

Committee(s): Residents' Consultation Committee	Date(s): 02 September 2013
Subject: Relationship of the Barbican Residential Committee Outturn Report to Service Charge Schedules	
Report of: Director of Community and Children's Services	Public
Ward (if appropriate):	
<p><u>Executive Summary</u></p> <p>This report seeks to clarify how the Service Charge division of service in the 2012/13 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 2012/13 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 £7,033,420.72 revenue expenditure was included on service charge schedules which, due to adjustments made by the BEO is £156,276.69 lower than the expenditure on the general ledger. The main reasons for this decrease are explained in paragraphs 12 and 13.

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 an adjustment made in 2011/12 of £114,102.08 for the concrete works to the towers.
13. Other adjustments include a reduction of £14,416.42 in the cleaning materials budget for non-chargeable items, an account transfer of £7,689.75 in respect of House Officer costs to the Landlord account in respect of time spent on Landlord issues and the accrued charge for gas for Frobisher Crescent was reduced by £5,335.62 to reflect invoices received early in this financial year. The lift maintenance charge was adjusted by £3,899.98 to reflect the inter-departmental charges from the Barbican Centre in respect of Frobisher Crescent.

ANNEX 6 – Attribution of the 2012/13 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 2011/12 with the 2012/13 actual charges and the estimates for 2012/13.
15. The comparison with the 2011/12 actuals shows a marked variation for several service heads.
16. The increase in electricity costs was mainly due to increases in unit costs.
17. The decrease in resident engineers' costs was due to a staff vacancy for part of the year.
18. The increase in window cleaning costs is due to the increase uplift in contract costs.
19. The increase in expenditure on furniture and fittings was due to the number of carpet renewals. The renewal of carpets is carried out in consultation with the house groups and the amount spent can vary considerably from year to year.
20. Expenditure on cleaning staff is higher due to more of the cleaners' time being allocated to block cleaning and for cover for staff sickness. Expenditure on additional refuse cleaning is optional service and is demand led by house groups.
21. Most of the general maintenance expenditure is demand led and varies from year to year. The overall expenditure under these headings increased by 4.79% over 2011/12 but was slightly lower than in 2010/11. The cost of estate wide repairs was higher than the previous year due increased expenditure on drains, consultant's fees for the IRS system, and metalwork and locks.
22. The increase in garchey costs is mainly due to an increase in the cost of repairs.

23. The Technical Supervision and Management recharge is higher than in 2011/12. The charge is based on timesheet information and reflects the time being spent on general repairs and maintenance issues on the Barbican.
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. However, there has been a delay in the works programme. The credit reflects the outturn cost for Willoughby House for works carried out in 2011/12.
26. The overall supervision and management increased by 14.33% and reflects officer time spent on service charge matters. However, it is around 4.75% lower than the overall charge in the previous two years.
27. The increase in underfloor heating costs was due to a combination of an increase in consumption of over 35% over the previous year and an increase in the unit cost. The unit cost for off-peak electricity rose from 7.47p to 7.96p per unit in February 2013. The previous increase in the unit rate was in February 2012 when it rose from 7.17 to 7.47p per unit.

ANNEX 7 Attribution to a Typical Flat

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

Conclusion

29. 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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