

Committee(s):	Date:
Markets Committee	30.01.2019
Subject: PROPOSED REVENUE AND CAPITAL BUDGETS –2019/20	
Report of: The Chamberlain Interim Director of Consumer Protection & Market Operations	Public
Report Author: Leyla Dervish, Chamberlain's Department	For Decision

Summary

This report is the annual submission of the revenue and capital budgets overseen by your Committee. It seeks approval to the proposed revenue budget for 2019/20, for subsequent submission to the Finance Committee. Details of the Committee's draft capital budget are also provided. The budgets have been prepared within the resources allocated to the Director, including a 2% reduction for efficiency savings as well as a 2% allowance for inflation.

Business Planning Priorities

Business priorities for 2019/20 will focus on maintaining the high quality of service within cash limited resource allocation. Consultation with the respective Tenants' Associations on the level of services and their costs will be important to demonstrate value for money, whilst still ensuring that the City's responsibilities as landlord and property owner are protected.

Other priorities will include:

- Taking a full part in the Markets Consolidation Programme to drive the project forward;
- Ensuring, as far as possible, that any negative effects of Brexit on the Markets are minimised;
- Implementing efficiency measures where possible and seeking opportunities for increasing revenue from new or existing income streams;
- Improving risk management generally and, specifically, continuing to reduce health and safety risks at the Markets and minimising accidents;
- Improving the state of the infrastructure and cleaning standards at Billingsgate Market;
- Installing an Entry Barrier system at New Spitalfields Market in 2018/19 to improve control and generate additional service charge income in 2019/20;

- Working with the City Surveyor and the Museum of London on the project to relocate the Museum of London;
- Providing leadership and management training for our middle managers;
- Developing a workforce plan which ensures that our workforce has both the capability and resources to meet the business objectives.

Projects

- Following Consultation with the London Fish Merchants Association (LFMA), the Additional Facilities and Phase 2 of the Re-Roofing Projects at Billingsgate Market will remain 'on hold' but further discussions are underway with the LFMA to agree affordable improvements in the Market's infrastructure.
- The Spitalfields Entry Barrier Project has been initiated and will be progressed through Planning Permission from LB Waltham Forest, with the intention to complete it within 2018/19. It is being funded by the Markets Repairs and Repainting Fund and requires no City funding.

Table 1 Summary Revenue Budgets 2018/19 and 2019/20					
	Original Budget 2018/19	Latest Budget (LB) 2018/19	Movement Original 2018/19 to LB 2018/19	Proposed Budget 2019/20	Movement Original 2018/19 to Proposed 2019/20
	£'000 (A)	£'000 (B)	£'000 (A-B)	£'000 (C)	£'000 (A-C)
Expenditure	(16,030)	(16,579)	(549)	(16,399)	(369)
Income	20,375	19,333	(1,042)	19,989	(386)
Net Surplus/(Deficit)	4,345	2,754	(1,591)	3,590	(755)
Support Services and Capital Charges	(2,250)	(2,685)	(435)	(2,669)	(419)
Total Net (Expenditure)/Income	2,095	69	(2,026)	921	(1,174)

Overall, the 2018/19 latest budget shows net income of £69,000, a decrease in net income of £2,026,000 compared to the original budget of £2,095,000. The main reasons for the change is listed below:

- (£1,061,000) decrease in customer and client receipts;
- (£634,000) increase in waste and cleaning contract costs;
- (£461,000) increase in central support services and capital charges;

- (£270,000) reduced transfer from reserves;
- (£84,000) increase in supplies and services;
- (£66,000) employment costs increase;
- (£18,000) increase in transport costs;
- (£1,000) in reduced investment income;
- £290,000 increase in other grants, reimbursements and contributions;
- £178,000 reduction in premises costs;
- £75,000 reduction relating to the re-phasing of the three year Cyclical Works Programme at Smithfield Market;
- £26,000 reduction in recharges across funds.

