

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

CABINET 22 FEBRUARY 2007

REPORT OF THE EXECUTIVE DIRECTOR FOR HOUSING, HEALTH AND ADULT SOCIAL CARE

BUDGET MONITORING 2006/07 – QUARTER 3 HOUSING, HEALTH AND ADULT SOCIAL CARE

SUMMARY

GENERAL FUND REVENUE BUDGET

At this stage, it is forecast that the Business Group will **underspend by £942,000** (1.6%) by the year-end. This includes the contribution towards the funding arrangement recently negotiated with the Primary Care Trust.

CAPITAL BUDGET

It is forecast that the Business Group will **underspend by £2,790,000** (7.5%) by the year-end.

HOUSING REVENUE ACCOUNT (HRA)

An overspend of **£804,000** (1.5%) is forecast at this stage. Details are set out in Appendix 1.

1 KEY ISSUES

- 1.1 An overall projected underspend of £942,000 is forecast for the Business Group in 2006/07, this compares to a projection of £1,154,000 in the quarter 2 monitoring report.
- 1.2 A significant surplus on the Temporary Accommodation budget is forecast due to income recovery levels being higher than forecast when the budget was set.
- 1.3 At its meeting on 27th July 2006, the Cabinet approved the funding arrangements which the Primary Care Trust (PCT) had proposed to avoid withdrawing funding from projects it wishes to support longer term. Under these arrangements the Council will meet a proportion of the costs of these services in the short term and would be reimbursed by the PCT in later years. In 2006/07 £483,000 will be met by the Council and is being met from underspends within the Business

Group. Growth of £320,000 has been included in the financial plan to meet the Council's contribution in 2007/08.

- 1.4 Good progress has been made this year on managing the Home Care budget which has now been brought within budget. However, this still represents a significant financial pressure for the Business Group and the budget will continue to be closely monitored.
- 1.5 No provision is made in the projections for any liability relating to the Single Status agreement, to harmonise terms and conditions of service for 'white-collar' and 'blue-collar' staff. This is due to be agreed this year and implemented in 2007/08.

2 REVENUE BUDGET

Revenue Budget Monitoring Report - Housing, Health and Adult Social Care December 2006

Service	Annual Budget £'000	Spend to Date £'000	Spend to Date %	Projected Outturn £'000	Variance £'000	Variance %	RAG Status
Budgets Controlled by Business Group							
<u>Adult Social Care Functions</u>							
Corporate and Democratic Core	116	87	75.0%	116	0	0.0%	Green
Service Strategy	265	199	75.1%	265	0	0.0%	Green
Services for Older People	19,763	14,314	72.4%	19,844	81	0.4%	Green
Services for People with a Physical Disability	4,488	2,979	66.4%	4,444	-44	-1.0%	Green
Services for People with Learning Disabilities	5,442	4,181	76.8%	5,487	45	0.8%	Green
Services for People with a Mental Health Need	5,362	3,526	65.8%	5,609	247	4.6%	Amber
Other Adult Services	1,030	697	67.7%	945	-85	-8.3%	Green
Supported Employment	43	36	83.7%	43	0	0.0%	Green
Public Transport	5,226	3,763	72.0%	5,143	-83	-1.6%	Green
Other Miscellaneous	-428	-239	55.8%	-428	0	0.0%	Green
Management and Support Services	2,492	1,585	63.6%	2,503	11	0.4%	Green
<i>Adult Social Care</i>	43,799	31,128	71.1%	43,971	172	0.4%	Green
<u>Housing Functions</u>							
Corporate and Democratic Core	124	93	75.0%	124	0	0.0%	Green
Housing Management and Support	713	394	55.3%	741	28	3.9%	Green
Housing Strategy	512	72	14.1%	512	0	0.0%	Green
Housing Needs and Homelessness	491	-357	-72.7%	-687	-1,178	-239.9%	Red
Enabling Activities	698	507	72.6%	698	0	0.0%	Green
Supporting People	-214	0	0.0%	-270	-56	26.2%	Green
<i>Housing</i>	2,324	709	30.5%	1,118	-1,206	-51.9%	Red
<u>Environmental Health</u>							
Environmental Health Management and Support	758	572	75.5%	795	37	4.9%	Green
Food and Training	657	449	68.3%	646	-11	-1.7%	Green
Trading Standards	300	203	67.7%	281	-19	-6.3%	Green
Environmental Quality	460	286	62.2%	409	-51	-11.1%	Green
Health and Safety	444	315	70.9%	422	-22	-5.0%	Green
Mortuary, Coroners and Pest Control Services	470	249	53.0%	524	54	11.5%	Green
Noise and Nuisance	919	753	81.9%	971	52	5.7%	Green
Housing Private Sector	540	467	86.5%	531	-9	-1.7%	Green
<i>Environmental Health</i>	4,548	3,294	72.4%	4,579	31	0.7%	Green
<u>Executive Functions</u>							
Executive Director	382	261	68.3%	348	-34	-8.9%	Green
Resource Management	1,675	1,336	79.8%	1,734	59	3.5%	Green
Policy & Performance	750	588	78.4%	786	36	4.8%	Green
<i>Executive</i>	2,807	2,185	77.8%	2,868	61	2.2%	Green
Total Budgets Controlled by Business Group	53,478	37,316	69.8%	52,536	-942	-1.8%	Green
Budgets Controlled by Other Business Groups	5,863	2,399	40.9%	5,863	0	0.0%	
Capital Financing Charges	914	0	0.0%	914	0	0.0%	
FRS17	313	0	0.0%	313	0	0.0%	
Dept Budgets Recharged to Other Services	-1,942	0	0.0%	-1,942	0	0.0%	
Total	58,626	39,715	67.7%	57,684	-942	-1.6%	

