



Dorset Council

Auditor's Annual Report
Year ending 31 March 2025

27 February 2026



Contents

01	Introduction and context	3
02	Executive summary	6
03	Opinion on the financial statements and use of auditor's powers	10
04	Value for Money commentary on arrangements	15
	Financial sustainability	17
	Governance	21
	Improving economy, efficiency and effectiveness	30
	Pension Fund	34
05	Summary of Value for Money Recommendations raised in 2024/25	35
06	Follow up of previous Key recommendations	41
	Appendices	45
A	Responsibilities of the Council	46
B	Value for Money Auditor responsibilities	47
C	Follow-up of previous improvement recommendations	48

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Dorset Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 31 of the Local Audit and Accountability Act, the auditor of a local authority may make an application for judicial review of a decision of that authority, or of a failure by that authority to act, which it is reasonable to believe would have an effect on the accounts of that body. They may also issue:

- Statutory Recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR)

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

Dorset Council (the Council) is a unitary council formed in 2019 following local government reorganisation. It has an estimated population of 379,584 residents (ONS 2021). The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council’s formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet). Full Council and Cabinet are supported by several scrutiny committees. The Council has 82 councillors, and the Council is elected every four years. The most recent elections were in May 2025 when the Liberal Democrats secured a majority with 42 elected councillors.

It is within this context that we set out our commentary on the Council’s value for money arrangements in 2024/25.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council’s arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Significant weakness in arrangements identified, one key recommendation and three improvement recommendations also raised.	Two risks of significant weakness identified in relation to: the Dedicated Schools Grants (DSG) deficit and failure to deliver transformational (Our Future Council) savings.	R Significant weakness in arrangements; the increasing DSG deficit was identified and a key recommendation raised. We also raise one new improvement recommendation focusing on delivering transformational savings.
Governance	R Significant weaknesses identified in relation to procurement arrangements and six improvement recommendations raised.	One risk of significant weakness identified in relation to: procurement and compliance with the Contract Procedure Rules.	R Four significant weaknesses in arrangements were identified and one key recommendation made relating to arrangements with the health and safety compliance in the Council’s own buildings and properties. We also raise two improvement recommendations.
Improving economy, efficiency and effectiveness	R Significant weaknesses identified in relation to procurement arrangements and two improvement recommendations raised.	No new significant weakness identified, but carry forward of 2023/24 significant weakness.	R One significant weaknesses in arrangements identified and one key recommendation as raised above relating to the health and safety compliance team.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

In 2024/25 the Council incurred a £6.7m revenue overspend, which was mitigated using reserve balances to deliver a breakeven outturn for the year. The Council delivered savings of £21m during the period, but failed to deliver its transformational savings of £8.6m.

The Dedicated Schools Grant (DSG) cumulative deficit rose to £95.63m, following an in year overspend of £37.3m. This was raised as a significant weakness in 2023/24 and given the continued deterioration in 2024/25 has remained a significant weakness this year.

General fund reserves remain reasonable at £39.8m and earmarked reserves of £114m. Significant financial risks would crystallise if the statutory override supporting the DSG deficit were to be removed in 2027/28.



Governance

A range of policies are in place to support officers and members, including a whistleblowing policy and Codes of Conduct. Risk management arrangements are also in place.

However, these arrangements were undermined by inadequate governance arrangements in place to address the Council's lack of management, member oversight and control relating to its Building Health and Safety Compliance arrangements. An Internal Audit investigation found significant failings across corporate governance, budget monitoring, authorisation of funding and internal controls. This is a significant weakness in arrangements and due to the significance of this matter, we have raised a key recommendation.



Improving economy, efficiency and effectiveness

Performance reporting was undertaken through a leadership dashboard and informal Cabinet and we continue to recommend reporting in a public meeting. In March 2025, the Council received an 'Outstanding' grade following the Ofsted inspection of its children's services.

The Council has maintained focus on its significant partnerships with regular reporting to Cabinet.

Arrangements were in place to oversee procurement and contract management. However, the Internal Audit investigation into Building Health and Safety Compliance identified significant failings in controls with the Council's procurement procedures. This is a significant weakness in arrangements and due to the significance of this matter, we have raised a key recommendation.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility

2024/25 outcome

Opinion on the Financial Statements

We have concluded our audit of the 2024/25 financial statements however, due to the backstop disclaimer opinion issued on the 2022/23 financial statements. Although we commenced rebuilding assurance in 2023/24, as a result of the limitations imposed by the backstop date, we have been unable obtain sufficient appropriate audit evidence over the Council’s opening balances of property, plant and equipment and reserves reported in the financial statements for the year ended 31 March 2025. Consequently, we have been unable to satisfy ourselves over their in-year movements. Similarly, this has also resulted in uncertainty over the closing balance of property, plant and equipment and reserves as at 31 March 2025.

Use of auditor’s powers

Our work is now complete and we confirm:

- We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
- We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.
- We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.
- We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until the National Audit Office (NAO) had concluded their work in respect of WGA for the year ended 31 March 2025.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

03 **Opinion on the financial statements and use of auditor's powers**

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

The predecessor auditor issued a backstop disclaimer opinion on the 2022/23 financial statements. Whilst we have undertaken significant work on the 2023/24 and 2024/25 financial statements, as a result of the impact of the disclaimed 2022/23 opinion, we have been unable to gain assurance over the opening balances of property, plant and equipment and reserves and are unable to form an unmodified opinion on the 2024/25 financial statements.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

We identified a small number of findings arising from the first-time implementation of IFRS 16 relating to leases and right of use assets.

