIX B

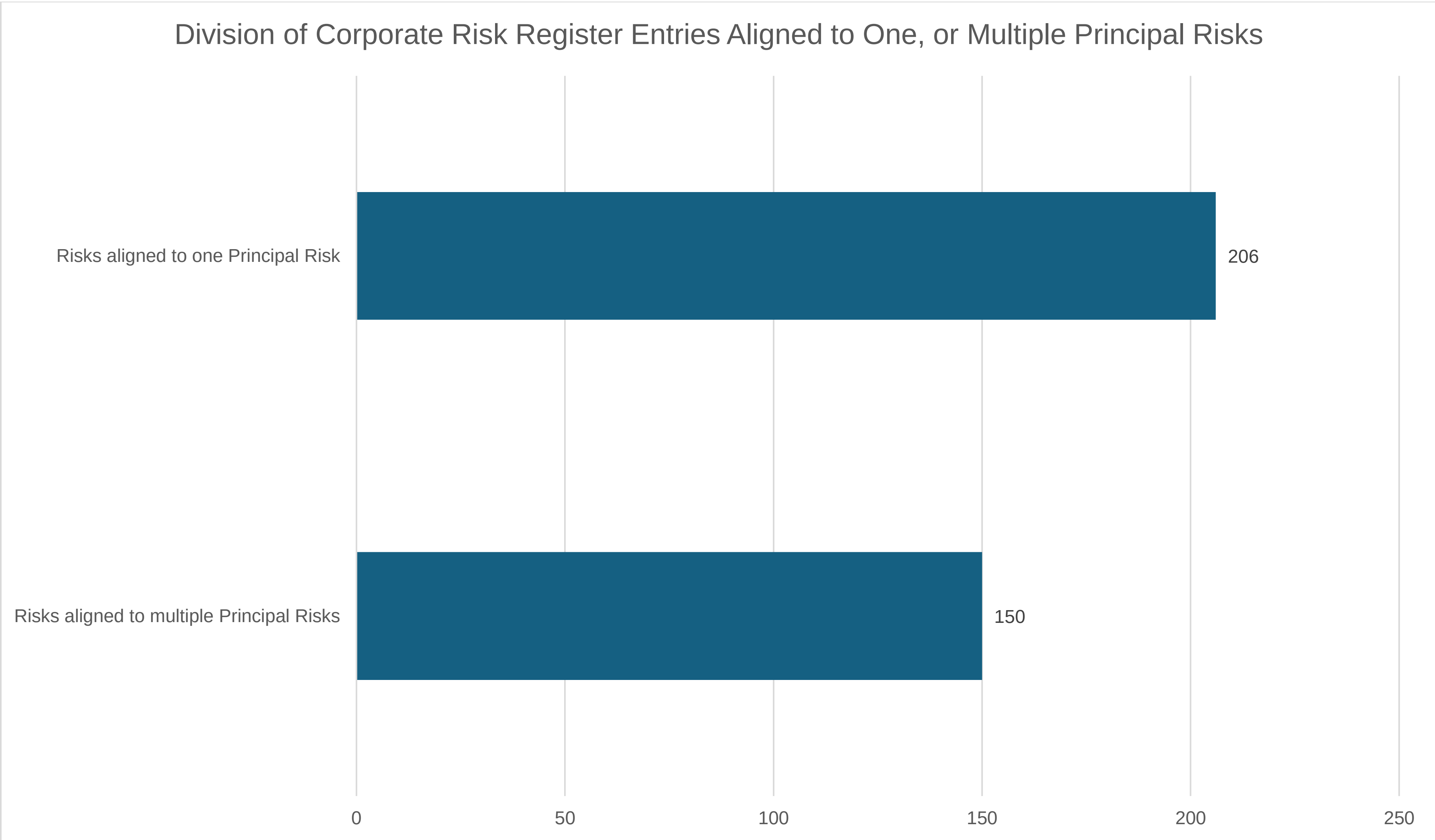
Audit and Governance Committee

13 October 2025

Principal Risks

Quarter 1 2025


Corporate Risk Register Entries Aligned to Principal Risks
140
120
100
80
60
40
20
0
126
120
107
68
60
47
29
24
18
16
15
Finance
Operations
Reputation
People
Legal
Data and information management
Property
Technology
Project / programme
Security
Commercial


Division of Corporate Risk Register Entries Aligned to One, or Multiple Principal Risks
Risks aligned to one Principal Risk
206
Risks aligned to multiple Principal Risks
150
0
50
100
150
200
250

APPENDIX C

Audit and Governance Committee

13 October 2025

Scoring Matrix and Overall Summary

Quarter 1 2025

Dorset Council Risk Scoring Matrix:

Dorset Council Risk Scoring Matrix								Risk Score	Risk Rating
Impact	Catastrophic	5	10	15	20	25		20 to 25	Very High
	Major	4	8	12	16	20		12 to 16	High
	Moderate	3	6	9	12	15		5 to 10	Medium
	Slight	2	4	6	8	10		1 to 4	Low
	Limited	1	2	3	4	5			
		Very Unlikely	Unlikely	Possible	Likely	Almost Certain			
		Likelihood							

Assessing Impact		
In assessing impact, the following 1 to 5 scoring system is to be followed:		
Impact	**Catastrophic** Score 5	**Multiple deaths** of employees or those in the Council's care. **Inability to function** effectively, Council-wide. Will lead to **resignation of Chief Executive** and/or Leader. Corporate Manslaughter charges. Service delivery must be **taken over by Central Government.** **Front page news story** in National Press. Financial **loss over £10m.**
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Assessing Likelihood		
In assessing likelihood, the following 1 to 5 scoring system is to be followed:		
Likelihood	**Almost Certain** Score 5	Reasonable to expect that the event **will** happen, reoccur, possibly or frequently.
	Likely Score 4	Event is **more than likely** to occur. Will probably happen or reoccur but is not a persisting issue.
	Possible Score 3	**Little Likelihood** of event occurring. It might happen or reoccur occasionally.
	Unlikely Score 2	Event **not expected.** Do not expect it to happen or reoccur, but it is possible that it might do so.
	Very Unlikely Score 1	**Exceptional event.** This will probably never happen or reoccur.

