Cabinet

29 January 2026

December 2025 Quarter 3 financial management report 2025/26

Portfolio Holder:
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Local Councillor(s):
All

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Report Status: Public

1. Executive Summary:

1.1 This quarter 3 (Q3) financial management report provides a comprehensive overview of Dorset Council's financial position as of 31 December 2025, highlighting key challenges, risks, and actions for the 2025/26 fiscal year.

Financial Position and Key Pressures

Forecast Outturn: The Council is projecting a £4.4m overspend (1.05% of the £417m net budget), mainly due to rising costs in adults', B2SA and children's social care (£10.139m) and deferred savings from the Our Future Council (OFC) transformation programme. These pressures are partially offset by £4.0m in contingency releases.

1.2 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 £150m, 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 plan.

Directorate Performance

1.3 Children's Services: £4.2m overspend, primarily from external placements, increasing costs and increasing complexity of care needs.

1.4 Birth to Settled Adulthood (B2SA): £1.7m overspend due to increased demand and costs, with £0.4m of the £1m savings target achieved to date.

1.5 Adults & Housing: £4.3m overspend, primarily due to increased demand in adult care packages and unachieved savings.

1.6 Public Health & Prevention: £0.5m overspend, primarily due to unachieved savings and income shortfalls.

1.7 Place Directorate: £5.2m underspend, mainly through vacancy management, implementation of strict cost control and other external factors.

1.8 Corporate Development & Legal & Democratic Services £0.3m underspend combined.

Transformation and Savings

1.9 The OFC programme is seeking to deliver up to £6.7m of savings**.** This includes:

1) £1.7m in workforce related- changes and vacancy management.
2) £4m has been achieved through contingency releases linked to third party spend efficiencies.
3) A further up to £1m third party- spend saving is being actively pursued for delivery by the end of Q4.

Capital Programme and Debt

1.10 The capital programme totals £132.8m for 2025/26, with 58% committed by December. Slippage and re-profiling are being actively managed. Outstanding sundry debt stands at £33.5m, of which £21.0m is deemed collectable.

Risks and Outlook

1.11 The Financial risk remains high due to rising demand, inflation and national funding pressures. The in-year overspend will require the use of reserves.

1.12 Earmarked reserves are forecast to reduce from £114m to £98m by year-end, with the general fund balance remaining at approximately £31m and above the minimum operating level.

1.13 The growing DSG deficit continues to be the most significant strategic risk, with the statutory override extended until March 2028. National policy changes are expected in early 2026 with the DSG funding within the central government's Departmental Expenditure Limits (DEL) from 2028. While further clarification on these measures is awaited, local authorities will be expected to manage the system effectively. Government documents suggest where this is achieved, it is not envisaged that councils will be required to meet future special educational needs (SEN) costs from general funds.

Conclusion

1.14 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.

1.15 Spend controls were implemented across the organisation from October and further strengthened in December with all purchase orders over £2,500 having to be countersigned by a Corporate Director before they are approved.

2. 2. Recommendation:

Cabinet is asked to:

2.1 Note SLT's forecast as December 2025 including progress on the transformational and efficiency savings incorporated into the budget;

2.3 Note the capital programme for 2025/26;

2.4 Note the number and extent of contract exemptions.

3. 3. Reason for Recommendation:

3.1 The Council must set and deliver a balanced budget each year. This report summarises the forecast financial position for 2025/26 and highlights the operational and financial pressures facing the organisation. Effective monitoring is essential to ensure resources support Council Plan priorities and that services remain financially sustainable during a period of national and local challenge.

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 taken extremely seriously.

4. Financial Implications

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

5. Climate Implications

5.1 The Council's budget continues to fund action set out in the climate and ecological emergency action plan, including a £25m capital expenditure commitment over the term of the current MTFP.

6. Well-being and Health Implications

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

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

7. Other Implications

7.1 None specific.

8. Risk Assessment

8.1 Having considered the risks associated with this decision; the level of risk has been identified as:
Current Risk: **High**
Residual Risk: High

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

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

8.4 Revenue budget - mitigation has been implement through the introduction of spend controls to prevent further overspend against budget and the resulting draw on reserves which have reduced from 2023/24 to 2025/26 and will reduce further if required to meet the forecast revenue overspend.

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

8.6 The outcome of the Fair Funding Review 2.0 and the Local Government Finance Settlement (LGFS) was announced in December 2025. The impact for Dorset Council is detailed within the Medium-Term Financial Plan (MTFP) and budget paper, an agenda item within this Cabinet meeting.

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

i. levels of reserves to reduce because of the 2025/26 position

9.Equalities Impact Assessment

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

10. Apendices

Appendix A - Savings Plans
Appendix B – Climate Wheel
Appendix C – Contract Exemptions

9. 11. Background Papers

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

12 Overall projection

12.1 At the end of December, the Council is forecasting an overspend of £4.4m, which represents 1.05% of the Council's original budget requirement (£417.2m).

12.2 Whilst there is an improving forecast of £0.86m, this forecast remains of concern as it identifies unbudgeted service pressures of £5.1m, and a forecast shortfall in Our Future Council of £5.3m. These are partially mitigated by release of contingency funding of £4m.

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

12.4 Later this report also outlines a number of forecast uses of reserves. In the event that the £4.4m 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.

12.5 The directorate variances are summarised in the table below.

Directorate	Net Current Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
People - Children's	83,494	87,713	(4,220)	(5.1%)	685
Birth 2 Settled Adulthood	9,207	10,855	(1,648)	(17.9%)	31
People - Adults & Housing	167,243	171,514	(4,271)	(2.6%)	(3,209)
Public Health & Prevention	4,470	4,974	(504)	(11.3%)	(51)
Place	110,584	105,379	5,204	4.7%	3,534
Corporate Development	42,057	42,063	(6)	(0.0%)	(705)
Legal & Democratic Services	8,650	8,326	324	3.7%	272
Total Service Budgets	**425,704**	**430,825**	**(5,120)**	**(1.2%)**	**556**
General Funding - including OFC	(38,172)	(33,555)	(4,617)	(12.1%)	(1,686)
Capital Financing	23,127	22,127	1,000	4.3%	1,000
Contingency	(3,259)	(7,259)	4,000	122.7%	500
Precepts/Levy	21,560	21,591	(31)	(0.1%)	0
Central Finance	(438,671)	(439,029)	358	0.1%	500
Retirement costs	1,702	1,706	(4)	(0.3%)	(4)
Whole Authority	**(8,009)**	**(3,595)**	**(4,414)**		**866**
Dedicated Schools Grant budgets	8,009	63,954	(55,945)		(1,666)

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

13. Children's Services

13.1. The Children's Services forecast is £87.713m compared with a net budget of £83.494m an overspend of £4.220m (5.1%).