The Council issued a press statement on 28 July 2025 surrounding serious findings identified from two significant investigations into urgent health and safety compliance work. This concluded significant weaknesses in governance, financial controls, procurement practices and management oversight at the Council.

Given the significant failures within the control environment and the consequential financial impact on the Council, we considered the impact of these findings on the 2024/25 audit and determined that there was no material impact on the financial statements.

Further investigative work was carried out including the utilisation of specialists within our team to support us with this aspect.

Audit Findings Report

We reported our initial findings through our interim audit findings report on 24 November 2025. We reported the final detailed findings from our audit in our Audit Findings Report. This report was presented to the Council's Audit and Governance Committee on 23 February 2026.

Opinion on the pension fund statements

These pages set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our work on the audit of pension fund is complete. We issued a qualified opinion on 27 February 2026.

The Pension Fund is required to publish its Annual Report by 1 December 2025. We issue an auditor's consistency report which includes our opinion that the 2024/25 Dorset Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard. There are opportunities to improve the quality of some working papers supporting the detailed notes to the pension fund financial statements. We have received good cooperation from officers throughout the course of our work.

Audit Findings Report

We have reported our findings through our interim audit findings report on 24 November 2025 to Audit and Governance Committee. An updated version was presented on 23 February 2026. A final version of our report was issued alongside our audit opinion on 27 February 2026. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Our work on the Annual Governance Statement remains in progress. We have nothing to report in this regard at this stage.



Use of auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body.

We have not issued any statutory recommendations to the Council in 2024/25.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued a report in the Public Interest with regard to arrangements at Dorset Council for 2024/25.

04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All councils 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. Councils report on their arrangements, and the effectiveness of these arrangements as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them</p>	<p>The Council reported a £6.7m overspend for the 2024/25 year, which was mitigated using reserve balances to deliver a breakeven outturn. This was a result of an overspend within adults’ social care and the failure to deliver planned transformation savings through its Our Future Council programme. The Council experienced pressure within its demand-led services from the start of 2024/25 and financial controls were tightened to try and reduce escalating costs.</p> <p>The Dedicated Schools Grant (DSG) deficit has continued to increase and as at 31 March 2025 the cumulative deficit was reported as £95.63m, following an overspend of £37.3m in-year. This was raised as a significant weakness in 2023/24 and continues to be a significant weakness in 2024/25. The key recommendation which we raised in 2023/24 remains valid and is set out on page 42.</p> <p>The Council reported general fund reserves of £39.8m and earmarked reserves of £114m within its draft financial statements. This level of reserves is reasonable, however further financial risks would crystallise and would not be sufficient if the statutory override is removed in 2027/28 and DSG deficits had to be covered by reserves in future.</p> <p>The Council spent £89.7m on capital projects in 2024/25, compared to a budget of £119.3m agreed in February 2024, 75% of original budget. The capital budget was adjusted throughout the year for slippage and new projects and the outturn report set out the capital budget of £551.9m from 2024/25 to 2028/29.</p> <p>The Council’s Medium Term Financial Plan (MTFP) was approved by Full Council in February 2025 and covered four years up until 2029/30. A refresh is currently underway to support the 2026/27 budget.</p>	<p>R</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	<p>The Council set out its funding gaps and savings target within its MTFP. The 2024/25 savings target was £34m (including £8.6m of transformational (Our Future Council) savings). The Council delivered savings of £21m. It failed to deliver any of its transformational savings, as these savings were introduced late in the process and were not supported by any plans. A contingency reserve allocation to the total value of the savings target, £8.6m, was set aside to mitigate this risk. We raise an improvement recommendation on page 20.</p> <p>In 2025/26 the Council needs to deliver £44.6m in savings, including £10m as part of its transformation savings, this is larger than in previous years and will be a challenge for the Council.</p>	A
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council has aligned its corporate priorities and financial plans to ensure sustainable delivery of services. The Council Plan 2024-2029 had four key priorities: provide affordable and high-quality housing, grow the economy, communities for all, respond to the climate and nature crisis. There is a contingency budget for 2025/26 which includes allocations to support delivery of the Council Plan priorities. The Council has also accounted for pressures relating to the delivery of statutory services and considers discretionary spend when setting the budget.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system</p>	<p>The Council's financial plan and other strategies like the Climate and Ecological Emergency Action Plan and the Strategic Asset Management Plan 2024-2030 were consistent. The Council's capital programme is also aligned with strategic objectives listed in the Council Plan 2024-2029.</p>	<p>G</p>
<p>identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans</p>	<p>Risks to financial delivery were monitored and identified throughout 2024/25 and were reported to Cabinet in the quarterly financial monitoring reports. These reports included risk assessments which scored current and residual risk. The 2025/26 budget and MTFP also set out risks to financial delivery.</p> <p>The budget setting process in 2024/25 included scenario planning to mitigate uncertainty around several variables. Savings options were developed with various scenarios to show what percentage of savings would be required to balance the budget.</p>	<p>G</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Area for Improvement identified: identifying and delivering transformational (Our Future Council) savings

Key Finding: As part of the 2024/25 budget setting process in February 2024 the Council agreed a transformation programme, Our Future Council, to address the budget gap. This was for a savings requirement of £12m decreased to £8.6m when additional funds were made available. The Council failed to deliver any of the £8.6m transformational savings target. This was recognised by the Council as a risk, and a contingency reserve was set aside for £8.6m to cover this saving.

