Cabinet

23 June 2026

Draft Outturn report 2025/26

For Decision

Portfolio Holder:
Cllr S Clifford, Resources & Finance

Local Councillor(s):
All

Director:
S Cremer, Director, Resources

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Report Status: Public

This report comes to Cabinet with information about the Council's draft, unaudited financial performance for the year ended 31 March 2026 and the financial position at that date.

Recommendation:

Cabinet is asked to:

1. Note the draft revenue and capital outturn and the financial performance for the year ended 31 March 2026.
2. To approve the movement of the £0.169m surplus at the year end to general reserves.

Reason for Recommendation:

Although the report is primarily for noting the outturn position, Cabinet approval is required for the transfer of the £0.169m surplus to general reserves.

While the report does not seek Cabinet approval of the outturn, the financial position at 31 March 2026 is critical in informing the next Medium-Term Financial Plan (MTFP) update and the development of the 2027/28 and 2028/29 budget strategy, in line with the multi-year settlement announced in 2025/26.

In addition to reporting outturn, with the financial performance for the year materially complete, it is important for Cabinet to review the risks the organisation now faces and to consider areas where it wishes to make strategic investments and/or to repurpose and prioritise its reserves to facilitate these aims.

1. Financial Implications

The financial performance for the year and the position at year-end are set out in this document. The report also summarises the impact on the 2026/27 budget and the MTFP.

2. Natural Environment, Climate & Ecology Implications

The outturn for the year and the position at 31 March 2026 includes revenue and capital spend which support the delivery of the Council's climate and ecology strategies.

3. Well-being and Health Implications

The Council has total service budgets of £417m of which £260m (62%) is spent within the Adults & Housing and Children's directorates which aims to improve aspects of well-being and health across Dorset. Further resources are available through the Public Health Ring Fenced Grant allocation of £16.613m.

4. Other Implications

None specific.

5. Risk Assessment

Having considered the risks associated with in this report, the overall level of risk is assessed as:

Current Risk: Medium

Residual Risk: High

5.1 Despite the mitigations and governance framework around strategic and financial performance that the Council has in place, the S151 Officer deems the current risk to be medium due to the on-going global economic factors that could affect the Council.

5.2 The residual risk being high principally reflects the national picture and economic conditions affecting all local authorities. Pressures continue to build in the Medium-Term Financial Plan (MTFP) for demand led service delivery to support vulnerable Adults and Children and around the High Needs Block (HNB) of the Dedicated Schools Grant (DSG). The context of these risks is detailed later in this report.

6. Equalities Impact Assessment

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

7. Appendices

a) Financial Savings table

b) Climate wheel

8. Background Papers

2025/26 budget strategy report

Financial management report Period 4 2025/26

Financial management report Q2 2025/26

Financial management report Q3 2025/256

2026/27 budget strategy report

9. Executive summary

Overall financial position

9.1 This report sets out the Council's draft outturn position for 2025/26. In simple terms, the Council ended the year in a broadly balanced position, with a small underspend of £0.169m. This is significant because it is the first underspend achieved since Dorset Council became a unitary authority. However, for the reasons set out in the report this positive headline figure should be treated with caution, because several major service areas continue to face underlying financial pressure.

Service pressures and directorate performance

9.2 Children’s Services, Birth to Settled Adulthood, and Adults & Housing all overspent, mainly because of rising demand, greater complexity of need, and the high cost of care packages and placements. By contrast, areas such as Place, Corporate Development, and Legal & Democratic Services recorded underspends, which helped offset pressures elsewhere. Taken together, this shows that the Council’s overall position depends heavily on managing the budget as one council, with some departments required to mitigate continuing demand-led overspends in people services.

Dedicated Schools Grant and strategic risk

9.3 The Dedicated Schools Grant deficit remains one of the most serious long-term financial risks facing the Council. In particular, the High Needs Block continues to generate substantial overspending, resulting in a cumulative DSG deficit of £148.7m by 31 March 2026. Although accounting rules mean this deficit is held separately from the General Fund, the report explains that it still creates a real financial issue because it reduces the Council’s available cash and increases pressure on its wider financial resilience.

Savings, controls and financial resilience

9.4 Another key theme is the role of financial controls, savings delivery, and transformation activity in improving the year-end position. The report suggests that tighter spending controls and stronger in-year management contributed to the movement from a more difficult quarter 3 forecast to a small year-end surplus, an improvement of £4.6m (1.1% of the forecast). At the same time, it is acknowledged that not all planned savings were achieved, and that some savings will need to be delivered in future years. This means the outturn is positive, but it does not remove the need for continued modernisation and innovation alongside close budget monitoring.

General fund and reserves

9.5 The £0.169m underspend is proposed to be transferred into the General Fund balance, strengthening the Council’s ability to manage future uncertainty. Alongside this, the report sets out movements in earmarked reserves and explains how these reserves are used to support specific risks, commitments, and one-off spending pressures. This is a refresh to the previous percentage based approach to assessing the general fund balance.

Capital programme and financing

9.6 Similar to previous years the Council has seen some programme slippage carried forward across years. The capital budgets connects day-to-day financial performance with longer-term investment decisions about infrastructure, assets, and service transformation.

Overall conclusion

9.7 Overall, the report presents a cautiously positive message. The Council has achieved an underspend and strengthened its reserves position, which provides a firmer platform for 2026/27. Nevertheless, structural pressures remain, especially in social care and the DSG. For that reason, the outturn should be understood not as evidence that financial challenges have disappeared, but as a sign that stronger control, transformation, and strategic planning will remain essential in the years ahead.

10. Financial performance for the year

Overall performance

10.1 The financial year 2025/26 concluded with an underspend of £0.169m. This is the first underspend recorded by Dorset Council as a unitary. This underspend is recommended to be transferred to the general fund reserves.

10.2 This is an improvement of £4.6m (1.1%) against the quarter 3 forecast outturn.

10.3 Whilst this in year surplus is welcome and there is no call on general reserves, we must recognise that the net position remains challenging for our People directorates, Children's and Adults & Housing. Both nationally recognised as Outstanding and Good respectively by their regulatory bodies.

10.4 The pressures within both Children's and Adults & Housing has been mitigated by underspending positions within Place and other areas as well as the introduction of spend controls and work within services to mitigate the impact of inflation and rising demand including complexity.

10.5 Total service overspends were £0.532m as shown in the table below. For context, the service overspend in 2024/25 was £9.995m. Much of the underlying pressures associated with need and complexity will feature operationally in 2026/27 and the pre-existing and emerging transformation activity will be key to delivering on the balanced budget for 2026/27 which was approved at Full Council in February 2026.

