

Committee	Dated:
Barbican Residents' Consultation Committee	7 September 2015
Subject: Relationship of the Barbican Residential Committee Outturn Report to Service Charge Schedules Residential Rent Review	Public
Report of: Director of Community and Children's Services	For Information

Summary

This report seeks to clarify how the Service Charge division of service in the 2014/15 Revenue Outturn Report relates to the service charge schedules provided to long lessees.

Recommendation

Members are asked to:

- Note the report.

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 (Oracle). 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. A number of annexes have been produced to demonstrate the linkages between the 2014/15 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

4. Annex 1 is (Table C3) from the Service Charge Outturn report to the Barbican Residential Committee.
5. 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.
6. 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

7. 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.

8. 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.

9. A total of £7,517,939.50 revenue expenditure was included on service charge schedules which, due to adjustments made by the BEO is £44,288.62 lower than the expenditure on the general ledger. The main reasons for this decrease are explained in paragraphs 11 and 12.

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

10. 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.
11. The various adjustments are mainly due to miscoding and adjustments to accruals. These include the reversal of an adjustment made in 2013/14 of £19,100.73 for lift maintenance and of £29,998 made for concrete works. Adjustments have also been made in respect of items which should not have been charged until 2015/16 these are rent for the resident engineers' flats, £28,687.50 and pest control £8,857.08.
12. Other adjustments include a reduction of £56,447.63 in the supervision and management charge which is in respect of re-allocation central recharges and a miscoding of staff time. The adjustment of £8,176.55 for technical services is in respect of the allocation of the repairs call centre costs. The £21,982.41 adjustment for car park attendants is to reflect the one third/ two third split of salary and associated costs between the car park account and the service charge account.

ANNEX 6 – Attribution of the 2014/15 Service Costs Across Blocks

13. 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 2013/14 with the 2014/15 actual charges and the estimates for 2014/15.
14. The comparison with the 2013/14 actuals shows a marked variation for several service heads.
15. The decrease in resident engineers' costs reflects the allocation of staff time. More time was spent on projects and non-service charge areas of the estate than previously.
16. The expenditure on furniture and fittings is for carpet replacements in tower and some terrace blocks also in this year there was expenditure on art and lighting in

a tower lobby. The carpet replacement programme and other refurbishment works are agreed each year with housegroups and expenditure can vary considerably from year to year.

17. Expenditure on cleaning equipment increased in comparison with 2013/14 expenditure includes parts and replacements of small appliances such as vacuum cleaners and carpet cleaners. Expenditure on additional refuse cleaning is optional service and is demand led by housegroups.
18. Expenditure on gardening is higher due to purchase of bulbs, plants and access and safety equipment.
19. The decrease in lobby porters' costs is due to a reduction in expenditure on temporary staff. Several new staff were appointed during the year and the appointments would be on lower scale points than for retiring staff.
20. Most of the general maintenance expenditure is demand led and varies from year to year. The overall expenditure under these headings did not vary significantly from the previous year. However, there was a significant increase in exterior repairs which was mainly due to works to remedy water ingress, particularly in Andrewes House and Ben Jonson House.
21. The increase in garchey costs is mainly due to an increase in the purchase of parts and drainage clearances.
22. The House Officer, Supervision and Management recharge and Technical recharge are mainly based on timesheet information and reflects the time being spent on service charge issues.
23. 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. The programme for 2014/15 was more extensive than that for the previous year, although work for two blocks has been carried forward to 2015/16.
24. The reduced expenditure on safety and security reflects lower expenditure on asbestos removal and the majority of the expenditure was for eyebolt testing and replacement and asbestos testing.
25. Expenditure on water supply works was lower than usual. The water testing and associated remedial works to water tanks was put out to tender as a long term agreement in the latter part of the year.

ANNEX 7 Attribution to a Typical Flat

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

Conclusion

27. Overall the estate service charge for the annually recurring items (items 1-24 and 32) has increased by 2.02%.
28. 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.

Appendix - Reconciliation Annexes

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