Cabinet

11 November 2025

Medium Term Financial Plan (MTFP) and budget strategy

For Decision

Cabinet Member:
Cllr S Clifford, Finance & Capital Strategy

Local Councillor(s): **All**

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

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Statutory Authority: Section 151 of the Local Government Act 1972

Report status: Public (the exemption paragraph is N/A)

1. Executive summary

1.1 The purpose of this report is to set out the framework for the 2026/27 budget and the MTFP covering the period 2026–2031. It also outlines the ongoing work throughout the autumn to enable the budget to be finalised ahead of the Full Council meeting in February 2026.

1.2 The MTFP sets out how the Council plans to prioritise resources and adapt its operations to continue delivering services effectively within the constraints of available funding.

1.3 This year's budget setting exercise takes place against a backdrop of delays to the national announcements which underpin some of the key assumptions which are used for the budget. The Chancellor of the Exchequer's budget is expected to take place on 26 November 2025, last year this was on 30 October 2024. The Chancellor is expected to confirm the final spending totals for 2025–26 and set detailed departmental allocations for 2026–27. This update is expected to set out any changes to the government's fiscal rules, changes to the tax system, approach to spending on public services. As a result of the later date for the Chancellor's budget, some of the key pieces of information are currently unknown. Officers continue to model a number of scenarios which will be refined as national events unfold. For Local Government the impacts of the Fair Funding Review 2.0 consultation in respect of the departmental allocations from Government and resource allocation across the sector are of paramount importance.

2. Recommendation(s)

2.1 That Cabinet:

(i) notes the updated cost pressures set out in this paper and the validation work that has been carried out on them;
(ii) agrees/updates the assumptions being used in the Medium-Term Financial Plan (MTFP);
(iii) notes the financial gap arising from (ii) and (iii) above;
(iv) agrees the 2026/27 principles for budget setting outlined in section 13;
(v) notes the approach to closing the budget gap set out in this paper, recognising that this is work in progress;
(vi) continues to lobby local MPs and work with peers to press the case for additional, multi-year funding;
(vii) agrees that Portfolio Holders work with officers to continue to identify and develop further efficiencies and savings;
(viii) endorses the next steps and timetable leading up to the 2026/27 budget which will presented to full Council on 10 February 2026.

3. Reason for Recommendation(s)

3.1 Local authorities are legally obligated to set a balanced annual budget, meaning that planned expenditure must be matched by sustainable income sources. This excludes reliance on one-off or short-term funding that cannot be maintained over time.

3.2 This report is being presented to Cabinet to provide an update on the projected budget gap for 2026/27 and the subsequent years covered by the MTFP. It also outlines progress made to date on identified actions and savings, including the forecasted financial performance for 2025/26 against the approved budget.

4. The report

4.1 Financial context
2025/26 current year position

4.1.1 The Council began this planning cycle with an initial budget gap of £37.868m for 2026/27, carried forward from the previous MTFP.

4.1.2 The Quarter 2 2025/26 financial management report to Cabinet sets out a forecast overspend for the current year of £5.3m. Work to refine the forecast position for the year has continued over the summer with additional pressures being built into the forecast as well as savings targets not being on track to be achieved.

4.1.3 An overspend in the current year will impact not just on the current year, but also the base budget for 2026/27 if the required savings cannot be delivered in time for the beginning of the new year. We must also review the sustainability of any short-term or non-recurrent savings which have been made this year to help offset those that fall short from planned work. Whilst this is sound, in-year financial management, the base budget impact for future years also needs to be understood.

2026/27 funding for Local Government

4.1.4 As mentioned earlier the governments Autumn Budget is almost a month later than last year. As a result there remains a reliance on a number of assumptions around the changes to core spending power following the Fair Funding Review 2.0 and the resultant distribution of local government funding in following years.