The 2019/20 proposed revenue budget shows a net surplus of £921,000, a decrease in net income of £1,174,000 compared with the original budget for 2018/19 of £2,095,000. The main reasons for this reduction are;

- (£716,000) increase in waste and cleaning contract costs;
- (£467,000) decrease in customer and client receipts;
- (£448,000) increase in central support services and capital charges;
- (£213,000) reduced transfer from reserves;
- (£122,000) increase in premises costs;
- (£113,000) employment costs increase;
- (£25,000) committee contingency has been added to the Directorate as a result of inflation adjustments within City's Cash;
- (£6,000) increase in supplies and services;
- (£1,000) decrease in investment income;
- £592,000 reduction relating to the re-phasing of the three year Cyclical Works Programme at Smithfield Market;
- £295,000 increase in other grants, reimbursements and contributions;
- £29,000 reductions in recharges across fund;
- £21,000 reduced transport costs.

Full detailed reasons for the variances are provided in the main body of the report.

Recommendations

The Committee is requested to:

- Note the latest 2018/19 budget and reasons for movement from the original budget.
- Review the proposed 2019/20 revenue budget to ensure it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee.
- Review and approve the draft capital budget.
- To delegate to the Chamberlain any minor budget changes for 2018/19 and 2019/20 as a result of the completion of the asset verification exercise.

Main Report

Background

1. The City of London Corporation owns and manages Billingsgate Market (fish) in Docklands, Smithfield Market (meat) in the City and New Spitalfields Market (fruit, vegetables and flowers) in Leyton. Smithfield and Billingsgate Markets are funded from City's Cash and New Spitalfields Market is funded from City Fund.
2. This report sets out the latest revenue budget and capital budgets for 2018/19 and the proposed revenue budgets and capital budgets for 2019/20. The revenue budget management arrangements are to:
 - Provide a clear distinction between local and central risk and recharge budgets;
 - Place responsibility for budgetary control on departmental Chief Officers;
 - Apply a cash limit policy to Chief Officers' budgets.
3. The latest budget for 2018/19 and the proposed revenue budget for 2019/20 has been analysed by service expenditure and compared with the original budget for 2018/19. The budgets are further analysed between:
 - Local Risk Budgets – these are deemed to be largely within the Chief Officer's control;
 - Central Risk Budgets – these are budgets comprising specific items where the Chief Officer manages the underlying service, but where the eventual financial outturn can be strongly influenced by external factors outside his/her control or are budgets of a corporate nature (e.g. interest on balances and rent from properties);
 - Support Services and Capital Charges – these cover budgets for activities provided by one service to another. The control of costs on these budgets is exercised at the point where the cost or income first arises as a local or central risk cost (e.g. Surveyors employee recharge).

4. In the various tables, expenditure and adverse variances are presented in brackets. Figures without brackets indicate an income item or a favourable variance. Significant variances (generally those greater than £50,000) are commented on but in accordance with this Committees request, all adverse variances are commented on.

Latest Revenue Budget for 2018/19

5. Overall there is a decrease in net income between the Committee's original and latest budget for 2018/19 of £2,026,000. Table 1A and the paragraphs below summarise the movements between the original and latest budgets comprising this increase. A further analysis of local and central risk budgets by service is provided at Appendix 1A.

Expenditure

6. An increase in employment costs of £66,000 is due to an uplift of 2.45% for cost of living increases for grades A-C and a 2.00% increase for grades D and above plus a 4% increase in London weighting together with centrally provided budgets for backdated holiday pay, contribution pay and apprenticeship costs.
7. A decrease of £2,000 for local risk premises related costs is due to:
- i. New Spitalfields Market - Reduction of £294,000 due to:
 - £271,000 reduction in minor improvements works funded from the Repair and Repainting fund due to project re-phasing;
 - £11,000 reduction of CCTV costs with a new CCTV system due to be installed in 2019/20 which will not result in CCTV maintenance costs until 2020/21;
 - £8,000 reduction in energy costs due to lower than anticipated costs for the Carbon Reduction Commitment;
 - £5,000 reduction in business rates due to lower than expected costs;
 - (£1,000) increase in cleaning and domestic supply costs.
 - ii. Billingsgate Market - Reduction of £14,000 is due to a decrease of energy and water costs of £17,000. This is offset by an increase in rates costs of (£3,000).
 - iii. Smithfield Market - Increase of (£306,000) is due to:
 - (£119,000) agreed carry forwards relating to various premises related costs at the market;
 - (£122,000) increase in additional energy and utility costs as a result of energy price rises effective from October 2018;
 - (£72,000) increase in rates costs at the market;

