

Audit & Governance Committee

29 June 2026

Financial Statements for the year ended 31 March 2026 – Dorset Council and Dorset Pension Fund

For Information

Cabinet Member:

Cllr S Clifford, Resources & Finance

Local Councillor(s):

All

Senior Leadership Team:

S Cremer - Director, Resources

Report author and job title:

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Statutory Authority:

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

1. Executive summary (maximum of 500 words)

- 1.1 The Draft Financial Statements for Dorset Council and the Dorset Council Pension Fund, as at 31 March 2026, are presented to the Audit and Governance Committee as part of the Council's statutory financial reporting process. These statements provide a comprehensive summary of the Council's financial performance and position for the year, including income, expenditure, assets, and liabilities, along with disclosures relating to the Pension Fund's activities and financial standing. Presenting the draft accounts at this stage enables Members to review the key financial outcomes and consider any significant movements prior to the completion of the audit.
- 1.2 The draft statements will now be subject to independent examination by the Council's external auditor, Grant Thornton, who will review the accounts to provide assurance that they present a true and fair view and have been

prepared in accordance with relevant accounting standards and legislation. The audit process also supports transparency and accountability, ensuring that appropriate financial controls and governance arrangements are in place. Following the completion of the audit, any amendments required will be reported back to the Committee, alongside the auditor's findings and opinion.

2. Recommendation(s)

- 2.1 That the Audit and Governance Committee note the Draft Financial Statements for Dorset Council and the Dorset Council Pension Fund as at 31 March 2026, prior to completion of the audit.

3. Reason for the recommendation(s)

- 3.1 To ensure transparency, effective governance, and timely oversight of the Council's financial position, the Audit and Governance Committee is asked to formally note the Draft Financial Statements for Dorset Council and the Dorset Council Pension Fund for 2025/26. This provides Members with the opportunity to review the unaudited accounts ahead of external audit, supporting their responsibility to scrutinise financial reporting.

4. Report sign-off

- 4.1 This report has been through the internal report clearance process and has been signed off by the Director – Assurance & Governance (Monitoring Officer), the Director - Resources (Section 151 Officer) and the appropriate Portfolio Holder(s).



Dorset
Council

Financial Statements 2025 - 2026

dorsetcouncil.gov.uk

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ISBN 978-1-84-495065-4

Introduction

I am proud to present the Statutory Financial Statements for Dorset Council for the period from 1 April 2025 to 31 March 2026.

The Statement of accounts provide information so that members of the public, including electors and residents, Council Members, partners and other interested parties can:

- understand the overarching financial position of the Council;
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- be assured that the financial position of the Council is sound and secure.

The accompanying Narrative Statement is designed to provide context and enable interested parties to understand how the Council operates, its strategic direction, how we are performing and how we work to ensure we operate as a Modern, Sustainable Unitary Council and are economical, efficient and effective with our use of the resources available. It also provides explanations of the core financial statements, their purpose and the relationship between them.

The Council delivers a broad range of services to the residents of Dorset, including education, social care, housing, transport, planning, trading standards, and library services. Decisions about these services are made by elected Councillors, each representing a specific area of the county. Services within Bournemouth, Christchurch and Poole are the responsibility of a separate unitary authority, which operates independently to serve those areas.

The Council's formal decision-making and governance structure comprises Full Council and the Executive (Cabinet), supported by four outcome-focused overview and scrutiny committees (People and Health, and Place and Resources), along with the Joint Overview Committee and Joint Scrutiny Committee.

Each has clearly defined terms of reference aligned to oversight of the Council's Corporate Plan and delivery performance. These arrangements support monitoring against the Council's four strategic priorities: providing high-quality and affordable housing; growing the economy; supporting communities for all; and responding to the climate and nature crisis.

Each of these committees meets formally on a quarterly basis to provide support and challenge, with the ability to convene additional meetings where required. The Audit and Governance Committee also plays a key role in overseeing the Council's conduct, as well as its financial management, risk, performance, and constitutional matters.

The Council's remaining statutory functions continue to be delivered through established arrangements, including Planning Committees, School Appeals, and other regulatory processes. Further details about the Council are available at dorsetcouncil.gov.uk.

Certification by Chief Financial Officer

I certify that these Financial Statements give a true and fair view of the financial position of Dorset Council and of its financial performance for the year ended 31 March 2026.

These Financial Statements for 2025/26 were authorised by the CFO for issue as a draft, subject to audit, on 17 June 2026.



Sean Cremer
Director – Resources
(Chief Financial Officer & s151 Officer)

Audit Opinion

Intentionally blank, until completion of audit and publication of the final Accounts.

Audit Opinion

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Introduction

The accounts summarise the Council's performance and financial position for the year ended 31 March 2026. The Council is required to prepare the annual statement of accounts in accordance with the Accounts and Audit Regulations 2015 (as amended), supported by International Financial Reporting Standards (IFRS), other statutory guidance and generally accepted accounting practices.

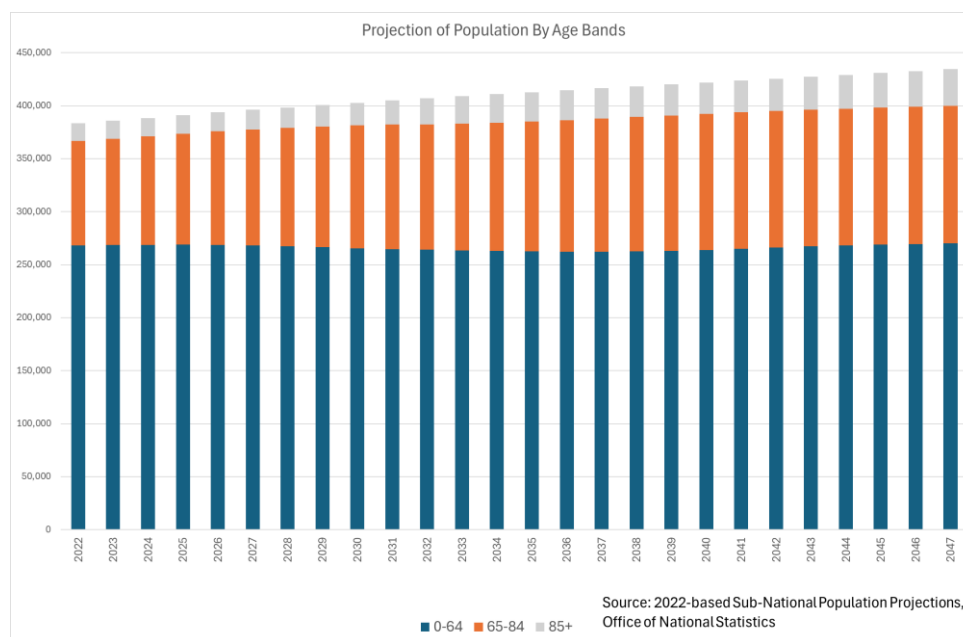
About Dorset

Population

Population data consists of annual mid-year estimates which are produced retrospectively, and population projections which are normally updated every other year. The most recent mid-year population estimate is for 2024 (389,900). The most recent set of projections are from a 2022 baseline and show that the Council provided services to a projected population of 391,100 in 2025 (compared to a projection of 388,400 in 2024).

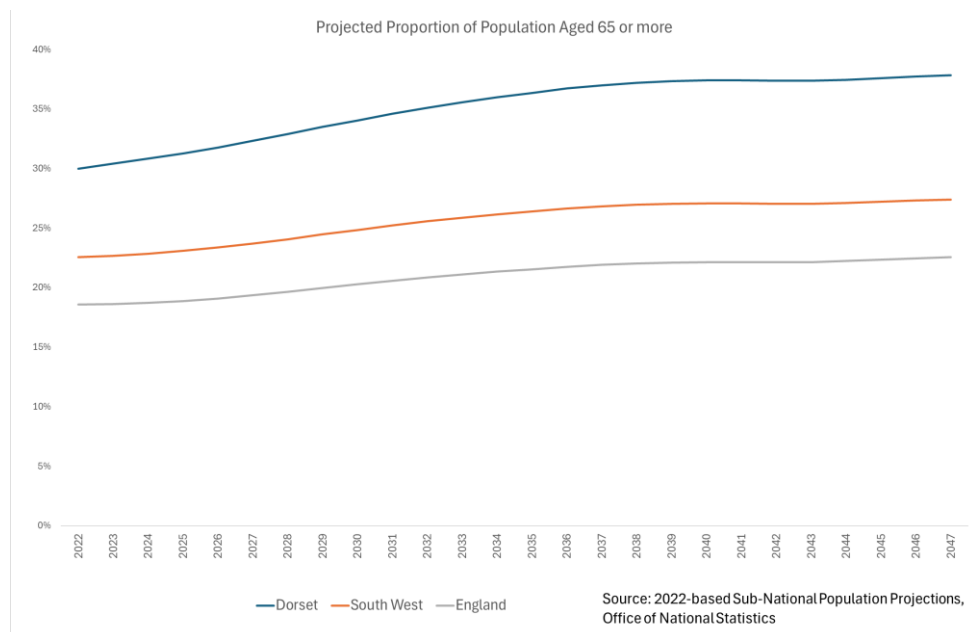
The 2024 population data showed that 30.5% of Dorset's residents are aged 65 and older, compared to 18.7% in England as a whole. Dorset is an attractive place, and many people choose to retire here. It has a large population of older people – the highest proportion of the population in any English local authority with social care responsibilities - and relatively low birth rates. Population projections from the Office of National Statistics show that the over 65 population is likely to grow significantly in the next two decades. As people age, we often need more health and care support, which, unless addressed at an early stage, can put more pressure on already-stretched services. Younger people often move away from the area away due to lack of opportunities, low wages and high housing costs. Although Dorset's working age population is expected to see a marginal growth, this is mainly due to increasing numbers of residents aged 40-64.

Projections summarised in the chart below show the population of Dorset's residents in age bands. In 2025, 27% were projected to be between 65 and 84 years of age, and 5% 85 or more years of age. These numbers are steadily growing, with an estimated 30% being between 65 and 84 years of age, and 8% 85 years of age or more by 2047.



Narrative Statement

The chart below shows the projected proportion of the population aged over 65 between 2022 and 2047, compared to regional and national averages.



Economy

The Dorset Council area has a significant economy incorporating 20,000 businesses, generating over £8.45 billion of Gross Value Added (GVA - a measure of the value that producers add to goods and services they buy, and is a key indicator of a country's economic performance) and supporting 145,000 jobs.

Dorset's economy is based on fairly traditional industries such as agriculture, retail, coastal and marine, hospitality and leisure, and care services. There are also strengths in advanced manufacturing, maritime, defence, and emerging expertise in renewable energy. Economic growth in Dorset has been lower than the neighbouring Bournemouth, Christchurch & Poole (BCP) area, as well as regional and national averages.

Average full-time earnings for the area served by the Council are shown below in the chart below, compared with the South-West and England. The full-time earnings for Dorset are lower than both the regional and national averages.

Narrative Statement



There are significant areas of deprivation in Dorset, mostly in urban areas (mainly Weymouth and Portland) and also in the east of the county, in Ferndown, Wimborne, and Verwood. Rural deprivation - due largely to isolation and difficulty accessing housing, transport and essential services - is a significant issue too. Crime is generally low, although anti-social behaviour and rural crime are an ongoing problem.

South Dorset is the least socially mobile constituency in the country. Social mobility is the link between a person's occupation or income with that of their parents. Many of our communities face deep poverty having experienced hardships for decades, repeatedly appearing in the bottom national measurement for deprivation. There are also areas of poverty in wealthier rural areas, with data averages masking large income inequalities.

Health inequalities are the unfair and avoidable differences in people's health across social groups and between different populations. In Dorset people are generally healthier and live for longer than England overall; 1.8 years longer for both men and women. However, the length of time people in Dorset live is closely related to the extent of disadvantage and deprivation they experience. Males living in the least deprived areas live on average 5.5 years longer and females 4.9 years longer, than those living in the most deprived areas.

Healthy life expectancy is a measure of how long people can expect to live a healthy life before decline and frailty sets in and is also affected by deprivation and disadvantage. The amount of time spent living in good health before long-term health conditions appear varies greatly across Dorset. People experiencing long-term health conditions affects economic growth and productivity in working-age adults.

Large numbers of Dorset's young people leave the county to find employment elsewhere. Meanwhile, employers tell us they often struggle to recruit and retain people with the right skills. This challenge is compounded by high house prices and poor transport connectivity in some areas. Digital and mobile phone connectivity is unreliable, especially in rural areas.

Dorset has many strong communities, with an active voluntary and community sector and over 160 town and parish councils. However, the population and world are changing rapidly, and our communities need support to adapt to the challenges ahead. There are also widespread disparities across our area. Our 2023 residents' survey shows significant differences in how residents from different areas view the quality of council services. Some

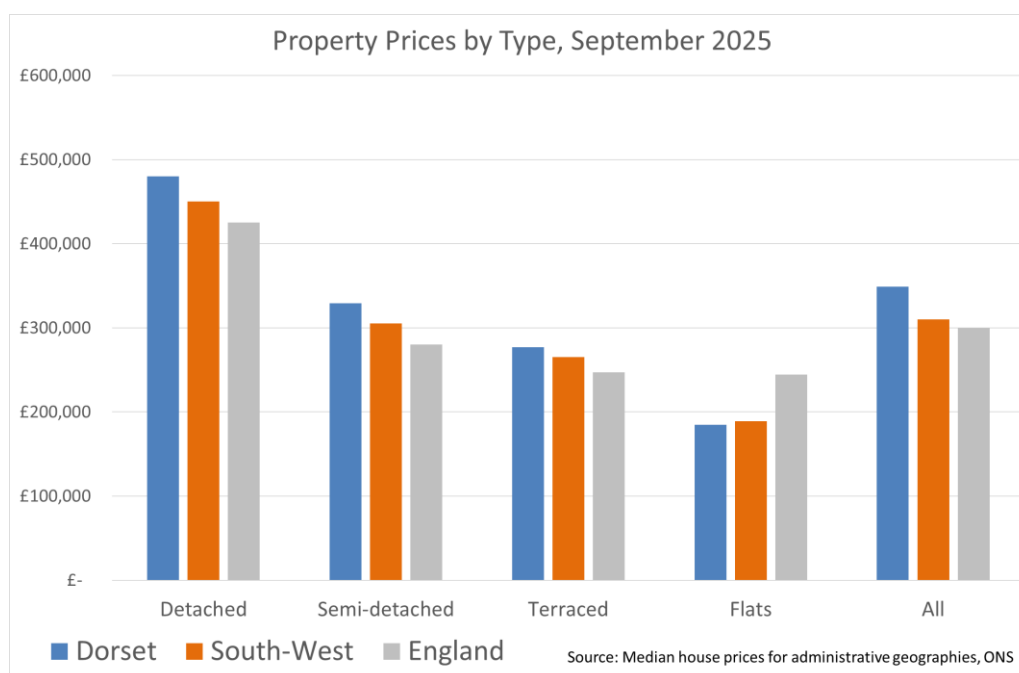
Narrative Statement

communities are calling for us to work differently to better understand and meet the needs of towns and villages. Some of our town and parish councils are also calling for better partnership working.

Our residents' survey highlighted issues of community cohesion – also evidenced through local protests in August 2024. While three quarters of Dorset's residents feel that they belong in their community, fewer than half (49%) of ethnic minority residents feel the same. In Weymouth and Portland, only 44% of residents feel that people from different backgrounds get on in their local area.

Housing

The average price of properties in the area served by the Council is shown in the chart below, compared with the South-West and England. The average price of properties is higher than the regional and national averages, except for flats.



Rising costs and the growing gap between average house price and average salary makes it difficult for local people, especially working-age residents, to afford to live in Dorset.

There is a chronic lack of genuinely affordable housing. Vulnerable residents, including those in crisis or with special needs, often struggle to find suitable homes. The standard of some rented accommodation is not acceptable.

Environment

Dorset Council covers an area of 2,491 square kilometres (962 square miles). Within this area, 1406 square kilometres (542 square miles) are designated Areas of Outstanding Natural Beauty. The Jurassic Coast World Heritage Site also lies partly in Dorset.

Climate change is one of the most urgent challenges facing the world today, demanding immediate and decisive action. Rising global temperatures are increasing the frequency and intensity of extreme weather events like heatwaves, floods, and wildfires. Sea levels are rising at a rate three times faster than a century ago.

As a rural, coastal county we are especially vulnerable to the negative impacts of climate change, which will include more frequent heatwaves, fewer frost days, heavier rainfall, increased flooding, and more intense storms. Our seaside communities are particularly

Narrative Statement

exposed to rising sea levels which can lead to coastal erosion, flooding, and damage to infrastructure. Our rural communities' risk being impacted by unpredictable weather patterns which can harm crops and livestock, disrupt planting and harvest schedules, and reduce overall agricultural productivity.

The UK is ranked as one of the most nature-depleted countries in the world, with nearly 1 in 6 species threatened with extinction. Within Dorset more than 3,000 species of plants and animals in Dorset are now of conservation concern, meaning they are rare, threatened, protected, declining or extinct. This loss of natural spaces does not just affect wildlife - it impacts us too. Our green spaces, which are essential for our health and wellbeing, also provide critical nature-based solutions to pressing challenges like flood protection, climate change, and water quality.

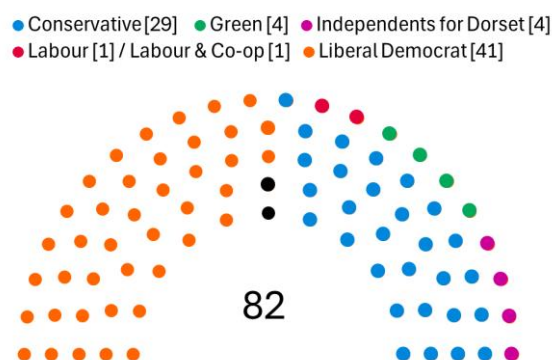
Governance and Political Structure

The council has responsibilities for education, social care for both adults and children, public health, highways, public transport, housing and a wide range of environmental, protective and cultural services. The council is also the 'corporate parent' to children and young people in its care.

Dorset Council operates a leader and cabinet model of governance.

- The full Council of 82 elected members elect the leader of the council and chairs of committees, set the policy framework, and approve the budget. The full council also approves the constitution and the key policies and priorities;
- The Cabinet is responsible for all decisions not delegated to others by full Council or the law. This includes setting policies and actions to implement the plan, key policies and budget set by the full Council;
- Officers take operational decisions in order to put agreed policies and strategies into effect and to deliver services efficiently. The Chief Executive is responsible for the operational management, leadership and strategic direction of the council, supported by the Senior Leadership Team comprising Executive Directors from the service directorates (which were People-Children's, People-Adults & Housing, Place, and Public Health & Prevention in 2025/26) and corporate support functions (Finance & Commercial and Legal & Democratic).
- Overview and scrutiny committees scrutinise decisions and advise the cabinet and Council on policy issues.

The chart below shows the political composition of the council as at 31 March 2026:



The council works in partnership with a range of organisations from the public, business, and voluntary and community sectors to deliver the best services we can as efficiently as possible. Further details of the council's governance arrangements are provided in the Annual Governance Statement.

Council plan 2024-29

This section of the Statement of Accounts provides a summary of the council plan in sufficient detail to put our finances in context. There are several additional sources of information regarding the council's plan that may be of interest to readers of these accounts, including the Annual Report which is submitted to members at the Cabinet meeting in July 2026 and the quarterly performance updates available on the council website at: <https://www.dorsetcouncil.gov.uk/how-we-are-performing>.

Plan Priorities

The plan focuses on four strategic priorities:

- Provide affordable and high-quality housing
- Grow our economy
- Communities for all
- Respond to the climate and nature crisis

The main delivery highlights as at Q3 were as follows:

Priority	Delivery Highlight
Provide affordable and high-quality housing	Our first-ever Empty Homes Strategy, making a significant step forward in the fight against abandoned homes.
Grow our economy	Major regeneration plans for Weymouth to create new jobs, homes, cultural opportunities, and improved energy resilience across the county.
Communities for all	Our Best Start in Life programme once again achieved the highest accolade, a 5-star registration status from the National Portage Association (NPA).
Respond to the climate and nature crisis	We are bringing forward plans for a significant solar energy project at Higher South Buckland Farm, Chickerell. The development of a solar photovoltaic (PV) installation of up to 50MW makes it one of the largest renewable energy projects on council-managed land in the south-west.

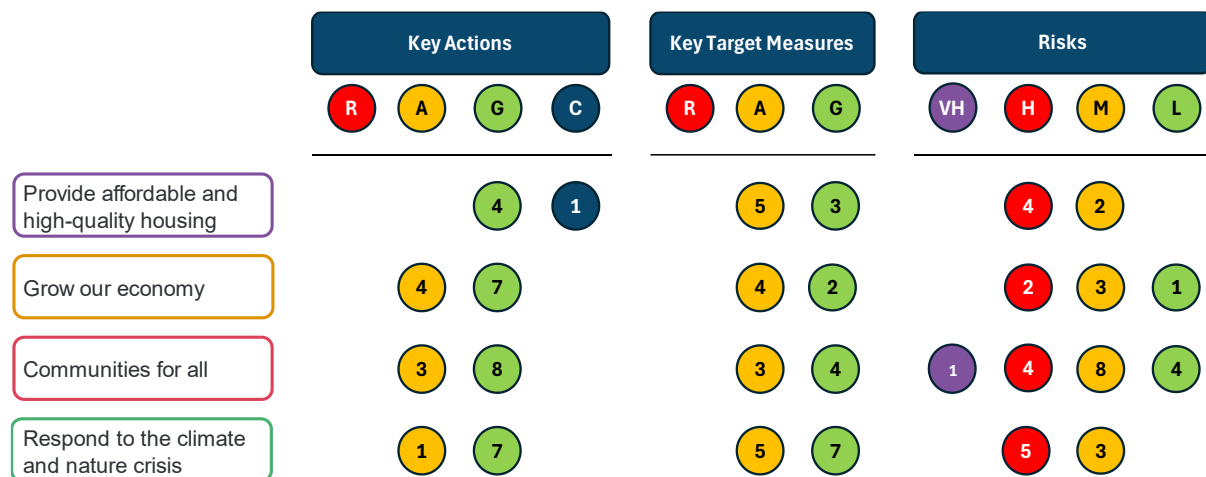
Detailed reporting of delivery against the council plan priorities is broken down into Key Actions and Key Target Measures. Progress is assessed quarterly, using a Red / Amber / Green categorisation, with an additional Completed category for Key Actions (colour coded as blue).

Narrative Statement

Risk associated with delivery of the plan is assessed using a matrix of likelihood and impact. Each category is assigned a score out of five and the results multiplied together with the results used to assign risks to one of four categories: Low, Medium, High or Very High. In this instance, the fourth category (Very High) is colour coded as purple.

	Very Unlikely	Likely	Possible	Likely	Almost Certain
Risk Rating Score					
Catastrophic	5	10	15	20	25
Major	4	8	12	16	20
Moderate	3	6	9	12	15
Slight	2	4	6	8	10
Limited	1	2	3	4	5

At the time of publishing the draft Statement of Accounts performance was only available for Q3 of 2025/26. The following graphic summarises the assessment of progress and risk at that time. Performance for the year as a whole will be reported to the Cabinet in July, and the performance dashboard will be updated once reports are published for that meeting.



It should be noted that this presentation appears to suggest that 37 strategic risks have been identified. In practice there are only 28, because nine span two or more priority areas.

Risk scores are distributed as illustrated in the following chart.



The risks identified as high risk or very high risk are as follows:

Narrative Statement

Risk rating	Risks applicable to all four priority areas
	Due to timescales for submitting the Local Plan, Dorset Council may not have sufficient evidence to deliver a legally compliant and sound plan, delaying the Council's ability to adopt a holistic, comprehensive plan, which achieves sustainable development.

Risk rating	Risks applicable to the priorities to provide high quality housing; grow our economy; and respond to the climate and nature crisis
	High nutrient loads in protected wetland catchments may face delayed mitigation due to complexities around securing cross-agency mitigation solutions, resulting in planning consent delays for housing and economic development.

Risk rating	Risks applicable to the priority to provide high quality and affordable housing
	Due to corporate, market and partnership conditions, the home-in on housing programme may not achieve the housing strategy objectives, leading residents being unable to access affordable, suitable, secure homes. The supply of homes and temporary accommodation is insufficient to meet demand.

Risk rating	Risks applicable to the priority of communities for all
	Due to the abolition of NHS England, commissioning arrangements for local health services may be disrupted, leading to service delivery and financial sustainability consequences for social care. Due to the demand on hospital bed stock, patients with higher complexity needs may be delayed hospital admission, leading to increased demand for Council run services. The impact on the Adult Social Care Service user budget of funding for people who previously funded their own care in residential/nursing care settings and now require funding by the local authority.
	As a result of health service reform, Dorset Council may incur additional un-provisioned responsibilities, leading to increased resourcing & budgetary pressures, unmet health needs and potential harm to individuals.

Risk rating	Risks applicable to the priority to respond to the climate and nature crisis
	Due to the effects of climate change and extreme weather events, Dorset Council may be unable to adapt its services and infrastructure leading to reduced resilience in service delivery to residents and in our communities.
	As a result of sea level rise and extreme weather events driven by climate change, Dorset Council may not have the resources to adapt its coastal defences, leading to low lying areas of the county being uneconomical to defend.
	Due to contractor failure and volatility in the waste disposal market, Dorset Council may be unable to secure reliable disposal routes, resulting in use of less favourable options and increased costs.

Budget and performance

The Council set the 2025/26 net budget at £417.2m, funded from general grants (£5.0m), Revenue Support Grant (£1.7m), business rates (£70.2m) and council tax (£342.0m) *meaning a band D equivalent council tax charge of £2,101.05*. In setting the budget the Council faced rising costs of service delivery of £85m, which was met through £44.6m of savings, efficiencies, grants and income and £40.5m of increased funding, mostly reliant upon changes to Council Tax.

The table below shows the summary outturn for the Council compared with its budget. The analysis shows the outturn reporting a balanced financial position with a small underspend of £0.169m, its first since becoming a unitary in 2019. The analysis of performance against budget and how this feeds through to movements in the Council's general fund is shown in the expenditure and funding analysis (EFA).

Reconciling numbers is also a tricky business when so many of them are used for such varying purposes in this report. It might therefore help the reader to note that the *draft outturn* figures in table 1 can also be seen in the *reported in management accounts* line in the segmental analysis (note 8 to the accounts) which in turn reconciles to the *deficit on provision of services* disclosed in the comprehensive income and expenditure statement (the Children's Services figure is a combination of Dedicated Schools Grant [DSG] and Council budget totals).

The table below presents a summary of the 2025/26 outturn position for Dorset Council.

The general fund started the year at £31.62m and increased by £4.3m during 2025/26 to a closing balance of £35.983m, demonstrating a strengthened level of the Council's general balances and an improved unallocated reserve position over the year.

Directorate	Net Current Budget £'000	Outturn £'000	Outturn (Overspend)/ Underspend £'000	
People - Children's	92,443	96,358	(3,914)	(4.2%)
People - Adults & Housing	166,824	172,754	(5,930)	(3.6%)
Public Health & Prevention	3,036	3,384	(348)	(11.5%)
Place	102,211	94,686	7,525	7.4%
Corporate Development	43,997	42,339	1,658	3.8%
Legal & Democratic Services	8,558	8,080	478	5.6%
Total Service Budgets	417,069	417,601	(532)	(0.1%)
General Funding - including Our Future Council	(55,869)	(51,479)	(4,390)	(7.9%)
Capital Financing	18,761	17,703	1,057	5.6%
Contingency	8,858	4,797	4,061	45.8%
Precepts/Levy	21,560	21,591	(31)	(0.1%)
Central Finance	(441,754)	(441,754)	0	0.0%
Retirement costs	1,702	1,699	3	0.2%
Whole Authority	(29,674)	(29,843)	169	
Dedicated Schools Grant budgets	50,447	50,447	0	

Children's Services

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.

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."

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 Children's 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

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

Pressures	£m
Homes for children in care	6.2
Section 17	0.2
Legal Proceedings and Specialist/Intervention/Testing Services	0.3
Children in Care – family time/transport/other	0.3
Outdoor Education Service	0.1

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
FS&AL/Locality/Permanence Teams including Agency	1.4
Harbour Outreach & Short Break Services	0.3
Unaccompanied Asylum Seeking Children Team & Services	0.3
Director's Services including premature retirement costs	0.5
Commissioning & Partnerships Staffing & Services	0.4

The national overspending position for 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

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

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

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

There are risks within 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.

Dedicated Schools Grant (DSG)

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

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). Further regulations which came into force on 29 November 2020 and mandated that any deficit must not be charged to the local authorities' revenue account but instead must be recorded in a separate account solely for the purposes of recording deficits relating to its schools' budget.

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.

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.

Narrative Statement

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.

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.

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

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.

Any reforms will take time to implement. Dorset Council and partners continue to be ahead of the curve, putting the child at the heart of decision making, promoting inclusion and focus on early intervention and prevention.

Birth to Settled Adulthood

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	Forecast Outturn	Outturn (Overspend)/ Underspend		Change from December (Q3)
	£'000	£'000	£'000		£'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

Largely driven by savings in pay-related costs.