10.6 Headline performance against budget is summarised in the table below.

Directorate	Net Current Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000		Change from December (Q3) £'000
People - Children's	92,443	96,358	(3,914)	(4.2%)	1,954
People - Adults & Housing	166,824	172,754	(5,930)	(3.6%)	(1,659)
Public Health & Prevention	3,036	3,384	(348)	(11.5%)	155
Place	102,211	94,686	7,525	7.4%	2,321
Corporate Development	43,997	42,339	1,658	3.8%	1,664
Legal & Democratic Services	8,558	8,080	478	5.6%	154
Total Service Budgets	**417,069**	**417,601**	**(532)**	**(0.1%)**	**4,588**
General Funding - including Our Future Council	(55,869)	(51,479)	(4,390)	(7.9%)	227
Capital Financing	18,761	17,703	1,057	5.6%	57
Contingency	8,858	4,797	4,061	45.8%	61
Precepts/Levy	21,560	21,591	(31)	(0.1%)	0
Central Finance	(441,754)	(441,754)	0	0.0%	(358)
Retirement costs	1,702	1,699	3	0.2%	7
Whole Authority	**(29,674)**	**(29,843)**	**169**		**4,583**
Dedicated Schools Grant budgets			(54,451)		1,493

Note: Birth to Settled Adulthood is now within the Children's directorate.

10.7 More detail on the specific Directorates is set out in the following paragraphs.

Children's Services

10.8 The Children's Services outturn was £86.692m compared with a net budget of £83.627m, an overspend of £3.065m (3.7%). This excludes B2SA, discussed later in the report.

10.9 Nationally, children's services have faced significant financial pressures, leading to widespread overspends. The Institute for Government, October 2025 Performance Tracker states:

"Children's social care is therefore eating up a substantially bigger – and growing – share of available money. In 2011/12, spending on children's social care accounted for 18% of local authority spending. By 2024/25, it had reached 27%. Note: 2025/26, including B2SA, Dorset's Children's Services accounted for 23% of the service spend.

Of the £13.3bn spent (nationally) on children's social care in 2023/24, £2.3bn was not budgeted for, amounting to a 21% overspend."

10.10 Dorset, although overspending, is not in the same position as most of other LAs. This is a reflection of Dorset Council Children's Services five-year transformation journey, demonstrated through improved gradings and assessment by external agencies, culminating in the 'outstanding' Ofsted judgement. This means that Childrens services have received the highest possible outcome in both SEND and care aspects of the service.

People Services - Children	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000		Change from December £'000
Quality Assurance	3,881	3,846	35	0.9%	35
Care & Protection	60,946	65,181	(4,235)	(6.9%)	298
Commissioning and Partnerships	8,496	8,179	317	3.7%	222
Director's Services	(4,650)	(5,160)	511	(11.0%)	293
Education and Learning	15,157	14,853	304	2.0%	304
DSG Recharges	(204)	(207)	3	(1.7%)	3
Total Directorate Budget	**83,627**	**86,692**	**(3,065)**	**(3.7%)**	**1,155**
Dedicated Schools Grant budgets			(54,452)		1,493

10.11 The outturn position was a £3.1m overspend, so there was an improvement of £1.2m between the last prediction reported to Cabinet and the outturn. The narrative below considers major variances from budgets during the year as well as any risks or other factors that need to be considered in the next iteration of the MTFP.

10.12 The budgets that are under pressure still finished the year overspent:

Pressures	£m
Homes for children in care	6.2

10.13 The budgets that were under spending still finished the year underspent:

Underspend in 2025/26	£m
Special Guardianship/Adoption/Child Arrangement Order Allowances	0.5
Care Leaver Staffing & Services including Staying Put & Supported Accommodation	0.6
Staffing underspends	1.4
Director's Services	0.5

10.14 The main causes for the £1.2m favourable movement from quarter 3 are:

Improvement between Q3 and Q4	£m
Small improvements across most areas of Care and Protection budgets, most notably Residential & Harbour Outreach Services	0.3
Underspends on the Director's Services pay & other budgets	0.3
Other improvements including pay and outdoor education income	0.6

10.15 The national trend of overspends driven by externally purchased homes for children in care is also true at Dorset Council. This area overspent by £6.5m. The number of children in care has risen particular in the first half of the year before broadly stabilising in the later part of the year, our unaccompanied asylum-seeking children have risen slightly:

	April 2025	March 2026	Change
Children in Care (excluding UASC)	397	430	+33
Unaccompanied Asylum-Seeking Children (UASC)	41	44	+3

Source: Children's Services Monthly Performance report

10.16 The externally purchased homes for children in care overspend has been partially offset by in-house fostering and residential homes underspends (£0.3m).

10.17 Some of the overspends have been offset by vacancies and carefully managing agency budgets, increases in grants, other funding, and underspending non-pay budgets.

10.18 The directorate including B2SA also delivered £7.553m (92%) of savings during the year.

10.19 There are risks carried into the 2026/27 budget that will require careful monitoring and management, particularly points outlined in this section. Additional risks include capital project delays and the subsequent impact on revenue budgets, inflation (particularly for placements and externally provided services), the long-term funding for Pathfinder, future Children's Services grant consolidation and the delivery of transformation and national reform programmes.

<u>Dedicated Schools Grant (DSG)</u>

10.20 The DSG was overspent by £54.5m. The grant is split into four blocks, and summarised in the following in table:

Block (£m)	Allocation before deductions	Outturn Variance
Schools Block	262.7	0.0
High Needs Block	60.2	(55.2)
Early Years Block	43.6	0.7
Central School Services Block	2.2	0.0
TOTAL	**368.7**	**(54.5)**

DSG - Headline position

10.21 As of 31 March 2026, cumulative DSG deficit is £148.7m. Any deficit associated with the DSG is kept off council's 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.

10.22 Whilst the deficit is therefore held separately from the General Fund, there is a cashflow pressure resulting from carrying a £148.7m deficit meaning that the Council has access to £148.7m less cash than it would otherwise. As a result, interest foregone 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.

10.23 First drafts of the Local SEND Reform Plans are due by 19th June 2026.

10.24 The historical DSG deficit experienced by most upper tier local authorities is a long and well-documented risk stemming from a change in government legislation in 2014. The number of children who require an Education Health and Care Place (EHCP) continues to rise and coupled with Dorset Special Schools reaching capacity, has seen an increase in the use of generally more expensive independent special school places.

10.25 Any reforms will take time to implement and materials from the DfE so far suggest staged implementation of the changes.