- £5,000 decrease in general repairs and maintenance for the market and car park;
 - £2,000 decrease in the cost of cleaning and domestic supplies.
8. £176,000 decrease in central risk premises related costs is due to the £200,000 budget for service charge voids at Smithfield Market being removed as a result of the re-introduction of the cap on the Smithfield Service Charge account. This is offset by an increase in service charge voids at Billingsgate Market of (£17,000) and increased rates costs for the car park at Billingsgate Market of (£7,000).
 9. £75,000 decrease in repairs and maintenance costs managed by City Surveyor's is due to re-phasing of the three year Cyclical Works Programme of £81,000 at Smithfield Market which is offset by increases in the planned building, repair and maintenance works at all markets of (£6,000) as detailed in Table 2A.
 10. (£18,000) increase in local risk transport related costs is due to the purchase of a forklift truck at Billingsgate Market amounting to (£20,000). This will be partly funded by a grant covering 75% of the cost of the purchase of the vehicle. The increase in transport expenditure is offset by a £2,000 reduction at New Spitalfields Market in vehicle running costs.
 11. Increase in local risk supplies and services of (£3,000) is due to:
 - i. New Spitalfields Market - Decrease of £8,000 due to a reduction of £20,000 in publicity costs managed by the Spitalfields Market Tenants Association. This is offset by an increase of (£9,000) relating to health and safety equipment as a result of firefighting remedial works carried out at the market and an increase of (£3,000) in fees, services and hospitality costs due to additional professional fees;
 - ii. Billingsgate Market – Increase of (£9,000) due to additional professional fees for fire risk assessments and car park management fees;
 - iii. Smithfield Market – Reduction of £5,000 due to a decrease of £3,000 in the cost of furniture and equipment and a £2,000 decrease in printing, stationery and uniforms;
 - iv. Directorate – Increase of (£7,000) relating to software maintenance and support in connection with MICAD software.
 12. (£81,000) increase in central risk supplies and services due to an agreed carry forward of (£74,000) for the continuation of the lease negotiations at New Spitalfields Market as well as (£7,000) in computer licence fees and bank charges for the running of the car park at Billingsgate Market.
 13. (£634,000) increase in local risk waste and cleaning contract costs at New Spitalfields Market due to the changes in waste management at the market. The fixed element of the contract has increased by (£100,000), the recycling rebate

budget equates to (£98,000) and the variable element of the contract amounts to (£436,000). This is fully recoverable under the service charge.

Income

14. Decrease in total income between the original 2018/19 and latest 2018/19 budget totals (£1,042,000). Main variances include:

15. Overall reductions in local risk income of (£289,000) comprising:

i. New Spitalfields Market - increase of £347,000 due to:

- £421,000 increased service charge income;
- £288,000 relating to recycling rebate income from Countrystyle as well as income recharged to tenants as part of the waste and cleaning contract;
- £134,000 increased income relating to declared waste at the market;
- £24,000 in additional income for reimbursable works and firefighting remedial works;
- £17,000 income related to wayleaves and tolls;
- £8,000 increased utilities income as a result of energy price rises;
- (£271,000) reduced service charge transfers from the market reserves due to re-phasing of repairs as part of the 20-year plan funded from the repainting and repair fund;
- (£260,000) reduction in car parking and barrier admission income;
- (£14,000) reduction in income for licenses and certificates.

ii. Billingsgate Market – increase of £26,000 due to:

- £15,000 in grant income to fund the purchase of a forklift truck;
- £13,000 in additional income from water costs recharged to the tenants;
- £10,000 additional service charge income;
- £9,000 increase in filming income;
- £3,000 in additional income from sundry rents and pallet income;
- (£24,000) reduction in income from electricity costs recharged to tenants.

- iii. Smithfield Market – decrease of (£662,000) due to:
- (£1,049,000) decrease in service charge income as a result of the extension of the cap on the Smithfield Service Charge account. This was previously agreed by Markets Committee;
 - (£14,000) decrease in electricity and gas income;
 - £290,000 added for rates income recharged to the tenants following the extension of the cap on the Smithfield Service Charge account;
 - £83,000 increase in chilled and other water income recharged to the tenants;
 - £18,000 increase in income from the Car Park;
 - £10,000 increase in income from the Animal By-Product facility.