B2SA: Children's

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

B2SA: Adults

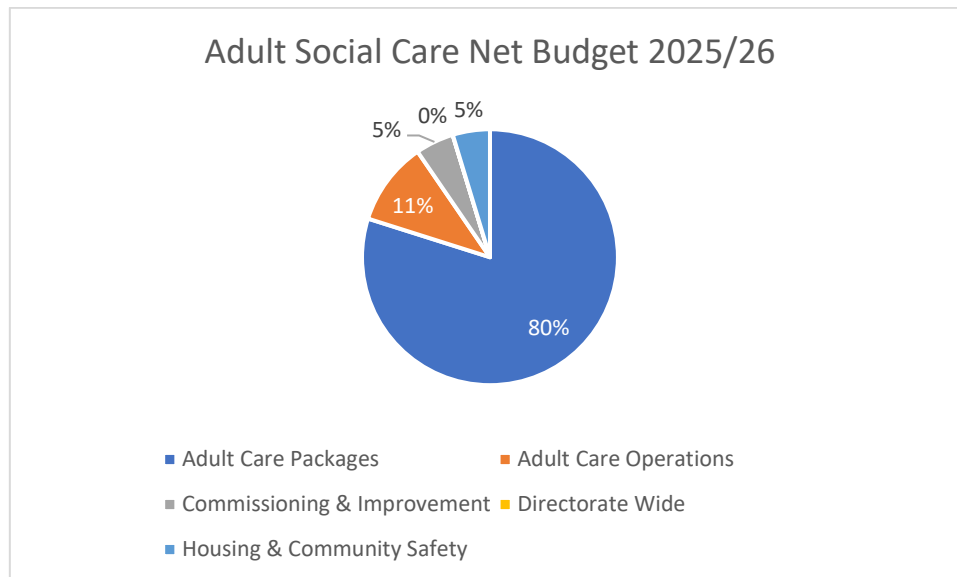
The 18-25 cohort reported an underspend of £0.354m, with a positive improvement of £0.766m in Q4. Of this, £0.109m relates to additional backdated CHC income agreed in March. Further improvement at year end reflects care packages that did not commence during the year. The improvement since Q3 is due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

B2SA Transformation

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.

People - Adult and Housing

People - Adult and Housing is the largest spending directorate in the Council. The approved, net revenue budget for 2025/26 was £166.739m with a total outturn of £172.754m resulting in a £5.930m overspend for the Directorate. The largest element of the budget, £131.840m (80%) is for Adult Social Care (spend on packages of care) as shown in the chart below.



The Adult Social Care budget supports approximately 4,536 people on an annual basis an increase of 265 people since April 2024/25 with the biggest growth in the 65+ cohort.

In line with national trends, the cost of adult social care services in Dorset continues to rise. In 2025/26, expenditure on Adult Care Packages resulted in an overspend of £6.015m. A significant contributing factor has been the increase in the number of people supported.

This additional activity of 265 people has placed additional pressure on the budget, including an increase of 65 people in the working-age cohort and 215 aged 65+. The total in-year cost of these additional care packages was approximately £4.975m.

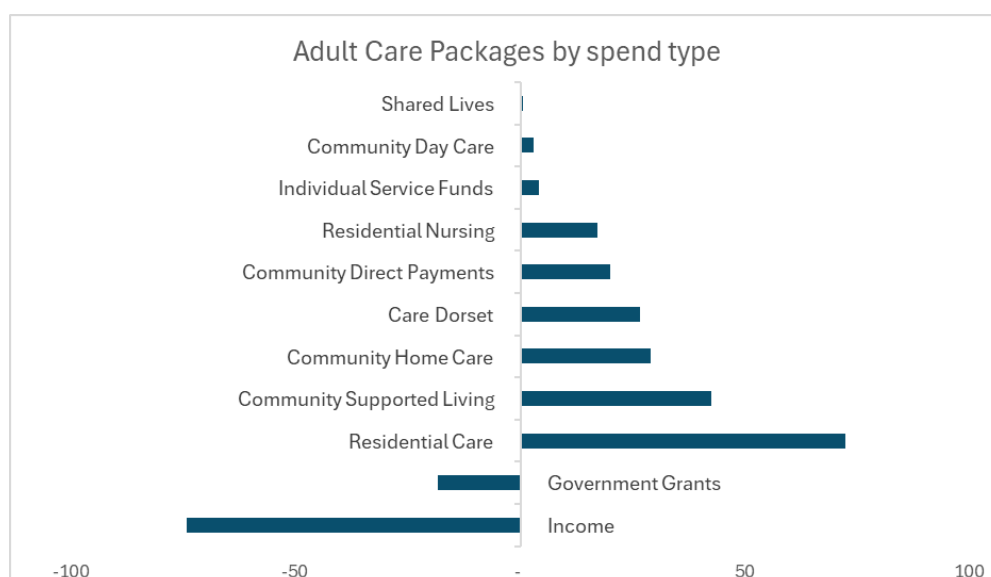
Additional financial pressures included:

- 18 Continuing Health Care (CHC) hand backs from Health, totalling approximately £0.520m
- 30 Joint Funded packages ceased during the year, resulting in an in-year cost pressure of £0.569m

These combined factors contributed to the overall overspend, despite efforts to manage costs and contain demand.

Narrative Statement

The chart below shows where this was spent.



Housing and Community Safety had a small underspend of £0.099m. This performance through 2025/26 has been positive and bucks the trend of other local authorities.

The focus for Housing and Community safety continues to be early prevention, reducing demand for temporary accommodation, and moving away from high-cost leased and nightly paid accommodation.

There has been a 73% increase in successful homelessness preventions over the last four years, alongside a 49% reduction in successful homeless relief over the same period.

The number of households in bed and breakfast accommodation has reduced by 44% over the last 4 years. Within this, singles in bed and breakfast have reduced by 15% over the last two years, while families have reduced by 53% over four years. In March 2026, only 10 households placed in bed and breakfasts accommodation.

Demand for social housing in Dorset continues to increase, and the team has worked hard to reduce the housing register backlog. This positive work across the Directorate has supported it to remain within budget.

Adults and Housing have delivered £8.125m of transformation savings during the year with a total of £34.254m over the last four years.

Local Authority Better Care Grant monies totalling £15.360m were received in 2025/26. These formed a part of a system-wide BCF plan, developed by the Integrated Care Board (ICB) and the local authorities under the governance of the Dorset Health & Wellbeing Board.

The national guidance for the BCF requires the Integrated Care Systems and the County Council to set out how they will work together to invest, commission and, where required, deliver health and social care services in a joined-up way for the benefit of Dorset residents.

Narrative Statement

The combined funds totalled £156.097m with Dorset Council contributing £86.601m as shown in the table below.

Sum of Expenditure for 2025-26 (£)	ICB	LA	Grand Total
1. Proactive care to those with complex needs	55,085,435	71,522,871	126,608,306
2. Home adaptations and tech		5,152,517	5,152,517
3. Supporting unpaid carers	1,112,943		1,112,943
4. Preventing unnecessary hospital admissions	2,188,999		2,188,999
5. Timely discharge from hospital	425,000	3,316,243	3,741,243
6. Reducing the need for long term residential care	10,683,293	6,609,311	17,292,604
Grand Total	69,495,670	86,600,942	156,096,612

The economic situation continues to be challenging. Budget constraints and the need to achieve efficiency targets mean the Directorate continues to face significant challenges in delivering its commitments to those in need of assistance. The Directorate is committed to further cost reductions in the future to balance the budget through transformation of services.

Public Health and Prevention

The public health grant for 2025/26 for Dorset council was £16.613m.

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

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.

The Community and Public Protection (CPP) service ended the year with an overspend of £0.397 million.

The overspend is largely driven by the non-achievement of legacy savings targets, particularly where budgets and corresponding savings have become misaligned, combined with shortfalls in income and wider cost pressures. There was a partial improvement in the final quarter due to additional income received.

Place Directorate

This section of the report refers to the "Place Directorate", as this is the title that was in use during 2025/26. The Place Directorate has since changed name as part of wider restructuring within the council, which will be reflected in reports relating to 2026/27 onwards.

The Place Directorate has many diverse services it delivers to the community.

- Approximately 1,800 staff work in the Directorate. The exact number fluctuates due to the need for some seasonal employment.
- The Waste team provides waste collection and disposal for over 200,000 properties, businesses and the local community in the Dorset Council area, plus street cleansing, commercial waste services and running Household Recycling Centres.

Narrative Statement

- Fleet Services are responsible for the procurement and maintenance of the councils vehicle and plant fleet at 5 workshop locations across the county.
- Highways is responsible for maintaining 3,798km of carriageway and 1,336 other structures including bridges. The team also manages 47,854 streetlights, illuminated signs and bollards. The Highways Team also manages all of the Council's on-street and off-street car parking operations.
- Dorset Travel is a complex, high-impact service that underpins access to education, social care, and community connectivity across Dorset. It delivers over 8,000 passenger journeys each day, including highly specialised provision for more than 1,300 learners with SEND, alongside transport for around 350 adults attending day centres. The service manages a significant and diverse supply chain, overseeing more than 700 transport contracts across approximately 104 operators, while maintaining rigorous compliance and safeguarding standards.
- In addition to commissioned transport, Dorset Travel administers the ENCTS scheme for around 90,000 residents, supports a network of commercial and council-funded bus services, and maintains essential infrastructure including approximately 3,000 bus stops and associated assets. This integrated role positions the service as a key enabler of independence, inclusion, and economic participation, providing a strong foundation to drive efficiencies and respond to future demand.
- The Assets & Property service manages and maintains, for safety, compliance and operational continuity, an estate of over 1,400 property assets which include 450 commercial assets. There is, very broadly, in excess of £10m income from the estate, and A&P commissions and delivers capital projects/expenditure in excess of £20m each year.
- The Planning service deals with all town and country planning responsibilities and a range of other functions. This includes preparation of development plans, determining planning applications (around 4-5,000 per annum), planning enforcement, minerals and waste planning, building control, infrastructure and delivery planning, and a range of environmental responsibilities responsible for biodiversity net gain, the definitive map of rights of way, hosting of Dorset National Landscape and other environmental partnerships.
- The Economic Growth & Regeneration team assist many businesses within the Dorset Council area, through the delivery of business support grants and information.
- Leisure Services manage seven owned or operated Leisure Centres with over 6,000 members paying monthly.
- Place Directorate is responsible for three harbours (Weymouth, West Bay and Lyme Regis) as well as coastal and flood defence assets and infrastructure.
- The gypsy and traveller service manage 4 permanent gypsy and traveller sites providing accommodation for 50 families and managing unauthorised encampments on Council land.
- Greenspace is also responsible for maintaining almost 4,828km of Rights of Way and thousands of km of highway verge. The Service also manages four country parks (Moors Valley, Avon Heath, Durlston and Thorncombe Woods), and 1,418 square km of areas of outstanding natural beauty, covering 55% of its total land area, 141 sites of special scientific interest, covering 18,730 hectares, 14 national nature reserves – Local reserves such as Thorncombe Woods, 59 regionally important geological and

Narrative Statement

geomorphological sites (with further sites under consideration), 1,294 sites of nature conservation interest, 95 km of heritage coast and 112 km of the Jurassic Coast World Heritage Site.

- 86% of British mammal species can be found in Dorset, along with 69% of our birds, 78% of our butterflies, 67% of our dragonflies and all of our native reptiles and amphibians.

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 (circa 7.4%).

The service position is set out in the table below: significant variations are explained in the narrative paragraphs that follow the table.

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

Highways

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%

Narrative Statement

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 spent circa £350k.

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

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

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	Outturn	Outturn (Overspend)/ Underspend	
	£'000	£'000	£'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%

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.

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.

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

Waste Strategy finished with an outturn of £16.158m against a net budget of £17.305m, an underspend of £1.147m.

Narrative Statement

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%

The waste disposal budget ended the year at £744k overspent. As reported during the year, there were adverse variances on recycle 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.

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

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 a 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

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

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

Narrative Statement

Planning

The Planning function comprises seven services, with the final 2025/26 figures presented 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 Services

Corporate Development

The net budget was £43.9m and the final outturn was an underspend of £1.7m. There were a number of variances across the services, but in the main the underspend was generated from pay savings from vacant posts and additional income.

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

Narrative Statement

Legal & Democratic Services

The net budget was £8.6m and the final outturn position was an underspend of £0.5m.

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

During 2025/26, there were minor underspends across the services. Within Land Charges, higher search volumes over the past 12 months generated additional income of £0.230m.

Central Finance

The net budget was £446.7m, with a final outturn showing a positive variance of £0.7m.

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

The Our Future Council (OFC) programme delivered £0.710m of in-year workforce savings, with a further £2.0m deferred to 2026/27 due to delays in delivery. General Funding reported an underspend of £0.900m, driven by an improved pension deficit position, while Capital Financing underspent by £1.057m due to lower interest costs.

The Contingency budget was applied in line with its purpose to offset pressures arising from the pay award and inflation, with £4.0m also supporting OFC third-party expenditure savings. A shortfall in council tax income of £0.142m, resulting from discretionary reliefs, was more than offset by a £3.1m surplus in business rates; this was largely transferred to the NNDR Business Rate Equalisation Reserve to support future financial resilience.

Developing the 2026/27 budget

For 2026/27 Dorset Council set a net budget of £482.6m funded from business rates (£58.9m), Revenue Support Grant (£60.8m) and council tax (£362.9m) meaning a band D equivalent council tax charge of £2,205.90. Several government grants that were previously allocated separately have transferred into the Revenue Support Grant. This is a change to the way the government presents the funding, rather than additional funding.

Part 2 (Section 25) of the Local Government Act 2003 requires officers with responsibilities under s151 of the Local Government Act 1972 to make a statement regarding the robustness of estimates and the adequacy of reserves at the time the budget is set. When making this statement due consideration is given to the risk of a Section 114 notice being

issued in the near future or within the medium term. Further details of the s151 Officer assurance is detailed in the budget paper approved by Council each year as part of setting the budget.

Future funding prospects

Development of the next iteration of the MTFP will be extremely challenging, especially with growing pressures and a reset expected for Business Rates.

Borrowing, servicing of debt and liquidity

The Council's overall borrowing stood at £317m at the end of the year, a net increase of £22m during the year. The maturity profile of the Council's borrowing is within the limits set out in the treasury management strategy and includes £75m of borrowing repayable within the next 12 months from the balance sheet date. The average interest rates payable on borrowing were 4.64% on loans from the Public Works Loan Board (PWLb) and 4.21% on loans from other lenders.

Interest payable on external debt (including PFI and leases) during the year was £11.9m and interest receivable plus other investment income was £4.9m.

The prudential borrowing framework allows councils to borrow for capital investment without Government consent, providing they can afford to service the debt. Details of the Council's capital financing requirement is set out in note 24 to the accounts.

Liquidity was maintained at adequate levels during the year with no concerns over the ability to discharge creditors and other payments as they fell due.

More information on debt and liquidity is routinely included in reports to the Council's Cabinet and Audit & Governance Committee available on the Council's website.

Reserves and balances

A full analysis of the Council's reserves is provided in the financial statements and in the notes to the accounts.

The Council closed the year with usable reserves of £330.004m.

The vast majority of the Council's reserves are already earmarked for specific purposes or can only be used for certain types of expenditure and is therefore not available for general use (despite the generic description *usable reserves*). Use of reserves would also be unsustainable for the Council as part of budget setting strategy, and this is specifically mentioned in the reserve's strategy statement.

The Council's level of general balances (usable reserves that have not been specifically earmarked for a particular purpose) is set out in Note 46 and totals £35.983m. During 2025/26, the general fund balance was increased by £4.3m, reflecting a strengthening of the Council's unallocated reserve position over the year.

Provisions, contingencies and contingent assets

Movements in provisions, contingent and other long-term liabilities are disclosed in the notes to the financial statements. There have been no material changes to policy or to amounts during the year.

Changes in statutory functions

There were no changes in statutory functions that require disclosure during the year.

Group financial statements

Having considered the relationships that exist between the Council and partners with whom it operates jointly/together, the chief Finance Officer has concluded there is no material requirement to prepare consolidated financial statements.

Events after the balance sheet date

There were no significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements

Pension Fund

Dorset Council is the local administering authority for the Local Government Pension Scheme (LGPS), a contributory, defined benefit pension scheme that provides pensions and other benefits for employees of Dorset Council, other councils and a range of other bodies within Dorset.

Administering authorities are required to maintain a pension fund for the payment of benefits, and annual accounts for the pension fund are included as an appendix to these financial statements.

Benefits for scheme members are calculated based on factors such as age, length of membership and salary, and are funded by contributions from scheme members and their employers and from returns on contributions invested prior to benefits becoming payable. Contribution levels for scheme members are set nationally, and contribution levels for scheme employers are set locally by actuaries engaged by administering authorities.

As at 31 March 2026, the pension fund's assets were valued at £4.5bn in total, with Dorset Council's 'share' available to fund benefits estimated by the actuary to be approximately £1.6bn. The Council is the scheme's largest employer in Dorset as at 31 March 2025 (the date of the last full actuarial valuation).

Every three years, the actuary undertakes a full assessment of the funding position for all scheme employers to set their contribution rates for the next three years. The last such actuarial valuation was based on assets and liabilities as at 31 March 2025 and estimated Dorset Council's deficit (the difference between assets and liabilities) to be approximately £75m, recoverable through employer contributions over 13 years. At this date, the Council had 6,800 current employees contributing to the scheme, 11,000 former employees of the Council or its predecessor authorities receiving pensions and 12,800 'deferred pensioners' (former employees who will receive pensions in the future).

In addition, the actuary is required, every year, to undertake an indicative assessment of the funding position for disclosure in the accounts of scheme employers. Accounting standards require this assessment to assume that the return on the pension fund's investments is equal to the expected return from high quality corporate bonds which can vary significantly from the expected returns from the pension fund's actual portfolio of investments. This means that the deficit reported in the accounts can vary significantly from the triennial valuation used to set contribution rates and the Council's accounting deficit was estimated at £73.7m as at 31 March 2026.

Basis of preparation

The accounts for 2025/26 are prepared in accordance with:

- the Accounts and Audit Regulations 2015
- the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26

Narrative Statement

This narrative statement provides context for the financial performance of the Council for the financial year and its financial position as at 31 March 2026. This includes an interpretation of the financial statements, providing information on the major influences affecting the Council's income and expenditure and cash flow, and on the financial needs and resources of the Council.

Dorset Council's primary financial statements comprise:

i) Comprehensive income and expenditure statement

This statement summarises the Council's total income and expenditure for the year, providing a segmental analysis to report performance on the basis that the Council is structured and how it operates, monitors and manages financial performance. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the movement in reserves statement. The difference between the accounting cost and costs chargeable to taxation are adjusted through the movement in reserves statement.

ii) Balance sheet (statement of financial position)

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category is usable reserves, i.e. those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the unapplied capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the movement in reserves statement line *adjustments between accounting basis and funding basis under regulations*.

iii) Movement in reserves statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The movement in reserves statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/decrease line shows the movements in the general fund in the year following those adjustments.

iv) Cash flow statement

The cash flow statement shows the changes in the Council's cash and cash equivalents in the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Narrative Statement

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

v) Notes to the financial statements

These give further information and explanations of the figures in the primary financial statements.

vi) Collection fund

The collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.



Sean Cremer

Director - Resources

(Chief Financial Officer & s151 Officer)

17 June 2026

STATEMENT OF RESPONSIBILITIES

The following statement describes the respective responsibilities of the Council and the Chief Financial Officer for the Financial Statements.

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

Further information about policies, procedures, publications and contact details for the Council and other relevant local authorities can be found on the dorsetcouncil.gov.uk website.

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2026 and of its income and expenditure for the year then ended.

Sean Cremer
Director - Resources
(Chief Financial Officer & s151 Officer)
17 June 2026

Statement of Accounts

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement reports performance on the basis that the Council is structured and how it operates, monitors and manages financial performance.

2024/25 Restated			Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations	Notes	Gross Spending £'000	Gross Income £'000	Net Spending £'000
Gross Spending £'000	Gross Income £'000	Net Spending £'000					
			Provision of services	7 to 12, 16 & 17			
359,459	227,376	132,083	People - Children	13	403,499	245,959	157,540
274,268	111,354	162,914	People - Adults & Housing	14	287,740	116,969	170,771
223,298	70,164	153,134	Place		220,648	66,679	153,969
122,131	77,750	44,381	Corporate Development	18	110,462	66,583	43,879
37,538	32,987	4,551	Public Health & Prevention		36,624	33,826	2,799
11,325	3,157	8,168	Legal & Democratic Services	15	9,764	1,799	7,965
4,224	15	4,209	Centrally Managed Costs		3,259	12	3,247
1,032,243	522,803	509,440	Deficit on Provision of Services		1,071,996	531,826	540,170
			Other Operating Income & Expenditure				
-	(1,368)	1,368	Net loss/(gain) on disposal of non-current assets		-	(2,257)	2,257
19,552	100	19,452	Levies and Precepts		21,691	100	21,591
			Financing & Investment Income & Expenditure				
9,821	-	9,821	Interest Payable		11,890	-	11,890
-	6,394	(6,394)	Interest and Investment Income		(4,866)	(1)	(4,865)
-	1,079	(1,079)	(Gains)/losses on Investments		0	141	(141)
95	-	95	Net loss on disposal of Academies		71	-	71
4,679	-	4,679	Pensions Interest Cost & Expected Return on Assets		1,010	-	1,010
1,066,390	529,008	537,382	Net Operating Expenditure		1,101,792	529,809	571,983
			Taxation & Non-Specific Grant Income				
	(698)		Revenue Support Grant				(1,749)
	(68,506)		Non-Domestic Rates				(69,049)
	(330,764)		Council Tax				(359,936)
	(105,737)		Other Central Grants				(108,392)
	-		(Gain) / loss on recognition of right of use assets on non commercial terms				3,523
	31,677		Deficit for the Year				36,380
	(13,777)		(Surplus) on the revaluation of Property, Plant & Equipment				(36,906)
	(76,857)		Remeasurements of the net defined benefit liability (asset)				20,343
	(58,957)		Net Comprehensive (Income) / Expenditure				19,817

In order to simplify the presentation of the accounts, expenditure on services is summarised at directorate level.

Prior year amounts have been restated on the Comprehensive Income and Expenditure Statement in line with movements of services between directorates during 2025/26, so that financial performance is comparable across both financial years. The changes to 2024/25 figures relate to the following lines:

	Reattributed 2024/25 expenditure		
	Commissioning & improvement £'000	Birth 2 Settled Adulthood £'000	Chairman's Fund £'000
People – Children		535	
People – Adults & Housing	(487)	(535)	
Corporate Development	487		8
Legal & Democratic Services			(8)

Balance Sheet

As at 31 March 2025			As at 31 March 2026	
£'000	£'000	Notes	£'000	£'000
4,452			3,726	
1,074,854		22	1,094,849	
3,026			2,970	
19,328			1,287	
6,980		24	6,788	
	<u>1,108,640</u>	19 to 21		<u>1,109,620</u>
	Long-term Assets			
	Current Assets			
1,949			2,131	
117,986		25	162,273	
8,419			-	
1,817			1,910	
69,390		27	69,488	
199,561			235,802	
	Current Liabilities			
(54,953)		26	(74,637)	
(7,653)		24	(7,355)	
(1,265)		23	(907)	
(89,955)		28	(125,118)	
(5,805)		33	(5,002)	
(497)		29	(1,480)	
-		30	-	
(39,100)		27	(45,451)	
(199,228)			(259,950)	
	<u>333</u>			<u>(24,148)</u>
1,108,973				1,085,472
	Total Assets less Current Liabilities			
	Long-Term Liabilities			
(240,010)		26	(242,166)	
(16,690)		24	(13,845)	
(57)			(57)	
(8,288)		23	(4,991)	
(73,428)		50	(73,730)	
	<u>(338,473)</u>			<u>(334,789)</u>
770,500				750,683
	Net Assets/(Liabilities)			
	Financed by:-			
292,961		37 to 38		330,004
477,539		39 to 46		420,679
<u>770,500</u>		36		<u>750,683</u>
	Total Reserves			

Statement of Accounts

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves and unusable reserves.

	General fund	Earmarked reserves	Total general fund	Capital receipts reserve	Capital grants unapplied	Total usable reserves	Total unusable reserves	Total reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2024	44,775	121,872	166,647	9,730	113,093	289,470	422,073	711,543
Total comprehensive income and expenditure	(31,677)	0	(31,677)	0	0	(31,677)	90,634	58,957
Adjustments between accounting basis and funding basis under regulations	12,950	0	12,950	(5,785)	28,003	35,168	(35,168)	0
Transfers to / (from) earmarked reserves	13,712	(7,859)	5,853	0	(5,853)	0	0	0
Balance at 31 March 2025	39,760	114,013	153,773	3,945	135,243	292,961	477,539	770,500
Total comprehensive income and expenditure	(36,380)	0	(36,380)	0	0	(36,380)	16,563	(19,817)
Adjustments between accounting basis and funding basis under regulations	51,565	0	51,565	1,177	20,681	73,423	(73,423)	0
Transfers to / (from) earmarked reserves	(8,753)	13,002	4,249	0	(4,249)	0	0	0
Balance at 31 March 2026	46,192	127,015	173,207	5,122	151,675	330,004	420,679	750,683
<i>Notes</i>	37	38		39	40		41 to 46	36

Statement of Accounts

Cash Flow Statement

The cash flow statement outlines the movements in the Council's cash and cash equivalents over the year. It explains how cash is generated and utilised, grouping the flows into operating, investing, and financing activities.

As at 31 March 2025 £'000		Note	As at 31 March 2026 £'000
(31,677)	Net surplus or (deficit) on the provision of services		(36,380)
16,140	Adjustment to surplus or deficit on the provision of services for noncash movements		52,060
(1,259)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(1,565)
(16,796)	Net Cash flows from operating activities	47	14,115
(56,374)	Net Cash flows from Investing Activities		(36,069)
83,306	Net Cash flows from Financing Activities		15,701
10,136	Net increase or (decrease) in cash and cash equivalents	48	(6,253)
20,154	Cash and cash equivalents at the beginning of the reporting period		30,290
30,290	Cash and cash equivalents at the end of the reporting period		24,037
10,136	Change in cash and cash equivalents during the reporting period	49	(6,253)

Notes to the Accounts

General notes to the financial statements

1) Accounting standards that have been issued but not yet adopted

The Authority is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The CIPFA Code for 2026/27 has been updated to reflect amendments to IFRS 7 (Financial Instruments Disclosures) and IFRS 9 (Financial Instruments). These standards have been adapted into the Code without adaptation or interpretation.

The changes due to these standards:

- expand on, and clarify, accounting arrangements for contracts related to nature-dependent electricity;
- clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system);
- add guidance on the solely payment of principal and interest (SPPI) criteria; and
- update disclosure requirements for certain financial instruments.

In addition, FRS 102 – the Financial Reporting Standard for the UK - introduces a new disclosure requirement for depreciation or amortisation of heritage assets. This was not previously required by the Code.

None of these changes in accounting requirements for 2026/27 are anticipated to have a material impact on the Council's financial performance or financial position.

2) Critical accounting judgements

In applying the accounting policies set out in this document, the Council has made judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Financial Statements are:

(i) Better Care Fund

In 2015/16 a Better Care Fund was established between Dorset County Council and Dorset NHS clinical commissioners, funded and controlled jointly by the partners. Following Local Government

Statement of Accounts

Reorganisation in Dorset, Dorset Council has administered the scheme since 1 April 2019. The arrangement has been accounted for as a joint operation - where each partner shows in its accounts its share of the expenditure, assets and liabilities of the Better Care Fund. Further details are disclosed in **Note 14, Pooled Budgets for Health and Social Care**. If the Council had accounted for all the transactions of the Better Care Fund that it had processed (on behalf of all partners) then income and expenditure would have been inflated by £69.5 million (£68.1 million 2024/25).

(ii) Assessment of the requirement for group accounts

The Council applies a series of tests, on an annual basis, to assess whether collaborative arrangements it is involved in give rise to a group accounting situation and the requirement to produce consolidated accounts. The Council has assessed its current portfolio of arrangements as immaterial for the purposes described and group accounts are therefore not produced. Information about joint venture arrangements and other related parties is disclosed in **Note 2, Related party transactions**.

iii) IFRS16 Leases

The Council adopted IFRS 16 Leases with effect from 1 April 2024. The main impact of IFRS 16 is for arrangements previously treated as operating leases where Dorset Council was lessee. Under IAS 17, these were not recognised on the balance sheet, but under IFRS 16 are now included on the balance sheet as a right-of-use asset and a lease liability.

The Council has applied the following IFRS 16 Lessee Recognition Exemptions:

- low value exemption: Applied where assets are below £15k when new
- short-term exemption: Applied where existing leases expire on or before 31 March 2025; or to new leases with a duration of less than 12 months.

3) Sources of estimation uncertainty

The Statements of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

However, because amounts cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet as at 31st March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting Actuaries, Barnett Waddingham LLP, is engaged to provide the Council with expert advice about the assumptions to be applied.	The present value of the total defined benefit obligation is £1,444 million. The actuary has provided sensitivity analysis, which shows: • a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £22.3 million; • a reduction in life expectancy assumptions of 1 year reduces the pension liability by £22.3 million; • adjustments to salary and pension increases of 0.1% increase the pension liability of £23.1 million and £24 million respectively.

Statement of Accounts

Item	Uncertainties	Effect if actual results differ from assumptions
	Amounts charged to and income credited to the Comprehensive Income and Expenditure Statement and the valuation of the Pension Reserve in the Balance Sheet in respect of employee pension benefits are heavily influenced by the estimated future inflation and earnings on investments. The assumptions made in making these estimates are set out in disclosure Note 50, Retirement Benefits. The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this difference is not considered to be material.	The impact is not expected to be material.
Property, Plant and Equipment (PPE)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	In 2025/26 the total AHS PPE depreciation charge was £51.9m, comprised of: • Infrastructure Assets £29.8m • Buildings £12.8m, • Vehicles, Plant, Equip £8.3m, • Intangible assets £0.9m, • Heritage assets £0.1m If the useful life of assets is increased, depreciation charges reduce and the carrying amount of the assets increase. It is estimated that the annual depreciation charges for buildings, equipment and infrastructure would reduce by £4.9 million for every year that useful lives are increased.

4) Prior period adjustments

No prior period adjustments were made in the financial statements in respect of the comparative figures for 2024/25. The only changes to figures for 2024/25 relate to functions moved between directorates, rather than total expenditure.

5) Events after the Balance Sheet date

There were no material events after the balance sheet date that require disclosure in these financial statements.

6) Related party transactions

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Local Authorities are required to disclose details of transactions with related parties, including Central Government, Other Local Authorities, and Elected Members, Senior Officers & their close families.

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant proportion of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties.

Significant grants are received from the Department for Education; the Ministry of Housing, Communities and Local Government; and the Department for Health and Social Care. Other Government Departments provide smaller levels of grant.