DSG - Accounting treatment

10.26 Dorset Council accounts have been produced in accordance with the Schools and Early Years Finance (England) Regulations 2020, which required local authorities to carry forward overspends of Dedicated School Grant (DSG).

10.27 On 9 February 2026, the High Needs Stability Grant was announced. This outlined proposals for central government to provide a grant to cover up to

90% of the High Needs-related DSG deficit up to 31st March 2026. The ceasing of the Safety Valve programme was also announced during the year.

10.28 Each Local Authority is required to submit a Local SEND Reform Plan. This plan requires Secretary of State for education approval prior to any grant being made available. This sits alongside announced SEND reforms announced in the SEND white paper released on 23rd February 2026.

Birth to settled Adulthood

10.29 The Birth to Settled Adulthood outturn was £9.666m compared with a net budget of £8.816m, an overspend of £0.849m (9.6%). Final budget and spend is set out in the table below.

People Services - Birth to Settled Adulthood	Net Budget £'000	Forecast Outturn £'000	Outturn (Overspend)/ Underspend £'000		Change from December (Q3) £'000
Team	2,774	2,433	341	12.3%	122
Children's	4,293	5,208	(915)	(21.3%)	(99)
Adults	2,378	2,025	354	14.9%	776
B2SA Transformation	(629)	0	(629)	(100.0%)	0
Total Directorate Budget	**8,816**	**9,666**	**(849)**	**(9.6%)**	**799**

B2SA: Team

10.30 The underspend within the B2SA team has been largely driven by in year staff vacancies.

B2SA: Children's

10.31 Need and complexity of packages for children and young people higher than budgeted.

B2SA: Adults

10.32 The 18-25 cohort reported an underspend of £0.354m, with a positive improvement of £0.766m in Q4. Of this, £0.109m relates to additional backdated CHC income agreed in March. Further improvement at year end reflects care packages that did not commence during the year. The improvement since Q3 is due to increased scrutiny and improved data accuracy in forecast projections.

B2SA Transformation

10.33 Birth to settled adulthood had a savings target of £1.0m; in-year savings of £0.371m were achieved (37%). Savings were delivered through more effective use of placements to better meet individuals' outcomes.

Adults Services & Housing

10.34 The Adults Services & Housing outturn was £172.754m compared with a net budget of £166.824m, an overspend of £5.930m (3.55%). Final budget and spend on a service-by-service basis is set out in the table below.

People Services - Adults	Net Budget £'000	Forecast Outturn £'000	Outturn (Overspend)/ Underspend £'000		Change from December (Q3) £'000
Adult Care Packages	128,640	134,655	(6,015)	(4.7%)	(2,199)
Adult Care	20,607	20,249	358	1.7%	395
Commissioning & Improvements	8,255	8,142	112	1.4%	244
Directorate Wide	1,977	2,461	(484)	(24.5%)	(142)
Housing & Community Safety	7,345	7,246	99	1.3%	44
Total Directorate Budget	**166,824**	**172,754**	**(5,930)**	**(3.55%)**	**(1,659)**

10.35 Nationally, adult social care finances remain under severe pressure, with most councils' overspending, demand and complexity increasing, and funding not keeping pace with rising costs. This has led to a growing reliance on savings programmes. In addition, pressures within the NHS, including tighter application of Continuing Healthcare (CHC) criteria and discharge requirements, are increasing demand on local authority funded care.

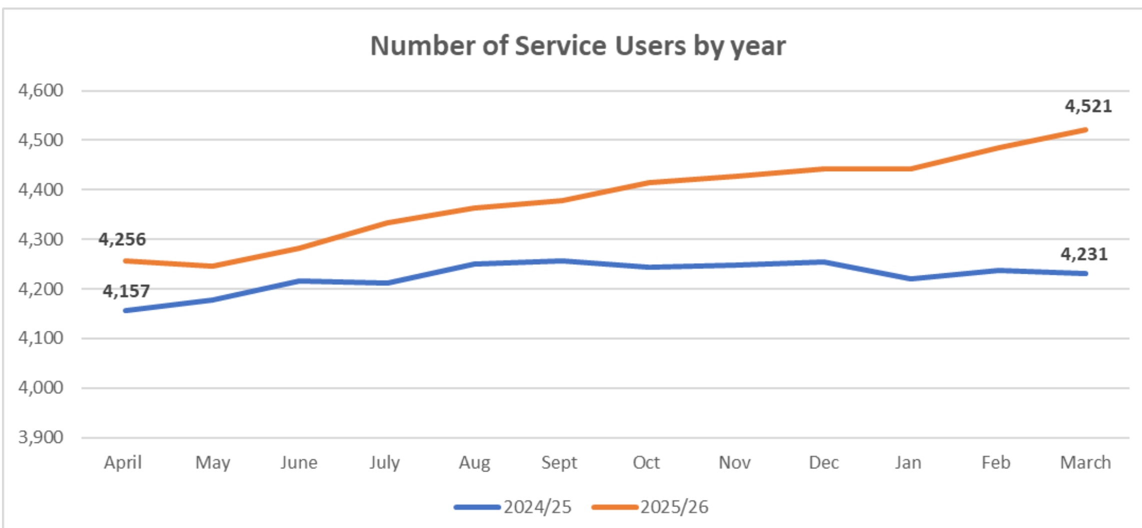
10.36 Locally, these pressures are reflected in continued budget challenges, increasing demand, and risks around provider sustainability and cost escalation. As a result, financial risk must be carefully considered in decision-making.

