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| Committee | Dated: |
| Barbican Residents' Consultation Committee | 5 th September 2016 |
| Subject: Relationship of the Barbican Residential Committee Outturn Report to Service Charge Schedules | 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 2015/16 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 2015/16 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 expenditure and income transactions 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 £7,964,404.74 revenue expenditure was included on service charge schedules which, due to adjustments made by the BEO is £47,665.66 higher

than the expenditure on the general ledger. The main reasons for this increase are explained in paragraphs 11 to 13.

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 adjustments made in 2014/15 of £8,857.08 for pest control and £28,687.50 for resident engineers' rent. An adjustment of £82,927.54 has also been made in respect of invoices receipted incorrectly or in error and for £3,049.20 for rates which should not have been charged until 2016/17.
12. Other adjustments include a reduction of £6,321.94 in the supervision and management charge which is in respect of re-allocation central recharges. The adjustment of 6,680.71 for technical services is in respect of the re-allocation of project staff costs. The £8,338.26 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.
13. The other adjustments of £113,086.81 includes the reallocation of the Frobisher Crescent window repairs to the Landlord Account.

ANNEX 6 – Attribution of the 2015/16 Service Costs Across Blocks

14. This annex shows for the expenditure headings 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 2014/15 with the 2015/16 actual charges and the estimates for 2015/16.
15. The comparison with the 2014/15 actuals shows a marked variation for several service heads.
16. Expenditure on furniture and fittings is usually expenditure on carpet renewal in the various blocks. The house groups are consulted with regard to the renewal programme and in 2015/16 no carpets were replaced.

17. A new window cleaning contract commenced part way through the year and the overall reduction in window cleaning expenditure reflects the new contract prices.
18. Expenditure on cleaning equipment increased in comparison with 2014/15 expenditure includes parts and replacements of small appliances such as vacuum cleaners and carpet cleaners. The reduction in expenditure on materials reflects reduced levels of stock held. Expenditure on additional refuse cleaning is optional service and is demand led by housegroups.
19. The increase in cleaners' staff costs was due to more permanent staff; basic salary, national insurance and pension costs increased but there was a reduction in agency and overtime costs. The supervision and management on-cost was also higher than the previous year.
20. The increase in lobby porters' costs is due to increased expenditure on temporary staff and overtime due to cover for higher levels of sickness. The increase in car park attendants' costs reflects the increased employment of permanent rather than temporary staff. The supervision and management on-cost for the lobby porters and car park attendants was also higher than the previous year.
21. Most of the general maintenance expenditure is demand led and varies from year to year. The overall expenditure under these headings has increased by 9.13%. However, there was a significant increase in exterior repairs which was mainly due to works to the upper lake 'igloos', bike cages, wildlife garden gate, and IRS maintenance.
22. The increase in garchey costs is mainly due to an increase in repairs costs particularly drainage clearances.
23. The allocation 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.
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. The increased expenditure on safety and security reflects higher expenditure on asbestos surveys and removal.
26. 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.
27. The decreased in expenditure on heating reflects lower consumption due to the mild winter.

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. Overall the estate service charge for the annually recurring items (items 1-24 and 33) has increased by 1.16%.

30. 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.

Appendices

Annex 1-7

Background Papers

Barbican Residential Committee
2015/16 Revenue Outturn for the Dwellings Service Charge Account including reconciliation between the closed accounts and the final service charge

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