People Services - Children's	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Quality Assurance	4,132	4,132	0	0.0%	(0)
Care & Protection	59,449	63,982	(4,532)	(7.6%)	572
Commissioning and Partnerships	6,709	6,614	95	1.4%	95
Director's Services	(2,132)	(2,350)	217	10.2%	18
Education and Learning	15,539	15,539	(0)	(0.0%)	0
DSG Recharges	(204)	(204)	0	0.0%	0
Total Directorate Budget	**83,494**	**87,713**	**(4,220)**	**(5.1%)**	**685**

Care & Protection

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

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

Children in care

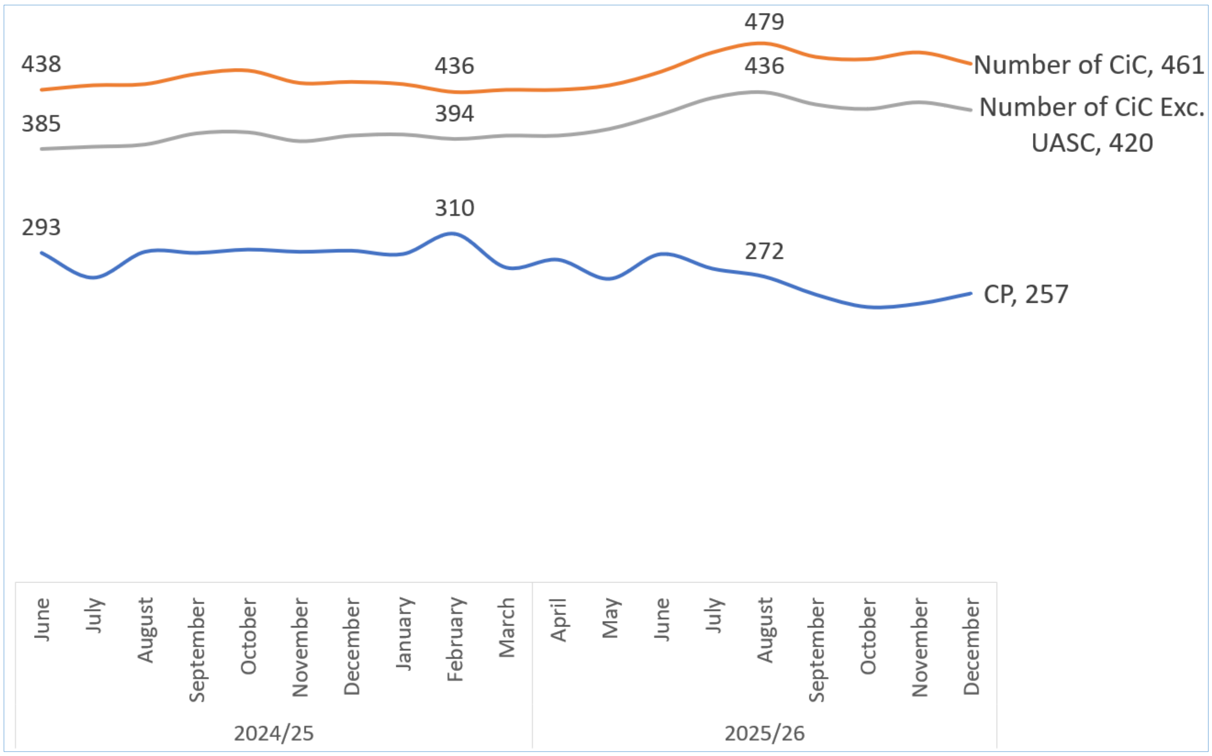
13.4. As mirrored nationally, pressure on external placements for our children in care population continues. Increasing numbers of Children in Care not only impact placement budgets, but non-placement budgets are also affected including assessment costs, legal, interpreter fees and travel costs.

13.5. The Children in Care placements budget is currently forecast to overspend by £6.434m, this includes fostering and Dorset Council residential provision.

13.6. 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, rising costs and an external residential placement market that isn't functioning effectively.

13.7. 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 December to 461. This includes our unaccompanied asylum-seeking children.

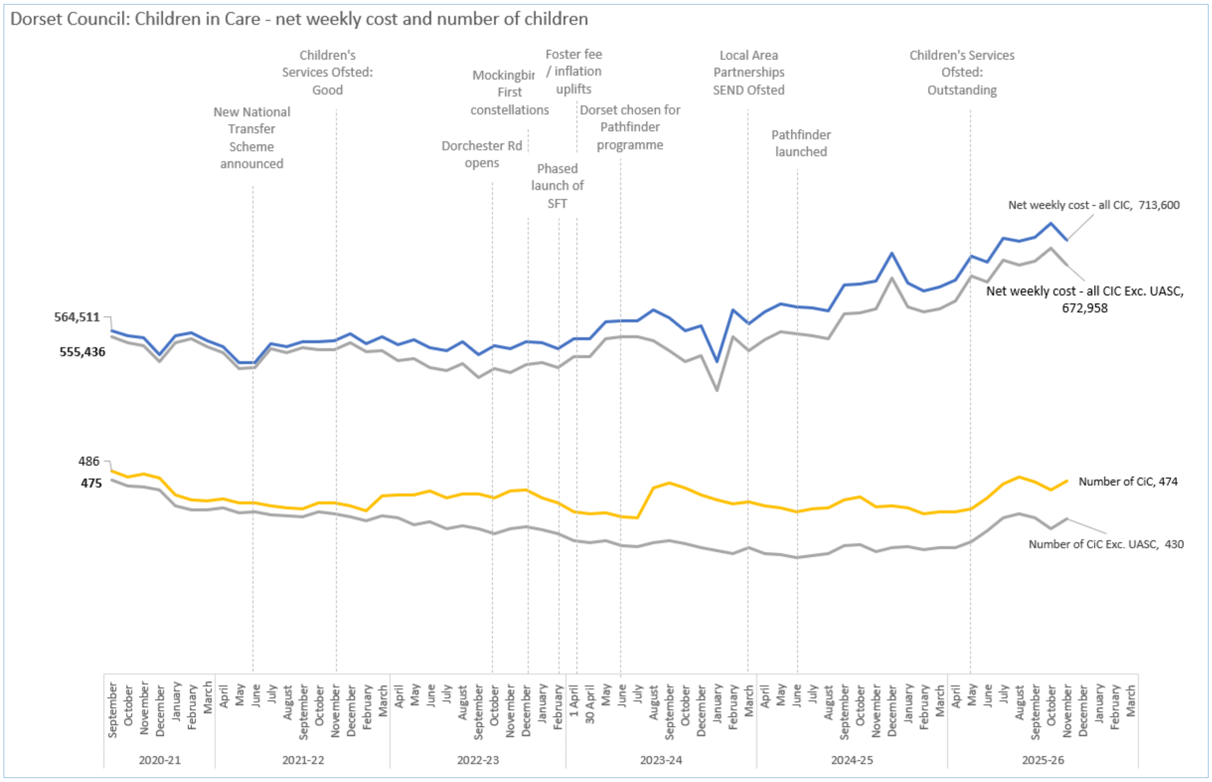
13.8. The reduction in our number of children in care (CiC) mirrors the recent reduction of child protection (CP) plans:



13.9. 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.

13.10. 67% of our Children in Care are within a fostering arrangement and 12% at an external residential home.

13.11. Weekly average costs for external residential placements have risen from an average of £5.3k in June 2024 to the current average of £6.7k, an increase of 26%. This is an extra £73k per annum per placement



13.12. If the number of children in care (exc. our unaccompanied children) had remained at 475, at November 2025 averages, it is estimated an additional £3.7m of annual cost would be incurred.

13.13. 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 caseloads can lead to placement instability. Agency and interim spend for November 2025 totalled £0.269m, £0.146m lower than November 2024 (£0.415m).

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

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

Savings

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

Families First for Children Pathfinder

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

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

Risks and mitigations

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

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

14. Birth to Settled Adulthood

14.1. The Birth to Settled Adulthood forecast is £10.855m compared with a net budget of £9.207m an overspend of £1.648m (17.9%).