The Council did not have a business case or plans in place to deliver these savings, when they agreed the budget in February 2024.

Evidence: The Council developed a business case during in 2024/25, supported by a four-year transformation plan, which was agreed in November 2024.

In 2025/26, the transformational savings requirement is £10m and includes reducing employee spend (£9m) and reducing third-party spend (£1m). The £10m requirement is part of the £44.6m (22.4%) savings target for 2025/26, and is 2.4% of the overall net revenue budget of £417m for 2025/26.

As at period 4 of 2025/26 the Council anticipate delivering £5m of the £10m target.

Governance and monitoring arrangements have been strengthened in 2025/26 and a report was presented to the Audit and Governance Committee in June 2025 setting out these new arrangements. It set out the new strengthened governance model to manage delivery of the transformation programme, supported by a centralised transformation office. These new arrangements include regular updates to the Boards and steering group which have been introduced.

Impact: A lack of adequate savings plans and an inability to deliver planned transformational savings puts the Council's Medium Term Financial Plan (MTFP) at risk, including the reduction in reserve balances.

Improvement Recommendation 1

IR1: The Council should:

- ensure there are robust and realistic plans in place for the delivery of its transitional savings (our Future Council) target of £10m in 2025/26.
- have effective governance arrangements in place so that mitigating actions can be taken as necessary.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Council had appropriate risk management arrangements in place and regular updates were taken to the Audit and Governance Committee throughout 2024/25. We note that the corporate risk register is not yet reviewed by Cabinet in a public meeting, and as a result, an improvement recommendation raised in 2023/24 remains outstanding, see page 49 for more details. We are aware that the Council is in the process of updating its Risk Management Strategy 2020, alongside its risk appetite. The draft AGS has summarised the risks and actions required for 2025/26 and an effective Internal Audit service has been in place throughout 2024/25. Our review has raised some concern around management’s ability to respond and implement recommendations raised by Internal Audit in a timely manner, and as a result, this remains an area for improvement, see page 50. The Head of Internal Audit opinion 2024/25 was a limited assurance opinion and this reflects the lack of controls relating to the health and safety building compliance investigation findings.</p> <p>Despite the arrangements in place described above, the Council has not had adequate governance arrangements to address its health and safety building compliance requirements. There has been a lack of management and member control. The lack of oversight and control has meant that issues which began in 2023/24, continued into 2024/25, concerns were raised in September 2024 with investigations starting in late 2024/25. Findings were reported to the appropriate members in November 2024, who were then kept informed. A full report was formally considered by members in 2025/26. We consider this to be a significant weakness in arrangements and have raised a key recommendation on pages 25 and 26.</p>	<p>R</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>approaches and carries out its annual budget setting process</p>	<p>The Council has an established annual budget setting process which involved extensive engagement with officers, members and the wider public. This included the use of a rolling ten-year financial model which was then consolidated into a five-year MTFP and the in-year budget. Cabinet were kept informed on the budget setting process through quarterly financial reports, and received a paper on the budget process, principles and strategy as the budget was being developed. Scrutiny on the budget was undertaken by the People and Health Scrutiny Committee and the Place and Resources Scrutiny Committee. External consultation on the budget was also undertaken with the public and the business sector.</p>	<p>G</p>
<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>Cabinet received quarterly budget monitoring reports throughout 2024/25, which looked at revenue and capital expenditure compared to budget. The Audit and Governance Committee also received quarterly updates.</p> <p>Two reviews have been undertaken by Internal Audit one relating to monitoring of the capital programme and an improvement recommendation has been raised on page 27.</p> <p>The second review was a detailed review which considered the issues relating to building health and safety compliance. This review found significant failings in budgetary control. This was a result of expenditure exceeding the budget, due to a cost centre being established without any budget, and costs escalated in both 2023/24 and 2024/25 without appropriate action being taken. The Council did not follow its own procedures and did not ask members to approve the budget and expenditure. We raise a key recommendation on pages 25 and 26.</p>	<p>R</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

The Council has a Constitution in place that sets out the decision-making processes. It was last refreshed in May 2025. Throughout the year, decisions were made by Cabinet and the Council as necessary, and a number of scrutiny committees and the Audit and Governance Committee met regularly during the year. We found that the Audit and Governance Committee were involved in budget monitoring in 2024/25, this is an unusual activity for an assurance committee, and we raise an insight on page 29.

In addition, Internal Audit undertook two investigations. These included a review of contract and expenditure compliance under the scheme of delegation and a detailed review of the Council’s health and safety issues within its buildings’ compliance. These reviews found that the budgets (both revenue and capital) were not included in the 2024/25 budget and that subsequent member approval was not obtained neither was approval sought to fund the expenditure from reserves. This was not in line with the Council’s Financial Procedure Rules, as set out in its Constitution. Failure to comply with the Council’s scheme of delegation and that expenditure often exceeded agreed limits and thresholds was identified.

This is a significant weakness in arrangements and a key recommendation has been raised on page 25 and 26.

R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour

The Council has Codes of Conduct in place for members and officers. The members’ Code of Conduct includes the requirements for registering and disclosing interests, as well as for gifts and hospitality. During our review we identified interests which had not been declared, such as Directorships of companies. Two reviews were undertaken by Internal Audit and identified instances where officers had not declared their interests, the most significant being the Building Compliance review. We raise an improvement recommendation on page 28.