RAG Status (on net budget):

Red = £100k+ variance and over +/-5%

Amber = £100k+ variance and between +/-3-5%

Green = under £100k variance or under +/-3%

Commentary on Variances

- 2.1 The financial position reflects the increase to the home care budget arising from a one-off virement of £176,000, this was approved by the Cabinet at its meeting on 26th October. Expenditure on home care, including direct payments, has continued to reduce and is now within budget, which is mainly due to services provided being reviewed and more robust processes for agreeing care packages being introduced.
- 2.2 Progress has been made to improve the reliability of data following the implementation of the home care ordering system; however, it is still difficult to predict with absolute certainty the outturn position on this budget given the complexity of the task of reforming systems and practices. The draft Capital Programme includes provision to purchase a system for the electronic collection of home care visits data but is unlikely to be implemented before 2008/09. Based on the first 8 months of the year a projected underspend of approximately £300,000 is forecast. This represents a reduction in expenditure of approximately £1.5 million between 2005/06 and 2006/07 and excludes the impact of inflation.
- 2.3 As Home Care packages are reviewed and expenditure is reducing, lower than anticipated levels of income are being generated from charges and a year end shortfall of £110,000 has been assumed. The income budget for 2006/07 was set in October 2005 which was before the impact of the review of care packages was known.
- 2.4 An under spend of £354,000 (2.1%) has been included for employees budgets within Adult Social Care. This position reflects some usage of the Government grant funding for delayed discharges which had not previously been allocated to these budgets. It also includes the one-off benefit arising from an over accrual of £143,000 for outstanding agency staffing invoices in the 2005/06 accounts, this benefit will not be available to fund budgetary pressures in future years.

- 2.5 Overall there is an overspend of £171,000 on residential, nursing and intensive supported living arrangements for younger adults (people with mental health needs, people with disabilities, people who are substance misusers and people who have HIV/AIDS). This is mainly due to expenditure on supported living cases within the learning disability service.
- 2.6 The Financial Plan for 2006/07 included savings of £200,000 following the closure of Tavistock Hostel. Further savings of £112,000 are available in the current year and it is assumed these savings will remain unused in 2006/07. The Financial Plan for 2007/08 includes savings of £100,000 from 2007/08.
- 2.7 A number of assumptions have been made within the older people's service concerning the future of Edenham, the opening of Ellesmere and the block contracting of placements at James Hill House which is a new Extra Care Housing development. Based on these assumptions there is a projected overspend this year of £404,000 on residential, nursing and other living arrangements. The Business Group is seeking other ways to manage staff re-deployment from Edenham; however, it is possible that significant redundancy costs may arise when Edenham closes but no provision for such costs has been included in the financial projections. This is because the number of staff likely to be made redundant and the terms of redundancy packages have yet to be agreed.
- 2.8 An underspend of £83,000 on Public Transport is mainly on the Taxicard budget which reflects the additional funding being provided by the London Mayor.
- 2.9 The underspend of £1,178,000 on Housing Needs and Homelessness comprises a surplus of £1,131,000 on Temporary Accommodation as a result of a higher income recovery than projected in the budget, an underspend of £75,000 on Housing Association Leasing Scheme rents plus an underspend of £73,000 on incentive schemes. This is partly offset by an overspend of £101,000 on Housing Needs salaries which is due to the team having a full establishment and many staff being paid at the higher points on their scales due to the length of time they have been employed by the Council. This position is after funding a number of homelessness prevention initiatives totalling £814,000 which was agreed by the Cabinet at its meeting on 30th March 2006. A renewed virement of £1.2m is included in the 2007/08 budget to fund a number of prevention initiatives.
- 2.10 The quarter 2 monitoring report projected savings of £533,000 following a number of reductions of service costs as agreed by the Commissioning Body for Supporting People. It was agreed that any