14.2. 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		Change since Q2 £'000
Team	2,906	2,687	219	7.5%	120
Children's	4,293	5,109	(816)	(19.0%)	(156)
Adults	2,636	3,059	(422)	(16.0%)	67
B2SA Transformation	(629)	0	(629)	(100.0%)	0
Total Directorate Budget	**9,207**	**10,855**	**(1,648)**	**(17.9%)**	**31**

14.3. 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.

14.4. 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.

14.5. There are 424 children who are receiving (or have received) one or more services during 2025/26.

14.6. 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 55 individuals an increase of 3 since Q2, with supported living representing the most significant area of expenditure. At this stage, there is a forecast overspend of £0.422m reflecting increased demand within this age cohort.

14.7. 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.

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

15. Adults Services & Housing

15.1. The Adults Services & Housing Directorate is currently forecasting a net expenditure of £171.514m against a budget of £167.243m, resulting in a projected overspend of £4.271m (2.60%). The position has worsened by £3.209m since P6.

15.2. The movement of £3.209m since P6 is predominantly due to £2.242m of savings targets that have now been identified as unachievable within the current financial year.

15.3. Another contributing factor to the movement is the recent change in health support funding. In the last quarter, Continuing Health Care (CHC) and Joint Funding packages have increasingly been handed back from the NHS. When individuals no longer meet CHC or Joint Funded eligibility, responsibility shifts to the local authority, which is means-tested.

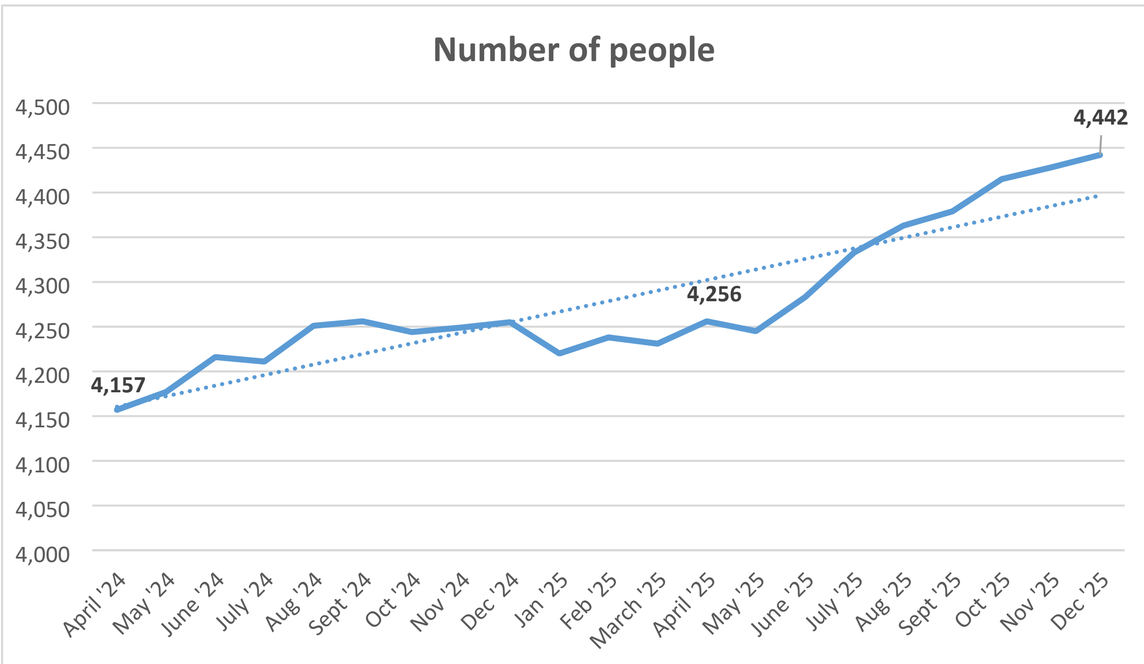
15.4. This change has resulted in an additional cost pressure of £0.764m, with a projected full-year cost of £1.793m, and this figure continues to rise. This trend being driven by stricter NHS eligibility criteria and regular reviews, which are transferring more cases from health funded to social care funded arrangements.

People Services - Adults	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Adult Care Packages	128,548	132,364	(3,816)	(3.0%)	(2,904)
Adult Care	20,655	20,691	(36)	(0.2%)	(24)
Commissioning & Improvements	7,825	7,956	(131)	(1.7%)	67
Directorate Wide	1,894	2,237	(342)	(18.1%)	(342)
Housing & Community Safety	8,320	8,265	54	0.7%	(5)
Total Directorate Budget	**167,243**	**171,514**	**(4,271)**	**(2.6%)**	**(3,209)**

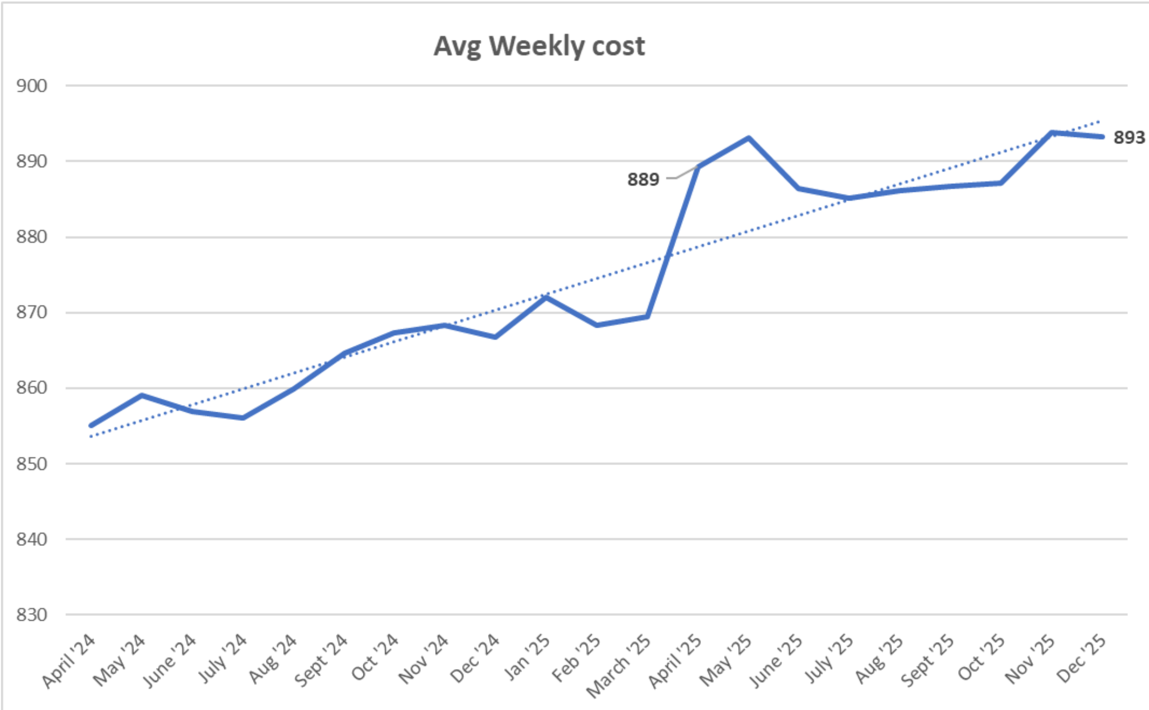
Adult care packages

15.5. Alongside the undeliverability of savings and pressures from health funding the other contributor to the overspend are increased in demand. As a needs-led service, predicting future demand remains complex and uncertain.