Overall Summary:

The table illustrates the spread of all Corporate Risk Register entries:

Impact	Catastrophic	1	1	3	2	0
	Major	4	36	12	10	1
	Moderate	11	54	81	10	0
	Slight	6	69	28	11	2
	Limited	4	6	4	0	0
		Very Unlikely	Unlikely	Possible	Likely	Almost Certain
		Likelihood				

Total Risks	Overdue	Strategic Risk Compliance	Overall Compliance
356	0	100%	100%

APPENDIX D

Audit and Governance Committee

13 October 2025

Strategic Risks

Quarter 1 2025

Strategic Risks According to Impact and Likelihood Scores:

The table illustrates the spread of all Strategic Risks (identified by their ID's).

All Strategic Risks are reported to SLT and relevant Scrutiny Committees. Strategic Risks that are aligned with Council Plan priorities and will be reported via the Council Plan performance monitoring dashboards when published later this year.

Impact	Catastrophic			201	272, 286	
	Major		144, 213	140, 180, 814	348, 560, 805, 808	612
	Moderate		112, 244, 273, 342, 372, 729	167, 182, 229, 230, 798, 803, 804, 812	101, 339, 723	
	Slight	806		765		
	Limited	279, 821*	816, 807, 810	811		
		Very Unlikely	Unlikely	Possible	Likely	Almost Certain
		Likelihood				

*Detail to be finalised with risk owners

Adults and Housing

ID	Adults and Housing Risk	Strategic Priority	Principal Risk(s)	Risk Rating
167	Failure to keep adults safe who have care and support needs and are at risk of harm or abuse	Communities for all	Legal, Operations, Reputation	Medium
180	The supply of temporary accommodation is insufficient to meet statutory homelessness demand	Provide high quality and affordable housing	Commercial, Operations, Project / programme, Property, Reputation	High
182	Poor quality private rented sector housing may lead to increased social, health and economic pressure on households and therefore higher demand for Council services	Provide high quality and affordable housing	Project / programme, Property, Reputation	Medium
244	The Local Plan does not support future development in the appropriate areas to meet the community need	Provide high quality and affordable housing	Reputation	Medium
339	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	Communities for all	Operations, Reputation	High
342	As a result of capacity in the voluntary and community sector, Dorset council may not be able to provide sufficient care and support to residents, leading to a failure to deliver communities for all	Communities for all	Commercial, Operations, Reputation	Medium

ID	Adults and Housing Risk	Strategic Priority	Principal Risk(s)	Risk Rating
723	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	Communities for all	Finance, Operations	High
798	Impact of rises in 25/26 Employers NI & NMW on the social care market, increase risk of service failure and / or contract handback. May limit new capacity available to meet incoming (and increasing) demand.	Communities for all	Commercial, Reputation, Operations	Medium
808	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	Communities for all	Commercial, Finance, Operations	High
814	Due to corporate, market and partnership conditions, the home-in on housing programme may not achieve the housing strategy objectives, leading residents being unable to access affordable, suitable, secure homes	Provide high quality and affordable housing	Finance, Operations, Reputation	High

Children's Services

ID	Children's Services Risk	Strategic Priority	Principal Risk(s)	Risk Rating
112	An inability to attract and retain suitably qualified staff may lead to unmanageable workloads leading to a failure to safeguard children and meet their needs early	Communities for all, Key organisational deliverable	Finance, Legal, Operations, People, Reputation	Medium
272	Instability in the High Needs Block budget may create an increased deficit in the Dedicated Schools Grant (DSG) resulting in a deficit in Dorset Councils financial position.	Key organisational deliverable	Finance, Legal, Reputation	Very High
273	Due to demand for service provision, Education, Health and Care Plans may not be delivered within statutory timescales, leading to a failure to deliver children's educational needs and an increase in SEND tribunals	Communities for all	Operations, People, Reputation	Medium
279	As a result of a lack in financial or strategic commitment, the Early Help Partnership may fail, resulting in the increased demand for statutory services including child protection and the number of children in care	Communities for all	Operations	Low
811	Due to the transition of some schools to Academy Trusts, Dorset Council may face challenges in influencing KS2 attainment, potentially resulting in a limited ability to improve results beyond the national average	Communities for all	Operations, Reputation	Low
812	Due to the removal of the ability for Early Years (EY) settings to charge 'top ups' for early education funded	Communities for all	Operations, Reputation	Medium

ID	Children's Services Risk	Strategic Priority	Principal Risk(s)	Risk Rating
	places, there may be insufficient early education places available			
816	As a result of insufficient numbers of young care leavers engaging with education, employment or training, care leavers may develop social and economic isolation, leading to increased levels of demand on the local authority and strategic partners	Communities for all	Finance, Operations, Reputation	Low

Corporate Development

ID	Corporate Risk	Strategic Priority	Principal Risk(s)	Risk Rating
140	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	Respond to the climate and nature crisis	Finance, Legal, Property, Reputation	High
286	A successful cyber-attack to IT systems causes loss of service or data	Key organisational deliverable	Data and information management, Finance, Legal, Operations, Reputation, Security, Technology	Very High

