Cabinet

11 November 2025

September 2025 (Period 6) financial management report 2025/26

For Recommendation to Cabinet

Cabinet Member:
Cllr S Clifford, Finance & Capital Strategy

Local Councillor(s): All

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

Report Author and job title: Sean Cremer, Corporate Director, S151 Officer
Email: sean.cremer@dorsetcouncil.gov.uk

Statutory Authority: Section 151 of the Local Government Act 1972

Report Status: Public

1. Executive Summary:

1.1 This Period 6 (P6) financial management report provides a comprehensive overview of Dorset Council's financial position as of 30 September 2025, highlighting key challenges, risks, and actions for the 2025/26 fiscal year.

Financial Position and Key Pressures

1.2 Forecast Outturn: The Council is projecting a £5.3 million overspend (1.3% of the £417.2 million budget), mainly due to rising costs in adults' and children's social care (£7.8m) and delayed savings from the Our Future Council (OFC) transformation programme (£3.3m). These pressures are partially offset by £3.5m in contingency releases.

1.3 National Context: The Council operates in a challenging environment of rising demand, inflation, and systemic underfunding. The Dedicated Schools Grant (DSG) deficit is forecast to reach £148 million, posing significant cashflow risks despite a statutory override extension to March 2028. The Safety Valve agreement with the Department for Education is under review, with contributions withheld pending a revised agreement.

Directorate Performance

1.4 Children's Services: Facing a £4.9m overspend, primarily from external placements and increasing complexity of care needs.

1.5 Birth to Settled Adulthood (B2SA): Reporting a £1.679m overspend due to increased demand and costs.

1.6 Adults & Housing: Forecasting a £1.063m overspend, mainly from increased demand in adult care packages.

1.7 Public Health & Prevention: £0.452m overspend, with several savings at risk due to staffing and income shortfalls.

1.8 Place Directorate: Projecting a £1.671m underspend, mainly through vacancy management, though risks remain due to market volatility and other external factors.

1.9 Corporate Development and Legal & Democratic Services: Minor variances, with ICT costs and restructuring delays contributing to pressures.

Transformation and Savings

1.10 The OFC programme is forecast to deliver £6.7m 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.

Capital Programme and Debt

1.11 The capital programme totals £142.9m for 2025/26, with 31% committed by September. Slippage and re-profiling are being actively managed. Outstanding sundry debt stands at £39.6m, of which £26.5m is deemed currently collectable.

Risks and Outlook

1.12 The Council's financial risk is assessed as high, reflecting both local and national pressures. The budget gap for 2026/27 is expected to widen, requiring a reprioritisation of service delivery to ensure ongoing financial sustainability.

1.13 The Council's reserves are forecast to reduce from £114m to £82m by year-end, with the general fund balance remaining above the minimum operating level.

1.14 The growing DSG deficit remains a significant risk to financial viability.

Conclusion

1.15 Dorset Council faces significant financial pressures requiring decisive action. Strengthened controls and reprofiled transformation efforts are being implemented to mitigate risks and inform the 2026/27 budget strategy, ensuring the Council remains on a path toward financial sustainability

2. 2. Recommendation(s):

Cabinet is asked to:

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

2.2 Note the capital programme for 2025/26;

2.3 Note the number and extent of contract exemptions.

2.4 Delegate approval to the Executive Director for Childrens Services in consultation with the Cabinet Member for Childrens to award phase 2 of the valuing care programme with IMPOWER which increases total spend to £0.94m. (Appendix D)

3. 3. Reason for Recommendation(s):

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 September 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.

4. The report

4.1 Overall projection

4.1.1 At the end of September, the Council is forecasting an overspend of £5.3m, which represents 1.3% of the Council's budget requirement (£417.2m).

4.1.2 Whilst there is an improving forecast of £2.4m, this forecast remains of concern as it identifies unbudgeted service pressures of £7.8m, and a forecast shortfall in Our Future Council of £3.3m. These are partially mitigated by release of contingency funding of £3.5m.

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

4.1.4 Later this report also outlines a number of forecast uses of reserves. In the event that the £5.280m 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.

4.1.5 The directorate variances are summarised in the table below.

Directorate	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Movement from July (P4) £'000
People - Children's	83,290	88,195	(4,905)	(5.9%)	(889)
Birth 2 Settled Adulthood	9,046	10,725	(1,679)	(18.6%)	(311)
People - Adults & Housing	166,960	168,022	(1,063)	(0.6%)	(210)
Public Health & Prevention	4,478	4,931	(452)	(10.1%)	(8)
Place	110,419	108,749	1,671	1.5%	1,236
Corporate Development	41,649	40,949	699	1.7%	878
Legal & Democratic Services	8,640	8,588	52	0.6%	17
Total Service Budgets	**424,482**	**430,158**	**(5,677)**	**(1.3%)**	**715**
General Funding - including Our Future Council	(41,225)	(38,294)	(2,931)	(7.1%)	1,710
Capital Financing	22,658	22,658	0	0.0%	0
Contingency	1,425	(2,075)	3,500	245.6%	0
Precepts/Levy	21,560	21,591	(31)	(0.1%)	(0)
Central Finance	(438,671)	(438,529)	(142)	(0.0%)	(0)
Retirement costs	1,702	1,702	0	0.0%	0
Whole Authority	**(8,069)**	**(2,789)**	**(5,280)**	**(65.4%)**	**2,425**
Dedicated Schools Grant budgets	8,069	62,348	(54,279)		(1,745)

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

4.2 Children's Services

The Children's Services forecast is £88.195m compared with a net budget of £83.290m an overspend of £4.905m (5.9%).

People Services - Children's	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Movement from July (P4) £'000
Quality Assurance	4,091	4,091	0	0.0%	0
Care & Protection	58,997	64,102	(5,105)	(8.7%)	(935)
Commissioning and Partnerships	6,536	6,536	0	0.0%	0
Director's Services	(1,385)	(1,585)	200	14.4%	100
Education and Learning	15,254	15,254	(0)	(0.0%)	(53)
DSG Recharges	(204)	(204)	0	0.0%	0
Total Directorate Budget	**83,290**	**88,195**	**(4,905)**	**(5.9%)**	**(889)**
Dedicated Schools Grant budgets	8,069	62,348	(54,279)		(1,745)

Care & Protection

4.2.1 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.

