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| Committee(s): Barbican Residential Committee – For Decision Barbican Estate Residents Consultation Committee – For information | Dated: 17 February 2025 3 February 2025 |
| Subject: Service Charge Expenditure and Income Account - Latest Approved Budget 2024/25 and Original Budget 2025/26 | Public |
| This proposal: • provides statutory duties | The report includes information on the City Corporation’s statutory Barbican Service Charge function |
| If so, how much? | N/A |
| Has this Funding Source been agreed with the Chamberlain’s Department? | N/A |
| Report of: The Executive Director of Community & Children’s Services | For Information |
| Report author: Daniel Sanders Assistant Director - BarbicanCommunity and Children’s Services | |

Summary

This report sets out the original budget for 2024/25 and 2025/26 for revenue expenditure included within the service charge in respect of dwellings. This does not include any expenditure or income pertaining to car parking or stores. The amount charged to individual lessees will depend on the percentages set out in their lease.

The original budget for 2025/26 total expenditure including net recharges is £15,116,000 compared to the 2024/25 original approved budget of £17,647,000 a decrease of £2,531,000, mainly related to significantly lower expected cost of Repairs and Maintenance, Supplementary Revenue Projects and energy.

This is only the budget for the years in question and the actual amount charged to lessees will depend on the actual amount spent and the percentage set out in the individual leases.

| Summary Of Table 1 | Original Budget 2024/25 £'000 | Original Budget 2025/26 £'000 | Movement £'000 |
|---------------------------|--|--|---------------------------|
| Expenditure | (16,316) | (13,785) | 2,531 |
| Recharges | (1,331) | (1,331) | 0 |
| Other Income | 17,647 | 15,116 | (2,531) |

| | | | |
|-----------------------|---|---|---|
| Total Net Expenditure | 0 | 0 | 0 |
|-----------------------|---|---|---|

Recommendations

The Committee is requested to:

- Review the provisional 2025/26 net £Nil revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee.
- Authorise the Chamberlain to revise these budgets to allow for further implications arising from departmental reorganisations and other reviews, and corporate projects.

Main Report

Introduction

1. This report sets out the proposed revenue budget for 2025/26. The revenue budget management arrangements are to:
 - Place responsibility for budgetary control on departmental Chief Officers
 - Apply a cash limit policy to Chief Officers' budgets
2. The budget has been analysed by service expenditure and compared with the latest approved budget for the current year.

Proposed Revenue Budget for 2025/26

The proposed Revenue Budget for 2025/26 is shown in table 1 overleaf.

- Local Risk budgets – these are budgets deemed to be largely within the Chief Officer's control.
- Central Risk budgets – these are budgets comprising specific items where a Chief Officer manages the underlying service, but where the eventual financial outturn can be strongly influenced by external factors outside of his/her control or are budgets of a corporate nature (e.g. interest on balances and rent incomes from investment properties).
- Support Services and Capital Charges – these cover budgets for services provided by one activity to another. The control of these costs is exercised at the point where the expenditure or income first arises as local or central risk.

| Table 1 - Analysis of Service Expenditure | Local, Central Risk or Recharges | Actual 2023-24 £'000 | Original Budget 2024-25 £'000 | Latest Approved Budget 2024-25 £'000 | Original Budget 2025-26 £'000 | Movement 2024-25 to 2025-26 £'000 | Paragraph Reference |
|--|----------------------------------|----------------------|-------------------------------|--------------------------------------|-------------------------------|-----------------------------------|---------------------|
| Expenditure | | | | | | | |
| Employees | L | (3,081) | (3,233) | (3,233) | (3,163) | 70 | 3 |
| Premises Related Expenses | | | | | | | |
| Repairs and Maintenance | L | (3,282) | (4,817) | (4,817) | (3,692) | 1,125 | 4 |
| Supplementary Revenue Projects | C | (903) | (933) | (1,635) | (85) | 848 | 6 |
| Energy Costs | L | (4,297) | (6,550) | (6,550) | (6,062) | 488 | 5 |
| Rents | L | (116) | (120) | (120) | (120) | 0 | |
| Rates | L | (10) | (18) | (18) | (18) | 0 | |
| Water Services | L | (0) | (3) | (3) | (3) | 0 | |
| Cleaning and Domestic Supplies | L | (301) | (302) | (302) | (302) | 0 | |
| Grounds Maintenance Supplies and Services | L | (204) | (212) | (212) | (212) | 0 | |
| Equipment, Furniture and Materials | L | (99) | (71) | (71) | (71) | 0 | |
| Catering | L | 0 | (1) | (1) | (1) | 0 | |
| Uniforms | L | (3) | (16) | (16) | (16) | 0 | |
| Printing, Stationery and Office Exp. | L | (4) | (6) | (6) | (6) | 0 | |
| Fees and Services | L | (7) | (1) | (1) | (1) | 0 | |
| Contributions to Provisions | L | 0 | 0 | 0 | 0 | 0 | |
| Communication and Computing | L | (14) | (33) | (33) | (33) | 0 | |
| Total Expenditure | | (12,321) | (16,316) | (17,018) | (13,785) | 2,531 | |
| Income | | | | | | | |
| Total Income | L/C | 14,039 | 17,647 | 18,349 | 15,116 | (2,531) | |
| Net Income | | 1,718 | 1,331 | 1,331 | 1,331 | 0 | |
| Recharges | | | | | | | |
| Expenditure | R | (1,882) | (1,457) | (1,457) | (1,457) | 0 | |
| Income | R | 164 | 126 | 126 | 126 | 0 | |
| Total Recharges | | (1,718) | (1,331) | (1,331) | (1,331) | 0 | |
| Total Service Charge Account | | 0 | 0 | 0 | 0 | 0 | |