Specific Grants are set out in [Note 12, Analysis of Government Grants](#).

Other Local Authorities and Bodies levying demands on the council tax

Levies and precepts paid to other bodies during 2025/26 included the following material transactions:

2024/25 £'000	2025/26 £'000
582 Environment Agency	608
210 Southern Inshore Fisheries & Conservation Authority	224
18,762 Town & Parish Precepts	20,859

Dorset Council administers the Dorset County Pension Fund on behalf of its employees and those of other local authorities in the county and other admitted bodies (charities or former local authority bodies such as Housing Associations). Employers' Contributions to the Fund are shown in the pension fund accounts.

Transactions with Bournemouth, Christchurch and Poole Council, Primary Care and Hospital NHS Trusts in respect of the pooled budget scheme are detailed in [Note 14, Pooled Budgets for Health and Social Care](#).

Disclosure of interests in other entities

Care Dorset

Care Dorset was launched in October 2022 and is an adult care service provider offering Residential services, Day Opportunities, Reablement services and Supported Living Services. Care Dorset is an independent company that is wholly owned by Dorset Council, known as a Local Authority Trading Company.

The accounting year end for Care Dorset was 30th September until 2024 but became 31st March as from 2026. As a result, the most recent financial accounts cover an eighteen-month period from October 2024 to March 2026.

The consolidated turnover for Care Dorset Holding Limited for this period was £48.7m (£31.9m for 1 October 2023 to 30 September 2024). Care Dorset made a profit of £41k for the period ended 31 March 2026 (£10k for the year ended 30 September 2024).

Transactions with Care Dorset for 2025/26, excluding VAT, were as follows:

Statement of Accounts

2024/25 £'000		2025/26 £'000
3,123	Payments due from Care Dorset Ltd	3,320
3,980	Debtors as at 31 March (amounts owing from entity)	1,460
1,387	Payments made to Care Dorset Ltd	2,493
-	Creditors as at 31 March (amounts owed to entity)	-
29,340	Payments made to Care Dorset Holding Limited	55,884
-	Creditors as at 31 March (amounts owed to entity)	-

The care contract with Dorset Council runs on an October to September cycle, so changes take effect mid-way through the council's financial year. Payments under this contract were £26.677m for April 2025 to March 2026 (£26.590m for April 2024 to March 2025).

Dorset Council is contracted to provide support services to Care Dorset; the value of this contract was £785k for April 2025 to March 2026 (£804k for April 2024 to March 2025).

Dorset Centre of Excellence Ltd

The Dorset Centre of Excellence Ltd was established in April 2022 and operates Coombe House School to provide education for children with special education needs (SEND). The Dorset Centre of Excellence is a limited company, 100% owned by Dorset Council.

Turnover for the Dorset Centre of Excellence was £8.4m for 2025/26 (£6.2m for 2024/25). The Dorset Centre of Excellence received fees from Dorset Council of £8.1m for 2025/26 (£6.009m for 2024/25).

The accounting year end for the Dorset Centre of Excellence is 31st March.

The Dorset Centre of Excellence anticipate reporting a pre-tax surplus of £1.564m for 2025/26 (£739k for 2024/25).

Transactions with The Dorset Centre of Excellence for 2025/26, excluding VAT, were as follows:

2024/25 £'000		2025/26 £'000
2,011	Payments due from Dorset Centre of Excellence	2,866
276	Debtors as at 31 March (amounts owing from entity)	325
6,253	Payments made to Dorset Centre of Excellence	8,346
-	Creditors as at 31 March (amounts owed to entity)	-

South West Audit Partnership (SWAP)

SWAP is a local authority-controlled company limited by guarantee which started trading on 1 April 2013. The guarantors are all local authorities, Dorset Council being one of them. Dorset Council's influence in SWAP has significantly diminished over the years, given the expansion of the company.

Theoretically, SWAP could be treated as a joint venture but doing so would not have a material effect on Dorset Council's accounts.

SWAP reports on a financial year ending 31 March. but does not publish a copy of its Profit & Loss Account in reliance on section 444(1) of the Companies Act 2006. Further information can be obtained from SWAP via their website: [Audit services | SWAP Internal Audit Services \(swapaudit.co.uk\)](https://www.swapaudit.co.uk)

Statement of Accounts

Dorset Council charged £458k to the 2025/26 accounts (£445k for 2024/25) for services received by SWAP.

Transactions with SWAP for 2025/26, excluding VAT, were as follows:

2024/25 £'000		2025/26 £'000
-	Payments due from SWAP	-
-	Debtors as at 31 March	-
445	Payments made to SWAP	458
-	Creditors as at 31 March (amounts owed to entity)	-

TRICS Consortium Ltd.

TRICS Consortium Ltd. was incorporated on 14 October 2014 by Dorset County Council and five other local authorities. Each founder member appoints a director to the company's Board. Initially each member owned £37.5k of fully-paid-up, ordinary shares in the company, but the former county council's shareholding was split between Dorset Council and Bournemouth, Christchurch, Poole Council (BCP Council) in the local government reorganisation that took effect on 1 April 2019. Dorset Council's share is £33k (14.67%).

Theoretically, TRICS could be treated as a joint venture but doing so would not have a material effect on Dorset Council's accounts.

The Company reports on a financial year ending 31 December but does not publish a copy of its Profit & Loss Account in reliance on section 444(1) of the Companies Act 2006. Further information can be obtained from TRICS via their website: www.TRICS.org.

During 2025/26 Dorset Council received a dividend of £50k from the Company (£85k for 2024/25) and was charged £4k to the accounts for services purchased from the Company (£4k for 2024/25).

Transactions with TRICS for 2025/26, excluding VAT, were as follows:

2024/25 £'000		2025/26 £'000
-	Payments due from TRICS	-
-	Debtors as at 31 March	-
1	Payments made to TRICS	4
-	Creditors as at 31 March (amounts owed to entity)	-

Connect2Dorset

Connect2Dorset operates as a Limited Liability Partnership (LLP) established to provide agency staffing services. The LLP, named Dorset & Kent Commercial Services LLP, is jointly owned by Dorset Council and Commercial Services Kent Ltd, each holding a 50% stake, with neither party exercising overall control. This partnership became effective on 8 April 2024.

While the LLP primarily delivers services to Dorset Council, it also undertakes limited external trading with third-party organisations.

The LLP's accounting year ends on 31 March. For the financial year 2025/26, Connect2Dorset reported a turnover of £8.6m (£9.7m for 2024/25) and a net loss of £89k (£147k loss for 2024/25).

Although the LLP could be classified as a joint venture, its financial impact on Dorset Council is not material. As such, its results are not consolidated into the Council's group accounts.

Transactions with Connect2Dorset for 2025/26, excluding VAT, were as follows:

Statement of Accounts

2024/25 £'000	2025/26 £'000
5 Payments due from Connect2Dorset	7
- Debtors as at 31 March (amounts owing from entity)	-
9,735 Payments made to Connect2Dorset	8,533
- Creditors as at 31 March (amounts owed to entity)	-

Dorset & Wiltshire Fire Authority

On 1 April 2016 Dorset Fire Authority merged with Wiltshire Fire Authority to become Dorset & Wiltshire Fire and Rescue Authority. The Council supplied services to related parties as detailed in the following table.

2024/25 £'000	2025/26 £'000
51 Dorset & Wiltshire Fire and Rescue Authority	8

The Corporate Director Legal & Democratic ceased to act as the Clerk to Dorset & Wiltshire Fire and Rescue Authority from 1 April 2025: this was the largest element of services supplied in 2024-25 (£48k).

At the end of the financial year, amounts owed by related parties were as follows:

2024/25 £'000	2025/26 £'000
4 Dorset & Wiltshire Fire and Rescue Authority	4

Elected Members, Staff and close families

All Councillors, Senior Officers and purchasing staff have been informed of the requirements and the need for disclosure.

Some Councillors and Senior Officers have a role or are appointed by the Council to boards of voluntary bodies or charities in receipt of support from the Council. The following list contains instances where the councillors concerned can be regarded as being in a position of control or significant influence, and where council funding in 2025/26 was £20k or more:

- The Dorchester Youth & Community Centre received grants of £29k in 2025/26 (£23k in 2024/26). Councillor Richard Briggs is the chairman of the centre's trustees. Councillor Stella Jones is also a trustee. Councillor Les Fry was a trustee but has now resigned.
- The Lantern Centre in Weymouth received grants of £30k in 2025/26 (£27k in 2024-25), and income from service level agreements of £112k (£108k in 2024/25). Councillor Jon Orell is one of the centre's trustees, while councillor Nick Ireland is married to another of the trustees.
- The Blackmore Vale Family Hub received grants of £44k in 2025/26 (£136k in 2024/25). Councillor Stella Jones is a trustee.
- The Museum of East Dorset in Wimborne (also known as Priest's House) received grants of £54k (£49k in 2024/25). Councillor David Morgan is a trustee and unpaid director of the museum.
- The Portland Museum Trust received grants of £25k in 2025/26 (£15k in 2024/25). Councillor Rob Hughes is an unpaid director of the trust.
- The Purbeck Youth & Community Foundation received grants of £82k in 2025/26 (£79k in 2024/25) and income from a service level agreement of £14k (£15k in 2024/25). Councillor Beryl Izzard is a trustee.

Statement of Accounts

Councillor Cathy Lugg is an independent member of the council's Fostering Panel. As such, she receives an allowance for attending training sessions and may claim travel expenses, The total cost to the council in 2025-26 (including associated taxes) was £3k.

Councillor Chris Tomes is married to the owner-director of a company based at the Prospect Business Park at Swanage. The business park is managed by a company owned by the council, but no rent is paid to the council itself.

In the 2024/25 accounts it was reported that officers were aware of Cllr Holloway being the sole director of Goathorn Precision Engineering Ltd. At the time the company was a tenant of the Council and owed the Council £44k in unpaid rent and unpaid service charges. The tenancy was terminated but the debt remained unpaid during 2025/26 and has since been recommended to be written off. In making this recommendation (to the Executive Director for Economy and Environment) officers have acted in accordance with legal advice and Cllr Holloway's company is being treated no more favourably than any other debtor would be in the same or similar circumstances.

Statement of Accounts

Notes supporting the Comprehensive Income & Expenditure Statement

7) Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund Balance	2024/25 Restated Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	2025/26 Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
123,210	8,873	132,083	People - Children	146,304	11,236	157,540
161,843	1,071	162,914	People - Adults & Housing	172,892	(2,121)	170,771
103,999	49,135	153,134	Place	94,713	59,256	153,969
40,037	4,344	44,381	Corporate Development	42,252	1,627	43,879
4,986	(435)	4,551	Public Health & Prevention	3,346	(547)	2,799
8,346	(178)	8,168	Legal & Democratic	8,100	(135)	7,965
7,187	(2,978)	4,209	Centrally Managed Costs	7,057	(3,810)	3,247
449,609	59,831	509,440	Deficit on Provision of Services	474,664	65,506	540,170
			Other Operating Income & Expenditure			
12	1,356	1,368	Net loss/(gain) on disposal of non-current assets	15	2,242	2,257
19,452	-	19,452	Levies and Precepts	21,591	-	21,591
			Financing & Investment Income & Expenditure			
-	95	95	Net loss on disposal of Academies	-	71	71
9,821	-	9,821	Interest Payable	11,890	-	11,890
(3,368)	(3,026)	(6,394)	Interest and Investment Income	(2,008)	(2,857)	(4,865)
(1,079)	-	(1,079)	Unrealised (gains)/ losses on investments	(141)	-	(141)
-	4,679	4,679	Pensions Interest Cost & Expected Return on Assets	-	1,010	1,010
13,916	(13,916)	-	CERA/MRP	15,063	(15,063)	-
(36,056)	36,056	-	Transfers to/from Dedicated Schools Grant reserve	(55,941)	55,941	-
			Taxation & Non-Specific Grant Income			
(698)	-	(698)	Revenue Support Grant	(1,749)	-	(1,749)
(68,511)	379	(68,132)	Non-Domestic Rates	(74,032)	4,983	(69,049)
(326,737)	(4,027)	(330,764)	Council Tax	(362,738)	2,802	(359,936)
(37,250)	-	(37,250)	Other Central Grants	(44,622)	-	(44,622)
(12)	(68,475)	(68,487)	Capital Grants	(3)	(63,767)	(63,770)
14,438	(14,438)	-	Gain on recognition of right of use assets on non commercial terms	(0)	3,523	3,523
(416,444)	(61,319)	(477,763)	Total Other Income and Expenditure	(492,675)	(11,115)	(503,790)
33,164	(1,487)	31,677	(Surplus) / Deficit for the Year	(18,011)	54,391	36,380
(13,712)			Transfers to/from earmarked General Fund reserves	8,753		
19,452			(Surplus) / Deficit on General Fund Balance	(9,258)		
(44,775)			Opening General Fund Balance as at 31 March 2025	(39,760)		
5,015			(Surplus) / Deficit on General Fund Balance	(6,432)		
(39,760)			Closing General Fund Balance as at 31 March 2026	(46,192)		

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Prior year comparative amounts have been restated on the Expenditure and Funding Analysis, in line with the changes explained in the Comprehensive Income and Expenditure Statement, so that financial performance is comparable between the two financial years.

8) Notes to the Expenditure and Funding Analysis: Adjustments between Funding and Accounting Basis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The statement also shows how this expenditure is allocated for decision making purposes between the Council's directorates, services or departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2024/25 Restated	2025/26				
Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
£'000		£'000	£'000	£'000	£'000
8,873	People - Children	18,032	(6,842)	46	11,236
1,071	People - Adults & Housing	415	(2,398)	(138)	(2,121)
49,135	Place	63,664	(4,381)	(27)	59,256
4,344	Corporate Development	4,332	(2,793)	88	1,627
(435)	Public Health & Prevention	65	(650)	38	(547)
(178)	Legal & Democratic	367	(481)	(21)	(135)
(2,978)	Centrally Managed Costs	-	(3,505)	(305)	(3,810)
59,832	Deficit on Provision of Services	86,875	(21,050)	(319)	65,506
(61,320)	Other Income and Expenditure	(75,850)	1,010	63,725	(11,115)
(1,488)	Difference Between General Fund Surplus or Deficit	11,025	(20,040)	63,406	54,391

The adjustments between the funding and accounting basis above summarise detailed entries on the Movement in Reserves Statement, categorised by capital, pensions or other differences, that result in movements to the Comprehensive Income and Expenditure Statement to show the net expenditure chargeable to the general fund balance.

Other differences relate to items not included in management reporting, but are required to be reflected in the accounts. These include entries for the council tax and business rates Collection Fund Adjustment Accounts, and transfers to and from reserves.

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9) Expenditure and Income analysed by Nature and Segmental Income

The Code requires local authorities to report segmentally on their income and expenditure in accordance with IFRS 8. The Code requires this to be presented in a format which is similar to the internal management accounts used by the authority and for this to be reconciled to the surplus/deficit on provision of services figure in the Comprehensive Income and Expenditure Statement.

The table below shows the deficit on provision of services as reported on the corresponding line in the Comprehensive Income and Expenditure Statement. The line marked reported in management accounts reflects the figures that the County's Leadership Team reviews on a monthly basis to monitor the Authority's financial performance – with the exception of the figure for People Services, Children which is adjusted for the Dedicated Schools Grant (DSG) and amortisation of the Colfox School PFI asset.

	2025/26										2024/25
	People Services, Children	People Services, Adults & Housing	Place	Corporate Development	Public Health & Prevention	Legal & Democratic	Centrally Managed Costs	Total	Final Budget Estimate	Variance	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Internal Charges/Trading	2,851	(106)	(273)	(2,538)	577	(229)	(270)	12	(13,729)	(13,741)	514
Authority (Democratic) Costs	-	-	-	-	-	1,969	-	1,969	1,990	21	1,795
Pay Related Costs	167,221	33,320	58,524	42,206	9,494	6,585	7,792	325,142	336,917	11,775	306,056
Premises Related Costs	7,406	2,937	18,387	1,138	96	-	-	29,964	31,830	1,866	32,882
Transport Related Costs	4,056	712	29,565	(36)	101	15	-	34,413	37,720	3,307	35,387
Supplies and Service	187,916	59,690	20,594	13,923	3,431	1,398	(28)	286,924	257,358	(29,566)	263,934
Transfer Payments	3,696	68,237	4	53,464	-	-	-	125,401	141,669	16,268	136,274
Levies & Precepts	-	-	-	-	-	-	-	-	-	-	-
Third Party Payments	19,293	125,028	34,262	764	23,510	141	-	202,998	176,443	(26,555)	193,961
Net Schools Budget adjs	1,571	-	-	-	-	-	-	1,571	2,580	1,009	1,323
Cost Centre Balances	76	(5)	-	-	-	-	-	71	7,513	7,442	553
Government Grants	(227,132)	(29,018)	(12,539)	(53,711)	(17,865)	-	-	(340,265)	(337,256)	3,009	(332,791)
Reimbursements and Contributions	(14,812)	(43,100)	(4,587)	(6,757)	(12,075)	(610)	-	(81,941)	(58,293)	23,648	(79,598)
Fees and Charges	(4,016)	(44,851)	(49,553)	(6,114)	(3,885)	(1,189)	(12)	(109,620)	(108,676)	944	(110,411)
Corporate Income & Expenditure	(2,109)	(190)	-	-	-	-	-	(2,299)	(50)	2,249	(1,235)
Funding	-	100	(95)	-	-	-	-	5	100	95	(140)
Transfers to/(from) Reserves	334	-	397	-	-	-	(731)	-	(2,114)	(2,114)	-
Reported in Management Accounts	146,351	172,754	94,686	42,339	3,384	8,080	6,751	474,345	474,002	(343)	448,504
IAS 19 Pension Adjustment	(6,842)	(2,398)	(4,380)	(2,793)	(650)	(481)	(3,504)	(21,048)	(20,320)	728	(13,612)
Capital Charges	18,031	415	63,663	4,333	65	366	-	86,873	86,419	(454)	74,549
Deficit on provision of services	157,540	170,771	153,969	43,879	2,799	7,965	3,247	540,170	540,101	(69)	509,441

10) Revenue from Contracts with Service Recipients

IFRS 15 Revenue from Contracts with Customers was incorporated into the CIPFA Code with effect from 1 April 2018. IFRS 15 established the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Included in the Council's income as shown on the Comprehensive Income and Expenditure Statement are the following amounts from contracts with customers as defined by IFRS 15. The Council has contract receivables, but no contract assets or contract liabilities. It has been concluded that revenue will be recognised in the correct financial year by accounting practice applied during the year, and the processes for accruals and other year-end adjustments.

	2025/26			Revenue recognised for the year £'000
	Income from contracts with customers £'000	Other Income £'000	Service specific grants £'000	
People - Children	750	18,078	227,132	245,959
People - Adults & Housing	80,098	7,853	29,018	116,969
Place	16,880	37,259	12,539	66,679
Corporate Development; Legal and Democratic and Centrally Managed	2,576	12,106	53,711	68,393
Public Health & Prevention	-	15,961	17,865	33,826
Total	100,304	91,257	340,265	531,826

	2024/25			Revenue recognised for the year £'000
	Income from contracts with customers £'000	Other Income £'000	Service specific grants £'000	
People - Children	573	17,759	209,044	227,376
People - Adults & Housing	77,173	7,861	26,320	111,354
Place	16,852	37,697	15,615	70,164
Corporate Development; Legal and Democratic and Centrally Managed	3,195	11,512	66,215	80,922
Public Health & Prevention	12,481	4,909	15,597	32,987
Total	110,274	79,738	332,791	522,803

11) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Total capital expenditure reported by the Council includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute (REFCUS). This is principally capital expenditure on assets which the Council does not own, and which are not included on its asset register or Balance Sheet. This expenditure is charged in the Comprehensive Income and Expenditure Statement with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that, although financing is from a capital source, it funds revenue expenditure in the Council's accounts.

For 2025/26, the main areas of REFCUS expenditure financed in the year were in Children's Services (£4.0m on education facilities and £3.9m relating to social care); Repairs and Maintenance (£2.1m); Leisure facilities (£1.9m); Warm Homes (£1.0m); and Community Grants (£0.9m). Other REFCUS schemes came to £1.4m in total.

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2024/25 £'000	2025/26 £'000
18,585 Expenditure in Service Budgets funded from Capital Adjustment Account	15,219

12) Analysis of Government Grants

This table gives details of all grants received from central Government Departments.

2024/25 £'000	2025/26 £'000
186,461 Education	200,956
67,524 Housing, Communities & Local Government	73,391
66,684 Work & Pensions	55,551
30,788 Health & Social Care	32,098
5,123 Environment, Food & Rural Affairs	11,131
4,943 Home Office	4,236
1,749 Transport	2,409
- Business & Trade	315
- Justice	11
163 Science, Innovation & Technology	-
148 Digital, Culture, Media & Sport	-
8 European Union	4
2,283 Other	1,651
365,874	381,751

13) Deployment of Dedicated Schools Grant

These 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). Such DSG deficits have accumulated over a number of years and are now common amongst upper tier councils responsible for SEND provision and have come about as a result of national policy decisions about the SEND system for which the grant is “far from sufficient to meet this demand” (Reference: [Select Committee Report into Local Authorities in Financial Distress](#)).

As of 31 March 2026, cumulative DSG deficit is £148.768 m (31 March 2025 was £95.629m).

Further regulations which came into force on 29 November 2020 mandated that any deficit must **not** be charged to the local authorities’ revenue account but instead must be recorded in a separate account solely for the purposes of recording deficits relating to its schools’ budget. These regulations also mean that the use of funding from the revenue account to make good any deficit can only be made upon approval from the Secretary of State. This reflects the statutory requirement that a deficit must be carried forward to be funded from future DSG income.

The statutory instrument which prevents the deficit from being offset against useable reserves expires on 31 March 2028. The Government has announced that a High Needs Stability Grant will be provided to fund 90% of agreed High Needs elements of DSG deficits as at 31 March 2026, upon approval of a reform plan for Special Educational Needs & Disabilities (SEND). Any such grant received would be placed into an earmarked reserve for application upon expiry of the statutory override. The proportion of the overall DSG deficit deemed to relate to high needs is subject to negotiation with the Government.

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The council had not submitted a SEND reform plan for Government approval as at 31 March 2026 and so has not included any estimate in the 2025-26 accounts of the grant that might be receivable if such a plan were to receive approval.

2024/25 £'000		Central Expenditure £'000	Individual Schools Budget (ISB) £'000	2025/26 £'000
335,265	Final DSG for 2024/25 before Academy and High Needs recoupment			368,669
(176,988)	Academy figure and High Needs figure recouped for 2024/25			(190,003)
158,277	Total DSG after academy and high needs recoupment for 2024/25			178,666
-	Plus: Brought forward from 2024/25			-
-	Less: Carry-forward to 2025/26 agreed in advance			-
158,277	Agreed initial budgeted distribution in 2024/25	57,088	121,578	178,666
449	In year adjustments		332	332
158,726	Final budgeted distribution in 2025/26	57,088	121,910	178,998
(89,764)	Less: Actual central expenditure	(111,286)		(111,286)
(105,018)	Less: Actual ISB deployed to schools		(120,851)	(120,851)
-	Plus Local Authority contribution for 2025/26			-
(36,056)	In Year Carry forward to 2026/27	(54,198)	1,059	(53,139)
-	Plus/Minus: Carry-forward to 2025/26 agreed in advance			-
-	Carry-forward to 2025/26			-
(59,573)	DSG unusable reserve at the end of 2023/24			(95,629)
(36,056)	Addition to DSG unusable reserve at the end of 2024/25			(53,139)
(95,629)	Total of DSG unusable reserve at the end of 2024/25			(148,768)
	Addition to DSG unusable reserve at the end of 2025/26			
(95,629)	Net DSG position at the end of 2025/26			(148,768)

14) Pooled Budgets for Health and Social Care

Better Care Fund (BCF)

The BCF provides a financial incentive for the integration of health and social care. It requires Integrated Commissioning Boards and local authorities in every area of England to pool or align budgets and to agree an integrated spending plan for how they will use their Better Care Fund.

Dorset Council's Better Care Fund is overseen by the Health and Wellbeing Board which is responsible for the development and update of a Joint Strategic Needs Assessment, any Pharmaceutical Needs Assessment and the Better Care Fund. It also assists in the development and overseeing of various other plans and strategies in relation to health. The Board also encourages collaboration with other key health stakeholders including NHS England and any other health and wellbeing board.

2024/25 £'000 £'000		2025/26 £'000 £'000	
		Funding provided to the pooled budget:	
68,122		Dorset Council	69,496
84,836		NHS Dorset Integrated Care Board	86,601
	152,958		156,097
		Expenditure met from the pooled budget:	
68,122		Dorset Council	69,496
84,836		NHS Dorset Integrated Care Board	86,601
	152,958		156,097
		Net surplus arising on the pooled budget during the year	
			-

Integrated Community Equipment Store (ICES)

Within the Better Care Fund (BCF) the authority has entered into a pooled budget arrangement

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with BCP and NHS Dorset for Equipment for Living Service (ICES). The authorities and NHS Dorset have an agreement in place with the partners contributing funds to the agreed budget equal to 18% BCP, 15% Dorset Council and 67% NHS Dorset ICB. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by BCP on behalf of the three partners to the agreement.

2024/25			2025/26	
£'000	£'000		£'000	£'000
		Funding provided to the pooled budget:		
1,940		BCP Council	1,940	
1,554		Dorset Council	1,554	
7,055		NHS Dorset Integrated Care Board	7,056	
0		HDP Contribution	-	
	10,550			10,550
		Expenditure met from the pooled budget:		
1,687		BCP Council	1,576	
1,278		Dorset Council	1,229	
6,955		NHS Dorset Integrated Care Board	8,268	
	9,921			11,073
	<u>629</u>	during the year		(523)
	<u>93</u>	Authority share 15% of the net surplus / (deficit)		(78)

15) Members' allowances

The total amount of Members' allowances paid in the year is shown in the following table.

2024/25		2025/26
£'000		£'000
1,744	Members' allowances	1,923
34	Members Travel	28
1	Members Subsistence	1

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16) Remuneration of senior staff

The Accounts & Audit Regulations 2015 cover the requirement to disclose remuneration of senior employees. The requirement includes the duty to disclose details of the numbers of staff with remuneration and benefits in excess of £50,000 per annum.

Non-schools	2024/25		Group	Non-schools	2025/26	
	LEA Schools	VA/VC Schools			LEA Schools	VA/VC Schools
211	81	41	£50,000 to £54,999	242	90	59
96	58	30	£55,000 to £59,999	145	73	30
72	26	25	£60,000 to £64,999	86	28	30
18	12	10	£65,000 to £69,999	57	28	14
7	7	4	£70,000 to £74,999	12	13	6
9	6	4	£75,000 to £79,999	6	4	7
9	5	1	£80,000 to £84,999	12	6	3
13	4	0	£85,000 to £89,999	14	5	1
8	2	4	£90,000 to £94,999	4	6	-
3	2	2	£95,000 to £99,999	8	-	3
-	-	1	£100,000 to £104,999	4	2	2
3	3	-	£105,000 to £109,999	3	-	1
1	1	-	£110,000 to £114,999	2	-	-
2	-	-	£115,000 to £119,999	3	3	-
-	1	1	£120,000 to £124,999	1	-	-
1	-	-	£125,000 to £129,999	-	1	-
-	2	1	£135,000 to £139,999	-	-	-
-	-	-	£140,000 to £144,999	-	1	1
-	-	-	£145,000 to £149,999	-	1	-
453	210	124		599	261	157

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Dorset Council follows Local Government salary scales and conditions of service, negotiated and agreed at national level. The Accounts & Audit Regulations 2015 require the disclosure of remuneration of senior officers whose salary was £150,000 or more per annum. In line with the Council's published pay policy, information on certain other senior posts is also disclosed.

2024/25					2025/26			
Total	Post Holder Information	Name	Start date	End date	Salary (can include redundancy)	Additional emoluments (inc Elections Payments)	Pension Contributions	Total
£'000					£'000	£'000	£'000	£'000
	Chief Executive							
	Current Postholder	Catherine Howe	04-Aug-25		126	-	24	150
18	Previous Postholder	Sam Crowe	01-Mar-25	03-Aug-25	65	-	12	77
209	Previous Postholder	Matt Prosser		16-Mar-25				
	Executive Director People, Adults							
182	Current Postholder	Jonathan Price	01-Apr-24		160	-	28	188
	Executive Director of Place							
76	Current Postholder	Jan Britton	11-Nov-24		159	-	30	190
128	Previous Postholder	Jan Britton	04-Jan-24	10-Nov-24				
	Executive Director People, Children's							
159	Current Postholder	Paul Dempsey	01-Oct-24		159	-	28	188
101	Previous Postholder	Theresa Leavy		27-Oct-24				
	Corporate Director Finance & Commercial (Section 151 Officer)							
	Current Postholder	Sean Cremer	28-Jul-25		85		15	100
	Executive Director Corporate Development (Section 151 Officer)							
183	Previous Postholder	Aidan Dunn		31-Aug-25	66	-	13	79
	Director of Public Health							
	Current Postholder	Sam Crowe	04-Aug-25		98		18	116
14	Previous Postholder	Rachel Partridge	01-Mar-25	03-Aug-25	50	-	7	57
156	Previous Postholder	Sam Crowe		28-Feb-25				
	Director Legal & Democratic Services (Monitoring Officer)							
148	Current Postholder	Jonathan Mair			130	-	23	154
1,374					1,098	-	198	1,299

17) Exit packages and termination benefits

The Code requires the Authority to disclose details of the number and value of exit packages agreed in the bandings shown below in the table and to distinguish these by compulsory redundancies and other departures. Voluntary early retirement under the scheme rules is not a termination benefit and does not require disclosure.