The Internal Audit review of the procurement arrangements relating to the award of contractors to complete the building compliance work found arrangements to be significantly flawed, and not in line with the Council’s contract procedure rules. Existing controls were overridden, and the majority of contracts were awarded directly. We consider this to be a significant weakness in arrangements and raise a key recommendation, see page 32.

R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance (continued)

Significant weakness identified in relation to governance

Key Finding: The Council set up an interim team to address health and safety issues within its Council owned (building compliance issues). A temporary team was established in 2023/24 and incurred significant expenditure of just under £13m across 2023/24 and 2024/25. Due to escalating costs, the interim team were wound up in October 2024 and all individuals have left the Council. An investigation has been undertaken by Internal Audit and the following key failures, but are not exhaustive, identified:

- failure to approve the budget for the compliance work – Cabinet should have approved the budget for 2023/24 and 2024/25, however no approval from Cabinet was sought prior to July 2024. This approval should have included the use of reserves to fund this expenditure
- the structure and appointment of interim staff did not include HR, and as a result, it lacked independent oversight, consideration of conflicts of interest (in the recruitment and management of the interim staff)
- lack of formal budget and financial monitoring, so expenditure was incurred without proper scrutiny and lack of escalation procedures, so throughout 2023/24 and up to August 2024 spend escalated dramatically
- lack of structured project management.

We consider the range and extent of the governance issues identified, whilst identified only in relation to the Building Compliance team, to be a significant weakness in arrangements.

Evidence: The Internal Audit investigation raised 34 areas where action is required by the Council.

Impact: If the Council is not able to improve its governance arrangements, similar failings could occur in other areas.

Governance (continued)

Key recommendation 1

KR1: The Council should take immediate action to ensure members and officers have effective control and oversight of its budgets and commissioning and procurement procedures to ensure effective governance arrangements are in place. This should include:

- financial governance to prevent expenditure occurring where a budget has not been set or funding arrangements agreed
- compliance with procurement regulations, the Council's scheme of delegation and procedures as set out within its Constitution.

This key recommendation should be considered along side the key recommendation on page 32 and the improvement recommendations on pages 39 and 40.

Governance (continued)

Area for Improvement identified: capital expenditure

Findings: The Council has a governance structure in place to set and monitor its capital programme, however a review by Internal Audit established that:

- current arrangements were not operating effectively to easily identify red flags, such as timeline slippage, incorrect processes being followed or potential overspent budgets
- confusion around what stage a project is approved
- the capital dashboard for the Senior Leadership Team could be improved
- a lack of central overview of the status of each project and what stage it is at prior to the project commencing.

Evidence: The Internal Audit review was reported in March 2025 provided limited assurance and raised 14 recommendations.

Impact: The capital programme is not managed and monitored effectively, which could result in additional costs and a lack of financial control.

Improvement Recommendation 2

IR2: The Council should improve its capital programme governance arrangements and implement the recommendations raised by Internal Audit.



Governance (continued)

Area for Improvement identified: declaration of interest and gifts and hospitality

Key Finding: The Council has both officer and member Codes of Conduct that should set out the requirement to declare interests and gifts and hospitality received.

The Council does not have a central record of all officers' declaration of gifts and hospitality received; the Code of Conduct could be improved to ensure it clearly sets out examples of what should be declared.

Our review of a sample of members identified a number of Directorships which were registered with Companies House that had not been declared.

Two specific Internal Audit investigations identified instances where officers had interests which they had not declared, such as:

- offers of gifts and hospitality, whether the officer attended or not
- professional and personal relationships, which impact and affect recruitment and create potential conflicts of interest
- pecuniary interests and the conflict of interest with an officer's existing role within the Council.

Evidence: The two investigations raised undertaken by Internal Audit raised a significant number of recommendations.

Impact: The failure to declare interests and gifts and hospitality could result in fraudulent activity or the perception that decisions and activities are not being undertaken in an open and transparent way.

Improvement Recommendation 3

IR3: The Council should strengthen its arrangements for the declaration of interest and gifts and hospitality for members and officers by:

- raising awareness and providing training to ensure all requirements are declared
- establishing a central record for officers' declarations (gifts, hospitality and interests)
- introducing an annual declarations of interest, including nil returns where appropriate
- setting out guidelines for declaring gifts, hospitality and interests in the Officer Code of Conduct.

Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of member oversight of financial reporting, but could challenge itself to go further, based on the best arrangements we see across the sector



What the Council is already doing

- Cabinet receive quarterly budget monitoring reports.
- Financial governance is supported by member oversight, the Council's Audit and Governance Committee receiving and reviewing quarterly budget monitoring reports.



What others do well

- In other organisations, the overview and scrutiny function is typically tasked with supporting financial governance. The Committee reviews performance, finance and risk reporting prior to Cabinet decisions to undertake pre-decision and/or budget scrutiny.
- Effective Audit Committees are tasked with obtaining independent assurance on governance and the integrity of financial reporting, not reviewing and scrutinising financial reports.



