



Dorset Council

Auditor's Annual Report for the years 2020/21, 2021/22 and 2022/23

12 February 2025

Contents

Auditor's Annual Report

Key messages	3
Purpose of this report	4
Auditor's work on Value for Money arrangements	5
Value for Money commentary:	
• Financial sustainability	6
• Governance	9
Purpose of our report and responsibility statement	11

Appendices

Council's responsibilities	12
Auditor's responsibilities	13
Independence and fees	14

Key Messages

Audit report on the financial statements

2020/21	We issued an “except for” opinion on the Council’s Statement of Accounts on 21 February 2024. This opinion was issued as we were unable to obtain sufficient and appropriate audit evidence regarding the carrying value of the Non-Domestic Rates (NDR) appeals provision held by the Council as at 1 April 2019 and 31 March 2020. The Council recognises a NDR appeals provision for their proportion of the potentially successful appeals raised against the rateable values of properties on which the non-domestic rates it collects are based. Our opinion on the 2020/21 Statement of Accounts was modified because of the possible effect of this matter on the comparability of the 2020/21 figures and the corresponding 2019/20 figures that are also included in the Statement of Accounts.
2021/22	We issued an unqualified opinion on the Council’s 2021/22 financial statements on 13 December 2024.
2022/23	We issued an audit report with a disclaimer of opinion on the 2022/23 financial statements on 13 December 2024, in accordance with the national ‘backstop’ provisions established by the Accounts and Audit (Amendment) Regulations 2024, and National Audit Office’s Code of Audit Practice. This was because it was not possible to complete the financial statements audit for the year by the statutory “backstop” date of 13 December 2024.

The Council’s arrangements to secure Value for Money in the use of resources

Financial year	Risk assessment	Conclusion
2020/21	Risk of significant weakness identified – Children’s services and working with partners	No significant weaknesses identified.
2021/22	No risk of significant weakness identified.	No significant weaknesses identified.
2022/23	No risk of significant weakness identified.	No significant weaknesses identified. However, we have identified a Deloitte insight in relation to the Dedicated Schools Grant (DSG) deficit. Further information regarding this insight can be viewed on page 8.

Purpose of this report

Our Auditor's Annual Report presents our commentary on Dorset Council's ("the Council") arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"), for the years ended 31 March 2021, 31 March 2022 and 31 March 2023.

We prepared this report in accordance with the National Audit Office's ("NAO") 2024 Code of Audit Practice, and its supporting Local Audit Reset and Recovery Implementation Guidance ("LARRIG"), and Auditor Guidance Notes ("AGNs"). These are available from the NAO website. This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

Our VfM commentary is based on our assessment of the adequacy of the arrangements the Council has put in place. The extent of our work is determined by our risk assessment, and whether we have identified any risks of significant weakness in arrangements. The commentary does not consider the adequacy of every arrangement the Council has in place, nor does it provide positive assurance that the Council is delivering, or its services represent, value for money.

Where we identify recommendations, we indicate whether these are:

- Recommendations in respect of significant weaknesses in the Council's VfM arrangements, which we are required to make in accordance with paragraph 54 of AGN 03: Value for Money, where we identify a significant weakness; or
- Other recommendations, which we have indicated as "Deloitte insights".

We have not identified any significant weaknesses in the Council's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses. We have identified an insight in relation to the Council's DSG deficit and reported this on page 8.

Explanation of the backstop arrangements and disclaimers of opinion

There is a significant backlog in the publication of audited accounts of local authorities in England. National bodies have been working together to address the backlog, as summarised in the Financial Reporting Council's accessible guide to the overall programme of work, [Local Audit Backlog - Rebuilding Assurance](#).

The government has introduced a legislative backstop date by which local authorities must publish their final accounts, including the audit report, even if the financial statement audit is not yet complete. For financial years up to 2022/23, the backstop date was 13 December 2024. The Financial Reporting Council has published an accessible guide to the overall programme of work to recover the backlog of local authority audits.

The backstop date limited the time available to complete our financial statement audit, and obtain sufficient, appropriate audit evidence to form an opinion for the financial year 2022/23. These limitations were significant and pervasive in extent, and auditing standards therefore required us to issue a disclaimer of opinion in our audit report for the financial year 2022/23.

Our audit report, issued on 13 December 2024, explains that our disclaimer of opinion is due to the backstop. We reported the extent of work performed, and findings, to the Audit Committee on 9 December 2024.