3. Employee costs has reduced by £70k as the original budget for 2024-25 was overestimated.

| Table 2 - Manpower statement | Original Budget 2024/25 | | Original Budget 2025/26 | |
|-------------------------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
| | Manpower Full-time equivalent | Estimated cost £'000 | Manpower Full-time equivalent | Estimated cost £'000 |
| Service Charge Account | 59 | (3,233) | 59 | (3,163) |

4. Repairs and maintenance cost have been decreased by £1,125k compared to the original budget. There has been a review carried out on the pricing cost received from our contractors plus a 30% reactive tolerance has been factored into the estimates for 2025-26. Based on the cost submissions from the new Repair & Maintenance contractors we are confident we will see material change in the expenditure, through ensuring an improved rate of repairs, and costing matrix, ensuring quality of works through inspection, triggering incentive and penalisation contract clauses. A breakdown is provided in appendix 1.
5. The Energy cost variance of £488 is largely due to a reduction in the unit price of electricity after the budget was set. When the budget was set the unit price for electricity was very high. When the estate wide heating was switched on, the reduced unit price for electricity was used resulting in the cost being significantly lower than budgeted for. Also, we have received power purchase agreement credits, which has further reduced the energy costs.

Draft Capital and Supplementary Revenue Budgets

6. The latest estimated costs of the Committee's current approved capital and supplementary revenue projects are summarised in the Table below.

| Service | Project | Project Status | Exp. Pre 01/04/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | Total £'000 |
|--|--|----------------|----------------------------|------------------|------------------|----------------|
| Service Charge | Barbican Estate Redecoration Programme 2020-2025 | Capital | 2,119 | 1,610 | 68 | 3,797 |
| Service Charge | Tower Lifts Refurbishments | Capital | 8 | 25 | 17 | 50 |
| TOTAL BARBICAN RESIDENTIAL (Service Charge) | | | 2,127 | 1,635 | 85 | 3,847 |

7. Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work.
8. The latest Capital and Supplementary Revenue Project forecast expenditure on approved schemes will be presented to the Court of Common Council for formal approval in March 2025.
9. Note the table does not include expenditure yet to be approved by Committee. Latest projections for the overall cost of the tower lifts refurbishment project is £7.5m. Please refer to "Tower lifts – committee report" for more detail.
10. The customer care and estate management costs total in appendix 3 include the £1.331m of overheads relating to support services provided by the Guildhall such as Chamberlins, Comptrollers, Insurance and Town Clerks department.
11. The Service Charge Working Party (SCWP) dispute the £459k of DCCS recharges which they believed should be significantly reduced for 25/26 as we are not as reliant on these support services such as project management which is now a designated role within the new BEO structure. The Chamberlins

department and Assistant Director commit to reviewing this in quarter 2 and will come back with a report to the RCC/BRC.

12. The SCWP have asked for a breakdown of recharges under “Barbican Supervision of management” in appendix 1 which covers the support services provided by the Guildhall such as Chamberlins, Comptrollers, Insurance and Town Clerks department. The Chamberlins are understaking a review of the recharges and their allocations which the AD of Barbican will be involved in and a clear and concise breakdown will be provided in quarter 2 and will come back with a report to the RCC/BRC.
13. The budget figures for staffing have been considered and the SCWP have seen a breakdown of all individual staff salaries and on costs feeding into this. There appears to be no notional movement in appendix 3 and this is a reflection of the restructure proposals slightly reducing operating costs offset against inflationary increases awarded to staff in June 24.
14. £17,000 of budgeted cost for the gardening plan previously agreed at committee is within the £50,000 security works under Non-Annually Recurring Items in appendix 3.

Appendices

Appendix 1 = Analysis of Repairs, Maintenance and Minor Improvements

Appendix 2 = Support Services and Capital Charges

Appendix 3 = Estate Cost

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Appendix 1 Analysis of Repairs, Maintenance and Minor Improvements

| Costs to be charged to Long Lessees and Landlord. (The latter responsible for short term tenancies and voids) | Original Budget 2024/25 £000 | Latest Budget 2024/25 £000 | Original Budget 2025/26 £000 |
|---|------------------------------------|----------------------------------|------------------------------------|
| Responsive and Contract Servicing including Building Miscellaneous Works | (1,995) | (1,995) | (1,425) |
| IRS maintenance | (40) | (40) | (40) |
| Responsive and Contract Servicing - Lifts | (481) | (481) | (481) |
| Drainage Repairs / Remedial Work | (205) | (205) | (205) |
| Water Penetration | (1,400) | (1,400) | (845) |
| Sub Total Responsive and Contract Servicing | (4,121) | (4,121) | (2,996) |
| Asbestos Removal | (110) | (110) | (110) |
| Water Supply Works | (110) | (110) | (110) |
| Electrical Testing | (44) | (44) | (44) |
| Upgrade Safety/Security Installations | (44) | (44) | (44) |
| Consultants Fees | (273) | (273) | (273) |
| Emergency lighting to stairs, corridors and plant rooms | (15) | (15) | (15) |
| Windows Replacements | (100) | (100) | (100) |
| TOTAL | (4,817) | (4,817) | (3,692) |