10.37 The table below highlights the main variances within the Adults and Housing budget.

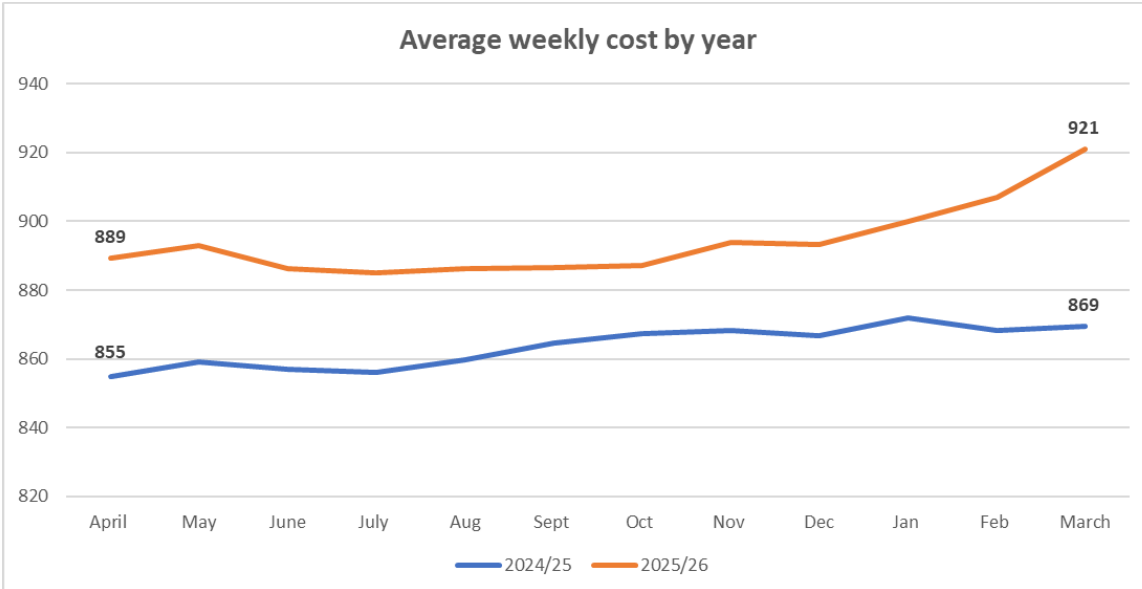
	£m
Adult Care Packages	(6.015)
Adult Care	0.358
Directorate Wide	(0.484)

Adult Care Packages

10.38 The adult social care budget supports approximately 4,536 people an increase of 265 people compared to the previous year (65 working-age adults and 215 aged 65+). This increase in activity has placed additional pressure on the budget. The total in-year cost of these additional care packages was approximately £4.975m.



10.39 Average weekly cost of care packages increased from £889 in April to £921. The combination of increased demand and elevated baseline costs continues to drive financial pressure.



10.40 In addition, there have been continued pressures relating to NHS funding, particularly in respect of Continuing Health Care (CHC) and joint funding arrangements. During the year, 18 CHC funded care packages were handed back with an in-year cost of £0.520m, with a full year effect of £1.293m. Furthermore, 30 joint funded packages ceased during the year, resulting in an in-year cost pressure of £0.569m and a full-year effect of £1.532m.

Adult Care

10.41 The Adult Care Budget ended the year with an underspend of £0.358m. This is primarily due to vacancies across the Directorate during the year, particularly within Locality and Specialist Teams. Recruitment remains a national challenge, and work is ongoing to position Dorset as an employer of choice.

Directorate Wide

10.42 The Directorate Wide overspend of £0.484m is attributable to additional legal fees relating to complex cases, alongside increased demand for Technology Enabled Care (TEC), which is a positive development in supporting care provision.

Variance from Q3

10.43 The main movements from Q3 are detailed in the table below:

People Services - Adults	**Change from December (Q3)** **£'000**
Adult Care Packages – the movement from Q3 reflects a worsening position of £1.635m, primarily due to undelivered savings and an increase of 93 additional service users.	(2,199)
Adult Care – Improvement reflects vacancies across Social Work and Specialist Services posts.	395

Savings

10.44 The Directorate had a savings target of £10.597m for the year. The total savings achieved in-year were £8.125m (77%). The savings target was challenging from the offset and, following a robust review, it was determined that a number of savings would not be deliverable within the financial year. Where appropriate, savings have been reprofiled into 2026/27 to allow for further development and implementation.

2025/26	**£000's**	**Green £000's**	**Amber £000's**	**Red £000's**
Adults & Housing	10,597	8,125	0	2,442

Public Health and Prevention

10.45 The Public Health and Prevention outturn was £3.384m compared with a net budget of £3.036m, an overspend of £0.348m (11.5%). Final budget and spend on a service-by-service basis is set out in the table below.

People Services - Public Health and Prevention	Net Budget £'000	Forecast Outturn £'000	Outturn (Overspend)/ Underspend £'000		Change from December (Q3) £'000
Community and Public Protection	3,904	4,302	(397)	(10.2%)	106
PH Joint Partnership	(285)	(285)	0	0.0%	0
Public Health	(584)	(633)	49	8.4%	49
Total Directorate Budget	**3,036**	**3,384**	**(348)**	**(11.5%)**	**98**

10.46 The Public Health grant for 2025/26 for Dorset council was £16.613m.

10.47 The final outturn for the 2025/26 Public Health Grant resulted in an underspend of £1.333m, this has been transferred to reserves to support future expenditure.

10.48 2025/26 was the first full year of operating solely as Dorset Council, following the transition from a shared service. Significant work has been undertaken to establish the Directorate, including embedding new structures, processes, and ways of working. This has involved building internal capacity, strengthening governance and oversight arrangements, and developing a more integrated and consistent approach to service delivery.

10.49 The Community and Public Protection (CPP) service ended the year with an overspend of £0.397m (10.2%).

10.50 The overspend is largely driven by the non-achievement of savings targets, shortfalls in income and wider cost pressures. There was a partial improvement in the final quarter due to additional income received.

10.51 Community and Public Protection had a savings target of £0.320m, of which £0.062m was achieved in year against operating model changes.

Place Directorate

10.52 The final Place Directorate net budget for 2025/26, after in-year adjustments, was £102.2m, and the final net spend was £94.68m, an underspend of £7.5m (7.4%).

10.53 The service position is set out in the table below, and significant variations are explained in the narrative paragraphs below the table.

Place	Net Budget £'000	Forecast Outturn £'000	Outturn (Overspend)/ Underspend £'000		Change from December (Q3) £'000
Highways	2,733	1,897	835	30.6%	(107)
Dorset Travel	42,594	39,147	3,446	8.1%	850
Flood & Coastal Erosion Risk Management (FCERM)	892	855	37	4.1%	37
Greenspace	3,029	3,120	(91)	(3.0%)	(166)
Health & Activity	158	36	122	77.0%	74
Commercial Waste & Strategy	17,305	16,158	1,147	6.6%	619
Waste - Operations	17,969	17,337	631	3.5%	400
Fleet	190	206	(16)	(8.6%)	(141)
Weymouth 2040 Ancilliaries	528	803	(275)	(52.2%)	(65)
LUF	0	43	(43)	0.0%	(43)
Economic Development	(944)	(926)	(18)	(1.9%)	112
Harbours	(923)	(883)	(40)	(4.3%)	(17)
Leisure, Arts & Cultural Services	3,299	2,779	521	15.8%	346
Directors Office	1,574	976	598	38.0%	(50)
Assets & Property	6,720	6,562	158	2.4%	158
Planning	7,090	6,575	514	7.3%	314
Total Directorate Budget	**102,211**	**94,686**	**7,525**	**7.4%**	**2,321**

Highways

10.54 The Highways function consists of three services: Network Operations, Highways Infrastructure, and Parking Services. Final 2025/26 figures are in the table below.