underspend would be transferred to the Supporting People Reserve to allow time for a savings strategy to be developed and implemented. Further savings of £56,000 are now anticipated which again will be added to the Supporting People Reserve.

Progress on growth and savings

- 2.11 The Financial Plan included additional income of £270,000 from charges for non-residential care services. However, the latest projections suggest that the level of income being collected is likely to be lower than that assumed when the new policy was agreed. A shortfall of £110,000 has been assumed in this report, as explained in 2.3. Whilst the lower level of income could reflect some reaction to the new charging policy, the reductions in care packages following recent reviews are likely to account for the majority of this shortfall. This shortfall has been offset by a reduction in expenditure on home care (see 2.2 above).
- 2.12 The Royal Borough Review of Noise and Nuisance agreed that savings could be recycled into the service. The predicted saving against budget of £20,000 has not therefore been achieved.
- 2.13 All other savings and growth proposals within the revenue budget are on track.

3. CAPITAL

3.1 The following table summarises the projected position on capital in 2006/07:

Capital Budget Monitoring Report - HHASC
Quarter 3 - 2006/07

Description	Original Budget £'000	Annual Budget £'000	Budget Profile to quarter 3 £'000	Actual Exp to Date £'000	% Annual Budget Spent	Forecast Outturn £'000	Forecast Variance £'000	Slippage 2007/08
HRA Main Programme	25,515	25,515	19,136	14,952	59	23,909	-1,606	1,606
Regeneration	330	349	262	0	0	349	0	0
Disabled Facilities Grant	350	381	286	138	36	300	-81	51
Renovation Grant	350	350	263	220	63	300	-50	50
Lets Rent	30	30	23	15	50	30	0	0
Elm Park Gardens Basements	580	580	435	42	7	270	-310	310
Stock Condition Survey	0	47	35	37	79	47	0	0
Compulsory Purchase Order	0	50	38	0	0	50	0	0
Sub Total - Housing	27,155	27,302	20,477	15,404	56	25,255	-2,047	2,017
Mortuary	45	49	37	0	0	0	-49	49
Replacement EHIS	69	179	134	37	21	50	-129	129
Sub Total - Environmental Health	114	228	171	37	16	50	-178	178
Adult Social Care	9,691	9,900	7,425	564	6	9,335	-565	565
Sub Total - Social Services	9,691	9,900	7,425	564	6	9,335	-565	565
Total HHASC	36,960	37,430	28,073	16,005	43	34,640	-2,790	2,760

Financed By								
Loan (General Resources)	6,637	6,894				6,664	-230	230
ALMO Resources	7,344	7,344				7,344	0	
Contributions from Health	1,150	1,150				797	-353	353
Transport for London	53	50				50	0	
Developer Contributions	7,825	7,825				7,825	0	
RCCO	45	45				45	0	
SS Capital Reserve	0	212				0	-212	212
Use of other reserves	45	49				0	-49	49
Major Repairs Allowance	13,021	13,021				11,415	-1,606	1,606

HRA Revenue Contributions	50	50				50	0	
Capital Receipt	580	580				270	-310	310
Specific Grant	210	210				180	-30	
Total	36,960	37,430				34,640	-2,790	2,760