Auditor's work on Value for Money arrangements

The Section 151 Officer and the Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Council is required to annually review the effectiveness of the system of internal control, including VfM arrangements, and report upon this as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. The National Audit Office's Code of Audit Practice sets out three reporting criteria for the auditor to consider. Under the backstop provisions, the areas to consider in respect of these criteria have been amended, and we are not required to report against 'improving economy, efficiency and effectiveness'.

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

Governance

How the body ensures that it makes informed decisions and properly manages its risks

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we make recommendations so that the Council can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the COVID-19 pandemic, there have been changes in nationally led processes, changes in expectations around Council's arrangements, and events occurring outside of the Council's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2020/21 and 2021/22 in assessing whether they are indicative of a risk of significant weakness in those years.

We performed a range of procedures to inform our VfM commentary, including:



Review of Council and committee reports and attendance at Audit and Governance Committee meetings.



Reviewing reports from third parties including internal audit and Ofsted.



Considering the findings from our audit work on the financial statements for the years ended 31 March 2021 and 31 March 2022.



Review of the Council's Annual Governance Statement.



Interviews with key stakeholders within the organisation, including the Section 151 officer, Executive Director People – Children, and Operations and Oversight manager for commissioning, quality and partnerships.

VfM arrangements: Financial Sustainability

Approach and considerations

We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities; and
- How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

Commentary for 2020/21, 2021/22 and 2022/23

The table below shows the Council's financial performance each year.

£m	2020/21	2021/22	2022/23
(Deficit) on provision of services	(31.9)	(29.0)	(47.2)
Revenue outturn under / (over) spend	(15.0)	(0.6)	(1.7)
General fund and earmarked reserves	185.0	200.4	183.1
Increase / (decrease) in general fund	7.6	4.2	(0.4)
Increase / (decrease) in earmarked reserves	61.1	11.2	(16.9)

- As at 31 March 2023, the Council had net assets of £583.2m (2021/22: £24.7m), driven by the value of the Council's Property, Plant and Equipment of £986.3m (2021/22: £989.8m) and the net Pension Fund Liability of £298.2m (2021/22: £885.6m) which is a £587.4m decrease from the prior year. The Council's net current assets as at 31 March 2023 were £37.1m (2021/22: £80.4m).
- The Council has a cash and cash equivalents balance at the end of 2022/23 of £41.1m (2021/22: £45.9m) and short-term investments of £53.7m (2021/22: £125.5m).
- The Council's financial outturn position has been overspent for the three years reviewed. Across all three years the three directorates which were the key drivers of the overspend positions were People - Adults, People - Children, and Place.

VfM arrangements: Financial Sustainability (continued)

Commentary for 2020/21, 2021/22 and 2022/23

People - Adults

- In 2020/21 the directorate overspent by £7.6m on a budget of £122.6m. This was mainly attributable to a £6.6m overspend on adult care packages resulting from the hospital discharge programme which was put in place as a response to the COVID-19 pandemic. This was a common pressure for local authorities across the country.
- The directorate also overspent by £2.2m in 2021/22 and £2.9m in 2022/23. The main driver behind both of these overspends was the continued pressures on high-cost adult care packages.

People - Childrens

- In 2020/21 the directorate overspent by £7.8m on a budget of £77.8m. This was driven by external looked after children placements, with an increase in the number of placements and increased costs associated with these placements.
- In both 2021/22 and 2022/23, the Council recorded overspends of £0.8m in the People - Childrens directorate. Despite the decrease in the overspend, the Council continued to face significant challenges in managing the cost of external placements, which is a common challenge for local authorities across the country.

Place

- In 2020/21 the directorate overspent by £5.1m on a budget of £60.8m. This directorate was significantly impacted by the COVID-19 pandemic restrictions resulting in lost car parking income of £1.3m and lost leisure and outdoor services income of £1.3m.
- In 2021/22 the directorate underspent by £0.2m on a budget of £72.9m. This was the result of favourable income received for waste disposal of £2.2m in year, although this was netted against other overspends, with the most significant being Special Educational Needs and disability (SEND) travel of £1.9m.
- In 2022/23 the directorate overspent by £5.4m on a budget of £75.8m. There was continued pressure from SEND travel and transport in year resulting in overspends of £3.7m as a result of cost increases in the market, driver shortages, rising wages and other inflationary impacts.
- The Council has a strong reserves position, as can be seen on page 6. In comparison to other Tier 1 local authorities the Council has a higher level of reserves than average. This gives the Council contingency to address overspends and the opportunity to identify and deliver transformation in service delivery.