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

Children in care

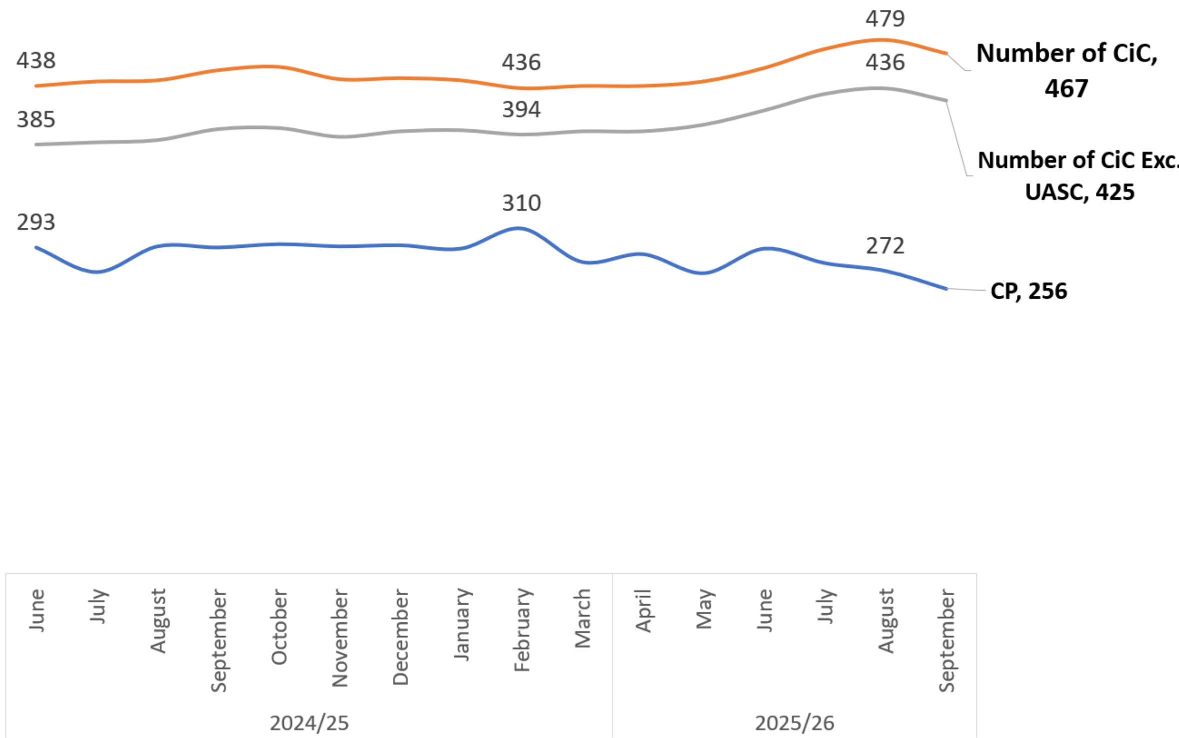
4.2.3 As mirrored nationally, pressure on external placements for our children in care population continues. Increasing numbers of Children in Care not only impact placement budgets, but non-placement budgets are also affected including assessment costs, legal, interpreter fees and travel costs.

4.2.4 The Children in Care placements budget is currently forecast to overspend by £5.712m, this includes fostering and Dorset Council residential provision.

4.2.5 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.

4.2.6 Dorset's Children in Care has reduced compared to September 2020 (486), despite monthly increases for most of 2025, peaking at 479 in August. Positively, the number of Children in Care reduced in September to 473. This includes our unaccompanied asylum-seeking children.

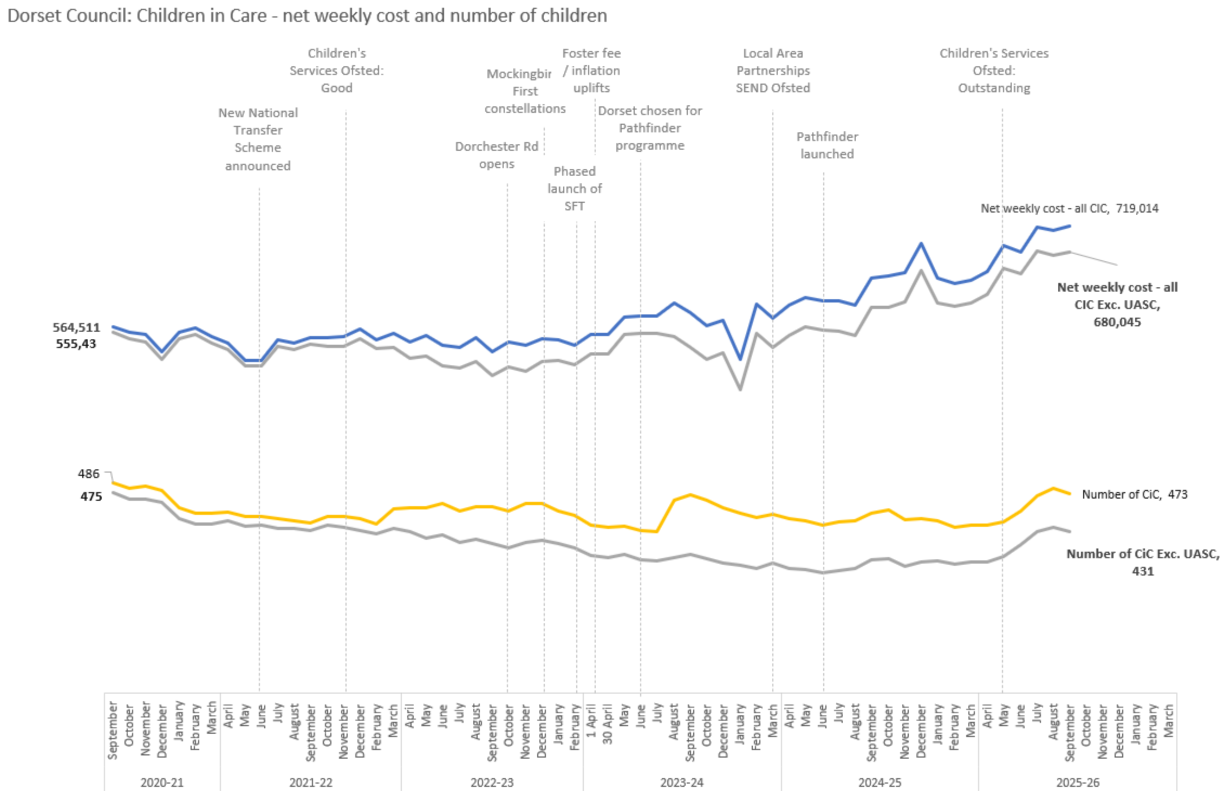
4.2.7 The reduction in our number of children in care (CiC) mirrors the reduction of child protection (CP) plans:



4.2.8 Generally, most children who enter care have been those with a Child Protection plan (CP on the graph above). If this number reduces, therefore the future number of children in care should also reduce.

4.2.9 Dorset Council fostering placements have increased to the 2020 levels (212) although there has been an increase of 9 external residential placements since June 2024, taking this cohort to 52.

4.2.10 Weekly average costs for external residential placements have risen from an average of £5.3k in June 2024 to the current average of £6.6k, an increase of 22%. This is an extra £63k per annum per placement



4.2.11 If the number of children in care (exc. our unaccompanied children) had remained at 475, at September 2025 averages, it is estimated an additional £3.6m of annual cost would be incurred.

4.2.12 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

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

Families First for Children Pathfinder

4.2.14 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.

4.2.15 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

4.2.16 This is the forecast outturn position at the end of September. 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.

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

4.3 Birth to Settled Adulthood

4.3.1 The Birth to Settled Adulthood forecast is £10.725m compared with a net budget of £9.046m an overspend of £1.679m (18.56%).

4.3.2 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		Movement from July (P4) £'000
Team	2,766	2,667	99	3.6%	99
Children's	4,272	4,932	(660)	(15.4%)	709
Adults	2,636	3,126	(489)	(18.6%)	(489)
B2SA Transformation	(629)	0	(629)	(100.0%)	(629)
Total Directorate Budget	**9,046**	**10,725**	**(1,679)**	**(18.6%)**	**(311)**

4.3.3 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.

4.3.4 The Birth to Settled Adulthood (B2SA) service has a savings target of £1 million. To date £0.371m has achieved, leaving a remaining gap of £0.629m. A recovery plan has been developed to address this; however, rising demand and increased market costs since the target was set in 2022 present significant risks to its delivery.

4.3.5 There are 409 children who are receiving (or have received) one or more services during 2025/26.

4.3.6 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 52 individuals an increase of 14 since Q1, with supported living representing the most significant area of expenditure. At this stage, there is a forecast overspend of £0.489m reflecting increased demand within this age cohort.

4.3.7 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.

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

4.4 Adults Services & Housing

4.4.1 The Adults Services & Housing Directorate is currently forecasting a net expenditure of £168.022m against a budget of £166.960m, resulting in a projected overspend of £1.063m (0.64%). The position has worsened by £0.210m since P4.