4.1.5 In advance of the Chancellor's Autumn Budget in November, Dorset must carefully consider several key factors to ensure prudent financial planning. These include anticipating changes to core spending power, identifying which government grants will continue, assessing potential revisions to grant calculation methods, and understanding how funding may be redistributed across local authorities. Additionally, councils need to evaluate which new government priorities might attract funding and be mindful that headline announcements may mask whether funding streams represent genuine additional resources or merely replacements for existing grants.

4.1.6 Following the Autumn Budget further details of the funding for Dorset will be outlined in the *provisional* Local Government Finance Settlement (LGFS) expected in late December – last year this was published on 18 December 2024. With almost a month delay to the Autumn Budget this timing of the provisional LGFS could present a risk to the Councils ability to respond to changes ahead of the planned Scrutiny sessions in January 2026. Particularly if Dorset’s provisional settlement is significantly worse than expected.

Inflation

4.1.7 CPI Inflation is projected to fall from a peak of 4.0% in late 2025 to around 2.5–3.5% during 2026.

4.1.8 Based on the Office for National Statistics (ONS) fan chart, of projected inflation trends, it is considered reasonable to assume an average inflation rate of approximately 3.4% for the 2026/27 financial year. This assumption reflects current expectations and provides a prudent basis for financial planning.

4.2 Financial modelling assumptions and the initial budget gap

4.2.1 Under Section 25 of the Local Government Act 2003, the Chief Financial Officer (CFO) is required to report to Full Council when it considers the budget and sets Council Tax for the upcoming financial year. This report must address the robustness of the financial estimates and the adequacy of reserves included in the budget proposals, ensuring that Members have access to professional and authoritative advice to inform their decisions.

4.2.2 Members are required to take this report in account when making decisions in relation to the budget and the setting of council tax. The financial modelling assumptions outlined in this section form a critical basis for the CFO’s assessment of the reliability of the estimates and the sufficiency of reserves.

4.2.3 The process of rolling forward the financial model and rebasing it to reflect the new financial year, along with decisions approved by Cabinet since the previous budget was set, marks the starting point of the new financial planning cycle. The finance team continues to work closely with managers across the Council to progress this work.

4.2.4 In preparing the draft budget proposals for 2025/26, a range of assumptions were built into the MTFP model for 2026/27 and beyond. These assumptions will need to be reviewed and refined on an ongoing basis as new information becomes available, up to the point at which the budget is formally set.

4.2.5 The current assumptions for the forthcoming financial year are outlined in the table below. It is important to note that these remain under review and will continue to be updated ahead of the Full Council meeting in February 2026.

Variable	Latest Assumption 2026/27
Required council tax increase	<3%
Council tax base growth	1.24%
Required Social Care Precept	<2%
Business rates growth	-6.61%
Pay award	3.2%
General inflation	3.4%
Increase in fees & charges	3.4%

Local taxation

4.2.6 Our working assumption for council tax is that realising potential increases to Dorset's core spending power will be reliant upon making use of the full flexibilities with a referendum cap continuing to be set at 3% and the adult social care precept will be capped at 2%. At this stage the planning assumption is that the council will be required to levy the full amount as part of delivering a balanced budget.

4.2.7 For Band D Council tax payers this equates to an additional £2.02 per week on the Council element of the bill.

4.2.8 Whilst Council Tax collection rates continue to be holding up, care will be needed with council tax modelling for the budget. The latest collection data will be available as part of the Q2 finance management report at this Cabinet meeting.

4.2.9 In respect of Business Rates there remain concerns around income collection over the medium term as a result of the sustained economic instability, affecting in year collection rates and collection of arrears. The Autumn statement may well confirm further changes to business rates.

Pay pressure

Local Government Pay award

4.2.10 The pay and conditions of employment for local government services employees are determined by the National Joint Council (NJC), which comprises representatives from Trade Unions (58) and Employers (12).

4.2.11 The 2025/26 NJC pay award was agreed at 3.2% and for the 2026/27 financial year. The MTFP currently assumes the same again, a 3.2% increase in pay inflation, reflecting anticipated ongoing national pay trends.

