

<b>Committee(s)</b>	<b>Dated:</b>
Residents' Consultation Committee Barbican Residential Committee	200922 300922
<b>Subject:</b> 2021/22 Revenue Outturn for the Dwellings Service Charge Account	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>4 12</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>£</b>
<b>What is the source of Funding?</b>	
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>Y</b>
<b>Report of:</b> Andrew Carter Director of Community and Children's Services	<b>For Information</b>
<b>Report author:</b> Anne Mason Community and Children's Services	

### Summary

This report provides information on residential service charge expenditure for 2021/22. It also compares the outturn with the 2021/22 estimate and the 2020/21 actual expenditure.

<b>Table 1 - Summary Comparison of 2021/22 Revenue Outturn with Final Agreed Budget</b>			
	<b>Latest Agreed Budget £000</b>	<b>Revenue Outturn £000</b>	<b>Variations Increase/ (Reduction) £000</b>
Expenditure	(8,874)	(10,008)	(1,134)
Income	10,205	11,308	1,103
Net Recharges	(1,331)	(1,300)	31
<b>Overall Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>

A summary of the service charge reconciliation of the 2021/22 actuals as per the closed accounts above and the amount to be charged as a service charge is set out in the table below.

<b>Table 2 - Summary Service Charge Reconciliation 2021/22</b>	£000
Actual Service Charge Expenditure Per Accounts	(11,445)
Less recharges and Barbican Estate Office adjustments	(83)
<b>Final Service Charge Expenditure</b>	<b>(11,528)</b>

## Recommendation

Members are asked to:

- Note the report.

## Main Report

### Background

1. This report explains the variations in the service charge outturn and also reconciles the service charge being made to residents and following the closure of the Corporate accounts.
2. Leaseholders pay on-account estimated service charges during the financial year and a balancing adjustment is billed in the September following the end of the financial year.

### Current Position

### Key Data

#### Residents' Service Charge Outturn

3. The total amount charged to the service charge account for 2021/22 is £11,528,280 this is 19.43% higher than the 2020/21 charge and 18.93% higher than the estimate.
4. The main reasons for the increase are increased energy costs, particularly for heating and increased repairs and maintenance costs. This has led to significant additional charges for leaseholders particularly in Speed House and Ben Jonson House.

#### Analysis of the 2021/22 Service Costs ANNEX 1 –

5. This annex shows the expenditure headings on the service charge schedule, with the main basis of attribution and a comparison between the actual service charges for 2020/21 and 2021/22 The estimates for 2021/22 are also shown.
6. The comparison with the 2020/21 actuals shows significant variations for several service heads.

7. The electricity charge for the common parts has increased by nearly 13%, this is due to the increases in the unit charge which came into effect in October 2021.
8. The charge for the resident engineers reduced by over 11%. The engineers spent less time on service charge matters than in the previous year.
9. 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.
10. The window cleaning service was suspended for part of the 2020/21 financial year. The 22.97% comparative increase in the window cleaning costs for 2021/22 is partly due to reduction of costs in 2020/21 due to the suspension of the service and partly due to the increase in contract costs.
11. Expenditure on cleaning materials and equipment decreased significantly, this was due to reduced expenditure on PPE and sanitising chemicals.
12. Additional time was spent on weekend and bank holiday cleaning in 2020/21.
13. The higher garden maintenance cost is due to the employment of additional resources as requested by residents.
14. The decrease in Lobby porters' costs reflects a reduction in agency costs and PPE costs. Agency costs had increased in 2020/21 to cover sickness and shielding staff. There was also additional expenditure on PPE.
15. The decrease in garchey costs is mainly due to a decrease in repairs expenditure, from £145.3k in 2020/21 to £106.8k in 2021/22. There had been increased expenditure in 2020/21 particularly on spare parts and replacement pumps.
16. Most of the general maintenance expenditure is demand led and can vary considerably from year to year. However, this year the cost of day-to-day repairs has increased by over 57% compared to 2020/21. The most significant increase was for exterior repairs, 74.64%. Expenditure on water penetration remedial works rose from £751k to £1,368k. The majority of the repairs were to balcony areas and to barrel vault roofs. There has also been significant expenditure, £308k, on window frame replacements.
17. Expenditure on electrical repairs increased by over 32% compared to 20/21 but was lower than expenditure in 2019/20. There was additional expenditure on ventilation fans also, £6k was spent on replacing Tower block door access system and £4.5k on a new track lighting system in a Tower lobby. £6.7k was spent on electric inverters for booster pumps.
18. Expenditure on interior common parts repairs was 33% higher than in 2020/21. Over £14k was spent on replacing corroded vent pipes from water tanks, £8k on a new booster pump and £13k on a soil stack repairs.

19. Communal water tanks are inspected as part of an annual programme, this year there was a reduction in the number of remedial repairs required as a result. The overall costs were 19% lower than 2020/21.
20. 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 House Officer duties. Supervision and management is also allocated to the cleaning, car park attendant and lobby porter heads of charge. which is included in the Supervision and Management Charge. The overall cost for Supervision and Management allocated to the service charge decreased by 7%.
21. There has been a significant increase in the cost of electricity, over 30% overall. New unit rates came into force in October 2021 affecting most of the winter heating season.

#### Comparison Corporate Account and Final Service Charge Schedule - ANNEX 2

22. Due to adjustments made by the BEO is £219,867 higher than the expenditure in the City's accounts.
23. The main adjustment was for heating, £208,910. Of this amount £83,479 was a reversal of the previous year's credit adjustment. The additional £127,152 has been charged to reflect invoices received in 2021/22 and £1,721 was credited in respect of charges to a commercial property. Other adjustments were in respect of a credit £14,482 unrelated to service charge costs and various minor adjustments to/from the landlord and car park accounts.

#### The Corporate Outturn Report ANNEX 3

24. The service charge schedules reflect the services provided and the Lease. The headings are different to the corporate report. For example, the employees are included under the cleaning, lobby porters, car park attendants and garchey headings on the service charge schedules along with the relevant associated costs such as uniforms, materials and repairs. Annex 3 shows the allocation of expenditure in the corporate report.

#### Comparisons to previous years' Service Charge ANNEX 4

25. This shows the service charges by service head for the years 2016/17 – 2021/22.

#### **Conclusion**

26. Overall, the estate service charge for the annually recurring items has increased significantly for most leaseholders. Whilst charges for some heads of service have reduced in comparison to last year, notably cleaning and concierge services and Supervision and Management the cost of repairs and energy have increased

significantly. Although it is expected that energy costs will continue to rise the forward purchase arrangements put in place by the City should mitigate the increases.

27. The increases in repairs and maintenance expenditure are mostly due to the increased incidences of water penetration through roofs, balconies and window frames necessitating increased expenditure on one-off repairs.
  
28. The Actual Service Charge schedules and an explanatory letter of the various items included on the schedule were be sent to residents in early August.

### **Appendices**

Annex 1-4

### **Background Papers**

None

### **Corporate & Strategic Implications Key Data**

#### **Strategic implications –**

Financial implications – Service Charge Expenditure is City Fund.

Resource implications - None

Legal implications - None

Risk implications - None

Equalities implications – None

Climate implications - None

Security implications - None

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