2024/25				2025/26		
Compulsory redundancies	Other	Total cost £	Value of exit package	Compulsory redundancies	Other	Total cost £
Non-Schools						
21	11	174,732	Up to £20,000	10	33	373,436
3	4	182,080	£20,001 to £40,000	3	11	362,549
1	-	58,159	£40,001 to £60,000	-	2	92,344
1	-	68,110	£60,001 to £80,000	-	2	132,435
26	15	483,081		13	48	960,764
Schools						
1	4	45,816	Up to £20,000	-	5	53,927
	1	23,902	£20,001 to £40,000	-	1	21,668
1	5	69,718		-	6	75,595
27	20	552,798	Total	13	54	1,036,359

As at 31 March, the following exit packages (with estimated costs) had been approved but not yet paid by the Authority. These costs have been included in the Comprehensive Income and Expenditure Statement.

2024/25		Value of exit package	2025/26	
Redundancies	£		Redundancies	£
Number			Number	
-	-	Up to £20,000	3	17,005
-	-	£20,001 to £40,000	4	140,495
1	58,159	£40,001 to £60,000	-	-
1	68,110	£60,001 to £80,000	-	-
-	-	£80,001 to £100,000	1	85,000
2	126,269		8	242,499

18) Audit fees

Fees payable by the Council relating to external audit and inspection are summarised in the table below.

2024/25		2025/26
£'000		£'000
610	External audit services as appointed auditor for the year	612
14	Teachers Pensions Audit	13
33	Housing Benefit audit fee	44
657		668

Notes supporting the Balance Sheet

19) Summary of capital expenditure and financing

This table gives details of capital spending by service, and how that spending was financed.

2024/25 £'000	£'000		2025/26 £'000	£'000
		Children's Services		
11,625		New Construction & Improvements (including REFCUS)	8,639	
3,169		Property Improvements	414	
64		ICT	-	
	14,858			9,053
		Adults and Housing		
3,207		New Construction & Improvements (including REFCUS)	6,028	
1,691		Property Improvements	267	
13		ICT	3	
	4,911			6,298
		Place		
54,583		Infrastructure Improvements (including REFCUS)	52,831	
2,583		Property Improvements	197	
122		ICT	273	
	57,288			53,301
		Cabinet/Whole Authority		
365		New Construction & Improvements (including REFCUS)	2,174	
874		Property Improvements	318	
9,541		Corporate Fleet Vehicle Replacements	2,908	
1,591		ICT	1,694	
	12,371			7,094
	74,570	Total Capital Expenditure		75,746
		Sources of Finance		
37,695		Borrowing (internal & external)	27,604	
43,512		Grants	45,956	
1,191		Revenue Contributions	1,812	
7,030		Use of Capital Receipts	374	
-		Use of Reserves and Balances	-	
	89,428	Total Financing		75,746

The analysis above includes expenditure referred to **Note 11, Revenue Expenditure Funded from Capital Under Statute (REFCUS)**.

Legislation requires REFCUS expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried in the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on Council Tax payers. These items are generally expenditure on property not owned by the Authority. **Note 21, Capital financing requirement** includes provision for this expenditure.

The amounts in the table above do not include capital expenditure or sources of finance for street lighting infrastructure assets accounted for as a Private Finance Initiative scheme, with relevant information for that shown in **Note 24, Long-term contracts (Private Finance Initiative)**.

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2024/25	Long-term contracts (Private Finance Initiative)	2025/26
£'000		£'000
3,391	Street lighting PFI - Additions / developments / lifecycle	3,519

20) Future capital commitments

The Council has entered into contracts for a number of capital projects in 2025/26 and earlier years, which were not completed by 31 March 2026. Details of further expenditure on such major schemes which will be incurred in later years are set out below.

2024/25 £'000	Commitments	2025/26 £'000
Capital Subgroup: IT		
-	No Future Capital Commitments to Report	
Capital Subgroup: Highways & Engineering		
4,000	Local Transport Plan programme of works	5,000
354	Parley Cross	-
250	Upton Safety Scheme	-
1,350	Maumbury Cross Junction Improvement	-
2,690	Weymouth Relief Road	
100	Dinahs Hollow	6,000
700	Highways Corporate Funding (EAP)	4,000
	Weymouth Harbour Walls F & G	1,340
	Upgrading Traffic Control Equipment	1,243
	Works to the Cobb in Lyme Regis	465
336	Weymouth FCRM OBC	
9,780	Highways & Engineering Total	18,048
Capital Subgroup: Property, Schools & People		
1,530	Dorset Waste Infrastructure - Blandford site	8,783
800	Modernising Schools Programme	-
263	Dorset Innovation Park, Quadrant 2 - Light Industrial Units	-
-	SEND	5,000
2,593	Property, Schools & People Total	13,783
Capital Subgroup: Fleet		
3,032	Fleet Replacement Programme	6,465
3,032	Fleet Total	6,465
15,405	Total future capital commitments	38,296

21) Capital financing requirement

The total amount of capital expenditure incurred during the year is shown in note 19, together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed as:

2024/25 £000s		2025/26 £000s
1,082,332	Property, Plant & Equipment, Heritage Assets and Intangible Assets	1,101,545
1,817	Assets held for sale	1,910
1,084,149	Total Assets to be funded	1,103,455
(225,807)	Revaluation Reserve	(255,007)
(424,790)	Capital Adjustment Reserve	(399,636)
433,552	Capital Financing Requirement 31 March	448,812
(16,690)	Less Long Term PFI Liability	(13,845)
(8,288)	Less Long Term Obligations under Finance Leases	(4,991)
408,574	Underlying Borrowing Requirement 31 March	429,976

2024/25 £'000		2025/26 £'000
37,011	Increase/(Decrease) on the underlying need to borrow	21,402
37,011		21,402

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22) Property, plant and equipment

The following table shows the overall movements in property, plant and equipment during the year. Infrastructure assets include, for example, highways, and community assets include country parks. Intangible assets are computer software licences which have a useful economic life of more than one financial year. The table also shows the cost of assets under construction not yet in operational use, and those declared surplus awaiting disposal plans. Surplus assets continue to be depreciated - but once a surplus property is being actively sold, it is transferred to the class referred to as assets held for sale and these assets are not depreciated.

	Other land and buildings	Vehicles, plant, furniture & equipment	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment (excluding infrastructure assets)
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 March 2025	519,164	102,276	13,037	15,077	33,769	683,323
Additions	3,787	4,985	-	-	22,465	31,237
Revaluation increases/(decreases) recognised in the revaluation reserve	11,689	-	-	5	-	11,694
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(13,445)	-	-	(2,117)	-	(15,562)
Derecognition - disposals	(12,215)	(44,938)	-	(2)	-	(57,154)
Unplanned depn adjustment for Disposals/Transfers	(85)	-	-	647	-	562
Other movements in cost or valuation	7,247	345	118	(937)	(15,164)	(8,392)
As at 31 March 2026	516,143	62,668	13,155	12,673	41,070	645,709
Accumulated depreciation and impairment						
As at 31 March 2025	(22,618)	(73,472)	-	(50)	-	(96,140)
Depreciation charge	(22,193)	(8,353)	-	660	-	(29,886)
Depreciation written out to the revaluation reserve	34,295	-	-	130	-	34,425
Unplanned depn related to disposals and transfers which should be amended in top block	85	-	-	(647)	-	(562)
Derecognition - disposals	916	44,836	-	0	-	45,752
Other movements in depreciation and impairment	(667)	-	-	-	-	(667)
As at 31 March 2026	(10,182)	(36,989)	-	93	-	(47,078)
Net book value						
As at 31 March 2026	505,961	25,679	13,155	12,766	41,070	598,630
As at 31 March 2025	496,547	28,804	13,037	15,026	33,769	587,183

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Comparative movements for 2024/25 were as follows:

	Other land and buildings	Vehicles, plant, furniture & equipment	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment (excluding infrastructure assets)
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 March 2024	485,363	93,503	12,884	16,839	33,155	641,744
Additions	14,311	11,724	123	22	18,178	44,358
IFRS 16 Leases Recognition	22,770	65				22,835
Adjust out In-year Dorchester Library lease Postings	3,738					3,738
Revaluation increases/(decreases) recognised in the revaluation reserve	(19,971)	-	-	(395)	-	(20,366)
Revaluation increases/(decreases) recognised in the surplus/deficit on the pr	(6,766)	-	-	(62)	-	(6,829)
Derecognition - disposals	(2,581)	(6,237)	-	(1,925)	-	(10,743)
Unplanned depn adjustment for Disposals/Transfers	1,154			283		1,437
Component Depreciation Adjustment	18,395			314		18,709
Other movements in cost or valuation	2,751	3,224	30	-	(17,564)	(11,559)
As at 31 March 2025	519,164	102,279	13,037	15,077	33,769	683,326
Accumulated depreciation and impairment						
As at 31 March 2024	(26,043)	(71,853)	-	(48)	-	(97,944)
Depreciation charge	(12,906)	(7,714)	-	119	-	(20,501)
Depreciation written out to the revaluation reserve	34,295	-	-	(152)	-	34,143
Unplanned depn related to disposals and transfers which should be amended in top block	(1,154)			(283)		(1,437)
Derecognition - disposals	1,563	6,094	-	627	-	8,285
Component Depreciation Adjustment	(18,395)	-	-	(314)	-	(18,709)
Other movements in depreciation and impairment	24	-	-	-	-	24
As at 31 March 2025	(22,616)	(73,473)	-	(51)	-	(96,140)
Net book value						
As at 31 March 2025	496,548	28,806	13,037	15,025	33,769	587,185
As at 31 March 2024	459,320	21,650	12,884	16,791	33,155	543,800

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The Council maintains a rolling programme of revaluations that ensures all PPE required to be measured at fair value is revalued at least every five years. Indexation is applied to adjust the value of assets that have not been revalued. All valuations are carried out by our external professional RICS Accredited Scheme Valuers:

- Carter Jonas
- Rural Solutions

All valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). **Note 3, Sources of estimation uncertainty** discloses sources on which there is the potential for material valuation uncertainty. The effective date for all valuations is 1 January 2026 for the financial year 2025/26. The basis of valuation is explained in the Statement of Accounting Policies.

	2025/26					
	Other land and buildings	Vehicles, plant, furniture & equipment	Community assets	Surplus assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
NBV Held at historic cost		25,679	13,155		41,070	79,904
Total NBV per note 21	505,961			12,766		518,727
Remove Leases (Not Revalued)	(15,335)					
Total Per Asset History Sheet:	490,626			12,766		
Asset History Sheet NBV Revaluation Years Split:						
De Minimis Assets Not Revalued	27			-		
Valued/Acquired in 2021/22	59,106			1,679		
Valued/Acquired in 2022/23	3,818			-		
Valued/Acquired in 2023/24	67,950			54		
Valued/Acquired in 2024/25	53,983			2,992		
Valued/Acquired in 2025/26	305,743			8,041		
Total	490,626			12,766		
Total	490,626	25,679	13,155	12,766	41,070	598,630

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Infrastructure Assets

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Financial Year End 31 March 2026	£'000
Net Book Value (Modified Historic Cost) as at 31 March 2025	487,667
Additions	32,958
Derecognition	-
Depreciation	(32,649)
Depreciation on disposals	-
Other Movements	8,239
Net Book Value as at 31 March 2026	496,215

Financial Year End 31 March 2025	£'000
Net Book Value (Modified Historic Cost) as at 31 March 2024	469,059
Remeasurement - IFRS 16 Implementation	8,210
Additions	29,819
Derecognition	-
Depreciation	(30,981)
Depreciation on disposals	-
Other Movements	11,559
Net Book Value as at 31 March 2025	487,666

PFI Remeasurement – IFRS 16

From 1 April 2024, Dorset Council adopted IFRS 16 *Leases*, which changed the accounting treatment of PFI contracts. Under IFRS 16, indexation of unitary payments linked to inflation is now included in the measurement of the PFI liability, rather than treated as contingent rent.

These changes affect the presentation of costs in the accounts but do not impact the actual payments made under the PFI contract.

23) IFRS 16 Leases – Right of Use assets

Dorset Council accounts for leases in accordance with the accounting policies set out in this document. From 2024/25 onwards arrangements previously treated as operating leases where Dorset Council was lessee are now treated as Right of Use leases under IFRS 16 and shown on the balance sheet as a right-of-use asset and a lease liability. The Council has applied exemptions allowed under IFRS 16 as follows:

- low value exemption: Applied where assets are below £15k when new
- short-term exemption: Applied where existing leases expire on or before 31 March 2025; or to new leases with a duration of less than 12 months.

Council as lessee

The Council's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles, which are individually immaterial. The table below shows the change in the value of right-of-use assets held under leases by the Council.

Right of Use - Vehicles, Plant, Furniture & Equipment	2024/25		Total		Right of Use - Vehicles, Plant, Furniture & Equipment	2025/26		Total
	Right of Use - Land and Buildings	Right of Use - Land and Buildings				Right of Use - Land and Buildings	Right of Use - Land and Buildings	
£'000	£'000	£'000	£'000		£'000	£'000	£'000	
46	23,871	23,917		Balance at 1 April 2025	51	22,779	22,830	
19	-	19		Additions	33	155	188	
-	-	-		Disposals	-	(7,546)	(7,546)	
-	-	-		IFRS 16 Remeasurements	-	768	768	
(14)	(1,092)	(1,106)		Depreciation and amortisation	(23)	(821)	(844)	
51	22,779	22,830		Balance at 31 March 2026	61	15,335	15,396	

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Transactions under leases

The Council incurred the following expenses and cash flows in relation to leases:

2024/25			2025/26	
Right of Use - Vehicles, Plant, Furniture & Equipment £'000	Right of Use - Land and Buildings £'000		Right of Use - Vehicles, Plant, Furniture & Equipment £'000	Right of Use - Land and Buildings £'000
Comprehensive Income and Expenditure Statement				
3	551	Interest expense on lease liabilities	4	352
-	-	Expense relating to short-term leases	-	-
-	-	Expense relating to leases of low-value assets	-	-
-	-	Variable lease payments not included in the measure of lease liabilities	-	-
3	551	Total cash outflow for leases	4	352
-	-	Income from subletting Right of Use assets	-	-
-	-	Gains or losses arising from sale and leaseback transactions	-	-
Cash Flow Statement				
75	16,484	Minimum lease payments	69	8,518

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Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

2024/25			2025/26			
Right of Use - Vehicles, Plant, Furniture & Equipment £'000	Right of Use - Land and Buildings £'000	Total £'000		Right of Use - Vehicles, Plant, Furniture & Equipment £'000	Right of Use - Land and Buildings £'000	Total £'000
18	1,247	1,265	Less than one year	24	883	907
57	4,770	4,827	One to five years	44	2,528	2,572
-	10,468	10,468	More than five years	-	5,107	5,107
75	16,485	16,560	Total undiscounted liabilities	68	8,518	8,586

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Carrying Amount of Liabilities for Leases on Right of Use Assets

Right of Use - Vehicles, Plant, Furniture & Equipment £'000	2024/25			2025/26		Total £'000
	Right of Use - Land and Buildings £'000	Total £'000		Right of Use - Vehicles, Plant, Furniture & Equipment £'000	Right of Use - Land and Buildings £'000	
18	1,247	1,265	Current Liabilities	24	883	907
68	8,221	8,289	Long-Term Liabilities	68	4,921	4,989
86	9,468	9,554	Total Obligations	92	5,804	5,896

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Council as lessor

The authority leases out property operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.

Transactions under leases

The authority made the following gains and losses as a lessor during the year:

2024/25			2025/26	
Vehicles, Plant, Furniture & Equipment £'000	Land and Buildings £'000		Vehicles, Plant, Furniture & Equipment £'000	Land and Buildings £'000
Finance Leases				
-	-	Selling gain or loss	-	-
-	32	Finance income on the net investment in the lease	-	32
-	40	Income relating to variable lease payments not included in the measurement of the net investment in the lease	-	33
Operating Leases				
-	5,202	Total lease income	-	7,741
-	213	Share of lease income relating to variable lease payments that do not depend on an index or a rate	-	251

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Net investment in finance leases

The authority experienced the following changes in the carrying amount of its net investment in finance leases during the year:

2024/25 Vehicles, Plant, Furniture & Equipment £'000	2024/25 Land and Buildings £'000	2024/25 Total £'000		2025/26 Vehicles, Plant, Furniture & Equipment £'000	2025/26 Land and Buildings £'000	2025/26 Total £'000
-	1,296	1,296	Net investment at 1 April	-	1,282	1,282
-	-	-	New leases entered into	-	-	-
-	(14)	(14)	Payments by lessees	-	(14)	(14)
-	-	-	Lease modifications	-	-	-
-	-	-	Impact of changes in unguaranteed residual values	-	-	-
-	-	-	Movements in impairment loss allowances	-	-	-
-	1,281	1,281	Net investment at 31 March	-	1,268	1,268

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Maturity analysis of lease receivables

The finance lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts):

2024/25 Vehicles, Plant, Furniture & Equipment £'000	2024/25 Land and Buildings £'000	2024/25 Total £'000		2025/26 Vehicles, Plant, Furniture & Equipment £'000	2025/26 Land and Buildings £'000	2025/26 Total £'000
Finance Leases						
-	46	46	Less than one year	-	46	46
-	46	46	One to two years	-	46	46
-	46	46	Two than three years	-	46	46
-	46	46	Three to four years	-	46	46
-	46	46	Four to five years	-	46	46
-	2,626	2,626	More than five years	-	2,580	2,580
-	2,856	2,856	Undiscounted Receivables Finance Leases	-	2,810	2,810

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The total undiscounted receivables for finance leases reconcile to the net investment in leases as follows:

2024/25 Vehicles, Plant, Furniture & Equipment £'000	2024/25 Land and Buildings £'000	2024/25 Total £'000		2025/26 Vehicles, Plant, Furniture & Equipment £'000	2025/26 Land and Buildings £'000	2025/26 Total £'000
-	2,856	2,856	Total undiscounted lease receivables	-	2,810	2,810
-	(1,575)	(1,575)	Unearned finance income	-	(1,542)	(1,542)
-	-	-	Discounted amount of unguaranteed residual values	-	-	-
-	1,281	1,281	Net investment in leases	-	1,268	1,268

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The operating lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts):

2024/25 Vehicles, Plant, Furniture & Equipment £'000	2024/25 Land and Buildings £'000	2024/25 Total £'000		2025/26 Vehicles, Plant, Furniture & Equipment £'000	2025/26 Land and Buildings £'000	2025/26 Total £'000
Operating Leases						
-	4,989	4,989	Less than one year	-	3,577	3,577
-	3,374	3,374	One to two years	-	3,309	3,309
-	3,119	3,119	Two than three years	-	3,169	3,169
-	2,978	2,978	Three to four years	-	3,109	3,109
-	2,923	2,923	Four to five years	-	2,999	2,999
-	72,431	72,431	More than five years	-	69,221	69,221
-	89,814	89,814	Undiscounted Receivables Operating Leases	-	85,384	85,384

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24) Long-term contracts (Private Finance Initiative)

In 1997 a contract was entered into for the replacement of Colfox School, Bridport, using the Government's Private Finance Initiative (PFI). The contract provides for fully serviced accommodation for the school including buildings, grounds maintenance, catering, caretaking, security, waste disposal, energy, utilities, IT equipment and renewal of furniture and equipment. Payments under the contract commenced in 1999 and continue for a 30-year period. The school became an Academy on 1 April 2015 but despite the change in status, the PFI arrangement will continue to be the responsibility of the Council.

In 2006, the Council entered into a PFI scheme for the provision and replacement of street lighting. This arrangement deals with a backlog of replacements and maintenance over 25 years.

Payments made and PFI Grants receivable to support the schemes were as follows:

Payments 2024/25 £'000	Grants Rcvd 2024/25 £'000		Payments 2025/26 £'000	Grants Rcvd 2025/26 £'000
6,676	(2,546)	Street lighting (provider)	7,009	(2,546)
2,117	-	Street lighting (energy)	1,963	-
(826)	-	Contribution from Bournemouth, Christchurch and Poole	(851)	-
3,480	(1,559)	Colfox School (provider)	3,394	(1,559)

Movements of PFI asset and liability balances are analysed as follows:

2024/25 Street lighting £'000	2024/25 Colfox School £'000	Assets	2025/26 Street lighting £'000	2025/26 Colfox School £'000
45,539	-	Opening balance	54,419	-
8,210	-	Remeasurement - IFRS 16 Implementation	-	-
3,391	-	Additions/developments/lifecycle	3,519	-
(2,721)	-	Depreciation	(2,897)	-
54,419	-	Closing balance	55,041	-

The Sir John Colfox school transferred to Academy status since the commencement of the contract: therefore, the asset value has been removed from the balance sheet as required under accounting standards. The liability for the PFI contract remains with the Authority: however, there is no additional financial burden for the Authority.

2024/25 Street lighting £'000	2024/25 Colfox School £'000	Liabilities	2025/26 Street lighting £'000	2025/26 Colfox School £'000
(10,489)	(6,201)	Opening balance	(16,891)	(7,452)
(8,210)	(2,452)	Remeasurement - IFRS 16 Implementation	-	-
(3,390)	(457)	Additions/developments/lifecycle	(3,519)	(292)
5,198	1,658	Repayments	5,313	1,642
(16,891)	(7,452)	Closing balance	(15,097)	(6,102)

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From 1 April 2024, Dorset Council adopted IFRS 16 *Leases* in accordance with the Code of Practice on Local Authority Accounting. The accounting treatment of service concession arrangements, including Private Finance Initiative (PFI) contracts, are now measured using principles consistent with lease accounting under IFRS 16. These changes do not affect the budgeting treatment of PFI schemes, nor do they alter the total unitary payments made under the contract. However, they do impact the timing and presentation of costs in the financial statements, particularly through increased interest charges and reduced contingent rent disclosures.

The value of charges through the Comprehensive Income and Expenditure Statement remain unchanged, with Minimum Revenue Provision being charged at the deemed capital repayment element through centrally managed costs instead contingent rent charges previously paid through service budgets under IAS 17.

Future PFI Repayments to be made and when they fall due as analysed in the tables below:

2025/26				
	Payments due within one year £'000	Payments due between one and five years £'000	Payments due between six and ten years £'000	Total future payments £'000
<u>Street lighting</u>				
Capital repayment	5,426	23,039	4,580	33,045
Interest charges	452	1,248	110	1,810
Service charges	2,224	9,434	1,861	13,519
Street Lighting Total	8,102	33,721	6,551	48,374
<u>Colfox</u>				
Capital repayment	1,929	5,494	-	7,423
Interest charges	610	848	-	1,458
Service charges	1,227	3,098	-	4,325
ColfoxTotal	3,766	9,440	-	13,206
Total future payments	11,868	43,161	6,551	61,580

2024/25				
	Payments due within one year £'000	Payments due between one and five years £'000	Payments due between six and ten years £'000	Total future payments £'000
<u>Street lighting</u>				
Capital repayment	5,313	22,480	10,565	38,359
Interest charges	490	1,495	315	2,300
Service charges	2,170	9,213	4,307	15,689
Street Lighting Total	7,973	33,188	15,187	56,348
<u>Colfox</u>				
Capital repayment	1,642	7,423	-	9,065
Interest charges	745	1,458	-	2,203
Service charges	1,136	4,325	-	5,461
ColfoxTotal	3,523	13,206	-	16,729
Total future payments	11,496	46,394	15,187	73,077

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25) Debtors and payments in advance

An analysis of amounts due to the Council or paid in advance at 31 March 2026 is shown below:

2024/25			2025/26		
Debtors	Payments in advance		Debtors	Payments in advance	
£'000	£'000		£'000	£'000	
32,360	76	Central Government Departments	32,099	-	
5,572	27	Other Local Authorities	8,087	17	
505	-	Health	312	-	
18,407	-	Collection Fund	26,330	-	
41,869	19,170	Other	45,108	48,039	
98,713	19,273		111,936	48,056	

Debtors in the other category at £45.1m (£41.9m for 2024/25) include: £41.1m sundry trade debtors for invoices raised to customers less £17.3m provision for bad debts on those invoices (£39.2m less £15.6m for 2024/25), £12.6m of accrued income processed as year-end adjustments to close the accounts (£9.5m for 2024/25), £1.6m of court costs and penalties for council tax and NNDR debts (£1.5m for 2024/25), £2.7m relating to housing benefits (£2.8m for 2024/25), and £4.4m for other debtors (£4.5m for 2024/25).

Payments in advance in the other category at £48.0m (£19.2m for 2024/25) include: £42.3m processed as year-end adjustments to close the accounts (£13.9m for 2024/25), £5.2m relating to private finance initiative (PFI) schemes (£5.3m for 2024/25), and £5.1m other prepayments (there were no other prepayments for 2024/25).

Debtors for Local Taxation

Included in "Debtors and payments in advance" (Debtors) are the debtors (net of any provision for bad debts) for council tax and business rates. The past due but not impaired amount for local taxation (council tax and non-domestic rates) is analysed by age as follows:

2024/25			Council Tax	2025/26		
Gross Arrears £'000	Provision for Bad Debts £'000	Net Debtor £'000		Gross Arrears £'000	Provision for Bad Debts £'000	Net Debtor £'000
14,112	(4,234)	9,878	Less than one year	19,401	(4,850)	14,551
14,673	(10,684)	3,989	Between one year and three years	16,475	(12,327)	4,148
18,805	(16,560)	2,245	More than three years	22,036	(19,375)	2,661
47,590	(31,478)	16,112		57,912	(36,552)	21,360

2024/25			Business Rates	2025/26		
Gross Arrears £'000	Provision for Bad Debts £'000	Net Debtor £'000		Gross Arrears £'000	Provision for Bad Debts £'000	Net Debtor £'000
3,472	(1,736)	1,736	Less than one year	4,868	(1,460)	3,408
3,842	(2,881)	961	Between one year and three years	3,325	(1,902)	1,423
4,526	(4,378)	148	More than three years	5,837	(5,578)	259
11,840	(8,995)	2,845		14,030	(8,940)	5,090

26) Borrowing

An analysis of the Council's outstanding debt as at 31 March 2025 is shown below, analysed between the government's Public Works Loans Board (PWLB) and other lenders.

2024/25		Analysis of Loans by maturity	2025/26	
PWLB £'000	Other £'000		PWLB £'000	Other £'000
2,666	52,287	Short Term Borrowing (less than 1 year)	17,645	56,992
17,536	-	Between 1 and 2 years	32,500	-
52,609	-	Between 2 and 5 years	52,500	-
30,181	-	Between 5 and 10 years	18,750	-
1,268	-	Between 10 and 20 years	-	-
41,816	-	Between 20 and 30 years	41,816	-
-	15,000	Between 30 and 40 years	-	40,000
-	45,000	Between 40 and 50 years	-	20,000
-	36,600	More than 50 years	-	36,600
143,410	96,600	Long Term Borrowing	145,566	96,600
135,901	125,065	Fair Value of Borrowing	152,360	128,133
4.81%	4.10%	Average rate of interest	4.64%	4.21%

Actual borrowing shown here is less than shown in **Note 21, Capital Financing Requirement** because of unfinanced capital expenditure carried forward or decisions when to take out borrowing to finance the capital programme. These decisions are taken in consultation with advisers, taking into account interest rate movements and other factors.

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments. Loans from the PWLB and other loans payable have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.

Other lenders include banks, building societies and local authorities that meet the criteria for borrowing in the approved treasury management strategy.

27) Cash and cash equivalents

Cash and cash equivalents comprises balances held in bank current accounts, plus same-day notice interest-earning deposit accounts and same-day notice low volatility money market funds.

28) Creditors and receipts in advance

An analysis of amounts owed by the Council or received in advance at 31 March 2026 is shown below. Receipts in advance do not include grants or contributions held in respect of future spending where conditions attached to the grant have been met.

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2024/25			2025/26		
Creditors	Receipts in advance		Creditors	Receipts in advance	
£'000	£'000		£'000	£'000	
1,818	-	Central Government Departments	3,678	-	
2,441	791	Other Local Authorities	3,165	637	
560	-	Health	3,870	-	
10,451	8,623	Collection Fund	3,987	10,020	
57,624	7,647	Other	89,880	7,648	
<u>72,894</u>	<u>17,061</u>		<u>104,580</u>	<u>18,305</u>	

Creditors in the other category at £89.6m (£57.6m for 2024/25) include: £3.9m of accruals for trade creditors (£0.9m for 2024/25), £28.9m processed as year-end adjustments to close the accounts (£34.8m for 2024/25), £20.7m third party payroll deductions (£18.5m for 2024/25) £4.9m accrual for accumulated absences (£4.8m for 2024/25), and £31.2m for other creditors (£1.4m for 2024/25).

Receipts in advance in the other category at £7.6m (£7.6m for 2024/25) include: £7.5m processed as year-end adjustments for deferred income to close the accounts (£7.4m for 2024/25), and £0.2m for other receipts in advance (£0.3m for 2024/25).

29) Grants receipts in advance – revenue

An analysis of grants receipts in advance for the Council at 31 March 2026 is shown below. Receipts in advance do not include grants or contributions held in respect of future spending where conditions attached to the grant have been met.

2024/25 Receipts in advance £'000		2025/26 Receipts in advance £'000
497	Central Government Departments	1,480
<u>497</u>		<u>1,480</u>

30) Grants receipts in advance – capital

2024/25 Receipts in advance £'000		2025/26 Receipts in advance £'000
-	Central Government Departments	-
<u>-</u>		<u>-</u>

31) Contingent Assets

In addition to the amounts included in [Note 25, Debtors and payments in advance](#) further sums estimated to amount to £81m may fall due to Dorset Council in respect of Section 106 (of the Town and Country Planning Act 1990) planning and CIL (Community Infrastructure Levy) agreements.

These amounts are not due, yet, but will accrue in future in line with the progress made on the developments covered by individual agreements.

32) Contingent Liabilities

Provision has been made in the accounts for known claims against the Council at the level of the Council's own estimation. There are potential claims against the Council, which are at this stage unquantifiable, and no provision has been made for these. There are various other minor claims against the Council, where the validity is disputed, and the Council has made no provision for these in the accounts.

Virgin Media judgement

In June 2023, the High Court issued judgment in the case of *Virgin Media Ltd v NTL Pension Trustees II Ltd*, which was subsequently upheld by the Court of Appeal in July 2024.