ID	Corporate Risk	Strategic Priority	Principal Risk(s)	Risk Rating
348	There is a business continuity risk from delayed ICT recovery after a disruption such as a power failure	Key organisational deliverable	Date and information management, Finance, Legal, Operations, Reputation, Security, Technology	High
803	Due to the organisations finances, Dorset Council may have to reduce its workforce in lieu of transformation, leading to insufficient resource to deliver services	Key organisational deliverable	Finance, Operations, People	Medium
804	As a result of transformation, Dorset Council may be unable to retain staff and preserve employee wellbeing, leading to a skills gap and reduced employee health in the organisation	Key organisational deliverable	Operations, People	Medium
805	Due to current levels of resourcing, the organisations transformation work may not achieve its objectives, leading to incomplete benefits to service delivery, customer experience and cost savings	Key organisational deliverable	Finance, Operations, People, Project / programme, Reputation	High
806	Due to the nature of Dorset's economy if economic growth slows, Dorset Council may see a stagnation in Council Tax and Business Rate revenue, leading to increased pressure on budgets to fund service delivery	Grow our economy	Finance, Reputation	Low

ID	Corporate Risk	Strategic Priority	Principal Risk(s)	Risk Rating
807	As a result of a breach in, or lack of, internal controls with insufficient progress in addressing the weaknesses, Dorset Council's external audit report may lead to Government intervention	Key organisational deliverable	Finance, Operations, Reputation	Low

Legal and Democratic

ID	Legal and Democratic Risk	Strategic Priority	Principal Risk(s)	Risk Rating
101	Emergency Planning - Lack of robust business continuity framework (policy and processes; testing and leadership) results in service failure	Key organisational deliverable	Data and information management, Legal, Operations, Reputation, Security, Technology	High
213	Information Compliance - Dorset Council may not be able to demonstrate evidence such as required training levels to support the NHS Digital Toolkit leading to a withdrawal of access to NHS data and systems	Key organisational deliverable	Data and information management, Security, Technology	Medium
612	Loss of the ability to find, open, work with, understand or trust Dorset Council's digital information causes disruption to business operations	Key organisational deliverable	Data and information management, Operations, Reputation, Security, Technology	Very High

Place

NB: Place Strategic Risks are currently under review following a recent SWAP audit, the reviewed set are scheduled for entry into the quarterly reporting cycle from quarter 2.

ID	Place Risk	Strategic Priority	Principal Risk(s)	Risk Rating
144	Lack of resources results in failure to deliver the Councils' Priorities on Economy	Grow our economy	Commercial, Finance, Reputation	Medium
201	As a result of sea level rise 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	Respond to the climate and nature crisis	Finance, Legal, Property, Reputation	High
229	Dorset Innovation Park is unable to attract additional investment and growth causing loss of income to Dorset Council	Grow our economy	Commercial, Finance, Property, Reputation	Medium
230	Failure to engage with education sector results in the pipeline of skilled labour in the Dorset Council area reducing, increasing the skills shortage and businesses exiting the Dorset Council area	Communities for all, Grow our economy	Finance, Project / programme, Reputation	Medium
372	Due to current levels of resourcing, Dorset Council may fail to maintain the county's natural environment, leading to a failure to halt the areas nature decline	Respond to the climate and nature crisis	Finance, Operations, People	Medium

ID	Place Risk	Strategic Priority	Principal Risk(s)	Risk Rating
560	Because of reduced levels of funding, timely Flood and Coastal Erosion Risk Management (FCERM) activities may not be undertaken, leading to an increased risk of asset failure	Respond to the climate and nature crisis	Operations, Property	High
729	Due to the virulence of ash dieback within the highway extent, there may be a danger for highways users from fallen trees	Respond to the climate and nature crisis	Finance, Operations, People	Medium
810	As a result of a reduction to staff capacity, the renewal of the rights of way improvement plan may be delayed, leading to a failure to link communities and support the local economy	Communities for all, Grow our economy, Respond to the climate and nature crisis	Finance, Project / programme	Low

Public Health and Prevention

ID	Public Health and Prevention Risk	Strategic Priority	Principal Risk(s)	Risk Rating
765	Major incident involving synthetic opiates leads to disruption of normal business for the Public Health team	Communities for all	Operations, People, Reputation	Medium
821*	As a result of health service reform, Dorset Council may incur additional unprovisioned responsibilities, leading to increased resourcing and budgetary pressures	Communities for all, Key organisational deliverable	Commercial, Finance, Operations, Reputation	Low*

*Detail to be finalised with risk owners and entered into the quarterly reporting cycle from quarter 2.

Public Health and Prevention Strategic Risks will be reevaluated following completion of their Business Planning processes, following their introduction into Dorset Council as the fifth Directorate.

Grant Thornton

Dorset Council

Audit progress report and sector updates

October 2025

Agenda

Audit Progress Report

Grant Thornton

Introduction

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This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of emerging issues which the Committee may wish to consider.

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications: https://www.grantthornton.co.uk/industries/public-sector/local-government/

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at October 2025

Financial Statements Audit

The draft financial statements were received for audit on 16 June 2025. Our work is currently underway and is progressing in accordance with planned delivery timelines. All samples have been submitted to the Council and responses to requests for evidence and queries have been timely.

