Archwilio Cymru
Audit Wales

Budgeting for demand? Using data to plan adult residential care

Isle of Anglesey 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 Wales follows the international performance audit standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI).

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Audit snapshot

What we looked at

1 We set out to review whether Isle of Anglesey County Council (the Council) uses data to plan its adult residential care service 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. We 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 March and June 2026.

Why this is important

3 The law requires 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, 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.

[1] Local Government Finance Act 1992

What we have found

5 The Council uses data on projected number of clients and compares costs with other providers to plan its adult residential care service budgets. The Council identifies financial risks within its Medium-Term Financial Plan and relies on general balances to mitigate them when needed.

What we recommend

6 We have not made a recommendation to the Council on this occasion. This is because the Council has already strengthened its approach to ensuring value for money.

Our findings

The Council has succeeded in planning a balanced budget for adult residential care in recent years

7 7 Since 2023-24, the Council has succeeded in balancing its adult residential service budget (**Exhibit 1**). The total year-end variance for this three-year period is approximately £100,000. This has reduced the pressure on the Council's use of its reserves.

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

	2023-24	2024-25	2025-26	Total
Budget	13.3	15.6	17.8	46.7
Actual spending	13.6	15.8	17.2	46.6
Difference	-0.3	-0.2	+0.6	+0.1
Percentage difference	2%	1%	3%	0.3%

Source: Isle of Anglesey County Council

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

The Council does not have all the information it requires to plan its adult residential services budget

9 The Council understands some of its key demand pressures in the medium to long-term for the adult residential care service. This is based on expected demographic changes. For example, it has projected that the island will see a 28% increase in the oldest age group of the population by 2032. Similarly, the Council holds data on projected future Dementia rates. This means it has a good high-level view for how demand will change and how it will impact its spending.

10 The Council also understands its current position. It maintains data for elderly residential and nursing placements based on current client numbers. This includes average weekly income, actual and net unit costs. The Council compares its fees and staff costs with the other North Wales councils. This provides the Council with a clear view of its current service pressures.

11 The Council has improved its understanding of its monthly costs by reviewing its approach to payments. It has recently reviewed and changed its client payment arrangements with a view to improve in-year cash flow.

12 The Council can strengthen its approach by adding some further longer-term information. For example, the Council does not know how its fees from service users may change. It has limited data on which funding methods future service users are likely to use for the medium to long term. This means it does not have clarity about some future income and how this may change.

13 Unless the Council has a full complement of the data it needs, it can’t be assured that it effectively plans its demand-led budgets as effectively as possible.

The Council uses the data that it collects to plan its short-term adult residential care budgets

14 The Council uses data on the costs of care and its capacity to provide care to inform its budget for the next year. For example, it applies assumptions for changes to pay, cost of purchases and demand for the service when setting its budget. While predicting the future perfectly is not possible, using data to support assumptions support the Council in setting the best estimate of the resources it needs.

15 The Council has included the growing demand for residential care in its medium-term financial planning. The Council has planned for 13% growth between 2026 and 2029. By using information on future demand in its financial planning, the Council has more time to plan how it can deliver the service sustainably in the future.

16 The Council has identified the financial risks that will impact the service and its budget. These include:

- the condition of the care homes it owns;
- care staff recruitment, retention, and sickness absence costs;
- whether grant funding will continue; and
- demand growing more than expected.

17 However, the Council does always show how it will reduce these risks. Its budget papers describe the results of risk occurring rather than their prevention or reduction. This can place a reliance on reserves. We noted in our September 2025 report on the Council's strategic management of reserves that it effectively manages, and reviews reserves regularly but would benefit from establishing formal protocols for their use and replenishment.

18 The Council has planned its expenditure on facilities to meet future residential care needs on the island. It has mapped its existing care home facilities to devise a programme of repairs and maintenance. It has used data on future population needs as the basis for a business case to build a new residential home. This could mean it has the facilities needed to provide the services required in the future.

19 By anticipating the types of care people will want and need in the future, and how these will be funded, the council could be better positioned to plan its budget, adapt its services, and meet future demand.

The Council has processes to help it review its adult residential care budgets and has used this knowledge to produce its future budgets

20 The Council has processes in place which helps to regularly review its spending compared to its budget. For example, the Senior Finance Officer and Head of Service meet monthly to discuss the service spending report. They also meet at the end of each quarter to hold a more detailed discussion and report variances. This enables officers to keep aware of where there are significant variances to the planned budget. As these meetings are not recorded it is difficult to see how the information is used to improve budget estimates for future years.

21 The Council understands the root cause of some its budget variances. For example, its budget monitoring report for 2024-25 noted that the Council received additional grants to help with staffing costs and using external providers resulted in reduced waiting lists and providing the service required. It also noted other variances due to legal costs, vacant posts, and from higher-than-expected client contributions from their estate.

22 Shortly after we visited the Council to gather evidence, the finance department finalised a budget for the adult residential service. Using a ‘zero-based budget’ approach, the Council considered data on demand levels, costs, and fee income, as it had done in 2023. By using the latest information to update its budgetary assumptions, the Council is unlikely to carry forward errors from previous years' assumptions, which can help the Council budget more accurately.

23 However, for other budget variances the Council has not explained the reasons in detail. The Council noted, ‘this is a demand led service’ or ‘high-cost low volume placements’. As this does not set out the root cause, it limits how the Council can learn from the variances to improve its future budget planning.

24 The Council links its service reporting to its objectives to show how its spending supports them. For example, in a business case for a new residential home (and extra care housing) on the island, the Council demonstrates how the development would align with various strategic objectives. Senior leaders are informed about how adult residential services contribute to the Council’s strategic objective of ‘providing the right support at the right time’ and ‘protecting and supporting the vulnerable’. For instance, the Council’s corporate scorecard includes a measure of the number of older people supported by the authority in care homes. However, the Council does not present this data alongside the cost. Combining data on outcomes for people with costs to the Council helps the Council assess value for money.

Appendices

1 About our work

Scope of the audit

The audit covered the Council's use of data when planning its budgets for its demand led adult residential care service. This included residential and nursing care for adults aged over 18 - both in facilities provided by the Council and those commissioned from other partners.

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 help it to ensure that its budget planning is effective.

Audit questions and criteria

Questions

Our audit answered the following 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 November 2020 guidance from the Chartered Institute for Public Finance and Accounting (CIPFA) on planning to deliver good value in demand led service. We also added to this with our cumulative audit knowledge and experience, which we gain from completing financial and performance audits.

Methods

The audit used the following methods:

- document review – we reviewed the Council's relevant documents, such as budget and committee papers;
- interviews – we interviewed key officers; and
- data analysis – we looked at data used by the Council when setting its budget.

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