

## Supplementary notes for 2019/20 Service Charge budget

The following notes are intended to provide RCC members with a resident's perspective of the BRC paper setting out the initial budget for 2019/20.

The BRC papers for the 2019/20 budget are, as normal, set out to produce an overview of the budget for the BRC with the primary purpose of ensuring that the budgeted expenditure is covered by the level of service charges. From a residents perspective the key issue is not that the Corporation of London recovers their costs, but to understand what the planned expenditure is and the amount of service charge necessary for the Corporation to recover their costs. These notes are intended to enhance that perspective and identify some of the major changes affecting service charges.

Total service charge estimate – (Summary of Table 1 BRC paper)

£'000's	Actual 2017-18	Budget 2018-19	<b>Budget 2019-20</b>
Service charge total	8,919	9,226	<b>9,822</b>

The increase on the original 2018-19 budget is 6.5%.

Nearly 80% of the service charge is made up of frontline staff, energy and repairs.

### **Employees (Table 1 BRC paper)**

At £2,587,000 these costs are 26% of the service charge.

Paragraph 7 has a manpower statement which shows the full time equivalent (FTE) rising from 60 to 61. This is because the BEO have made changes to the number of car park staff allocated to concierge activity.

Taking a simple approach the average cost per FTE has risen from £40,766 to £42,410. This is an increase of 4%. The rise relates to normal Local Authority pay increases, National Insurance and an adjustment for holiday pay entitlements following legal changes.

These staff costs exclude the BEO staff and the charge for central services in the Guildhall, such as legal services.

### **Energy costs (Table 1 BRC paper)**

At £2,458,000 this is 25% of the service charge and increased by 2.2% on 2018-19

Energy costs are impossible to estimate correctly as they are subject to the weather. This is therefore only a reasonable estimate by the BEO.

### **Repairs and maintenance (Table 1 BRC paper and Appendix 1)**

#### **Supplementary projects (Table 1 BRC paper and paragraph 8)**

The estimate for repairs is £1,856,000. In addition work under supplementary projects is budgeted at £910,000. Together this makes up 28% of the service charge.

Whilst the repair line appears to show a decline there is a transfer of some items into longer term project work. An example is the water supply works where the budget now covers the inspection process and the actual cost of any replacement work will only be apparent once inspections have taken place.

Supplementary projects are large projects and one-off items. In 2019/20, as in 2018/9, the main component of this is concrete testing, redecorations and water tank repair or

replacement. 2019/20 shows a reduction expected in concrete testing, from £865,000 to £165,000, but an increase in Communal repairs and redecorations, from £235,000 to £745,000. This represents the restarting of the regular programme of internal decorations which has been on hold awaiting final decisions on the replacement of front doors for fire safety issues.

This paper shows only those supplementary projects for which the BEO have an estimated cost at time of writing. This means that other projects may pass through the Gateway approval process during the next 18 months and appear on our service charge bills. We currently have little visibility of these. Examples might be: repairs to penthouse roof in Shakespeare, de-silting the lake (shared with Barbican Centre), and any service charge items coming from the Fire Risk Assessments.

Overall it is difficult to assess what the eventual spend will be in this area as work is generally demand led and changes, as prioritisation changes, during the year. However, the repairs and maintenance contract is in the process of being re-let. In the new contract, the supplier will be required to use standard pricing for common repairs, rather than time and materials as now. With careful management from the BEO, this should give a better control of costs in the future.

However an area for consideration is the need to complete the asset management programme. Repairs are a key area of costs where residents have no long term view of the costs to maintain the Barbican Estate. We note that the asset management programme has been delayed. It is important to complete the asset management work if any long term programme of proactive works, with costs, is to be identified.

### **Conclusion**

These notes are not intended to form a specific conclusion but are provided with a view to converting a Corporation of London paper into something easier for residents to understand.

The three costs noted above cover nearly 80% of the costs making up our service charge. In each case there are specific factors influencing their costs.

- Employers – level of staffing and rate of increase of Local Authority wage costs
- Energy – Weather during the heating period – with the Underfloor Heating Working Party potential providing solutions to improve value for money / costs
- Repairs and maintenance – Cyclical programmes and resident demand for repairs – with the asset maintenance programme requiring completion for a better long term view of issues and maintenance costs.

The RCC may be minded to re-invigorate the asset management programme, so that service charge payers can be assured that large projects can be planned and budgeted proactively, not simply initiated in response to breakdowns.