The judgment relates to the interpretation of section 37 of the Pension Schemes Act 1993 and associated regulations governing contracted-out defined benefit pension schemes. It confirmed that where amendments were made to scheme rules affecting contracted-out benefits between 6 April 1997 and 5 April 2016, such amendments are void unless written actuarial confirmation was obtained at the time.

The Court determined that this requirement applies broadly to both past and future service rights. As a result, a potentially wide range of historic scheme amendments across the pensions sector could be invalid where the required certification cannot be evidenced.

It is not yet known whether this case has any implications to public sector pension schemes, including the Local Government Pension Scheme. Therefore, no provision for the potential impact of the Virgin Media case has been recognised in the financial statements.

33) Provisions

The Council self-insures most of its insurance claims, funding these internally. The insurance provision also covers potential liabilities arising from the performance of building and civil engineering contracts in excess of £750k. Balances for specific provisions as at 31 March 2026 are as follows:

	1 April 2025 £'000	Transfers In £'000	Transfers Out £'000	31 March 2026 £'000
Misc Provisions	127	60	(87)	100
NNDR appeals provision	2,500	7,383	(6,914)	2,969
General Insurance Provision	3,178	-	(1,245)	1,933
	<u>5,805</u>	<u>7,443</u>	<u>(8,246)</u>	<u>5,002</u>

NNDR Appeals Provision

When the new arrangements for the retention of business rates came into effect on 1 April 2013, local authorities assumed the liability for refunding rate payers who have successfully appealed against the rateable value of their properties on the rating list.

Insurance Provision

The insurance provision of £1,993m as at 31st March 2026 is for the Council's liabilities in respect of outstanding claims already reported.

It is expected that some insurance claims will be settled within the next financial year and others over the longer period, but it is not possible to say on a claim-by-claim basis when or if a particular claim will be settled due to their varied nature and changing legislation.

Municipal Mutual Insurance (MMI) was the insurer of all of the predecessor Councils prior to ceasing its underwriting operations in September 1992 having suffered substantial losses. The

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predecessor Councils elected to participate in the "Scheme of Arrangement", effectively becoming a "Scheme Creditor". Since LGR in 2019 Dorset Council is now the sole administrator for the scheme and is responsible for the liabilities of the 6 Councils which merged to form Dorset Council. The Council contributes to the settlement of any claim payments made at the rate of the levy set at the time of the payment. It continues to receive historic claims and has paid back part of the claims for which it has received settlements since 1993 as the "Scheme of Arrangement" has been triggered.

34) Trust funds and bequests

The Council administers a number of funds which have been established by gift or bequest. The bequests are for the benefit of certain Social Care or Library service users. These funds are held by the Council as trustees and are summarised below.

	Balance 1 April 2025 £'000	Income £'000	Expenditure £'000	Balance 31 March 2026 £'000	Capital 31 March 2026 £'000
B Norwood Bequest	5	2	-	7	64
T Elliott Bequest	8	2	-	10	55
M Dorling Bequest	9	3	-	12	64
	<u>21</u>	<u>7</u>	<u>-</u>	<u>28</u>	<u>183</u>

35) Business Improvement Districts

The Council acts as an agent, collecting Business Improvement District (BID) levy income on behalf of four BIDs and distributing this income to each of them when requested by the Board. The Council maintains separate accounts for the transactions relating to each BID and these are not included in the Council's Comprehensive Income and Expenditure Statement.

The balances as at 31 March 2026 relating to the BIDs are as shown below: these do form part of the council's Balance Sheet.

	Credits from previous years £'000	Levy Income raised £'000	Amounts paid to the BID £'000	Amounts written off £'000	Refunds £'000	Provision for bad debts £'000	Balance on the Account £'000
Wimborne	(13)	(112)	117	-	10	-	2
Ferndown & Uddens	(18)	(196)	191	-	15	-	(8)
Dorchester	(15)	(129)	126	-	6	-	(12)
Weymouth	(55)	(318)	315	-	10	-	(48)
Total	<u>(101)</u>	<u>(755)</u>	<u>749</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>(66)</u>

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Notes supporting the Movement In Reserves Statement

36) Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure figure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure together with movements in reserves under statute.

Usable Reserves 2025/26	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments between accounting basis and funding basis under regulations							
Charges for depreciation & Impairment of non-current assets	70,811				70,811	(70,811)	-
Charges for depreciation of ROU Assets to CAA	844				844	(844)	-
Revenue expenditure funded from capital under statute	15,219				15,219	(15,219)	-
MIRS Adj Gain on Recognition of IFRS16 Peppercorn/nominal ROU Asset to CAA	3,523				3,523	(3,523)	-
Net gains/(losses) on disposal of non-current assets	2,219		1,565		3,784	(3,784)	-
Net gains/(losses) on disposal of Academies	71				71	(71)	-
Statutory provision for financing of capital investment	(13,250)				(13,250)	13,250	-
Capital Expenditure charged against the General Fund	(1,812)				(1,812)	1,812	-
Usable Capital Receipts funding revenue income from finance leases	14		(14)		-	-	-
Capital Receipts flexibility	-		-		-	-	-
Use of Capital Receipts to finance new capital expenditure			(374)		(374)	374	-
Transfer to Capital Grants Unapplied Reserves	(63,780)			63,780	-	-	-
Transfer from Capital Grants Unapplied to CAA				(45,956)	(45,956)	45,956	-
Interest on Developer Contributions	(2,857)			2,857	-	-	-
Adjustments for Capital Purposes	11,002	-	1,177	20,681	32,860	(32,860)	-
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	25,620				25,620	(25,620)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(45,661)				(45,661)	45,661	-
Net Change for the Pensions Adjustments	(20,041)	-	-	-	(20,041)	20,041	-
Amounts by which the finance costs charged to the Comprehensive Income & Expenditure Statement differ from statutory requirements	(467)				(467)	467	-
Mandatory statutory override for changes in fair value of investments in pooled funds	29				29	(29)	-
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	2,801				2,801	(2,801)	-
Amount by which Non-Domestic Rates income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	4,983				4,983	(4,983)	-
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	120				120	(120)	-
Net transfers to/from DSG Adjustment Account	53,138				53,138	(53,138)	-
Other Adjustments	60,604	-	-	-	60,604	(60,604)	-
Total Adjustments 2025/26	51,565	-	1,177	20,681	73,423	(73,423)	-

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Usable Reserves 2024/25	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments between accounting basis and funding basis under regulations							
Charges for depreciation & Impairment of non-current assets	54,855				54,855	(54,855)	-
Charges for depreciation of ROU Assets to CAA	1,106				1,106	(1,106)	-
Revenue expenditure funded from capital under statute	18,585				18,585	(18,585)	-
MIRS Adj Gain on Recognition of IFRS16 Peppercorn/nominal ROU Asset to CAA	(14,438)				(14,438)	14,438	-
Net (gains)/losses on disposal of non-current assets	1,354		1,259		2,613	(2,613)	-
Net (gains)/losses on disposal of Academies	95				95	(95)	-
Statutory provision for financing of capital investment	(12,723)				(12,723)	12,723	-
Capital Expenditure charged against the General Fund	(1,192)				(1,192)	1,192	-
Usable Capital Receipts funding revenue income from finance leases	14		(14)		-	-	-
Capital Receipts flexibility	-		-		-	-	-
Use of Capital Receipts to finance new capital expenditure			(7,030)		(7,030)	7,030	-
Transfer to Capital Grants Unapplied Reserves	(68,489)			68,489	-	-	-
Transfer from Capital Grants Unapplied to CAA				(43,512)	(43,512)	43,512	-
Interest on Developer Contributions	(3,026)			3,026	-	-	-
Adjustments for Capital Purposes	(23,859)	-	(5,785)	28,003	(1,641)	1,641	-
Reversal of items relating to retirement benefits charged in the Comprehensive Income & Expenditure Statement	33,948				33,948	(33,948)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(42,881)				(42,881)	42,881	-
Net Change for the Pensions Adjustments	(8,933)	-	-	-	(8,933)	8,933	-
Amounts by which the finance costs charged to the Comprehensive Income & Expenditure Statement differ from statutory requirements	(468)				(468)	468	-
Mandatory statutory override for changes in fair value of investments in pooled funds	(325)				(325)	325	-
Amount by which Council tax income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	(4,026)				(4,026)	4,026	-
Amount by which Non-Domestic Rates income in the Comprehensive Income & Expenditure Statement differs from statutory requirements	379				379	(379)	-
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from statutory requirements	(313)				(313)	313	-
Net transfers to/from DSG Adjustment Account	36,057				36,057	(36,057)	-
Other Adjustments	31,304	-	-	-	31,304	(31,304)	-
Total Adjustments 2024/25	(1,488)	-	(5,785)	28,003	20,730	(20,730)	-

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37) Movement in General Fund balances

Total balances increased by £6.4m during the year to £46.2m. There is more information on reserves and balances in the Narrative Statement.

2024/25 Total £'000		2025/26 General £'000	2025/26 LMS* £'000	2025/26 Total £'000
44,775	Brought forward	31,632	8,128	39,760
(13,143)	Net use in year	4,351	(8,128)	(3,777)
8,128	Additions/outturn	-	10,210	10,210
39,760	Carried Forward	35,983	10,210	46,193

* LMS - balances held on behalf of schools under the scheme for Local Management of Schools.

38) Earmarked Reserves

The Council has established a number of reserves that earmarked for capital and revenue purposes. The contents and purposes of these reserves are reviewed at least twice yearly. These reserves are summarised in the table below:

Balance 1 April 2024 £'000	Income and / or Transfers £'000	Payments and / or Transfers £'000	Balance 31 March 2025 £'000		Balance 1 April 2025 £'000	Income and / or Transfers £'000	Payments and / or Transfers £'000	Balance 31 March 2026 £'000
General Fund								
18,622	6,080	(8,622)	16,080	(A) Financial strategy	16,080	23,922	(14,548)	25,454
5,976	898	(1,552)	5,322	(B) PFI Reserves	5,322	1,024	(1,640)	4,706
2,324	714	(1,005)	2,033	(C) Insurance Reserve	2,033	488	-	2,521
333	-	(16)	317	(D) Trading Account Reserves	317	10	(51)	276
3,314	81	(2,848)	547	(E) Transformation Fund	547	1,863	(2,410)	-
11,744	4,438	(1,617)	14,566	(F) Other Reserves	14,566	2,464	(5,783)	11,247
754	1,000	(3)	1,751	(G) Repairs & maintenance	1,751	1,000	(1,003)	1,748
36,622	17,476	(16,948)	37,150	(H) Unused Grant Funds	37,150	18,261	(12,391)	43,020
9,747	1,003	(4,870)	5,880	(I) Infrastructure related	5,880	847	(1,100)	5,627
236	320	(32)	524	(J) Innovation	524	49	(2)	571
89,672	32,010	(37,513)	84,170	Sub-total	84,170	49,928	(38,928)	95,170
16,637	2,130	(7,767)	11,000	(K) Section 31 Grant Reserve	11,000	3,083	(1,200)	12,883
2,663	15	(1,330)	1,348	(L) Public Health	1,348	1,168	(734)	1,782
12,900	10,274	(5,679)	17,495	(M) DSG recovery plan funding	17,495	-	(314)	17,181
121,872	44,429	(52,289)	114,013	Total Revenue Reserves	114,013	54,179	(41,176)	127,016

a) Financial strategy

These reserves provide support for any possible changes in the spending review (£10m) and also includes the savings from Minimum Revenue Provision (£13.4m).

b) PFI reserves

These reserves are sinking funds held for replacement furniture and equipment, and to cover additional costs of any future legislative changes.

c) Insurance reserve

This is in addition to the provision referred to above, to cater for any claims not covered by that sum.

d) Trading Account reserves

The balance held in this reserve represents retained surpluses from traded services which are reinvested in future services.

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e) Transformation Fund

This reserve was set up to fund investment expenditure that would generate reductions in revenue costs.

f) Other reserves

Various reserves to cover partnership working, one-off activities or smooth future cost pressures or activities that may be required where a grant or budget may not be available. These reserves also covers the risks of cost overruns on projects, costs that are contingent upon project outcomes and potential conversion of schools to sponsored academies.

g) Repairs & maintenance

This is a reserve to provide short-term support for the revenue budget for repairs and maintenance.

h) Unused grant funds

Various reserves to fund future expenditure where the received grant for the work or service has not been fully utilised in the year.

i) Infrastructure

Various reserves to cover infrastructure development in the area.

j) Innovation

Associated reserves linking to Enterprise Zone and related business park developments.

k) Section 31 Grant Reserve

This reserve holds unapplied Section 31 grant.

l) Public Health

Reserved underspends from the Public Health grant, to cover any future related Public Health activity or budget pressures that may arise and associated Covid related grants (Contain Outbreak Management).

m) DSG recovery plan funding

Reserves specific for the Dedicated Schools Grant recovery plan. Currently Safety Valve payments were paused by the DfE however this has all been superseded by the SEND Reform announcement in early 2026. Dorset will submit a SEND reform plan to the DfE in June 2026.

39) Capital Grants Unapplied Account

Where the acquisition of a non-current asset is financed wholly or partly by a capital grant or other contribution, the amount of the grant is credited initially to a capital grants unapplied account. Once the appropriate expenditure has been incurred, the funding is transferred from the capital grant unapplied account to the Capital Adjustment Account.

2024/25 £'000		2025/26 £'000
113,093	Balance brought forward	135,243
68,489	Receipts	63,780
3,026	Notional Interest	2,857
(43,512)	Transferred to Capital Adjustment Account	(45,956)
(5,853)	Adjusted to revenue earmarked reserves	(4,249)
135,243	Balance carried forward	151,675

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40) Usable Capital Receipts Reserve

Capital Receipts from the sale of surplus assets are used to finance the capital expenditure programme.

2024/25 £'000		2025/26 £'000
9,730	Balance brought forward	3,945
1,259	Net (gains)/losses on disposal of non-current assets	1,565
(14)	Usable Capital Receipts funding revenue income from finance leases	(14)
(7,030)	Use of Capital Receipts to finance new capital expenditure	(374)
-	Flexible use of capital receipts	-
-	Reclassifications between balances and Reserves	-
3,945	Balance carried forward	5,122

41) Capital Adjustment Account

This account provides a balancing mechanism between the different rates at which assets are depreciated and are financed through the capital control system.

2024/25 £'000		2025/26 £'000
417,444	Balance brought forward	424,790
14,438	MiRS Adj Gain on Recognition of IFRS16 Peppercorn/nominal ROU Asset to CAA	
431,882	Restated Opening balance	
(49,860)	Depreciation & Impairment	(64,561)
(1,106)	Charges for depreciation of ROU Assets to CAA	(844)
	Amortisation of intangible assets	
	Revaluation losses on property, plant and equipment	
(18,585)	Revenue expenditure funded from capital under statute (REFCUS)	(15,219)
(1,925)	Net gains/(losses) on disposal of non-current assets	(2,359)
(73)	Net gains/(losses) on disposal of Academy assets	(40)
	Net gains/(losses) on disposal of Right of Use Assets	
	Adjusting amounts written out of the revaluation reserve	(3,523)
12,723	Minimum Revenue Provision	13,250
1,192	Capital Expenditure Charged to the General Fund	1,812
43,512	Application of grants to capital financing from the capital grants unapplied account	45,956
7,030	Use of Capital Receipts	374
-	Transfer from revenue to fund capital expenditure	-
424,790	Balance carried forward	399,636

42) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

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The Reserve contains only revaluation gains accumulated since 1 April 2007, the date on which it was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2024/25 £'000		2025/26 £'000
217,735	Balance brought forward	225,807
28,834	Revaluation gains on property, plant & equipment	
(15,057)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	36,906
(4,995)	Charges for depreciation & Impairment of non-current assets	(6,250)
(688)	Net (gains)/losses on reversing out historic upward revaluation on disposal of non-current assets	(1,425)
(22)	Net (gains)/losses on disposal of Academies	(31)
225,807	Balance carried forward	255,007

43) Accumulated Absences Account

The IFRS-based Code requires Local Authorities to account for benefits payable during employment in accordance with IAS 19 (Employee Benefits). One aspect of this is that accruals must be made at 31 March for any "accumulating, compensated absences", or untaken leave, time-off-in-lieu etc.

The balance on this account at the end of the year is mirrored by a creditor in the Balance Sheet. As with other changes in creditors, the change in the balance between the start and the end of the year is charged in the Comprehensive Income and Expenditure Statement within individual costs of services.

2024/25 £'000	2024/25 £'000		2025/26 £'000	2025/26 £'000
	(5,129)	Opening balance		(4,816)
5,129		Reverse previous year provision	4,816	
(4,816)		Current year provision	(4,936)	
	313	(Charge)/credit to I&E		(120)
	(4,816)	Closing balance		(4,936)

44) Pooled Funds Adjustment Account

The Pooled Funds Adjustment Account comprises the accumulated unrealised gains or losses made by the Council arising from changes in the fair value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is increased when investments are revalued upwards, and the balance is reduced when investments are revalued downwards or disposed of and the gains are realised.

2024/25 £'000		2025/26 £'000
1,291	Balance brought forward	1,616
325	Gains/(Losses) on revaluation of investments	(29)
1,616	Balance carried forward	1,587

45) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the

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different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2024/25 £'000		2025/26 £'000
(12,372)	Balance brought forward	(11,904)
322	Release of deferred premia	322
146	Soft Loan Interest Adjustment	145
(11,904)	Balance carried forward	(11,437)

46) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2024/25 £'000		2025/26 £'000
6,317	Balance brought forward	9,964
3,648	Movement in year	(7,785)
9,964	Balance carried forward	2,180

Notes supporting the Cash Flow Statement

47) Net Cash flows from operating activities

As at 31 March 2025 £'000		As at 31 March 2026 £'000
(7,163)	Interest received	(5,115)
9,009	Interest paid	12,169
1,845		7,054

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As at 31 March 2025 £'000		As at 31 March 2026 £'000
43,253	Depreciation	8,988
6,829	Impairment	15,580
936	Amortisation	886
978	Increase/(decrease) in impairment for bad debts	(1,739)
(21,629)	Increase/(decrease) in creditors	36,146
452	(Increase)/decrease in debtors	(42,356)
49	(Increase)/decrease in inventories	(182)
(8,933)	Movement in pension liability	(20,041)
10,994	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	57,154
14,438	MiRS Adj Gain on Recognition of IFRS16	-
-	Leased assets remeasurement	(768)
(31,226)	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,608)
<u>16,140</u>		<u>52,060</u>

As at 31 March 2025 £'000		As at 31 March 2026 £'000
(1,259)	Proceeds from the sale of property, plant and equipment, and intangible assets	(1,565)
<u>(1,259)</u>		<u>(1,565)</u>

48) Net Cash flows from investing activities

As at 31 March 2025 £'000		As at 31 March 2026 £'000
(82,464)	Purchase of property, plant and equipment and intangible assets	(64,235)
1,259	Proceeds from the sale of property, plant and equipment and intangible assets	1,565
24,831	Proceeds from short-term and long-term investments	8,564
	Other receipts from investing activities	18,037
<u>(56,374)</u>	Net cash flows from investing activities	<u>(36,069)</u>

49) Net Cash flows from financing activities

As at 31 March 2025 £'000		As at 31 March 2026 £'000
102,500	Cash receipts of short- and long-term borrowing	65,000
15,342	Cash payments for the reduction of outstanding liabilities	(6,798)
(34,536)	Repayments of short- and long-term borrowing	(42,501)
83,306	Net cash flows from financing activities	15,701

Technical Annex**50) Retirement benefits**

Dorset Council participates in four different pension schemes that meet the needs of employees in particular services. Three are defined benefit schemes providing members with benefits related to pay and length of service, and one is a defined contribution scheme providing members with benefits related to the investment returns on contributions.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The schemes are as follows:

- a) The Local Government Pension Scheme for employees other than teachers is administered by the Council. This is a funded scheme, meaning that the Council and the employees pay contributions into a fund, calculated at a level intended to balance over time the pension liabilities with investment assets.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when they are eventually paid as pensions. However, the charge against council tax has to be based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement in Reserves (General Fund Balance).

Service costs are included within the 'Net Cost of Services'. The net interest on the defined liability and administration expenses is included in 'Net Operating Expenditure' in the Comprehensive Income and Expenditure Statement. Remeasurement gains and losses arising are recognised in the Statement of Movement in Reserves. The independent actuary has determined these amounts in accordance with IFRS and Government regulations.

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2024/25 £'000		2025/26 £'000
	Cost of services:	
29,269	Service Cost	24,610
3,636	Net interest on the defined liability (asset)	(27)
1,043	Administration expenses	1,037
33,948	Total post-employment benefits charged to the surplus or deficit on provision of services	25,620
	Remeasurement of the net defined benefit liability comprising	
(5,455)	Return on assets less interest	89,155
-	Other actuarial gains/(losses) on assets	(16,185)
207,543	Actuarial gains and losses on changes in financial assumptions	53,520
3,998	Actuarial gains and losses on changes in demographic assumptions	8,183
3,745	Experience gain/(loss) on changes on defined benefit obligation	(73,100)
(132,974)	Changes in impact of asset ceiling	(81,916)
76,857	Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	(20,343)
	Movement in reserves statement:	
(33,948)	Total post-employment benefits charged to the surplus or deficit on provision of services	(25,620)
42,881	Employers' contributions payable to the scheme	45,661
8,933	Adjustments between accounting basis and funding basis under regulations for the Pensions Reserve	20,041
	Actual amount charged against the General Fund balance for pensions in the year	
42,881	Employers' contributions payable to the scheme	45,661

The costs of 'added years' awarded to ex-staff are charged centrally as non-distributed costs.

The underlying assets and liabilities for retirement benefits attributable to the Council as at 31 March are shown in the following table, which also shows the distribution of assets by proportion of the total and the expected long-term return. The assets are valued at fair value, principally market value for investments, and consist of the following categories:

2024/25			2025/26	
% Assets	£'000		% Assets	£'000
63%	913,580	Equities	65%	1,028,795
0%	-	Liability Driven Investment	0%	-
2%	31,784	Cash	2%	33,419
7%	95,563	Other Bonds	6%	99,116
7%	97,150	Diversified Growth Fund	6%	101,434
7%	101,987	Property	6%	101,561
8%	111,906	Infrastructure	8%	119,557
7%	104,647	Multi Asset Credit	7%	108,619
	<u>1,456,617</u>	Estimated Assets in Council Fund		<u>1,592,501</u>
	1,387,959	Present value of scheme liabilities		1,437,959
	132,974	Impact of asset ceiling		222,467
	9,112	Present value of unfunded liabilities		5,805
	<u>1,530,045</u>	Total value of liabilities		<u>1,666,231</u>
	<u>(73,428)</u>	Net Pensions Asset/(Liability)		<u>(73,730)</u>

Liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates are based on the latest full valuation of the scheme as at 31 March 2025, as updated for changes in numbers of staff

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and pensioners. The next full valuation will be carried out by the Actuary as at 31 March 2028.

The main assumptions used in their calculations are:

2024/25			2025/26		
% p.a.	Real		% p.a.	Real	
2.90%	0.00%	CPI inflation	2.90%	0.00%	
3.90%	1.00%	Rate of increase in salaries	3.90%	1.00%	
2.90%	0.00%	Rate of increase in pensions	2.90%	0.00%	
5.80%	2.90%	Rate for discounting scheme liabilities	6.10%	3.20%	

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme.

The assumed life expectations from age 65 are as follows:

2024/25			2025/26		
Male	Female	Years	Male	Female	
21.8	24.0	Retiring today	22.3	23.2	
23.1	25.4	Retiring in 20 years	23.9	24.9	

The Authority is required to provide the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

2024/25		2025/26
£'000		£'000
1,563,596	Opening defined benefit obligation	1,397,071
28,957	Current service cost	23,367
76,525	Interest cost	74,893
(207,543)	Change in financial assumptions	(53,520)
(3,998)	Change in demographic assumptions	(8,183)
(3,745)	Experience loss/(gain) on defined benefit obligation	73,100
1,020	Liabilities assumed/(extinguished) on settlements	265
(65,499)	Estimated benefits paid (net of transfers in)	(72,696)
328	Past service costs including curtailments	1,398
10,992	Contributions by scheme participants	11,613
(3,562)	Unfunded pension payments	(3,544)
<u>1,397,071</u>	Closing defined benefit obligation	<u>1,443,764</u>

The Authority is also required to provide a reconciliation between the opening and closing balances of the fair value of the scheme assets.

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2024/25 £'000		2025/26 £'000
1,404,378	Opening fair value of scheme assets	1,456,617
72,889	Interest on assets	82,497
(5,455)	Return on assets less interest	89,155
-	Other actuarial gains/(losses)	(16,185)
(1,043)	Administration expenses	(1,037)
39,319	Contributions by employer	42,117
3,562	Unfunded pension payments	3,544
10,992	Contributions by scheme participants	11,613
(65,499)	Estimated benefits paid (net of transfers in)	(72,696)
(3,562)	Unfunded pension payments	(3,544)
1,036	Settlement prices received/(paid)	420
<u>1,456,617</u>	Fair value of scheme assets at end of period	<u>1,592,501</u>

Analysis of the attributable movements in the surplus / (deficit) in the scheme during the year:

2024/25 £'000		2025/26 £'000
(159,218)	Surplus / (Deficit) brought forward	(73,428)
(29,269)	Service Cost	(24,610)
39,319	Employer contributions	42,117
3,562	Unfunded pension payments	3,544
(1,043)	Administration expenses	(1,037)
(3,636)	Net interest on the defined liability/(asset)	27
76,857	Actuarial Gain/(Loss)	(20,343)
<u>(73,428)</u>	Surplus/(Deficit) as at 31 March	<u>(73,730)</u>

The Authority is also required to provide a reconciliation of change in impact of asset ceiling

2024/25 £'000		2025/26 £'000
-	Opening impact of asset ceiling	132,974
-	Interest on impact of asset ceiling	7,577
132,974	Actuarial losses / (gains)	81,916
<u>132,974</u>	Closing impact of asset ceiling	<u>222,467</u>

The estimated employer contribution to the scheme for the period 1 April 2026 to 31 March 2027 is £38.825m. This excludes the capitalised cost of any early retirements or augmentations which may occur after 31 March 2026

- b) Teachers are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2025/26 the Council paid £14.5m to the TPA at 28.68% of pensionable pay. The figure for 2024/25 was £14.1m at 23.68% of pensionable pay. The cost of added years payments to ex-staff was £1.6m (£1.6m in 2024/25). There were no contributions remaining payable at the year-end.

The Teachers' Pension Scheme is a defined benefit scheme, which is unfunded. The Teachers' Pension Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. It is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement

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outside the terms of the Teachers' scheme. The benefits are fully accrued in the pension's liability detailed above.

- c) Public Health professionals who have transferred employment from the National Health Service (NHS) to Local Authorities may retain membership of the NHS Pension Scheme (NHSPS). The NHSPS is a defined benefit scheme, which is unfunded. Local Authorities contribute towards the costs by making contributions based on a percentage of members' pensionable salaries. The NHSPS uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. It is not possible for a Local Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. In 2025/26 the Council paid contributions of £60k to the NHSPS, being 14.38% of pensionable pay.
- d) Employees can also opt to become members of the National Employment Savings Trust (NEST), the pension scheme set up by the government and run by its trustee, NEST Corporation. NEST is a defined contribution scheme. Local Authorities contribute by making contributions based on a percentage of members' pensionable salaries. In 2025/26 the Council paid contributions of £5.9k to NEST at 3.0% of pensionable pay.

51) Financial Instruments

IFRS 9 Financial Instruments was incorporated into the CIPFA Code with effect from 1 April 2018. It specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. It requires an entity to recognise a financial asset or a financial liability in its Balance Sheet when it becomes party to the contractual provisions of the instrument.

Under IFRS 9 financial instruments are accounted for at either amortised cost, fair value through profit and loss (FVTPL), or fair value through other comprehensive income (FVOCI).

Financial Instrument Balances

The financial assets and liabilities at 31 March include the following categories of financial instruments:

2024/25			2025/26	
Long-Term £'000	Current £'000	Financial Assets	Long-Term £'000	Current £'000
		Amortised cost:		
-	32,207	Cash and Cash Equivalents	-	37,024
6,980	88,481	Debtors	6,788	92,176
		Fair value through profit and loss (FVTPL):		
	37,183	Investments in pooled funds (liquidity funds)		32,464
19,295	8,419	Investments in pooled funds (other)	1,254	-
33	-	Equity investments	33	-
26,308	166,290	Total Financial Assets	8,075	161,664

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2024/25			2025/26	
Long-Term £'000	Current £'000	Financial Liabilities	Long-Term £'000	Current £'000
Borrowing (amortised cost)				
(143,410)	(2,666)	Public Works Loan Board (PWLB)	(145,566)	(17,645)
(96,600)	(52,287)	Other lenders	(96,600)	(56,992)
(240,010)	(54,953)	Total Borrowing	(242,166)	(74,637)
Other Long-Term Liabilities (amortised cost)				
(16,690)	-	PFI Liability	(13,845)	-
(57)	-	Other Long Term Liabilities	(57)	-
(8,288)	-	Long-Term Lease Obligations	(4,991)	-
(25,035)	-	Total Other Long-Term Liabilities	(18,893)	-
Current Liabilities (amortised cost)				
-	(39,100)	Bank overdraft	-	(45,451)
-	(7,653)	PFI Liability	-	(7,355)
-	(1,265)	Current Lease Obligations	-	(907)
-	(57,744)	Creditors (payable within 12 months)	-	(100,304)
-	(105,763)	Total Current Liabilities	-	(154,017)
(265,045)	(160,716)	Total Financial Liabilities	(261,059)	(228,654)

The amounts disclosed in the tables above for debtors and creditors exclude council tax and business rates, as these are statutory and not contractual arrangements. The tables also exclude payments in advance, receipts in advance and the accrual for untaken leave which do not meet the criteria of a financial instrument. The following tables provide reconciliations to the total assets and liabilities on the balance sheet:

Financial assets	Non-current				Current				Total	
	Investments		Debtors		Investments		Debtors		Total	
	31-Mar-25 £000s	31-Mar-26 £000s	31-Mar-25 £000s	31-Mar-26 £000s	31-Mar-25 £000s	31-Mar-26 £000s	31-Mar-25 £000s	31-Mar-26 £000s	31-Mar-25 £000s	31-Mar-26 £000s
Fair value through profit or loss	19,328	1,287	-	-	45,602	32,464	-	-	64,930	33,751
Amortised cost	-	-	6,980	6,788	32,207	37,024	88,481	92,176	127,668	135,988
Fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total financial assets	19,328	1,287	6,980	6,788	77,809	69,488	88,481	92,176	192,598	169,739
Assets not defined as financial instruments	1,086,098	1,099,445	-	-	-	-	29,505	67,816	1,115,603	1,167,261
Total assets	1,105,426	1,100,732	6,980	6,788	77,809	69,488	117,986	159,992	1,308,201	1,337,000

Financial liabilities	Non-current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors		Total	
	31-Mar-25 £000s	31-Mar-26 £000s	31-Mar-25 £000s	31-Mar-26 £000s	31-Mar-25 £000s	31-Mar-26 £000s	31-Mar-25 £000s	31-Mar-26 £000s	31-Mar-25 £000s	31-Mar-26 £000s
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Amortised cost	265,045	261,059	-	-	101,707	127,443	59,009	101,211	425,760	489,713
Total financial liabilities	265,045	261,059	-	-	101,707	127,443	59,009	101,211	425,760	489,713
Liabilities not defined as financial instruments	-	-	73,428	73,730	-	-	38,513	28,774	111,941	102,504
Total liabilities	265,045	261,059	73,428	73,730	101,707	127,443	97,522	129,985	537,701	592,217

The following tables analyse the financial instruments into input levels for fair value measurement techniques:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

(The fair values of short-term financial instruments held at amortised cost are assumed to approximate to the carrying amount and are excluded from these tables.)