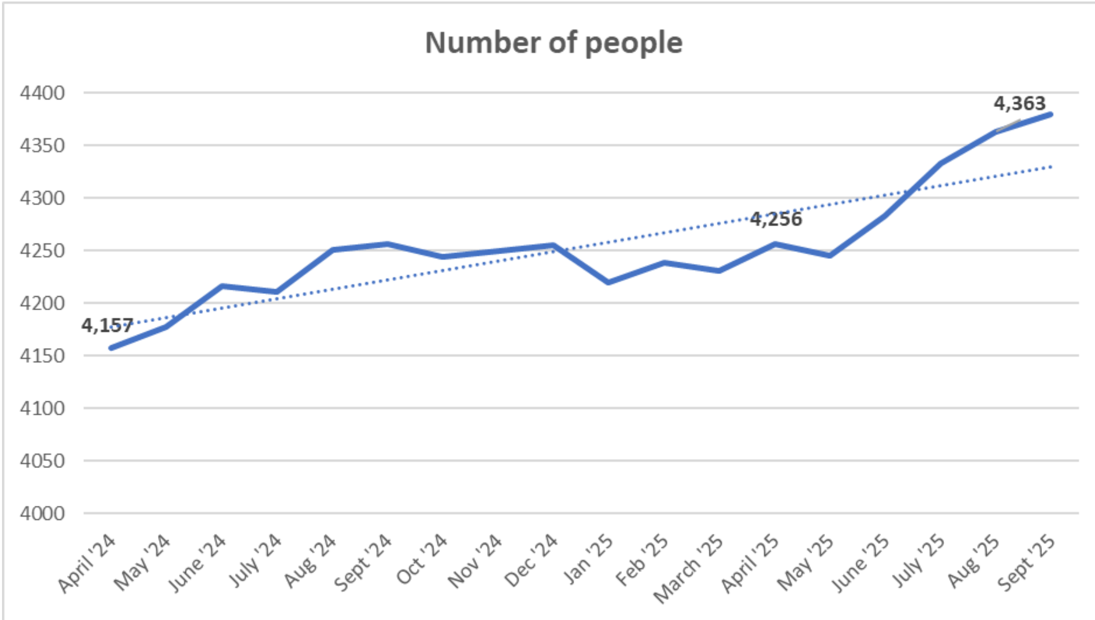
4.4.2 The movement of £0.210m since P4 is predominantly due to £0.300m of savings targets that have now been identified as unachievable within the current financial year. The team is actively working through potential mitigations to offset this pressure.

People Services - Adults	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Movement from July (P4) £'000
Adult Care Packages	128,245	129,156	(911)	(0.7%)	(272)
Adult Care	20,724	20,737	(13)	(0.1%)	(13)
Commissioning & Improvements	7,672	7,870	(198)	(2.6%)	22
Directorate Wide	2,237	2,237	0	0.0%	(7)
Housing & Community Safety	8,082	8,022	59	0.7%	59
Total Directorate Budget	**166,960**	**168,022**	**(1,063)**	**(0.6%)**	**(210)**

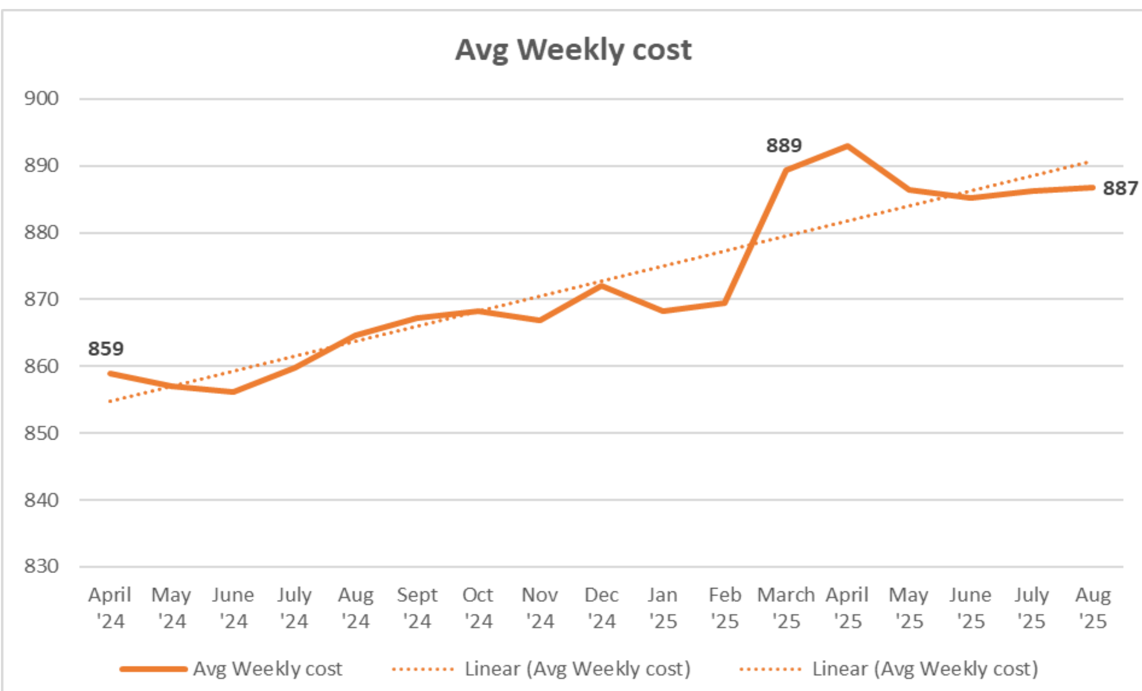
Adult care packages

4.4.3 The primary contributor to this overspend is adult care packages, which are forecast to exceed budget by £0.911m. This estimate reflects the current cohort of individuals receiving support. As a needs-led service, predicting future demand remains complex and uncertain.

4.4.4 Between April and September 2025, the number of individuals supported increased from 4,256 to 4,379, representing a net growth of 123 people, including an additional 46 people since P4. This rise in demand is a key contributor to the current budget pressure.



4.4.5 During the same period, the average weekly cost of care packages decreased slightly from £889 in April to £887 in September. 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.



4.4.6 Since reporting in Period 4, the forecast for Section 117 (S117) aftercare – support provided to individuals detained under specific sections of the Mental Health Act – has reduced. However, it continues to contribute to the overall forecast overspend pressure.

4.4.7 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.

4.4.8 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. This approach is reflected in the establishment of the new Prevention and Early Intervention Team, which aims to proactively support individuals before their needs escalate, thereby reducing reliance on more intensive services.

Housing

4.4.9 Housing is currently forecasting an underspend of £0.059m (0.74%).

4.4.10 Homelessness approaches numbers remain consistently lower than the same period last year, which is a positive trend. However, we recognise that the upcoming winter season may place additional pressure on household budgets due to rising fuel and food costs.

4.4.11 The numbers of individuals in temporary accommodation have increased slightly since P4, rising from 183 to 201. Despite this, year on year comparisons show a reduction in the number of acceptances, which is contributing to significant savings and improved performance.

4.4.12 The number of households in B&B accommodation continues to decline, which is a positive trend. In particular, 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. The team continues to work proactively to support move-on arrangements and ensure the best use of available stock for single individuals currently placed in B&B.

4.4.13 Family placements in B&Bs have increased slightly since P4, rising from 7 to 15. Despite this, year on year comparisons show a reduction in the number of families placed in B&B accommodation. The area continues to be closely monitored, and families are being supported with moves into alternative temporary accommodation.

4.5 Public Health and Prevention

4.5.1 Public Health and Prevention is currently forecasting a net expenditure of £4.901m against a budget of £4.49m, resulting in a projected overspend of £0.452m (10.16%).