Place	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000	
Network Operations	4,646	4,526	120	2.6%
Highways Infrastructure	6,186	5,032	1,154	18.6%
Parking Services	(8,100)	(7,661)	(439)	(5.4%)
Total Highways Budget	2,733	1,897	835	30.6%

10.55 Network Operations had a small underspend of £0.120m. This is largely in line with expectations. This includes authorised but unbudgeted spend on highways drainage and flooding issues spending circa £350k.

10.56 Highways Infrastructure underspent by £1.154m. This is largely due to a favourable energy position under the streetlighting contract.

10.57 Parking Services ended the year at an adverse £0.439m position. Income budgets were exceeded by a small margin (£0.026m) but expenditure budgets were also exceeded, particularly with regard to unplanned emergency resurfacing work in the last quarter of the year prompted by flooding/storm damage.

Dorset Travel

10.58 The Dorset Travel budget forms a significant part of the overall Place Directorate net budget, being £42m of the overall £102m (almost 42%). Overall, the service spent £39m against the £42m, an underspend of £3.4m. The table below breaks this down further:

Place	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000	
School Transport	13,098	11,716	1,382	10.5%
Public Transport	4,324	5,709	(1,384)	(3.2%)
Operational Support	1,305	1,497	(191)	(14.7%)
SEND Transport	23,864	20,224	3,640	15.2%
Total Dorset Travel Budget	42,594	39,147	3,446	8.1%

10.59 **School Transport (mainstream) –** School transport costs increased from £11.4m in the previous year to £11.7m for 2025/26. This is an increase of 2.6%, below the average inflation rate for the year. Numbers of solo routes have dropped (from 12 to 3, from one academic year to the next) and effective route optimisation by the team (including use of new software system) has greatly assisted cost control.

10.60 **SEND Transport –** The Dorset Travel team have been able to contain increasing volumes of children within a 2.5% increase (spend of £20.2m in comparison to £19.7m in the prior year). Notably, previous years increases were 44.5% and 17% for 2022-23 and 2023-24 respectively. This is despite client numbers increasing by 8%. The SEND Travel Reviewing team have absorbed the growth via seat occupancy improvements, merging of routes, and reduction in solo routes, which has meant that overall cost increases have been lower than budgeted.

10.61 **Public Transport –** The main cost pressure within Public Transport is the cost of Concessionary Fares, with spend of £4.6m against a budget of £3.5m.

Waste – Commercial and Strategy

10.62 Waste Strategy finished with an outturn of £16.158m against a net budget of £17.305m, an underspend of £1.147m. The table below shows the breakdown by service.

Place	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000	
Commercial Waste & Strategy General	(1)	(1)	0	0%
Waste Disposal	18,931	18,187	744	4%
Premises	455	481	(26)	(5.8%)
Management & Admin	1,676	1,622	54	3%
Garden Waste	(2,301)	(2,430)	128	5.6%
Trade Waste	(1,348)	(1,628)	279	21%
Container Charging	(107)	(73)	34	32%
Total Waste – Commercial and Strategy Budget	17,305	16,158	1,147	6.6%

10.63 The waste disposal budget ended the year at £744k overspent. As reported during the year, there were adverse variances on recyclate price (including glass) but offset by savings due to lower than expected tonnage volumes observed through the year. There may be a variety of factors contributing to this, such as wider economic conditions (e.g. cost of living), modernising approaches from manufacturers with regards to packaging, and customer behaviour on the back of educational campaigns. There were significantly lower than profiled tonnages / spend on the Green waste budget due to the exceptionally dry and hot weather in Spring and early Summer that impacted organic growth.

10.64 The income generating services of garden waste, trade waste, and container charging collectively exceeded targets by £441k. All other variances within Waste – Commercial and Strategy were minor.

Waste Operations

10.65 The 2025/26 budget was £17.969m, and, in line with the reporting during the year, the final position was a small underspend, of £0.631m, which is around 3.5% of budget. Transport related costs were the major part of this, with an underspend on leased vehicles of £273k and an underspend on vehicle fuel of £157k. Income was also positive, at £115k over budget. Other operational variances were minor.

Weymouth 2040

10.66 The revenue aspects of the Weymouth 2040 programme overspent by £275k; however this was done with the approval of the Executive Director, with awareness that the overall Directorate budget had capacity to fund this strategic priority programme.

Directors Office

10.67 Directors Office shows an underspend of £0.598m. This is primarily funds accrued from the reduction of posts across the Directorate.

Planning

10.68 The Planning function consists of seven services: Final 2025/26 figures are in the table below.

Place	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000	
Conservation	1,196	1,105	91	7.5%
Devt Management	769	580	188	24%
Spatial Planning	3,628	3,471	157	4%
Planning Management	46	36	10	2%
Building Control	586	621	(35)	(6%)
Environment Policy	662	558	104	16%
National Landscape (formerly AONB)	204	204	0	0
Total Planning Budget	7,090	6,575	514	7.3%

Reporting throughout the year has focused on the volatility of planning income, which can adversely affect the Development Management and Building Control service. The forecast at the end of Quarter 3 was £200k favourable, but the final quarter saw better income than expected and ended at £514k favourable.

Corporate Development

10.90 Overall, the Corporate Development outturn is £42.339m compared with a net budget of £43.997m, an underspend of £1.658m (3.8%). Corporate Development remained committed to supporting the Council's budget position and maintained spend control measures throughout the year.

Corporate Development	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000		Change from December £'000
Financial & Commercial	6,819	6,849	(29)	(0.4%)	1,251
Workforce & People	2,157	1,667	490	22.7%	30
ICT Operations	8,985	8,662	323	3.6%	(58)
Chief Executive's Office	1,132	1,082	50	4.4%	58
Directors Office	115	106	9	8.0%	9
Strategy, Performance and Sustainability	6,633	6,437	197	3.0%	(264)
Customer Hub	11,049	10,768	281	2.5%	281
Business Support	611	486	125	20.4%	125
Digital Change	1,553	1,353	201	12.9%	169
Transformation, Customer & Cultural Services	4,942	4,930	12	0.2%	62
Total Directorate Budget	**43,997**	**42,339**	**1,658**	**3.8%**	**1,664**

10.91 **Finance & Commercial** has reported an outturn overspend of £0.029m. The favourable movement of £1.251m since the previous period is largely due to Revenues & Benefits transferring to the new Customer Hub in February (£0.938m), with the remaining movement reflecting confirmation that commitments relating to external audit fees from prior years are no longer payable.