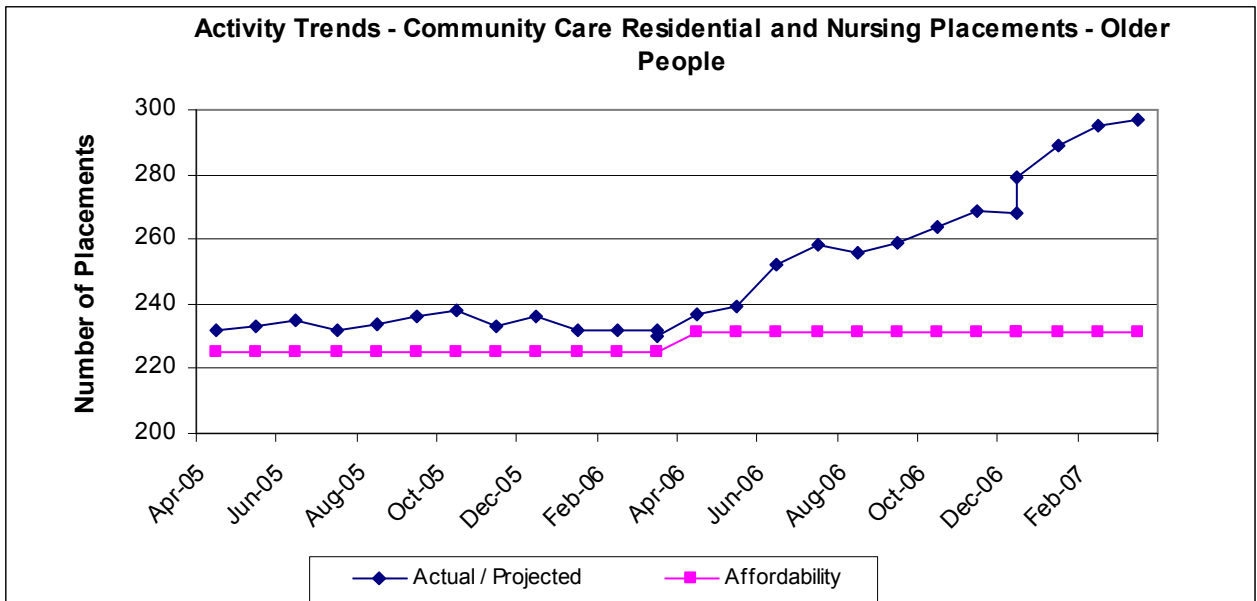
3.2 The position on the HRA Capital Programme reflects that reported at TMO Board on 11 January 2007. The HRA main programme at 30th November 2006 is projecting expenditure of £23.909m against an approved budget of £25.515m, which represents a projected underspend of 6.3% or £1,606,000. This forecast has taken account of all schemes that can be reasonably brought forward from subsequent years. This forecast included the omission of £876,000 of expenditure that has been assessed as "high risk". However, as reported previously, the Capital Programme Team is pressing on with projects and will seek to deliver on this 'high risk' expenditure wherever possible. The main variances and risks are outlined below:

- (i) Decent Homes – Tranche 4: surveys for Tranche 4 have now been fully completed and have highlighted the need for a greater volume of work than originally anticipated over the life of the project, which on current estimates will exceed the total available budget for Decent Homes. Once the feasibility studies for external Decent Homes work are received (due January 2007) and analysed, staff will be in a position to assess the overall position and recommend appropriate action.
- (ii) Elm Park Gardens – External Repairs: the forecast outturn of £5.091m represents an underspend of £572,000 against the annual budget of £5.663m. The project has been subject to a number of complexities in both structural and legal (party wall) matters which have resulted in slippage. It is unlikely that at this stage, that all the time lost can be recovered within the year.
- (iii) Worlds End Estate – all projects: the forecast outturn of £761,000 represents an underspend of £337,000 in comparison to the annual budget. It arises partly from programme slippage and partly from lower than anticipated use of contingency funds.
- (iv) Trellick Tower – all phases: the current forecast position assumes £627,000 of expenditure on all phases of this scheme in 2006/07. This represents a slippage of £291,000 in comparison to the annual budget. The revised strategy for the external works was ratified later than anticipated in September 2006. The delay in receiving this approval has resulted in work being rescheduled to start on site next year.