People Services - Public Health and Prevention	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000			Movement from July (P4) £'000
Community and Public Protection	3,916	4,368	(452)	(11.5%)		(8)
PH Joint Partnership	0	0	0	0.0%		0
People - Children's	0	0	0	0.0%		0
Public Health	562	562	0	0.0%		0
Total Directorate Budget	**4,478**	**4,931**	**(452)**	**(10.1%)**		**(8)**

4.5.2 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.

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

4.5.4 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.

4.6 Place directorate

4.6.1 The overall forecast for Place Directorate for September 2025 is a projected favourable position (an underspend) of £1.671m (1.5%), with a projection of £108.7m net spend against a net budget of £110.4m.

Place	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000			Movement from July (P4) £'000
Highways	5,805	5,421	384	6.6%		(47)
Dorset Travel	42,975	42,912	63	0.1%		(0)
Flood & Coastal Erosion Risk Management (FCERM)	1,085	1,087	(2)	(0.2%)		9
Greenspace	3,370	3,410	(40)	(1.2%)		(0)
Health & Activity	152	123	29	19.1%		29
Commercial Waste & Strategy	17,424	17,154	270	1.6%		170
Waste - Operations	17,936	17,624	312	1.7%		312
Fleet	197	138	59	30.0%		59
Weymouth 2040 Ancilliaries	410	434	(24)	(5.9%)		(24)
LUF	0	0	0	0.0%		0
Economic Development	1,486	1,774	(288)	(19.4%)		(231)

Harbours	16	22	(6)	(38.5%)	41
Leisure, Arts & Cultural Services	3,330	3,257	72	2.2%	(51)
Directors Office	1,899	1,181	718	37.8%	718
Assets & Property	8,234	8,234	0	0.0%	(0)
Planning	6,100	5,978	122	2.0%	251
Total Directorate Budget	**110,419**	**108,749**	**1,671**	**1.5%**	**1,236**

4.6.2 The Place Directorate budget includes a built-in saving target in relation to vacancy factor and other post related savings of over £1.4m. Control over this target has been carefully managed, and at this stage there is circa £0.163m of saving not yet achieved.

4.6.3 Other caveats for this report are:

4.6.4 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.

4.6.5 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).

4.6.6 Commentary on the specific Place Directorate services is as follows. Minor budgets and/or minor variances are excluded, for the sake of brevity.

Highways

4.6.7 The Highways budget is forecast to be underspent by £384k. This is made up as follows:

4.6.8 Parking Services are £150k favourable against the budget, based on income to date. The forecast assumes that income for the remainder of the year will come in on profile, but the reality is that parking income can be unpredictable due to factors affecting demand such as the weather and local events.

4.6.9 The Infrastructure services have a projected underspend of circa £500k, of which £425k is an assumption around the cost of utilities (energy) in street lighting. The remainder of the underspend is primarily vacancy related.

4.6.10 Network Operations has a projected overspend of £274k: the majority of this in relation to the Sign Shop is projecting an adverse trading position (exacerbated by vacancies), plus £55k of unbudgeted costs with WSP in relation to the term service contract, and various unresolved savings / income aspirations.

Dorset Travel

4.6.11 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.

4.6.12 Contract renewals at the start of the new academic year are currently being analysed and are key to understanding the likely levels of spend for the remainder of the year.

Commercial Waste and Strategy

4.6.13 An underspend of £270k 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 and supported by positive results from the trade waste and garden waste services. This budget line is volatile and needs to be kept under constant review.

Waste Operations and Fleet

4.6.14 There are projected favourable variances of £312k in Waste Operations and £59k in Fleet. These variances are around staffing/agency, vehicle fuel and vehicle maintenance costs.

Economic Development

4.6.15 The Economic Development service is forecasting a £288k adverse variance. The expected overspend is a combination of vacancy factor, in-built savings, and staffing budget pressure.

Leisure, Arts and Cultural

4.6.16 The projection of £72k underspend is the net effect of unbudgeted Leisure review costs and vacancy factor, offset by predicted utility costs and some staff vacancies.

Directors Office

4.6.17 During March and April 2025, the Place leadership team undertook an exercise to manage and reduce post numbers across the Directorate. This resulted in a saving of £864k, which is shown here, and offset by other minor overspends. (Total forecast on Directors Office £718k underspend).

Assets and Property

4.6.18 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.

4.6.19 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.

4.6.20 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

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

Planning

4.6.22 Overall, an £122k favourable variance is projected, largely due to income and 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.

4.7 Corporate Development

4.7.1 The Corporate Development forecast is £40.949m compare with a net budget of £41.649m, showing a underspend of £0.7m (1.7%).

Corporate Development	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Movement from July (P4) £'000
Financial & Commercial	10,331	10,304	27	0.3%	73
Human Resources	1,953	1,692	261	13.4%	261
ICT Operations	8,974	8,834	140	1.6%	222
Chief Executive's Office	1,157	1,165	(8)	(0.7%)	(8)
Directors Office	235	235	0	0.0%	0
Strategy, Performance and Sustainability	13,498	13,185	313	2.3%	313
Digital Change	2,349	2,333	17	0.7%	17
Transformation	3,151	3,201	(50)	(1.6%)	0
Total Directorate Budget	**41,649**	**40,949**	**699**	**1.7%**	**878**

4.7.2 **Finance & Commercial** is experiencing a minor underspend with service pressures currently offset by underspends.

4.7.3 **Human Resources** is forecasting an underspend of £261k, primarily due to pay-related savings. These savings have resulted from a combination of factors, including staff vacancies, appointments made at lower scale points than budgeted, adjustments to contracted hours, uptake of the holiday purchase scheme, and maternity leave without backfill.

4.7.4 **ICT Operations** is currently reporting an underspend of £140k, reflecting a positive movement of £222k since Quarter 1. This improvement is the result of a combination of factors, including staffing efficiencies, infrastructure savings, and increased income.

4.7.5 A £68k pay underspend was achieved through vacant posts contributing to service savings, partially offset by costs associated with roles that were expected to be removed but remain filled, alongside other staffing pressures. Additional savings from vacant cyber posts have been used for corporate purposes and are not included in this figure.

4.7.6 Infrastructure costs have reduced by £136k, driven by savings across several service contracts, although this was partially offset by increased costs for Cloudflare and Microsoft licensing.

4.7.7 **Strategy, Performance & Sustainability** The overall budget position across the services shows a positive forecast, with notable underspends in Customer Services £212k, Organisational Development £59k and Libraries £42k. These are largely attributed to pay savings and additional income.

4.7.8 **Transformation, Customer and Cultural Services** are currently reporting an overspend of £50k.

Legal & Democratic Services

4.7.9 The Legal & Democratic forecast is £8.588m compared with a net budget of £8.640m, an underspend of £52k (0.6%). There are no material variances within services.

Legal & Democratic	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Movement from July (P4) £'000
Assurance	1,752	1,749	3	0.2%	8
Democratic & Elections Services	3,167	3,167	0	0.0%	0
Land Charges	(312)	(340)	28	9.0%	0
Legal Services	3,053	3,032	21	0.7%	9
Archives	981	981	0	0.0%	0
Total Directorate Budget	**8,640**	**8,588**	**52**	**0.6%**	**17**

Central Finance and Contingency

4.7.10 The forecast for central finance budgets is £432,947m compared with a net income budget of £432,551m, is a forecast underspend of £0.4m (0.1%).

Central Finance	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Movement from July (P4) £'000
Our Future Council programme	(10,000)	(6,710)	(3,290)	(32.9%)	1,710
General Funding	(31,225)	(31,584)	359	1.1%	0
Capital Financing	22,658	22,658	0	0.0%	0
Contingency	1,425	(2,075)	3,500	245.6%	0
Precepts/Levy	21,560	21,591	(31)	(0.1%)	(0)
Central Finance	(436,970)	(436,827)	(142)	(0.0%)	(0)
Total Central Budgets	**(432,551)**	**(432,947)**	**396**	**0.1%**	**1,710**

4.7.11 **Our Future Council (OFC) programme** – see later section on OFC.