10.92 **Workforce & People** is reporting an underspend of £0.490m, largely driven by savings in pay-related costs of £0.373m. The remaining underspend comprises £0.098m in non-pay savings and £0.019m of additional income.

10.93 **ICT Operations** has an underspend of £0.323m. This comprises pay savings of £0.231m, additional income of £0.022m, and underspends on infrastructure costs of £0.263m. These are partly offset by overspends, including Public Digital Cyber Assurance (£0.082m) and ERP consultancy work (£0.093m).

10.94 **Strategy, Performance and Sustainability** is reporting an underspend of £0.197m. The movement of £0.264m since the previous period is mainly attributable to the transfer of Libraries (£0.080m) and Customer Services (£0.215m) to the new Customer Hub.

10.95 **The Customer Hub** was launched in February, bringing together Customer Services, Libraries, and Revenues & Benefits from across the Council. The service is reporting an underspend of £0.281m, mainly driven by pay savings across these areas.

The favourable movement of £0.281m since the previous period is mainly due to higher than forecast Housing Benefit subsidy received compared to payments made to claimants, replacing the £0.780m overspend previously forecast within Finance & Commercial.

Legal & Democratic Services

10.96 The Legal & Democratic outturn was £8.080m compared with a net budget of £8.558m, an underspend of £0.478m (5.6%).

Legal & Democratic	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000		Change from December £'000
Assurance	1,750	1,703	47	2.7%	28
Democratic & Elections Services	3,212	3,133	79	2.5%	79
Land Charges	(308)	(548)	240	78.0%	72
Legal Services	3,038	2,979	60	2.0%	(47)
Archives	865	814	51	5.9%	22
Total Directorate Budget	**8,558**	**8,080**	**478**	**5.6%**	**154**

10.97 The Land Charges Service reported the most significant underspend of £0.240m, primarily due to a significant increase in income.

Central budgets

10.98 The outturn for central budgets is £447.444m compared with a net income budget of £446,743m, which is a net surplus of £0.701m (0.2%). The majority of savings / over recoveries are welcome and have been essential to reduce the impact of service overspends.

Central Finance	Net Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000			Change from December £'000
Our Future Council Savings	(6,000)	(710)	(5,290)	(88.2%)		0
General Funding	(49,869)	(50,769)	900	1.8%		227
Capital Financing	18,761	17,703	1,057	5.6%		57
Contingency	8,858	4,797	4,061	45.8%		61
Precepts/Levy	21,560	21,591	(31)	(0.1%)		0
Central Finance	(440,053)	(440,055)	3	0.0%		(351)
Total Central Budgets	**(446,743)**	**(447,444)**	**701**	**0.2%**		**(5)**

10.99 **Our Future Council,** this programme delivered £0.710m of in year workforce savings. £1.0m of additional workforce savings are reported within the Directorates, supported by OFC. £4.0m of third-party savings were released from Contingency.

10.100 **General Funding** is showing an underspend of £0.900m. This is the result of an improved pension deficit position of £0.426m and additional Grant income received.

10.101 **Capital Financing** is showing a £1.057m underspend, this is driven by a reduction of interest costs during the year, reflecting reduced borrowing requirements due to slippage in the capital programme.

10.102 **Contingency** the budget has been released in line with its purpose, to offset the now confirmed additional cost of the pay award and inflationary pressures across the Council, in addition £4.0m of it was released to support OFC 3rd party savings.

10.103 **Central Finance** is reporting an underspend of £0.003m. During the year, there was a £0.142m shortfall in council tax income relating to the cost of discretionary relief; however, this has been more than offset by a business rates surplus of £3.1m against budget. The majority of this surplus has been transferred to the NNDR Business Rate Equalisation reserve, which can be used to mitigate the impact of future deficits on the budget.

11 General fund position and earmarked reserves at year-end

11.0 The 2025/26 outturn shows an underspend of £0.169m, which is recommended to be transferred to the General Fund balance. This contribution helps strengthen the Council's overall financial resilience, providing additional capacity to manage future financial risks and uncertainties.

11.1 The outturn position for the general fund balance is set out below. During the year, £4.3m was added to support the general fund position, including the £0.169m underspend.

11.2 An annual review of risks has been undertaken. Consideration has been given to the financial magnitude of a range of financial risks and the likelihood of the risk occurring. The total overall exposure has been estimated to be £32m given the weightings and assumptions used. The general fund reserves at £35.9m therefore are felt to be adequate.

11.3 In addition to this exercise, there are also a number of risks identified we already have specific earmarked reserves set aside to mitigate against potential exposure.

	Balance 1 April 2025 £'000	Movement £'000	**Balance 31 March 2026 £'000**
General Fund Balance	31,632	4,351	**35,983**

11.4 The outturn position for the Council's earmarked reserves is set out below.

	Balance 1 April 2025 £'000	Movement in year £'000	**Balance 31 March 2026 £'000**
General Fund			
(A) Financial strategy	16,080	9,374	**25,454**
(B) PFI Reserves	5,322	(616)	**4,706**
(C) Insurance Reserve	2,033	488	**2,521**
(D) Trading Account Reserves	317	(41)	**276**
(E) Transformation Fund	547	(547)	**-**
(F) Other Reserves	14,566	(3,319)	**11,247**
(G) Repairs & maintenance	1,751	(3)	**1,748**
(H) Unused Grant Funds	37,150	5,870	**43,020**
(I) Infrastructure related	5,880	(253)	**5,627**
(J) Innovation	524	47	**571**
Sub-total	**84,170**	**11,000**	**95,170**
(K) Section 31 Grant Reserve	11,000	1,883	**12,883**
(L) Public Health	1,348	434	**1,782**
(M) DSG recovery plan funding	17,495	(314)	**17,181**
Total Revenue Reserves	**114,013**	**13,003**	**127,016**

11.5 The most significant transfers from reserves during the year include.

- Transformation Investment Fund £2.4m
- PFI Contributions £1.5m
- Fire Compliance £1.0 m
- Dorset Care Record £1.0m
- S38/S278 Developer Fees £0.8m
- Public Health £0.7m
- Developer Contributions £0.7m
- Planning Reserve £0.6m
- Homes for Ukraine £0.6m
- DSG £0.6m
- S256 Hospital Discharge £0.6m
- Cost of Living £0.5m

11.6 The most significant transfers **to** reserves in the year include:

- MRP 2025/26 £7.4m
- NNDR Business Rate Equalisation £3.1m
- Dorset Care Record £2.2m
- Public Health Reserve £1.1
- Weymouth Harbour £1.1m
- Fire Compliance £1.0m
- Transformation Investment Fund £0.9m
- Public Finance Initiative (PFI) schemes £0.9m
- Domestic Abuse Funding £0.8m
- Support for Homelessness £0.8m
- Support for Climate £0.8m
- Innovation Park £0.6m
- Children's Early Help £0.6m
- Insurance Fund £0.5m

11.7 This section summarises the Council's DSG deficit position and DSG recovery reserve. The previous Safety Valve programme has been replaced by the High Needs Sustainability Grant.

