Budgeting for demand? Using data to plan adult residential care

Denbighshire County Council

August 2026

We have prepared and published this report under section 17(2)(d) requires the Auditor General to satisfy himself that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. Our findings might also inform the Auditor General's work in assessing the Council's actions in taking steps to meet its well-being objectives, under Section 15(1)(b) the Well-being of Future Generations (Wales) Act 2015.

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Audit snapshot

1 We set out to review whether Denbighshire County Council (the Council) uses data to plan its adult residential care service (ARC) budgets effectively. The audit looked at whether the Council has the information it needs to plan well. It also looked at if, and how, it uses data to help it to plan the resources it will need to meet the demand for the service and help it to be financial sustainable in the long-term. It also reviewed whether the Council knows if its planning is effective or not.

2 We completed this review across all the six North Wales councils between April and June 2026.

Why this is important

3 The law requires the Council to set a balanced budget each year.[1] This process involves forecasting the income and spending a council will make to meet service demand and legal requirements. Councils must do this within their available resources and think about external pressures, like inflation. Councils can use a range of financial and performance data to help them do this. This can include its past spending, and its expected demand trends, inflation, and funding allocations.

4 Across councils, several services are overspending in areas where demand for services drives costs, such as social care. Not having robust plans based on demand can lead to financial pressures, reduced service quality, or missed opportunities to support those who need help most. Addressing this will be key to improving both financial sustainability and outcomes for service users.

What we have found

5 The Council has overspent its adult residential care budget over the past three years, with the latest year showing a significant overspend. The Council does not consistently use the data it has to plan its budgets. It has identified where it can make improvements in the planning process and has recruited a data analyst to help it make better use of its data.

What we recommend

6 We have made one recommendation to the Council about consistently using data to improve budget accuracy.

Our findings

The Council has overspent its budget for adult residential care in recent years

7 Since 2023-24, the Council's adult residential care service has overspent by a total of £3.3 million, about 5% of the allocated budget. This overspends places additional pressure on the Council's financial sustainability.[1]

8 As a demand-led service, it is challenging for the Council to accurately forecast and plan. We recognise that, as a result, it would be unrealistic for councils to achieve their adult residential care budgets exactly. However, having a robust, evidence-based best estimate to inform budget planning supports councils to minimise their over or underspending.

[1] 2024 Audit Wales report of financial sustainability for DCC

Exhibit 1: full adults' residential care revenue spending compared to budget, 2023-24 to 2025-26 (in £,000)

	2023-24	2024-25	2025-26	Total
Budget	£20,156	£22,013	£23,694	£65,863
Actual spending	£21,406	£22,186	£25,558	£69,150
Difference	£1,250	£173	£1,865	£3,287
Percentage difference	6.2% over	0.8% over	7.9% over	5.0% over

Source: Denbighshire County Council

The Council has a range of information to help it set its adult social care budget and has taken action to improve it further

9 The Council has a range of information to plan its budget for adult residential care, including:

- population projections;
- inflation estimations;
- live demand information from related services;
- detailed cost information; and
- historic demand data.

10 Having a range of appropriate information increases the likelihood the Council can plan its demand-led budgets effectively.

11 The Council has identified gaps in the information it uses and has taken action to close them. For example, because of software issues, the ARC team has only been able to see one year of historic demand information. The Council has replaced the IT system to give more detailed demand monitoring. It also identified a gap in the accuracy of its care home cost projections. To tackle this, the Council has begun to use software that lets it benchmark costs with other regional providers. By identifying these gaps and taking action, the Council is likely to have better information to help it set more accurate budgets in the future.

The Council does not apply its data to all parts of its budgeting process

12 The Council benchmarks data strongly and consistently with other North Wales authorities. For example, it looks at information from the other north Wales councils and through an external agency that looks specifically at residential care costs. The Council then takes this regional information and tailors it to its own situation. Getting wider sector knowledge and tailoring it for local circumstances helps provide a strong foundation for meaningful budget setting.

13 The Council uses a range of information to calculate parts of its ARC budget. However other parts are based on professional judgment that is not clearly supported by data. When preparing the 2026-27 budget the Council expected both inflationary and demand pressures in older people's residential care. The Council used a detailed methodology for calculating cost inflation for about half of its beds. This estimate was £562,000. The Council then increased this estimate to £1 million, based on professional judgement. It is unclear how this can support cost inflation for current demand and expected future increases.