The Council could consider

- Having Overview and Scrutiny Committee review financial monitoring reports and budget papers prior to Cabinet to ensure effective scrutiny of financial matters, and to hold the Executive to account.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	In 2024/25, whilst performance reporting was not made public it was undertaken through a leadership dashboard provided to the senior leadership team (SLT) and informal Cabinet, accompanied by a covering report. The Council is currently working on creating a dashboard linking strategic performance and risk which would be presented to members, and this is expected in 2025/26. We have retained an improvement recommendation raised in 2023/24 on performance reporting.	A
evaluates the services it provides to assess performance and identify areas for improvement	The Council received positive external inspections and reviews in 2024/25 from Ofsted. In March 2025, the Council received an 'Outstanding' grade following the Ofsted inspection of the Council's children's services. Action plans have been developed in response to these inspections and reported to Cabinet. There are clear governance and oversight arrangements to assess performance and identify areas for improvement.	G
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	<p>The Council's Council Plan 2024-2029 emphasised the importance of partnership working. The Council ensured it delivers its role within significant partnerships through reporting to Cabinet.</p> <p>In 2024/25 the Council entered an urgent and emergency care (UEC) partnership agreement with NHS Dorset, University Hospitals Dorset, Dorset County Hospital, Dorset Healthcare and Bournemouth, Christchurch and Poole (BCP) Council. This transformation programme should benefit the residents of Dorset and should provide financial benefits for the Council.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>In 2024/25 Cabinet received regular procurement reports for contracts over £0.5m, which constitute key decisions for procurement activity. However, the Council’s Internal Audit review of contract and expenditure compliance with the Constitution and Scheme of Delegation in June 2025 and the investigation into health and safety compliance identified significant failures in controls with the Council’s procurement procedures. We consider this to be a significant weakness in arrangements and a key recommendation has been raised on page 32.</p> <p>In August and September 2025, to inform our work, our Counter Fraud Specialists undertook a review and considered the Council’s fraud prevention and control considerations that will apply to procurement under the new legislation that came into force on 1 September 2025 with respect to the implementation of the Economic Crime and Corporate Transparency Act 2023 and the Procurement Act 2023. This review also considered conflicts of interest, anti-bribery and corruption, contract management and reviews. The review aimed not to duplicate any work already undertaken by the Internal Audit investigations. It did identify areas for improvement in relation to preparation for the new regulations and we have raised an improvement recommendation on page 33.</p>	<p>R</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to improving economy, efficiency and effectiveness

Key Finding: The interim Building Compliance team established in 2023/24 to address health and safety issues failed to comply and appeared to have deliberately overridden procurement controls. An Internal Audit review and a subsequent Internal Audit investigation found that the Council failed to comply with controls and procedures relating to its procurement systems and scheme of delegation to ensure compliance with the Council's Contract Procedure Rules, Financial Regulations and Constitution. This included a lack of:

- compliance with contract thresholds and manipulation to comply with thresholds and monitoring of contract thresholds
- the direct award of contracts and why direct award of contracts were being made
- the reporting of contract exemptions and breaches (see also IR 40).

The Council is undertaking further work to establish if its procurement regulations and controls have been breached in any other area of the Council.

Evidence: A review of the Council's scheme of delegation and contract and expenditure arrangements identified 16 areas where action is required. This was followed by a more detailed Internal Audit investigation which identified 34 areas where action is required by the Council.

Impact: Failure to improve the Council's procurement procedures and identify other areas where similar failures in controls maybe occurring would leave the Council open to fraud and legal challenge.

Key recommendation 2

KR2: The Council should ensure that prompt and immediate action is taken to address the control failures and weaknesses identified following the Internal Audit investigation of Building Compliance. To do this it should:

- develop its own action plan in response to both the investigation and review undertaken by Internal Audit, due to the number and extent the Council may need to prioritise these
- ensure progress is reported to members to ensure effective progress and action is taken.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement identified: procurement arrangements and implementation of the Economic Crime and Corporate Transparency Act 2023 and the Procurement Act 2023

Key Findings: The Council's Contract Procedure Rules (CPR) cover variations or exception of the CPRs, but the procedures do not clearly address when a direct award of contract is permissible and when it is not. The Internal Audit review of the Building Compliance arrangements identified a significant number of direct award of contracts and that controls were disregarded to enable the direct award of contracts.

The Council has not yet updated its procurement policies and procedures to refer to the Procurement Act 2023.

In addition, the Council has not updated its key governance strategies for the Procurement Act 2023 and the Economic Crime and Corporate Transparency Act 2023. This includes the Council's Whistleblowing Policy, Codes of Conduct, Counter Fraud and Financial Crime Policy, Anti Fraud, Corruption and Bribery Strategy and Anti-Money Laundering Policy.

The Council maintains a register of contract exemptions, although no exemptions were recorded relating to the letting of contracts relating to Building Compliance. An analysis of this register including values and trends in 2024/25 was not reported to members to either provide scrutiny or assurance. The monitoring of contract exemptions and the reasons for the exemptions could be used as a fraud red flag monitor.

Evidence: The investigation undertaken by Internal Audit and our detailed procurement review.

Impact: The prevention of fraudulent procurement activity and adequate arrangements to ensure the Council complies with current regulations.

Improvement Recommendation 4

IR4: The Council should:

- review and update its Contract Procedure Rules, to ensure they cover the direct award of contracts and the Procurement Act 2023
- update its key governance strategies (Whistleblowing Policy, Codes of Conduct, Counter Fraud and Financial Crime Policy, Anti Fraud, Corruption and Bribery Strategy and Anti-Money Laundering Policy) for the Procurement Act 2023 and the Economic Crime and Corporate Transparency Act 2023
- ensure members have access to and are able to review contract exemptions
- introduce the use of fraud red flag monitoring for procurement and contract monitoring. These reg flags should act as an early warning system to alert management to fraud risk areas.

Pension Fund

The Council is the administering authority for the Dorset Pension Fund. As part of our VfM work we are required to consider the Council’s arrangements in respect of the Pension Fund.