15.6. Between April and December 2025, the number of individuals supported increased from 4,256 to 4,442, representing a net growth of 186 people, including an additional 63 people since P6. This rise in demand is a key contributor to the current budget pressure.



15.7. During the same period, the average weekly cost of care packages increased slightly from £889 in April to £893 in December. 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.



15.8. 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.

Housing

15.9. Housing is currently forecasting an underspend of £0.054m (0.70%).

15.10. Homelessness approaches numbers remain consistently lower than the same period last year, which is a positive trend. Seasonal factors have contributed to a further reduction in numbers during the recent downturn. Overall, the service has experienced approximately a 10% drop in demand this year. However, the cases that have come through have grown in complexity, requiring more intensive support and resources.

15.11. The number of households in B&B accommodation has risen in the last quarter, increasing from 44 to 57. This growth is largely driven by single-person households with complex needs, which have increased from 29 to 51. Winter pressures and the extended Severe Weather Emergency Protocol (SWEP) have further contributed to this trend, resulting in greater demand for temporary accommodation

15.12. Family placements in B&Bs have slightly declined since P6, dropping from 15 to 6. Year-on-year comparisons also show a continued reduction in families placed in B&B accommodation. This area remains under close monitoring, and families are being supported to move into alternative temporary housing.

15.13. The numbers of individuals in temporary accommodation have increased slightly since P6, rising from 201 to 204. Despite this, year on year comparisons show a reduction in the number of acceptances, which is contributing to significant savings and improved performance.

15.14. With homeless prevention rates running at 73.3%, compared to the national average of 53.8%. This position has remained consistent and delivers significant financial benefits. If our performance aligned with the national average, an additional 228 households would require temporary accommodation annually. With the temporary accommodation unit costs ranging from £10,000 to £15,000 per year, this equates to avoided expenditure of approximately £2.2m to £3.4m per year.

16. Public Health and Prevention

16.1. Public Health and Prevention is currently forecasting a net expenditure of £4.974m against a budget of £4.470m, resulting in a projected overspend of £0.504m (11.3%).

People Services - Public Health and Prevention	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Community and Public Protection	3,908	4,412	(504)	(12.9%)	(81)
PH Joint Partnership	0	0	0	0.0%	65
Public Health	16,129	16,129	0	0.0%	(45)
Public Health Grant	(15,567)	(15,567)	0	0.0%	(186)
Total Directorate Budget	**4,470**	**4,974**	**(504)**	**(11.3%)**	**(247)**

16.2. The following variances contribute to the overall overspend within the service.

- Community and Public Protection (£0.070m) – A legacy savings target linked to a reduction in user licence costs. While the budget was transferred to ICT, the associated savings target was not.
- Markets (£0.127m) – An estimated overspend due to legacy savings targets and a reduction in income.
- Environmental Protection, food safety and licensing (£0.050m) – Income underachievement across multiple services.

- Vacancy factor (0.117m) – due to the permanent reduction in staffing and low turnover
- Bereavement Services (£0.102m) - pressures within maintenance contracts and income achievement
- Kennelling (£0.016m) – increased costs following a change in provider
- Staffing savings (£0.020m) – unachieved staffing saving in year

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

17. Place directorate

17.1. The overall forecast for Place Directorate as at Q3 is a projected favourable position (an underspend) of £5.204m (4.7%), with a projection of £105.4m net spend against a net budget of £110.6m.

Place	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Highways	5,587	4,644	942	16.9%	558
Dorset Travel	42,971	40,375	2,596	6.0%	2,534
Flood & Coastal Erosion Risk Management (FCERM)	1,166	1,166	0	0.0%	2
Greenspace	3,392	3,317	75	2.2%	115
Health & Activity	157	110	47	30.1%	18
Commercial Waste & Strategy	17,424	16,897	527	3.0%	257
Waste - Operations	17,936	17,705	232	1.3%	(81)
Fleet	197	73	124	63.1%	65
Weymouth 2040 Ancilliaries	526	736	(210)	(39.9%)	(186)
Economic Development	1,621	1,752	(130)	(8.0%)	158
Harbours	16	39	(23)	(147.4%)	(17)
Leisure, Arts & Cultural Services	3,335	3,160	175	5.2%	102
Directors Office	1,812	1,164	648	35.8%	(70)
Assets & Property	8,269	8,269	0	0.0%	0
Planning	6,176	5,976	200	3.2%	78
Total Directorate Budget	**110,584**	**105,379**	**5,204**	**4.7%**	**3,534**

17.2. 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 is currently overachieved by £0.291m.

17.3. 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 are within the money received from central government specifically for waste services (Extended Producer Responsibility funding grant).

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

Highways

17.5. The Highways budget is forecast to be underspent by £0.942m. This is primarily within Highways Infrastructure, where £0.850m is an expected underspend on streetlighting energy costs due to prices being better than budgeted. All other predicted variances within Highways are minor.

Dorset Travel

17.6. Overall, Dorset Travel is projecting a £2.6m underspend on a net budget of circa £43m.

Public Transport

17.7. Public Transport is forecasting an overspend of circa £0.750m. This is entirely due to concessionary fares which has seen continuing increasing growth in cost, driven by an increase in the number of uses. Year to year increases are averaging at 15% growth per year, at 2.3m uses for 2024/25 but noting that pre-covid levels were as high as 3.7m per year, so this budget line needs to be kept under review.

17.8. There have been no significant changes to metrics for core route income since the government change in fare from £2 to £3.

SEND Transport

17.9. SEND transport costs are projected to be 7% higher year on year, which is significantly below the average post COVID growth rate. This growth rate is also lower than that currently being reported by some neighbouring councils.

17.10. A snapshot comparison of the data demonstrates a reduction in the proportion of children travelling alone from 25% to 15%. This is a notable efficiency achievement and reflects the impact of strengthened review and contract management functions. This improvement has been a key driver in moderating cost growth.

17.11. Importantly, these improvements have been achieved despite the number of transported children increasing by 7–10% annually since COVID, broadly in line with EHCP growth. The number of Passenger Assistants has remained stable despite this rise in demand.

17.12. SEND Transport includes Learning Centres, where cost movements remain broadly aligned with increases in passenger numbers, where passenger data is available. Forecasting for this area continues to present challenges with limited knowledge of passenger number increases and varied timetables.

17.13. The current year budget was based on knowledge of expected cost increases in the sector at that time. Whilst costs for the sector are still running high, it is true to say that the kind of cost inflation seen post-covid has reduced. In addition, as set out in the paragraphs above, Dorset performance on keeping costs down appears to be better than the sector average.

17.14. Latest contract price renewals for the academic year beginning in September 2026 have been analysed and the forecast for SEND transport is a £2.9m underspend.

17.15. The table covers all of the Dorset Travel budgets (SEND transport, mainstream school transport and public transport) and shows the variation being experienced in cost increases in recent years.

Dorset Travel - year on year actual spend increases			
Financial Year	**Actuals/ £m**	**Increase on previous year/ £m**	**Increase on previous year (%)**
2020-21	22.172		
2021-22	24.571	2.399	11%
2022-23	30.554	5.983	24%
2023-24	34.679	4.125	14%
2024-25	36.424	1.745	5%
forecast Q3 2025-26	40.375	3.951	11%

Commercial Waste and Strategy

17.16. An underspend of £527k is predicted. This is the net effect of a worsening recyclate price and glass 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

17.17. There are projected favourable variances of £232k in Waste Operations and £124k in Fleet. These variances are around staffing/agency, vehicle fuel and vehicle maintenance costs.

