

Committee(s):	Date(s):
Barbican Residents' Consultation Committee	1 September 2014
Barbican Residential Committee	15 September 2014
Subject:	For Decision
Shakespeare Tower Roof Final Apportionment	
Report of:	Public
Director of Community & Children's Services	

Summary

1. This report seeks your Committee's approval to the final apportionment of costs between qualifying Leaseholders and the City of London Corporation (the City) in relation to the roof repairs at Shakespeare Tower.
2. The report provides members with a financial assessment of the repairs carried out from October 2001 to March 2002 to the roof and associated elements at Shakespeare Tower in connection with the formal declaration of structural defects on 27 February 1995 and its implications for sharing of costs in the roof contract.
3. The apportionment of costs is carried out using a template based on the methodology agreed by your Committee on 17 September 2001 and endorsed by the Finance Committee on 24 September 2001.
4. On this basis, the final apportionment of costs for the roofing repairs carried out at Shakespeare Tower is £239,165.49 (109.02%) to the City and £-19,781.82 (-9.02%) qualifying Long Leaseholders.
5. The reason for the refund to Long Leaseholders is due to the allowance for historic repair costs since the declaration of the structural defect.

Recommendations

6. The Barbican Residential Committee is recommended to approve the final apportionment of costs for roofing repairs at Shakespeare Tower being 109.02% to the City and -9.02% to qualifying Long Leaseholders

Main Report

Background

7. On 27 February 1995 the Barbican Estate Managing Director declared, on behalf of the City, the existence of structural defects to terrace blocks in relation to elements of the roof design and associated works.
8. Under housing legislation and the terms of the lease, the costs for those aspects of the works to roofs that relate to structural defects are expected to be borne by the City so far as qualifying long leaseholders are concerned.
9. Qualifying long leaseholders are those who purchased their flats before the declaration date of 27 February 1995, or those who bought from such a leaseholder subsequently. Any flats sold by the City after those dates are flats where the leaseholder is liable for the full charge, commensurate with the percentage in the lease, of such works.

Current Position

10. The principles for determining the apportionment of costs resulting from structural defects are based on the methodologies agreed for Speed and Willoughby Houses approved by your Committee on the 17 September 2001 and endorsed by the Finance Committee on the 24 September 2001. These principles have been ratified by the Roof Sub Committee of the Barbican Association.
11. In essence the City meets the cost of rectifying structural defects (as far as the qualifying Long Leaseholders are concerned), whilst qualifying Leaseholders pay for the renewal of existing waterproof coverings, health and safety type items, improvements consequent upon new building guidelines, and routine repairs and maintenance which are being undertaken whilst the scaffolding is in place.
12. The principle of the template is based on each item of work being assessed on technical grounds, as a structural defect or not, and an allowance is made, for historic costs. Consequently the percentage of contribution paid by the City for each roof contract will vary depending on the details in each block.

13. To determine the relative contributions it is necessary to carry out a detailed exercise for each block's roof contract, to establish the type of work, the reasons for the work and the costs.
14. A summary of the costs incurred at Shakespeare Tower and the degree to which they are, or are not, considered to relate to a structural defect, is shown in Appendix A. An adjustment has been made for the historic costs of roof maintenance and the template gives a final percentage contribution payable by the City and therefore enables the final calculation for service charge purposes to be made.
15. Your Committee is asked to approve the final cost-apportionment, as outlined in this report, based on the template in Appendix A.
16. Intensive work was carried out into the technical, legal and financial issues surrounding the need to replace roof coverings of terrace blocks on the estate. The formal declaration under housing legislation of structural defects existing in the roofs and associated elements on terrace blocks was made, together with a report on roofs, at your Committee on 27 February 1995. A report outlining the provisional apportionment was accepted by your Committee on 3 December 2001. That report assessed the apportionment as being 83.41% the City and 16.59% qualifying Long Leaseholders.
17. The contract for works at Shakespeare Tower started in October 2001. The contract was let to Apollo (London) Limited for the fixed price of £193,982.00 including contingencies, provisional sums and preliminaries following competitive tender. As with all refurbishment work, the final cost depends to a degree on matters arising during the contract and issues coming to light when the building fabric is opened up.
18. The final account was in the sum of £192,385.27. Added to this final account figure are staff costs of £15,450.00 and consultant's fees of £11,550.00. This gives a total outturn cost for the project of £219,385.27 which forms the basis of the final cost apportionment.