We considered the Pension Fund’s: **Commentary on arrangements**

Rating

<p>Financial Sustainability: sufficiency of funds to meet liabilities</p>	<p>The Pension Fund has sufficient funds to meet liabilities. The most recent formal valuation, as at 31 March 2022, assessed the Fund as being 96% funded, a slight increase from 92% in 2019. Benchmarking against other Local Government Pension Schemes (LGPS) based on 2023/24 data indicated that the Fund had comparatively low management costs relative to net investment assets (0.46%).</p>	<p style="text-align: center; font-size: 2em; font-weight: bold;">G</p>
<p>Governance: appropriateness of governance arrangements</p>	<p>Governance arrangements include the Pension Fund Committee and the Local Pension Board, both of which met regularly in 2024/25. Over 2024/25, key strategies and statements, like the Investment Strategy Statement, were refreshed and agreed by the Committee. The Funding Strategy Statement is set to be reviewed and updated after the triennial evaluation. The risk register was reviewed regularly by the Local Pension Board. Pooling arrangements were regularly discussed by Committee in exempt papers, and external due diligence work has been commissioned on prospective pools, given the Government’s rejection of proposals by Brunel Pensions Partnership Ltd. The Fund is on track to meet the deadline, and a way forward was agreed at the Committee meeting held on 9 September 2025.</p>	
<p>Improving Economy, Efficiency and Effectiveness: annual report findings</p>	<p>The Fund will not meet the deadline to implement the McCloud remedy as a result of software issues, and has been postponed, the deadline is now 31 August 2026. Implementation is continuing as planned but rectification work will be delayed. The Fund has also been preparing for the Pensions Dashboard, which is progressing and should be in place by 1 October 2025.</p>	

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p data-bbox="191 415 835 611">The Council should take immediate action to ensure members and officers have effective control and oversight of its budgets, commissioning and procurement procedures to ensure effective governance arrangements are in place. This should include:</p> <ul data-bbox="191 639 835 932" style="list-style-type: none"> <li data-bbox="191 639 835 768">• financial governance to prevent expenditure occurring where a budget has not been set or funding arrangements agreed <li data-bbox="191 796 835 932">• compliance with procurement regulations, the Council’s scheme of delegation and procedures as set out within its Constitution. 	<p data-bbox="856 618 1065 732">Governance (pages 25 and 26)</p>	<p data-bbox="1090 475 2364 546">Actions: The Council will continue to present updated finance reports to Cabinet and A&G Committee as part of the 2025/26 cycle.</p> <p data-bbox="1090 568 2440 675">The Scheme of Delegation for Financial Powers was revised on 23 October 2025. Governance arrangements will be actively monitored and strengthened on an ongoing basis, with clear accountability for compliance.</p> <p data-bbox="1090 696 2440 768">As this recommendation relates to ongoing governance arrangements the due date has been set to “ongoing”.</p> <p data-bbox="1090 789 1651 825">Responsible Officer: Section 151 Officer</p> <p data-bbox="1090 846 1370 882">Due Date: Ongoing</p>

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p data-bbox="191 539 810 699">The Council should ensure that prompt and immediate action is taken to address the control failures and weaknesses identified following the Internal Audit investigation of Building Compliance. To do this it should:</p> <ul data-bbox="191 735 828 978" style="list-style-type: none"> <li data-bbox="191 735 828 856">• develop its own action plan in response to the review undertaken by the Internal Audit, due to the number and extent the Council may need to prioritise these <li data-bbox="191 892 828 978">• ensure progress is reported to members to ensure effective progress and action is taken. <p data-bbox="109 749 173 778">KR2</p>	<p data-bbox="853 664 1057 863">Improving economy, efficiency and effectiveness (page 32)</p>	<p data-bbox="1090 425 2395 535">Actions: Two officer workings groups have been established and are actively developing and implementing a consolidated action plan in response to the internal audit report and investigation.</p> <p data-bbox="1090 556 2407 621">Progress is reported to A&G Committee and a dedicated sub-group of members from Audit & Governance Committee.</p> <p data-bbox="1090 642 2420 906">The work of these groups has gone further than to simply work through the recommendations, it has also considered the use of scrutiny, how decisions are made across the organisation, how to support staff understanding of the rules around purchasing and decision making as well as introducing tightened oversight, preventative and detective controls. At the centre of this work, is a determination to restore trust with the workforce, elected members and the public. Going beyond a response to technical actions, and implementing organisation learning and development.</p> <p data-bbox="1090 928 2293 992">The next update of this work will be a written report presented to Audit & Governance Committee on 24 November 2025.</p> <p data-bbox="1090 1021 1643 1049">Responsible Officer: Section 151 Officer</p> <p data-bbox="1090 1078 1363 1106">Due Date: Ongoing</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	<p>The Council should:</p> <ul style="list-style-type: none"> ensure robust and realistic plans are in place for the delivery of its transitional savings (Our Future Council) target of £10m in 2025/26. have effective governance arrangements in place so that mitigating actions can be taken as necessary. 	Financial sustainability (page 20)	<p>Actions: Cabinet approved an updated investment case for OFC, in year savings and next period delivery plan was approved by Cabinet in October 2025. Governance, both SLT board, wider officer and cross-party steering groups have been in place and strengthened since June 2024 which continues to evolve and strengthen through delivery. We have commissioned SWAP to ensure robust governance, delivery and oversight</p> <p>Responsible Officer: Corporate Director Transformation Customer and Cultural Services</p> <p>Due Date: Actioned</p>
IR2	<p>The Council should improve its capital programme governance arrangement and implement the recommendations raised by Internal Audit.</p>	Governance (page 27)	<p>Actions: The Council will implement the recommendations raised by Internal Audit and will provide regular progress updates to members through the SWAP progress reports.</p> <p>Responsible Officer: Chair of Capital Strategy & Asset Management Group</p> <p>Due Date: As set out in the Internal Audit report</p>