National Living Wage

4.2.12 From 1 April 2026, the National Living Wage is forecast to increase by 4.1% to £12.71 per hour for workers aged 21 and over. The National Minimum Wage for 18–20-year-olds is expected to increase to between £10.55 and £10.75 per hour and for under-18s and apprentices is expected to rise to around £8.20-£8.40 per hour. The government its commitment to aligning pay more closely across age groups. This may be revised in future Government budgets.

National Insurance

4.2.13 From 6 April 2025, the rate of employer National Insurance contributions increased from 13.8% to 15%, and the Secondary Threshold, the point at which employers begin paying National Insurance, was reduced from £9,100 to £5,000 per year. These changes have significantly increased employer costs, particularly for lower-paid roles.

4.2.14 Looking ahead to 2026/27, while no further rate increases have been formally announced, the 15% rate and £5,000 threshold are expected to remain in place, unless revised in future Government budgets.

Pay inflation

4.2.15 All Council staff are paid at an hourly rate which is above the national living wage. Therefore, changes to the national living wage do not add further pressure onto the direct pay bill.

4.2.16 Where the council commissions services, for example within the care sector these employers may be impacted by the rises in national living wage or changes to national insurance and so seek support from the commissioner (the Council) with meeting the cost. Inflation requests are being managed consistently through a senior officer group.

4.3 Continuing and new budget pressures in the MTFP

4.3.1 As part of reviewing the MTFP gap for 2026/27 the senior leadership team (SLT) and their teams have been reviewing budgets for the current year and assessing the ongoing impact of rising costs and demand for services.

4.3.2 There are also significant new pressures in 2026/27 as well as continuing impacts of price increases.

4.3.3 The table below shows a full breakdown of the pressures, savings and movement in the base budget for each directorate based on these assumptions.

	Adjusted base budget 25/26	Draft base budget 26/27	Increase/(Decrease) in base after adjustments	%
People - Children's	£83,158,333	£94,700,235	£11,541,902	14%
Birth 2 Settled Adulthood	£9,220,600	£10,819,789	£1,599,189	17%
People - Adults & Housing	£166,146,302	£189,763,568	£23,617,266	14%
Public Health & Prevention	£3,999,028	£4,720,605	£721,577	18%
Place	£108,778,721	£116,029,319	£7,250,598	7%
Corporate Development	£50,404,198	£53,791,959	£3,387,761	7%
Service Budgets	**£421,707,182**	**£469,825,475**	**£48,118,293**	**11%**
Central Budgets	(£4,554,877)	(£857,709)	£3,697,168	
Total Budget	**£417,152,305**	**£468,967,766**	**£51,815,461**	**12%**
Council Tax, Business Rates and Central Grants Funding	(£417,152,305)	(£424,539,944)	(£7,387,639)	2%
			£44,427,822	**11%**

4.3.4 A summary of the key points from the table above:

i. Total spend pressure within service budgets £48m, 11%
ii. Central budgets pressures total £3.7m
iii. Total net funding uplifts expected totals £7m, 2%
iv. Remaining budget gap £44m, 11%

4.3.5 The following table includes only the new or changing assumptions and reconciles the increase from a net budget gap of £37.9m as reported in February 2025 to the latest gap as reported to Cabinet in November 2025.

Budget Gap - Feb 2025	£37,867,735
Change in inflation	£5,702,518
Supporting DSG	£2,550,000
Place	£1,553,235
Adults and Housing	£8,775,503
Corporate	£1,793,080
Children's	£1,561,198
B2SA Pressures	£1,300,000
Public Health and Protection	£611,984
Change in grant funding	-£55,696
Reduction in Central Finance	-£3,327,000
Increase in Business Rates	-£5,374,277
Increase in Council Tax	-£8,530,459
Current Budget Gap	**£44,427,821**

4.3.6 Cabinet continues to work collaboratively with the SLT and their respective service areas to identify actions that address financial pressures. A key focus remains on prioritising mitigation measures to support the Council in meeting its statutory duty to set a balanced budget for 2026/27.

