Luton Borough Council
Adult Social Care Finance Review

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1. Introduction and approach

1.1. This review looked at Adult Social Care spending and budgets to support the service in understanding recent trends in spending and consider the implications for future years. The findings provide an objective view of the council's adult social care savings proposals and wider observations on key areas for further consideration that will support the Director of Adult Social Care (DASS) in shaping the service strategy within the challenging financial context.

1.2. The analysis was completed during December 2024 in accordance with the terms of reference agreed as set out in Appendix A. A desk top review of key financial documents provided by the Council included the ASC outturn 2022/23 and 2023/24, budget monitoring reports, MTFP for 2024-27, pressures and savings proposals and market position statements.

1.3. This review has been carried out by Partners in Care and Health. Local Government Association and Association of Directors of Adult Social Services are Partners in Care and Health (PCH). Working with well-respected organisations, PCH helps councils to improve the way they deliver adult social care and public health services and helps Government understand the challenges faced by the sector. Crucially, this review is not an inspection; the objective being to provide an independent view that brings fresh ideas in a spirit of constructive challenge.

1.4. We have made every effort to ensure the information is accurate. However, it places reliance on secondary data sources provided by the Council and therefore makes no representation that the contents of the analysis are accurate and is not responsible for any errors, omissions or out of date information. PCH accepts no responsibility if any person or organisation incurs claims or liabilities or suffers loss or damage because they relied on anything in this report.

2. Luton Borough Council

2.1. Luton is a town and borough in the east of England, 32 miles north-west of London in the ceremonial county of Bedfordshire. Luton Borough Council is a unitary authority, responsible for all local government functions in its area.

2.2. Luton has a population of 231,028. This is 0.40% of the population of England and 3.6% of the population of the East of England region. In the 10 years from 2014 the population of Luton has increased by 9.5%; over the same period the population of England increased by 6.2% and the population of East of England region increased by 7.48%.

2.3. Overall, Luton has a comparatively young demographic. A lower proportion of its population are aged over 18 compared to England and the East of England region. Within the adult population, Luton has a higher proportion of adults aged 18-64 and a lower proportion of adults aged 65 and over compared to the East of England region and to England as a whole.

2.3.1. Luton has 170,821 people aged over 18, 73.94% of the total population, compared with averages of 79.20% for England and 78.87% for East of England region.

2.3.2. Adults aged 18-64 are 84.26% of Luton's adult population (143,928 people), compared to the England average of 76.40% and the East of England region average of 78.87%.

2.3.3. Adults aged 65 and over are 15.74% of the adult population (26,893 people), compared to the England average of 23.60% and the East of England region average of 25.26%.

2.3.4. Adults aged 75 and over are 7.37% of the adult population (12,592 people), compared to the England average of 11.62% and the East of England region average of 12.80%.

2.3.5. Adults aged 85 and over are 2.29% of the adult population (3,907 people), compared to the England average of 3.17% and the East of England region average of 3.54%.

2.4. The proportions of the population in each age band have changed very little over the ten years from 2014. The 18-64 age group is an ever so slightly larger proportion of the adult population now, the over 65 and over 75 populations are a slightly smaller proportion of the adult population, and the proportion of the adult population aged 85 and over has increased slightly.

2.5. Indices of Multiple Deprivation statistics show Luton as 54th most deprived of 151 single-tier and county councils in England; 27.1% of neighbourhoods in Luton are within the 30% most deprived in England.

2.6. There tends to be a correlation between an authority's level of deprivation and demand for adult social care for older people, i.e. higher deprivation tends to lead to a higher demand. There is, however, very little relationship between deprivation and spending on younger adults.

2.7. The Income Deprivation Affecting Older People Index (IDAOPI) is 19.8% and ranks Luton 55th most deprived compared to all single-tier and county councils in England.

Luton is in the top quartile nationally for prevalence of learning disability ranked 36th of 153 authorities (Fingertips). The percentage of learning-disabled working age adults in Luton that were living in their own home is significantly lower than both the national and regional averages, with no significant change in most recent 3-year period (Luton JSNA 2024).

There were 9,480 people over 18 in contact with secondary mental health services for mental health, learning disability and autism in 23-24, this was a growth of 9.28% from 22-23 (Mental Health Bulletin Dashboard). Data from the Luton All Age Mental Health Strategy (2023) tells us that Luton has higher rates of severe mental illness (SMI) than seen nationally, although is in line with similar local authority areas. Premature (<75y) mortality in adults with SMI in Luton is 122 per 100,000, higher than England (104 per 100,000). The proportion of people subject to the Mental Health Act is 51.0 per 100,000 which is higher than the England average of 45.6, and that the majority of people diagnosed with SMI live in the lowest deciles of deprivation.

Luton's JSNA 2024, also reports that healthy life expectancy is significantly lower than the national average at 59.2 years for males (national average 63 years) and 60 years for females (national average 63.9 years). Similarly premature mortality rate for males aged under 75 in Luton is currently 534.2 , which is significantly higher than the national average of 437.8. Premature mortality for females aged under 75 in Luton is currently 329.0, also significantly higher than the national average of 277.3.

3. Executive Summary

3.1. Whilst full details and more minor findings are included in the body of this report (highlighted in italics), the key findings have been drawn together below for ease of reference.

Overall Financial Position

3.2. Luton's Adult Social Care department, as well as the council as a whole, is in a reasonable financial position. There are some emerging financial pressures, particularly in adult social care purchased care, but the council has in place a short-term deficit recovery plan and a longer-term corporate transformation programme and there is time for those to bear fruit.

Leadership and Vision

3.3. The DASS has been in place for just under two years and has developed an ambitious and wide-ranging transformation programme. A high proportion of the Adult Social Care senior leadership team are interim staff or new in post, but a number of permanent appointments have been made recently.

Service Transformation

3.4. The transformation programme sets out a clear vision for delivering significant changes across the service. The programme is focussed on better service delivery across the whole service. However, the impact of the changes needs to be more clearly modelled and included in budget planning assumptions and in the core service budgets during budget planning for 2025/26 and onwards.

3.5. The scale and pace of the transformation programme is ambitious and alongside other service changes (e.g. deficit recovery, demand management activities, increasing cost pressures). It must be appropriately funded, tracked and co-ordinated to avoid risks in the form of change fatigue (as cultures shift), confusion over multiple priorities, and capacity. The key issue is whether the pace can be kept up when set alongside other business as usual activities drawing on scarce resources.

3.6. Adult Social Care in Luton has very limited commissioning capacity and this seriously hampers the ability of the service to manage the social care market and other contracts, as well as to deliver commissioned services necessary as part of the transformation plan.

Spending on Adult Social Care

3.7. Spending on ASC is increasing at a rate significantly more than the rate at which the budget is being increased: Spending increased by 14.2% between 2022/23 and 2023/24, and is forecast to increase by 10.7% between 2023/24 and 2024/25, compared to budget increases of 12% and 5% respectively for the same periods.

3.8. Overspending is driven by increased spending on purchased care and offset by underspending in other areas of adult social care. Between 2022/23 and the 2024/25 forecast at quarter two, spending on purchased care has increased by 35%. This is clearly not a financially sustainable trend. Spending on Supported Living placements for people aged 18-64 is 55% of the forecast overspend. Supported Living placements have increased by 15% and average weekly costs by 18% compared to 2023/24.

Financial management and budget planning

3.9. Comprehensive financial reporting takes place on a quarterly basis. The council may want to consider if this reporting is frequent enough and timely enough if financial challenges become more severe.

3.10. Monthly financial reporting for adult social care is much less comprehensive and focusses on purchased care. Whilst the monthly budget monitoring report incorporates some activity data, this could be much more informative. The service is data rich, but appears to miss added value insights that more sophisticated data analysis and integration with financial reporting could provide. The existence of separate case management and financial systems and concerns over data quality exacerbates the challenges.

3.11. The service would benefit from a closer alignment between the more senior Finance staff, Business Intelligence, and ASC Senior Leadership Team in terms of budget monitoring so that they are working together to manage spending while delivering the priorities of the service. All of the officers I interviewed are committed, knowledgeable and highly motivated, but are working separately rather than as a more integrated whole.

3.12. Budget planning papers were not available for the draft 2025/26 budget. The budget planning process for 2024/25 was reviewed instead. The budget setting process is very finance-led, but follows a model of good practice in the basis for the assumptions used. There is nothing to suggest that budgets have not been set appropriately, and investment in ASC has increased each year. Consideration needs to be given to how budgets are reassessed when there are material changes to forecast out-turn projections.

3.13. The introduction of a ‘business case’ for each growth bid which ‘tells the story’ underpinning the growth would aid transparency and achieve wider ownership. A risk based approach (that considered scenarios) and a peer challenge process for each growth bid may also add more confidence to these figures.

