

Committee(s):	Date(s):	Item
Barbican Residents' Consultation Committee	15 March 2010	
Barbican Residential Committee	29 March 2010	
Subject: Defoe House Roof Final Apportionment		For Decision
Report of: Director of Community & Children's Services		Public
<p style="text-align: center;"><u>Summary</u></p> <ol style="list-style-type: none"> 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 Defoe House. 2. The report provides members with a financial assessment of the repairs carried out from March 2001 to April 2002 to the roof and associated elements at Defoe 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 Defoe House is £952,878.13 (77.12%) to the City and £282,656.09 (22.88%) 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 £389,000 which is £34,000 lower than the amount provided for in the City's capital accounts of £423,000. There will therefore be an additional cost to the City Fund of some £34,000 in the 2009/10 financial year in respect of this project. <p>Recommendations</p> <ol style="list-style-type: none"> 6. The Barbican Residential Committee is recommended to approve the final apportionment of costs for roofing repairs at Defoe House being 77.12% to the City and 22.88% 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 Defoe 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 22 October 2001. That report assessed the apportionment as being 73.14% the City and 26.86% qualifying Long Leaseholders.
17. The contract for works at Defoe House started in March 2001 and was due to be completed in February 2002. Owing to inclement weather, which resulted in a delay in the progress of works, a 6 weeks extension of time was granted resulting in the works completing in April 2002. The contract was let to R R Richardson PLC for the fixed price of £1,117,922.22 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. The draft final account was submitted by the consultant, Michael Flowers & Partners, in May 2004 in the sum of £1,154,051.26. Subsequently, to avoid potential legal proceedings from the contractor who was seeking final payment of outstanding monies due, the Town Clerk (after consulting with the then Chairman and Deputy Chairman of the Barbican Residential Committee) approved under urgency procedures in November 2004 that final payment be made to the contractor together with an associated increase in the works budget. Payment was offered to, and accepted by, the Contractor on a full and final settlement basis. At the time of preparing the urgency report the final account had not however been presented to the Chamberlain for verification. The final account was subsequently verified by the Chamberlain in the sum of £1,152,328.86; based on this figure the contractor has been overpaid £1,722.40. Taking account of the relatively small sum involved, in relation to the verified final account, and the potential cost of pursuing the matter in the face of the full and final nature of

the terms of payment, no further action has been taken to recover the overpayment. However, in order to regularise the position it is intended, subject to the approval of the Chamberlain, that the overpayment be written off in accordance with Standing Order 53(2) using Chief Officer's delegated authority.

19. Added to the verified final account figure of £1,152,328.86 are staff costs of £53,215.36 and consultant's fees of £29,990. This gives a total outturn cost for the project of £1,235,534.22 which forms the basis of the final cost apportionment.

The Apportionment of Costs

20. 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, entrance level 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.
21. 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. Another example is the works carried out to the glazed roof over the staircase, the design has been substantially changed to meet the needs of waterproofing and maintenance more adequately. These costs have also been judged to be a structural defect chargeable to the City.
22. The cost of renewing the existing roof coverings to the main roofs, including the barrels, entrance level walkways and 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 Defoe House has been in use since 1973. 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.
23. 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 73.69% to the City and 26.31% to qualifying long leaseholders. The former percentage has been applied in determining the historic costs adjustment.

24. The percentage split for the 'total works', which included items of routine repairs and maintenance, is 71.15% to the City and 28.85% to qualifying long leaseholders. These percentages have been used to apportion the general items such as preliminaries to share the cost of these between 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

25. 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 1988/89 and 1994/1995 on Defoe House, to which has been added the actual recorded roofing costs from 1995/96 to 1999/2000. The estimated total cost of roofing works based on these calculations is £100,161. Using the percentage from paragraph 23 above (73.69%), the figure attributable to historic repairs in respect of structural defects as the City's contribution to qualifying leaseholders is estimated to be £73,812.26. 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 Defoe House to 77.12% City and 22.88% leaseholders.
26. **The split of 77.12% (City) and 22.88% (qualifying leaseholders) is a final apportionment for Defoe House roof works.**
27. 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. To date, 8 flats are unsold in Defoe House,

4.49% of the block. Of the 170 flats that have been sold, 8 were sold after the completion of works. Of the remaining 162 properties, 25 leaseholders 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.

- 28 The apportionment detailed above and in appendix A has been discussed and agreed with the Barbican Association's Roof Sub Committee

Financial Implications

29. Taking into account the adjustments referred to in paragraph 27 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 £389,000 which is £34,000 lower than the recoverable amount provided for in the City's capital accounts of £423,000. There will therefore be an additional cost to the City Fund of some £34,000 in the 2009/10 financial year in respect of this project.
30. The financial effects on leaseholders with and without the Structural Defect (SD) contribution for all flat types in Defoe House are as follows, based upon the percentages in the lease:

Type	Without SD Contribution	With SD Contribution
20	£6,795.44	£1,554.61
21	£6,795.44	£1,554.61
23	£6,177.67	£1,413.28
49	£5,621.68	£1,286.09
50	£5,621.68	£1,286.09
51	£8,648.74	£1,978.59
52	£5,621.68	£1,286.09
53	£5,621.68	£1,286.09
54	£10,378.49	£2,374.31
56	£10,625.59	£2,430.84
57	£6,301.22	£1,441.55
58	£6,548.33	£1,498.08
60	£6,177.67	£1,413.28
61	£8,648.74	£1,978.59

Legal Implications

31. 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

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

Conclusion

33. Subject to your approval of the recommendation set out at paragraph 6 the final apportionment of costs will be 77.12% (City) and 22.88% (qualifying leaseholders) for the roof works at Defoe House.

Background Papers:

<u>Background Papers</u>	<u>Department of Origin</u>
<u>Reports to, and Minutes of, 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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