4.3.7 More detail of the material pressures is contained in Appendix 1.

4.4 Draft budget principles

4.4.1 To ensure the Council sets a robust and balanced budget, it is essential to follow a clear and structured approach. These budget principles provide a framework to guide decision-making, helping all parties understand how they can contribute to balancing the budget. They also support the Council in making necessary, and sometimes difficult, choices to deliver the priorities and outcomes set out in the Dorset Council Plan within the constraints of available resources.

4.4.2 Dorset’s budget principles, outlined below, are proposed for Cabinet’s continued endorsement and will guide the remaining work on the budget strategy.

i. **No reliance on reserves** – The budget will not be balanced by drawing on reserves.

ii. **Priority-led resource allocation** – Funding decisions will be aligned with the Dorset Council Plan and its strategic priorities.

iii. Protect **and improve services** – Services will be safeguarded where possible but must demonstrate value for money and improved efficiency.

iv. **Maximise unitary council benefits** – We will continue to seek savings and efficiencies from our status as a unitary authority.

v. **Adopt a commercial mindset** – The Council will pursue opportunities to operate more commercially where appropriate.

vi. **Evidence-based decisions** – Business cases will underpin key decisions, and we will consider ‘invest to save’ opportunities.

vii. **Realistic and accountable budgeting** – Budgets must be achievable and aligned with the Council’s objectives, with clear accountability for delivery and sound financial management.

viii. **Transformation in progress** – We are implementing both short-term and long-term transformational savings plans as part of our ongoing strategy to deliver sustainable financial improvements.

ix. **Work within the financial strategy** – All resource allocation must align with the overarching financial strategy approved by Cabinet.

x. **Target new Government funding** – Where possible, new Government funding will be directed towards existing spending pressures and priorities

4.4.3 Based on the current options identified, the Council would need to identify £44 million of savings to prevent drawing from reserves to balance the 2026/27 budget.

4.4.4 The Chief Financial Officer’s (CFO) Section 25 statement will need to assess the robustness of the proposed budget and the adequacy of reserves in this context.

4.5 Timetable

4.5.1 The major milestones in the remaining budget and MTFP timetable are set out in the table, below.

11 November	Cabinet (Q2 and MTFP)
21 January	People and Health Scrutiny Committee
22 January	Place and Resources Scrutiny Committee
3 February	Budget presented to Cabinet
10 February	Budget recommended to full Council

4.6 Risk

4.6.1 There is significant risk in our planning assumptions at this stage. Officers' initial work has identified a £44m budget gap in 2026/27. The remaining budget gap equates to £117.05 per head of Dorset population (based on 379,578 population figure)

4.6.2 Adult Social Care reforms, SEND Transport costs, inflation and pay awards continue be the main focus but these are not our only risks.

Dedicated Schools Grant (DSG)

4.6.3 Another key area to address is the Dedicated Schools Grant (DSG). Across the country local authorities are facing significant deficits within the DSG which are mainly due to pressures within the High Needs Block. A technical accounting override has been adopted, and has been extended until 2028. There is a significant risk that without the statutory override being in place, that the deficit could impact on the general fund. As at quarter 2, Dorset Council is currently forecasting an in-year deficit of £54.3m for 2025/26 with a cumulative deficit of £148m by 31st March 2026.

4.6.4 National SEND reforms have been delayed from Autumn 2025 until the new year. This delay will not help address the financial and demand pressures the SEND system is currently experiencing.

4.7 Capital programme

4.7.1 The capital programme for 2025/26 was approved by Full Council in February 2025 and is updated quarterly. As noted in the quarter 2 report, the total programme now runs to some £491.427m of gross expenditure.