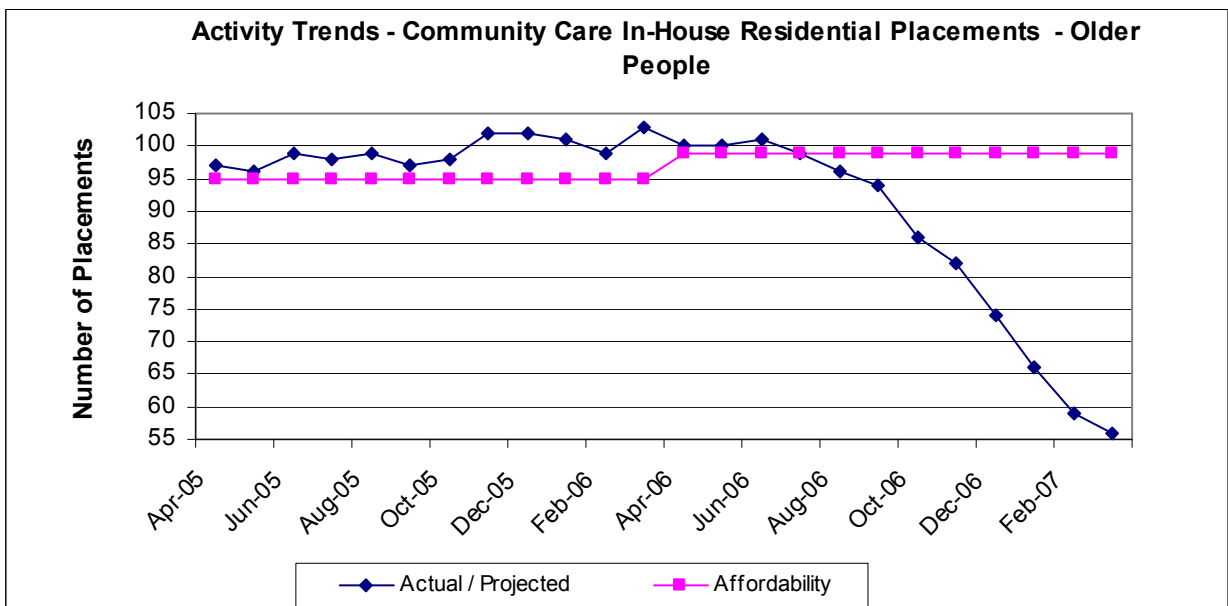
- (v) Holland & Elsham Estate – Roof/Decorations: the current annual forecast is for expenditure of £107,000 on this scheme, an underspend of £605,000 in comparison to the annual budget. Slippage on this project has occurred because of delays in the progress of the appropriate tender documentation and revision of the Committee approval timetable.
 - (vi) Cremorne Low-Rise – Refurbishment (3 & 4): the latest forecast is for expenditure of £665,000 which represents an overspend of £132,000 in comparison to the annual budget. This largely results from the identification of additional capital works (cold water risers).
- 3.3 The budget provision for Disabled Facilities Grants has all been committed but will not actually be fully spent by 31st March, the projected underspend on this budget will therefore need to be carried forward to fund expenditure arising in 2007/08. The underspend on Renovation Grants is due to a lower level of demand than had been anticipated.
- 3.4 The projected underspend on Elm Park Gardens Basements is due to a delay in works starting following the discovery of asbestos on site. Works are now scheduled to start in March.
- 3.5 The majority of the actual expenditure on the Ellesmere scheme will not be incurred until the 4th quarter of 2006/07. The projected underspend on Adult Social Care is mainly due to a number of provisions relating to the Ellesmere Scheme not being required in 2006/07 as had been assumed when the 2006/07 Capital Programme was agreed. It is assumed that these provisions will be required in subsequent years.