16. Central risk income has decreased by (£753,000) due to:

- i. New Spitalfields Market - increase of £72,000 due to:
- £71,000 increase in additional rent income as a result of catering units lease renewals. This was previously agreed by Markets Committee on 07 November 2018;
 - £1,000 increase in additional service charge income to fund additional central recharges and City Surveyor's costs.
- ii. Billingsgate Market - decrease of (£10,000) due to (£19,000) in lower service charge income to fund reduced central recharges and City Surveyor's costs. This is offset by £9,000 in insurance income for the Satellite Unit.
- iii. Smithfield Market – decrease of (£815,000) due to (£790,000) in reduced service charge income following the extension of the cap on the Smithfield Service Charge account as well a decrease of (£25,000) in rental income due to no further lettings at the Poultry Market as a result of the Museum of London re-location project.

Support Services and Capital Charges

17. A detailed breakdown of support services and capital charges can be seen at Appendix 2. The increase of (£435,000) between the 2018/19 original budget and 2018/19 latest budget is mainly due to:

- (£214,000) increase in additional central support recharges attributable to the following departments:
 - Comptroller and City Solicitor (£119,000)

- City Surveyor's (£41,000)
 - Chamberlain's (£40,000)
 - Town Clerk's (£14,000)
- (£199,000) increase in additional capital charges relating to New Spitalfields Market;
 - (£34,000) increase in additional IT and City Procurement recharges;
 - (£14,000) increase in insurance costs.

This is offset by additional income of £26,000 recharged by the Directorate to other areas of the Department of Markets & Consumer Protection.

The factors contributing to increased support services budgets include the following:

- Increases in employment costs as a result of the pay award;
- The volume of work undertaken in respect of the City's wholesale markets;
- The value of insurance commission generated by the Chamberlain's department has decreased resulting in higher recharges;
- Increases in resource budgets for City Procurement and IT.

TABLE 1A - MARKETS COMMITTEE SUMMARY – ALL FUNDS OR 2018/19 - LB 2018/19

Analysis of Service Expenditure	Local or Central Risk	Actual 2017/18	Original Budget 2018/19	Latest Budget (LB) 2018/19	Movement Original 2018/19 to LB 2018/19	Para. Ref
		£'000	£'000	£'000	£'000	
EXPENDITURE						
Employees	L	(5,441)	(5,844)	(5,910)	(66)	6
Premises Related Expenses (see note i)	L	(4,312)	(4,891)	(4,889)	2	7
Premises Related Expenses (see note ii)	C	(164)	(347)	(171)	176	8
City Surveyor – Repairs & Maintenance	L	(1,371)	(1,655)	(1,580)	75	9
Transport Related Expenses	L	(79)	(77)	(95)	(18)	10
Supplies & Services (see note iii)	L	(1,123)	(1,022)	(1,025)	(3)	11
Supplies & Services (see note iv)	C	6	(94)	(175)	(81)	12
Waste & Cleaning Contract at New Spitalfields Market	L	(2,196)	(2,100)	(2,734)	(634)	13
Transfer to Reserves	L	(80)	0	0	0	
Committee Contingency	L	0	0	0	0	
Total Expenditure		(14,760)	(16,030)	(16,579)	(549)	
INCOME						
Other Grants, Reimbursements and Contribution	L	479	150	440	290	15
Other Grants, Reimbursements and Contribution	C	0	0	0	0	
Customer, Client Receipts (see note v)	L	11,350	12,782	12,474	(308)	15
Customer, Client Receipts (see note v)	C	1,444	2,249	1,495	(754)	16
Customer, Client Receipts (Rent)	C	4,787	4,865	4,866	1	16
Investment Income	L	5	3	2	(1)	15
Transfer from Service Charge Reserves	L	68	295	25	(270)	15
Transfer from Service Charge Reserves	C	9	31	31	0	
Total Income		18,142	20,375	19,333	(1,042)	
TOTAL (EXPENDITURE)/ INCOME BEFORE SUPPORT SERVICES AND CAPITAL CHARGES		3,382	4,345	2,754	(1,591)	
SUPPORT SERVICES AND CAPITAL CHARGES						
Central Support Services and Capital Charges		(2,959)	(2,635)	(3,096)	(461)	17
Recharges within Committees		0	0	0	0	
Recharges within Fund		77	77	77	0	