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p data-bbox="191 425 817 572">The Council should strengthen its arrangements for the declaration of interest and gifts and hospitality for members and officers by:</p> <ul data-bbox="191 594 805 1051" style="list-style-type: none"> <li data-bbox="191 594 805 665">• raising awareness and providing training to ensure all requirements are declared <li data-bbox="191 686 805 793">• establishing a central record for officers' declarations (gifts, hospitality and interests) <li data-bbox="191 815 805 922">• introducing an annual declarations of interest, including nil returns where appropriate <li data-bbox="191 943 805 1051">• setting out guidelines for declaring gifts, hospitality and interests in the Officer Code of Conduct. 	<p data-bbox="856 701 1034 772">Governance (page 28)</p>	<p data-bbox="1093 629 2428 736">Actions: Officers will launch a form to capture this information in the new year. All managers will be required to complete this as part of the annual checks process (alongside driving risk assessments and DBS checks), and require a return from all employees, even if it is a nil return.</p> <p data-bbox="1093 758 1781 793">Responsible Officer: Head of People & Workforce</p> <p data-bbox="1093 815 1452 843">Due Date: 31 March 2026</p>

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>The Council should:</p> <ul style="list-style-type: none"> review and update its Contract Procedure Rules, to ensure they cover the direct award of contracts and the Procurement Act 2023 update its key governance strategies (Whistleblowing Policy, Codes of Conduct, Counter Fraud and Financial Crime Policy, Anti Fraud, Corruption and Bribery Strategy and Anti-Money Laundering Policy) for the Procurement Act 2023 and the Economic Crime and Corporate Transparency Act 2023 ensure members have access to and are able to review contract exemptions introduce the use of fraud red flag monitoring for procurement and contract monitoring. These reg flags should act as an early warning system to alert management to fraud risk areas. 	<p>Improvement economy, efficiency and effectiveness (page 33)</p>	<p>Actions:</p> <ol style="list-style-type: none"> The Council will undertake a review of Contract Procedure Rules, to ensure they cover the direct award of contracts and the Procurement Act 2023 All relevant policies have been updated in line with current legislation and the changes have been approved by A&G Committee on 4 August 2025; we are planning training. Contract waivers (exemptions) are now included in the quarterly finance reports provided to members at Cabinet and Audit & Governance. These waivers (exemptions) are permitted and justified under the Council’s Contract Procedure Rules, and the current process ensures appropriate governance and transparency (approvals and records). More details of specific waivers (exemptions) can be made available on request. A review of existing functionality will be undertaken seeking to introduce the use of fraud red flag monitoring or equivalent functionality for procurement and contract monitoring. <p>Responsible Officer: 1. Section 151 Officer, 2. Monitoring Officer, 3. Section 151 Officer, 4. Section 151 Officer</p> <p>Due Date: 1. 31 September 2026, 2. Complete, 3. Complete, 4. 31 March 2026</p>

06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	The Council should continue to renegotiate its Safety Valve management plan with the Department for Education (DfE) to ensure the Council can manage its DSG deficit and remain financially sustainable.	2023/24	<p>The DSG deficit position increased by £37.3m in 2024/25 and as at 31 March 2025 the cumulative deficit was £95.63m and is expected to increase to £114.18m by the end of 2025/26.</p> <p>The Council was part of the Safety Valve Programme with the Department for Education, but the agreement is under review and as such any additional funding has been withheld. A revised plan was submitted in March 2025, another updated plan was required in September 2025, the outcome of which is unknown.</p> <p>Although the Council is continuing to progress actions within its management plan, this has had limited impact on the increasing deficit position. This key recommendation remains in place</p>	Limited progress made	Implement the original recommendation

Management response

Actions: Dorset Council’s CEO to write to the Parliamentary Under Secretary (Department for Education) and Minister of State (Minister for School Standards) seeking a resolution to the negotiations following recent submission of a revised plan.

Responsible Officer: Chief Executive

Due Date: 1 December 2025

Follow up of 2023/24 Key recommendations

Prior Recommendation	Raised	Progress	Current status	Further action
<p>The Council should:</p> <ul style="list-style-type: none"> - take immediate action to ensure controls and procedures relating to its procurement systems and scheme of delegation are compliant and in line with the Council’s contract procedure rules and constitution; - review all spend with suppliers to identify all instances where procurement has not been in accordance with contract procedure rules or procurement legislation; - ensure that appropriate action is taken to ensure breaches are identified in a timely manner, with appropriate action taken; <p>(continued)</p>	2023/24	<p>The detailed investigation undertaken by Internal Audit was completed in 2025/26. This review identified a range of failures relating to corporate governance, budget monitoring, authorisation of funding, compliance with the Council’s constitution and procurement procedures.</p> <p>The failing were wide ranged and the items noted above are not exhaustive.</p>	No progress made in 2024/25	Two key recommendations have been raised within this report and replace this key recommendation.