4. KEY TRENDS, COST DRIVERS AND LEAD INDICATORS

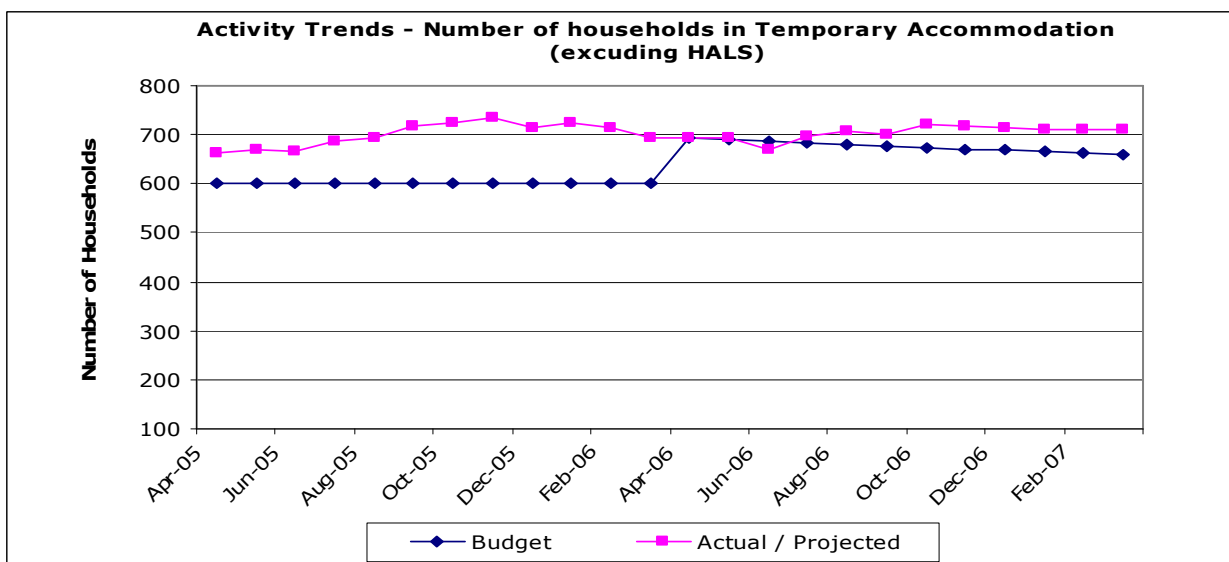
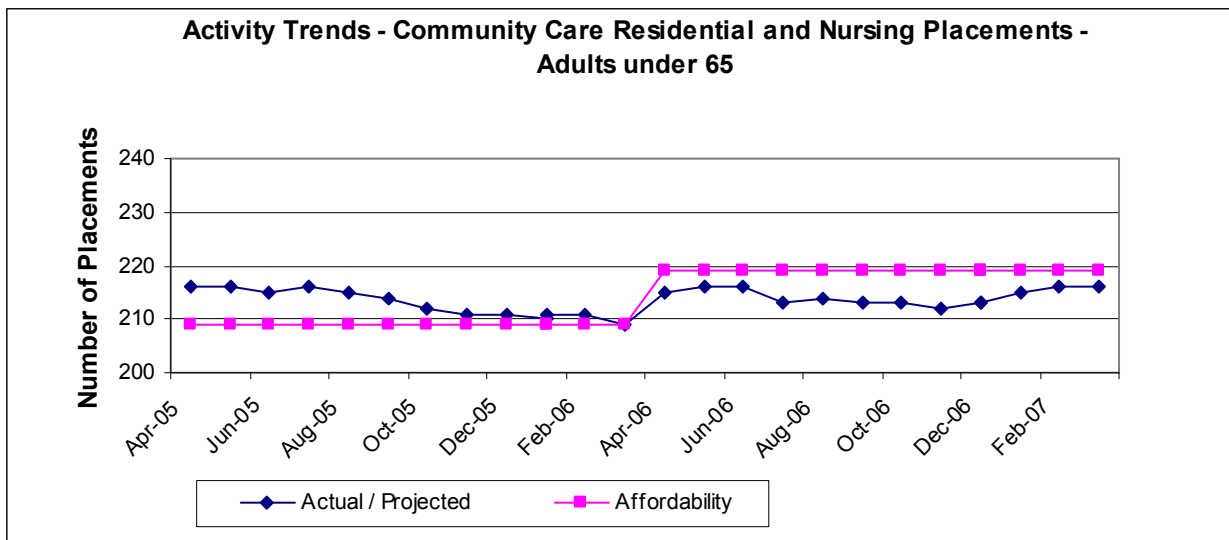
- 4.1 The following graphs show actual and expected activity from April 2005 on a number of volatile budgets:



This graph shows only the numbers of placements in the independent sector. The increase in the numbers of cases expected to be supported from October 2006 is due to the assumed closure of the Edenham home.



This graph shows the number of placements in in-house homes. The decrease in the numbers of cases expected to be supported from October 2006 is due to the assumed closure of the Edenham home.



4.2 The following table shows the expenditure to the end of December on employee budgets:

**Staff Costs Budget Monitoring - Housing & Social Services
December 2006**

Service	Annual Budget £'000	Budget to Date £'000	Spend to Date £'000	Variance Budget to Date £'000	Variance Budget to Date %	Agency Staff & Overtime Spend £'000	Agency Staff & Overtime as % of Total
Adult Social Care	16,537	12,403	12,063	-340	-2.7%	1,272	10.5%
Housing Functions	2,376	1,782	1,862	80	4.5%	11	0.6%
Executive Function	2,325	1,744	1,885	141	8.1%	154	8.2%
Environmental Health	4,000	3,000	2,971	-29	-1.0%	163	5.5%
Total	25,238	18,929	18,781	-148	-0.8%	1,600	8.5%

In May, bonuses were paid to HAY staff. This distorts the position as the budgets are not profiled to reflect this.

