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

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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.

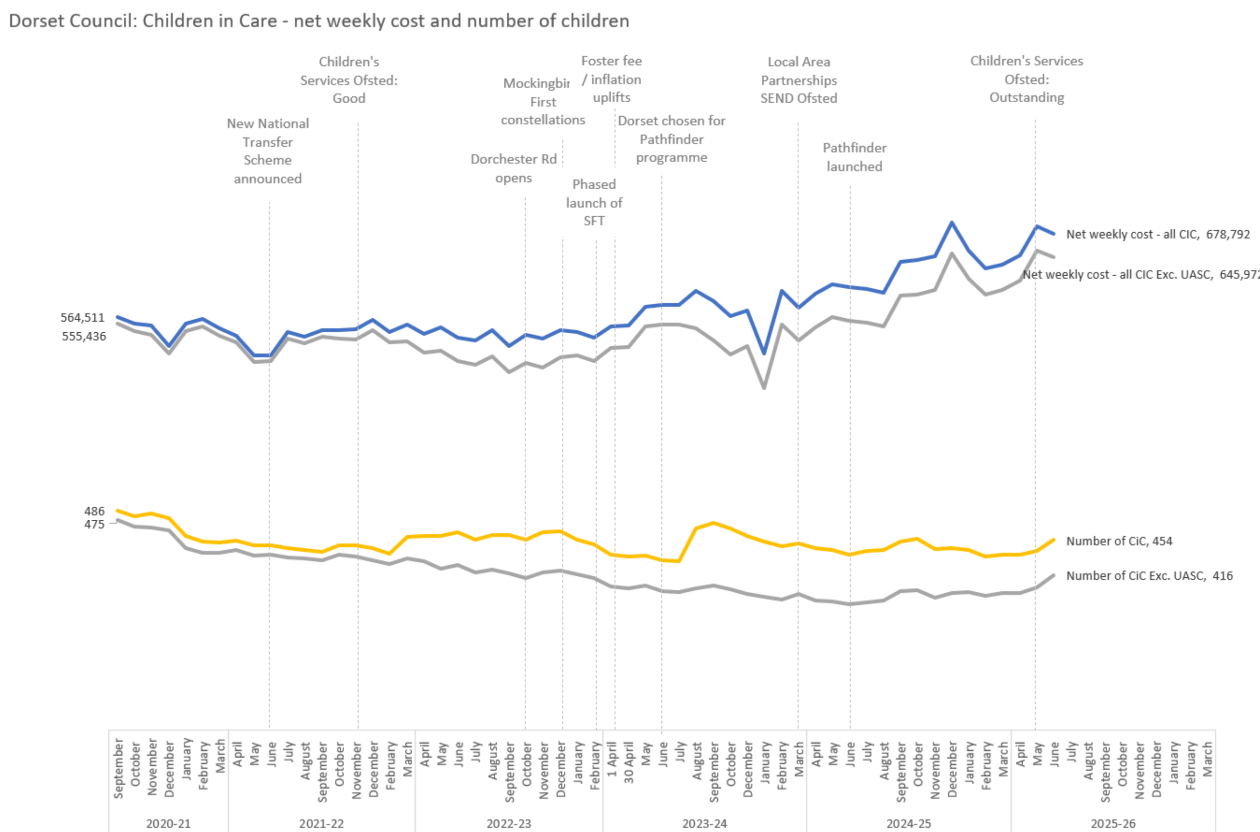
13.13 An overspend is reported for supporting our children in care, and this is mainly driven by three factors: our children's needs increasing in complexity, inflation and an external residential placement market that isn't functioning effectively, as referenced in the Competition and Markets Authority (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%.



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

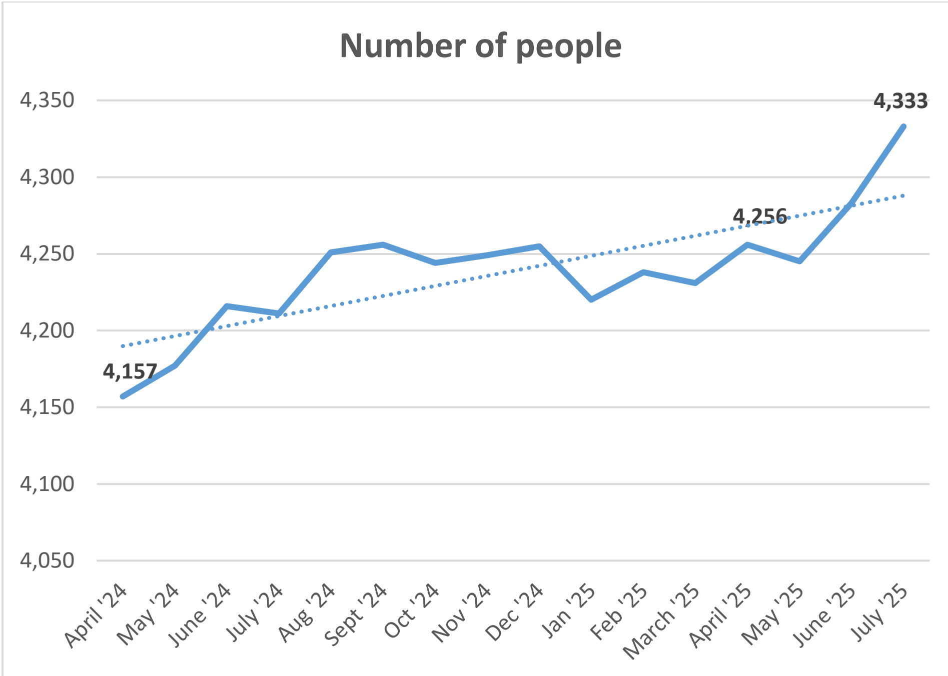
13.33 The Adults Services & Housing Directorate is currently forecasting a net expenditure of £167.164m against a budget of £166.312m, resulting in a projected overspend of £0.853m (0.5%).