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2024/25			Financial Assets	2025/26		
Level 1 £'000	Level 2 £'000	Level 3 £'000		Level 1 £'000	Level 2 £'000	Level 3 £'000
8,419	19,295	-	Investments in pooled funds	-	1,254	-
-	-	33	Equity investments	-	-	33
-	-	6,980	Long Term Debtors	-	-	6,788
8,419	19,295	7,013	Total	-	1,254	6,821

Transfers between levels of the fair value hierarchy – Financial Assets

There were no transfers between input levels 1 and 2 during the year.

2024/25			Financial Liabilities	2025/26		
Level 1 £'000	Level 2 £'000	Level 3 £'000		Level 1 £'000	Level 2 £'000	Level 3 £'000
Borrowing						
-	(146,076)	-	Public Works Loan Board (PWLB)	-	(163,211)	-
-	(148,887)	-	Other lenders	-	(153,592)	-
-	(294,963)	-	Total Borrowing	-	(316,803)	-
Other Long Term Liabilities						
-	-	(16,690)	PFI Liability	-	-	(13,845)
-	(57)	-	Other Long Term Liabilities	-	(57)	-
-	-	(8,288)	Obligations Under Finance Leases	-	-	(4,991)
-	(57)	(24,978)	Total Other Long Term Liabilities	-	(57)	(18,836)
Other Current Liabilities						
-	-	(7,653)	PFI Liability	-	-	(7,355)
-	-	-	Obligations Under Finance Leases	-	-	(907)
-	-	(7,653)	Total Other Current Liabilities	-	-	(8,262)
-	(295,020)	(32,631)	Total	-	(316,860)	(27,098)

Transfers between levels of the fair value hierarchy – Financial Liabilities

There were no transfers between input levels 1 and 2 during the year.

Financial Instrument Gains and Losses were as follows:

2024/25 £'000	Gains/(Losses)	2025/26 £'000
(9,821)	Interest payable	(11,890)
6,394	Interest and investment income	4,865
1,079	Gains/(losses) from changes in fair value	141
(2,348)	Net Gain/(Loss) for the Year	(6,884)

52) Disclosure of nature and extent of risk arising from financial instruments

In line with CIPFA's Code of Practice on Treasury Management, the Council approves a treasury management strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also maintains treasury management practices specifying the practical arrangements to be followed to manage these risks.

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The main risks covered are:

Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and financial markets movements.

Credit risk

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality and by limiting the amounts that can be invested with any single counterparty as set out in the treasury management strategy.

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral as at 31 March 2026 was £19.9m.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council. Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 110% (2025: 62%), as estimated by Moody's credit ratings agency, to adjust for current and forecast economic conditions.

A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31 March 2026, £nil (2025: £nil) of loss allowances related to treasury investments.

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available when it is needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets, other local authorities and the Public Works Loan Board (PWLb). There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments.

The Council is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed primarily by setting limits, agreed in the annual treasury management strategy, on the proportion of fixed rate borrowing that can mature during specified periods. A maturity analysis of the Council's external borrowing is shown in [Note 26, Borrowing](#).

Market risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise;
- borrowings at fixed rates – the fair value of the liabilities will fall;
- investments at variable rates – the interest income will rise;
- investments at fixed rates – the fair value of the assets will fall.

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The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. As at 31 March 2026 the Council had no variable rate borrowing or investments.

If interest rates had been 1% higher at 31 March 2026, the 12-month revenue impact is estimated as follows (with the movements reversed for a 1% fall):

2024/25 £'000	Interest Rate Risk	2025/26 £'000
-	Increase in interest payable on variable rate borrowings	-
-	Increase in interest receivable on variable rate investments	-
(399)	Decrease in fair value of investments held at FVTPL	(40)
(399)	Impact on Surplus or Deficit on the Provision of Services	(40)
-	Decrease in fair value of investments held at FVOCI	-
(399)	Impact on Comprehensive Income and Expenditure	(40)
-	Decrease in fair value of loans and investments at amortised cost *	-
(19,058)	Decrease in fair value of fixed rate borrowing *	(17,974)
*No impact on Comprehensive Income and Expenditure.		

Movements in the value of investments that have a quoted market price will be treated as fair value through profit or loss (FVTPL) unless the investments have been designated as fair value through other comprehensive income (FVOCI). As at 31 March 2026 the Council had no such investments designated as FVOCI.

The Council's investment in pooled property funds is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £20m per fund. A 5% fall in commercial property prices at 31 March 2026 would result in a £60k charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

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Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates (NDR).

	2024/25			2025/26		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
Income						
Council Tax	394,602	-	394,602	429,717		429,717
Council Tax S13A(1)C Relief	146	-	146	142		142
Non-Domestic Rates	-	98,281	98,281		115,363	115,363
Transitional Protection Payments		3,353	3,353		679	679
Business Rates Deferral Scheme			-			-
Grant Income to the Collection Fund			-			-
Discretionary Reliefs Income	-	-	-			-
Total income	394,748	101,634	496,382	429,859	116,042	545,901
Precepts / NDR Distribution						
Central Government	-	50,227	50,227		55,890	55,890
Dorset Council	307,877	49,223	357,100	337,833	54,773	392,606
Dorset Police Authority	45,167	-	45,167	49,457		49,457
Dorset Fire Authority	13,377	1,005	14,382	14,785	1,118	15,903
All Parishes	18,762	-	18,762	20,859		20,859
Previous Year Collection Fund						
Surplus / (Deficit) Redistributed						
Central Government	-	2,431	2,431		5,759	5,759
Dorset Council	245	2,382	2,627	4,187	5,644	9,831
Dorset Police Authority	34	-	34	579		579
Dorset Fire Authority	10	49	59	172	115	287
Allowances to charging authority						
Non-Domestic Rate Cost Of Collection	-	643	643		643	643
Transitional Protection Payments	-	-	-			-
Renewable Energy Scheme	-	1,205	1,205		1,451	1,451
Enterprise Zones	-	277	277		645	645
Provision for appeals						
Increase/(Decrease) To Provision	-	(7,494)	(7,494)		957	957
Provision for bad debts						
Increase/(Decrease) To Provision	4,528	1,666	6,194	5,291	(47)	5,244
Total Deductions	390,000	101,614	491,614	433,163	126,948	560,111
Surplus / (Deficit) Arising In Year	4,748	20	4,768	(3,304)	(10,906)	(14,210)
Balance B/F 1st April	485	10,982	11,467	5,233	11,002	16,235
Balance C/F 31st March	5,233	11,002	16,235	1,929	96	2,025

Notes to the Collection Fund

1. Income from Council Tax

The Council's Tax Base for 2025/26, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Number of Taxable Dwellings After Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	19.8	5/9	11.0
A	12,234.6	6/9	8,156.4
B	22,737.9	7/9	17,685.0
C	35,132.4	8/9	31,228.8
D	32,495.8	9/9	32,495.8
E	25,898.0	11/9	31,653.1
F	14,909.4	13/9	21,535.8
G	7,668.6	15/9	12,781.0
H	619.9	18/9	1,239.8
	151,716.3		156,786.7
Class O exempt dwellings			760.4
Council Tax Base for Revenue Support Grant Purposes			157,547.1
Reduction due to the Council Tax Reduction Scheme			3,245.9
Council Tax Base for Council Tax Setting Purposes			160,793.0

2. Income from Business Rates

The Council collects Business Rates on behalf of the Government based on local rateable values and National multipliers as follows:

	2024/25	2025/26
Rateable value at year-end	324,182,690	324,586,280
National Multiplier	54.6p	55.5p
Small Business Multiplier	49.9p	49.9p

3. Allocation of Collection Fund Surplus / (Deficit)

	Council Tax	Non-Domestic Rates	Total
	£'000	£'000	£'000
2025/26			
Central Government	-	48	48
Dorset Council	1,636	47	1,683
Dorset Police Authority	226	-	226
Dorset Fire Authority	67	1	68
Total Surplus As At 31 March 2026	1,929	96	2,025
	Council Tax	Non-Domestic Rates	Total
	£'000	£'000	£'000
2024/25			
Central Government	-	5,501	5,501
Dorset Council	4,438	5,391	9,829
Dorset Police Authority	613	-	613
Dorset Fire Authority	182	110	292
Total Surplus As At 31 March 2025	5,233	11,002	16,235

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the authority's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act as they apply to Local Authorities in England.

The financial information in this Statement, including the techniques used for estimation, has been prepared after taking into account its relevance, reliability, comparability, understandability and materiality. All material transactions have been disclosed, and the accounts include relevant accruals.

Local authorities derive their powers from statute, and their financial and accounting framework is closely controlled by primary and secondary legislation. Therefore, where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments, except where disclosed otherwise in accounting policies or notes, or where required by International Financial Reporting Standards (IFRS).

Areas where there is divergence from the historic cost convention typically include the revaluation of property, plant and equipment; inventories; and certain financial assets, liabilities and instruments.

The Financial Statements have been prepared with due regard to the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements.

2. Accruals of Income and Expenditure

The revenue recognition principle is a cornerstone of accrual accounting and determines the accounting period in which revenues and expenses are recognised. The Council's policy is that revenues are recognised when they are realisable and are earned (usually when goods are transferred or services rendered), no matter when cash is received.

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Interest receivable on temporary investments is reported in the Comprehensive Income & Expenditure Statement in the period to which it relates. Interest payable on external borrowing is fully accrued in

Statement of Accounting Policies

order that the period bears the full cost of interest relevant to actual borrowing. Other types of interest (e.g. for finance leases out and Right of Use assets) are reported in service accounts.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the primary statements and notes and adjusting the opening balances for the current period for the cumulative effect.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, if the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component for the earliest prior period presented, along with other comparative amounts disclosed for each prior period presented and restating them as if the new accounting policy had always been applied.

5. Charges to Revenue for Non-Current Assets

Services, support services, and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Statement of Accounting Policies

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision or the Statutory Repayment of Loans Fund Advances), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves.

Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

For council tax, the Council is collecting precepts on behalf of Dorset Police and Crime Commissioner and Dorset and Wiltshire Fire and Rescue Authority as well as Dorset Council.

For NDR, this means that the Council is dealing with the collection of business rates on behalf of the Government and Dorset and Wiltshire Fire and Rescue Authority as well as Dorset Council.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

7. Employee Benefits

Benefits Payable During Employment & Termination Benefits

Short-term employee benefits, such as wages, salaries, paid leave, and non-cash benefits, are recognised as expenses in the year services are provided. Annual leave not taken at the end of the financial year is accrued for in the Surplus or Deficit on the Provision of Services. Termination benefits arising from redundancy or early termination are recognised when the obligation becomes unavoidable or restructuring costs are incurred.

Post-employment Benefits

The cost of pensions is accounted for in accordance with IAS 19.

The net total of the following amounts is recognised in the Surplus or Deficit on the Provision of Services except to the extent that the Code requires or permits their inclusion in the cost of an asset:

- a) current service cost;
- b) interest cost;
- c) the expected return on any plan assets and on any reimbursement right recognised as an asset;
- d) past service cost;
- e) the effect of any curtailments or settlements;

Statement of Accounting Policies

f) actuarial gains and losses.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

The accounting treatment for employee benefits is in accordance with CIPFA Code guidance.

8. Events after the Balance Sheet date

These are defined as events, which could be favourable or unfavourable, that occur between the end of the reporting period and the date that the Financial Statements are authorised for issue.

An adjusting event is an event that provides evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. An adjusting event is one where the Financial Statements are adjusted to reflect the event.

A non-adjusting event is an event that is indicative of a condition that arose after the end of the reporting period. The nature and estimated financial effect of non-adjusting events is disclosed in the Financial Statements if material and it is considered that non-disclosure would affect the ability of users to make proper evaluations and decisions, but the Financial Statements themselves are not adjusted to include the financial impact of it.

Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

9. Financial Instruments

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Short-term liabilities including short-term borrowing and trade payables are carried at fair value.

Long-term financial liabilities

Borrowings are initially measured at fair value, net of transaction costs. PFI liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised

Statement of Accounting Policies

cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. This model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair Value through Other Comprehensive Income (FVOCI)

Equity Instruments not held for trading, i.e. held for strategic purposes, are accounted for on a FVOCI basis. Movements in fair value are not debited/credited to the Surplus or Deficit on the Provision of

Statement of Accounting Policies

Services as they arise. Instead, movements are accumulated in the Financial Instruments Revaluation Reserve until the asset is derecognised, at which point the net gain or loss is transferred to the CIES.

Fair value measurements of financial assets

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10. Foreign Currency Translation

In accordance with IAS 21, income and expenditure arising from transactions in foreign currency are translated into sterling at the exchange rate in operation on the date on which the transaction occurred. Balances denominated in a foreign currency are translated at the prevailing exchange rate at the Balance Sheet date.

Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

11. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant

Statement of Accounting Policies

has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Unspent revenue grants are transferred to an earmarked revenue reserve. Once the expenditure is incurred the reserve is applied to fund that expenditure.

Business Improvement Districts

Business Improvement Districts (BIDs) are funded through a levy paid by non-domestic ratepayers within the BID area. Levies are renewed by vote of the businesses in the BID area every five years: votes in favour must represent both a majority of businesses and a majority of the Rateable Value of businesses. Both measures are based on those businesses that chose to cast their vote.

There are currently four active BIDs in the Dorset Council area.

BID scheme	Date started	Delivery company
Dorchester	1 August 2008	Dorchester BID Limited
Ferndown & Uddens	1 September 2014	Ferndown & Uddens BID Limited
Weymouth	1 September 2013	We Are Weymouth Limited
Wimborne	1st August 2011	Wimborne BID Limited

Each delivery company has its own board of directors.

The Council, in its capacity as the billing authority for the area, acts as an agent for each BID by collecting the levy from ratepayers and distributing the levy income to the BID body. The income raised on behalf of each BID does not belong to the Council, and a separate BID Revenue Account is maintained for each BID to which all transactions relating to the BID are allocated.

The transactions relating to the BIDs are not included in the Council's Comprehensive Income and Expenditure Account but are dealt with as Balance Sheet items in terms of money owed from BID levy payers and money owed to the BID body. The transactions relating to the BID Revenue Accounts and balances relating to the BIDs are disclosed in notes to the Financial Statements.

12. Heritage Assets

FRS 102 defines a heritage asset as one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Code offers further interpretation of this definition: "heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of heritage."

Dorset Council has interpreted this to mean that an asset is not classified as a heritage asset merely because it has certain qualities (e.g. a listed building). It is the intention to preserve the asset for future generations that is important, coupled with a demonstrable contribution to knowledge and culture.

Operational heritage assets have always been shown in the Balance Sheet under their appropriate classifications. These assets continue to be shown in this way and carried in accordance with the other asset accounting policies set out herein. FRS 102 does not apply to such assets per the Code (4.10.2.7).

Heritage assets (other than operational heritage assets) are measured at a valuation in line with FRS 102. The standard states that the valuation may be made by any method that is appropriate and relevant. Buildings are valued at depreciated replacement cost. Most of Dorset's heritage assets are not deemed to have a material value and the cost involved in valuing them would be disproportionate to the benefit received by the users of these Financial Statements. Shire Hall is an exception to this, and the asset is held at depreciated historic cost per information which transferred across to Dorset Council as part of Local Government Reorganisation in 2019.

Statement of Accounting Policies

Dorset also owns significant volumes of archive information and collections. These are not included in the Balance Sheet as the cost of valuation would not be commensurate with the benefits of the information and the valuations would not be readily ascertainable in many cases.

13. Intangible Assets

Recognition

Expenditure on the purchase of computer software licences is capitalised as intangible non-current assets. Internally developed intangible assets can only be capitalised where they satisfy the criteria set out in IAS 38: there are no such assets for Dorset Council.

Measurement

Purchased intangible assets are capitalised at cost and are unlikely to be revalued unless there is a readily ascertainable market value.

Amortisation

Intangible assets are amortised on a straight-line basis over their useful economic lives, with no residual value. Intangible assets are over periods determined at recognition – a timeframe is established by considering the ability of the organisation to use such intangibles to acquire value or deliver service potential in the future.

Charges to revenue

Capital charges to services are for depreciation or impairment. These charges are reversed in the Statement of Movement in Reserves (General Fund Balance) so the cost to the local taxpayer is unaffected by capital accounting requirements.

Impairment

Impairment of intangible assets is taken to the Revaluation Reserve in the first instance and will only be charged to Surplus or Deficit on the Provision of Services once the balance on the reserve in relation to the intangible asset has been reduced to zero.

Reversal of impairment

Intangible assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years is treated as a revaluation gain and charged to the Revaluation Reserve.

14. Interests in Companies and Other Entities

In accordance with the Code of Practice, Dorset Council has carried out an assessment of its interests in other entities to determine the nature of any group relationships that exist. This includes an assessment of the extent of Dorset Council's control over the entity considered either through ownership (such as a shareholding) or representation on an entity's board of directors.

Statement of Accounting Policies

The main interests held by Dorset Council in other entities are detailed in the related party transactions disclosure note in this statement of accounts. However, none are considered to be material, and the production of group accounts is not required.

15. Long-Term Contracts

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

16. Jointly Controlled Operations and Jointly Controlled Assets

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

17. Leases - IFRS 16

The accounting policy for leases changed for the financial years from 2024/25 onwards, in line with the mandatory adoption of IFRS 16. The change in accounting policy is in accordance with the transitional provisions in the CIPFA Code.

The authority as lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 *Leases* to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounted by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the authority is reasonably certain to exercise;
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option;
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

Statement of Accounting Policies

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value by a RICS accredited external valuer.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for assets held under non-commercial leases.

For the non-commercial leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate;
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee;
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option; or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £15,000 when new, provided they are not highly dependent on or integrated with other items; or
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rental payments for items falling within the low value or short lease exemption are charged to the comprehensive income and expenditure statement.

Depreciation and impairments are not charges against council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The authority as lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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Finance leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals received are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

Operating leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

18. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

19. Property, Plant & Equipment

Recognition

The Code requires Authorities to maintain asset registers to record information on their capital assets. These assets are valued and revalued periodically by professional valuers, for inclusion in the Balance Sheet in accordance with IFRS 13 and IAS 16.

A de-minimis level of £25,000 has been applied to Land and Buildings. There is no de-minimis for other asset classes.

Statement of Accounting Policies

Property, plant and equipment is capitalised if:

- a) it is held for use in delivering services or for administrative purposes;
- b) it is probable that future economic benefits will flow to, or service potential will be supplied to the Authority;
- c) it has a useful economic life of more than one year;
- d) the cost of the item can be measured reliably.

The valuations have been undertaken in accordance with RICS Valuation Global Standards (The Red Book) and the RICS UK National Supplement (published on 19 October 2023, effective from 1 May 2024) and the IFRS based Code of Practice on Local Authority Accounting 2025/26 (The Code).

Property, plant and equipment (PPE):

These assets form the majority of the Council's portfolio and are used in the delivery of services and/or the production of goods. These operational assets may be rented to others but would not be held solely for that purpose or they would be re-classified as investment assets (INV).

PPE assets are tangible fixed assets that bring longer-term economic benefits or service potential to the authority.

Property, plant and equipment - Surplus (PPES):

Surplus Assets are formerly PPE assets which have been declared surplus to service needs and the needs of the Council. These are non-operational assets which are yet to meet the criteria of asset held for sale (AHS).

Assets held for sale (AHS):

Assets held for sale is the next classification afforded to PPES assets which are being marketed for disposal. The asset must be immediately available for sale and the sale of the property must be highly probable and anticipated to be within a year. AHS should be measured at the lower of carrying amount and fair value less costs to sell.

Measurement

Assets will be valued to either Fair Value (FV) or Current Value (CV):

Fair Value (FV) - defined under IFRS as: 'The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. Fair Value applies to the measurement of PPES and AHS categories of assets. For most practical purposes the figure to be reported as the Fair Value of an asset is likely to be conceptually the same as that which would be reported as market value and implies the highest and best use of that asset in the principal or most advantageous market.

Current Value (CV) – defined as: the amount that would be exchanged for the asset in its existing use. Several methods are identified as appropriate for arriving at a CV.

Existing Use Value (EUV) - is used where a readily identifiable active market exists for the use and utilises comparable data and judgement to arrive at the current value. EUV is defined as: The estimated amount for which a property should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Depreciated Replacement Cost (DRC) is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. Where DRC is used as the valuation methodology the 'instant build' approach is used. This method of valuation is applied to assets for which there is a good degree of observable specialisation or for which there is no readily reliable or observable market data. It should be noted that the DRC method of valuation does not represent the figure that could be achieved if the asset were to be placed on the market for sale. It is a representation of the value of the asset to the authority while it is providing service potential.

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Where insufficient market-based evidence of current value is available because an item of property, plant and equipment is specialised and/or rarely sold, the Code permits the use of depreciated replacement cost (DRC).

Assets are re-valued on a rolling 5-year basis with indexation applied to assets on the years in which they are not revalued.

Comparable evidence, including Building Cost Information Service (BCIS) build costs and baseline build costs, is compiled and assessed and utilised as appropriate to provide the values for each asset. Dorset Property Buildings and Design services are utilised to provide component details for each asset as required, including updates to previously componentised assets as required and where replacement of elements has occurred.

In respect of DRC calculations where multiple age buildings exist on one site, an average age and obsolescence factor is applied, taking into account the age and type of structures and the anticipated replacement cycle of the asset as assessed by the service head/asset team.

Valuations of land may include calculations utilising a Residual Valuation approach to arrive at a Fair Value where there is limited suitable comparable data to available.

Section 2.10.2.29 of the Code follows IFRS 13 in the provision of valuation hierarchy levels for assets classified as Surplus or Held for Sale to increase consistency and comparability in fair value measurements and related disclosures. These are categorised into three levels:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

The highest priority is given to quoted prices (unadjusted) in active markets for identical assets or liabilities and lowest priority to unobservable inputs.

Where the MV of an asset valued using the DRC method is:

- significantly lower than that attributed to the continued occupation and use by the Authority it will be noted in the notes section of the summary valuation.
- significantly higher for a readily identifiable use the value will also be given in the same notes section.

County Farms are categorised as Property Plant and Equipment (PPE) and have been valued on a EUV basis as tenanted farms to be re-let on a rolling and planned basis for the foreseeable future due to established Council policy drivers. There will be occasional rationalisation of farm units which may release additional value but which would not be appropriate to report against any of the assets due to the overriding principle of maintaining a County Farm asset base. The County Farms are valued using capitalised net income flows: this approach excludes any alternative use, FV basis or break-up value: if those policies were reversed all County Farms would display considerably higher FV figures

As part of the 2026 Report the Valuer undertook impairment and material economic change reviews to ensure that assets are carried at no more than their recoverable amount (i.e. the amount to be recovered through use or sale of the asset). Otherwise, assurance has been sought from the estates management team and infrastructure maintenance teams. This year end assessment is required to indicate if an asset might be impaired or had any material economic change to its value.

The valuation for property assets is produced with a valuation date of 1 January 2026 by the following external professional RICS Accredited Scheme Valuers:

- Carter Jonas
- Rural Solutions

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These valuations are reviewed in-house by one or more RICS Accredited Scheme Valuers within the Estates and Assets Service.

Indexation

Where an asset has not been revalued in a given financial year, Dorset Council applies indexation in line with the requirements of the CIPFA code. Carter Jonas was contracted as a RICS accredited valuer to provide indices appropriate for the assets owned by Dorset Council. The provided indices are summarised in relation to the asset class they were applied to, in the table below:

Asset Type	Index Used
Nurseries - Building Primary Schools - Building Middle Schools - Building Secondary Schools - Building Libraries - Building Public Conveniences - Building Children's Centre - Building Day Centre - Building Gypsy & Traveller Site - Building Education Centre - Building Children's Residential Home - Building Adults Care Home - Building Special Schools - Building Crematoria/Cemeteries - Building Community Centre - Building	BCIS - All in TPI
Bare Land Garages Nurseries - Land Primary Schools - Land Middle Schools - Land Secondary Schools - Land Libraries - Land Public Conveniences - Land Children's Centre - Land Day Centre - Land Gypsy & Traveller Site - Land Education Centre - Land Children's Residential Home - Land Adults Care Home - Land Special Schools - Land Crematoria/Cemeteries - Land Community Centre - Land	Overall Land Average Percentage Change (calculated by Carter Jonas with reference to indices published by Knight Frank and Savills), along with the Carter Jonas Rural indices.
Residential	Office for National Statistics House Price Index for Dorset
Car Parks	CPIH
Farms	Carter Jonas Rural Index
Leisure Hotels/Guest Houses	MSCI Monthly Index – Leisure
Shop	MSCI Monthly Index - Standard Shop - Rest of UK
Office	MSCI Monthly Index - Standard Office - Rest of UK
Standard Industrial	MSCI Monthly Index - Standard Industrial - Rest of UK

Impairment

Completed assets are reviewed annually for evidence of impairment. Impairment is the reduction in the recoverable amount of a non-current asset below the amount at which it is being carried in the Balance Sheet. It can be the result of physical damage, use, obsolescence or the passing of time. If

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any indication of impairment exists, the recoverable amount is estimated. Upward revaluation of an asset is matched by an increase to the Revaluation Reserve to reflect an unrealised gain. Where an asset is impaired (downward revaluation), the value of the asset is written down to the recoverable amount as soon as the impairment is recognised. Impairment losses on revalued assets are recognised in the Revaluation Reserve, up to the amount in the Reserve for each respective asset and thereafter charged to Surplus or Deficit on the Provision of Services.

Reversal of impairment

Assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years, is treated as a revaluation gain and charged to the Revaluation Reserve.

Disposals

Capital receipts from the disposal of property and other assets owned by the Council, less up to 4% of the cost of the sale, are credited to the usable capital receipts reserve and used to finance new capital expenditure.

However, during 2015/16, Government issued guidance setting out new flexibilities for the use of capital receipts, which the Council – and its predecessor councils prior to Local Government Reorganisation - started to apply from 2016/17 onwards. The flexibility involved the use of capital receipts for transformation costs which would normally have fallen to the revenue budget.

Gains and losses on disposal of assets

A gain or loss arises when the proceeds from the sale of an asset differ from the net book value of that asset in the Balance Sheet. The gain or loss is shown in the Other Operating Income & Expenditure section of the Comprehensive Income & Expenditure Statement and reversed out in the Statement of Movement in Reserves (General Fund Balance).

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer – when Dorset Council gets its properties valued, a new useful life estimate is requested from the valuer, which will be applied from the first day of the following financial year.
- vehicles, plant, furniture and equipment – straight line basis.
- infrastructure – straight line basis.

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Useful economic life ranges for each asset class are as follows:

Asset Class	Starting UEL range	Remaining UEL range
1100 Operational Buildings	6 - 100	1 - 99
1200 Surplus Assets	15 - 100	10 - 100
1400 Farms Assets	24 - 100	14 - 96
1500 Intangible Assets	2 - 60	0 - 55
2000 Vehicle	1 - 15	0 - 9
3000 Plant	3 - 20	0 - 15
4000 Equipment	1 - 20	0 - 15
5000 Fixtures & Fittings	1 - 10	0 - 6
6000 IT Equipment	3 - 10	0 - 5
7000 Infrastructure Assets	16 - 100	9 - 100

These figures exclude the UELs for de-minimis assets and assets written out in the current financial year.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Charges to revenue

Capital charges to services are for depreciation and/or impairment only. These charges are reversed in the Statement of Movement in Reserves (General Fund Balance) in order that the cost to the local taxpayer is unaffected by capital accounting requirements.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Subsequent expenditure which does not add to the future economic benefits or service potential of the asset, is expensed in the Comprehensive Income and Expenditure Statement in the year in which it is incurred.

Componentisation

Component accounting became a requirement of the CIPFA Code since 1 April 2010, and was applied (prospectively) by the predecessor councils. Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (i.e. as if each component were a separate asset in its own right) where the useful life is substantially different.

Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Assets are reviewed for componentisation whenever they are acquired, revalued, or enhanced.

The annual valuation exercise that is carried out by the Authority re-values a proportion of the Council's assets each year. A policy is applied for assessing these assets for componentisation.

When an asset is deemed to need componentisation, Dorset Council will request a componentised valuation and create the components at the beginning of the following financial year.

