

Committee	Dated:
Barbican Residents' Consultation Committee	02092019
Subject: Relationship of the Barbican Residential Committee Outturn Report to Service Charge Schedules	Public
Report of: Director of Community and Children's Services	For Information
Report author Anne Mason - Service Charge and Revenues Manager Department of Community and Children's Services	

Summary

This report seeks to clarify how the Service Charge Account 2018/19 Revenue Outturn Report relates to the service charge schedules provided to long lessees.

Recommendation

Members are asked to:

- Note the report.

Main Report

Background

1. This report is presented annually to this Committee to demonstrate the relationship of the Corporate outturn report on the revenue expenditure and income for the Barbican Estate with the service charge made to residents.

The Outturn Report

2. The report comprises revenue expenditure and income that has been properly identified and coded to the Barbican Estate on the City of London's general ledger system (Oracle). It includes Supplementary Revenue Project expenditure e.g. redecoration programme works.

Reconciliation Annexes

3. A number of annexes have been produced to demonstrate the linkages between the 2018/19 revenue outturn report and the service charge schedules. The important features of each annex are outlined below.

ANNEX 1 – Extract from the Barbican Residential Committee Revenue Outturn Report

4. Annex 1 is Table 3 from the Service Charge Outturn report to the Barbican Residential Committee.
5. The general ledger records expenditure and income transactions e.g. monthly salaries, bills paid, service charge invoices raised. Each transaction is coded in various ways including by activity (e.g. cleaners, hall porters, car park attendants), by type of expenditure (e.g. employees, repairs and maintenance, supplies and services), and by block or estate wide. These codings are summarised to produce the revenue outturn report to the Barbican Residential Committee and the initial service charge schedule.
6. Expenditure incurred in the financial year to 31 March relates to;
 - i) services and works for which an invoice/charge has been paid; and
 - ii) accruals for services and works provided but for which an invoice had not been paid before the year-end. Accruals are proper accounting practice and are made at the year end so that the accounts correctly reflect the expenditure and income for the year rather than just the payments and receipts.

ANNEXES 2 and 3 – General Ledger Service Charge Revenue Account in More Detail

7. Annex 2 expands each of the headings in Annex 1 (the staff groups under employees, the types of repairs and maintenance etc.) whilst Annex 3 converts the same information, through use of the cross-reference key, to the headings used in the service charge schedules provided to long lessees (electricity, lift maintenance, resident engineers etc).

ANNEX 4 – Comparison of the General Ledger and Final Service Charge Schedule.

8. Annex 4 indicates the adjustments made by the Estate Office to the general ledger costs in order to produce the final service charge schedule. These adjustments are typically due to the fact that more accurate information relating to expenditure items is available at the time individual service charges are being prepared after the financial year end.
9. A total of £9,336,695 revenue expenditure was included on service charge schedules which, due to adjustments made by the BEO is £25,881 lower than

the expenditure on the general ledger. The main reasons for this decrease are explained in paragraphs 11 to 17.

ANNEX 5 – Adjustments to General Ledger Expenditure by Barbican Estate Office.

10. The reasons for each of the adjustments are explained in this annex. As indicated above, the adjustments mainly result from a further examination of entries after the closure of the general ledger. The City Fund accounts must be approved by the City of London in accordance with statutory deadlines and therefore the general ledger is closed several weeks before the final service charge invoices are prepared for the September quarter day. Without such timing constraints it would be possible to alter the general ledger to exactly reflect the final service charges.
11. The main adjustments are for window cleaning, technical services, heating and the concrete works.
12. The £21,310 adjustment for window cleaning is a reversal of last year's adjustment which had been made in respect of advance charges.
13. The Technical Services recharge has been reduced by £41,409 in respect of non-service charge work. Following the closure of the accounts the allocation of time between various projects was examined and re-allocated from a general technical services account to specific the landlord's account.
14. The heating charge was adjusted by £66,392 Most of this is in respect of invoices received after the closure of the accounts. There was also an adjustment for a non-service charge property.
15. With regard to the concrete project, £62,882 was reallocated to the car park account.

ANNEX 6 – Attribution of the 2018/19 Service Costs Across Blocks

16. This annex shows for the expenditure headings on the service charge schedule, the amount attributed to each block together with the main basis of attribution. The accompanying commentary provides more detail on the basis of attribution and the annex also includes a list of the estate wide and terrace block percentages and a comparison between the actual service charges for 2017/18 with the 2018/19 actual charges and the estimates for 2018/19.
17. The comparison with the 2017/18 actuals shows significant variations for several service heads.
18. The rise in electricity costs is due to the increased unit price following the tender exercise in 2018. For example, for Andrewes House the daily rate increased by from 11.036 pence to 13.3898 pence (day) and from 7.297 pence to 9.06065

pence (night). The new rates were applicable from October 2018. The previous rate had been in force since October 2016.