Recharges Across Funds		332	308	334	26	17
Total Support Services and Capital Charges		(2,550)	(2,250)	(2,685)	(435)	
TOTAL NET (EXPENDITURE)/INCOME		832	2,095	69	(2,026)	

Notes - Examples of types of service expenditure: -

- (i) Premises Related Expenses, Local Risk (L) – includes repairs & maintenance, energy costs, rates, water services, cleaning and domestic supplies
- (ii) Premises Related Expenses, Central Risk (C) – estimated car park rates liability at Billingsgate Market
- (iii) Supplies and Services, Local Risk (L) – equipment, furniture, materials, uniforms, printing, stationary, professional fees, grants & subscriptions
- (iv) Supplies and Services, Central Risk (C) – current year estimates include rates and professional fees for Billingsgate Market
- (v) Customer, Client Receipts Local risk (L) – service charge and car parking income and reimbursements for electricity and water

Proposed Revenue Budget for 2019/20

18. The proposed 2019/20 budgets being presented to your Committee and under the control of the Interim Director of Consumer Protection & Market Operations have been prepared in accordance with the guidelines agreed by the Policy and Resources and Finance Committees. The budget has been prepared within the resources allocated to the Director.
19. Overall there is a decrease in net income of £1,174,000 compared with the original budget for 2018/19 of £2,095,000 between the Committee's 2018/19 and 2019/20 original budgets. Table 1B and the paragraphs below summarise the movements comprising this reduction. A further analysis of the local and central revenue budgets by service is provided in Appendix 1B.

Expenditure

20. Increase in employment costs of (£113,000) is due to an uplift of 2.45% for cost of living increases for grades A-C and a 2.00% increase for grades D and above plus a 4% increase in London weighting.
21. Increase of (£298,000) for local risk premises related costs is due to:
- i. New Spitalfields Market – increase of (£72,000) due to:
 - (£200,000) budgeted contribution from the service charge to the tenants reserve fund. This will be achieved through the income generated from the entry barrier;
 - (£112,000) increase in additional energy costs as a result of energy price rises in both October 2018 and October 2019;
 - (£4,000) increase in cleaning and domestic supplies;

- £214,000 reduction in minor improvements works funded from the Repair and Repainting fund due to project re-phasing;
 - £15,000 reduction in Carbon Reduction Commitment costs;
 - £11,000 reduction of CCTV costs with a new CCTV system due to be installed in 2019/20 which will not result in CCTV maintenance costs until 2020/21;
 - £4,000 reduction in expected rates costs.
- ii. Billingsgate Market – increase of (£20,000) due to:
- (£18,000) increase in additional energy costs as a result of energy price rises;
 - (£5,000) increase in additional rates costs;
 - (£3,000) increase in additional water costs;
 - £6,000 decrease in cleaning and domestic supplies.
- iii. Smithfield Market – increase of (£206,000) due to:
- (£268,000) increase in additional utilities costs as a result of energy price rises;
 - (£81,000) increase in rates costs;
 - £129,000 decrease in locally managed repairs and maintenance works;
 - £14,000 decrease in cleaning and domestic supplies.
22. £176,000 decrease in premises related expenditure on central risk is due to a decrease of £200,000 in service voids for vacant premises as a result of the extension of the cap on the Smithfield Service Charge account. This is offset by an increase of (£17,000) in additional service charge voids for vacant premises and an increase of (£7,000) in rates costs at Billingsgate Market.
23. £592,000 decrease detailed on table 2B is due to re-phasing of the three year Cyclical Works Programme projects of £600,000 at Smithfield Market. This is offset by increases in reactive and planned works at all markets of (£8,000).
24. £21,000 decreased transport costs are due to the one-off purchase of a vehicle of £17,000 at Smithfield Market in 2018/19 as well as a reduction of £4,000 in general transport costs across all three markets.
25. £1,000 decrease in general local risk supplies and services.