Savings

3.14. The service has quite moderate savings targets as a proportion of overall budget, and the target for 2024/25 has been 93% delivered already. Given the increase in forecast overspend at quarter two the council will want to see how much additional benefit can be delivered in the remaining months of the year.

3.15. Deficit recovery plan savings focus on review of placements to drive out reductions in cost. The service will want to consider whether this is a sustainable use of social worker resources. Given the increasing overspend in adult social care purchased care the council may have to consider whether the savings target for 2025/26 needs to be increased.

Pressures

3.16. There are a number of financial pressures on the service resulting from increases in the costs of adult social care, particularly purchased care. As demand-driven services, social care is particularly susceptible to volatility in the financial position.

3.17. Luton is not an outlier either for the scale of increases in costs or the level of overspending being forecast for 2024/25. Luton is experiencing exactly the same cost pressures as most local authorities responsible for social care: inflationary pressure on care fees from increases to National Living Wage, CPI and, for 2025/26, increases in Employer’s National Insurance Contributions; increases in demand over and above that which might be expected from demographic growth, and further increases in costs due to the average level of need demonstrated by new placements in adult social care.

3.18. Transitions of clients from Children’s Social Care is a very significant cost pressure. A large number of children have moved or are scheduled to move into Adult services. The council will want to ensure that Adult Social Care is being involved in the transitions process at the earliest possible point, as well as to look at levels of need and placement costs in children’s social care.

3.19. Significant overspends are forecast in purchased mental health services. Mental Health assessments are carried out under contract for the council by East London NHS Foundation Trust. The council needs to gain assurance that the needs assessments being carried out are in line with the requirements of the Care Act and are following the tenets of enablement and strength-based assessment. Going forward the service will need to think about to ensure how mental health assessments follow the Target Operating Model.

3.20. Historically, Luton has been a relatively low spending authority on adult social care, and has paid lower than average care fees to the market. Some of the increase in cost in purchased adult social care may be the care market rebalancing itself such that care fees are moving more in line with neighbouring authorities. Alternatively, it may be that the impact of the measures Luton has taken to keep spending low have begun to lose effectiveness over time and the council will want to assess what other measures can be taken to keep spending and fee rates under control.

Use of Resources

3.21. Full findings are set out later in the report, section 5.6 onwards, with the headlines summarised here:

- Overall Luton, was a low spender in 2023/24 expressed as the spend per adult in the local population (at £509.93 per adult);
- The council is a relatively low spender on short and long term support for younger adults; (£280.04 per younger adult). Luton supports very slightly more than the average proportion of the younger adult population and spending less per client than average. Luton uses care home support for slightly more than the average number of young people, but spends less than average amount per placement.
- For Older Adults, the council is a higher than average spender overall at £1,120.44 per older adult in 2023/24. Luton supports a higher than average proportion of the older adult population but spends considerably less than average per client. Luton uses care homes much less than the average to support older adults, and spends less than the average per placement.

Recommendations

3.22. Focus on delivering both the corporate and the service transformation programmes. Ensure delivery of transformation has sufficient capacity and resources. Set out explicitly how the transformation programmes will impact activity and costs as well as improving service delivery. Be clear on timelines and benefits realisation, as well as the resources required to make and embed the changes.

3.23. Urgently analyse in detail the reasons for increased spending on ASC to understand the current trend, and to identify immediate practical actions that will arrest the large increases in annual spending. Luton will also want to consider the implications for the 2025/26 budget of the recent trend in spending continuing into future years.

3.24. Review ASC Commissioning, particularly the capacity required to properly carry out a modern commissioning function.

3.25. Develop a more sophisticated monthly report that links activity and performance with finance. Do more and better analysis of finance, activity and performance to generate real insights that improve performance and assist decision-making.

3.26. Embed dedicated senior finance support with the Senior Leadership Team for Adult Social Care. Develop co-production and ensure finance supports and encourages better service ownership of finances and budgets.

3.27. Study past performance to understand how Luton has managed to be a relatively low spending authority on social care, and to assess how past performance can be maintained.

3.28. Study the Use of Resources report for indications of areas of spending that merit further attention or where financial gains could be made. Make use of local and regional networks for finance and commissioning, benchmarking information and guides to best practice.

4. Detailed Findings

4.1. This section covers the findings from discussions arranged to explore key lines of enquiry raised as a part of the Use of Resources review (covered in the next section) and highlighted in agreeing the scope of the review.

4.2. The review took the form of a review of published and unpublished financial information from Luton Borough Council and interviews with key members of staff from the Adult Social Care Directorate, Business Intelligence and Finance.

Financial Position of Luton Borough Council

4.3. It is worth setting spending on adult social care in the context of Luton’s overall financial performance in recent years. Luton’s corporate financial position for financial years 2022/23[1] and 2023/24[2], and the forecast position for 2024/25[3] is summarised in table 1. Actual expenditure and income figures are shown net of savings achieved via Luton’s Deficit Recovery Programme (DRP).

4.4. For the current financial year, Luton is forecasting to overspend by £7.332m, including a planned contribution to reserves of £4.527m.

TABLE 1: Luton Borough Council General Fund

General Fund Departments	2022/23				2023/24				2024/25 QUARTER 2			
	Approved Budget £m	Net Expenditure / (Income) £m	Variance to Approved Budgets £m	% Variance	Approved Budget £m	Net Expenditure / (Income) £m	Variance to Approved Budgets £m	% Variance	Approved Budget £m	Net Expenditure / (Income) £m	Variance to Approved Budgets £m	% Variance
Airport	(0.014)	(0.059)	(0.045)	321.43%	0.015	0.015	0.000	0.00%	(0.050)	(0.050)	0.000	0.00%
Chief Executive	11.170	15.901	4.731	42.35%	13.675	15.870	2.195	16.05%	14.270	15.512	1.242	8.70%
Children, Families & Education	57.034	58.070	1.036	1.82%	72.098	75.690	3.592	4.98%	75.408	77.483	2.075	2.75%
Inclusive Economy	48.678	55.292	6.614	13.59%	51.233	50.082	(1.151)	(2.25%)	52.882	52.514	(0.368)	(0.70%)
Population Wellbeing	67.174	70.148	2.974	4.43%	67.958	72.638	4.680	6.89%	69.369	79.940	10.571	15.24%
Services Total	**184.042**	**199.353**	**15.311**	**8.32%**	**204.979**	**216.329**	**11.350**	**5.54%**	**211.879**	**225.399**	**13.520**	**6.38%**
Pension Fund Account	0.000	(4.800)	(4.800)		0.000	0.000	0.000	0.00%	0.000	0.000	0.000	0.00%
Contingencies	8.206	1.664	(6.542)	(79.72%)	5.115	1.714	(3.401)	(66.49%)	6.237	1.552	(4.685)	(75.12%)
Environmental Agency Levy & General Grants etc.	0.000	0.000	0.000	0.00%	0.000	0.000	0.000	0.00%	(15.378)	(15.378)	0.000	0.00%
Borrowing Cost & Treasury Management	18.025	15.031	(2.994)	(16.61%)	17.922	12.039	(5.883)	(32.83%)	16.137	14.076	(2.061)	(12.77%)
Interest on Investments	(38.119)	(38.537)	(0.418)	1.10%	(41.804)	(41.125)	0.679	(1.62%)	(42.270)	(41.712)	0.558	(1.32%)
Capital Financing & Corporate Grants	(24.400)	(24.401)	(0.001)	0.00%	(29.505)	(30.187)	(0.682)	2.31%	(13.765)	(13.765)	0.000	0.00%
Non Services Total	**(36.288)**	**(51.042)**	**(14.754)**	**40.66%**	**(48.272)**	**(57.559)**	**(9.287)**	**19.24%**	**(49.039)**	**(55.227)**	**(6.188)**	**12.62%**
NET SPEND	**147.754**	**148.311**	**0.557**	**0.38%**	**156.707**	**156.736**	**0.029**	**0.02%**	**162.840**	**170.172**	**7.332**	**4.50%**
Contributions to / (from) reserves	0.614	0.057	(0.557)	(90.72%)	0.107	0.107	0.000	0.00%	4.527	4.527	0.000	0.00%
GENERAL FUND PROVISIONAL OUTTURN	**148.368**	**148.368**	**0.000**	**0.00%**	**156.814**	**156.843**	**0.029**	**0.02%**	**167.367**	**174.699**	**7.332**	**4.38%**

4.5. *Overall, Luton’s financial position demonstrates a trend of over-spending on services ameliorated by income from interest on investments, capital financing and grants.*

4.6. *Notable for 2024/25 is that budgeted and forecast income from capital financing and grants has more than halved, and forecast overspending in the Population*

[1] Report to LBC Executive Committee 26 June 2023 ‘Provisional Revenue & Capital Out-turn 2022-23’
[2] Report to LBC Executive Committee 24 June 2024 ‘Provisional Revenue & Capital Out-turn 2023/24’
[3] Report to LBC Executive Committee 02 December 2024 ‘2024-25 Q2 Revenue & Capital Monitoring Report’

Wellbeing Directorate, of which Adult Social Care is a part, has more than doubled when compared to 2023/24.