Economic Development

17.18. The Economic Development service is forecasting a £130k adverse variance. The expected overspend is a combination of vacancy factor, in-built savings, and staffing budget pressure.

17.19. The “Weymouth 2040” projects are also currently projected at a £210k overspend.

Leisure, Arts and Cultural

17.20. The projection of £175k underspend is the net effect of unbudgeted Leisure review costs and vacancy factor, offset by predicted utility costs and some staff vacancies.

Directors Office

17.21. 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 £648k underspend).

Assets and Property

17.22. 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, as noted in previous reports, additional funding has been provided in the sum of £0.450m from Dorset Travel and £0.150m from contingency.

17.23. 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.

17.24. 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

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

Planning

17.26. Overall, a £200k favourable variance is projected, largely due to additional 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:

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

18. Corporate Development

18.1. The Corporate Development forecast is £42.063m compare with a net budget of £42.057m, showing a minor overspend.

Corporate Development	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000			Change since Q2 £'000
Financial & Commercial	10,299	11,580	(1,280)	(12.4%)		(1,307)
Workforce & People	2,057	1,597	460	22.4%		199
ICT Operations	8,974	8,593	380	4.2%		241
Chief Executive's Office	1,157	1,165	(8)	(0.7%)		0
Directors Office	210	210	0	0.0%		0
Strategy, Performance and Sustainability	13,851	13,391	460	3.3%		147
Digital Change	2,349	2,318	31	1.3%		15
Transformation, Customer & Cultural Services	3,159	3,209	(50)	(1.6%)		0
Total Directorate Budget	**42,057**	**42,063**	**(6)**	**(0.0%)**		**(705)**

18.2. **Finance & Commercial** – there has been a significant adverse movement of £1.3m since the previous quarter. This relates to a reduction in non-recoverable homelessness expenditure. These costs are not eligible for housing benefit subsidy and are therefore recharged to the Housing Service, with a corresponding income recorded in Corporate. The decreased use of temporary accommodation has lowered non-recoverable homelessness costs, which in turn has reduced the income recognised within Corporate.

18.3. **Workforce and People** is forecasting an underspend of £460k, 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.

18.4. **ICT Operations** is currently reporting an underspend of £380k, reflecting a positive movement of £241k since the previous quarter. This improvement is the result of a combination of factors, including staffing efficiencies, infrastructure savings, and increased income.

18.5. A £171k 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.

18.6. Infrastructure costs have reduced by £197k, driven by savings across several service contracts, although this was partially offset by increased costs for Cloudflare and Microsoft licensing.

18.7. **Strategy, Performance & Sustainability** The overall budget position across the services shows a positive forecast, with notable underspends in Customer Services £215k, Organisational Development £82k and Libraries £80k. These are largely attributed to pay savings and additional income.

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

Legal & Democratic Services

18.9. The Legal & Democratic forecast is £8.326m compared with a net budget of £8.650m, an underspend of £324k (3.7%). There has been a positive movement of £272k when compared to the previous quarter.

Legal & Democratic	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Assurance	1,752	1,732	20	1.1%	16
Democratic & Elections Services	3,175	3,175	0	0.0%	0
Land Charges	(310)	(478)	168	54.2%	140
Legal Services	3,053	2,946	107	3.5%	86
Archives	981	952	29	3.0%	29
Total Directorate Budget	**8,650**	**8,326**	**324**	**3.7%**	**272**

18.10. **Land Charges** - The improved position is due to the continued increase in fee income. The volume of search requests has far exceeded budget expectations, resulting in a projected income above target. This increased activity may be linked to recent policy changes regarding council tax on second homes.

18.11. **Legal Services** – The underspend is primarily due to vacancies within the team. Additionally, the service received an award of court costs following the successful conclusion of a legal case.

Central Finance and Contingency

18.12. The forecast for central finance budgets is £434.419m compared with a net income budget of £433.713m, is a forecast underspend of £0.7m (0.2%).

Central Finance	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Our Future Council Savings	(6,000)	(710)	(5,290)	(88.2%)	(2,000)
General Funding	(32,172)	(32,845)	673	2.1%	314
Capital Financing	23,127	22,127	1,000	4.3%	1,000
Contingency	(3,259)	(7,259)	4,000	122.7%	500
Precepts/Levy	21,560	21,591	(31)	(0.1%)	0
Central Finance	(436,970)	(437,323)	354	0.1%	496
Total Central Budgets	**(433,713)**	**(434,419)**	**706**	**0.2%**	**310**

18.13. **Our Future Council programme** – see section 19.

18.14. **General Funding** – The budget comprises of the LGPS Pension Deficit, Grants and Reserve Movements. The underspend comprises improved pension deficit position of £426k and additional Education Services Grant of £247k.

18.15. **Capital Financing** – The £1.0m forecast improvement is driven by an anticipated reduction in interest costs during the year.

18.16. At the end of the 2024/25 financial year, the Council revised its Minimum Revenue Provision (MRP) calculation to better align debt repayment charges with actual asset usage while maintaining prudence. This adjustment is expected to reduce the budget requirement, creating an anticipated underspend of around £7m. However, this saving is not yet reflected in forecasts, as it is planned to be transferred to reserves and later used to support funding of Our Future Council programme.

18.17. **Contingency** - The Council's base budget included a £13m contingency, comprising £7.0m for general allocation, £4.5m for inflation, £1.0m for the Council Plan, and £0.5m for Cost-of-Living support.

18.18. There has been a transfer of £4.0m from the inflation allocation to the Our Future Council programme to offset the third party spend savings target. A further £2.5m has been allocated to the service budgets following confirmation of the Nationally agreed pay award at 3.2%.

18.19. To help mitigate the overall overspend and shortfall in savings £4.0m has been released.

18.20. **Central Finance** - These budgets incorporate income from council tax and business rates. A reduction in discretionary grants under Section 13A(1)(c) (Council Tax Relief) is anticipated, with £120k already released. Additionally, there is an estimated business rates surplus of £2.9m, of which £0.4m has been released. The remaining £2.5m is not yet reflected in the forecast, as it is expected to be required to fund Our Future Council.

19. Transformation and savings plans

19.1. **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.

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

Progress to Date – December 2025

19.3. Expectations of the savings delivery were revised in the Cabinet report presented in October 2025

Period	Cumulative workforce Reduction (£m)	Third-Party Spend Reduction (£m)	Tech rationalisation savings (£m)	Total Cashable Savings in-year (£m)	Total Cashable Savings cumulative (£m)
H2 2025/26	1.71	5.00	0.00	**6.71**	**6.71**

Cumulative workforce reduction:

19.4. Part-year workforce reductions have delivered £0.71m. Enhanced vacancy management across directorates has generated a further £1m, which are shown in directorate budgets. This totals delivered savings of £1.71m.

The full year impact of the workforce reductions is £2m which forms part of the MTFP for 2026/27.

Third-party Spend Reduction:

19.5. Through strengthened controls on third party- spend and tighter management of contract uplifts £4m has been saved. A further up to £1m is being actively pursued for delivery in the final quarter of 25/26. Confidence in achieving this remains low until the full contract spend analysis is completed and specific opportunities are confirmed. As the analysis work reaches completion confidence levels, and therefore forecast savings, may increase.

