

Committee	Dated:
Barbican Residents' Consultation Committee	04092017
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 Account 2016/17 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). It includes Supplementary Revenue Project expenditure e.g. redecoration programme works.

Reconciliation Annexes

3. A number of annexes have been produced to demonstrate the linkages between the 2016/17 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 3 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 £9,307,162.63 revenue expenditure was included on service charge schedules which, due to adjustments made by the BEO is £278,985.87 lower than the expenditure on the general ledger. The main reasons for this decrease 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 2015/16 of £77,319.34 in respect of invoices receipted incorrectly.
12. Some £196,566.84 is not chargeable as it is for non-service charge project works and accounting adjustments for rented properties.
13. Other adjustments include a reallocation of £15,118.10 in respect of cleaning charges to the landlord, car park and stores accounts for works carried out in those areas; an adjustment of £14,353.55 with regard to grounds maintenance for the landlord's share of additional works in the gardens and various adjustments for mis-coded orders. Further reallocations of costs were made in respect of the concrete repairs project in respect of works carried out to the car parks and for the non-residential areas of Frobisher Crescent. The Technical Section's staff costs were also adjusted to reflect this.

ANNEX 6 – Attribution of the 2016/17 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 2015/16 with the 2016/17 actual charges and the estimates for 2016/17.
15. The comparison with the 2015/16 actuals shows a marked variation for several service heads.
16. The resident engineers' costs include their salaries and a proportion of the technical section on-costs. These costs are allocated with regard to time spent on the Barbican and time spent on projects. In 2016/17 more time was spent on Barbican than elsewhere.
17. 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.

18. The new window cleaning contract has now been in place for a full year and the overall reduction in window cleaning expenditure reflects the prices in the new contract.
19. Expenditure on cleaning equipment increased in comparison with 2015/16 expenditure includes parts and replacements of small appliances such as vacuum cleaners and cleaners' trolleys. The increase in expenditure on staff reflects the need to employ additional staff to cover sickness. Expenditure on additional refuse cleaning is optional service and is demand led by housegroups.
20. The decrease in garchey costs is due to a reduction in repairs expenditure.
21. Most of the general maintenance expenditure is demand led and can vary considerably from year to year. The general repairs heading on the service charge schedule includes pest control, safety and security works and water supply works. The overall expenditure under these headings has increased by 4.22%. There was increased expenditure on plumbing/drainage to common parts and additional expenditure on fire risk assessments. (£14k). There was also a significant increase in electrical repairs which was mainly due to works to heating and ventilation.
22. The increase in gardening costs was mainly due to surveys and design works improve pathways, footpath works at Speed House garden, drainage surveys, redecoration of the Speed House pergola, railings and benches, additional planting, repairs to the Thomas More irrigation system and new matting for the cricket net area.
23. The allocation of House Officer, Supervision and Management recharge and Technical recharge are mainly based on timesheet information and reflect the time being spent on service charge issues. This year the buildings insurance commission charge has been included as part of the Supervision and Management charge rather than being included with the insurance premium charged in December. The commission amounts are shown on line 24.
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. This year two heating related projects were carried out. One to replace the unsupported cyclo control system which switches on the underfloor heating. The other project was to provide a central monitoring system for the heating.
26. The increase in expenditure on heating reflects higher consumption due to the colder winter and an increase in electricity prices.

ANNEX 7 Attribution to a Typical Flat

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

Conclusion

28. Overall the estate service charge for the annually recurring items excluding heating (items 1-24 & 26, 27) has increased by 6.79%. The increase when heating is included is 11.18%

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.

Appendices

Annex 1-7

Background Papers

Barbican Residential Committee
2016/17 Revenue Outturn for the Dwellings Service Charge Account including reconciliation between the closed accounts and the final service charge

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