Reserves Balances

4.7. Comparative reserves balances for Luton Borough Council are shown in chart three and table two[4]. Overall Luton has relatively healthy reserve balances, in line with or slightly above the average of English unitary authorities and reserves are a significantly greater proportion of net revenue expenditure than the average of English unitary authorities.

Chart 3: Total Reserves as a proportion of Net Revenue Expenditure (RS) for Luton and All English unitary authorities

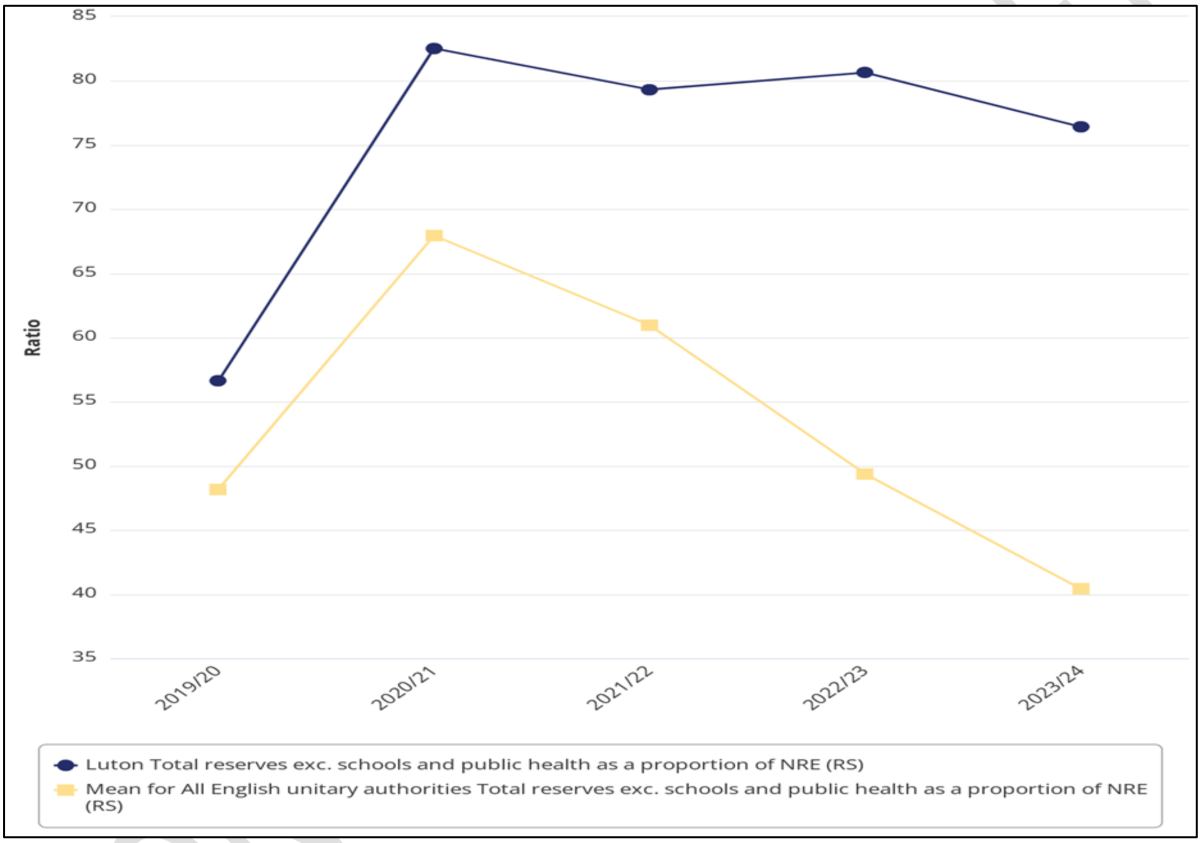


Table 2: Financial reserves level at 31 March (RS) - Unadjusted. All values in £m

Financial Reserves	2021/22 Luton	2021/22 Mean for all English Unitaries	2022/23 Luton	2022/23 Mean for all English Unitaries	2023/24 Luton	2023/24 Mean for all English Unitaries
Other Earmaked Financial Reserves	101.870	101.248	93.324	84.169	92.225	75.428
Unallocated Financial Reserves	14.021	17.623	14.021	16.069	17.190	14.579
Total Financial Reserves	**115.891**	**118.871**	**107.345**	**100.238**	**109.415**	**90.007**

[4] LG Inform- Key Financial Indicators for Local Authorities

Medium Term Financial Plan (MTFP) 2024-28

4.8. As part of the revenue budget and capital programme 2024/25[5] the council published a MTFP covering the period 2024/25 to 2027/28. The MTFP recognises that there is uncertainty over future funding settlements and other national and local factors, and therefore that the figures for future years will change.

4.9. From a corporate perspective, the MTFP demonstrates that the council has a budget gap in each of the four years:

- 2024/25: £5.26m;
- 2025/26: £8.37m;
- 2026/27: £5.09m; and
- 2027/28: £4.42m

4.10. The MTFP states that the gap will be met by Deficit Recovery Plan measures in 2024/25, and a combination of Deficit Recovery Plan and Transformation Programme in 2025/26. The MTFP does not specify how the gap will be closed in the latter two years.

Underlying Financial Issues

4.11. Benchmarking information, alongside the MTFP, indicates some issues particular to Luton as a borough that could affect the council's overall long-term financial position and consequently its ability to withstand continued financial pressures in adult social care:

4.11.1. Between 2022/23 and 2023/24 Luton had a relatively high increase in Core Spending Power; nonetheless, throughout the period 2019/20 to 2023/24, Luton's core spending power per head of population was considerably lower than the average for English Unitary Authorities[6]

4.11.2. Throughout the period 2019/20 to 2023/24 Luton's Business Rates base was significantly lower than the average for English Unitary Authorities[7]. However the MTFP states that Luton, as an already highly developed and geographically confined area, is in a poor position to significantly increase its business rates base. The area of most potential for business rates growth being an Enterprise Zone for which the business rates income does not come directly to the council[8].

4.11.3. Prior to 2023/24 Luton's council tax base was below the national average for English Unitary Authorities. However, since 2023/24 the council tax

[5] Report to Full Council meeting 19 February 2024
[6] LG Inform- Key Financial Indicators for Local Authorities
[7] Ibid
[8] Report to Full Council meeting 19 February 2024, paragraphs 48 & 49

base has increased markedly, with the 2024/25 council tax base being higher than the national average[9].

4.11.4. Over the period 2019/20 to 2023/24 Luton's budgeted council tax income as a percentage of total Net Revenue Expenditure (NRE) has increased from well below the average for English Unitary Authorities to well above the average in 2023/24, showing an increasing reliance on council tax to fund council spending[10].

4.11.5. The MTFP states that for many years Luton set council tax rates below the national average and well below geographical neighbours. The 2024/25 budget demonstrates that this policy cannot be maintained, with council tax increasing by 2.99%, plus 2% adult social care precept. This is the maximum allowable increase, and the same is planned for 2025/26.

4.11.6. For a number of years Luton has benefitted from over £30m of income per year from London Luton Airport. However, this income ceased abruptly during the COVID-19 pandemic and has not yet returned to pre-pandemic levels. The MTFP assumes that future dividends will be used to offset costs of the capital programme rather than as a direct contribution to revenue expenditure.

4.11.7. Budgeted Net Revenue Expenditure[11] (NRE) increased by 25.5% from 2023/24 to 2024/25, this was the highest increase of any English unitary authority, and nearly double that of the next highest unitary. It would clearly be worth Luton analysing in detail what drove it to be such an outlier for increases in spending.

Adult Social Care

4.12. Adult Social Care forms part of the Population Wellbeing Directorate alongside Customer and Organisational Development, Housing, and Public Health.

4.13. Adult social care placements in nursing and residential care, and home care packages are purchased in the care market, with most placements being commissioned via spot purchase.

4.14. The council's own provider arm delivers most of the services for reablement, extra care, day services, supported living and respite, although some services are also purchased from the social care market.

