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| Committee(s) | Dated: |
| Residents' Consultation Committee Barbican Residential Committee | 040923 110923 |
| Subject: 2022/23 Revenue Outturn for the Dwellings Service Charge Account | Public |
| Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly? | 4 12 |
| Does this proposal require extra revenue and/or capital spending? | N |
| If so, how much? | £ |
| What is the source of Funding? | |
| Has this Funding Source been agreed with the Chamberlain's Department? | Y |
| Report of: Judith Finlay Director of Community and Children's Services | For Information |
| Report author: Anne Mason Community and Children's Services | |

Summary

This report provides information on residential service charge expenditure for 2022/23. It also compares the outturn with the 2022/23 estimate and the 2021/22 actual expenditure.

| Table 1 - Summary Comparison of 2022/23 Revenue Outturn with Final Agreed Budget | | | |
|---|--------------------------------------|---------------------------------|--|
| | Latest Agreed Budget £000 | Revenue Outturn £000 | Variations Increase/ (Reduction) £000 |
| Expenditure | (9,903) | (14,196) | (4,293) |
| Income | 11,234 | 15,559 | 4,325 |
| Net Recharges | (1,331) | (1,363) | (32) |
| Overall Totals | 0 | 0 | 0 |

A summary of the service charge reconciliation of the 2022/23 actuals as per the closed accounts above and the amount to be charged as a service charge is set out in the table below.

| Table 2 - Summary Service Charge Reconciliation 2022/23 | £000 |
|--|-----------------|
| Actual Service Charge Expenditure Per Accounts | (15,751) |
| Less recharges | (192) |
| Less Barbican Estate Office adjustments | (1,018) |
| Final Service Charge Expenditure | (14,541) |

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 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 provisional outturn for the service charge account for 2023/23 is £14,541,023 this is 26.13% higher than the 2021/22 charge and 18.69% higher than the estimate.
4. The main reasons for the increase are increased repairs and maintenance costs and increased energy costs.
5. Salary increases were higher than estimates due to a one-off cost of living payment of £1,000 and a pay rise of 3% for all staff.
6. Due to the billing issues outlined in earlier reports to this committee and in the further report to this committee the underfloor heating is being charged at the estimated rate until a full audit of the billing issues has taken place. The interim amount being charged to leaseholders in September is £13,350,836.

Analysis of the 2022/23 Service Costs ANNEX 1 –

7. 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 2021/22 and 2022/23. The estimates for 2022/23 are also shown.
8. The comparison with the 2021/22 actuals shows significant variations for several service heads.
9. Energy costs increased significantly during 2022/23. In April 2021 unit rates for heating were around 9.5p/kwh (day rate) 10p/kwh (night rate) increasing to around 14.6p/kwh (day rate) and 14.2p/kwh (night rate) in October 2021.
10. These rates remained in place until September 2022. In October 2022 unit rates, including government rebates, increased to around 44p/kwh (day rate) and 40p/kwh (night rate). Higher government rebates in November and December reduced the rates to around 31p/kwh (day rate) and 27p/kwh (night rate). In January 2023 the City's solar farm came on-stream and unit rates decreased by around 15p/kwh. However, government rebates reduced. In December 2022 the rebate was 22.43p/kwh and by March 2023 this had gone down to 2.59p/kwh.
11. Standing charges also increased significantly from October 2022. For example, for Defoe House underfloor heating the standing charge for April 2022 to September 2022 was under £15 per month, for October 2022 to March 2023 it was around £1,700 per month.
12. Leaseholders have received additional credits to their accounts as a result of the City's Power Purchase Agreement. Over £500k was credited to the service charge for January to March.
13. Repairs and Maintenance expenditure increased significantly. 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 14.5% compared to 2021/22.
14. The increase in estatewide and general repairs costs is mainly due to the setting up and hosting costs for Civica and Keystone (£22,462), fire safety surveys (£20,630) and fire signage works (£38,931.84).
15. Expenditure on exterior repairs continued to be high increasing by 11.7% over 2021/22. Expenditure on water penetration remedial works rose from £1,368k to £1,576k. The majority of the repairs were to balcony areas and to barrel vault roofs. There has also been significant expenditure, £238k, on window frame replacements.
16. Expenditure on electrical repairs decreased by over 6% compared to 2021/22.
17. Expenditure on interior common parts repairs was 24% higher than in 2021/22. Over half the expenditure was on plumbing repairs including repairs to booster pumps, corroded pipes and stopcocks.

18. 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 26% lower than in 2021/22.
19. The charge for the resident engineers increased by nearly 10%. However, the charge is less than that in 2020/21. The engineers spent more time on service charge matters than in the previous year. Salary costs increased, (para 5) and rents increased by £10,640.
20. 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.
21. The cleaners' costs did not increase significantly, and were lower than estimated. There are several vacant posts filled by agency staff.
22. The higher garden maintenance cost is due replacement of the play area surfaces, at a cost of £28,643.
23. The increase in lobby porters' costs is due to the increase in salary rates and overtime costs.
24. The increase in car park attendants' costs is due increased salary rates and agency costs. Agency staff were being use to cover vacant posts and well as to cover leave.
25. The increase in garchey costs is mainly due to increased repairs and maintenance expenditure, from £106.619 in 2021/22 to £139.50 in 2022/23. There was increased expenditure on clearing blockages and on spare parts.
26. 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 slightly in comparison to 2021/22.

Comparison Corporate Account and Final Service Charge Schedule - ANNEX 2

27. Due to adjustments made by the BEO the provisional outturn is £1,018,371 lower than the expenditure in the City's accounts.
28. The adjustment is mainly for energy costs. At the end of the financial year many invoices for the October to March period were due to be revised and rebilled. Some charges are still under query. The accrual adjustment was raised following consultation with the Team Energy who validate the energy invoices. The adjustment to the garchey costs is also in respect of energy costs.

29. The adjustments to the car park attendants' costs are as a result of re-allocation of costs to the car park account. The were adjustments to/from the Barbican Centre in respect of lift, cleaning and repairs and maintenance costs. Other adjustments are to/from the landlord account.

The Corporate Outturn Report ANNEX 3

30. 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

31. This shows the service charges by service head for the years 2017/18 – 2022/23.

Comparison of service charge heads of charge Annex 5

32. Pie chart showing each head of charge as a proportion of the 2022/23 Service Charge Actuals.

Conclusion

33. Overall, the estate service charge for the annually recurring items has increased 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.
34. 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.
35. 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 1-5

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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