During our prior year audit, we identified a number of control recommendations. We are following up on progress against these and areas identified are being addressed. Our previous findings identified a number of recommendations in relation to the Council's land and building valuations. The Council has since reviewed and rationalised the number of valuations experts it has engaged to support this area. Our work to assess the accuracy and reasonableness of these valuations is progressing well. Responses to queries have been adequate and reconciliations between the asset register, financial statements and underlying accounting records have been completed.

Due to control deficiencies and issues identified during our 2024-25 audit of the Council's IT systems, we have assigned an elevated risk to our journals testing. This has resulted in a higher number of journals being selected for testing and an increased number of inquiries made to officers around the nature of adjustments posted to the accounting records during the year.

We will report the results of our financial statements audit formally in our Audit Findings Report in November. This is subject to any further residual work required in response to the outcomes of the recent Building Control investigation findings and the outcomes of ongoing police investigative work into the matter.

External audit response to Building Control investigation findings

The Council issued a press statement on 28 July 2025 surrounding serious findings identified from two significant investigations into urgent health and safety compliance work. This concluded significant weaknesses in governance, financial controls, procurement practices and management oversight at the Council.

In parallel with a specific investigation around the Council's health and safety programme, a second investigation considered contract and expenditure compliance arrangements across the Council as a whole. This review identified gaps between the council's decision-making authority and its financial systems, raising concerns about authorisation limits, procurement processes, and the transparency of high-value spending.

Investigations identified that established financial controls and procurement protocols were frequently bypassed. Key decisions lacked transparency, audit trails were incomplete or absent, and there was limited accountability in the use of public funds. The cumulative impact of these failures resulted in substantial unmonitored expenditure, reduced assurance around value for money, and increased exposure to financial and reputational risk.

Senior management acknowledges the severity of the issues, and work is already underway to agree a comprehensive and wide-ranging remediation plan. This will include actions to drive improvement, strengthen internal controls and governance, and reduce risk exposure.

Progress at October 2025

Given the clear demonstration of significant failures within the control environment and the consequential financial impact on the Council, we are required to consider the impact of these findings of the 2024-25 audit and determine any additional audit response required.

In any situations where fraud is suspected or identified, further investigative work will be required into the circumstances surrounding these findings and assessment of the risk of possible wider occurrences impacting the financial statements.

We are formally writing to the Council to seek a response from management on its view of the 2024-25 financial statements as a whole, in light of the investigation findings. This includes senior management's risk assessment as to how they can be assured that further occurrences of management override of controls have not arisen given the serious of the control deficiencies identified. This completeness assessment should be based on the understanding of the control deficiencies and the access, seniority and control which those involved have (or had) within the Council.

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An important aspect of our further enquiries with management, will be to seek to establish the fact pattern of the issues which have occurred, understand the rationale behind them and then look to perform a level of targeted completeness work to deal with the fact that fraud or management override is rarely an isolated event. We will utilise specialist forensic accounting specialists within our team to support us with this aspect.

We have also considered the impact on our VFM assessment, given the wider governance, financial management and procurement findings and have engaged additional counter fraud specialist support to review the Council's arrangements in this regard, given the introduction of the new Procurement Act 2023 and the consideration of the fraud prevention controls that now apply to procurement from 1 September 2025 with respect to the implementation of the Economic Crime and Corporate Transparency Act (ECCTA) 2023.

Value for Money (VFM)

Our value for money work is progressing well and we have completed our review of documentation and key meetings with officers.

We are on track to provide officers with our draft Interim Auditors' Annual Report in October and present our agreed version to your November Audit and Governance Committee.

Progress at October 2025

Financial Statements Audit – Pension Fund

The draft accounts were received for audit on 16 June 2025. Our audit is currently underway with no significant matters to report at this stage.

Our work is well progressed with most work now complete, subject to engagement lead and manager review. However, some work on significant risk areas as reported in the audit plan remain in progress. We have some outstanding queries with management and once resolved, we will be looking to finalise our testing.

A number of recommendations have been identified in the audit, mostly relating to IT systems being used by the Council.

Further, a number of disclosure changes have been agreed with management.

We will report the results of our audit formally in our Audit Findings Report to be presented in the Audit and Governance Committee meeting in November.

Progress at October 2025

Other areas

Certification of claims and returns

We have been appointed to undertake certification work on the Council's Teachers Pensions return and Housing Benefit Subsidy return. This work is currently being completed and will be completed within the agreed timeframes.

Meetings

During the course of the audit year we have met with the Council's Chief Executive and finance officers.

Events

On 4th June 2025 we hosted a webinar on devolution and local government re-organisation, and lessons from our 2023/24 value for money audits. The recording can be accessed here: Audit committee webinar.

The next event taking place will be:

- 27th January 2026 – webinar providing updates on managing local authority debt; and on preparing for local government reorganisation.

Invitations will be available shortly on our website or can be obtained from your Engagement Lead or Audit Manager.

Audit Fees

PSAA have published their scale fees for 2024/25 2024/25 audit fee scale – PSAA

For Dorset Council these fees are £594,874 for the Council audit and £93,992 for the Pension Fund. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

Audit Deliverables

Below are some of the audit deliverables planned for 2024/25

2024/25 Deliverables	Planned Date*	Status
Audit Plan We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council and Pension Fund's 2024/25 financial statements.	June 2025	Delivered
Audit Findings Report The Audit Findings Report for the Council and the Pension Fund will be reported to the Audit and Governance Committee.	November 2025	Not yet due
Auditors Report This includes the opinion on your financial statements.	November 2025	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	November 2025	Not yet due

Audit Deliverables

Below are some of the audit deliverables planned for 2024/25

2024/25 Audit related deliverables	Planned Date*	Status
Teachers Pensions Scheme – certification This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.	November 2025	Not yet due
Housing Benefit Subsidy – certification This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.	March 2026	Not yet due

Sector Updates

Grant Thornton

Lessons from 2023/24 auditors' annual reports

Recommended reading for Audit Committees:

In August 2025, we published a review of 100 Auditors' Annual Reports (AARs) produced by Grant Thornton for our local government audited bodies across England. This represents about a third of all councils in the country. The AARs offer a wealth of insights on what works, and what doesn't, when it comes to value for money and governance.