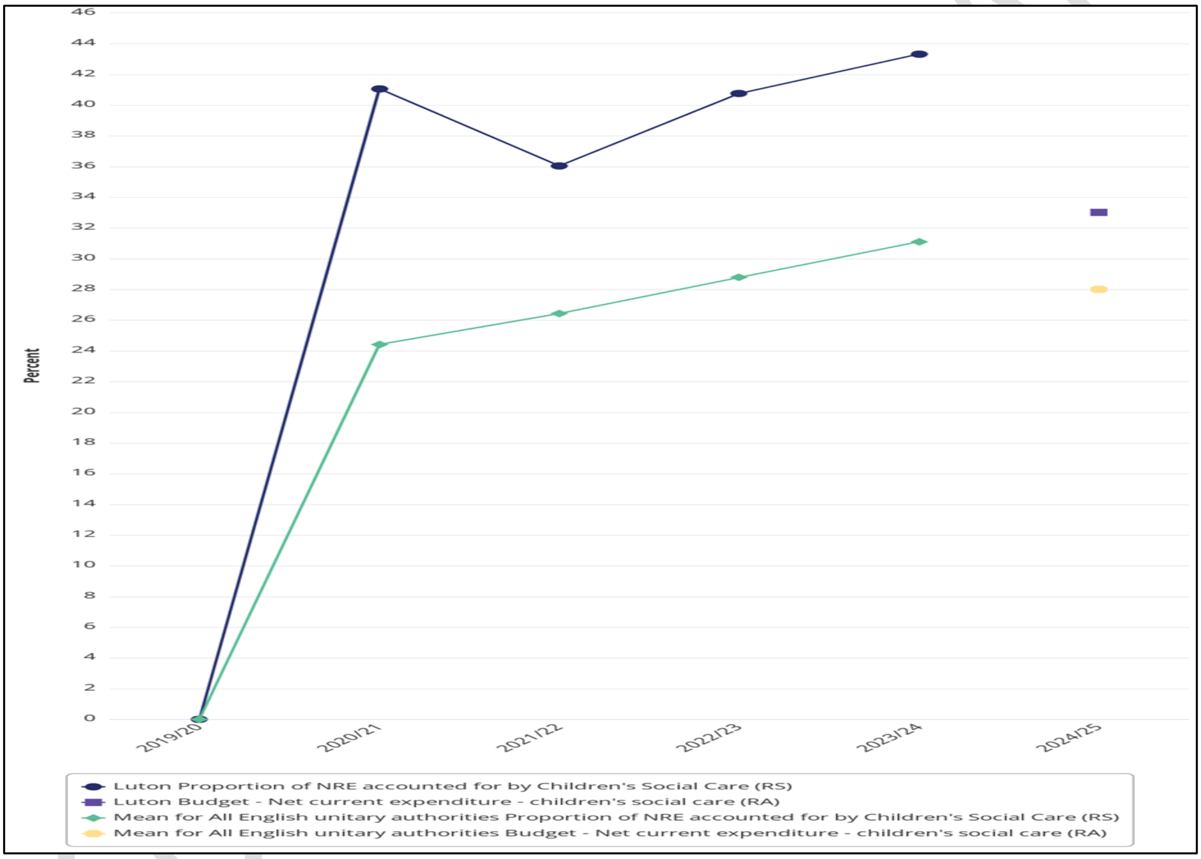
[9] LG Inform- Trend of Changes in the Council Tax Base
[10] LG Inform- Key Financial Indicators for Local Authorities
[11] Net Revenue Expenditure is a council's annual spending after allowing for any income from charges, rents or fines and any grants specifically related to individual services. It is the level of expenditure which needs to be funded each year from the general revenue grants (mainly Revenue Support Grant), council tax, retained business rates and any contribution from general reserves.

Adult Social Care Budgets

4.15. Luton spends a much higher proportion of its Net Revenue Expenditure on social care than the average of English unitary authorities. This is picked up further in the Use of Resources section. These areas are demand-led statutory responsibilities and adult and children's social care are experiencing considerable cost pressures nationally. These factors could restrict Luton's abilities to manage costs in an area consuming a large proportion of the council's budget.

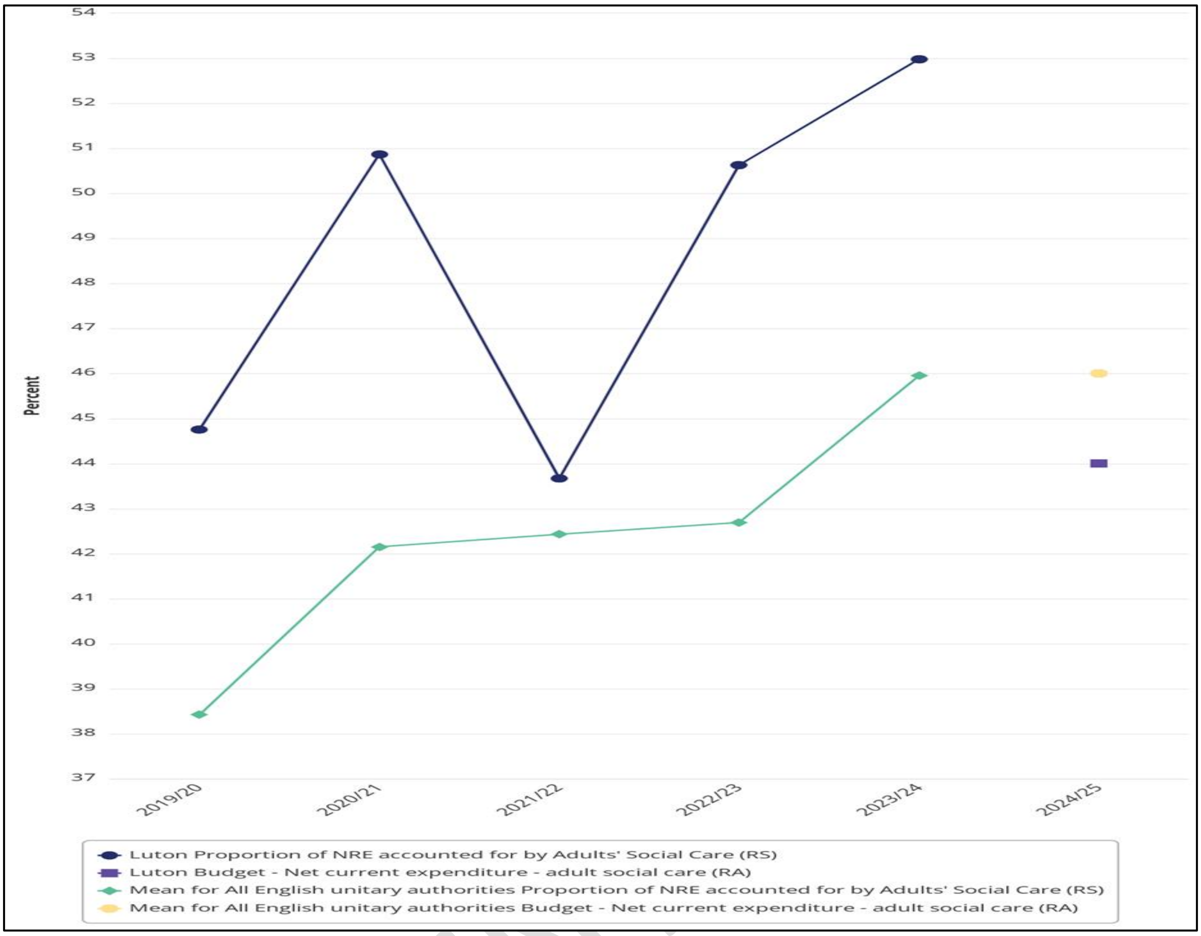
4.16. Charts one and two below show the proportion of net revenue expenditure attributed to Children's Social Care and Adult Social Care respectively[12].

Chart 1: Children's social care as a proportion of Net Revenue Expenditure



[12] LG Inform- Key Financial Indicators for Local Authorities

Chart 2: Adult social care as a proportion of Net Revenue Expenditure



4.17. Charts one and two also show that, for 2024/25, Luton's budgets for children's and adult social care plan for a much greater reduction in social care as a proportion of NRE than that of the national average for all English unitary authorities.

4.18. The adult social care budget has increased by a net £15.2m after planned savings targets in the period 2022/23 to 2024/25, with further growth planned for 2025/26. The net budget was increased by 12% between 2022/23 and 2023/24 and by a further 5% between 2023/24 and 2024/25.

4.19. *At the time of the review finance colleagues were unable to share the details of the 2025/26 budget, it still being under discussion, and no documents being available to review.*

Adult Social Care Budget Setting Process

4.20. *The modelling used to set the current budget is quite sophisticated and is evidence-based.* The Finance Business Partner and Principal Accountant described a budget-setting process that aligns well with best practice, especially in the technical aspects.

4.21. In brief, the process starts with the current year's budget, adjusted in detail for each potential change in costs and income. If, or more likely when, this 'right-sized' budget exceeds available funding, the budget is balanced with a savings plan (labelled Deficit Recovery Plan in Luton).