11.8 Applying the DfE's methodology, the adjusted DSG deficit at 31 March 2026 is estimated at £147.169m. After taking account of Safety Valve funding received (£23.750m) and Dorset contributions (£15m), around 90% of the deficit is expected to be met through the grant. Assuming a continued 10% Dorset contribution for future deficits accrued the total requirement to March 2028 is £18.816m. Against the DSG Recovery Reserve of £17.495m, this indicates a small projected shortfall of £1.321m which may need to be identified by March 2028.

Capital outturn and financing

11.9 The movements in the project budgets since the quarter three report are shown in the table below:

Directorate	Q3 Budget £,000	Adjustments £,000	Re-profiling £,000	New funding £,000	Q4 Budget £,000
Adults & Housing	6,465	941	(60)	120	7,466
Children's	10,549	10,450	(9,184)	0	11,815
Place	108,758	2,640	(24,506)	5,387	92,279
Public Health & Prevention	26	0	0	0	26
Corporate	9,472	(2,509)	(2,150)	0	4,813
Total	**135,270**	**11,522**	**(35,900)**	**5,507**	**116,399**

Note: reprofiling shown as a negative (-) value refers to reprofiling spend to later years. This is based on the latest estimates and project progress, provided by project managers.

11.10 Capital outturn as at 31 March 2026 is shown in the table below:

Directorate	No. of projects	Project Budget £,000	Spend £'000	Variance £'000	% Spent
Adults & Housing	23	7,466	5,893	1,573	79%
Children's	18	11,815	8,688	3,127	74%
Place	135	92,279	59,140	33,139	64%
Public Health & Prevention	2	26	0	26	0%
Corporate	12	4,813	2,027	2,786	42%
Total	**190**	**116,399**	**75,748**	**40,651**	**65%**

11.11 The capital projects exceeding £2.0 million in value, which account for 67% of the total capital expenditure for 2025/26, are detailed below:

Project Name	Spend £'000
DFT Highways Allocation	29,556
Dorset Waste Infrastructure - Blandford site	7,535
SEND capital strategy	4,671
LUF Weymouth Peninsula	3,841
Dorset Council Fleet Replacement Programme	2,841
Modernising Schools Programme	2,831
Total	**51,275**

11.12 Changes to the Capital scheme since the quarter three report include the following items.

11.13 There have been adjustments of £1.057m (increase). These primarily relate to additional funding of £5.0m for the Weymouth Harbour and Esplanade FCRM scheme, revenue contributions to capital of £1.034m for the Warm Homes Local Grant, and £0.373m for the Shared Prosperity Fund. These increases are partly offset by the removal of budgets for the Broadband Schemes (£2.2m), ICT Application Portfolio Management (£1.5m), the Swanage Beach Coastal Protection Scheme (£1.5m), and the DCIA Wessex budget (£0.409m).

11.14 There has been re-profiling of £26.6m into future years to more accurately reflect the timing of expenditure. The most significant items include Highways Corporate funding (£8.34m), the Weymouth Harbour and Esplanade FCRM Scheme (£5.0m), the Local Nutrient Mitigation Fund (£3.1m), Refuse Collection Vehicles Replacement (£2.5m), the flexible use of capital receipts for ERP replacement (£1.6m), front of house County Hall capital works (£1.54m), the Innovation Park capital programme (£1.5m), and match funding for Weymouth Harbour Walls remediation (Walls F and G urgent works) (£1.34m).

11.15 There has also been confirmation of £5.0m of new external funding. This includes £2.0m for the Bus Stop Improvement Programme (previously agreed but now reflected in the capital programme), £0.737m for other Highways projects (capital funding identified as part of closedown), £0.500m for the Redlands 3G Project (capital receipts allocated to the project), and £0.323m for ITS (Traffic Signals) asset replacement.

11.16 The position on the capital programme is reviewed by the Capital Strategy and Asset Management Group (CSAM) throughout the year.

12 Sundry debt management

12.0 The total value of invoices raised in 2025/26 is £282m, a breakdown by directorate is shown below.

Total debt raised	2025/26 £'000
Adults & Housing	81,764
Children's Services	10,631
Public Health & Protection	8,247
Place	37,279
Corporate	144,083
Total	**282,003**

12.1 As at 31 March 2026 the balance outstanding was £41.8m; this is an increase of £8.2m when compared to the quarter three position. The table below shows a breakdown of the aged debt. Overall, £9.8m of the £41.8m is less than 30 days old, therefore considered current.

12.2 The breakdown of the total sundry debt is as follows:

Directorate	Total	Less than 30 days	30-90 days	90-365 days	Over 365 days
	£'000	£'000	£'000	£'000	£'000
Adults & Housing	33,256	4,835	3,166	8,044	17,210
Children's Services	834	550	99	94	92
Public Health & Protection	17	14	0	0	3
Place	5,089	2,471	385	1,062	1,171
Corporate	2,555	1,985	82	394	94
Grand Total	**41,751**	**9,855**	**3,733**	**9,593**	**18,571**

12.3 £33.3m of the £41.8m of outstanding debt is within Adults & Housing. Of which, some relates to deferred payment arrangements or care provided through gross without prejudice. The totals for each are set out later in this section. As a result this is not yet collectable.

12.4 After adjusting for these, the debt currently collectable debt which is subject to active recovery is as follows:

Collectable Debt					
Directorate	Total	Less than 30 days	30-90 days	90-365 days	Over 365 days
	£'000	£'000	£'000	£'000	£'000
Adults & Housing	20,731	4,216	2,133	3,593	10,789
Children's Services	834	550	99	94	92
Public Health & Protection	17	14	0	0	3
Place	5,089	2,471	385	1,062	1,171
Corporate	2,554	1,985	82	393	94
Total	**29,225**	**9,236**	**2,699**	**5,141**	**12,149**

12.5 Prior year

Prior year arrears	Amount owed 31/03/2025 £,000	Collected in year £,000	Amount outstanding 31/03/2026 £,000	% collected
Pre 1 April 2019	641	174	467	27%
2019/20	777	-28	805	-4%
2020/21	1,203	27	1,176	2%
2021/22	1,163	-28	1,191	-2%
2022/23	1,942	176	1,766	9%
2023/24	3,247	551	2,696	17%
2024/25	34,383	30,341	4,042	88%
Total	**43,356**	**31,214**	**12,142**	**72%**

12.6 At the end of 2024/25 the total Collectable Debt arrears was £43.3m, this has reduced by £31.2m (72%). This demonstrates the effectiveness of the Council's debt recovery processes to secure income that funds service delivery.