26. Central risk supplies and services have increased by (£7,000) due to the creation of budgets for computer licence fees and bank charges for the running of the car park at Billingsgate Market.
27. (£716,000) increase in local risk waste and cleaning contract at New Spitalfields Market is due to the changes in waste management at the market. The fixed element of the contract has increased by (£166,000), the recycling rebate budget equates to (£101,000) and the variable element of the contract amounts to (£449,000). This is fully recoverable under the service charge.
28. A committee contingency budget of (£25,000) has been added to the Directorate local risk budget as a result of inflation adjustments within City's Cash.

Income

29. A decrease in total income between the original 2018/19 and the proposed 2019/20 budget totals (£386,000) as follows:
30. An increase of £345,000 in local risk income is due to the following:
- i. New Spitalfields Market – increase of £837,000:
 - £410,000 increase in income from the entry barrier to reflect the anticipated full year budget;
 - £288,000 recycling rebate income from Countrystyle as well as income recharged to tenants as part of the waste and cleaning contract;
 - £131,000 increased income relating to declared waste at the market;
 - £127,000 increase in additional service charge income recoverable from the tenants;
 - £53,000 increase in additional utilities income as a result of energy price rises;
 - £40,000 budget has been added for car parking permit income;
 - £17,000 of income relating to wayleaves and tolls;
 - £14,000 budget has been added for reimbursable works;
 - (£214,000) in reduced service charge transfers from the market reserves due to re-phasing of repairs forming part of the 20-year plan funded from the repainting and repair fund;
 - (£14,000) reduction in income for licenses and certificates;
 - (£15,000) in reduced income as a result of lower than anticipated Carbon Reduction Commitment costs.

- ii. Billingsgate Market – increase of £90,000 due to:
- £59,000 increase in service charge income;
 - £15,000 increase in additional filming income;
 - £10,000 increase in utilities income recharged to the tenants;
 - £6,000 increase in income from pallets, locker rent, casual rent and public parking at the car park.

- iii. Smithfield Market – decrease of (£582,000) due to:
- (£1,049,000) decrease in service charge income due to the extension of the cap on the Smithfield Service Charge account;
 - (£33,000) decrease in income from security and reimbursable works charged to commercial tenants. This variance is due to the budget for 2018/19 including one-off tanking works;
 - (£5,000) decrease in sundry service charge income;
 - £295,000 budget has been added for rates income recharged to the tenants following the extension of the cap on the Smithfield Service Charge account;
 - £99,000 increase in additional water income recharged to tenants;
 - £69,000 increase in additional energy income recharged to tenants as a result of energy price rises;
 - £32,000 increase in income from the Rotunda Car Park;
 - £10,000 increase in additional income for the Animal By-Product facility.

31. Decrease in central risk income of (£731,000) comprising:

- i. New Spitalfields Market – increase of £79,000 due to:
- £71,000 additional rent income as a result of lease renewals from the catering units. This was previously agreed by Markets Committee in November 2018;
 - £8,000 increase in service charge income.
- ii. Billingsgate Market – increase of £5,000 due to:

- £13,000 increase in income from car parking and insurance recharges relating to the Satellite Unit;
 - (£8,000) decrease in service charge income.
- iii. Smithfield Market – decrease of (£815,000) due to:
- (£790,000) decrease in service charge income due to the extension of the cap on the Smithfield Service Charge account;
 - (£25,000) decrease in rent income is due to no further lettings at the Poultry Market as a result of the Museum of London re-location project.

Support Services and Capital Charges

32. A detailed breakdown of support services and capital charges can be seen at Appendix 2. The increase of (£419,000) between 2018/19 original budget and 2019/20 original budget is mainly due to:

- (£218,000) in additional central support recharges is attributable to the following departments:
 - Comptroller and City Solicitor (£114,000)
 - Chamberlain (£45,000)
 - City Surveyor (£42,000)
 - Town Clerk (£17,000)
- (£170,000) in additional capital charges relating to New Spitalfields Market;
- (£49,000) increase in insurance costs;
- (£10,000) in additional IT and City Procurement recharges;
- (£2,000) increase in City Surveyor's Employee recharges.

This is offset by additional income of £29,000 recharged by the Directorate to other areas of the Department of Markets & Consumer Protection as well as a £1,000 decrease in recharges for administrative buildings.