19. The lift maintenance charge was slightly lower than the estimate. In 2017/18 charge was higher than usual due to the late billing of the March 17 costs.
20. The increase in resident engineers' costs (19.30%) year, is mainly because the section was fully staffed for the year. There was also an increase in training costs £7,463, and relocation costs £2,275. The increase in salary costs was £55,471.
21. The furniture and fittings charge is mainly for replacement carpets in the tower and corridor blocks. These replacements are carried out in consultation with the housegroups and usually vary considerably from year to year.
22. Most of the expenditure on cleaning materials is for refuse sacks (£15,435) which are ordered in bulk, more orders were placed in 2018/19 than in the previous year. Expenditure on equipment decreased in comparison with 2017/18 expenditure includes parts and replacements of small appliances such as vacuum cleaners. Expenditure this year includes replacement hoovers and steam cleaners.
23. The increase in expenditure on cleaning staff reflects pay increases, changes to salary scales and cover for sickness. The lowest scale point has been removed and an additional higher scale point added. Also, due to changes in employment law staff are now entitled to holiday pay on overtime. The holiday pay entitlement has been backdated to 1 April 2015. The pay increase (2.45% basic and 5% London weighting) salary scale changes and holiday pay resulted in a 5.7% increase in basic pay. There was a 30% increase in agency and overtime costs, mainly to cover long-term sickness and a 31.37% increase in superannuation costs due to more staff joining the scheme and increased overtime.
24. The garden maintenance costs were higher than estimated in 2017/18 due to pathway improvement works.
25. The increase car park attendants' costs reflects the pay increases (2.45% basic and 5% London weighting) and backdated holiday pay. Overall the increase in salary costs was 4.35%. The cost of agency and overtime cover for sickness, holidays and vacancies increased by 24.07%.
26. The increase in Lobby porters' costs also reflects pay increases, supervision costs and backdated holiday pay. Also, there was a full complement of staff through the year and all joined the pension scheme. The agency and overtime costs reduced by 24.27%
27. The overall increase in garchey costs is mainly due to an increase in repairs expenditure and energy costs.
28. Most of the general maintenance expenditure is demand led and can vary considerably from year to year. The cost of estate wide repairs decreased by

29.13%. in 2017/18 expenditure included lighting repairs to the subways, £10,565 and tiling repairs to the lakeside areas, £15,535. There was also an incorrect accrual of £15,717 which was subsequently cancelled in 2018/19. The fibre network maintenance charge was £39,548.

29. Expenditure on electrical repairs increased this mainly due to expenditure on distribution boards and control panels in the Towers and Defoe House (£22,000), £19,839 for heating repairs at Frobisher Crescent and £2,520 on cabling/wiring works. The increase in exterior electrical repairs costs was mainly due to the door access control system at Shakespeare Tower (£8,509) and repairs to over door lighting.
30. Expenditure on common parts repairs increased by 7.93%. The main areas of increase were plumbing (£72,527), this was largely due to repairs to booster pumps and pressure vessels (£20,303). Exterior repairs increased by 8.11%, this was largely due to repairs to remedy water penetration, particularly in Shakespeare Tower, Cromwell Tower, Ben Jonson House, Breton House and Defoe House. Expenditure on Safety and Security was higher in 2017/18, this was mainly due to the expenditure on fire risk assessments.
31. Overall expenditure for the above repairs headings (key ref 15-20 26 27) has increased by 6.06%.
32. The allocation of House Officer, Supervision and Management recharge and Technical recharge are mainly based on timesheet information and reflect the time being spent on service charge issues. This year more of the House Officers' time has been allocated to estate management duties which is included in the Supervision and Management Charge. The overall cost for Supervision and Management and House Officer duties increased by 5.16%.
33. The contract for electricity and gas supplies for heating was also tendered last year and charges increased significantly. On average the increase was 31.62% for the night rate and 11.10% for the day rate. For example, the average unit price for the three meters in Andrewes House increased from 7.255 pence to 9.5688 pence (night) and from 9.80 pence to 10.7421 pence (day). The previous contract was tendered in 2016. Overall the electricity consumption was 4.72% less than in 2017/18.
34. In addition to the unit charge there are available capacity and excess capacity charges. For Andrewes House for the October to March period these amounted to 4.6% of the total charge.
35. The asbestos management/ removal heading includes £32,658 for re-inspections of asbestos containing materials.

ANNEX 7 Attribution to a Typical Flat

36. The information in Annex 6b for Andrewes House is analysed further to give the costs for a typical flat.

ANNEX 8 Service Charge Chart

37. This shows the service charges by service head for the years 2013/14 – 2018/19.

Conclusion

38. Overall the estate service charge for the annually recurring items excluding heating (key ref 1-24 & 26, 27 & 30) has increased by 4.98%. The increase when heating is included is 5.95%

39. The Actual Service Charge schedules and an explanatory letter of the various items included on the schedule will be sent to residents by early September.

Appendices

Annex 1-8

Background Papers

Barbican Residential Committee
2017/18 Revenue Outturn for the Dwellings Service Charge Account including reconciliation between the closed accounts and the final service charge

Anne Mason

Revenues Manager

T: 020 7029 3912

E: anne.mason@cityoflondon.gov.uk