Appendix 2 Analysis of Support Services and Capital Charges

| Support Service and Capital Charges from/to Barbican Service Charges | Actual 2023/24 000 | Original Budget 2024/25 000 | Latest Approved Budget 2024/25 000 | Original Budget 2025/26 000 |
|--|--------------------------|-----------------------------------|--|-----------------------------------|
| Support Service and Capital Charges | | | | |
| Insurance | (56) | (65) | (65) | (73) |
| IS Staff Recharge | (219) | (28) | (28) | (214) |
| Total Support Services | (275) | (93) | (93) | (287) |
| Recharges within Committee | | | | |
| Cleaning and Lighting | 164 | 126 | 126 | 126 |
| Barbican Supervision and Management | (1,070) | (905) | (905) | (711) |
| Recharges Within Funds | | | | |
| DCCS | (537) | (459) | (459) | (459) |
| Contributions to Funds and Provisions | | | | |
| TOTAL SUPPORT SERVICE AND CAPITAL CHARGES | (1,718) | (1,331) | (1,331) | (1,331) |

Appendix 3

| Barbican Estate Actual Service Charge Costs 2025/26 | As billed Estimate 2024- 25 | Estimate 2025-26 | Estimate Difference 2025-26 |
|--|-----------------------------------|---------------------|-----------------------------------|
| Customer Care | | | |
| Costs of Management and Supervision | 786,000 | 786,000 | 0 |
| Estate Management | | | |
| Resident Staff | 390,000 | 390,000 | 0 |
| Furniture & Fittings | 28,000 | 28,000 | 0 |
| Window Cleaning | 248,000 | 248,000 | 0 |
| Cleaning | 1,475,000 | 1,405,000 | -70,000 |
| Car Park Attendants | 819,000 | 819,000 | 0 |
| Lobby Porters | 941,000 | 941,000 | 0 |
| Residential Services Team | 188,000 | 188,000 | 0 |
| Sub Total | 4,875,000 | 4,805,000 | -70,000 |
| Property Management | | | |
| Garchey Maintenance - | 324,000 | 324,000 | 0 |
| General Repairs | 3,295,000 | 2,278,000 | -1,017,000 |
| Technical Services | 230,000 | 230,000 | 0 |
| Lift Maintenance | 485,000 | 481,000 | -4,000 |
| Electricity (Common Parts and Lifts) | 1,100,000 | 1,030,540 | -69,460 |
| Heating | 5,430,000 | 5,031,460 | -398,540 |
| Sub Total | 10,864,000 | 9,375,000 | -1,489,000 |
| Open Spaces | | | |
| Garden Maintenance | 212,000 | 212,000 | 0 |
| Total Annually Recurring Items | 15,951,000 | 14,392,000 | -1,559,000 |
| Non-Annually Recurring Items - Major Works | | | |
| Building Safety Data | 240,000 | 50,000 | -190,000 |
| Water Supply Works | 110,000 | 50,000 | -60,000 |
| Asbestos Works | 110,000 | 250,000 | 140,000 |
| Safety /Security works | 44,000 | 50,000 | 6,000 |
| Redecorations 2020-2025 Programme | 933,000 | 0 | -933,000 |
| Electrical Testing | 44,000 | 100,000 | 56,000 |
| Roof /Drainage repairs | 0 | 0 | 0 |
| Replacement Window & Door Frames | 100,000 | 250,000 | 150,000 |
| Emergency Lighting | 15,000 | 25,000 | 10,000 |
| Lobby refurbishment - Shakespeare Tower | 100,000 | 0 | -100,000 |
| Lift refurbishment - Tower blocks | 0 | 75,000 | 75,000 |
| Total Non-Annually Recurring Items | 1,696,000 | 850,000 | -846,000 |
| TOTAL | 17,647,000 | 15,242,000 | -2,405,000 |

Note - The actual charged for 2024/25 was less than shown on Table 1. This was due to the adjustments made by the Estate Office. These were mainly in respect of energy costs.

Project Costs - We have reduced our projects costs for the year 25/26 and only kept essential H&S works + professional fees for the lift towers project. The reason we have done this is to give us time to create and deliver a 25-year capital expenditure plan - the capital expenditure plan will inform our project timelines and estimated costs providing clarity on timing and allowing leaseholders to financially plan for Ad-Hoc expenditure in advance.