The Apportionment of Costs

19. In order to establish the apportionment of costs for these works, the final account has been laid out in the template format and a copy of this is attached in Appendix A. The work comprised the renewal of the whole covering of the plant room, stairwells and main roofs, including the glazed conservatory areas. In addition, alterations have been made to areas that include glazing supports; flashings; gutter constructions; the top surfaces of perimeter upstands and rendered upstands to vertical concrete faces.

20. The design of the roofs varies from block to block and therefore the extent and type of remedial works also varies. Nevertheless certain items, judged to be structural defects, are appearing across most blocks to date. For example, improvements made to drainage arrangements have been taken wholly as the City's cost.
21. The roof at Shakespeare Tower has been in use since 1972. It is apparent that the roof surface would have to be re-laid at some point after twenty five years, and this cost should be legitimately charged to leaseholders.
22. Several items contained in the provisional apportionment have been reviewed with the roof Sub-Committee and adjusted where appropriate to conform to the agreed principles for determining the apportionment of costs. When the apportionment of the works items is totalled the proportion to be contributed by each party can be expressed as a percentage of the total. It will be seen from Appendix A that, if this report's recommendations are approved, the percentage split of the 'roof works' costs alone are 95.77% to the City and 4.23% to qualifying long leaseholders. The former percentage has been applied in determining the historic costs adjustment.
23. These percentages have been used to apportion the general items such as preliminaries to share the cost of these between City and leaseholders. This exercise is also carried out for staff costs and fees. It should be noted that time spent on the 'apportionment' exercise was recorded separately and specifically within the Estate's timesheet system as a landlord cost.

Historic costs

24. Repair costs relating to this block prior to 1995/96 were not recorded in a manner that enables the cost of roof repairs to be separately identified from other general repairs. Historic costs have therefore been assessed in a similar manner to that adopted for other blocks. The estimated total cost of roofing works based on these calculations is £30,333.00. Using the percentage from paragraph 22 above (95.77%), the figure attributable to historic repairs in respect of structural defects as the City's contribution to qualifying leaseholders is estimated to be £29,051.17. This sum has been added to the City's costs and deducted from the leaseholders' costs. This brings the percentage split of project costs for Shakespeare Tower to 109.02% City and -9.02% leaseholders.

25. **The split of 109.02% (City) and -9.02% (qualifying leaseholders) is a final apportionment for Shakespeare Tower roof works.**
26. Of the sum attributable to long leaseholders, the City will pay its share of the costs, as usual, for those flats which are still City-owned and are tenanted or vacant awaiting sale. To date, 9 flats of the 116 flats Shakespeare Tower are rented. Of the 107 flats that have been sold, 6 were sold after the completion of works and 6 purchased their flats from the City after the declaration of structural defects and will bear their proportion of the full cost of the works.
- 27 The apportionment detailed above and in appendix A has been discussed and agreed with the Barbican Association's Roof Sub Committee

Financial Implications

28. Taking into account the adjustments referred to in paragraph 26 in respect of the City's share as landlord of unsold flats and flats sold since the declaration of structural defects the total amount recoverable from leaseholders is some £16,121.70
29. The financial effects on leaseholders with and without the Structural Defect (SD) contribution for all flat types in Shakespeare Tower are as follows, based upon the percentages in the lease:

Type	Without SD Contribution	With SD Contribution
4A	£4,233.23	-£350.14
4B	£4,496.31	-£371.90
4C	£5,041.61	-£417.00
8A	£1,994.64	-£164.98
8B	£1,994.64	-£164.98
8C	£1,994.64	-£164.98
9A	£1,994.64	-£164.98
9B	£1,994.64	-£164.98
9C	£1,994.64	-£164.98

Legal Implications

31. The apportionment calculation follows the agreed template and will enable closure of the service charge account in respect of the roofing works in accordance with legislation, the standard lease and the template.

Consultees

32. The Comptroller & City Solicitor and Chamberlain have been consulted in the preparation of this report and their comments incorporated.

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