5 PERFORMANCE INDICATORS

5.1 The following table shows the percentage of supplier invoices for Housing, Health and Adult Social Care paid within 30 days (BVPI 8)

Q1 06/07	Q2 06/07	Q3 06/07	Q4 06/07	Cum. Yr to Date
79.4%	79.8%	89.7%		82.9

5.2 The following table shows the unit costs of residential placements within the Adult Social Care Division. The services have been split between those for older people and those for adults under 65.

	Cum. Yr 05/06	Cum. Yr to Date
Older People	£652	£655
Adults under 65	£950	£873

6 RECOMMENDATIONS

6.1 It is recommended that:

- (i) A transfer of £320,000 within the HRA (see Appendix 1) be agreed from the Area Revenue Works/Controlled Repairs Reserve to the Area Revenue Works budget within the Tenants Consultative Committee Managed Budgets.

JEAN DAINTITH
EXECUTIVE DIRECTOR FOR HOUSING, HEALTH AND ADULT SOCIAL CARE

Appendix 1

HOUSING REVENUE ACCOUNT

Housing Revenue Account Projected Outturn Position, 2006/2007

Service	Annual Budget £'000	Projected Outturn £'000	Variance £'000	Variance %	RAG Status
<u>TMO Management Fee</u>	11,844	12,139	295	2.5%	Green
<u>TCC Managed Budgets</u>					
<i>Expenditure</i>					
Repairs and Maintenance					
Planned Maintenance	5,807	5,714	-93	-1.6%	Green
Response Repairs	5,101	5,114	13	0.3%	Green
Area Revenue Works	396	716	320	80.8%	Red
Planned Response Repairs	210	210	0	0.0%	Green
Electricity, Heating and Water	2,002	2,577	575	28.7%	Red
Contract Cleaning	1,718	1,710	-8	-0.5%	Green
Pest Control	208	149	-59	-28.4%	Green
Refuse Collection	124	123	-1	-0.8%	Green
General Management	315	352	37	11.7%	Green
Notting Hill Carnival	95	114	19	20.0%	Green
Provision for Bad and Doubtful Debts	650	619	-31	-4.8%	Green
<i>Income</i>					
Rental Income					
Dwelling Income	-29,166	-28,636	530	1.8%	Green
Commercial Property Income	-2,290	-2,433	-143	-6.2%	Red
Garage Income	-586	-602	-16	-2.7%	Green
Charges for Services & Facilities	-5,220	-6,023	-803	-15.4%	Red
Major Works Service Charges	-4,307	-2,993	1,314	30.5%	Red
Grants/contributions	-366	-366	0	0.0%	Green
Heating and Hot Water	-1,521	-1,733	-212	-13.9%	Red
Transfer (+) to from (-) Reserves	0	-237	-237	-100.0%	Red
<i>TCC Managed Budget</i>	-26,830	-25,625	1,205	4.5%	Amber
<u>Council Managed Budgets</u>					
<i>Expenditure</i>					
Capital Charges	19,282	18,944	-338	-1.8%	Green
Recharges & Central Support Services & Recharges	1,015	1,015	0	0.0%	Green
Insurance	815	825	10	1.2%	Green
Miscellaneous Budgets	132	134	2	1.5%	Green
<i>Income</i>					
Housing Subsidy	-7,976	-8,146	-170	-2.1%	Green
Interest Income	-875	-1,075	-200	-22.9%	Red
<i>Council Managed Budgets</i>	12,393	11,697	-696	-5.6%	Red
Total HRA Budget	-2,593	-1,789	804	31.0%	Red
Working Balance b/fwd	-2,552	-2,552	0	0.0%	Green
Contribution to (-) or from(+) Working Balance	-2,593	-1,789	804	31.0%	Red
Working Balance c/fwd	-5,145	-4,341	804	15.6%	Red

RAG Status

Red = £100k+ variance and over +/-5%

Amber = £100k+ variance and between +/-3-5%

Green = under £100k variance or under +/-3%

The table shows there is a projected overspend on the HRA of £804,000 compared to the original budget. This is mainly due to the following:

TMO MANAGEMENT FEE

The overall forecast outturn position for the TMO Management Fee including Lancaster West budget for 2006/07 is £12.139 million, which represents a £295,000 increase in comparison to the original budget of £11.844 million. The TMO Board has approached the Council for an in-year increase of the management fee in 2006/2007 of £295,000 to fund Inspection preparation costs of £158,000, Stock Options review of £10,000, IT expenditure of £67,000 in respect of Capita software and other IT projects totalling £60,000. The effect of this increased funding will be to reduce the TMO's deficit rather than create a surplus. This will be part of the HRA and Rents Key Decision KD02520/07/H/A.