14 For mental health and complex disability care, the Council considered both inflation and expected demand when setting the budget for 2026-27. By reviewing its mental health care packages to ensure they are the right fit for each resident, the Council plans to prevent demand growing. By linking service plans with budgets, the Council can set more informed estimates.

15 The Council does not have a set way of calculating the amount of care it jointly funds with the Health Board. For example, for 2025-26 it kept the same budget as it did for 2024-25. The sector is experiencing high levels of costs and demand pressures. Not considering these pressures resulted in an actual net cost of £603,000 against a budget of £134,000 in 2025-26.

16 Documenting the basis of all professional judgements would both strengthen the budget setting process and help to refine accuracy going forward. Using professional judgement without a clear evidence base also increases the risk of including unintentional bias.

17 The Council implemented arrangements to fund financial risks during 2025-26. It identified inflation and demand pressures before the start of the year and funded them in a separate cost centre. This allowed the Council to fund elements of risk in the year while still being able to measure performance against financial targets. Despite funding anticipated pressures separately, ARC overspent its budget and the anticipated pressure in 2025-26.

18 The Council takes steps to help manage long-term risks that could impact the service. For example, it uses demand trends and service outcomes to help inform decisions. The Council's Transformation Programme promotes early intervention, reablement, and independence to reduce future costs in adult social care alongside maximising residents' dignity and care experience. The service has used demand projections to expand and modernise care facilities to meet the needs of an ageing population and increasingly complex care cases. Using data to inform decisions helps the service to make the best use of limited resources while meeting resident's needs.

The Council has not successfully applied its learning from past performance to future budget setting

19 The Council has processes in place to monitor adult care spend against budget. For example, the Cabinet and the Transformation Board receive monthly reports on budget performance. The Chief Executive, Section 151 Officer, and Head of Social Services also meet every four months to discuss spend compared to budget. This helps officers see and understand significant variances to the planned budget.

20 The adult social care budget and annual service plan are aligned with the Council's corporate objectives. For example, the service plan refers to the Council's strategic priorities and corporate indicators. This helps ensure adult residential care supports the overall objectives of the Council.

21 The Council has not fully analysed the rising budget pressures in adult residential care. It knows its jointly funded care with the Health Board causes disproportionate budget variances but has not yet analysed these to strengthen budgeting for the future. The Council has employed eight new data analysts to help create projections and investigate the root causes of overspends. This is likely to help the Council better understand how it sets demand-led budgets.

22 The Council's approach to deal with the risk of overspending is reactive. The current approach is:

- Attempt to meet the overspend from savings within the service.
- Consider if the remaining overspend can be met from other services.
- Use reserves if a service offset is not possible.

Relying on unplanned savings, underspends, and reserves does not reduce the likelihood of the risk occurring or lessen the potential impact. Having a more specific approach would support both the team and the Council to protect its financial sustainability.

Recommendations

R1 The Council should strengthen the robustness of its demand-led budgets by consistently using and showing how it has used available cost and demand data to inform budget decisions over the short and medium-term (**paragraphs 13 to 16**).

Appendices

1 About our work

Scope of the audit

The audit covered the Council's use of data when planning its budgets for the demand led service, Adult Residential Care. This included residential and nursing care for adults aged 18+, both in-house and commissioned. It looked at whether the Council has the information it requires, and if and how it uses data to inform the resources required in demand-led services to support long-term financial sustainability. It also reviewed whether the Council has arrangements to ensure that the planning of budget in ARC is effective or not.

Audit questions and criteria

Questions

Does the Council have the information it requires in the planning of its budget in demand led service?

Does the Councils use data to inform the resources required in demand-led services?

Does the Council have arrangements to ensure that the planning of budgets in demand-led services is effective?

Criteria

In developing the audit criteria, we have drawn on guidance by CIPFA planning to deliver good value in demand led service CIPFA guidance Planning to Deliver Good Value in Demand Led Service'.

Methods

The audit used the following methods:

- document review – we reviewed the Council's relevant documents, such as budget and committee papers;
- data analysis – we looked at data used by the Council when setting its budget; and
- interviews – we interviewed key officers which included:
  - Head of Adult Social Care and Homelessness
  - Principal Finance and Assurance Officer
  - Service Manager for Adult Social Care and Homelessness
  - S151 Officer

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