

Committee(s):	Date(s):	Item
Barbican Residential Committee	14 July 2011	
Subject: Seddon House Roof Final Apportionment		For Decision
Report of: Director of Community & Children's Services		Public

Summary

1. This report seeks your Committee's approval to the final apportionment of costs between qualifying Leaseholders and the City of London Corporation (the City) in relation to the roof repairs at Seddon House.
2. The report provides members with a financial assessment of the repairs carried out from July 2004 to March 2005 to the roof and associated elements at Seddon House in connection with the formal declaration of structural defects on 27 February 1995 and its implications for sharing of costs in the roof contract.
3. The apportionment of costs is carried out using a template based on the methodology agreed by your Committee on 17 September 2001 and endorsed by the Finance Committee on 24 September 2001.
4. On this basis, the final apportionment of costs for the roofing repairs carried out at Seddon House is £381,590.62 (84.96%) to the City and £67,565.63 (15.04%) qualifying Long Leaseholders.
5. After taking into account adjustments to these amounts in respect of the City's share as landlord of unsold flats and flats sold since the declaration of structural defects the total amount recoverable from leaseholders is some £103,191.68 which is £30,202.26 lower than the amount provided for in the City's capital accounts of £133,393.93. There will therefore be an additional cost to the City Fund of some £30,202.26 in the 2011/12 financial year in respect of this project.

Recommendation

6. The Barbican Residential Committee is recommended to approve the final apportionment of costs for roofing repairs at Seddon House being 84.96% to the City and 15.04% to qualifying Long Leaseholders.

Main Report

Background

7. On 27 February 1995 the Barbican Estate Managing Director declared, on behalf of the City, the existence of structural defects to terrace blocks in relation to elements of the roof design and associated works.
8. Under housing legislation and the terms of the lease, the costs for those aspects of the works to roofs that relate to structural defects are expected to be borne by the City so far as qualifying long leaseholders are concerned.
9. Qualifying long leaseholders are those who purchased their flats before the declaration date of 27 February 1995, or those who bought from such a leaseholder subsequently. Any flats sold by the City after that date are flats where the leaseholder is liable for the full charge, commensurate with the percentage in the lease, of such works.

Current Position

10. The principles for determining the apportionment of costs resulting from structural defects are based on the methodologies agreed for Speed and Willoughby Houses approved by your Committee on the 17 September 2001 and endorsed by the Finance Committee on the 24 September 2001. These principles have been ratified by the Roof Sub Committee of the Barbican Association.
11. In essence the City meets the cost of rectifying structural defects (as far as the qualifying Long Leaseholders are concerned), whilst qualifying Leaseholders pay for the renewal of existing waterproof coverings, health and safety type items, improvements consequent upon new building guidelines, and routine repairs and maintenance which are being undertaken whilst the scaffolding is in place.
12. The principle of the template is based on each item of work being assessed on technical grounds, as a structural defect or not, and an allowance is made, for historic costs. Consequently the percentage of contribution paid by the City for each roof contract will vary depending on the details in each block.
13. To determine the relative contributions it is necessary to carry out a detailed exercise for each block's roof contract, to establish the type of work, the reasons for the work and the costs.

14. A summary of the costs incurred at Seddon House and the degree to which they are, or are not, considered to relate to a structural defect, is shown in Appendix A. An adjustment has been made for the historic costs of roof maintenance and the template gives a final percentage contribution payable by the City and therefore enables the final calculation for service charge purposes to be made.
15. Your Committee is asked to approve the final cost-apportionment, as outlined in this report, based on the template in Appendix A.
16. Intensive work was carried out into the technical, legal and financial issues surrounding the need to replace roof coverings of terrace blocks on the estate. The formal declaration under housing legislation of structural defects existing in the roofs and associated elements on terrace blocks was made, together with a report on roofs, at your Committee on 27 February 1995. A report outlining the provisional apportionment was accepted by your Committee on 19 July 2004. That report assessed the apportionment as being 77.55% the City and 22.45% qualifying Long Leaseholders.
17. The contract for works at Seddon House started in July 2004 and was completed in March 2005. The contract was let to Breyer Group PLC for the fixed price of £438,563.00 including contingencies, provisional sums and preliminaries following competitive tender. As with all refurbishment work, the final cost depends to a degree on matters arising during the contract and issues coming to light when the building fabric is opened up.
18. Breyer's final account has been verified by the Chamberlain in the sum of £412,648.00. Added to the final account figure are minor works carried out outside of the main contract of £1,343.64, staff costs of £26,716.61 and consultant's fees of £18,000. A deduction was made in respect of liquidated and ascertained damages totalling £9,552.00 in respect of a 6 week delay in completing the works. This gives a total outturn cost for the project of £449,156.25 which forms the basis of the final cost apportionment.

The Apportionment of Costs

19. In order to establish the apportionment of costs for these works, the final account has been laid out in the template format and a copy of this is attached in Appendix A. The work comprises the renewal of the whole of the covering of the main roofs, including the barrels and high level walkways. There are alterations to the drainage arrangements, works to the windows and doors, the installation of lightning conductors and provisions made for future maintenance having regard to current health and safety

legislation. In addition, other ancillary repairs, such as remedial works to the concrete and redecoration, are also included.