TENANTS CONSULTATIVE COMMITTEE (TCC) MANAGED BUDGETS

The overall forecast outturn position for the TCC HRA (managed) budgets for 2006/07 is for net income of £25.625 million, which represents a £1.205 million or 4.5% under achievement of net income in comparison to the original budget of £26.830 million. Significant variances between the forecast outturn position and the annual budget are explained further below:

Area Revenue Works (ARW) – estimated additional expenditure of £320,000 is based on schemes completed to date and scheduled schemes which have been approved by local Area Review Boards. This will be offset by a corresponding transfer from reserves (see also *Transfer from Reserves* below). As at 31 March 2006 the ARW/Controlled Repairs Reserve balance was £416,000. A transfer of £320,000 would result in a Reserves balance of £96,000 at 31 March 2007.

Electricity, Heating & Hot Water – as reported previously, the projected £575,000 overspend arises from the 54% increase in the price of gas as per the new central boiler contract that runs from August 2006 to July 2007. See also *Heating & Hot Water Income* (as reported below).

Dwelling Income / Charges for Services – as reported previously, these two income budgets need to be considered together as any annual changes in service charges charged to tenants impact upon revised rents, as guided by the rent restructuring model. The overall projected variance of an over recovery of £273,000 represents just 0.8% of the combined budgets. The variance arises principally because rents raised at the end of February 2006 are £530,000 lower than those anticipated at the time the budget was set while tenant service charges raised at the end of February are £378,000 more than budgeted. Additionally there is additional income of £425,000 from leaseholder service

charges due to a higher than anticipated increase in charges in the 2005/06 Final Accounts. This mainly relates to a 71% adjustment for super-inflation in Electricity, Heating & Hot Water Charges.

Major Works Service Charges (Leaseholders) – there is a projected £1.314 million under recovery of these charges to Leaseholders in 2006/07 in comparison to the original budget of £4.307 million. As reported previously, other than general programme slippage, the two most significant factors influencing the change in income relate to the Elm Park Gardens and Trellick Tower schemes. The Elm Park Gardens adjustment arises from the agreement of a revised charging methodology (removing provisional sums from up front charges) and the Trellick Tower adjustment from a change in project scope and delayed start. Any reduction in income due to programme slippage will not represent an overall loss of income to the HRA but will be recovered in a subsequent financial year.

Heating & Hot Water Income – the projected increased income of £212,000 arises from the in-year increase in charges to tenants to recover additional costs in electricity, heating and hot water, approved via a Key Decision Report. Charges were increased for relevant tenants from the beginning of October 2006. Additional costs incurred by leaseholders will be recovered via the Final Accounts mechanism in the next financial year.

Commercial Properties Rent Income – there has been an increase in projected income of £143,000 because a number of favourable rent reviews have been negotiated and additional properties let.

Transfer from Reserves – the projected £237,000 transfer from reserves is the net result of an estimated £320,000 transfer from the ARW/Controlled Repairs Reserve (as reported above) and a £83,000 transfer to the Lancaster West EMB Reserve which arises from a projected in-year underspend on responsive maintenance.

Council Managed Budgets

The overall forecast outturn position for the HRA (Council Managed) budgets for 2006/07 is for net expenditure of £11.697 million, which represents a £696,000 underspend in comparison to the original budget of £12.393 million. Significant variances between the forecast outturn position and the original budget are explained further below.

Capital Charges – a decrease in the projected interest rate from that assumed when the budget was set has reduced the Capital Charges by £338,000.

Housing Subsidy - the projected subsidy receivable has increased by £170,000 as a result of an additional £469,000 Rental Constraint

Allowance. This has been partly offset by a £299,000 reduction in subsidy receivable due to a decrease in the projected interest rate from that assumed when the budget was set.

Interest Income - £200,000 increased income due to higher interest on balances. This is due to an increase in interest rates and an increase in reserves in 2006/2007.