4.22. Luton has a budget-setting system, but has not been able to use it for 2025/26 budget setting due to system issues and changes in the council's systems team.

4.23. Staff budgets are set corporately, using a consistent methodology across the organisation and building from budgeted establishment with adjustments for pay award, national insurance changes, pension adjustments, vacancies etc. These budgets are checked with Budget Managers to validate staffing levels.

4.24. *It seems that finance staff capacity is used up to compensate for problems with systems. Data quality issues with HR records make it difficult to cross-reference the HR system to the finance system. The finance record of the budgeted establishment is considered the definitive version.*

4.25. The most significant factor in balancing an adult social care budget is the assumed level of resource needed to fund packages of care; impacted by the assumed level of demand and assumed cost inflation or changes in prices.

4.26. Finance leads for adult social care take the lead on budget-setting for client placements, most of which are commissioned on a spot-purchase basis. The model used follows best practice where each client-based budget is based on a combination of:

- the known number of clients (including full-year costs of clients arriving part way through the current year);
- the expected costs of delivering packages (impacted by known and expected up-lifts and other changes in pricing, as well as the forecast out-turn of the current year);
- expected changes during the up-coming period due to national and local changes e.g. service transformation plans or clients who transition between children's social care and adult social care;
- changes in income, including new government funding for adult social care and client's contributions to the costs of their care; and
- planned savings.

4.27. The finance team produce different scenarios and models based on possible assumptions around factors like increases in National Living Wage, non-pay inflation, demographic changes and forecast out-turn, as well as producing different models for inflationary uplifts to care fees for each sector of the care market.

4.28. National forecasts for pressures into 2025/26 suggest that provider inflation is likely to be around 8%, taking into account increases in National Living Wage, CPI and the impact on providers of the increase in Employers National Insurance Contribution being passed on in higher fees for care. However, this should not be interpreted as a recommendation that fees for all providers should go up by 8%. Fee increases should be determined locally in the light of the state of the local care market and recognising that financial pressures will vary from provider to provider especially in relation to the impact of the NI changes.

4.29. The budget plans to make use of all available additional funding for adult social care, including: social care council tax precept, social care grant (which is shared with children's social care), market sustainability and improvement fund, and additional discharge funding. *It would be useful to see Luton reconcile increases in funding for adult social care to the target set by DHSC in the social care grant[13].*

4.30. *The budget setting process could be improved by producing a narrative report describing the basis for the assumptions and calculations, separately identifying the reasons for the expected movements, for example, national and local expected population changes; the expected impact of any service practice changes; any known or expected market influences. This would aid transparency and achieve wider ownership of the budget, as well as allowing comparison to actual performance through the year.*

4.31. *Table 3 shows that there is considerable change in the forecast outturn in each quarter's report to Executive Committee. This may be a consequence of only producing finance forecasts quarterly. The finance team should be clear upon which month's data budget-setting workings are based; and should also assess the implications for budgets of the significant swings in the forecast between quarterly reports.*

Table 3: Adult Social Care Forecast Out-turn Variance in Quarterly Reporting

Financial Year	Q1 Report	Q2 Report	Q3 Report	Provisional Out-turn Report
	Over / (Under) spend, £m			
2021/22	1.196	0.633	(0.591)	(1.900)
2022/23	(0.261)	(0.263)	0.538	0.659
2023/24	0.019	(0.431)	1.874	2.853
2024/25	2.635	6.467		

[13] DHSC: Market Sustainability and Improvement Fund 2024 to 2025, updated 03 May 2024. See paragraphs 1.6 to 1.8

4.32. *The budget-setting process would also benefit from greater involvement from directorate staff to get to a co-produced budget. Changes and reductions of staffing in finance and adult social care, especially commissioning, have reduced the involvement of directorate staff in building the budgets for 2025/26.*

4.33. Partners in Care and Health advice note on 'Setting and Monitoring Adult Social Care Budgets' is included in Appendix E.

Adult Social Care Outturn Position

4.34. The financial out-turn position for Adult Social Care directorate as a whole has moved from a surplus of £1.9m for 2021/22 to a forecast deficit of £6.5m for 2024/25. This is not uncommon across the country. The COVID-19 pandemic led to surpluses for many social care departments due to challenges in delivering services into people's homes, but the most recent years have seen great increases in the costs of social care.

4.35. Table three shows the out-turn variance for Adult Social Care in each year[14]. Luton shows a theme of higher than planned spending in purchased care being offset by under-spending in other parts of the directorate. Luton has also been able to mitigate some of the cost pressures with non-recurrent funding.

Table 4: Adult Social Care Provisional Out-turn Over / (Under) spend

Financial Year	Adult Social Care Directorate £m	*of which* ASC Purchased Care was £m
2021/22	(1.900)	(0.241)
2022/23	0.659	2.162
2023/24	2.853	5.432
2024/25*	6.467	8.253

*2024/25 FOT at Q2

4.36. It is worth noting for context that *Luton's increased spending on Adult Social Care is exactly in line with the situation nationally*. Between 2022/23 and 2023/24, spending on Adult Social Care increased by 14.2%; Luton's spending on Adult Social Care also increased by 14.2% in the same period. Underlying inflationary pressures are in the region of 7.75%, meaning a significant real terms increase in spending nationally, and for Luton.

[14] See Provisional Outturn reports to Executive Committee for each year.

4.37. That said, *the trend in Luton's overall spending and variance to budget is concerning*. Table 5 shows the budget and actual (forecast at month 6 for 2024/25) spending for the Adult Social Care directorate[15].

Table 5: Adult Social Care Directorate Budget and Actual Spending 2022/23 to 2023/24

ADULT SOCIAL CARE DIRECTORATE	2022/23 Budget £'000	2022/23 Actual £'000	2022/23 Variance %	2023/24 Budget £'000	2023/24 Actual £'000	2023/24 Variance %	2024/25 Budget £'000	2024/25 Forecast £'000	2024/25 Variance %
Service Director, Adult Social Care	(8,205.991)	(9,071.767)	10.55%	(14,286.052)	(16,484.761)	15.39%	(17,508.000)	(18,994.000)	8.49%
Assessment & Care Planning	7,512.898	7,439.317	(0.98%)	9,161.912	8,953.119	(2.28%)	9,505.000	9,622.000	1.23%
Purchased Care	40,545.701	42,707.777	5.33%	44,484.493	50,083.602	12.59%	49,810.000	57,640.000	15.72%
Residential & Nursing	*22,608.917*	*23,578.700*	*4.29%*	*24,946.265*	*28,620.371*	*14.73%*	*27,370.000*	*34,677.000*	*26.70%*
Non Residential Care	*17,936.784*	*19,129.077*	*6.65%*	*19,538.228*	*21,463.231*	*9.85%*	*22,440.000*	*22,963.000*	*2.33%*
Equipment & Adaptations	679.982	724.689	6.57%	821.967	655.145	(20.30%)	813.000	647.000	(20.42%)
Provider Services	10,302.985	10,399.136	0.93%	11,440.463	11,663.251	1.95%	11,802.000	12,210.000	3.46%
Re-ablement and Extra Care	*3,559.273*	*3,687.332*	*3.60%*	*4,025.959*	*3,975.808*	*(1.25%)*	*4,296.000*	*4,174.000*	*(2.84%)*
Day Services	*4,033.454*	*2,894.889*	*(28.23%)*	*4,062.413*	*3,436.724*	*(15.40%)*	*4,036.000*	*3,721.000*	*(7.80%)*
Supported Living	*1,879.554*	*2,788.946*	*48.38%*	*2,311.830*	*3,025.282*	*30.86%*	*2,373.000*	*2,895.000*	*22.00%*
Respite and Adult Placements	*830.704*	*1,027.968*	*23.75%*	*1,040.261*	*1,225.437*	*17.80%*	*1,097.000*	*1,420.000*	*29.44%*
ASC Commissioning, Contracting and Brokerage Teams	0.000	27.287	n/a	1,478.104	1,236.925	*(16.32%)*	1,371.000	1,175.000	*(14.30%)*
ASC Contracts	0.000	0.000	n/a	3,647.097	3,550.180	*(2.66%)*	3,704.000	3,667.000	*(1.00%)*
Drug and Alcohol Services	29.273	0.000	(100.00%)	53.970	(2.971)	(105.50%)	45.000	45.000	0.00%
Directorate Total	50,864.848	52,226.440	2.68%	56,801.954	59,654.488	5.02%	59,542.000	66,012.000	10.87%

4.38. *Table 5 shows that spending on ASC is increasing at a rate significantly more than that at which the budget has increased: Spending increased by 14.2% between 2022/23 and 2023/24, and is forecast to increase by 10.7% between 2023/24 and 2024/25, compared to budget increases of 12% and 5% respectively for the same periods.*

4.39. Overall overspend was 2.68% of the net budget in 2022/23, this nearly doubled to 5.02% of the net budget for 2023/24, and for 2024/25 overspending is forecast to more than double again to 10.87% of net budget.