4.7.2 Officer subgroups are also developing capital programme proposals for 2026/27 and beyond. Given the interest and MRP implications each project is considered as part of a bidding process. Cabinet will be presented with a proposed capital plan prior to full Council consideration in February 2026.

4.8 Reserves

4.8.1 Reserves are being used to support the activities of the Council and based on the revenue forecast as at the end of 2025/26 there will be a requirement for the following use of £32m reserves:

i. £5.3m overspend from the general fund and earmarked reserves, £3.3m of which is required to cover Our Future Council shortfalls
ii. £12m for Transformation investment
iii. £5.1m contribution to the Dedicated Schools Grant.

4.8.2 This forecast use of reserves could see the Council's earmarked reserves during this financial year reducing the balance from £114m to £82m. Much of this is planned use of earmarked reserves for the purpose they were initially earmarked for. E.g. a grant carried forwards, or for a specific project.

4.8.3 The General Fund Balance at the end of 2024/25 was £31.6m and is forecast to increase to £36.4m which equates to 8.7% of General Fund. The minimum operating level for the council to hold in its general fund would be 5%.

4.8.4 Therefore the total available reserves is forecast to be in the region of £118m by 31 March 2026.

Reserve	Opening balance (£m)	Forecast closing balance (£m)	Moveme nt (£m)
Earmarked Reserves	114.0	82.0	(32.0)
General Fund Reserve	31.6	36.4	4.8
Total	**145.6**	**118.4**	**(27.2)**

4.8.5 Further concern comes from the rising cumulative DSG deficit which based on the Q2 report is an unmitigated £148m before safety valve partner contributions. Without a national solution to this, the cumulative deficit is on track to exceed all available reserves and so poses a significant risk to the financial viability of the Council.

4.8.6 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. This will rise to around £7.4m if the deficit is £148m.

4.8.7 As mentioned earlier if the statutory override ceases and the Council has to recognise the cumulative DSG deficit and the s151 officer will have to assess the risk to the financial viability of the Council. It is of little comfort that many upper tier councils across the Country are in the same position

4.9 Lobbying

4.9.1 The council continues to highlight the case for additional investment in Local Government through Dorset's MPs, with peers and through networks like the Society of County Treasurers (SCT), the County Councils' Network (CCN) and with the Local Government Association (LGA).

4.9.2 Campaigning alone will not deliver enough resources to meet all our challenges and we must focus on reducing costs and growing income at the same time.

4.10 Further work to close the gap

4.10.1 As there is every year there remains much work to be done, and the actions are:

a) continue to validate, test, challenge and update the budget assumptions;
b) Ensure that robust cost controls are maintained through the remainder of 2025/26 to minimise the spend pressures being brought into 2026/27.
c) continue to identify and implement savings whilst protecting front line services, taking advantage of the financial efficiencies that becoming a unitary council has presented;
d) continue to engage with consultation processes around funding formulas for the future and particularly the local government financial settlement for 2026/27;

4.10.2 It will be a through a combination of these measures that the Council will meet its legal requirement to set a balanced budget for 2026/27.

4.11 Summary and conclusions

4.11.1 While Dorset Council is not alone in facing substantial financial pressures, it is essential that we identify local solutions alongside continuing to make a strong case for further national investment to support the Council's ability to meet its statutory responsibilities and deliver vital services.

4.11.2 Many of the pressures, risks and the national context is familiar to the rest of the sector. Dorset remains committed to developing solutions to close the budget gap, building on the creativity, energy and discipline of our workforce to deliver a balanced budget and remain in the best position to deliver vital local services.

5. Alternative options considered

5.1 The Council is legally required to set a balanced budget. Options will be considered ahead of presenting a budget to Council in February 2026.

6. Legal considerations

6.1 The Council is legally required to set a balanced budget, and has a number of statutory responsibilities which affect the extent to which service delivery can be varied.

7. Financial implications

Covered within the report.