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%)**

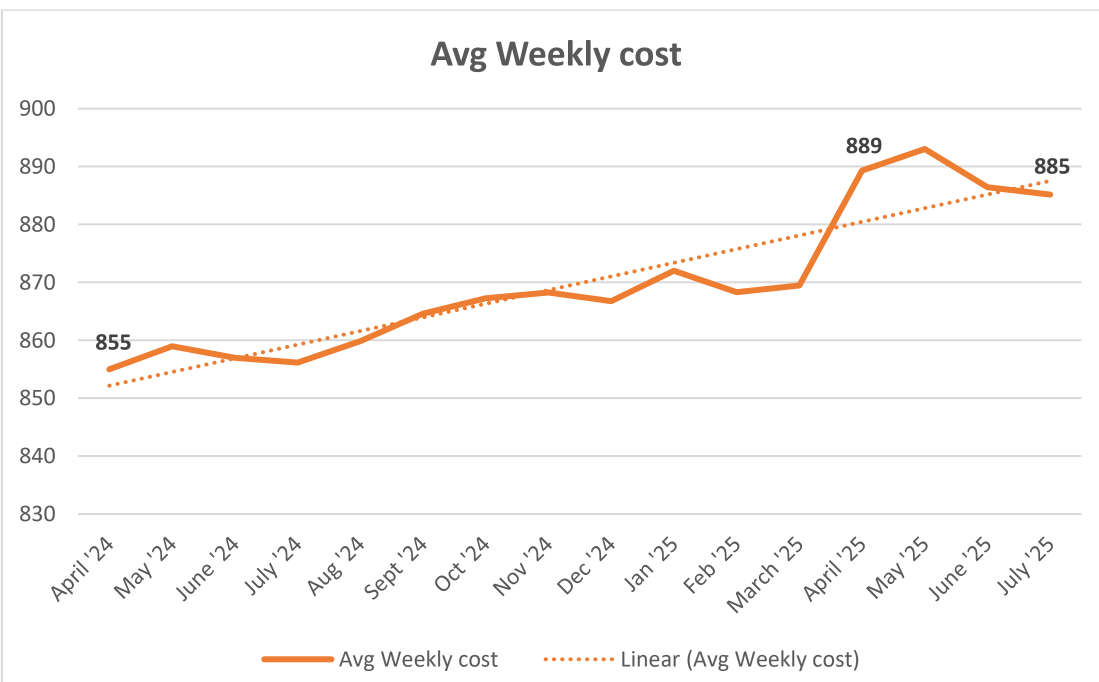
Adult care packages

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.

