

Committee(s): Residents' Consultation Committee	Date(s): 01 September 2014
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 style="text-align: center;"><u>Executive Summary</u></p> <p>This report seeks to clarify how the Service Charge division of service in the 2013/14 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 Service Charge Account 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.

RECONCILIATION ANNEXES

3. 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.
4. Expenditure incurred in the financial year to 31 March relates to;
 - services and works for which an invoice/charge has been paid;
 - and 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.
5. A number of annexes have been produced to demonstrate the linkages between the 2013/14 revenue outturn report and the service charge schedules. Annex 1 is table 3 from the Service Charge outturn report. The important features of the subsequent annexes are outlined below.

ANNEXES 2 and 3 – General Ledger Service Charge Revenue Account in More Detail

6. 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.

7. 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.

8. A total of £7,567,493.65 revenue expenditure was included on service charge schedules which, due to adjustments made by the BEO is £22,231.44 higher than the expenditure on the general ledger. The main reasons for this increase are explained in paragraphs 10 and 11.

ANNEX 5 – Adjustments to General Ledger Expenditure by Barbican Estate Office.

9. 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.
10. The various adjustments are mainly due to miscoding and adjustments to accruals. These include the reversal of adjustments made in 2012/13 of £21,203.62 for general repairs and gas charges.
11. Other adjustments include a reduction of £29,998 for concrete works where a charge was receipted in error prior to year-end, and an additional £19,100.73 for lift maintenance costs where the receipt was not processed prior to closing.

ANNEXES 6 & 7– Attribution of the 2013/14 Service Costs Across Blocks

12. Annex 6 shows for each expenditure head on the service charge schedule, the amount attributed to each block together with the main basis of attribution and annex 7 shows a the charges for a typical flat. 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 2012/13 with the 2013/14 actual charges and the estimates for 2013/14.
13. The comparison with the 2012/13 actuals shows a marked variation for several service heads.
14. The increase in the lift maintenance cost is mainly due to the uplift in the lift contract costs.

15. The 2012/13 charge for resident engineers was low due to a staff vacancy for part of the year. The increase reflects a full complement of staff and the allocation of their time and salary costs between engineering, lift and project works.
16. Expenditure on furniture and fittings can vary considerably from year to year and usually is for carpet renewals. The renewal of carpets is carried out in consultation with the housegroups.
17. Expenditure on cleaning materials was higher than in the previous year due to increasing stock levels of certain items. Expenditure on additional refuse cleaning is optional service and is demand led by housegroups.
18. The reduction on expenditure on the Garchey system compared with the previous year was mainly due to a reduction in reactive repairs.
19. Most of the general maintenance expenditure is demand led and does vary from year to year. The overall expenditure under these headings increased by 22% over 2012/13. However, expenditure was lower than the estimate. The increase in exterior repairs (33%) was mainly due to increased expenditure on glazing repairs and repairs as a result of water penetration. Expenditure on glazing increased from £45k in 2012/13 to £84k in 2013/14 and most of this was to replace double glazed units. The expenditure on water penetration repairs increased from £200k to £275k.
20. The increase in expenditure on safety and security works (charged with general maintenance) is mainly due to making safe/removing asbestos in the common parts of various blocks.
21. 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.
22. No charge was included in the estimates for water tank replacements and the fees payable to the digital TV consultant. These works were carried out as a result of the water testing programme, residents in the affected blocks were consulted on the works. Fees were paid to the TV consultant for work on the design of the system and the licence.
23. The decrease in underfloor heating costs was due to a decrease in consumption of over 6% compared to the previous year.

Conclusion

24. 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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