8. Natural environment, climate and ecology implications

8.1 The Council's budget continues to fund action set out in the climate and ecological emergency action plan, including commitments as part of the capital plan over the term of the MTFP.

9. Well-being and health implications

9.1 The Council budget contains a significant proportion of spend to improve well-being and health for the population through Children's, Adults & Housing and Public Health & Prevention budgets in particular.

10. Other implications

None that are not covered in this report.

11. Risk implications

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

Current Risk: **High**
Residual Risk: **High**

11.2 The council is required to set a balanced annual budget. Dorset Council is anticipating:

1. fully using its budgeted contingency in the current year (2025/26),
2. requiring use of reserves to meet the forecast overspend
3. requiring use of reserves to meet the costs of transformation set out in the October 2025 Cabinet Transformation Report.

a. The Quarter 2 report, which will be presented to Cabinet on 11 November 2025 alongside this paper, provides further detail on the financial matters affecting the 2025/26 budget. Where service overspends cannot be mitigated, this will have a consequential impact on the financial position for 2026/27 and future years.
b. Any use of reserves puts further pressure on the revenue budget as the increased reliance on external borrowing increases the amount of interest paid by the Council.
c. Looking ahead, further pressure on the Council's reserves comes from the cumulative deficit on the Dedicated Schools Grant (DSG), which is expected to exceed the total reserves held by the council by March 2026. The override has been extended until 2028 however on 22 October 2025 the Government announced delays to the SEND reform which were expected in the Autumn of 2025 and now are said to be coming forward "early in the new year". Without a change to funding or policy this would mean that many councils in England, including Dorset, would likely be facing a section 114 notice when the statutory override ends in March 2028.
d. Taking into account both the local and national operating context, the S151 Officer, the Council's Chief Finance Officer, has assessed the current financial risk level as high. Readers of this report should therefore anticipate that achieving a balanced budget will likely require a reprioritisation of service delivery to maintain long-term financial sustainability.

12. Equalities

12.1 The Council's budget serves as a strategic framework to support the delivery of its priorities. Achieving a balanced budget relies on a number of key assumptions and the successful implementation of transformational change programmes. While the overall budget framework has not been subject to a standalone equality impact assessment, individual programmes and changes that underpin budget delivery will each be assessed for their potential impacts.

13. Appendices

Appendix 01 – Directorate Pressures

14. Background papers

Budget strategy report 2025/26

Period 4 financial management report to Cabinet 2025/26

October 2025 Cabinet - Transformation Report

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 01 - Directorate pressures

1.1 The following paragraphs outline the material pressures over £1m within each directorate and the status of mitigating action.

1.2 Figures contained are the current working totals and subject to further scrutiny and mitigation as officers progress through the budget setting process therefore inclusion in this report at this stage does not mean that the pressure or value is confirmed as part of the budget gap.

Adults and Housing

1.3 The overall growth modelled for Adults and Housing is an increase of £23.617m, an increase of 14%.

1.4 General (non-pay) inflation is calculated based on an uplift of 3.4% which equates to £7.931m for Adults and Housing. This covers contract and care package inflationary increases.

1.5 Growth in adult care packages for 2025/26 is calculated at £12.629m. The modelling reflects the increase in the number of people supported since October 2024/25 (when the 2025/26 budget was set), projected growth for the remainder of the financial year, and forecasted growth for 2026/27 based on trends over the past two years. Key areas of growth include Homecare, Extra Care, Supported Living and care homes.

1.6 Additional pressures built into the budget include increased demand within the Mental Capacity Act and Safeguarding teams. Given sustained growth in demand over recent years, investment in these areas is considered both timely and necessary. A saving was previously identified for 2025/26 through a reduction in the prevention contract, which was temporarily funded in-year. Following a review, it was concluded that this reduction would negatively impact service delivery and is therefore not being pursued. The Directorate has also carried forward staffing savings over several years that have not been achieved, placing ongoing pressure on service delivery and financial sustainability.