The reports in our sample showed that financial sustainability remains the major challenge for the majority of councils. Poor governance has led to some councils depleting their reserves and others incurring excessive borrowing, which current government policies around exceptional financial support and statutory override for dedicated schools grant deficits are not helping.

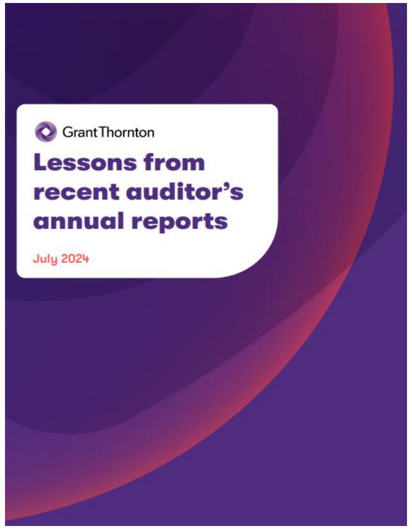
Common challenges for councils include gaps in risk management; high vacancy rates in internal audit; de-centralised contract management; under-supported project management; and the need for stronger, timelier data on performance. For Councils with Housing Revenue Accounts, there are also significant challenges with identifying, costing and managing high volumes of backlog repairs and maintenance work needed to meet regulatory standards.

However, with this being the second year of reporting on lessons from AARs, we also charted notable examples of cases where arrangements have been strengthened since 2022/23, yielding benefits. As well as good practice questions and reminders, the report includes case studies showing better: Control over transformation planning; approach to internal audit; project management; key performance indicator reporting; and rightsized workforce.

AAR findings in August 2025 can be compared to those from one year earlier by accessing the two years of full reporting here:

Lessons from 2023/24 auditors' annual reports

Lessons from recent auditor's annual reports



Financial Instruments in Local Government Accounts (1)

Recommended reading for Audit Committees:

Financial instruments are contracts that give rise to a financial asset for one party and a financial liability or equity instrument for another. In local government, these include a wide range of arrangements such as cash, loans, trade receivables and payables, pooled investments, financial guarantees, and more complex instruments like derivatives or loans with embedded features.

These instruments are governed by accounting standards and can significantly influence how a council's financial position and performance are presented in the accounts. Proper identification and treatment of these instruments are essential to ensure that financial statements reflect the true nature of the authority's financial commitments and exposures.

The accounting for financial instruments is not just a technical exercise. It has real implications for financial planning, risk management, and public accountability. Misclassification or incorrect measurement can lead to material misstatements, unexpected financial impacts, or audit challenges. Financial instruments can affect key areas such as the General Fund, usable reserves, and statutory reporting.

Ensuring that these instruments are correctly accounted for supports transparency, compliance with professional and statutory requirements, and the safeguarding of public resources.

We have recently released a thought leadership report, "Local authority accounting: Avoiding pitfalls in financial instruments" which covers financial instruments in detail.

Our full report includes insight about some of the potential pitfalls relating to financial instruments that can occur in local authority accounts. In addition, each section includes a range of challenge questions for authorities to consider.

The table on the next page highlights key areas of focus in accounting for financial instruments, along with explanatory context and suggested questions that Audit Committee members may wish to raise with management.

The full report is available here:

[Local authority accounting: Avoiding pitfalls in financial instruments | Grant Thornton]

Financial Instruments in Local Government Accounts (2)

Key areas of focus in accounting for financial instruments, along with explanatory context and suggested questions for Audit Committees to ask:

Area of Focus	Description	Challenge Questions
Identification	Proper identification ensures that all relevant instruments are captured in the financial statements and assessed for risk and impact. While some items like loans and investments are obvious, others may be less visible.	• How have you ensured that all financial instruments, including less obvious or complex arrangements, have been identified? What controls are in place? • Have any new or unusual arrangements been reviewed for potential financial instrument implications?
Classification	Financial instruments must be classified based on how they are managed and the nature of their cash flows. Classification determines how movements are reported in the financial statements and can influence the volatility of reported results.	• What process is followed to determine the classification of financial instruments, and how do you ensure that the classification reflects the nature of the financial instrument, including both business purpose and characteristics? • Have any instruments been classified differently this year, and if so, why?
Measurement	Once identified and classified, financial instruments must be measured appropriately. Measurement affects reported balances and income, and errors can lead to misstatements.	• What valuation methods are used for financial instruments, and how are they validated? Were any experts required during this process? • Do changes in assumptions or market conditions require remeasurement?
Disclosure	Disclosures help users of the financial statements understand the nature, significance, and risks of financial instruments. Disclosures should be tailored to your specific circumstances, avoiding unnecessary complexity or boilerplate language.	• How do you ensure that disclosures are tailored to reflect the authority's specific financial instruments and risks, and are any additional disclosures required for unusual or complex financial instruments, or for particular risks? • Are disclosures complete, clear, and free from unnecessary detail?
Other Considerations	Other considerations include soft loans, capital treatment of financial assets, statutory overrides, and the requirement to make prudent revenue provisions (MRP) for certain losses. These adjustments can have a direct impact on financial planning and budget setting.	• Have all relevant statutory overrides and adjustments been correctly applied and disclosed, and what impact have these adjustments had on the General Fund or other usable reserves? • Are expected credit losses / impairments reflected in the financial strategy?