4.7.12 **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.

4.7.13 The change in the calculation also results in a reduced budget requirement, with an anticipated underspend of circa £6m. However, this has not yet been reflected in the forecast, as is expected that the underspend will be transferred to reserves, and then released to support the funding of Our Future Council.

4.7.14 **Contingency** - The Council's base budget included a contingency of £13m. 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. A further £2.5m has been released following confirmation of the Nationally agreed pay award at 3.2%.

4.7.15 **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.

4.8 Transformation and savings plans

4.8.1 **Our Future Council – Whole Council Transformation** 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.

4.8.2 The approved business case for OFC included a savings requirement of £10.0m for 2025/26.

Progress to Date – September 2025

4.8.3 The programme is currently forecasting delivery of £6.7m in savings for 2025/26. This reflects progress with the implementation of new operating models, a voluntary redundancy programme, third party spend review and initial service redesign efficiencies.

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

4.8.5 As of September 2025, the programme is forecasting delivery of £6.7m with further details presented to Cabinet in October 2025 Transformation Report.

4.9 Savings - Adults & Housing

4.9.1 The Adults and Housing directorate has a savings programme in place to deliver £10.597m. At this stage, £6.421m (61%) has been achieved. Below details the progress on each of the programmes.

4.9.2 Since P4 reporting, further savings have been achieved within the Working Age Adults and Housing workstreams.

4.9.3 A full review of outstanding savings has identified £0.300m as unachievable within the current financial year. The remaining savings are being closely monitored, and continued oversight and mitigation planning will be essential to manage the financial position going forward.

4.10 Savings – Children's

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

4.10.2 Around £3.9m of this includes work on projects such as **Family Hubs** which offer a network of Family Hubs, embedded in communities in Dorset where families can get the support they need, **Mockingbird** the current constellations support 57 children and 41 fostering households, an Advanced Practitioner (AP) who will join the fostering service in November, this will enable us to expand the programme over the coming months. We aim to launch a further 2 constellations by 31 March 2026. **Safeguarding Families Together** 309 children from 167 families are currently receiving help under SFT. **The Early Support and Digital Family Offer** is centred on making Children's Services digital by design—prioritising family needs and promoting digital access as the default.

4.10.3 **Service savings** – In addition to the above savings, 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.

4.11 Savings – Birth to Settled Adulthood

4.11.1 To date, £0.371m of the £1m savings target have been realised, and work continues to deliver the remaining savings. As mentioned earlier in the report, demand for services within this cohort is increasing.

4.12 Savings – Place

4.12.1 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.

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

4.12.3 At this stage, three savings proposals are marked as Red or partially 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).
- A proposed reduction in Community Highways Officers is not being pursued.

4.12.4 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.

4.12.5 In summary, of the £4.740m savings, £1.350m can be considered as achieved with a further £2.731m subject to further ongoing monitoring ("Amber").

4.13 Savings – Corporate

4.13.1 The Corporate savings target for 2025/26 is £2.7m, which is in addition to in-built vacancy factor targets of £0.7m. To date £1.8m (67%) have been achieved. Of the remainder £0.4m (14%) are on target to be achieved and £0.5m (19%) are deemed high risk and are unlikely to be achieved this year.

4.13.2 The Financial & Commercial savings targets initially included:

- An additional vacancy factor of £350k
- Centralisation of finance-related roles (£128k)
- Centralisation of invoice processing and debt control (£80k)
- Introduction of a supplier incentive payment scheme (£50k)
- Commercial income and sponsorship opportunities (£50k)

4.13.3 Progress has been made towards the vacancy factor target, with £210k achieved and £140k remaining. However, the centralisation of finance roles, invoicing, and debt control has not been progressed, due to delays with OFC programme for Group 2.

4.13.4 The supplier incentive payment scheme has been deferred until the new ERP system is implemented. While initial work was undertaken earlier in the year to explore commercial income and sponsorship opportunities, this has not been progressed due to competing priorities.

4.13.5 Within ICT the position has improved and only £20k of the original savings targets have been deemed high risk. That said the service is forecast to underspend overall due to a number of other factors.

4.13.6 A £50k saving was originally anticipated within Transformation, Customer and Cultural, based on a proposed restructure. However, this restructure is no longer considered viable, and the saving will not be realised.

4.14 Dedicated Schools Grant (DSG)

4.14.1 2024/25 ended with a £37.3m overspend. At the 30 September 2025, the forecast outturn is a £54.3m overspend for 2025/26. Adding the historic cumulative deficit position, a revised cumulative deficit would be £148.6m. 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 £115.8m after DfE and Council contributions.

4.14.2 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.

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

4.14.4 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. The promised approach to SEND reform was expected in a white paper this Autumn but has now been deferred to early 2026. These commitments from the government should mean the future risk is lowered.

4.14.5 Further analysis and detail is available in the Dorset Schools Forum monitoring reports: Browse meetings - Schools' Forum - Dorset Council

4.15 Safety Valve

4.15.1 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.

4.15.2 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.

4.15.3 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.

4.15.4 The financial advisors have reviewed the March plan, and the practice advisor visited Dorset in July 2025. An updated plan was submitted to the DfE by the 12 September deadline.

4.16 Local Context

4.16.1 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.

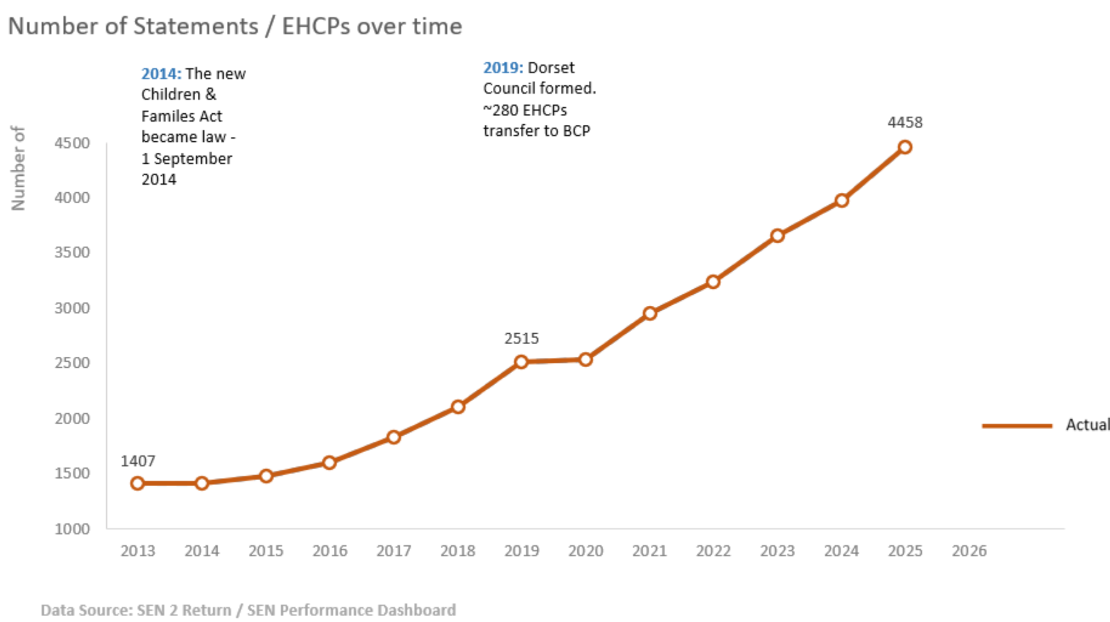


CHART 1: Number of pupils with an EHCP since 2013

4.16.2 There has been a notable increase in Independent Special School Placements, with current forecasts indicating 293 FTE at an average cost of £67,000. 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 £1.9m.

