

<b>Committee(s):</b> Residents' Consultation Committee	<b>Date(s):</b> 10 September 2012	<b>Item no.</b>
<b>Subject:</b> Relationship of the Barbican Residential Committee Outturn Report to Service Charge Schedules		
<b>Report of:</b> Director of Community and Children's Services	<b>Public</b>	
<b>Ward (if appropriate):</b>		
<p style="text-align: center;"><b><u>Executive Summary</u></b></p> <p>This report seeks to clarify how the Service Charge division of service in the 2011/12 Revenue Outturn Report relates to the service charge schedules provided to long lessees.</p> <p><u>Recommendation</u> That the report be noted.</p>		

## **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 (known as CBIS). The general ledger also records capital expenditure but this is generally not included in outturn reports to City of London Committees as such expenditure is the subject of separate control arrangements. The revenue and capital expenditure on the general ledger forms the basis for the calculation of individual long lessee service charges along with the inclusion of any subsequent adjustments as explained later in this report. However, no capital expenditure was incurred this year.

3. The annexes on the Barbican Residential Committee revenue outturn report now reflect the format requested by this Committee.

### RECONCILIATION ANNEXES

4. A number of annexes have been produced to demonstrate the linkages between the 2011/12 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

5. Annex 1 sets out the service charge page (Annex C3) from the outturn report to the Barbican Residential Committee.
6. The general ledger records each expenditure and income transaction 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.
7. 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

8. 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.

9. 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.
10. A total of £6,638,133.10 revenue expenditure was included on service charge schedules which, due to adjustments made by the BEO is £49,033.07 higher than the expenditure on the general ledger. The main reasons for this increase are explained in paragraph 12.

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

11. 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.
12. The various adjustments are mainly due to miscoding and adjustments to accruals. These include the reversal of adjustments made in 2010/11 of £16,780 for the resident engineer accommodation costs, £16,950 for electrical repairs and £11,800 for exterior general repairs.
13. An adjustment of £114,102.08 has been made for the concrete works to the towers for works carried out in 2011/12. Other adjustments include a credit of £23,150.46 was made to the lobby porter charge in respect of long term sick pay and £40,214.45 was reallocated from supervision and management to the car park account in respect of salary and overhead costs.

#### ANNEX 6 – Attribution of the 2011/12 Service Costs Across Blocks

14. This annex shows for each expenditure heading 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 2010/11 with the 2011/12 actual charges and the estimates for 2011/12.

15. The comparison with the 2010/11 actuals shows a marked variation for several service heads.
16. The increase in lift maintenance costs was mainly due to the replacement of the elevator monitoring units (EMUs) in the tower blocks.
17. The increase in resident engineers' costs was due to more time being spent on general estate matters.
18. The increase in window cleaning costs is due mainly to the inclusion of Frobisher Crescent and the cleaning of difficult to access windows in the towers.
19. The decrease in expenditure on furniture and fittings was due to a reduction in the number of carpet renewals. The renewal of carpets is carried out in consultation with the housegroups and the amount spent can vary considerably from year to year.
20. Expenditure on cleaning materials and equipment has decreased in comparison to 2010/11. This due to use of new suppliers and lower stock holdings.
21. Expenditure on cleaning staff is due to lower staffing levels. Expenditure on additional refuse cleaning is optional service and is demand led by housegroups.
22. Most of the general maintenance expenditure is demand led and varies from year to year. The cost of exterior repairs has increased in several blocks, in Cromwell Tower and Lauderdale Tower this was mainly due to works to remedy water ingress to penthouses, in Bunyan Court, Seddon House and Gilbert House it was due to renewal of balcony felts and window frame renewals and repairs. Estate wide and common parts repairs are lower than last year. However, in 2010/11 expenditure had been higher than previous years.

23. The Technical Supervision and Management recharge is lower than in 2010/11. The charge is based on timesheet information and reflects less time overall being spent on general repairs and maintenance issues on the Barbican and fewer orders issued.
24. 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.
25. Charges were raised for fan and duct cleaning and for water tank replacements. The low level of charges in comparison to the estimate reflects a delay in the works programme. Refunds were made in June to seven of the affected blocks.
26. The decrease in heating costs reflects lower consumption due to the mild winter. The unit cost for off-peak electricity rose from 7.17p to 7.47p per unit in February 2012. The previous increase in the unit rate was in January 2010 when it rose from 6.67p to 7.17p per unit. The rates are still competitive.

#### ANNEX 7 Attribution to a Typical Flat

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

#### Conclusion

28. 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. The schedules will also be published on the City of London's internet site.

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