20. The design of the roofs varies from block to block and therefore the extent and type of remedial works also varies. Nevertheless certain items, judged to be structural defects, are appearing across most blocks to date. For example, improvements made to drainage arrangements have been taken wholly as the City's cost.
21. The cost of renewing the existing roof coverings to the main roofs, including the barrels, high level walkways has been allocated as a leaseholder costs. At the present time even with modern building materials and techniques, it is not possible to obtain guarantees on roof coverings that stretch beyond twenty-five years. The roof at Seddon House has been in use since 1974. It is apparent that the roof surface would have to be re-laid at some point after twenty five years, and this cost should be legitimately charged to leaseholders.
22. Several items contained in the provisional apportionment have been reviewed with the roof Sub-Committee and adjusted where appropriate to conform to the agreed principles for determining the apportionment of costs. When the apportionment of the works items are totalled the proportion to be contributed by each party can be expressed as a percentage of the total. It will be seen from Appendix A that, if this report's recommendations are approved, the percentage split of the 'roof works' costs alone are 79.07% to the City and 20.93% to qualifying long leaseholders. The former percentage has been applied in determining the historic costs adjustment.
23. The percentage split for the 'total works', which included items of routine repairs and maintenance, is 73.61% to the City and 26.39% to qualifying long leaseholders. These percentages have been used to apportion the general items such as preliminaries to share the cost of these between the City and leaseholders. This exercise is also carried out for staff costs and fees. It should be noted that time spent on the 'apportionment' exercise was recorded separately and specifically within the Estate's timesheet system as a landlord cost.

Historic costs

24. Repair costs relating to this block prior to 1995/96 were not recorded in a manner that enables the cost of roof repairs to be separately identified from other general repairs. Historic costs have, therefore been assessed in a similar manner to that adopted for Willoughby House. The data available on past roofing expenditure on Willoughby House was more comprehensive

than is generally available for other blocks on the Estate. Using this data it was possible to estimate that the expenditure on roofs as a proportion of general external repairs was 45.78%. This percentage has therefore been applied to the known costs for all external repairs between 1992/93 and 1994/1995 on Seddon House, to which has been added the actual recorded roofing costs from 1995/96 to 2003/04. The estimated total cost of roofing works based on these calculations is £64,775.60. Using the percentage from paragraph 22 above (79.07%), the figure attributable to historic repairs in respect of structural defects as the City's contribution to qualifying leaseholders is estimated to be £51,217.29. This sum has been added to the City's costs and deducted from the leaseholders' costs. This brings the percentage split of project costs for Seddon House to 84.96% City and 15.04% leaseholders.

25. **The split of 84.96% (City) and 15.04% (qualifying leaseholders) is a final apportionment for Seddon House roof works.**
26. Originally there were 75 flats in the Seddon House but in 2004/05 two new flats were created from the old estate office and the contribution of the original flats has been reduced to reflect these additions. Of the sum attributable to long leaseholders, the City will pay its share of the costs, as usual, for those flats which are still City-owned and are tenanted or vacant awaiting sale. Two flats are in this category. Sixty-five lessees purchased prior to the structural defects declaration and will pay the abated cost. The remaining lessees will bear their proportion of the full cost of the works as their properties were purchased from the City after the declaration of structural defects.
- 27 The apportionment detailed above and in appendix A has been discussed and agreed with the Barbican Association's Roof Sub Committee

Financial Implications

28. Taking into account the adjustments referred to in paragraph 26 in respect of the City's share as landlord of unsold flats and flats sold since the declaration of structural defects the total amount recoverable from leaseholders is some £103,191.68 which is £30,202.26 lower than the amount provided for in the City's capital accounts of £133,393.93. There will therefore be an additional cost to the City Fund of some £30,202.26 in the 2011/12 financial year in respect of this project

29. The financial effects on leaseholders with and without the Structural Defect (SD) contribution for all flat types in Seddon House are as follows, based upon the percentages in the lease:

Type	Without SD Contribution	With SD Contribution
26	£5,525.04	£830.97
27	£5,168.59	£777.36
28	£5,926.05	£891.28
29	£6,104.28	£918.08
31	£5,614.15	£844.37
32	£5,213.14	£784.06
35	£8,153.89	£1,226.35
36	£7,797.44	£1,172.73
39	£6,817.19	£1,025.30
40	£4,945.80	£743.85
41	£6,460.73	£971.69
42	£9,134.14	£1,373.78
43	£7,307.31	£1,099.02
44	£3,252.64	£489.20
45	£3,787.33	£569.61
46	£5,614.15	£844.37

Legal Implications

30. The apportionment calculation follows the agreed template and will enable closure of the service charge account in respect of the roofing works in accordance with legislation, the standard lease and the template.

Consultees

31. The Comptroller & City Solicitor and Chamberlain have been consulted in the preparation of this report and their comments incorporated.

Conclusion

32. Subject to your approval of the recommendation set out at paragraph 6 the final apportionment of costs will be 84.96% (City) and 15.04% (qualifying leaseholders) for the roof works at Seddon House.

JOY HOLLISTER
Director of Community and Children's Services

Background Papers:

<u>Background Papers</u>	<u>Department of Origin</u>
Reports to, and Minutes of, <u>Barbican Residential Committees</u> dated 27 June 1994; 27 February 1995; 24 April 1995; 25 September 1995; 18 March 1996; 17 June 1996; 24 November 1997; 16 March 1998; 27 September 2004; 15 November 2004 <u>Roof Resolution Group</u> meetings on 26 September 1994; 23 January; 12 April; 6 September; 12 October 1995; 27 March; 29 April; 20 May 1996; 24 January 2000. <u>Report to Finance Committee</u> 2 May 1995 <u>Report to Policy and Resources Committee</u> 1 June 1995. <u>Report to Finance Committee</u> 24 September 2001	Department of Community Services, Comptroller and City Solicitor, Town Clerk and Chamberlain

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