Component derecognition

Where a component is replaced or restored, the carrying amount of the old component is derecognised to avoid double-counting and the new component reflected in the carrying amount,

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subject to the recognition principles set out in accounting policy 25(i) and 25(ix). This includes derecognition of parts of an asset not previously recognised as a separate component, the componentisation of which has been triggered by the replacement or restoration.

Residual values

The Council does not use residual values in its asset accounting or depreciation calculations. The accounting policy is to depreciate the full cost of the asset over the useful economic life.

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

a) Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

b) Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

c) Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

d) Parts of the highways network & coastal infrastructure - straight line basis

• Drainage Infrastructure:	21 Years
• Roads:	24 Years
• Street Furniture/Traffic Calming Infrastructure:	24 Years
• Harbour Infrastructure:	50 Years
• Coast Protection Infrastructure:	50 Years
• Bridges:	100 Years

e) Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

20. Private Finance Initiative (PFI) Schemes

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the authority at the end of the contracts for no additional charge, the authority carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The Council is party to two long-term contracts under the Private Finance Initiative (PFI); one for the provision of a replacement secondary school, the other for the provision of street lighting. The Council accounts for both of these schemes in accordance with IFRIC 12 (Service Concessions). The secondary school converted to an academy in 2015, so is no longer held on Dorset Council's balance sheet, however the street lighting is maintained in the Council's Balance Sheet. Both PFI's have liabilities which are maintained in the balance sheet and discharged over the period of the contract.

The amounts payable to the PFI operators each year are analysed into four elements:

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **finance cost** – an interest charge based on the outstanding Balance Sheet liability, debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

21. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The Council maintains external insurance only for major risks, self-funding the remaining significant elements of risk. A provision has been established to meet insurance liabilities not covered externally. Provisions are separately disclosed on the face of the Balance Sheet, classified as to current or non-current liabilities (all are deemed to be current liabilities).

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future

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events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

22. Reserves

A number of earmarked reserves have been established to meet future expenditure. These include reserves to finance particular capital projects and reserves to smooth irregular expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

23. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Where capital expenditure does not result in the acquisition of a non-current asset, or is incurred on an asset not belonging to the Council (such as a Voluntary Aided school), the project expenditure is charged directly to the relevant service in the year it is completed, with the necessary appropriations from the Capital Adjustment Account shown in the Statement of Movement in Reserves.

24. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

25. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

26. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets, and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Statement of Accounting Policies

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

27. Redemption of Debt

The Council finances a proportion of its capital spending by borrowing and is required to charge a prudent percentage of the previous year's Capital Financing Requirement as a Minimum Revenue Provision (MRP). How funding available to the Council for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices, is reflected in the Statement of Movement in Reserves and disclosure notes to the accounts in relation to the Capital Adjustment Account and General Fund Balance. Details are shown in the notes to the Financial Statements.

28. Donated Assets

Donated assets, transferred to the Council for nil consideration, are recognised immediately at fair value as assets on the Balance Sheet. The asset is recognised in the Comprehensive Income & Expenditure Statement as income unless the transfer has a condition that the Council has not satisfied. In which case the asset is credited to the Donated Assets Account and recognised in the Comprehensive Income & Expenditure Statement once the condition has been met. Donated assets are valued, depreciated and impaired in accordance with the accounting policies for other non-current assets.

29. Acquired and Discontinued Operations

Activities are considered to be acquired only if they are acquired from outside the Public Sector. The Code does not include local government reorganisation since any 'machinery of government' changes are neither acquired nor discontinued operations. Similarly, activities are deemed to be discontinuing only if they are transferring outside of the Public Sector, or if they are ceasing completely.

30. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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Intentionally blank, until completion of audit and publication of the final Accounts.

APPENDIX C: PENSION FUND ACCOUNTS 2025-26

FUND ACCOUNT					
2024/25			2025/26		
£'000	£'000		Note	£'000	£'000
		Dealings with members, employers and others directly involved in the Fund:			
	174,620	Contributions	7		175,031
138,248		Employer contributions		136,925	
36,372		Member contributions		38,106	
	22,951	Transfers in from other pension funds	8		18,485
	197,571	Total additions from dealing with members etc.			193,516
	(181,830)	Benefits	9		(189,519)
(147,340)		Pensions		(155,195)	
(31,218)		Commutation and lump sum retirement benefits		(29,550)	
(3,272)		Lump sum death benefits		(4,774)	
	(27,631)	Payments to and on account of leavers	10		(19,313)
(508)		Refunds of contributions		(620)	
(27,123)		Transfers to other pension funds		(18,693)	
	(11,890)	Net additions/(withdrawals) from dealings with members and others			(15,316)
	(22,204)	Management expenses	11		(26,785)
	(34,094)	Net additions/(withdrawals) including Fund management expenses			(42,101)
		Returns on investments:			
	21,937	Investment Income	12		23,153
	177,810	Profit/(loss) on disposal of investments and changes in the value of investments			483,126
	199,747	Net return on investments			506,279
	165,653	Net increase/(decrease) in assets available for benefits during the year			464,178
	3,919,664	Opening net assets of the Fund			4,085,317
	4,085,317	Closing net assets of the Fund			4,549,495

NET ASSETS STATEMENT				
31 March 2025			31 March 2026	
£'000	£'000	Note	£'000	£'000
	750	Long term investments		786
750		Brunel Pension Partnership Ltd	786	
	4,003,758	Investment assets		4,467,977
60		Equities	125	
3,631,761		Pooled investment vehicles	4,077,540	
137,149		Private equity	153,095	
211,980		Property	215,065	
21,444		Cash & cash equivalents	21,594	
782		Derivative contracts	-	
582		Other investment assets	558	
	-	Investment liabilities		(4,836)
-		Derivative contracts	(4,836)	
-		Other investment liabilities	-	
	4,004,508	Total net investments		4,463,927
	89,004	Current assets		92,959
17,925		Contributions due from employers	13,014	
66,795		Cash balances (not forming part of investment assets)	72,870	
4,284		Other current assets	7,075	
	(8,195)	Current liabilities		(7,391)
(470)		Unpaid benefits	(750)	
(7,725)		Other current liabilities	(6,641)	
	4,085,317	Net assets available to fund benefits		4,549,495

DISCLOSURE NOTES

NOTE 1. DESCRIPTION OF THE FUND

The Dorset County Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by Dorset Council ("the Council").

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the Council to provide pensions and other benefits for pensionable employees of the Council, other councils and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Pension Fund Committee, which is a committee of the Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

- **Scheduled bodies**, which are automatically entitled to be members of the Fund.
- **Admitted bodies**, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

31 March 2025		31 March 2026
346	Total Employers	361
	Employees	
6,523	Administering Authority	6,184
19,587	Other Scheduled Bodies	18,419
664	Admitted Bodies	545
26,774	Total Employees	25,148
	Pensioners	
10,199	Administering Authority	10,639
15,995	Other Scheduled Bodies	16,915
2,254	Admitted Bodies	2,355
28,448	Total Pensioners	29,909
	Deferred Pensioners	
9,070	Administering Authority	8,698
16,910	Other Scheduled Bodies	16,905
1,577	Admitted Bodies	1,496
27,557	Total Deferred Pensioners	27,099
82,779	Total Members	82,156

c) **Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2026. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2025. Currently, employer contribution rates range from 10.0% to 29.0% of pensionable pay.

d) **Benefits**

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits.

NOTE 2. BASIS OF PREPARATION

The statement of accounts summarise the Fund's transactions for the 2025/26 financial year and its financial position at 31 March 2026. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. There are no changes in accounting requirements for 2026/27 that are anticipated to have a material impact on the Fund's financial performance or financial position.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information by appending an actuarial report.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account:

Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.
- Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund:

- Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 9).

- Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment income

- Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Rental income is recognised on a straight-line basis over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.
- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the Fund on an accruals basis as follows:

Administrative expenses:

All staff costs relating to the pensions administration team are charged direct to the fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the Fund.

Oversight and Governance:

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund.

Investment management expenses:

Investment fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments. Fees charged by external investment managers and custodians are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. The costs of the time spent by officers on investment management activity are also included.

Net Assets Statement:

Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 18). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Freehold and leasehold properties

Properties are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards. See Note 18 for more details.

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, subject to minimal risk of changes in value and are close to maturity at the time of acquisition, generally within three months or less.

Loans and receivables

Financial assets are carried in the net asset statement at amortised cost.

Financial liabilities

A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an actuarial report appended to the accounts.

Additional voluntary contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 23.

Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise in circumstances where it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (see Note 25).

NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**Directly held property**

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

NOTE 5. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the financial statements and notes and by adjusting the opening balances for the current period for the cumulative effect.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the pension fund's financial position. Where a change is made, if the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component for the earliest prior period presented, along with other comparative amounts disclosed for each prior period presented, and restating them as if the new accounting policy had always been applied.

NOTE 6. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Private equity investments (Note 18)

Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Private equity investments are valued at £153m in the financial statements. Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts, by up to 15% i.e. an increase or decrease of £23m.

Freehold and leasehold property (Note 18)

Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.

Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 15% i.e. an increase or decrease of £32m on carrying values of £215m.

Level 2 and 3 investments (Note 18)

The Fund's remaining level 2 and 3 investments (excluding private equity investments and freehold and leasehold property mentioned above) are valued at £3,684m and £415m respectively, £4,099m in total. Uncertainty will exist when investments are not valued using quoted prices in active markets, or by reference to markets which are not considered to be active and are valued based on alternative pricing sources supported by observable inputs. Level 3 investments will have significant unobservable inputs.

For every 1% increase in the value of level 2 and 3 investments, the value of the Fund will increase by £41m with a decrease having the opposite effect.

Actuarial present value of promised retirement benefits (Note 22)

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on Fund assets. A firm of consulting actuaries, Barnett Waddingham LLP, is engaged to provide the Fund with expert advice about the assumptions to be applied.

If actual results differ from key assumptions:

- a 0.1% p.a. increase in the discount rate would reduce future pension liabilities by c. £200m
- a 0.5% p.a. increase in earnings inflation would increase future pension benefits by c. £180m
- a 0.25% p.a. increase in long-term rate of mortality improvement would increase future pension benefits by c. £170m.

NOTE 7. EVENTS AFTER THE REPORTING DATE

There are events, both favourable and unfavourable, that can occur between the end of the reporting period and the date when the financial statements are authorised for issue. There are events that

provide additional information about conditions that existed at the end of the reporting period (adjusting events), and events that occur after the reporting period (non-adjusting events).

Reforms to LGPS asset pooling arrangements in England and Wales (non-adjusting event)

Up to 31 March 2026 the Fund's assets, together with the assets of nine other LGPS pension funds, were managed by Brunel Pension Partnership Ltd ("Brunel"), an LGPS investment pooling company owned wholly in equal shares by the ten administering authorities. From 1 April 2026, in response to the government's 'fit for future' pensions reforms, the Fund's assets are managed by Local Pension Partnership Investments Ltd (LPPI).

No other events after the reporting date have been identified.

NOTE 8. CONTRIBUTIONS RECEIVABLE

By category:

2024/25		2025/26
£'000	Employer contributions	£'000
108,094	Contributions re future service costs	112,591
18,676	Contributions re past service costs (deficit recovery)	20,042
-	Voluntary additional contributions	-
5,908	Augmentation cost of early retirements	4,181
5,570	Exit payments from employers	111
-	Exit credits to employers	-
138,248	Total employer contributions	136,925
36,372	Member contributions	38,106
174,620	Total contributions receivable	175,031

By type of employer:

2024/25		2025/26
£'000		£'000
51,567	Administering authority	54,451
113,540	Other scheduled bodies	116,853
9,513	Admitted bodies	3,727
174,620	Total contributions receivable	175,031

NOTE 9. TRANSFERS IN FROM OTHER PENSION FUNDS

2024/25		2025/26
£'000		£'000
22,896	Individual transfers from other pension funds	18,223
-	Group transfers from other pension funds	-
55	AVC to purchase scheme benefits	262
22,951		18,485

NOTE 10. BENEFITS PAYABLE

By category:

2024/25		2025/26
£'000		£'000
147,340	Pensions	155,195
31,218	Commutation and lump sum retirement benefits	29,550
3,272	Lump sum death benefits	4,774
181,830	Total benefits payable	189,519

By type of employer:

2024/25		2025/26
£'000		£'000
59,473	Administering authority	63,900
108,371	Other scheduled bodies	112,875
13,986	Admitted bodies	12,744
181,830	Total benefits payable	189,519

NOTE 11. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2024/25		2025/26
£'000		£'000
508	Refunds to members leaving service	620
8,431	Group transfers to other pension funds	-
18,692	Individual transfers to other pension funds	18,693
27,631		19,313

NOTE 12. MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

2024/25		2025/26
£'000		£'000
2,726	Administrative expenses	2,798
610	Oversight and governance costs	791
18,868	Investment management expenses	23,196
22,204	Total management expenses	26,785

The scale fee for the 2025/26 external audit is £100,886 and is included in oversight and governance costs above. Additional fees for the audit relating to 2025/26 are estimated to be £15,000. This includes £5,000 for 2025 triennial valuation data testing and £10,000 for direct properties valuation work. The total fee for the 2025/26 external audit is estimated to be £115,886.

There is a non-audit service fee of £1,100 for 2025/26 in relation to the provision of an IAS19 assurance letter to United Learning Trust, a scheduled body of the pension fund.

Investment management expenses consisted of:

2024/25		2025/26
£'000		£'000
15,699	Investment management fees	18,457
32	Performance related fees	759
21	Custody fees	24
1,758	Transaction costs	1,994
1,358	Other fees and costs	1,962
18,868	Total investment management expenses	23,196

Transaction costs associated with pooled investment vehicles are taken into account in calculating the bid/offer spread of these investments and are therefore embedded within the purchase and sales costs and not separately identifiable. All other transaction costs have been charged to the fund account.

The following table summarises investment management expenses by asset class:

2024/25		2025/26
£'000		£'000
15,294	Pooled investments	18,816
2,873	Private Equity	3,589
516	Property	626
164	Derivatives (FX contracts)	141
21	Custody Costs	24
18,868	Total investment management expenses	23,196

NOTE 13. INVESTMENT INCOME

2024/25		2025/26
£'000		£'000
6	Equities	256
3,433	Pooled Investments	3,198
2,427	Pooled Property Investments	3,225
11,824	Direct Property	11,965
214	Private Equity	202
3,413	Interest from Cash and Short Term Deposits	3,986
620	Fee Rebate Income	321
21,937	Total Investment Income	23,153

NOTE 14. LONG TERM INVESTMENTS

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel) was formed to oversee the investment assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds.

Each of the ten funds owned an equal share of Brunel, with share capital invested by each fund at a cost of £840k. The value of each fund's shareholding based on Brunel's most recently audited accounts was £786k (£750k at 31 March 2025).

NOTE 15. INVESTMENT ASSETS

31 March 2025			31 March 2026		
Market Value		Description / Investment Manager	Market Value		
%	£'000		£'000	%	
0.0%	60	Equities	125	0.0%	
0.0%	60	Investec	125	0.0%	
3.4%	137,149	Private Equity	153,095	3.4%	
1.4%	56,205	HarbourVest	52,837	1.2%	
0.2%	8,029	Patria	2,793	0.1%	
0.3%	11,365	Capital Dynamics Global Secondary Fund V	10,475	0.2%	
0.4%	14,002	Neuberger Berman Private Equity Impact Fund	13,160	0.3%	
0.4%	16,603	Neuberger Berman SCIOP IV	16,897	0.4%	
0.3%	11,039	Neuberger Berman Clifton Fund III	25,516	0.5%	
0.1%	5,394	Ardian LBO Fund	6,545	0.1%	
0.1%	5,519	Vespa Capital III	8,950	0.2%	
0.1%	2,760	Summit Eur Growth EQ III SCSP LP	3,378	0.1%	
0.1%	4,886	Alpinvest Secondaries Fund VII Limited Partnership	4,786	0.1%	
0.0%	1,345	Neuberger Berman Clifton Private Equity IV	7,758	0.2%	
5.3%	211,980	Property (directly owned)	215,065	4.8%	
5.3%	211,980	CBRE Global Investors	215,065	4.8%	
Pooled Investment Vehicles:					
6.7%	267,053	Bonds	282,327	6.3%	
6.7%	267,053	Royal London Mutual Insurance Mutual Fund	282,327	6.3%	
10.9%	436,080	UK Equities - Quoted	532,564	11.9%	
5.3%	212,237	LGIM UK Equity Index (passive)	532,564	11.9%	
5.6%	223,843	Brunel UK Equities	-	0.0%	
49.4%	1,979,734	Global Equities - Quoted	2,244,701	50.2%	
9.3%	373,355	LGIM Smart Beta Fund	424,865	9.5%	
5.7%	229,038	LGIM World Developed Equities Index Fund	272,269	6.1%	
6.8%	270,952	Brunel Global High Alpha Equities	290,598	6.5%	
3.9%	157,228	Brunel Emerging Markets Equities	-	0.0%	
9.6%	383,022	Brunel Global Sustainable Equities	412,307	9.2%	
6.5%	262,841	Brunel Smaller Companies Equities	294,100	6.6%	
7.6%	303,298	Brunel Low Volatility	349,861	7.8%	
0.0%	-	Ninety One Funds Series IV E (Emerging Markets)	132,641	3.0%	
0.0%	-	Robeco Capital Growth Funds RO (Emerging Markets)	68,060	1.5%	
7.3%	292,439	Multi Asset Credit (MAC)	309,397	6.9%	
1.5%	61,883	CQS Global Funds Mutual Fund	65,686	1.5%	
1.5%	60,013	Oaktree (LUX) III SA SICAV Mutual Fund	63,308	1.4%	
4.3%	170,543	Neuberger Berman Investment Mutual Fund	180,403	4.0%	
1.8%	73,026	Property Funds	74,229	1.7%	
0.1%	2,290	Standard Life UK Shopping Centre Trust	-	0.0%	
0.3%	13,912	CBRE UK Long Income Property Fund	13,255	0.3%	
0.7%	28,030	Aberdeen Standard Long Lease Property Fund	29,892	0.7%	
0.7%	28,794	M&G Secured Income Property Fund	31,082	0.7%	
6.8%	270,705	Diversified Returns Funds	293,766	6.6%	
6.8%	270,705	Brunel Diversifying Returns Fund	293,766	6.6%	
7.8%	312,725	Infrastructure	340,555	7.6%	
1.9%	77,642	Hermes GPE Infrastructure Funds	77,432	1.7%	
4.3%	171,151	IFM Global Infrastructure Fund	191,032	4.2%	
0.7%	27,435	Greencoats Renewable Income Infrastructure Fund	24,906	0.6%	
0.9%	36,497	STEPSTONE B III	47,186	1.1%	
90.7%	3,631,761	Total - Pooled Investments	4,077,540	91.2%	

31 March 2025			31 March 2026		
Market Value		Description / Investment Manager	Market Value		
0.5%	21,444	Cash & Cash Equivalents	21,594	0.5%	
0.0%	782	Derivatives	-	0.0%	
0.0%	582	Investment Receivables	558	0.0%	
100.0%	4,003,758	Total Investment Assets	4,467,977	100.0%	

Single investments exceeding 5% of total value of the net assets are shown in the table above.

Investments analysed by fund manager:

31 March 2025			31 March 2026		
Market Value		Description / Investment Manager	Market Value		
%	£'000		£'000	%	
85.9%	3,439,680	Investments managed by the Brunel Pension Partnersh	3,692,586	82.7%	
0.7%	28,030	Aberdeen Standard Investments	29,892	0.7%	
0.1%	4,886	Alpinvest Partners	4,786	0.1%	
0.1%	5,394	Ardian	6,545	0.1%	
46.8%	1,871,889	Brunel Pension Partnership Ltd	1,640,633	36.7%	
0.3%	11,365	Capital Dynamics	10,475	0.2%	
1.5%	61,883	CQS	65,686	1.5%	
0.7%	27,435	Greencoat Capital	24,906	0.6%	
20.3%	814,629	LGIM	1,229,698	27.5%	
0.7%	28,794	M&G Investments	31,082	0.7%	
5.3%	213,533	Neuberger Berman	243,734	5.5%	
1.5%	60,013	Oaktree	63,308	1.4%	
6.7%	267,053	Royal London	282,327	6.3%	
0.9%	36,497	StepStone Infrastructure and Real Assets	47,186	1.1%	
0.1%	2,760	Summit Partners	3,378	0.1%	
0.1%	5,519	Vespa Capital	8,950	0.2%	
13.5%	541,269	Investments managed outside the Brunel Pension Partn	753,239	16.9%	
5.7%	228,182	CBRE Investment Management	228,320	5.1%	
1.9%	77,642	Federated Hermes	77,432	1.7%	
1.4%	56,205	HarbourVest	52,837	1.2%	
4.3%	171,151	IFM Investors	191,032	4.3%	
0.0%	60	Investec	125	0.0%	
0.2%	8,029	Patria	2,793	0.1%	
0.0%	-	Ninety One	132,641	3.0%	
0.0%	-	Robeco	68,060	1.5%	
0.5%	22,808	Cash, derivatives and investment receivables:	22,152	0.5%	
0.5%	21,444	Cash	21,594	0.5%	
0.0%	782	Derivatives	-	0.0%	
0.0%	582	Investment Receivables	558	0.0%	
100.0%	4,003,758	Total Investment Assets	4,467,977	100.0%	

NOTE 15B. PROPERTY HOLDINGS

The pension fund's investment portfolio includes a number of directly owned properties that are leased commercially to various tenants. Details of these properties are as follows:

31 March 2025		31 March 2026	
£'000		£'000	
235,645	Opening balance	211,980	
716	Purchases	55	
(23,966)	Disposals	-	
(415)	Change in market value	3,030	
211,980	Closing balance	215,065	

The future minimum lease payments receivable are as follows:

31 March 2025		31 March 2026
£'000		£'000
9,498	Within one year	10,437
20,667	Between one and five years	23,041
37,360	Later than five years	28,928
67,524	Total future lease payments due under existing contracts	62,405

NOTE 16. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

The following tables summarise details of purchases, sales and changes in the market valuation of investments in the fund during the financial year and prior year.

2025-26	Value 1 April 2025 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2026 £'000
Long Term Investments	750	-	-	36	786
Equities	60	315,052	(317,616)	2,629	125
Pooled Investment Vehicles	3,631,761	508,701	(516,188)	453,266	4,077,540
Private Equity	137,149	20,577	(19,087)	14,456	153,095
Property	211,980	55	0	3,030	215,065
Total Securities	3,981,700	844,385	(852,891)	473,417	4,446,611
Forward Foreign Exchange	782	-	-	(5,618)	(4,836)
Total Securities and Derivatives	3,982,482	844,385	(852,891)	467,799	4,441,775
Other Investment Balances:					
Cash & cash equivalents*	21,444			15,304	21,594
Other investment assets	582			23	558
Other investment liabilities	-			-	-
Total Net Investments	4,004,508			483,126	4,463,927

2024-25	Value 1 April 2024 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2025 £'000
Long Term Investments	722	-	-	28	750
Equities	77	-	0	(17)	60
Pooled Investment Vehicles	3,464,168	420,731	(417,196)	164,058	3,631,761
Private Equity	138,390	14,478	(20,827)	5,108	137,149
Property	235,645	716	(23,966)	(415)	211,980
Total Securities	3,839,002	435,925	(461,989)	168,762	3,981,700
Forward Foreign Exchange	(2,824)	-	-	3,606	782
Total Securities and Derivatives	3,836,178	435,925	(461,989)	172,368	3,982,482
Other Investment Balances:					
Cash & cash equivalents*	27,895			5,448	21,444
Other investment assets	729			(6)	582
Other investment liabilities	-			-	-
Total Net Investments	3,864,802			177,810	4,004,508

The closing value of securities and derivatives equals the opening value plus purchases and derivative payments, less sales and derivative receipts, plus increases (or less decreases) in market value over the period. The value of other investment balances will change with cashflows over the year and therefore closing values do not 'cast' from opening values in the same way as for securities and derivatives.

*The change in market value shown for cash and cash equivalents is the net increase/(decrease) in cash balances resulting from the realised profits or losses on forward foreign currency contracts during the period.

NOTE 17. ANALYSIS OF DERIVATIVES

The Fund's holdings in derivatives are to hedge liabilities or hedge exposures to reduce risk. To maintain appropriate diversification a significant proportion of the Fund's equity portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the Fund hedges 50% of the US Dollar, Euro and Japanese Yen exposure within its global equities investments. As at 31 March, the Fund held the following open forward currency contracts.

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
2-6 months	GBP	41,654	EUR	47,835	0	(298)
2-6 months	GBP	42,500	JPY	8,897,939	0	(198)
2-6 months	GBP	340,199	USD	454,229	0	(4,340)
Open Forward Currency Contracts at 31 March 2026					-	4,836
Net Forward Currency Contracts at 31 March 2026						4,836

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
2-6 months	GBP	36,936	EUR	43,722	185	(0.3)
2-6 months	GBP	34,747	JPY	6,557,632	478	(0)
2-6 months	GBP	329,365	USD	424,943	119	0
2-6 months	USD	11,230	GBP	8,701	0	0
Open Forward Currency Contracts at 31 March 2025					782.1	(0.3)
Net Forward Currency Contracts at 31 March 2025						781.8

NOTE 18. FAIR VALUE OF INVESTMENT ASSETS

All investment assets have been valued using fair value techniques based on the characteristics of each asset class. Asset valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values, as follows:

- **Level 1:** where fair values are derived from unadjusted quoted prices in active markets for identical assets;
- **Level 2:** where quoted market prices are not available, for example, where an asset is traded in a market that is not considered to be active, but where valuation techniques are based significantly on observable market data;
- **Level 3:** where at least one input that could have a significant effect on the asset's valuation is not based on observable market data.

During the year ended 31 March 2026 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

The basis of the valuation of each class of investment asset is summarised below.

Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
Level 1:			
Market quoted investments	Published bid market price ruling on the final day of the accounting period.	Not required.	Not required.
Exchange traded pooled investments	Published exchange prices at the reporting date.	Not required.	Not required.
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Level 2:			
Pooled investments - unit trusts etc.	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Not required.
Cash and cash equivalents	Where held in vehicles priced once a month.	Not required.	Not required.
Level 3:			
Freehold and leasehold properties	Valued at fair value at the reporting date by Savills, acting as independent valuers and in accordance with current RICS Valuation Standards.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and the IPEV Board's Special Valuation Guidance (March 2020).	Earnings (EBITDA) and revenue multiples, discount for lack of marketability, control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Level 3:			
Property funds (where regular trading does not take place)	Underlying assets valued at fair value at the reporting date by each fund's valuers in accordance with current RICS Valuation Standards, taking account of other financial assets and liabilities within the fund structure.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing values of investments held at 31 March 2026.

	Valuation range % (+/-)	Value at 31 March 2026 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Investment Vehicles	15.00%	414,784	477,001	352,566
Private Equity	15.00%	153,095	176,059	130,131
Property	15.00%	215,065	247,325	182,805
Total		782,944	900,385	665,502

	Valuation range % (+/-)	Value at 31 March 2025 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Investment Vehicles	15.00%	384,405	442,066	326,744
Private Equity	15.00%	137,149	157,721	116,577
Property	15.00%	211,980	243,777	180,183
Total		733,534	843,564	623,504

The following tables provides an analysis of the Fund's assets and liabilities by fair value hierarchy.

31 March 2026	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Equities	125	-	-	125
Pooled investments	-	3,662,756	340,555	4,003,311
Pooled property investments	-	-	74,229	74,229
Private equity	-	-	153,095	153,095
Derivative contracts	-	-	-	-
Cash and cash equivalents	414	21,180	-	21,594
Sub-total	539	3,683,936	567,879	4,252,354

Non financial assets at fair value through profit and loss

Property	-	-	215,065	215,065
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Financial liabilities at fair value through profit and loss

Derivative contracts	-	(4,836)	-	(4,836)
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Total	539	3,679,100	782,944	4,462,583
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31 March 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Equities	60	-	-	60
Pooled investments	-	3,247,356	311,379	3,558,735
Pooled property investments	-	-	73,026	73,026
Private equity	-	-	137,149	137,149
Derivative contracts	-	782	-	782
Cash and cash equivalents	264	21,180	-	21,444
Sub-total	324	3,269,318	521,554	3,791,196

Non financial assets at fair value through profit and loss

Property	-	-	211,980	211,980
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Financial liabilities at fair value through profit and loss

Derivative contracts	-	-	-	-
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Total	324	3,269,318	733,534	4,003,176
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The following table provides a reconciliation of fair value measurements within Level 3.

	Pooled Investment £'000	Private Equity £'000	Property £'000	Total £'000
Opening value at 1 April 2025	384,405	137,149	211,980	733,534
Purchases and derivative payments	47,754	20,577	55	68,386
Sales and derivative receipts	(43,747)	(19,087)	-	(62,834)
Unrealised gains and losses	28,157	4,393	3,030	35,580
Realised gains and losses	(1,785)	10,063	-	8,278
Closing value at 31 March 2026	414,784	153,095	215,065	782,944

	Pooled Investment £'000	Private Equity £'000	Property £'000	Total £'000
Opening value at 1 April 2024	362,050	138,390	235,645	736,085
Purchases and derivative payments	21,731	14,478	716	36,925
Sales and derivative receipts	(5,347)	(20,827)	(23,966)	(50,140)
Unrealised gains and losses	11,350	(8,289)	(415)	2,646
Realised gains and losses	(5,379)	13,397	-	8,018
Closing value at 31 March 2025	384,405	137,149	211,980	733,534

NOTE 19. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at fair value through profit & loss £'000	Liabilities at amortised cost £'000
As at 31 March 2026				
Financial assets				
Long term investments	786	-		
Equities	125	-		
Pooled investments	4,003,311	-		
Pooled property investments	74,229	-		
Private equity	153,095	-		
Derivative contracts	-	-		
Cash and cash equivalents	93,901	563		
Other investment balances	-	558		
Debtors	-	7,075		
Total	4,325,447	8,196		
Financial liabilities				
Derivative contracts			4,836	
Other investment balances				-
Sundry creditors				7,391
Total			4,836	7,391

As at 31 March 2025	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at fair value through profit & loss £'000	Liabilities at amortised cost £'000
Financial assets				
Long term investments	750			
Equities	60	-		
Pooled investments	3,558,735	-		
Pooled property investments	73,026	-		
Private equity	137,149	-		
Derivative contracts	782	-		
Cash and cash equivalents	83,044	5,195		
Other investment balances	-	582		
Debtors	-	4,284		
Total	3,853,546	10,061		
Financial liabilities				
Derivative contracts			-	
Other investment balances				-
Sundry creditors				8,195
Total			-	8,195

NOTE 19A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

All realised gains and losses arise from the sale or disposal of financial assets that have been derecognised in the financial statements. The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

2024/25		2025/26
£'000		£'000
Financial assets		
172,783	Fair value through profit and loss	464,769
Financial liabilities		
	Fair value through profit and loss	
172,783	Total	464,769

NOTE 20. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunities for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, interest rate risk and currency risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Pension Fund Committee receives regular reports from all investment managers and from its Independent Investment Adviser on the nature of the investments made and their associated risks.