Progressing the full our future council portfolio

19.6. All Our Future Council workstreams, including the Customer Hub, Business Support Hub, Transformation Office, and Commissioning & Procurement, continue to make steady progress and are expected to contribute more substantially over the full three year programme. As new ways of working embed and enabling technologies come online, these workstreams will increasingly support delivery of the wider organisational change required. We remain committed to achieving the overarching £18.8m cumulative savings set out in the original business case. As we prepare for delivery in 2026/27 we are now aligning all change and transformation under our future council portfolio. Revised delivery plans will be presented in future meetings.

20. Savings - Adults & Housing

20.1. The Adults and Housing directorate has a savings programme in place to deliver £10.597m. At this stage, £6.719m (63%) has been achieved. Below details the progress on each of the programmes.

20.2. Since P6 reporting, further savings have been achieved within the Working Age Adults and Care Level Decision Making.

20.3. Following a full review of outstanding savings, £2.242m of savings were identified as unachievable due to the timing of programmes starts and changes in circumstances, which prevented some savings from being progressed. Those not progressed in-year have been built into future savings programmes. There are still £1.406m of savings to be achieved in the last quarter. The remaining savings are being closely monitored, and continued oversight through the Savings Delivery Board.

21. Savings – Children's

21.1. The Children's Services directorate has a savings programme to deliver £7.182m. To date, £6.7m has been achieved.

21.2. 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, in Mockingbird there are currently 5 constellations supporting 54 children and 34 fostering households. Safeguarding Families Together has been supporting 129 children from 68 families in Q3. 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.

21.3. **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.

22. Savings – Birth to Settled Adulthood

22.1. 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.

23. Savings – Place

23.1. 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.

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

23.3. 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 (£240k)

23.4. 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.

23.5. In summary, of the £4.740m savings, £1.669m can be considered as achieved with a further £2.412m subject to further ongoing monitoring (“Amber”).

24. Savings – Corporate

24.1. 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.

24.2. 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)

24.3. Progress has been made towards the additional 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 the delivery elements for this group moving to year 2 of our future council and will be aligned with ERP implementation.

24.4. 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.

24.5. 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.

24.6. 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.

24.7. The vacancy factor of £0.7m has been achieved in full.

25. Dedicated Schools Grant (DSG)

25.1. 2024/25 ended with a £37.3m overspend. At the 31 December 2025, the forecast outturn is a £55.945m overspend for 2025/26. Adding the historic cumulative deficit position, a revised cumulative deficit would be £150.261m. 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 £113.9m after DfE and Council contributions.

25.2. 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.

25.3. Until March 2028 the deficit is therefore held separately from the general fund, however, there remains an underlying cashflow pressure from carrying a £150m deficit meaning that the Council has access to £150m 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.

25.4. As the deficit grows, there will come a point at which it exceeds Council reserves, and the Council would be technically insolvent. However, the government announced a two-year extension to the statutory instrument in June 2025, and in addition, will set out their approach to SEND reform in a white paper in the early 2026.

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

26. Safety Valve

26.1. 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.

26.2. 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.

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

26.4. 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.

26.5. The DfE responded on the 20 October noting: “(Finance and Practice) Advisers noted the innovative and robust approaches you have in place to meet the needs of CYP with SEND.

26.6. However, the DfE are not yet able to recommend the resumption of Dorset’s Safety Valve payments to ministers. Three areas of consideration were presented to discuss with Dorset’s advisors.

27. Local Context

27.1. 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.

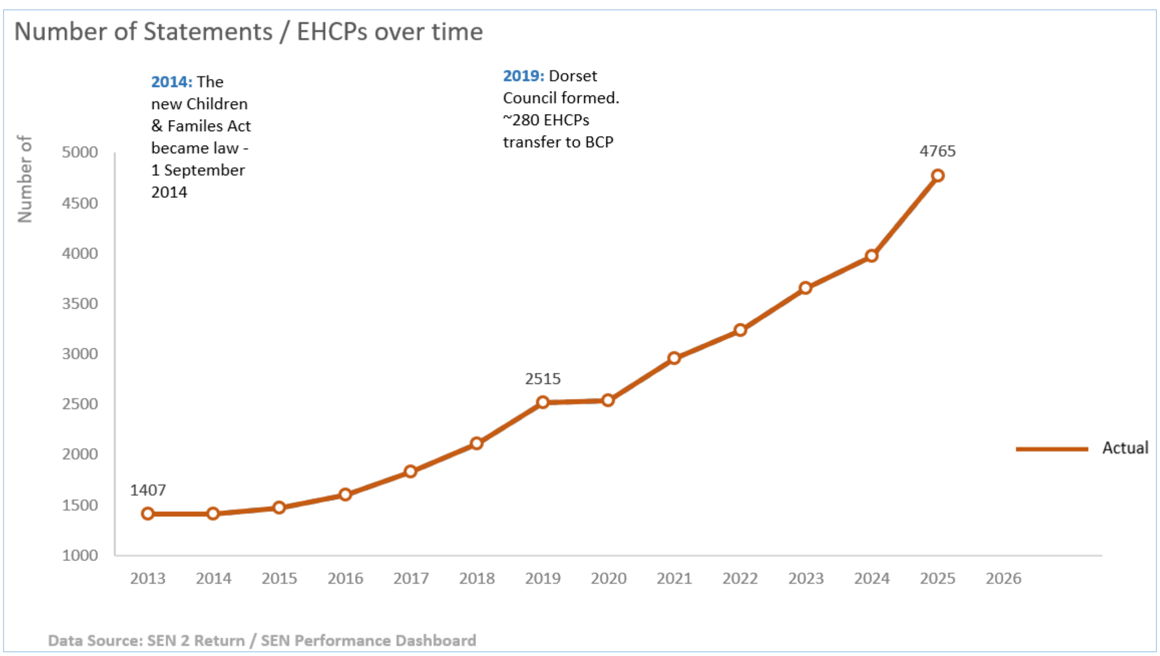


CHART 1: Number of pupils with an EHCP since 2013

27.2. There has been a notable increase in Independent Special School Placements, with current forecasts indicating 308 FTE at an average cost of £65,000. 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 £2.1m.

27.3. 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 £55.9m is the forecast position on Independent Special School Placements mentioned above.

27.4. Personal budgets and Alternative Provision pressures contribute to a further £1.7m of the overspend position as indicated by the AP tracker kept by the brokerage team.

27.5. Specialist in mainstream and costed provisions continue to be a high spend area with a current forecast overspend of £1.8m. This is partly offset by a saving of £1.3m caused by the ISOS review of special school payments not coming into effect until the next financial year but was originally budgeted for.

27.6. There is also an overspend forecast 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 difference between the accrual made and the actual amount as well as a subsequent DFE adjustment has meant a forecast overspend of £0.9m for the Early Years Block.

27.7. 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.

27.8. 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 December is still currently unavailable. This has now been added to Dorset Council's central risk register

28. Local Authority Trading Companies (LATC)

28.1. 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

28.2. 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

28.3. As of 30 September 2025, Care Dorset are reporting an operating profit of £0.013m.

28.4. The final quarter of the year will be challenging for Care Dorset to navigate in order to arrive at a small profit for the financial year. This is essential to present a robust going concern position for their year-end audit.

Dorset Centre of Excellence Ltd

28.5. The Dorset Centre of Excellence Ltd was established in June 2021. In May 2022, the Company became the leaseholder of the former St Mary's Independent School site and opened Coombe House School.