VfM arrangements: Financial Sustainability (continued)

Commentary for 2020/21, 2021/22 and 2022/23

- The Council does have a Dedicated Schools Grant (DSG) deficit which has reached a total cumulative deficit in 2022/23 of £35.9m with an in-year deficit of £20.0m in 2022/23. This is largely as a result of significant pressure in the high needs block in relation to SEND children. In 2021/22 the Council entered into a safety valve agreement with the Department for Education (DfE) whereby the DfE would provide additional funding, and the Council would be required to contribute £20m from its own reserves. For the years 2020/21 to 2022/23, despite the deficits, the Council has made clear plans to cover these amounts, and we note that DSG deficits are common across the Country and is not a unique challenge to Dorset. **Deloitte insight** – We do however recommend that the Council continue to monitor the position of the DSG deficit and take a proactive approach to addressing the DSG deficit in future years.
- The Council has an established annual planning process, producing its Medium Term Financial Plan (MTFP) annually along with its budget. The MTFP includes analysis of budget movements and expected level of funding and resources to identify the funding gaps to be resolved to enable the setting of a balanced budget in the subsequent years. These are approved at Cabinet in January each year, recommended to Full Council, which then approves the budget in February each year.
- The Council identifies efficiencies and savings as part of the budget setting process, factoring these into the respective budgets of the individual services to ensure that a balanced budget is set.
- The Council's annual planning process and process around identification of significant pressures was significantly impacted by the COVID-19 pandemic. We saw evidence that the Council adapted its arrangements to respond and they were in line with our expectation in the operating environment during 2020/21.
- On a quarterly basis, the financial position of the Council is reported to Cabinet. They review the forecasted performance and budget pressures are presented and reviewed against the directorate budgets by Cabinet.
- The Council has a five year capital strategy and capital programme which is presented with the annual budget to Cabinet and Council for approval each year. Progress is reported quarterly to Cabinet and the Audit and Governance Committee where slippage and changes to the programme can be suitably challenged.
- The MTFP covers the period from 2022 to 2027. This identified a cumulative savings gap of £20.7m across the period. The Council has sufficient reserves to fund the savings gap over the period, and therefore we do not deem this to represent a significant weakness in financial sustainability.

VfM arrangements: Governance

Approach and considerations

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships; and
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from the audit committee.

Commentary for 2020/21, 2021/22 and 2022/23

- In 2020/21 we identified a risk of significant weakness in respect of the Council's arrangements around Children's services and working with other partners.
- In July 2018 the Council received findings from an inspection by OFSTED, the Care Quality Commission (CQC), HMI Constabulary and Fire & Rescue Services (HMICFRS) and HMI Probation (HMIP) into the multi-agency response to child exploitation, children associated with gangs and at risk of exploitation and children missing from home, care or education in Dorset, stating that the most vulnerable children were not being sufficiently safeguarded by the Council and while some work was of a reasonable quality, the poorest work was very poor.
- In March 2019 the Council received findings of a follow up inspection by Ofsted and the CQC regarding Special Education Needs/Disabilities provision in Dorset (specifically where Dorset County Council was responsible). This follow up inspection was to consider whether the local area had made sufficient progress in addressing the areas of significant weakness first identified in their March 2017 inspection. The inspectors were of the opinion that local area leaders had not made sufficient progress to improve a number of weaknesses which remained present.
- We reviewed the Council's response and actions taken in response to findings of the October 2019 OFSTED focussed visit, and reviewed the October 2021 OFSTED inspection report which concluded that services had an overall effectiveness grade of good. We held discussions with the Executive Director of People – Children, to understand the improved approach to planning, organising and developing the workforce to deliver against the strategic priorities and address the findings previously raised. We also discussed with the Operations and Oversight Manager for Commissioning, Quality and Partnerships, walking through the Councils improved processes for managing and addressing the findings and recommendations raised from internal audit and other sources.