1.7 The Council continues to use external advisors, LG Futures, to support forecasting of government funding allocations across various grant streams. At this stage, it is assumed that all existing grant funding for Adults will continue.

Children's Services

1.8 The overall growth modelled for Children's Services is an increase of £11.5 million, to £94.7 million, representing a 14% uplift.

1.9 Budget increases centre on two main themes for 2026/27:

- Council-wide pressures that affect all council services, including pay inflation, general inflation, increments, and nationally agreed pay awards.
- Targeted investment in Children's Services to address specific service demands and priorities.

1.10 Specific budget increases are focused on areas that support the council's commitment to improving outcomes for children and young people, particularly ensuring the best start in life for all.

1.11 The primary driver for the proposed budget growth in 2026/27 is the Children in Care population. Although recent data shows a decline in the number of children in care, the increased budget reflects increased numbers observed between January and August 2025 and the cost of placements. There has been a 22% increase (£1.2k per week) for external residential placements since June 2024. The budget uplift ensures the service can respond to fluctuations and maintain high standards of care.

1.12 Children's Services are actively working to reshape the children in care population and budget requirement by influencing:

- The number of children in care, aiming to reduce reliance on statutory care through early intervention and family support.
- The mix of care placements, with a shift towards more stable, cost-effective, and locally provided options, for example foster families.
- The cost of placements, by investing in council-run provision and reducing dependency on high-cost external providers.

1.13 Key initiatives include:

- Increasing the number of Dorset Council-run children's homes, enhancing placement sufficiency and improving outcomes.
- Reviewing and updating fostering fees, to support recruitment and retention of foster carers and ensure competitive, sustainable arrangements.
- Further work with iMPOWER to refine the placement mix, for example reduce reliance on external residential care.
- Maintaining the prevention approach, through continued investment in Locality and Pathfinder models, which focus on early help, multi-agency collaboration, and reducing escalation into statutory services.

1.14 This is a fluid position, as the Children in Care cohort continues to change, inflationary pressures evolve, and new ideas and approaches are explored and developed.

1.15 In addition to the pressures outlined above, there are other areas within Children's Services requiring additional funding, including:

- Special Educational Needs (SEN) legal costs, tribunals and complaints,
- The final year of the High Needs Block recharge. This is a recharge from the High Needs Block to Children's Services, based on costs from 2013, that have gradually ceased and 2026/27 there is no recharge at all.
- Permanently achieving transformation savings to ensure long-term sustainability and improved service delivery.

1.16 Finally, until the provisional settlement is announced in December, uncertainty remains with Children's Services grants and the formulas used to allocate each Local Authorities allocation. Dorset could be disadvantaged if there is a formula change.

Place Directorate

1.17 Pay inflation is included at £2.692m. This assumes a 3.2% increase plus allowance for increments.

1.18 General (non-pay) inflation is included at £2.878m. This is calculated on a 3.4% uplift and 7% for energy costs.

1.19 Growth in Dorset Travel is included at £2.4m. Cabinet will be aware of significant uplifts in expenditure that this sector has seen nationally in recent years. At the time of writing, contract prices for the new academic year have not been analysed in full, and therefore this figure cannot be considered as robust.

Corporate Development

1.20 The overall budget proposed for Adults and Housing is an increase of £3.387m, an increase of 7%.

1.21 Of this increase the most significant is related to pay inflation and increments of £2.050m.

Central Finance

1.22 Within Central Finance the costs associated with the Minimum Revenue Provision (MRP) have been reduced by £4.4m following the policy revision at the end of 2024/25.

1.23 The interest payable related to the capital programme has been increased by £5.1m to reflect the expected borrowing costs. This is needed to fund the existing capital programme as well as an estimate of new capital projects in 2026/27 to 2030/31.

1.24 £2.5m has been included in the Contingency budget to reinstate funding following the pay award increase for 2025/26.