4.16.3 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 £54.3m is the forecast position on Independent Special School Placements mentioned above.

4.16.4 Personal budgets and Alternative Provision pressures contribute to a further £1.0m of the overspend position as indicated by the AP tracker kept by the brokerage team.

4.16.5 There is also an increase in overspend due within the Early Years Block, due to an assumption, based on data from the previous financial year, that Dorset Council would receive more funding than transpired. The Early Years Block has seen a 75% increase in 25/26 due to government initiatives to offer 30-hour free childcare for under 2-year-olds. Exact numbers regarding take up are not stable and were based on best assumptions at the time.

4.16.6 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 September is currently unavailable. This has now been added to Dorset Council's central risk register

4.17 Local Authority Trading Companies (LATC)

4.17.1 The council has involvement with four 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

4.17.2 Cabinet recently approved setting up a new company in relation to the Dorset Innovation Park. Set up is in progress and more details around financial performance will follow in quarterly reports.

Care Dorset

4.17.3 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.

4.17.4 Care Dorset has aligned its financial reporting year end with Dorset Council, with the next set of accounts due to be published after 31st March 2026. Care Dorset continues to work closely with Dorset Council to identify efficiencies across the contract and to support the ongoing improvement of services.

Dorset Centre of Excellence Ltd

4.17.5 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.

4.17.6 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.

4.17.7 The accounting year end for the Dorset Centre of Excellence Ltd is 31 March and accounts for the year ended 31 March 2025 have been finalised and have received an unqualified report from the auditor.

4.17.8 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).

4.17.9 The Company reports a 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.

4.17.10 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.

4.17.11 The Company still has losses carried forward at 31 March 2025 of £1.4m.

4.17.12 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

4.17.13 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.

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

4.18 General fund position and other earmarked reserves at year-end

4.18.1 Any overspend at the end of the year will mean a drawn down from reserves will be required. Based on the revenue forecast as at the end of 2025/26 there will be a requirement for the following use of 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.

4.18.2 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.

4.18.3 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%.

4.18.4 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)**	**Movement (£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)**

4.18.5 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. Further detail on

DSG was contained earlier in this report.

4.19 Capital programme and financing

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

4.19.2 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.

4.19.3 This, along with the agreed budget and updates since that date, mean a programme of £491.4m 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	36,754	2,938	2,768	0	0	42,460
Partial external funding	49,584	35,688	0	0	0	85,272
Partial external funding	0	18,575	31,562	23,084	17,687	90,908
Council funded	29,564	66,882	48,794	19,278	6,395	170,913
Funded from other Reserves	0	0	0	0	0	0
Capital Receipts Applied	9,900	1,000	1,000	1,000		12,900
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	**142,922**	**142,487**	**101,576**	**62,611**	**41,831**	**491,427**

4.19.4 The spend and commitments against the programme of £142.9m at 30 September 2025 was £44.6m (31%). 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.

4.19.5 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	21	9,248	3,504	5,744	38%
Children's	13	10,549	3,323	7,226	31%
Place	114	112,222	36,304	75,918	32%
Public Health & Prevention	1	26	0	26	0%
Corporate	12	10,877	1,445	9,432	13%
Total	**161**	**142,922**	**44,576**	**98,346**	**31%**

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

Directorate	Q1 Budget £,000	Adjustments £,000	Re-profiling £,000	New funding £,000	Q2 Budget £,000
Adults & Housing	8,940	0	0	308	9,248
Children's	17,798	(89)	(12,183)	5,023	10,549
Place	125,502	(6,882)	(9,431)	3,033	112,222
Public Health & Prevention	26	0	0	0	26
Corporate	17,431	0	(6,554)	0	10,877
Total	**169,697**	**(6,971)**	**(28,168)**	**8,364**	**142,922**

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

4.19.8 There has been an adjustment of £6.6m relating to Vehicle Replacement Funding (2025 to 2029) based on the latest replacement profiles.

4.19.9 There has been re-profiling of £28.2m into future years to more accurately reflect the timing of works and therefore spend incurred. The most significant movements include SEND capital strategy £8.7m; ERP Replacement £5.0m; Dorset Waste Infrastructure - Blandford site £3.9m; Dorset Council Fleet Replacement Programme £2.9m; SOCA Board programme £2.7m and ICT Minor Capital Works & Projects £1.5m.

4.19.10 There has also been new external funding of £8.4m confirmed, most notably SEND capital strategy £5.0m; Local Transport Plan programme of works £2.0m and Local Nutrient Mitigation Fund £1.0m.

4.19.11 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.

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

4.20 Sundry debt management

New invoices for 2025/26

4.20.1 The total value of debts (invoices) raised between 1 April and 30 September 2025 is £127.1m, a breakdown by directorate is shown below:

Total debt raised	2025/26 £'000

Adults & Housing	£37,813
Children's Services	£4,057
Place	£17,321
Corporate	£67,954
Total	**£127,145**

Overall amounts owed

4.20.2 Looking at debt across all years, the balance of sundry debt outstanding at 30 September 2025 was £39.6m, the breakdown 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	30,234	2,838	1,657	9,038	16,702
Children's Services	904	450	147	99	208
Place	6,123	1,303	675	1,830	2,315
Corporate	2,346	2,006	135	112	93
Grand Total	**39,608**	**6,597**	**2,614**	**11,080**	**19,317**

4.20.3 Of the £39.6m outstanding debt, £30.2m relates to Adults & Housing. This includes amounts associated with deferred payment arrangements and care services provided under gross without prejudice terms.

4.20.4 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	17,129	2,644	600	4,380	9,505
Children's Services	904	450	147	99	208
Place	6,123	1,303	675	1,830	2,315
Corporate	2,345	2,006	134	112	93
Total	**26,501**	**6,403**	**1,556**	**6,421**	**12,121**

Prior year performance

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

4.20.6 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 30/09/2025 £,000	% collected
Pre 1 April 2019	641	46	595	7%
2019/20	777	1	776	0%
2020/21	1,203	3	1,200	0%
2021/22	1,163	(10)	1,173	-1%
2022/23	1,942	23	1,964	-1%
2023/24	3,247	138	3,109	4%
2024/25	34,383	26,997	7,386	79%
Total	**43,356**	**27,154**	**16,203**	**63%**

Deferred payments

4.20.7 Deferred payments are a form of adult social care debt incurred when Dorset Council provides care services to individuals who own property but may not have sufficient liquid assets to pay for their care immediately. Under the Deferred Payment Scheme, the Council agrees to defer payment for care costs, securing the debt against the individual's property through a legal agreement.

4.20.8 This arrangement allows the individual to delay payment until a later date—typically when the property is sold—at which point the Council recovers the full amount owed. Because the repayment is expected in the future and is secured, deferred payments are not treated as collectable debt in the same way as invoices that are due and payable now. Instead, they are classified separately as future recoverable debt.

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	4,176	(201)	401	1,537	2,440

Gross without prejudice

4.20.9 Gross without prejudice debts arise when Dorset Council provides adult social care services before a full Care Act assessment and financial assessment have been completed. These debts are recorded to reflect the potential liability but are not actively pursued until it is determined whether the individual receiving care is financially responsible for contributing to the cost of their support.

4.20.10 This approach ensures that individuals are not prematurely chased for payment before their eligibility and financial capacity have been properly assessed. As such, these debts are held on record but sit outside the category of collectable debt, which refers to amounts that are confirmed as due and actively recoverable.

