

## **LSCWP progress report 14 May 2021**

Since November 2020 the LSCWP has been working with officers on a more detailed review of the costs making up the Service Charges paid by leaseholders. The group now includes Paul Murtagh, Assistant Director, Barbican Estate and Property Services.

Paul Murtagh described the “journey we are on” as one to seek to understand the reasons behind the year-on-year increases in the service charge, and collectively look to find palatable ways to achieve reductions, working with residents, and maintaining service levels as agreed in the Service Levels Working Party.

To achieve this objective the group has embarked on a detailed line-by-line examination of the Service Charges. This work has started on “Supervision and Management” and will proceed to other areas.

### **Highlights: Supervision and Management**

The first detailed review covered charges to the Barbican Estate for the periods 2017/18 to 2019/20.

- Supervision and Management charges total £1.8m in 2019/20 of which £1.0m was charged to leaseholders. The other £0.8m were charges associated with non-service charge areas: trade centre, car parks etc.
- 57% of this cost (about £570K on the service charge) is for people in the BEO. There are 17 staff in the BEO, many of whom work on both service charge and non-service charge matters.
- The other 43% of these charges are from the Corporation (Guildhall) for services such as Chamberlains dept., Town Clerk and IT.

Residents noted that, excluding the heating bill, Supervision and Management represented 17% of the total annually recurring service charge.

Issues under discussion include

- Level and basis of allocating Corporation overheads to leaseholders
- Allocation of costs to the service charge for activity linked to sales or compliance issues of individual leaseholders.
- Approval processes for growth of 36% in staffing, equating to 2.6 staff members in this period
- In the two year review period a Full Time Equivalent (FTE) of 2.6 was added to the number of FTE paid for by the service charge. This is an increase in FTE of 36%. All of these FTE attract corporate overhead pro-rata.

Actions under way

- Corporation reviewing all internal charging
- BEO awaiting legal response on charging of individual leaseholders on compliance issues
- PM has tasked his team with finding a 5% reduction in annual Supervision and Management expenditure by the BEO. The effect this will have on the service charge is being evaluated.

Implications for the RCC

With the current uncertainty around the future governance of the Barbican Residential Estate particularly, the recommendation that the BRC should be abolished, we need to see what the implications are for the future role of the RCC. PM made it clear however, that there needs to be some mechanism for approving requests from leaseholders that would result in higher costs and, as a result, an increase in the service charge.

### **Direct Staff Costs**

- This area is currently under review and comprises cleaners, lobby porters and car park attendants.

## **Conclusion**

The discussion on service charges is being undertaken in an open and frank manner. It is touching on key issues on the methodology for charging leaseholders and the issue of cost increases.

It is very positive to see savings targets being introduced which will affect leaseholder costs.

An emerging principle from these discussions is that the RCC will increasingly need to take responsibility for authorising decisions which affect the level of the Service Charge.