4.40. *Table 5 shows that the overspending is driven by increased spending on purchased care and offset by underspending in other areas of the directorate. Between 2022/23 and the 2024/25 forecast at quarter two, spending on purchased care has increased by 35%. This is clearly not a financially sustainable trend.*

4.41. The purchased care forecast report for month 8 is included in Appendix B of this report. It shows an overall forecast overspend before non-recurrent mitigations of £8.206m on purchased care. *Spending on Supported Living placements for people aged 18-64 is 55% of the forecast overspend (£4.513m).* Supported Living placements have increased by 15% and average weekly costs by 18% compared to 2023/24.

4.42. *Luton will want to urgently analyse in detail the reasons for increased spending on ASC, particularly Supported Living, to understand the reasons for the current trend, as well as to identify immediate and longer-term actions that will arrest*

[15] Comparative data supplied by the Principal Accountant

the large increases in annual spending. Luton will also want to consider the implications for the 2025/26 budget of the trend in spending continuing.

4.43. The Use of Resources summary in section 5 gives more detail on Luton's position compared to other councils, as well as suggesting areas where further attention may have a positive effect on spending.

Budget Monitoring and Finance Reporting 2024/25

4.44. Formal council budget monitoring is reported quarterly to the Executive Committee. This is a comprehensive and detailed forecast outturn report, describing, as would be expected, the key variations for each element of the council budget, progress on deficit recovery and transformation plans and the capital programme with a reasonably detailed description of changes in patterns of income and expenditure and the key areas of pressure for each directorate.

4.45. *The quarterly finance report is less strong in explaining why key areas of pressure are occurring and, in particular, what additional in-year or longer-term measures have been put in place to mitigate over-spending.*

4.46. *The report is generally made three months after the end of the quarter to which it relates, so, whilst the data is detailed and accurate, it is not particularly timely for managing emerging pressures.*

4.47. Monthly financial reporting to Adult Social Care Senior Leadership Team takes the form of an Excel workbook summarising forecast spending on purchased care, separated by age group, primary support reason and type of care as well as levels of activity and average weekly costs. Alongside the workbook is a short set of PowerPoint slides describing the main budget variances and movements in client numbers[16].

4.48. This report is generally presented within a week or ten days of the end of the period to which it relates, so it is timely reporting of the most recent information. However, the reporting is quite brief and quite informal and would benefit from much more detail, much more explanation, and much more financial analysis.

4.49. *Financial management would be better served by a more formal and more comprehensive report to the senior leadership team each month, with deeper analysis of the reasons for changes in cost and activity. The report should include year to date as well as forecast figures and should describe the assumptions used to generate the forecast.*

[16] See Appendix B for the most recently issued workbook and set of slides

4.50. *The report would also benefit from being produced with the service so that it is more focussed on why variances are occurring and what might be done to mitigate them.* The current process seems to be led by Finance and allow little time for the service to review draft figures. This could lead to a sense that budget monitoring is being ‘done to’ the service*. It would be better for the process to be managed to ensure full ownership of the figures being reported by the service so that they, in turn, can own any mitigating actions and understand how service changes are impacting on the budget position.*

4.51. *There is no indication in the budget monitoring as to what budget planning assumptions had been in terms of activity levels and weekly average costs, so it is not possible to track progress and assess whether any variation is due to volume and or cost.*

4.52. *The capacity of the senior finance staff is a constraint on producing monthly finance reports that are more strategic and at the same time more forensic.* The Finance Business Partner and the Principal Accountant have been in post for many years and clearly have a wealth of knowledge, but both hold portfolios that are much broader than Adult Social Care, and very broad in the case of the Finance Business Partner. *Senior finance capacity is too thinly spread to be fully embedded in the strategic leadership of the service. The council should consider introducing a dedicated Finance Business Partner or Principal Accountant for Adult Social Care.*

4.53. At budget manager level, there are regular budget reports and budget meetings between the senior accountant and budget managers to look at spending in detail. *There has not recently been the level of resource available in finance to deliver regular budget manager training to be confident that budget managers are sufficiently trained and equipped to own their budgets.*

4.54. The service benefits from Business Intelligence support dedicated to Adult Social Care, and receives comprehensive monthly performance reports. However, although some activity data is included in the budget monitoring report (client numbers, average weekly costs), these figures are derived though finance having to input data from the care management system, which is separate to the financial ledger.

4.55. *Finance, Business Intelligence and Heads of Service appear to work alongside each other, but not together to produce joined up reports, analysis and insight for the service.*

4.56. A number of council officers that I interviewed expressed concern about data quality in activity data relating to purchased placements, with a noted drop in how accurate and up to date client information is since the introduction of daily panels for placements. *The council has recognised this weakness and brought in external support to improve cost and demand dashboards, and combine* *information on demand, activity and costs and links between the information systems. The work also seeks to understand levels of demand and the reasons why people require social care assessments and why people access short-term and long-term placements.*

Deficit Recovery Programme

4.57. As stated above, the MTFP has set a Deficit Recovery Programme to mitigate the gap between budgeted expenditure and available funding. The Adult Social Care deficit recovery target for 2024/25 is £2.003m. This is a reasonable and achievable level of savings against the ASC net budget, with the 2025/26 target to be similarly modest.

4.58. Each element of the savings plan has a business case, and delivery is tracked monthly. Table 5 shows that *93% of the savings target has been achieved by the end of month 8*, due in no small part to the review of health eligibility delivering almost double the targeted saving.

Table 5: Deficit Recovery Tracker ASC 2024-25

Service Area	Project Name	Project Description	Current Project Status	Current Risk Level - Timing	Current Risk Level - Deliverability	Deficit Recovery Target	Savings achieved against target P8	Deficit recovery balance outstanding
ASC	Review of Health Eligibility	Health eligibility to ensure efficiencies and income maximisation. Full year effect total £620, 175.14	Delivery Stage	Green	Green	£620,175	£1,221,000	-£600,825
ASC	Review of Double Handed Care	To systematically review all Double handed. Reduce and replace with aids/equipment.	Delivery Stage	Amber	Amber	£500,000	£47,000	£453,000
ASC	MH Placement Savings	To review all working age adult MH placements to reduce/step down clients support packages	Delivery Stage	Green	Green	£150,000	£262,000	-£112,000
ASC	Increase in LD S75 income for staffing			Red	Red	£208,000		£208,000
ASC	Provider Services savings	Reduction in Day Opps Catering Budget by £12K Reduce Reablement Flats by 1 unit = £13K	Complete	Green	Green	£25,000	£25,000	£0
ASC	Homecare small packages	Review 866 cases under £250 weekly cost. Full year affect £500k TBC.	Delivery Stage	Green	Green	£500,000	£306,000	£194,000
						£2,003,175	**£1,861,000**	**£142,175**
						100.00%	**92.90%**	**7.10%**

4.59. *A concern with the savings plan is that the majority of the savings rely on reviewing existing placements.* This can be subject to the law of diminishing returns and puts pressure on social worker resources, especially as the service is reporting underspending on social work staffing.

4.60. However, subject to the resources being available to carry out the necessary reviews these schemes are sensible way of ameliorating the deficit in the short-term while completing service transformation that should deliver longer-term recurrent savings. *Given the increasing forecast overspend in purchased care it is worth the service attempting to over-achieve deficit recovery savings by as much as possible in the remainder of the year.*

4.61. The Partners in Care and Health advice note on why savings may not be delivered is included in Appendix E.

Service Transformation

4.62. Transformation of Adult Social Care is split into two strands: the Corporate Transformation Programme and the directorate's Strengthening Adult Social Care Programme.

Corporate Transformation

4.63. Two elements of Adult Social Care services form part of the 'Contracts and Third Party Spend' workstream of the corporate transformation programme:

- A new commissioning model for residential and nursing care for older adults across the region in collaboration with ICB and other local authorities, with target savings of £1.310m to be delivered in 2026/27; and
- A new model for home-based reablement after hospital discharge, with target savings of £0.122m to be delivered in 2026/27.

As part of a corporate transformation workstream these projects receive support from corporate functions.

4.64. The DASS has requested a third project relating to ASC to be added to the workstream: increasing utilisation of Extra Care type facilities to reduce the use of long-term residential care. There is also a desire to pursue much greater use of assistive technology in adult social care as a corporate transformation programme; but there is a recognition that there is not enough capacity for further additional transformation in the short to medium term.