28.6. Coombe House School provides education for children with special educational needs and/or disability (SEND). The Dorset Centre of Excellence Ltd is a wholly owned company of Dorset Council.

28.7. The Company's purpose is to provide high-quality special school places for Dorset children at a fee significantly below the wider independent market. Placement fees were increased for the first time in April 2025 but remain well below the current average cost of Independent Special Schools.

28.8. The Company's financial year ends on 31 March. The accounts for the year ending 31 March 2025 have been finalised and received an unqualified (clean) audit opinion in Q2.

28.9. Turnover for 2025/26 is forecast at £8.3m (compared with £6.2m in 2024/25). Of this, £8.1m is expected to come from placement fees paid by Dorset Council (2024/25 actual £6.0m).

28.10. The Company is forecasting a surplus before tax of £1.2m for 2025/26 (2024/25 actual £736k). Due to £1,178,949 of trading losses carried forward, the anticipated corporation tax liability is expected to remain below £20k.

28.11. The Company is no longer aligned with the pupil and staffing growth assumptions set out in the revised 5-year Business Plan (March 2024). The plan assumed additional classroom capacity would be available from September

2025 following Dorset Council investment to bring further buildings into school use. This work has not yet progressed.

28.12. As a result, the School will remain at a maximum capacity of 154 pupil places until the Council-commissioned site options appraisal is completed and decisions are made regarding future development of the site.

Connect2Dorset

28.13. 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.

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

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

29.1. 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 to meet the £4.4m overspend.

29.2. This forecast use of reserves could see the Council's earmarked reserves during this financial year reducing the balance from £114m to £98m.

29.3. The General Fund Balance at the end of 2024/25 was £31.6m and is forecast to increase to £36.4m with a balanced position, with the current forecast out-turn position of £4.414m overspend the General Reserves are forecast to reduce to £32m which equates to 7.67% of net budget. The minimum operating level for the council to hold in its general fund reserves is recommended to be 5%.

29.4. Therefore the total available reserves is forecast to be in the region of £135m by 31 March 2026.

29.5. Further concern comes from the rising cumulative DSG deficit which based on the Q3 report is an unmitigated £150.261m 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.

30. Capital programme and financing

30.1. The Q3 forecast for Capital is £132.8m. which is funded through a mix of external funding and Council borrowing.

Capital Programme	
	2025/26
Full external funding	38,987
Partial external funding	47,190
Partial external funding	0
Council funded	23,150
Funded from other Reserves	0
Capital Receipts Applied	9,900
Minimum Revenue Provision	11,241
Self Funded	2,294
Total funding	**132,762**

30.2. The spend and commitments against the programme of £132.8m at 31 December 2025 was £77.1m (58%). 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.

30.3. 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	23	6,465	4,838	1,627	75%
Children's	13	10,549	7,097	3,452	67%
Place	115	106,250	63,517	42,733	60%
Public Health & Prevention	1	26	0	26	0%
Corporate	12	9,472	1,683	7,789	18%
Total	**164**	**132,762**	**77,135**	**55,627**	**58%**

30.4. The movements in the project budgets since Q2 are shown in the table below.

Directorate	Q2 Budget £,000	Adjustments £,000	Re-profiling £,000	New funding £,000	Q3 Budget £,000
Adults & Housing	9,248	(3,784)	(798)	1,799	6,465
Children's	10,549	0	0	0	10,549
Place	112,222	(6,530)	(141,541)	142,099	106,250
Public Health & Prevention	26	0	0	0	26
Corporate	10,877	120	(1,525)	0	9,472
Total	**142,922**	**(10,194)**	**(143,864)**	**143,898**	**132,762**

30.5. Changes to the Capital scheme since Q2 include the following items.

30.6. There has been a significant multi-year award from the Department for Transport in respect of the highways and bridges infrastructure for DC. This amounts to £140.8m over the next four years. This can be seen in both the reprofiling and New Funding columns for Place Directorate showing the funding coming in, and then being profiled in line with the period it covers.

30.7. There has been an adjustment of £4.5m to remove Parley West Link from the capital programme – this is a future scheme with no fixed timeframe, so will be considered and added to the capital programme when funds have been received through developer contributions and delivery becomes feasible.

30.8. Budgets have been reprofiled to more accurately reflect the timing of works and therefore spend incurred. In this quarter, this figure is dominated by the profiling of the DFT grants. Other smaller reprofiling events include: replacement of refuse collection vehicles (£2508k) Climate Schemes (£1525k) housing capital project fund (£648k) reablement centres (£505k).

30.9. It is unlikely that all aspects of the programme will be deliverable this year based on the current rate of spend, and projects managers have been actively encouraged to prioritise reprofiling at CSAMG.

30.10. The delivery of the capital programme is reviewed monthly by CSAMG.

31. Sundry debt management

New invoices for 2025/26

31.1. The total value of debts (invoices) raised between 1 April and 31 December 2025 is £189.6m, a breakdown by directorate is shown below:

Total debt raised	2025/26
	£'000
Adults & Housing	£52,849
Children's Services	£8,243
Public Health & Protection	£2,759
Place	£23,806
Corporate	£101,917
Total	**£189,574**

Overall amounts owed

31.2. Looking at debt across all years, the balance of sundry debt outstanding at 31 December 2025 was £33.5m, 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	28,153	1,032	2,016	8,514	16,591
Children's Services	804	459	53	63	228
Public Health & Protection	3	0	0	0	3
Place	3,219	1,278	313	558	1,070
Corporate	1,326	415	671	161	79
Grand Total	**33,505**	**3,185**	**3,054**	**9,295**	**17,972**

31.3. Of the £33.5m outstanding debt, £28.1m relates to Adults & Housing. This includes amounts associated with deferred payment arrangements and care services provided under gross without prejudice terms. A breakdown of these debts is later in this section.

31.4. After adjusting these the debt out, this shows active "collectable" debt, which is the debt which is subject to active recovery.

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	15,652	901	1,218	3,919	9,614
Children's Services	804	459	53	63	228
Public Health & Protection	3	0	0	0	3
Place	3,219	1,278	313	558	1,070
Corporate	1,325	415	671	160	79
Total	**21,003**	**3,053**	**2,256**	**4,699**	**10,994**

Prior year performance

31.5. At the end of 2024/25 the "collectable" debt arrears were £43.36m and to date £30.7m (71%) has been collected.

31.6. 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 31/12/2025 £,000	% collected
Pre 1 April 2019	641	64	577	10%
2019/20	777	28	750	4%
2020/21	1,203	17	1,187	1%
2021/22	1,163	-8	1,171	-1%
2022/23	1,942	151	1,790	8%
2023/24	3,247	546	2,701	17%
2024/25	34,383	29,918	4,465	87%
Total	**43,356**	**30,716**	**12,641**	**71%**

Deferred payments

31.7. 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.

31.8. 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	4,056	(176)	282	1,720	2,230

Gross without prejudice

31.9. 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.

31.10. 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	8,446	308	516	2,875	4,747

32. Write-offs

32.1. The value total write-offs processed so far this year is £130k against a collectable debt total of £21.0m, see the table below. Sufficient provision has been made to cover these debts, which represent a relatively minor portion of the total outstanding balance (0.39%).

Debts written off	**2025/26 £'000**
Adults & Housing	72
Children's Services	0
Public Health & Protection	0
Place	54
Corporate	4
Total	**130**

33. Council tax and business rates debt management

Council tax

33.1. The value of council tax debt raised in 2025/26 is £431.0m and £357.1m has been collected to date. The collection rate at 31 December 2025 is 82.88%, which is slightly less than the corresponding position from the previous year, which was 83.80%.