VfM arrangements: Governance (continued)

Commentary for 2020/21, 2021/22 and 2022/23

- OFSTED have produced two further reports following a focussed visit of Children’s services (June 2023) and a SEND inspection of Dorset Local Area Partnership (March 2024). Both reports provided positive feedback, noting that leaders have ‘significantly strengthened support and services for care leavers’ and the ‘(SEND) arrangements typically lead to positive experiences and outcomes for children and young people with SEND’.
- The Council continues to monitor and assess risks in line with its risk management policy. The risk register is reviewed and updated on a periodic basis. The financial pressures on the Council are reflected by finance risks within the directorate risk registers and the Corporate risk register, and the financial performance is reported to Cabinet each quarter.
- The Council has a risk management framework in place. The Council maintains a Risk Management Framework and Risk Register which are maintained and reviewed at a service level and updated on a regular basis. Risks that are linked to the Council plan are included in the Corporate risk register. Risk management updates are held at the Audit and Governance Committee, which includes updates from the service manager for assurance and review of the extreme and high level risks for the Council.
- The Council has a series of policies covering internal controls, including a whistleblowing policy and an anti-fraud, corruption and bribery strategy. These are held and are accessible from the Council’s website.
- The Council engages South West Audit Partnership (SWAP) for its internal audit function. SWAP has responded to COVID-19 by moving to a continuous risk assessment and rolling plan from 2021/22. Annually SWAP present the approach to internal audit planning and internal audit charter to the Audit and Governance Committee.
- The Council's Head of Internal Audit opinion for 2020/21, 2021/22 and 2022/23 provided a “Reasonable assurance” internal audit opinion. This is a high level of assurance and reflects the outcomes of the reviews performed in each year, although noting that in 2020/21 and 2021/22 the breadth of work was reduced due to the impact of COVID-19.

Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that includes our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Council's arrangements.

What we don't report

Our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed under the Code of Audit Practice.

The scope of our work

Our observations are developed in the context of our audit work.

We described the scope of our work in our reports to the Audit Committee.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Deloitte LLP

Cardiff | 11 February 2025

Appendix 1: Council's responsibilities

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer, as Section 151 Officer of the Council, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting. In preparing the Statement of Accounts the Chief Financial Officer is required to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. The Chief Financial Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for tax payers, regulators and stakeholders to assess the Council's performance, business model and strategy.

The Chief Financial Officer is required to comply with the CIPFA Code of Practice and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Chief Financial Officer has applied the 'continuing provision of services' approach set out in the CIPFA code of practice as it is anticipated that the services the Council provides will continue into the future.

The Chief Financial Officer and Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Council's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Council, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Council is legally required to publish its draft Statement of Accounts and the Annual Governance Statement by 30 September each year (31 July for 2020/21), even if the audit of the preceding year has not been completed.

The Accounts and Audit (Amendment) Regulations 2024 establish a backstop date by which the Council is required to publish its Statement of Accounts (other than in specific circumstances). The Council has met its responsibilities to publish its Statement of Accounts for years up to 2022/23 by 13 December 2024. The next statutory backstop date is 28 February 2025 for the 2023/24 Statement of Accounts.

Appendix 2: Auditor's responsibilities

Auditor's responsibilities relating to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in October 2024, as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the 2024 Code of Audit Practice, our work for 2021/22 and 2022/23 has only considered arrangements in respect of two reporting criteria (financial sustainability and governance), in line with the national requirements for audits affected by the backstop arrangements.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year. Other findings from our work, including our commentary on the Council's arrangements, are reported in our Auditor's Annual Report.

Auditor's responsibilities for the audit of the financial statements

The objective of an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Where it is not possible to complete the audit of the financial statements by the relevant "backstop" date established by the Accounts and Audit (Amendment) Regulations 2024, the auditor is required to issue an audit opinion with a limitation of scope or with a disclaimer of opinion (depending on the extent of assurance it is possible to obtain by that date).

A description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Council, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Council or an officer of the Council is: about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure; or about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- issue a report in the public interest.

Appendix 3: Independence and fees

The professional fees expected to be charged by Deloitte for the period from 1 April 2020 to 31 March 2023 are as follows:

	2022/23	2021/22	2020/21
	£	£	£
Scale fee*	45,000	180,000	180,000
VFM additional risk **	5,000	5,000	5,000
Additional fees***	-	53,922	70,776
Total fees	50,000	238,922	255,776

* As a result of the legislative backstop date there was insufficient time to complete all our audit procedures and as a result we issued a disclaimer opinion on the 2022/23 financial statements. We are therefore proposing a reduced fee for 2022/23.

** The new VFM standard and the work to comply with the standard is not included in the PSAA base fee.

*** During 2020/21 and 2021/22 we were required to perform additional procedures that are not taken into account in the scale fee.

These additional procedures were in relation to the following areas:

- Prior period adjustments
- COVID-19
- Infrastructure assets
- Pension valuation
- Property, plant and equipment valuation
- New auditing standards and increased challenge from regulators

The fees set out above are subject to approval by the PSAA.



Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.