

Committee	Dated:
Barbican Residents' Consultation Committee	10/09/2018
Subject: Relationship of the Barbican Residential Committee Outturn Report to Service Charge Schedules Residential Rent Review	Public
Report of: Director of Community and Children's Services	For Information
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Summary

This report seeks to clarify how the Service Charge Account 2017/18 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 2017/18 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 £8,863,426.22 revenue expenditure was included on service charge schedules which, due to adjustments made by the BEO is £66,854.38 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 various adjustments are mainly due to miscoding and include adjustments £29,356.01 in respect of electricity charged to car parks and commercial premises, £1,475 in respect of graffiti removal to the exterior of blocks, £10,890.06 for fire safety inspections in car park areas, £3,185.50 for fire safety inspections in tenanted flats and £6,421.52 for tiling repairs on the Podium.
12. An adjustment of £20,009.90 has been made in respect of advance charges (April 2018) for window cleaning. Window cleaning is invoiced bi-monthly and the April 2018 should have been accrued to 2018/19.
13. The car park attendants' costs charged to the Service Charge Account have increased by £45,911.14. This is due to a change in apportionment of costs between the Service Charge Account and Car Park Account. The total recharge to the terrace blocks was originally 33.33% of the total costs and this apportionment was continued after the development of Frobisher Crescent. However, following further redevelopment on the estate the sum of the relevant percentages in the terrace block leases is now 36.8%. The amount now being charged to each block reflects the terrace block percentages in the Lease.
14. £33,476 of the increase is due to the inclusion of charges in respect of Blake Tower. Although Blake Tower is not currently managed by the Estate Office the residents are receiving the benefit of the concierge services and it was decided, for clarity, to include the re-charges for Blake Tower in the Service Charge calculations.
15. The Technical Services recharge has been reduced by £74,797.63 in respect of non-Barbican service charge projects. Following the closure of accounts the allocation of time between various projects was examined and re-allocated from a general technical services account to specific projects.

16. Charges for notional interest, £379.24 and depreciation, £4,867.09 have not been included in the outturn figures. Also, the accounting adjustments for contribution for residential rents £25,411.88 and the £32,396.47 contribution to funds are not included.
17. A further reallocation was made in respect of a balcony project at Frobisher Crescent.

ANNEX 6 – Attribution of the 2017/18 Service Costs Across Blocks

18. 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 2016/17 with the 2017/18 actual charges and the estimates for 2017/18.
19. The comparison with the 2017/18 actuals shows a marked variation for several service heads.
20. The increases in lift maintenance costs are mainly due to the late billing of the March 17 costs and increased contract costs. There was also an increase in repairs costs of £13,180.
21. The resident engineers' costs were lower than the previous year, this is mainly due to staff vacancies.
22. Expenditure on cleaning equipment increased in comparison with 2016/17 expenditure includes parts and replacements of small appliances such as vacuum cleaners. This year replacement cleaners' trolleys were purchased at a cost of £10,078.60. The increase in expenditure on staff reflects the need to employ additional staff to cover sickness and for additional work following balcony and common parts inspections. Also, here was an increase in the superannuation rate. Expenditure on additional refuse cleaning is optional service and is demand led by housegroups.
23. The overall increase in garchey costs is mainly due to an increase in repairs expenditure. However, the 2016/17 charge was some £22k lower than the previous year.
24. Most of the general maintenance expenditure is demand led and can vary considerably from year to year. The cost of estate wide repairs increased by 15.67%. Included this year were lighting repairs to the subways, £10,565 and £15,534.97 for tiling repairs to the lakeside areas. Repairs to the common parts of the blocks has decreased, this is mainly due to a reduction in carpentry and plumbing repairs. Other general repairs headings on the service charge schedule include pest control and safety/security works. This year the Water Supply Works and Asbestos Works have been shown separately on the block schedules as there has been significant expenditure on certain blocks. In 2016/17 £45k was included under the safety and security heading for asbestos

works. Also, in 2016/17 there was also significant expenditure on new eyebolts to comply with Health and Safety legislation.

25. Overall expenditure for the above repairs headings (para 24) has increased by 3.07%.
26. The gardening costs were high in 2016/17 due to project works. The pathway works were completed in 2017/18 which is reflected in the cost being £11k above estimate.
27. The increase in car park attendant costs after taking into account the change in allocation to the service charge account (para 13), was 6.18%. The main costs under this heading are the salary costs for the concierge staff. Overall (Car Park Account and Service Charge Account) these salary costs increased from £1,403,475.77 in 2016/17 to £1,496,043.81 in 2017/18 (6.6%). £39,864.88 of the £92,568.04 increase was due to the increase in superannuation costs. The employer's superannuation contribution increased from 17.5% in 2016/17 to 21% in 2017/18.
28. 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 charge for Supervision and Management has increased by 23.31%. This reflects the time spent on management issues such as fire safety and time spent with working parties.
29. Expenditure on the redecoration projects reflects the cost of the works, staff time spent on the project and consultant's fees. The programme of works can vary considerably from year to year.
30. The expenditure on asbestos removal was mainly for the removal of asbestos materials in common parts and access ducts.

ANNEX 7 Attribution to a Typical Flat

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

ANNEX 8 Service Charge Chart

32. This shows the service charges by service head for the years 2012/13 – 2017/18.

Conclusion

33. Overall the estate service charge for the annually recurring items excluding heating (items 1-24 & 26, 27 & 30) has increased by 4.35%. The increase when heating is included is 3.39%

34. 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

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