Service Transformation

4.65. Luton's 'Strengthening Adult Social Care' Programme has superseded the Adult Social Care Strategy 2022-2027. It is an ambitious programme to review and improve the whole of Adult Social Care in Luton via six workstreams[17]:

- Pathways- develop a detailed 'Target Operating Model' for delivering ASC in Luton;
- CQC Self-assessment in preparation for CQC assurance;
- Data and Digital- improve data quality, use data effectively and embed technology in service delivery;
- Performance, Quality and Complaints- develop a robust performance and quality management framework at directorate, team and individual level.

[17] See Appendix C for more detail

- Commissioning and Partnerships- develop commissioning strategy and contract management framework, alongside market position statement; and
- Customer Experience- to have a clear co-produced customer journey and increase the number of people engaged and involved in service improvement.

4.66. Each workstream has a project plan with milestones with RAG-rated activities and actions which gives assurance that there is a concrete delivery plan behind the strategy, Delivery of the transformation goals would go a long way to resolving the service pressures noted below.

4.67. The need for system and / or cultural change is included in many of the workstreams– these always take time and effort and require a lot of follow up with staff. *Is the service confident that staff are geared up to manage the scale of cultural change required at the pace required?*

4.68. Each service transformation, as well as corporate transformation and deficit recovery programmes will require support and capacity to deliver: both corporately from support services e.g. finance, performance, legal, HR and also external expertise. The council has gone some way to achieving this by bringing in additional support e.g. Human Engine and PeopleToo, but *the service needs to be confident that the right calibre and quantity of corporate support and expert input can be found in a timely manner when required.*

4.69. The further complication about the additional capacity needed, is that, for the service to own and fully embed the changes, the workstreams need input from permanent staff. These staff cannot be active in all the initiatives. *Is the council confident that all business as usual and transformational activities can be delivered alongside keeping a tight rein on operational service delivery and financial performance?*

4.70. Within the documents supplied there was not an analysis of the impact of the transformation programme on activity and costs. The project plans do not highlight the costs of delivering the transformation, nor do they baseline current activity and costs and model scenarios for potential changes when the transformation activity is completed. *The council needs to take into account the implications of delivering the planned transformational changes and feel assured that there are not unexpected costs.*

Service Pressures

4.71. Interviews with officers identified a number of themes relating to service pressures and challenges, in some cases these also represent opportunities.

4.72. A number of the officers interviewed pointed to ‘over-prescription’ of care, i.e. service users receiving more care than they require to meet their needs. This particularly is seen to be the case in services that are wholly or partly under the control of the NHS, where there is a sentiment that healthcare staff are inclined to be more risk averse than social workers and less knowledgeable about a strengths-based approach. The service transformation programme, in particular the target operating model, when fully embedded should go a considerable way towards improving this situation.

4.73. Mental health assessments are delivered for the service by East London NHS Foundation Trust. Mental Health placements make up more than 50% of the forecast overspend on purchased care at month 7 and projected spending is more than 40% higher than in 2023/24. Review of mental health placements is delivering a modest saving as part of the Deficit Recovery Plan, but the service should consider urgent action to understand the rising costs of mental health placements and put in place remedial actions before the end of the financial year. This is a clear area where more contract management and commissioning resource could pay financial dividends.

4.74. Hospital discharge is seen by many local authorities as a source of increased demand and cost pressures for social care. This is difficult to quantify, as an appropriate dataset doesn’t seem to exist that could isolate the effect. Nonetheless, integrated discharge services can be subject to inefficiencies due to the number of different teams involved and the different drivers of demand in different parts of the system. *The council needs to ensure that hospital discharge services are as well integrated as possible with a shared understanding of pathways and protocols.*

4.75. Understanding the impact of transitions from children to adulthood is important. The council knows the transitions numbers and likely costs over the next few years, and knows that complexity and demand is increasing. An estimate of future costs is factored into future budgets. *The council needs to ensure that the two social care departments work together better to plan for transitions much earlier and to try to ameliorate the level of high cost placements.*

4.76. Stability of staffing at senior levels: a number of the Heads of Service are either new in post, or interim staff. Not having stable long-term staffing, particularly in leadership roles can always be a risk, especially in a service trying to drive through considerable transformational change. However, the service has gone some way to addressing this risk by appointing a number of new permanent staff who are due to begin work in the new future. *The council needs to ensure that impetus is not lost in reforms and deficit recovery while new Heads of Service bed in.*

4.77. Commissioning capacity for adult social care is very limited. The service has surprisingly few commissioning officers, and this is a clear limiting factor on the ability to understand the social care market, manage contracts across the service and commission alternative forms of provision Commissioning and partnerships is one of the service transformation workstreams. *However, the council should seek to review and strengthen social care commissioning as a priority- it is the weakest part of the service and needs significant investment to be able to perform its function properly. A review of commissioning by Partners in Care and Health has been proposed for 2025.*

4.78. Historically the council's in-house provider services have underspent through staff vacancies and that underspend has been able to be utilised to mitigate overspending in purchased care. However, the Head of Provider Services has warned that increasing numbers of service users, especially coming through transitions, means that the service will have to staff itself much closer to full establishment.

Market Position Statement (MPS)

4.79. The council currently has a market position statement available on its website that was last updated in 2021, alongside an overarching document last up-dated in March 2023. The service also provided three more Market Position statements for segments of the market- Adults with a Disability, Mental Health and Older Adults.

4.80. None of the documents is a strong market position statement, and this isn't surprising given the low-level of commissioning capacity available to manage and develop the social care market. The Strengthening Adult Social Care Programme recognises the need to review and update the market position statement. It will be important that this up-dated version reflects the range of service changes currently underway and draws the overall vision for the service clearly together.

4.81. Partners in Care and Health advice note on market position statements is included in Appendix E.

Funding assumptions

4.82. Advice has been provided following the Chancellor's Statement of 30th October and the publication of the Finance Policy Statement by MHCLG earlier this month. We are expecting the provisional Local Government settlement on 18th December.

4.83. In the meantime, the scenario planning funding assumptions that the council has set out in its MTFP are helpful and sensible from a government funding perspective. Scenario planning is always useful in uncertain times.

4.84. The council is assuming 50% of the Social Care Grant is allocated to ASC[18]. It is for each council to allocate funds between services. However, this must be in accordance with grant conditions and in the expectation that Government may seek confirmation as to how grants have been applied. It is worth noting that regular discussions the LGA has nationally with DHSC, the LGA have told Government that local authorities will need to use these extra resources to pay for underlying pressures in adult social care (such as inflation and demography) and they do not provide new resources to fund new developments. The LGA believe that is consistent with the grant conditions.

[18] Per the Finance Business Partner

5 Use of Resources 2022/23

5.1. This section looks at how Luton is doing in terms of performance and activity. The details of the report are generated by LG Inform (and are attached at the end of this report) and the conclusions that have been prepared by John Jackson are detailed below. This information was shared with the Council in August 2024.

5.2. Data used in this report comes from the Adult Social Care Activity and Finance Report Reference Tables, published annually by NHS Digital. This file contains selected reference tables providing an overview of Short and Long Term Support (SALT) and Adult Social Care Finance Return (ASC-FR) collections, as part of the Adult Social Care Activity and Finance publication.

5.3. Throughout this report, measures are shown as 'per adult' and 'per client'. Where the measure is 'per adult' it is based on adults of the relevant age group living in the local authority. Where the measure is 'per client' it is based on clients receiving care (for the relevant age group and type of care specified) commissioned by the selected local authority.

5.4. '90th percentile' and '10th percentile' have been used instead of 'minimum' and 'maximum' scores. These measures are similar to the minimum and maximum, but ignore the lowest and highest ten per cent of councils respectively. This is to provide a more reliable picture of what a low and high score generally look like, without distortion by councils with extremely low or high scores which are not representative of local authorities in general.

5.5. Where figures are shown which extend back in time to 2018/19 or before, the averages, percentiles and ranks are based on all English single tier and county councils existing in 2018/19 to 2022/23, rather than the current English single tier and county councils. This is to ensure that former councils are included in the applicable cohorts.

Summary of overall spending

5.6. Luton is a relatively low spender on adult social care if spending is compared to the local adult population. Spending per adult is £510 per adult – almost 14% less than the England average (£592).

5.7. The two main drivers of adult care spending are the numbers of older people and the level of deprivation. Luton have very few older people but is more deprived than the average authority. Spending less than the average is not a surprise but we need to understand whether spending should be even lower which the rest of this paper explores.

5.8. In 2023/24, spending on adult social care increased slightly more quickly than the England average (14.4% compared with 13.1%).

5.9. The percentage of the budget spent on adult social care raises some interesting questions. In the case of Luton the proportion of the budget spent on adult social care is over half (53.0%). This is significantly higher than the average for unitary councils (46.0%). Given that you are not a high spender taking into account need that must reflect the fact that overall spending is Luton is relatively low.

5.10. As you have already observed, you have a recent history of actual spending on adult social care being higher than budgeted spending (see the table on page 4 of the narrative report).