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The Local Authority Backstop

Key information for Audit Committees to be aware of:

On 5th June 2025, the National Audit Office published [Local Audit Reset and Recovery Implementation Guidance (LARRIG 06I).](#) This followed on from the fact that on 28 February 2025, approximately 40% of local authorities received an unqualified opinion on their financial statements for 2023/24; and the remaining 60% of audits were disclaimed as auditors had not been able to conclude work by the deadline.

We are pleased to report that Grant Thornton issued unqualified opinions on 65% of our local authority audits, well ahead of the national average. Nevertheless, all Audit Committees need to be aware of work currently ongoing across the sector to help rebuild assurance for stakeholders.

How you can support us

Timely preparation of draft accounts and high quality supporting working papers is fundamental to the success of audit closedown. We look for all local authorities to prioritise this in enabling the sector to return to balance. In addition, agreeing timescales for build back work will also be key.

An audit approach to build back assurance on financial statements

The LARRIG provides principles as well as indicative procedures which, with the application of professional judgement, enable the auditor to regain assurance in respect of opening balances. These include a framework for auditors to:

- ❖ Assess risk at an entity wide level
- ❖ Assess risk at a line-item level including in respect of specific balances and reserves
- ❖ Determine a response to risk, including appropriate testing of prior year transactions.

This will enable auditors to undertake audit work in respect of old year transactions (e.g. years which were not subject to an audit). Without that work, there would be uncertainty as whether reserves are properly accounted for.

Grant Funding for build back

The first priority at all audited bodies which have previously been backstopped is to gain assurance regarding in year transactions and closing balances for the current audit year. This is the approach which we will adopt over the coming months for your audit for 2024/25.

The Council has received grant funding of £145,109 under a Section 31 Grant Determination to support build-back. The government has set out its expectation that local authorities and audit firms work closely together to enable this build back to happen. We are currently piloting an approach at other local authorities which is intended to remove the disclaimer from future audit reports. We will discuss with the Director of Finance how re-assurance can be best achieved at your authority, including the appropriate timing of further audit work.

Other structural changes

Key information for Audit Committees to be aware of:

Multi-year allocations – 11th June 2025

The Spending Review on 11th June 2025 committed to multi-year allocations through the upcoming 2026/27 Local Government Finance Settlement. An assessment of each council's needs and resources was also committed to.

Spending Review 2025 (HTML) - GOV.UK

Additional information on the Spending Review and Fair Funding Review can be seen on pages 18 and 19 of this update.

Simplified local structures – 24th June 2025

The Minister of State for Housing, Communities and Local Government announced on 24th June 2025 that Councils with a committee system will be required to transition to a leader and cabinet model. He also announced a ban on creating new directly elected council mayors.

Written statements - Written questions, answers and statements - UK Parliament

Pensions pooling – 11th August 2025

Seven Council pension funds announced plans to join the Border to Coast pool on 11th August 2025. The government has committed to allow some "limited flexibility" to other administering authorities looking for new asset pools (moving away from Access and Brunel) but does expect all to conform as closely as possible to the 31 March 2026 deadline for meeting new minimum standards set for asset pooling.

Pension Investment Review Final Report

English Devolution and Community Empowerment

The English Devolution and Community Empowerment Bill was presented to the House of Commons and given its first reading on 10th July 2025; and its second reading on 2nd September 2025. With ayes of 365 and noes of 164 on 2nd September, the Bill now moves to Committee stage.

English Devolution and Community Empowerment Bill

Local government financial sustainability

Key information for Audit Committees to be aware of:

On 18th June 2025, the Committee of Public Accounts reported that "MHCLG has implemented short-term and unsustainable approaches to keep local government afloat".

As evidence, the Committee reported that :

- ❖ Forty-two local authorities had to receive exceptional financial support;
- ❖ Spending on special educational needs and disabilities has outstripped the money available from the Department for Education to pay for it.

Adding to concern, the Committee also reported:

- ❖ MHCLG does not know if the billions spent delivering services locally results in better outcomes for people;
- ❖ Neither MHCLG nor HM Treasury have assessed the impact that increases in national insurance contributions will have; and
- ❖ There is significant uncertainty around how the proposed local government finance reforms and reorganisation will be implemented.

Two days later, on 20th June 2025, the government announced that the statutory override for dedicated schools grant deficits will be extended by another two years, until 31 March 2028. There is no clarity yet about how the debt associated with the grant will be managed once this new period of statutory override ends.

For wider debt burdens, the LocalGov daily bulletin 19th August 2025 , reported that Freedom of Information request responses from 254 councils found that:

- ❖ There has been a 60% increase in Council debt over the last sixty years; and
- ❖ Roughly a fifth of council tax revenue is being spent on payments for debt interest.

For a full copy of the Committee of Public Accounts report see Local Government Financial Sustainability.

House of Commons

The Spending Review

Key questions for Audit Committees to ask officers:

- ❖ Have we calculated what impact the Spending Review will have on the assumptions in our medium-term financial plan?
- ❖ If the impact is negative, what mitigation is planned?

Background:

The Spending Review on 12th February 2025 did not directly address local government debt (other than that in some cases exceptional financial support increases the debt). However, the Spending Review did provide an additional £3.3 billion of grant funding in real terms for local authorities in 2028/29 compared with 2023/24. This included:

- ❖ Over £4 billion of funding available for adult social care in 2028-29 compared to 2025/26.
- ❖ £555 million to help more children stay with their families; and £560 million, between 2026/27 and 2029/30, to refurbish and expand children's homes and foster care placements.
- ❖ £39 billion for a successor to the Affordable Homes Programme over 10 years from 2026/27 to 2035/36.
- ❖ £100 million for a new community partnership approach to spending on adults with complex needs.