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	8,929	396	656	3,121	4,757

4.21 Write-offs

4.21.1 The value total write-offs processed so far this year is £24k against a collectable debt total of £26.5m, see the table below. Sufficient provision has been made to cover these debts, which represent a relatively minor portion of the total outstanding balance (0.09%).

Debts written off	2025/26 £'000
Adults & Housing	25
Children's Services	0
Place	(2)
Corporate	0
Total	**24**

4.22 Council tax and business rates debt management

Council tax

4.22.1 The value of council tax debt raised in 2025/26 is £431.2m and £240.9m has been collected to date. The collection rate at 30 September 2025 is 55.87%, which is slightly less than the corresponding position from the previous year, which was 56.24%.

4.22.2 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)

4.22.3 The value of business rates debt raised in 2025/26 is £119.2m and £70.0m has been collected to date. The collection rate at 30 September 2025 is 58.72%, which is slightly less than the corresponding position from the previous year, which was 60.96%.

4.22.4 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

4.22.5 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	60
Business rates	9
Housing Benefit overpayments	22
Total	**91**

4.23 Financial planning, strategy and the MTFP

4.23.1 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.

4.23.2 More details on the MTFP are contained within another report on this evenings Cabinet agenda.

4.24 Number and extent of contract exemptions

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

4.24.2 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.

4.24.3 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.

4.24.4 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.

4.25 Summary, conclusions and next steps

4.25.1 To conclude, Dorset Council's outlook for 2025/26 has improved Period 4 to Quarter 2 yet remains challenging, with significant pressures from rising demand, inflation, and systemic underfunding. The Council's leadership is taking decisive steps to strengthen budgetary controls, accelerate transformation initiatives, and closely monitor savings delivery across all directorates.

4.25.2 Despite these efforts, the projected overspend and the growing Dedicated Schools Grant deficit underscore the need for continued vigilance and adaptability. The Council's reserves are forecast to reduce by year-end, highlighting the importance of prudent financial management and strategic prioritisation of resources.

4.25.3 Looking ahead, the Council must remain agile in responding to both local and national financial risks. The budget gap for 2026/27 will require a fundamental reprioritisation of service delivery to ensure long-term sustainability. Continued engagement with government partners, robust risk management, and transparent reporting will be essential as we navigate this period. By maintaining a clear focus on strategic objectives and embracing innovation in service delivery, the Council aims to safeguard its financial health and continue delivering high-quality services to the community.

5. Alternative options considered

5.1 As part on the in year monitoring and budget setting for next year the council will give consideration to varying degrees of introduced enhanced cost containment measures, reprofiling or deferral of capital projects, additional use of reserves, service redesign or reduction, income generation, lobbying and external funding, alternative savings approaches, contract management.

6. Legal considerations

6.1 Requirement to Set a Balanced Budget

The council is legally required to set a balanced budget each year and must deliver services within the resources available through the revenue and capital budgets for 2025/26.

6.2 Contract Procedure Rules (CPR)

The council's CPRs apply to the procurement, award, and management of contracts for goods, services, and works.

6.3 Section 5 Reports

Under the Local Government and Housing Act 1989, a Section 5 report is a formal legal report issued by the council's Monitoring Officer if any proposal, decision, or omission appears to be unlawful or amount to maladministration or injustice.

6.4 Statutory Override for DSG Deficit

The Dedicated Schools Grant (DSG) deficit is kept off the council's balance sheet due to a statutory override, which has been extended to March 2028.

7. Financial Implications

7.1 Financial implications are covered within the body of this 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 a £25m capital expenditure commitment over the term of the current MTFP.

9. Well-being and Health Implications

9.1 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.

9.2 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.

10. Other implications

10.1 None specific.

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

11.3 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.

11.4 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.

11.5 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.

11.6 The Fair Funding Review 2.0 consultation on the revised funding from Central Government and delays to SEND reform 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. With further details expected in late November as part of the Autumn Budget and late December as part of the Provisional Local Government Finance Settlement (LGFS)

11.7 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.

5. 12. Equalities

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

6. 13. Appendices

13.1 Appendix A - Savings Plans

Appendix B – Climate Wheel

Appendix C – Contract Exemptions

Appendix D – Cabinet approval

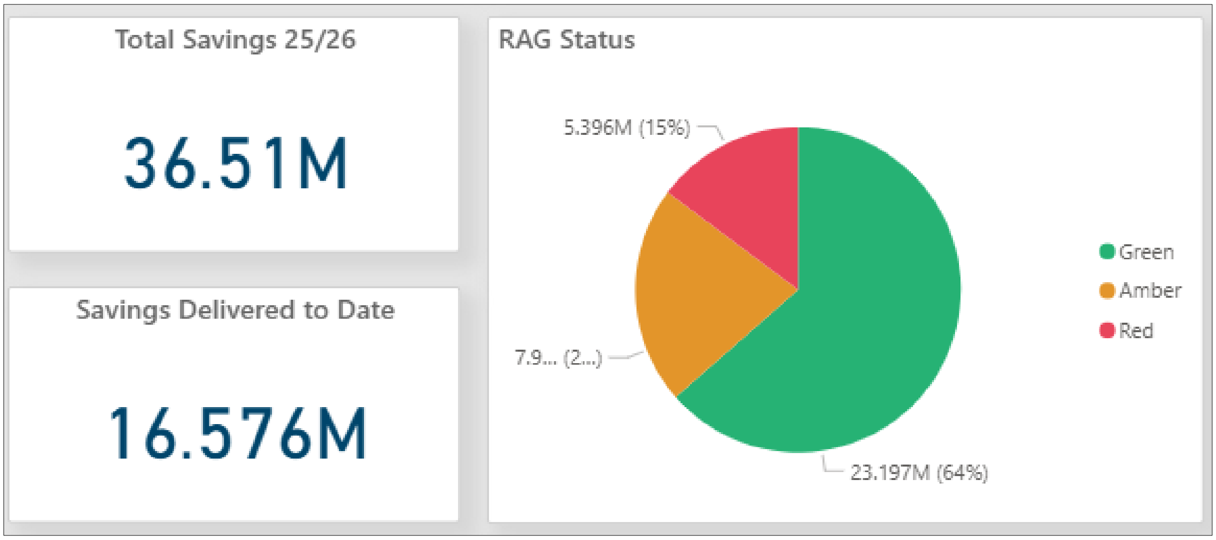
7. 14. Background Papers

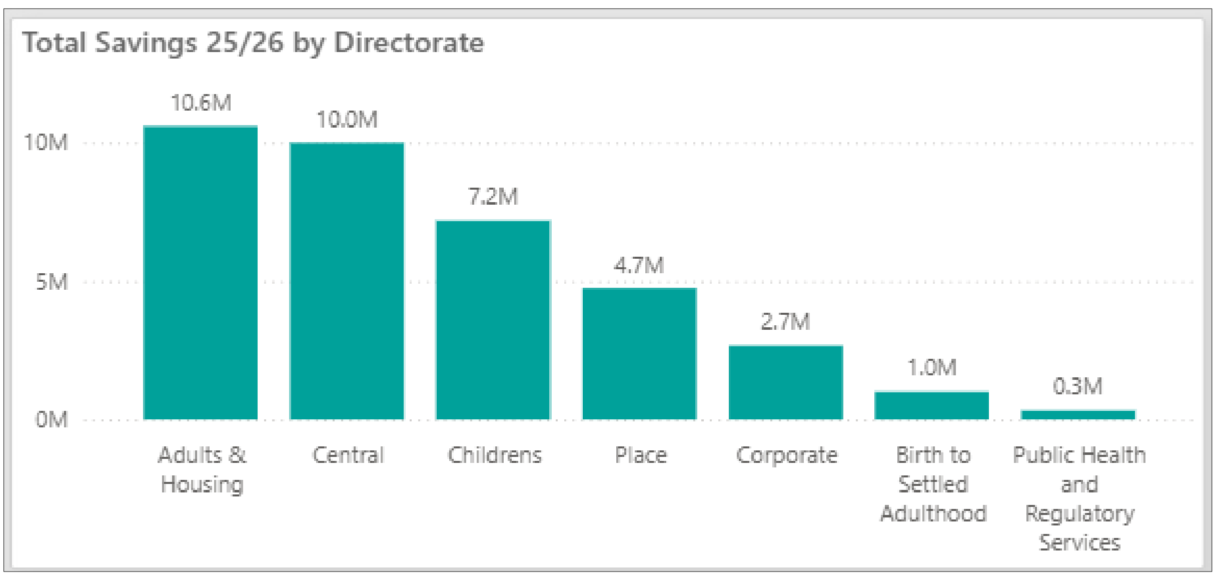
14.1 2024/25 draft outturn report
2025/26 budget strategy report