33.2. 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)

33.3. The value of business rates debt raised in 2025/26 is £118.5m and £98.9m has been collected to date. The collection rate at 31 December 2025 is 83.54%, which is slightly less than the corresponding position from the previous year, which was 83.66%.

Write offs

33.4. 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	102
Business rates	9
Housing Benefit overpayments	22
Total	**133**

34. Financial planning, strategy and the MTFP

34.1. 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.

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

35. Number and extent of contract exemptions

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

35.2. 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.

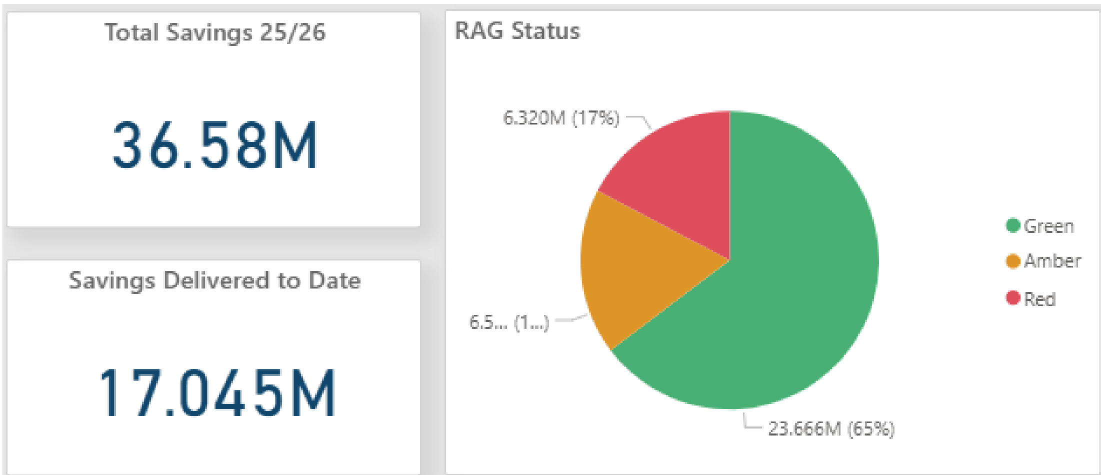
36. Summary, conclusions and next steps

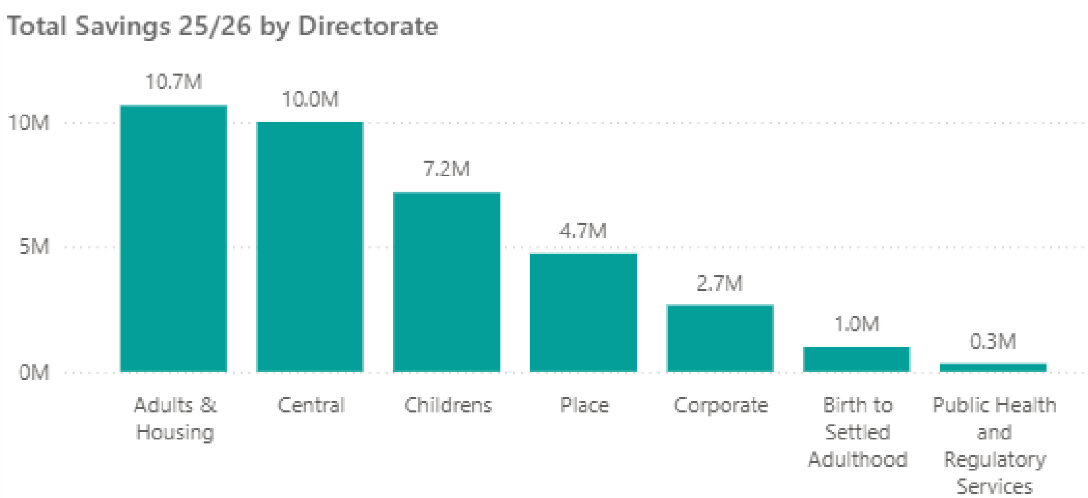
36.1. To conclude, Dorset Council's outlook for 2025/26 has improved Quarter 2 to Quarter 3 yet remains challenging, with significant pressures from rising demand, inflation, and systemic underfunding. The Council's leadership is taking decisive steps to strengthen budgetary controls, accelerate transformation initiatives, and closely monitor savings delivery across all directorates.

36.2. 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.

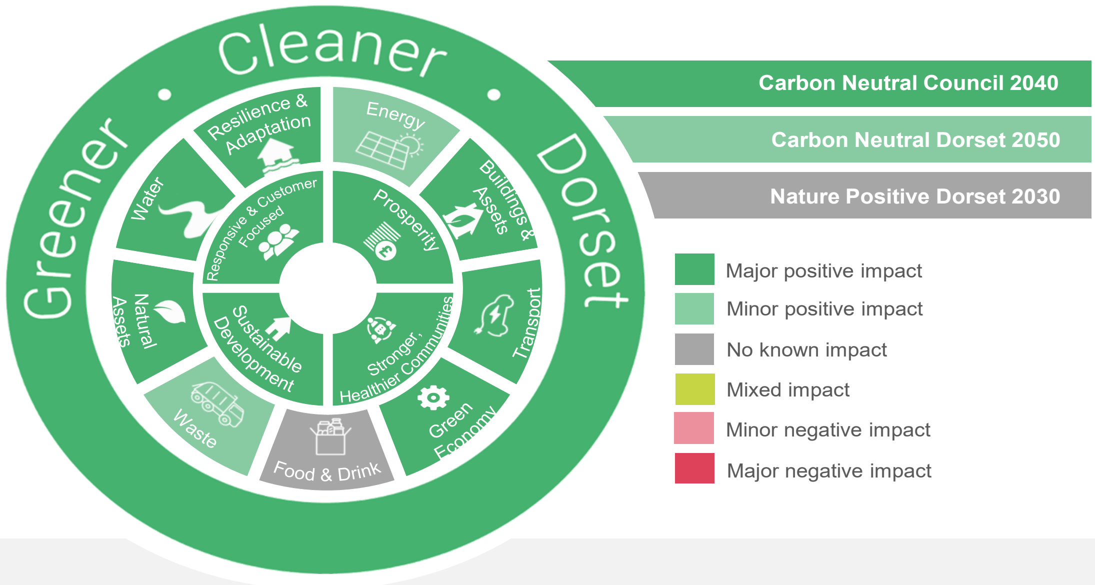
Sean Cremer
Corporate Director – Finance and Commercial (S151 Officer)

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

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.

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.

Commercial Exemptions October to December 2025.
The table below gives the data for the exemptions that have taken place between October and December = 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	1	£100,000
Place	4	£200,000
Public Health		
Total	5	£300,000

*data is correct as submitted by internal stakeholders.

There were 4 exemptions for Place during this period two relating to Dorset Travel, both relatively low value, one relating to the cold-water storage tank replacement in County Hall and the other Asbestos removal in a school.

The exemption for Corporate Services relates to Our Future Council – Digital Transformation Partner.

Commercial Exemptions April to December 2025.

The table below gives the data for the exemptions that have taken place between April and December 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	1	£100,000
Place	11	£1,100,000
Public Health	0	£0.00
Total	14	£1,320,000

*data is correct as submitted by internal stakeholders.

Many of the extensions relate to Place, approximately 70% 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.