The Spending Review also announced a new £3.25 billion Transformation Fund to support the reform of public services so that they are focused on prevention, including for special educational needs and disability and homelessness.

The intention is that investment in digital technology and artificial intelligence transformation programmes will drive productivity improvements and help to deliver the government's missions.

[Spending Review 2025 (HTML) - GOV.UK]

Fair Funding Review 2.0

Key questions for Audit Committee to ask officers:

- ❖ What impact do we expect the Fair Funding Review to have on our medium-term financial plan?
- ❖ Have we calculated what level of support we will need from transitional arrangements?
- ❖ What mitigations are we planning if we don't receive transitional support?

Background:

Between June and August 2025, the government ran a public Fair Funding Review consultation on how it should implement Fair Funding Review 2, including on how the local government grant system should be made fairer and how transitional arrangements should work.

Under the Fair Funding Review, significant changes to the grant funding system for English local government are now expected to take effect on 1st April 2026, for the 2026/27 financial year. It is expected that grant funding will be allocated to English local authorities using a three-part system, consisting of an assessment of relative need, based on socio-economic indicators; an area costs adjustment; and a resource assessment, measuring the capacity of each council to raise council tax.

It is expected that:

- ❖ There will be no further retained business rates revenue;
- ❖ Recent spending on social care and deprivation will influence the formula; and
- ❖ There will be reduced funding for Councils with higher capacity to raise council tax.

The new methodology will apply to the Revenue Support Grant, which will also swallow up several other smaller grants that Councils currently receive.

Because the existing system has been untouched for many years, and because no new money will accompany the review, there are likely to be some very large changes to some councils' funding allocations.

The Local Government Information Unit recently argued that "in many ways (the changes) will start to put England back onto its pre-2013 footing"; and a three-year transitional period has been proposed.

Nevertheless, the changes are going to be difficult for some Councils to absorb, especially those that already have other issues with their financial sustainability.

Public procurement

Key questions for Audit Committee to ask officers:

- ❖ How much do we currently spend per annum on contracts with small and medium-sized enterprises and voluntary, community and social enterprises?
- ❖ Do we test whether our suppliers pay their creditors within appropriate timescales?
- ❖ Which outsourced services, if any, have we assessed to test whether outsourcing is still the best solution?

Background:

Between June and September 2025, the government consulted on public procurement. With an estimated £385 billion spent through public procurement every year, the consultation is intended to support implementation of the new National Procurement Policy Statement.

Cabinet Office

Proposals that are being consulted on include:

- ❖ Mandating large contracting authorities with procurement spend over £100 million per annum to publish their own 3-year target for direct spend with small and medium-sized enterprises and voluntary, community and social enterprises; and report against it annually;
- ❖ excluding suppliers from bidding for major contracts (over £5 million per annum) if they cannot demonstrate they pay their invoices within an average of 60 days;
- ❖ requiring contracting authorities to make a standard assessment before procuring a major contract to test whether service delivery should be inhouse or outsourced;
- ❖ mandating contracting authorities to carry out a public interest test prior to making a sourcing decision on major service contracts; and
- ❖ requiring contracting authorities to publish the results of the public interest test in the tender notice.

The government states that the proposals will "open up more opportunities for small and medium-sized enterprises (SMEs) and voluntary, community, and social enterprises (VCSEs), which are vital for driving the UK economy".

For a full understanding of the proposals that were put forward, follow this link: [Public Procurement: Growing British industry, jobs and skills]

Keeping fit for the future

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Key question for Audit Committees to ask officers:

- ❖ What changes to governance structures do we expect the new ten-year health plan to have on us?
- ❖ How are we preparing?

Background:

On 3rd July 2025, the government outlined the new ten-year NHS plan Fit for the future . The plan points to a closer working partnership between local government and Integrated Care Board (I(CBs), stating that:

- ❖ The number of ICBs will be reduced from 42 and the remaining ICBs will then be encouraged to adjust their boundaries to match those of new combined authorities;
- ❖ the government's aim over ten years is that ICBs will be coterminous with strategic authorities wherever feasibly possible;
- ❖ Integrated Care Partnerships will be abolished but in future, a neighbourhood health plan will be drawn up by local government, the NHS and its partners at single or upper tier authority level under the leadership of the Health and Wellbeing Board, incorporating public health, social care, and the Better Care Fund;
- ❖ mayors are going to replace local government representatives on ICB Boards;
- ❖ local authorities are going to take up Local HealthWatch social care functions; and
- ❖ from 2026, every single or upper tier local authority will be required to participate in an external public health peer review exercise, on a 5-year cycle, with the results directly informing local plans.

Keeping the leisure estate fit for the future

Key question for Audit Committees to ask officers:

- How are repairs and maintenance and replacement costs for our leisure estate reflected in our medium-term financial plan?
- Are we on track to cover replacement costs for the leisure estate?

Background:

Some £400 million was announced in [Fit for the future] for grassroots sports facilities, but it is not yet clear how much of that will be directed to local authorities. On 2nd August 2025, the [Local Government Association] reported that:

- Since 2010, 500 swimming pools have closed, representing a loss of over 34,000 square metres of water space. Nearly half of the closures occurred in the last five years.
- 63 per cent of main sports halls and 60 per cent of swimming pools are beyond their expected lifespans or in need of refurbishment.
- 24 per cent of council areas face the risk of reducing or closing leisure services due to rising energy and operational costs.