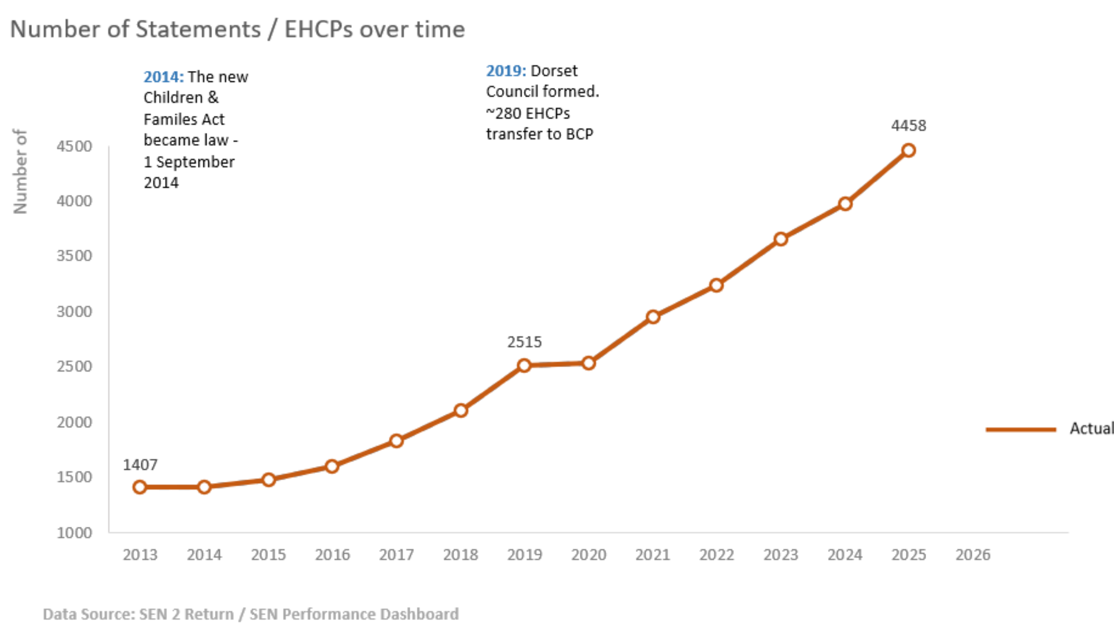


CHART 1: Number of pupils with an EHCP since 2013

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)

Appendix A - Savings

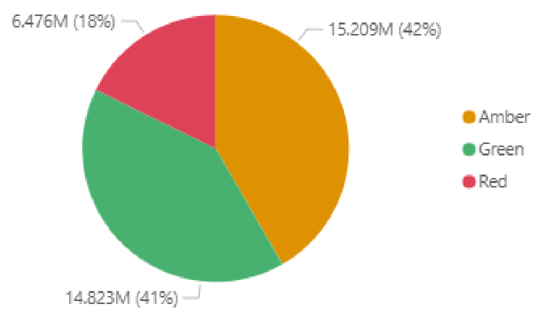
Total Savings 25/26

36.51M

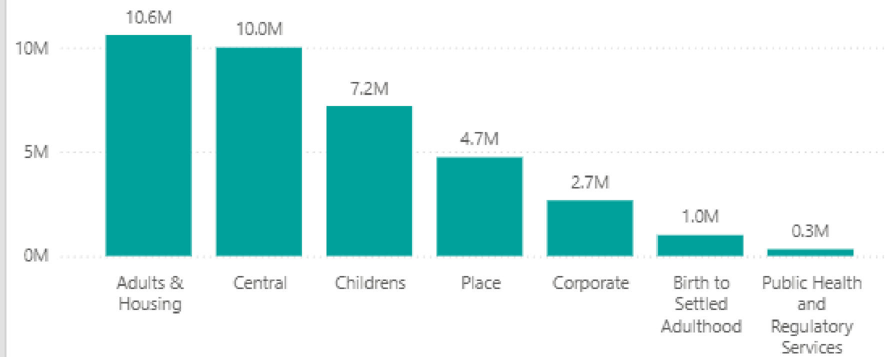
Savings Delivered to Date

14.823M

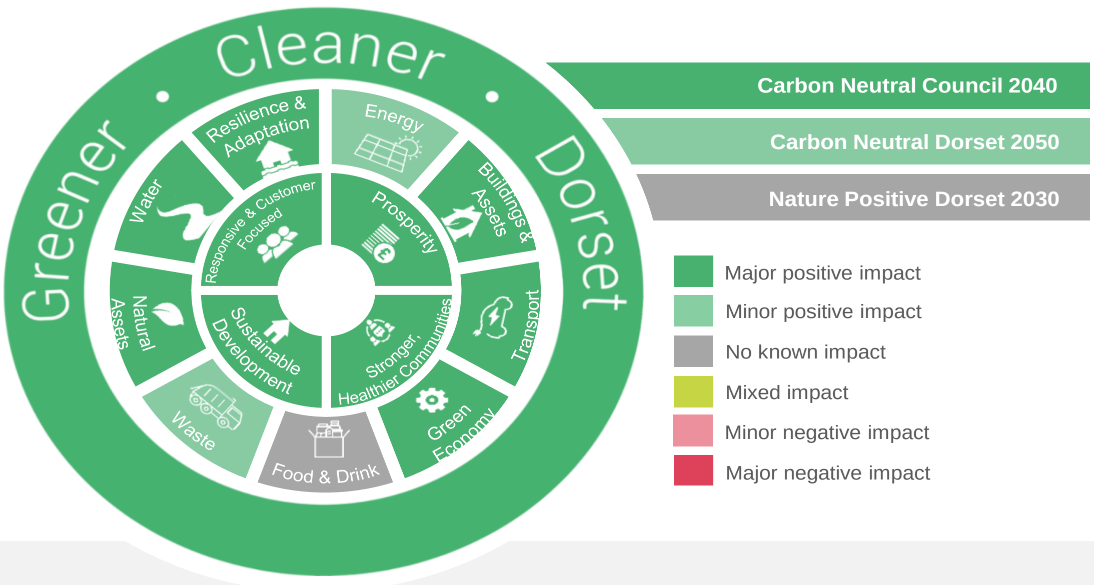
RAG Status



Total Savings 25/26 by Directorate



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.