Follow up of 2023/24 Key recommendations

Prior Recommendation	Raised	Progress	Current status	Further action
<p>(continued)</p> <p>- report contract exemptions and breaches to members at a public meeting, such as the Audit and Governance Committee, including the number and extent of contract exemptions;</p> <p>- ensure that there is no residual risk to the Council from those services procured by non-compliant procurement methods; and</p> <p>- ensure that as further investigations are concluded, prompt action is taken with consideration given to actions which would apply to other areas of the Council.</p>	<p>2023/24</p>	<p>The detailed investigation undertaken by Internal Audit was completed in 2025/26. This review identified a range of failures relating to corporate governance, budget monitoring, authorisation of funding, compliance with the Council’s constitution and procurement procedures.</p> <p>The failing were wide ranged and the items noted above are not exhaustive.</p>	<p>No progress made in 2024/25</p>	<p>Two key recommendations have been raised within this report and replace this key recommendation.</p>

07 Appendices

Appendix A: Responsibilities of the Council

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 Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

 **A range of different recommendations can be raised by the Council’s auditors as follows:**

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	Officers should develop or augment existing contingency plans for additional savings that the Council may need to make if existing savings plans are not progressing adequately.	2023/24	Although the Council has improved reporting and monitoring of savings, contingency plans for savings were not reported to members. Given the Council's non-delivery of transformational savings in 2024/25, contingency plans should be identified and reported to members in the case that savings plans are at risk of being undelivered.	Outstanding	Complete original recommendation
IR2	The Council should make arrangements to consult with residents on budget priorities as part of the budget setting and MTFP process.	2023/24	The Council completed consultation with members of the public as part of the 2025/26 budget setting process. Proposals were driven by the new Council Plan and priorities. Over 700 responses were received through the engagement to shape Council priorities that were reflected in budget proposals and the MTFP.	Complete	No further action
IR3	The Council should put into place arrangements to report to members on the progress in the achievement of savings four times a year to an appropriate level of detail.	2023/24	Progress against the savings programme was reported in financial monitoring reports considered by Cabinet quarterly. Reports provided clear explanation of savings that had been achieved to date and also included RAG-rating to indicate high-risk savings that may not be delivered by year-end.	Complete	No further action

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation	Raised	Progress	Current position	Further action
<p>IR4 To improve its risk management arrangements the Council should:</p> <ul style="list-style-type: none"> - require Cabinet to review the corporate risk register in a public meeting to ensure they are formally involved in the risk management process, as the Council’s decision makers, and to ensure the corporate risk register is publicly available; and - ensure the recommendations raised by Internal Audit regarding risk management are actioned in a timely manner, including the review and update of the risk management policy and framework. 	2023/24	<p>The Council's Corporate Risk Register is not currently available publicly, and in 2024/25, Cabinet did not review risk management reports. Members did have access to the Risk Register in 2024/25, and there was a refresh of risk management arrangements in 2024/25. This recommendation remains outstanding, we understand that the Council has made various improvements following Internal Audit recommendations, however the Council is still in the process of implementing a new risk/performance framework. As a result, we consider that the Council is working on completion of this recommendation in 2025/26.</p>	Outstanding	Complete original recommendation

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR5	The Council should ensure that recommendations raised by Internal Audit (SWAP) are implemented in a timely manner.	2023/24	The 2024/25 Head of Internal Audit opinion noted the Council's lack of response in implementing agreed management actions. We do not consider this recommendation to be complete.	Outstanding	Complete original recommendation
IR6	The Council should consider including a section within the member committee reports titled 'Legal Implications', to ensure legal issues have been considered and can be easily identified by the reader (Cabinet and Full Council members).	2023/24	This has not been introduced.	Outstanding	Complete original recommendation
IR7	The Council should ensure the continued effectiveness of the Audit and Governance Committee by conducting a self-assessment exercise, in line with the Chartered Institute of Public Finance and Accounting's (CIPFA) methodology.	2023/24	A self-assessment exercise and skills survey over completed in 2024/25, but this was not aligned with CIPFA methodology.	Partially	Complete the next self-assessment in line with the CIPFA methodology.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR8	The Council should: - establish a central record for officers' declarations (gifts, hospitality and interests); and - consider introducing annual declarations of interest, including nil returns where appropriate, for officers.	2023/24	A central record of gifts and hospitality has not been established. The Council is in the process of figuring out how to best implement this following concerns identified as part of the building compliance review.	Outstanding	This recommendation is now included within IR3 on page 28.
IR9	The Council should ensure that controls are in place to ensure any data breaches are minimised, prior to any actions/recommendations being received from the Information Commissioners Office.	2023/24	The Council has implemented various controls to minimise data breaches. This includes insider risk management, data loss prevention policies, sensitivity labels, global policies and advanced messaging encryption. The Council is also investing in the Microsoft M365 platform to provide access to new information governance capabilities.	Complete	No further action
IR10	The Council should enable easy public access to performance information and show how this information is used in the organisation.	2023/24	Performance reports/dashboards have been presented to informal Cabinet meetings. These meeting are not public, so this information is not publicly available.	Outstanding	The Council intend to make performance information publicly available in 2025/26.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR11	The Council should progress its plans for benchmarking as part of a corporate approach to transformation and service review.	2023/24	<p>The Council has arrangements in place to learn from similar organisations and to improve performance. In the children's services directorate, there is benchmarking done nationally against statistical neighbours. The service also uses LG Futures to compare the Council's performance with other authorities. The internal audit service also undertook a benchmarking exercise in 2024/25 with other partners and the wider local authority network to provide comparative data on capital governance and spend.</p> <p>The Council has not yet used benchmarking as part of its transformation agenda, but based on the areas where benchmarking is used we are satisfied that sufficient progress has been made.</p>	Complete	No further action



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