Spending on younger adults

5.11. Luton spent almost 8% below the England average on younger adults: £280 for every younger adult living in Luton compared to the England average of £304, and £48 higher than the 90th percentile (the 15th lowest spender). You were the 92nd highest spender in England on younger adults.

5.12. Your spending on younger adults increased by 9.9% in 2023/24 below the national increase of 12.3%. This looks positive. Do you know how you managed to keep the spending increase relatively low?

5.13. You spent below the average despite the fact that you support an average number of younger adults in long term care (0.87% compared to 0.86%). The numbers of younger adults in long term care did not change in 2023/24. This is in contrast to the national position of an increase of 2.3%. Do you know why this happened?

5.14. The amount that you spend on each younger adult in long term care is more than 9% below the national average. Do you know why you have been able to do this?

5.15. In paragraph 7 above, I comment that your spending is £48 higher than the 90th percentile (the 15th lowest spender).

5.16. Whilst the latter should not be seen as an absolute target, it does suggest that there is scope to go further – to reduce the numbers supported below the national average by finding alternative ways of supporting them so that they do not need long term care.

5.17. There will also be scope to find ways of supporting those who must be in long term care in ways which help them to live more independently and at less cost.

5.18. There is evidence of things that could be different. Whilst your use of direct payments is high (and may contribute to the below average spending on each care package), there is scope to reduce your use of care homes for younger adults. This was relatively high in 2022/23 and average historically. You should use the Better Lives tool to review everything that you are doing to support younger adults.

Spending on older people

5.19. You spend just above average which is broadly positive given your relatively high deprivation. You spent 2.6% more than the England average – £1,120 for each older person living in Luton compared to the England average of £1,093.

5.20. The graph on page 9 of the narrative reports shows that you used to be a very high spender older people (much higher than your relative level of deprivation would suggest). You have brought spending down so that it has been close to the national average in the last three years. This is commendable. Cash spending per older person in 2023/24 was only slightly higher than it was in 2018/19.

5.21. In 2023/24 spending on older people increased by 16.3% per older person just above the national increase of 15.9%.

5.22. The reason why you spend more than the national average is because you support more older people. You support 6.97% of the older population compared with the England average of 5.19%. This is the 34th highest proportion in England and rather higher than your deprivation ranking. Furthermore, there will be more deprived authorities who have found of ways on ensuring that fewer older people need long term care. The advice in the IPC reports will be crucial to help you address this.

5.23. The fact that your spending on older people is just above the average is because the cost of each long-term care package for each older person in care is almost 24% below the England average. Do you know why you are able to obtain care at this price? Is there a risk that fees are so low that providers are not financially sustainable?

5.24. This difference from the national average spending on each care package has grown steadily and significantly over recent years (see the bottom graph on page 9).

5.25. There are some clear signs from the other information that your low spending on each care package reflects some good practice.

5.26. You make reasonably high use of direct payments for older people. You also have a history of making low use of care homes to support older adults which is very positive. You pay a below average price for each placement which is also positive providing providers are financially sustainable.

Other key issue from the Narrative Report

5.27. Your income from client contributions may be reasonable. You have made relatively little use of care homes for older people, so it is not surprising that your income (10.5%) is less than the national average (12.9%). However, given your financial challenges I think you should review your income collection procedures and processes.

5.28. Further details are attached in Appendix D

Appendix A

Terms of Reference

Background

In recognition of the financial challenges facing Adult Social Care in Luton, the council has requested PCH undertake an independent review of its use of resources in Adult Social Care.

The council faces a financial gap of £14.2m next year. Adult Social Care is expected to contribute savings of £1.76m towards the Deficit Recovery Plan. This is relatively modest compared to the net Adult Social Care Budget this year (just under 3%). However, Adult Social Care is predicting that it will overspend by £6.4m this year. They will be expected to sort out this issue as well which means that the potential savings increase to nearly 14% which will be a significant challenge.

This overspending has been driven by spending on working adults (especially transitions). Adult Social Care had never overspent until 2023/24.

The DASS has several wider concerns which impact on the financial challenges. Commissioning arrangements are poor. She has concerns about the quality of budget monitoring information. She has other concerns about the way that the budget is set. Resources for demography are not necessarily built into the budget.

The council wishes to gain an objective view of its current budget planning assumptions (pressures, savings, and funding). It also wants to have a broader understanding of whether there are opportunities they are not currently exploring or whether they may be able to go further with any existing proposals.

The council is seeking independent "critical friend" support to inform its longer-term plans to ensure adult social care is on a sound and sustainable footing.

Scope

The exercise will consist of the following:

- A high-level review of the Use of Resources report, identifying outliers in spend (to be provided by John Jackson).
- Arrangements for the development of an Adult Social Care medium term plan aligned to the Medium-Term Financial

Strategy including an assessment of future demands and pressures and funding flexibility.
- Understanding the drivers for the recent increase in spending in adult social care.
- A review of robustness of saving plans; areas for future development; capacity to deliver and associated governance.
- A review of directorate budget performance (including outturn and budget monitoring process) and directorate budget practice (including level of service manager engagement).
- Consider LBC spend and pressures against other comparable councils
- Comment on LBC's processes, decisions points and skills to align business performance to budget position
- Review LBCs presentation of financial information for ASC
- An initial review of commissioning arrangements with an expectation that this is likely to lead to a recommendation of a commissioning review following this finance review.

Deliverable Outputs

The deliverable outputs will consist of a report for the Director of Adult Social Care and the Council's Chief Finance Officer and will:

- Provide a commentary on the comparative use of resources for adult's social care.
- Provide a commentary on LBC's processes and skills in linking business performance to budget position
- Provide a commentary on the directorate's approach to developing its medium-term plans and arrangements for developing efficiency savings.
- Confirm areas where LBC's ASC is out of kilter regarding cost and or demand with other comparable councils
- Identify areas for improvement which support better value for money including an assessment of demand management.
- Identify areas where the presentation of financial information and the narrative explanation of ASC spending could be improved
- Suggest strategies to ensure a sustainable budget over the medium term and where appropriate, signpost to best practice.
- Make some initial comments on the quality of commissioning.

Arrangements

It is anticipated this work will take place during December, with the feedback meeting to be held on 23rd December. It will require about 5/6 days PCH Associate support plus input from the National Adviser.

Luton attendees will include Jill Britton (the Director of Adult Social Care), Mark Fowler (Corporate Director, Population and Wellbeing), Dev Gopal, Chief Finance Officer, Atif Iqbal, Finance Business Partner and key members of the Adult Social Care management team.

PCH attendees will be John Jackson (National Care & Health Improvement Adviser Finance), Claire Bruin (Eastern Region Care & Health Improvement Adviser) and Adrian Griffiths (PCH Finance Associate).

Clarification meetings will be held on a one to one basis where necessary with other staff members as advised.

PCH Personnel

The review will be undertaken as part of the Partners in Care and Health Improvement Programme led by John Jackson and delivered by Adrian Griffiths, Partners in Care & Health Finance Associate.

Luton Personnel

Liaison will be through Jill Britton (DASS) who will identify relevant contacts within the Service, with Chief Finance Officer being kept informed by the DASS throughout the process.

Day to day liaison will be with Helen Lambert

Cost

There is no cost to Luton Council for this work as it is part of the Partners in Care & Health Improvement Offer.

Preliminary Activity (once scope agreed)

Review of council documents:

- Adult Social Care Outturn 2023/24 (and corporate).
- Adult Social Care Budget monitoring reports 2024/25.
- Adult Social Care Budget 2024/25 and supporting working papers to show basis /modelling of budget pressures; basis of savings proposals; funding assumptions.
- Medium Term Financial Plan 2024/25 (and draft 2025/26 if available).

- Savings programme.
- Service transformation programme.
- Directorate Reserves / contingencies (if any).
- ADASS Spring Survey response.
- Market sustainability plan.

Data sources

- LGA Key Financial Indicator Report
- PCH Adult Social Care Use of Resources 2023/24

Adrian Griffiths PCH Finance Associate

John Jackson National Care & Health Improvement Adviser Finance

28th November 2024

Partners in Care & Health

LGA and ADASS are Partners in Care and Health (PCH), supporting councils to improve the way they deliver adult social care services

Appendix B

Strengthening Adult Social Care Programme

Strengthening ASC
Programme Proposa

Appendix C

Month 8 Purchased Care Report to ASC SLT

ASC Purchased Care
P8 Financial Positio

Item 5 - ASC
Purchased Care Sum

Appendix D

Use of Resources Narrative Report 2023/24

UoR Narrative
Report for Luton_20

Appendix E

Partners in Care and Health Advice Notes

Setting and monitoring adult so

Market Position Statement - generic

Why savings are not delivered Octob