15. Report sign-off

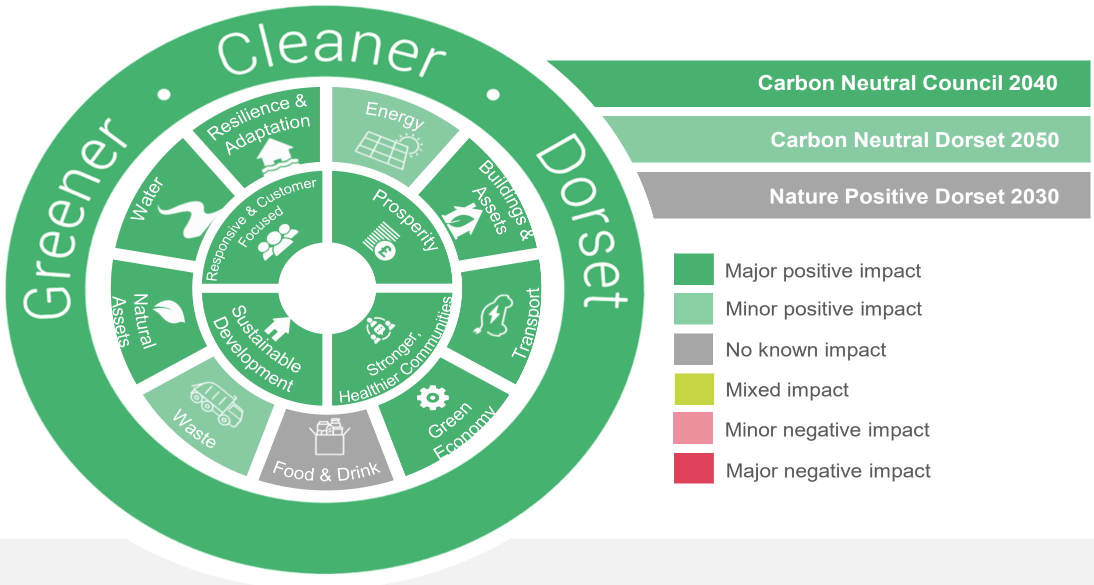
15.1 This report has been through the internal report clearance process and has been signed off by the Director for Legal and Democratic (Monitoring Officer), the Executive Director for Corporate Development (Section 151 Officer) and the appropriate Portfolio Holder(s).

Appendix A - Savings





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 September 2025.

The table below gives the data for the exemptions that have taken place between April and September 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 (£ to nearest £100,000)*
Adults	1	£100,000
Children's	1	£20,000
Corporate	0	£0.00
Place	7	£900,000
Public Health	0	£0.00
Total	**9**	**£1,020,000**

*Data is correct as submitted by internal stakeholders.

Many of the extensions relate to Place, approximately 80% of the value of the Place exemptions (£731,458) relate to two exemptions, one was for urgent work that was required for repairs and the second for additional sites requiring Micro Asphalting.

Commercial Exemptions August to September 2025.

The table below gives the data for the exemptions that have taken place between August and September 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 (£ to nearest £100,000)*
Adults		
Children's		
Corporate		
Place	1	£300,000
Public Health		
Total	1	£300,000

*Data is correct as submitted by internal stakeholders.

There is only 1 exemption for Place during this period, and this is for additional sites requiring Micro Asphalt.

Appendix D – Cabinet approval

November 2025 Cabinet Procurement Plan Report – briefing note

Procurement Title: IMPOWER – Valuing Care Phase 2

Procurement Title
IMPOWER Valuing Care Phase 2
Purpose of the Procurement To seek Cabinet approval to award IMPOWER to deliver Phase 2 of the Valuing Care programme. This builds on Phase 1 (May – Nov 2025), which successfully introduced a needs-led approach to care commissioning, delivering early savings and improved outcomes. **Strategic Context** As with all local authorities Dorset Council continues to face significant financial pressures in children's social care, driven by rising demand and placement sufficiency challenges. The Valuing Care programme directly addresses these issues by linking children's needs to care and cost, enabling smarter commissioning and better outcomes. Phase 1 focused on establishing the Valuing Care methodology and building internal capability. During this time, 106 children had Valuing Care profiles completed. Social Workers identified that 55 of these children had opportunities to do something different in terms of care and support. Of these, 53 children have already been discussed at the Valuing Care Panel, with two further discussions scheduled. As a result of these panels, 36 opportunities to do something different have been validated. Valuing Care has already played a part in a child moving from an external residential home to an internal foster carer, resulting in an annualised cost reduction of £488k to date in year. Further planned moves and changes in care arrangements that are expected to deliver a £316,000 cost reduction in the current financial year (2025/26), with a further £3.4 million expected in 2026/27. The remaining savings will be realised in 2027/28, as the cost reduction profile is spread out over time due to the pace at which children can safely move, as agreed at Panel. Phase 1 also delivered a forecasting model, trained over 60 professionals, and embedded a new way of linking children's needs to cost and provision, laying the groundwork for smarter commissioning and improved outcomes. Phase 2 aligns with: • **Our Future Council** transformation priorities • **Council Plan** objectives for financial sustainability and improved outcomes for children • **Children, Young People and Families Plan**, delivering Good Care Provision to children in our care • **Dorsets Sufficiency Strategy**, ensuring we have sufficient range of care settings (fostering/residential care) in Dorset • **Better Homes Panels** delivery oversight **Scope and Flexibility** Phase 2 will:

• Support the ongoing realisation of opportunities identified from phase 1 • Embed and scale the Valuing Care approach • Strengthen commissioning intelligence • Improve foster carer utilisation • Deliver validated savings Phase 2 will embed and scale the Valuing Care approach, strengthen placement sufficiency, improve foster carer utilisation, and integrate the methodology into Mosaic and quality assurance frameworks and deepen provider engagement. The investment represents strong value for money, with a validated £4.2 million cost reduction already forecast and further savings anticipated through additional cohort work. IMPOWER's proprietary tools, sector expertise, and proven track record make them uniquely positioned to deliver the required outcomes at pace, supporting Dorset's long-term vision for sustainable improvement in children's services. **Built-in flexibility includes:** • Additional cohort profiling • Integration with Mosaic and QA frameworks • Alignment with transformation programmes • Potential scope extension if further savings are identified
Estimated Value: What is the total value (include potential change)?
This work increases the total contract value from £480,000 (Phase 1) to £940,000, as the charge for Phase 2 is £460,000. This exceeds the £500,000 Cabinet approval threshold. The programme is expected to deliver validated annualised savings of £4.2 million, with a minimum return on investment of 4:1 and potential to reach 8:1.
Contract Duration: 6 months (November 2025 – April 2026)
Procurement Procedure: Direct award via framework