An early understanding of the condition of the estate will help to maximise the effectiveness of any funding that does become available to Councils.

Asylum seekers update

Key questions for Audit Committees to ask their officers:

- How do we capture and report accommodation costs?
- Have we calculated whether costs are matched by grant income received? How are we managing any difference?
- What are our safeguarding responsibilities? What assurance do we have that we are meeting them?
- What assurance do we have that we are meeting our duty of care to children and vulnerable adults?

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Background:

On 29th August 2025, the Court of Appeal ruled that The Bell Hotel in Epping Forest can continue to house asylum seekers, overturning an interim injunction that Epping Forest District Council had secured ten days previously to restrain the use of the hotel for such a purpose unless planning permission was granted. The Council was then denied the opportunity to appeal to the Supreme Court.

Home Office data published on 21st August 2025 shows that 115 other Councils currently have hotels within their areas that are housing asylum seekers. Those Councils may have been watching the outcome of The Bell Hotel case closely.

The National Audit Office recently estimated that it costs £15.3 billion per annum to house asylum seekers in hotels; and that hotel accommodation accounts for 76% of the annual cost of asylum contracts but houses only 35% of people in asylum accommodation system.

The Spending Review 2025 committed to ending government use of asylum hotels during the current Parliament. The expectation is that these will be replaced by central government owned accommodation, probably delivered by purchasing tower blocks and former student accommodation. However, no timeline has been set for this initiative yet. Without a timeline, hotel costs are likely to be incurred and need managing for some time yet.

Future Webinars for Audit Committee members

We plan to hold a webinar for members of Audit Committees on 27th January 2026. Invitations will be available shortly on our website or can be obtained from your Engagement Lead or Audit Manager.

Areas our webinar will help with include:

Managing debt:

Understanding the true level of debt across all sources;

Assessing the viability of plans for debt repayment;

Understanding and assessing current and future exposure to risk; and

Best practice for Councils managing debt.

Local government reorganisation:

Understanding and anticipating outcomes from the latest submissions;

Managing change whilst waiting for decision announcements; and

Preparing for next steps after decision announcements.

Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

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Public Sector Internal Audit Standards

https://www.gov.uk/government/publications/public-sector-internal-audit-standards

Code of Audit Practice for local auditors (NAO):
https://www.nao.org.uk/code-audit-practice/

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):
https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/

The Three Lines of Defence Model (IAA)
https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf

Risk Management Guidance / The Orange Book (UK Government):

https://www.gov.uk/government/publications/orange-book

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition

Delivering Good Governance in Local Government

https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition

Financial Management Code

https://www.cipfa.org/fmcode

Prudential Code

https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition

Treasury Management Code

https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition

Grant Thornton

Audit and Governance Committee Work Programme 2025-26

17 Nov 2025		
Quarter 2 Financial Management Report 2025/26	Report	Officer Contact- Sean Cremer
Treasury Management Mid-Year Review 2025/26	Report	Officer Contact- David Wilkes
Grant Thornton - Dorset Council Audit Findings Report 2024-25	Report	Officer Contact - Julie Masci/Sam Harding
Grant Thornton – Dorset Pension Fund Audit Findings Report 2024-25	Report	Officer Contact - Julie Masci/Chrissa Viente
Grant Thornton – Auditors Annual Report 2024-25	Report	Officer Contact – Julie Masci/Sam Harding
Grant Thornton – Dorset Council - Letter of Representation	Management Letter	Officer Contact – Julie Masci/Sam Harding
Grant Thornton – Dorset Pension Fund – Letter of Representation	Management Letter	Officer Contact – Julie Masci/Chrissa Viente
Dorchester Markets Joint Informal Panel - Revised Terms of Reference	Report	Officer Contact – Graham Duggan
Plan for Wider Organisational Learning and SWAP Progress.	Report	Officer Contact – Sam Crowe, Steven Ford.
Update on Our Future Council Work	Update	Officer Contact- Lisa Cotton

12 Jan 2026		
SWAP Update Report	Update Report	Officer Contact – Sally White/Sophie Blackburn
Risk Management Update	Update Report	Officer Contact-Chris Swain, Liz Crocker
Update on Our Future Council Work	Update	Officer Contact- Lisa Cotton

23 March 2026		
Quarter 3 Financial Management Report 2025/26	Report	Officer Contact- Sean Cremer

Grant Thornton – 2025-26 Audit Plan Dorset Council	Report	Officer Contact - Julie Masci/Sam Harding
Grant Thornton – 2025-26 Audit Plan Dorset Pension Fund	Report	Officer Contact - Julie Masci/Chrissa Viente
Update on Our Future Council Work	Update	Officer Contact- Lisa Cotton

27 April 2026		
Annual Governance Statement	Statement	Officer contact- Marc Eyre
SWAP Update Report	Update Report	Officer Contact – Sally White/Sophie Blackburn
Planning Paper 2026-27 & Internal Audit Charter	Planning Paper	Officer Contact – Sally White/Sophie Blackburn
Annual Internal Audit Opinion 2025-26	Opinion Report	Officer Contact – Sally White/Sophie Blackburn
Quarterly Risk Management Update	Update Report	Officer Contact- Chris Swain, Liz Crocker
Grant Thornton – External audit progress report	Update Report	Officer Contact - Julie Masci/Sam Harding
Update on Our Future Council Work	Update	Officer Contact- Lisa Cotton

Other items raised by Audit and Governance Committee requiring further consideration.

Issue	**Notes**	**Date raised**