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

Deferred Payments					
Directorate	Total £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	4,896	201	686	1,496	2,514

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

Gross Without Prejudice					
Directorate	Total £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	7,630	418	348	2,956	3,908

12.9 Gross without prejudice numbers and accrued debt has increased year on year as per below:

	31 March 2023	31 March 2024	31 March 2025	31 March 2026
Number of cases	106	156	139	129
Accrued debt £'000	4,476	6,984	8,063	7,630

12.10 The reduction in year of accrued debt is largely attributable to a decrease in the number of cases and improved management of individuals' financial affairs. While it can take time to fully understand a person's circumstances, stronger oversight and progress in resolving cases have supported a reduction in the overall debt position.

12.11 Although the Court of Protection process remains time consuming, there still remains a continued focus on progressing applications and resolving cases.

12.12 **Write-offs** processed during the year are detailed in the table below. These are covered by sufficient provisions and represent a relatively small proportion of the total outstanding debt (1.07%).

Debts written off	2025/26
	£'000
Adults & Housing	238
Children's Services	137
Public Health & Protection	0
Place	69
Corporate	4
Total	**448**

13 Local taxation

Council tax

13.0 The value of council tax debt raised in 2025/26 was £430.6m and £409.5m was collected in the year. The collection rate as at 31 March 2026 was 95.09%, which is slightly less than the previous year's rate 96.03%. The previous years collection rate was 0.03% above the unitary average. Average collection figures will be available later in the year to see whether this reduction was seen nationally. Although the collection rate has reduced, total cash collected has increased by £30.966m

Business rates (non-domestic rates – NNDR)

13.1 The value of business rates debt raised in 2025/26 was £118.1m and £112.8m was collected in the year. The collection rate at 31 March 2026 was 95.52%, this is a reduction on the previous year's rate 96.36%. Although the collection rate has reduced, total cash collected has increased by £12.704m

13.2 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	177
Business rates	7
Housing Benefit Overpayments	97
Total	**281**

14 Financial planning, strategy and the MTFP

14.0 Over the coming months, the Council will refresh its Medium-Term Financial Plan (MTFP) and develop a budget strategy and service plans aligned to the welcomed, but challenging, multi-year funding settlement. Recent budget cycles have been characterised by significant volatility, and a similar level of uncertainty is expected for the year ahead, particularly in relation to inflation, market conditions, service demand, and workforce pressures.

14.1 The economic environment remains challenging. Inflationary pressures continue both nationally and globally, driven by geopolitical instability and market uncertainty. Workforce availability—particularly within the care and social worker sectors—remains a key constraint and is likely to impact service delivery and transformation activity across multiple areas. The multi-year settlement allows long term planning to tackle these challenges.

14.2 An initial update to the refreshed MTFP financial model will be presented to Cabinet in November. This will seek endorsement of key planning assumptions and service plans for the forthcoming financial year and provide an updated longer-term financial outlook.

15 Summary, conclusions, and next steps

15.0 The 2025/26 financial year continued to present significant challenges, with inflation and rising demand placing sustained pressure on service budgets. In particular, Children's and Adults' services remain areas of acute financial pressure both locally and nationally, driven by increasing demand, complexity of need, and cost escalation.

15.1 Against this backdrop the Council has achieved a positive overall financial position, reporting a small underspend of £0.169m at year-end, which is its first recorded underspend as a Unitary. This represents an improvement from the Quarter 3 forecast and reflects strong financial management, including underspends in other service areas and concerted action to mitigate cost pressures.

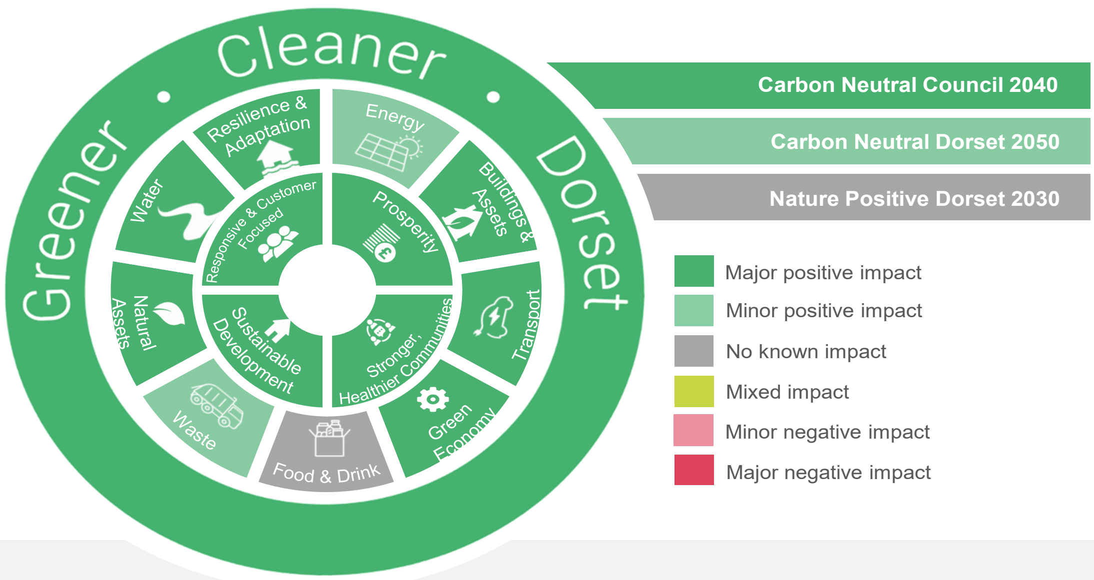
15.2 While the improved outturn position is welcome, underlying pressures remain, particularly within People services, and continued focus will be required to ensure that budgets are delivered sustainably in 2026/27 and beyond. Transformation activity and demand management will be critical to maintaining financial balance and becoming a Modern Sustainable Unitary.

Appendix A

The table below shows the final savings position for 2025/26.

2025/26		Green	Amber	Red
	£000's	£000's	£000's	£000's
Adults & Housing	10,597	8,125	0	2,442
Childrens	8,182	7,553	0	629
Place	4,740	3,163	0	1,577
Central	10,000	0	1,000	9,000
Corporate	2,669	2,102	0	567
Total Savings Plans	**36,188**	**20,943**	**1,000**	**14,215**

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