(a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset classes, geographical and industry sectors, and individual securities. Exposure to

specific markets and asset classes is limited by applying strategic targets to asset allocation, which are agreed and monitored by the Pension Fund Committee.

(a) (i) Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all such instruments in the market. The Fund's investment managers mitigate this risk through diversification in line with their own investment strategies.

The following table demonstrates the change in the net assets available to pay benefits if the market price for each class of investment had increased or decreased by 15%, excluding cash and other investment assets.

As at 31 March 2026	Value £'000	Change %	Increase £'000	Decrease £'000
Equities	125	15.00%	19	(19)
Pooled Investment Vehicles	4,077,540	15.00%	611,631	(611,631)
Private Equity	153,095	15.00%	22,964	(22,964)
Derivatives	-	15.00%	-	-
Total	4,231,318		634,614	(634,614)

As at 31 March 2025	Value £'000	Change %	Increase £'000	Decrease £'000
Equities	60	15.00%	9	(9)
Pooled Investment Vehicles	3,631,761	15.00%	544,764	(544,764)
Private Equity	137,149	15.00%	20,572	(20,572)
Derivatives	782	15.00%	117	(117)
Total	3,770,334		565,462	(565,462)

(a) (ii) Interest Rate Risk

Interest rates can vary and can affect both income the Fund and the value of Fund assets, both of which affect the value of net assets available to pay benefits. The Fund's exposure to interest rate movements on those investments at 31 March 2026 and 2025 are provided below, based on underlying financial assets at fair value.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of an increase or decrease of 1% (100 basis points) in interest rates.

The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalents but they will affect the interest received on those balances.

As at 31 March 2026	Market Value £'000	Impact of 1% Rate	
		Decrease £'000	Increase £'000
Cash & cash equivalents	94,464	-	-
Assets held in pooled investment vehicles:			
Bonds	282,327	16,108	(16,108)
Multi Asset Credit (MAC)	309,397	7,410	(7,410)
Total	686,188	23,518	(23,518)

As at 31 March 2025	Market Value £'000	Impact of 1% Rate Decrease £'000	Rate Increase £'000
Cash & cash equivalents	88,239	-	-
Assets held in pooled investment vehicles:			
Bonds	267,053	15,342	15,342
Multi Asset Credit (MAC)	292,439	7,086	(7,086)
Total	647,730	22,428	8,256

(a) (iii) Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling (GBP).

To mitigate the effect of movements in foreign exchange rates against its overseas equities investments, the Fund has in place a 50% passive currency hedge against the three major currencies, the US Dollar, the Euro and the Japanese Yen, and 50% of its holdings in the LGIM Passive Developed Equities and Smart Beta funds are in hedged units.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than +/- 15% in total. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of these hedges.

As at 31 March 2026	Total Exposure £'000	Unhedged Exposure £'000	Potential Movement £'000
Equities	125	63	9
Pooled Investment Vehicles	3,038,896	1,916,546	287,482
Private Equity	153,095	153,095	22,964
Total	3,192,116	2,069,703	310,456

As at 31 March 2025	Total Exposure £'000	Unhedged Exposure £'000	Potential Movement £'000
Equities	60	30	4
Pooled Investment Vehicles	2,714,029	1,802,776	270,416
Private Equity	137,149	137,149	20,572
Total	2,851,237	1,939,954	290,993

(b) Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The selection of high quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund also sets limits as to the maximum percentage of deposits placed with any one individual institution. In addition, the Fund invests in low volatility money market funds, all of which have a AAA rating from the leading credit rating agencies.

The table below summarises the Fund's exposure to credit risk at 31 March 2026 and 31 March 2025.

	31 March 2026	31 March 2025
Investment	£'000	£'000
Cash and Cash Equivalents	94,464	88,239
Assets held in pooled investment vehicles:		
Bonds	282,327	267,053
Multi Asset Credit (MAC)	309,397	292,439
Total	686,188	647,731

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Such risks are mitigated by maintaining a detailed cashflow model and taking appropriate steps to ensure that there is adequate cash available to meet liabilities as they fall due.

The Fund has immediate access to its cash holdings and defines liquid assets as assets that can be converted to cash within three months' notice, subject to normal market conditions. As at 31 March 2026, liquid assets were £3,685m representing 81% of total net assets (£3,270m at 31 March 2025 representing 80% of total net assets at that date).

NOTE 21. FUNDING ARRANGEMENTS

In accordance with the LGPS Regulations, the Fund's actuary, Barnett Waddingham LLP, undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The most recent such valuation took place as at 31 March 2025, setting employer contribution rates for the period 1 April 2026 to 31 March 2029.

The next valuation is taking place as at 31 March 2028 and will set employer contribution rates for the period 1 April 2029 to 31 March 2032.

The key elements of the funding policy are:

- to ensure that the long-term solvency of the Fund i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

Contribution rates for the year ending 31 March 2026 were set at the valuation calculated as at 31 March 2022. The common contribution rates set at the 2025 valuation for the three-year period ending 31 March 2029 are as follows.

	2026/27	2027/28	2028/29
Primary rate (future service contributions)	16.30%	16.30%	16.30%
Secondary rate (deficit recovery contributions)	4.50%	3.90%	3.60%
Total employer contributions	20.80%	20.20%	19.90%

The contribution rates paid by each employer, in addition to those paid by members of the scheme, are set to be sufficient to meet the liabilities that build up each year within the Fund in respect of the benefits earned by each employer's active members of the Fund during the year plus an amount to reflect each participating employer's share of the value of the Fund's assets compared with the liabilities that have already accrued at the valuation date. Each employer pays an individual rate of contributions to reflect its own particular circumstances and funding position within the Fund. The contribution rates were calculated using the projected unit method taking account of market conditions

at the valuation date.

At the 2025 actuarial valuation, the Fund was assessed as 98% funded (96% at the 2022 valuation) with a deficit recovery period of no more than 13 years (16 years at the 2022 valuation). The key assumptions applied by the actuary for the 2025 and 2022 valuations are summarised below. To be consistent with the market value of assets, the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date.

	Valuation 2022	Valuation 2025
Annual rate of return on investments (discount rate)	4.90%	5.10%
Annual rate of increases in pay (long term)	4.00%	3.70%
Annual rate of inflation (CPI)	3.00%	2.70%

NOTE 22. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham LLP, also undertakes a valuation of the Fund's liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year but taking account of changes in membership numbers and updating assumptions to the current year. This annual valuation is not carried out on the same basis as that used for setting employer contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

This valuation as at 31 March 2026 is set out in Appendix D to these financial statements.

NOTE 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

The Council administers an in-house AVC Scheme with two designated providers, Prudential Plc and Utmost Life and Pensions Limited (formerly Equitable Life). The amounts contributed to AVC plans by employees who are members of the pension scheme do not form any part of, and are not included in, the Fund accounts.

Each employer in the Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset Council, in its capacity as a scheme employer, deducted and paid to the AVC providers a total of £2,084k in 2025/26 (£1,714k in 2024/25).

The market value of the separately invested additional voluntary contributions as at 31 March 2026 was £11,217k (£9,551k as at 1 April 2025).

NOTE 24. RELATED PARTY TRANSACTIONS

Related party issues arise primarily from the fact that the Council is the administering authority for the Fund. The Council also has various operational, contractual and financial dealings with a number of scheduled and admitted bodies of the Fund, however, these activities do not relate to the Council's role as administering authority for the Fund.

The Pension Fund has transactions with Brunel Pension Partnership Ltd ("Brunel"), company number 10429110. Brunel was formed on 14 October 2016 and oversees the investment of pension fund assets for Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire funds. Each of the ten administering authorities, including Dorset Council, own 10% of Brunel. Transactions with Brunel were £2.9m for 2025/26 and £1.5m for 2024/25. The 2025/26 amount includes a payment of £1.3m towards the expected costs of winding up the company.

The Council remits monthly contributions to the Fund in arrears, and total contributions for the year were £50m. £3.7m of this related to March 2026 contributions and was accrued as at 31 March 2026. Management and administration costs of £3.0m were incurred by the Council and recharged to the Fund in 2025/26. In addition, at any given time there may be amounts which have been paid or received by both the Council or the Fund where indebtedness arises between the two. These can

arise due to operational necessity or where single transactions have elements relating to both the Council and the Fund and are settled on a regular basis.

NOTE 24A. KEY MANAGEMENT PERSONNEL

Senior officers of the Council are members of the Fund as employee contributors. As at 31 March 2026, no members of the Pension Fund Committee were contributing members of the Fund. The key management personnel of the Fund are the members of the Pension Fund Committee and the Council's Chief Financial Officer (who is the Fund Administrator). The £3.0m recharge from the Council includes a charge of £24k for the Chief Financial Officer's time spent working for the Fund. The £24k charge is categorised as a short-term employee benefit.

NOTE 25. CONTINGENT ASSETS, LIABILITIES AND CONTRACTUAL COMMITMENTS

Recovery of withholding tax

The Fund is continuing the process required to recover withholding tax from various EU investments following rulings requiring equal treatment for all EU investors. These claims will be retrospective and will cover a varying number of years depending on the domicile. Neither the amount nor the expected time of settlement are known so consequently the financial statements as at 31 March 2026 do not reflect any potential recovery of tax.

Commitments to private markets' portfolios

Outstanding capital commitments (investments) at 31 March 2026 were approximately £110m (£135m at 31 March 2025). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the pension fund. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

Virgin Media case

The Fund is aware that in June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Ltd) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

In September 2025, the government published proposed amendments to the Pension Schemes Bill that would allow retrospective actuarial validation to confirm whether historic changes to contracted-out benefits complied with statutory requirements. In January 2026, the Financial Reporting Council published guidance for scheme actuaries to help them apply the retrospective-validation process under the Pension Schemes Bill.

The Government Actuary's Department (GAD) is reviewing historic amendments to the Local Government Pension Scheme in this context, and the Scheme Advisory Board were liaising with GAD on whether the relevant certificates were available for past scheme changes.

It is not yet known whether this case has any implications to public sector pension schemes, including the Local Government Pension Scheme. Therefore, no allowance for the potential impact of the Virgin Media case has been recognised in the financial statements.



BARNETT
WADDINGHAM

Part of **HOWDEN**

Dorset County Pension Fund

Dorset County Pension Fund

IAS26 as at 31 March 2026
v1

11 June 2026



Introduction

We have been instructed by Dorset Council, the administering authority to the Dorset County Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2026. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations and summarised on the LGPS website.

This report is prepared in accordance with our understanding of IAS26. This advice complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

[This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2026.](#)

In this report, we have allowed for the results of the 2025 actuarial valuation of the Dorset County Pension Fund. Where assumptions have differed from actual experience, this will lead to changes to the balance sheet position. There is a positive experience item in the reconciliation of the liabilities, which means that experience has been worse than assumed.

Experience has been observed due to changes in the underlying member data and because observed CPI inflation over the accounting period has differed from the assumption made. Experience has also been observed in relation to the impact of changing the financial assumptions - there was a very significant change to discount rates following the UK mini budget event in September 2022 which led to significant changes to the balance sheet position, and the estimated impact of the change in assumptions was larger than implied when re-calibrating at the full actuarial valuation as at 31 March 2025.

We would be pleased to answer any questions arising from this report.



Roisin McGuire FFA
Principal

Data used

We have used the following items of data which we received from the administering authority:

Results of the latest funding valuation as at	31 March 2025
Results of the previous IAS26 report as at	31 March 2025
Fund asset statement as at	31 March 2026
Fund income and expenditure items to	31 March 2026
Details of any new unreduced early retirement payments out to	31 March 2026

The data has been checked for reasonableness, including consistency with previous valuation data where relevant, and we are happy that the data is sufficient for the purposes of this advice.

Although some estimation of the data to the accounting date may be required, we do not believe it is likely to be material to the results in this report.

We are not aware of any material changes or events since we received the data.

Fund membership statistics

The table below summarises the membership data at 31 March 2025.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	23,562	558,146	47
Deferred pensioners	37,198	65,649	51
Pensioners	28,472	154,769	73

Payroll

The total pensionable payroll for the employers in the Fund is set out below and is based on information provided to us by the administering authority.

Estimated payroll for the year to 31 March 2026 £596,369,000

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2026.

We have been notified of 88 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £869,300.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2026 is calculated to be 11.82% based on the Fund asset statements and Fund cashflows as set out in the Data section preceding this section.

The estimated asset allocation for the Fund is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2026		31 Mar 2025	
	£000s	%	£000s	%
Equities	2,931,272	64%	2,553,773	63%
Cash	107,720	2%	102,835	3%
Other Bonds	282,327	6%	267,053	7%
Diversified Growth Fund	288,930	6%	271,487	7%
Property	289,294	6%	285,006	7%
Infrastructure	340,555	7%	312,725	8%
Multi Asset Credit	309,397	7%	292,438	7%
Total	4,549,495	100%	4,085,317	100%

Financial Assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2026 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

Financial assumptions	31 Mar 2026	31 Mar 2025	31 Mar 2024
	p.a.	p.a.	p.a.
Discount rate	6.10%	5.85%	4.90%
Pension increases (CPI)	2.90%	2.90%	2.90%
RPI inflation	3.30%	3.20%	3.20%
Salary increases	3.90%	3.90%	3.90%

Projected unit method is used in our calculations.

In addition, we have allowed for actual ONS CPI inflation observed between March 2025 and March 2026. This is reflected in the Experience loss/(gain) on defined benefit obligation figure in the results.

Fund duration

The estimated Macaulay duration of the Employer's liabilities as at the accounting date using the assumptions set out above is 15 years.

Demographic Assumptions

Post retirement mortality	31 Mar 2026	31 Mar 2025
Base table	S4PA	S3PA
Multiplier (M/F)	95% / 115%	95% / 100%
Future improvements model	CMI_2025	CMI_2023
Long-term rate of improvement	1.50%	1.25%
Smoothing parameter	7.0	7.0
Initial addition parameter	0.0% p.a.	0.00 p.a.
2020 weight parameter	n/a	0%
2021 weight parameter	n/a	0%
2022 weight parameter	n/a	15%
2023 weight parameter	n/a	15%
Half life parameter	1.0	n/a

The assumed life expectancies, based on the assumptions set out above, are set out in the table below:

Life expectancy from age 65 (years)		31 Mar 2026	31 Mar 2025
Retiring today	Males	22.3	21.8
	Females	23.2	24.0
Retiring in 20 years	Males	23.9	23.1
	Females	24.9	25.4

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2025, except for an update of the CMI projection model. Details of the post retirement mortality assumption are set out above; further details of the demographic assumptions adopted can be found in the briefing note corresponding to this report, and the Fund's actuarial valuation report.

Results

Balance sheet	As at	As at	As at
Net pension asset in the statement of financial position	31 Mar 2026	31 Mar 2025	31 Mar 2024
	£000s	£000s	£000s
Present value of the defined benefit obligation	3,978,587	3,723,670	4,227,493
Fair value of Fund assets (bid value)	4,549,495	4,085,317	3,919,664
Net liability in balance sheet	(570,908)	(361,647)	307,829

The present value of the defined benefit obligation consists of both vested and non-vested benefits, where members have not reached their vesting period. Non-vested benefits have been assumed to have a negligible value.

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2026 £000s	Year to 31 Mar 2025 £000s
Opening defined benefit obligation	3,723,670	4,227,493
Current service cost	84,150	93,459
Interest cost	213,613	203,612
Change in financial assumptions	(146,722)	(632,328)
Change in demographic assumptions	(27,621)	(10,473)
Experience loss/(gain) on defined benefit obligation	278,610	(10,006)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(190,105)	(185,416)
Past service costs, including curtailments	4,886	3,848
Contributions by Scheme participants	38,106	33,481
Closing defined benefit obligation	3,978,587	3,723,670

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2026 £000s	Year to 31 Mar 2025 £000s
Opening fair value of Fund assets	4,085,317	3,919,664
Interest on assets	238,556	191,276
Return on assets less interest	243,605	9,821
Other actuarial gains/(losses)	-	-
Administration expenses	(2,909)	(2,909)
Contributions by employers	136,925	119,400
Contributions by Scheme participants	38,106	33,481
Estimated benefits paid net of transfers in	(190,105)	(185,416)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	4,549,495	4,085,317

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	3,922,310	3,978,587	4,036,221
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	3,981,123	3,978,587	3,976,065
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	4,037,183	3,978,587	3,933,386
Adjustment to life expectancy assumptions	+1 Year	None	- 1 Year
Present value of total obligation	4,117,615	3,978,587	3,844,843

Academy	An academy is a school that is directly funded by central government (specifically, the Department for Education) and which is independent of control by a Local Authority.
Accounting Date	The date to which an organisation makes up its Financial Statements. Like all local authorities, Dorset Council's accounting date is 31 March.
Accounting Period	The period of time covered by the accounts, which for this Authority means a period of twelve months commencing on 1 April through to the following 31 March.
Accounting Policies	The principles, conventions, rules and practices that specify how the effects of transactions and other events are recognised, measured and presented in the financial statements.
Accrual	Sums included in the final accounts to cover income and expenditure attributable to the accounting period but for which payment has not been made or received by 31 March.
Accumulated Absences Account	This Account is an Unusable Reserve which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward. It is permitted to have a negative balance.
Actuarial Gains And Losses	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses where events have not coincided with actuarial assumptions or actuarial assumptions have changed.
Actuarial Valuation	An independent report on the financial status of the Pension Fund, which determines its ability to meet future payments.
Agency Services	The provision of services by one body (the agent) on behalf of and generally with reimbursement from the responsible body.
Amortisation	Amortisation is the equivalent of depreciation for intangible assets (see below).
Amortised Cost	This is a mechanism that sees through the contractual terms of a Financial Instrument to measure the real cost or return to the Authority by using the effective interest rate method which incorporates the impact of premiums or discounts.
Asset	Something of worth that can be measured in monetary terms and which has an economic value that spans more than one financial year. Assets can be tangible (e.g. land and buildings) or intangible (e.g. computer software).
Assets Held for Sale	Assets which are no longer intended for operational use in the Authority and which are being actively marketed with likely sale within 12 months.
Balance Sheet	A statement that summarises an authority's financial position at the accounting date each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. The bottom half is comprised of reserves that show the disposition of an authority's net worth.
Balances	The accumulated surplus of income over expenditure.
Budget	A statement of the Council's plans expressed in financial terms.
Call To Account	The Audit & Governance Committee may 'call to account' members of the Cabinet and senior officers to explain any particular decision they have made and, the extent to which actions taken implement Council policy and to account for their performance.
Capital Charge	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. This equates to depreciation and impairment charges under the IFRS based Code.
Capital Expenditure	Expenditure on the acquisition, construction or enhancement of significant assets (e.g. land and buildings, vehicles and equipment) which have a long-term value to the Authority (also referred to as capital spending or capital payments).
Capital Receipts	Income from the sale of capital assets (land, buildings, etc.).
Carrying Amount	The amount at which an asset or liability is shown in the balance sheet at a specified date; for example, the cost of a vehicle less the accumulated depreciation.
Cash Flow Statement	This Statement summarises the flows of cash that have taken place into and out of the Authority's bank accounts over the financial year.

Chartered Institute of Public Finance And Accountancy (CPFA)	This is an accountancy body that produces standards and codes of practice for accounting and financial functions in the public sector. It is one of the bodies responsible for the two principal codes of practice that determine how the Council presents its accounts.
Codes Of Practice	In addition to the Service Reporting Code of Practice (SeRCOP), the principal code of practice that governs the presentation of local authority accounts is the Code of Practice on Local Authority Accounting in the UK. This code is approved by the Financial Reporting Advisory Board and is recognised by statute as representing proper accounting practice.
Collection Fund	A statutory fund maintained by the council for recording the collection and distribution of council tax receipts. Unitary, Town and Parish Councils; along with the Police and Fire authorities; and central government precepts are met from this fund. Surpluses or deficits are carried forward and included in the following year's council tax calculation.
Collection Fund Adjustment Account	This Account is an Unusable Reserve which manages the differences arising from the recognition of Council Tax income in the Comprehensive Income & Expenditure Statement as it falls due from Council Taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
Community Assets	Assets that an Authority holds, that have no determinable useful life and may have restrictions on their disposal. An example would be a country park.
Comprehensive Income And Expenditure Statement (Cies)	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Component Accounting	Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (i.e. as if each component were a separate asset in its own right) where the useful life is substantially different.
Consistency	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingency	A sum of money set aside to meet unforeseen expenditure.
Contingent Liability	A possible obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
Corporate & Democratic Core	Those activities which local authorities engage in specifically because they are elected, multi-purpose authorities. There is no basis for apportioning these costs to services.
Cost Centre	A specific area of activity where control of certain budgets has been delegated.
Council Tax	A property based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
Creditors	Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the accounting period.
Current Assets	Current assets are those which can either be converted to cash or used to pay current liabilities within 12 months.
Current Liabilities	Amounts owed by the Local Authority which are due to be settled within 12 months.
Current Service Cost	The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
Curtailment	For a defined benefit pension scheme, an event that reduces expected future years' service or accrual of benefits. Examples include redundancies from discontinuing an activity or amendment of scheme terms.
Debtors	Amounts due to the Authority but unpaid by the end of the accounting period.
Depreciation	The measure of the use or consumption of a fixed asset during the accounting period.
Donated Asset	An asset which is acquired by the Authority for no cost. Not the same as assets which are transferred to the Authority as part of the "machinery of Government".

Emoluments	All sums paid to an employee, including any allowances chargeable to UK income tax, but excluding pension contributions payable by either employer or employee.
Earmarked Reserves	These are Usable Reserves which have been set aside from revenue to meet particular spending needs, including funding capital projects.
Estimation Techniques	The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. These implement the measurement aspects of the accounting policies, and include selecting methods of depreciation and making provision for bad debts.
Financial Asset	Financial assets are cash and cash equivalents, plus any other assets that can be converted into cash in a reasonably short period of time.
Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities.
Financial Liability	Financial liabilities are liabilities that are contractual obligations to deliver cash or other financial assets to another entity.
Formula Spending Share (FSS)	The Government's assessment of each authority's spending needs, used as the mechanism to distribute government grants (RSG and NNDR).
Full Time Equivalent (FTE)	In terms of staffing time, a full time equivalent is 37 hours per week. So if two staff are employed working 18.5 hours per week each, they can be said to constitute one FTE.
General Fund	This is the main revenue account of the Council and incorporates the net cost of all services (as shown in the Comprehensive Income and Expenditure Statement) together with the adjustments between accounting basis and funding basis under regulations and transfers to and from Earmarked Reserves (as shown in the Movement in Reserves Statement).
Heritage Asset	A heritage asset is one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
IAS	International Accounting Standards are statements of standard accounting practice issued by the International Accounting Standards Committee and with which all local authorities are now required to comply.
IFRS	International Financial Reporting Standards are statements of standard accounting practice issued by the International Accounting Standards Board and with which all local authorities are now required to comply.
Impairment	A reduction in the value of a fixed asset or financial instrument below its carrying amount, arising from physical damage such as a major fire or a significant reduction in market value, or a situation where capital spending on an asset has no effect on the value of the asset.
Infrastructure Assets	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.
Inventories	The amount of unused or unconsumed stock held for future use. Examples include consumable stores and services in intermediate stages of completion.
Investment Property	Investment property is property (land or a building) held by the Authority to earn rental income or for capital appreciation or both.
Lease (Embedded Lease)	While it does not necessarily take the form of a lease, an embedded lease is an arrangement that conveys the right to use an asset in return for payment.
Lease (Finance Lease)	A finance lease is an arrangement where substantially all of the risks and rewards of ownership of the leased asset pass to the lessee, regardless of whether the lease arrangement provides for actual transfer of ownership. This term is only used where the council is the lessor (ie, the council owns the asset and leases it to a third party).
Lease (Operating Lease)	Any lease where the council is the lessor and which is not a finance lease.

Lease (Right of Use)	Nearly all leases where the council is the lessee (ie, a third party owns the asset and leases it to the council) are treated as right-of-use assets, which appear on the balance sheet along with corresponding lease liabilities. Limited exceptions exist for low-value and short-term leases, which are treated as operating expenditure.
Local Management In Schools (LMS)	Control of a significant proportion of school budgets is devolved to schools for them to manage under the LMS scheme. Balances held by schools under this scheme are ring-fenced and are not available to the remainder of the Council.
Measurement	Measurement is the process of determining the monetary amounts at which the elements of financial statements are to be recognized and carried in the balance sheet and comprehensive income and expenditure statement. Measurement bases include historical cost, current cost, present value, depreciated replacement cost and fair value.
Medium Term Financial Plan (MTFP)	The Council's five-year, rolling, financial plan.
Minimum Revenue Provision (MRP)	The sum required to be met from revenue under current capital controls to provide for the repayment of outstanding borrowings; additional sums may be voluntarily set aside.
Movement In Reserves Statement (MIRS)	This statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves and Unusable Reserves.
National Non-Domestic Rates (NNDR)	Billing authorities (District, Borough and Unitary Councils) collect this tax locally and pay it to the Government. It is then redistributed to County, Unitary, Borough and District councils, and Fire Authorities on the basis of the resident population.
Non-Current Assets	Assets that provide benefits to the Authority and the services it provides, for a period of more than one year.
Non-Distributed Costs (NDC)	Overheads for which no user benefits, and therefore not apportioned over services.
Non-Operational Assets	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
Operating Segments	Local Authorities are required to present information on reportable segments within the notes to the Financial Statements. Reportable segments must be based on an authority's internal management reporting, for example departments, directorates or portfolios. Dorset Council has chosen Directorates as its operating segments.
Other Operating Income and Expenditure	Items that are required to be shown in the Authority's Comprehensive Income and Expenditure Statement, but which should not be charged to specific services.
Outturn	The final actual income and expenditure earned or incurred in the financial year
Past Service Cost	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
Precept	A levy requiring the Council to collect income from council taxpayers. Sums collected are held in the Collection Fund (see above) and paid to the preceptor in ten instalments.
Provisions	Amounts set aside to meet liabilities or losses which arise in the accounting period and which are likely to be incurred, but where the actual sum and timing are uncertain.
Related Party	A related party is a person or entity that is related to the reporting entity. There are different rules and definitions for public and private sector bodies. An entity can be regarded as a related party to Dorset Council if, for example, a person employed by Dorset Council has significant influence over the entity or is a member of the key management personnel of that entity.
Reserves	Sums set aside and earmarked to meet the cost of specific future expenditure.

Residual Value	The amount at which an asset will be carried in the Authority's accounts after it has been depreciated.
Revaluation Reserve	Revaluation reserves (or, more precisely, revaluation surplus reserves) arise when the value of an asset becomes greater than the value at which it was previously carried in the Balance Sheet. When accounting rules allow/require the Authority to revalue the amount at which the asset is carried in the Authority's Balance Sheet, there is an increase in the Authority's net worth.
Revenue Expenditure	The day to day costs (pay, premises, transport, supplies and services, etc.) incurred by the Authority in providing services.
Revenue Expenditure Funded From Capital Under Statute (REFCUS)	This is principally expenditure of a capital nature on properties which the Council does not own and which are not included in its asset register, and which does not result in the acquisition or enhancement of a fixed asset owned by the Authority. Such expenditure is written out of the accounts in the year it is incurred, but is financed by a capital stream. This expenditure is reported in the Comprehensive Income and Expenditure Statement in the year it is incurred with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that although financing is from a capital source, it funds revenue expenditure in the Authority's accounts.
Revenue Support Grant (RSG)	A general central government grant paid to a local authority in support of its day to day expenditure and distributed on a formula basis.
Running Costs	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
Section 106 Receipts	Under Section 106 of the Town and Country Planning Act 1990, developers and local authorities can enter into planning obligations to enable the developments to proceed, when permission might otherwise not be approved. These obligations are commonly referred to as Section 106 (S106) agreements and usually provide for the developer to make financial payments to the Council that will be used for specific compensatory works or measures. Most S106 receipts are treated as capital contributions and applied to capital expenditure.
Segmental Analysis	A breakdown of the Authority's income and expenditure by major business segment (Service Area).
Service Concession	Service concessions are arrangements whereby a government or other body grants contracts for the supply of public services (such as roads, energy distribution, prisons or hospitals) to private operators.
Soft Loan	A loan with an interest rate below market rates.
Specific Grants	Grants paid by government, government agencies and similar bodies, to local authorities in support of particular services. These are often in return for past or future compliance with certain conditions relating to the activities of the Authority.
Subsequent Expenditure	Expenditure which is incurred on an asset after it has begun its useful economic life.
Surplus Assets	Non-current assets which are surplus to service needs, but which do not meet the criteria required to be classified as Investment Property, or Assets Held For Sale.
Third Party Payments	The cost of specialist or support services purchased by the Council from outside contractors or other bodies.
Total Cost	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.
Trading Undertaking	A workforce employed by the authority to carry out work in competition with the private sector. These were formerly called Direct Service Organisations (DSOs) or Direct Labour Organisations (DLOs).
Trust Funds	Funds administered by the Authority for such purposes as prizes, charities and special projects.
Unusable Reserves	Those reserves that cannot be applied to fund expenditure or reduce local taxation as they are required for statutory purposes.
Usable Reserves	Those reserves that can be applied to fund expenditure or reduce local taxation.