The factors contributing to increased support services budgets include the following:

- Increases in employment costs as a result of the pay award;
- The volume of work undertaken in respect of the City's wholesale markets;
- The value of insurance commission generated by the Chamberlain's department has decreased resulting in higher recharges;
- Increases in resource budgets for City Procurement and IT.

TABLE 1B - MARKETS COMMITTEE SUMMARY – ALL FUNDS OR 2018/19 to OR 2019/20						
Analysis of Service Expenditure	Local or Central Risk	Actual 2017/18	Original Budget 2018/19	Original Budget 2019/20	Movement Original 2018/19 to Original 2019/20	Para. Ref
		£'000	£'000	£'000	£'000	
EXPENDITURE						
Employees	L	(5,441)	(5,844)	(5,957)	(113)	20
Premises Related Expenses (see note i)	L	(4,312)	(4,891)	(5,189)	(298)	21
Premises Related Expenses (see note ii)	C	(164)	(347)	(171)	176	22
City Surveyor – Repairs & Maintenance	L	(1,371)	(1,655)	(1,063)	592	23
Transport Related Expenses	L	(79)	(77)	(56)	21	24
Supplies & Services (see note iii)	L	(1,123)	(1,022)	(1,021)	1	25
Supplies & Services (see note iv)	C	6	(94)	(101)	(7)	26
Waste & Cleaning Contract at New Spitalfields Market	L	(2,196)	(2,100)	(2,816)	(716)	27
Transfer to Reserves	L	(80)	0	0	0	
Committee Contingency	L	0	0	(25)	(25)	28
Total Expenditure		(14,760)	(16,030)	(16,399)	(369)	
INCOME						
Other Grants, Reimbursements and Contribution	L	479	150	445	295	30
Other Grants, Reimbursements and Contribution	C	0	0	0	0	
Customer, Client Receipts (see note v)	L	11,350	12,782	13,046	264	30
Customer, Client Receipts (see note v)	C	1,444	2,249	1,517	(732)	31
Customer, Client Receipts (Rent)	C	4,787	4,865	4,866	1	31
Investment Income	L	5	3	2	(1)	30
Transfer from Service Charge Reserves	L	68	295	82	(213)	30
Transfer from Service Charge Reserves	C	9	31	31	0	
Total Income		18,142	20,375	19,989	(386)	
TOTAL (EXPENDITURE)/ INCOME BEFORE SUPPORT SERVICES AND CAPITAL CHARGES						
		3,382	4,345	3,590	(755)	
SUPPORT SERVICES AND CAPITAL CHARGES						
Central Support Services and Capital Charges		(2,959)	(2,635)	(3,083)	(448)	32
Recharges within Committees		0	0	0	0	

Recharges within Fund		77	77	77	0	
Recharges Across Funds		332	308	337	29	32
Total Support Services and Capital Charges		(2,550)	(2,250)	(2,669)	(419)	
TOTAL NET (EXPENDITURE)/INCOME		832	2,095	921	(1,174)	

City Surveyors Local Risk

33. The decrease of £75,000 between original and latest budget for 2018/19 for the three year phasing of the Cyclical Works Programme reflects changes in the composition and re-phasing of the works as outlined in Table 2A below:

TABLE 2A - CITY SURVEYOR LOCAL RISK OR 2018/19 - LB 2018/19			
	Original Budget 2018/19	Latest Budget 2018/19	Movement
Repairs and Maintenance	£'000	£'000	£'000
Cyclical Works Programme (Smithfield Market only)	(890)	(809)	81
Planned, Re-active & Cyclical Works			
Billingsgate Market	(184)	(162)	22
Smithfield Market	(490)	(506)	(16)
New Spitalfields Market	(91)	(103)	(12)
Total City Surveyor	(1,655)	(1,580)	75

34. The decrease of £592,000 between original 2018/19 and original 2019/20 budget for the three year phasing of the Cyclical Works Programme reflects changes in the composition and re-phasing of the works as outlined in Table 2B below:

TABLE 2B - CITY SURVEYOR LOCAL RISK OR 2018/19 - OR 2019/20			
	Original Budget 2018/19	Original Budget 2019/20	Movement
Repairs and Maintenance	£'000	£'000	£'000
Cyclical Works Programme (Smithfield Market only)	(890)	(290)	600
Planned, Re-active & Cyclical Works			

Billingsgate Market	(184)	(163)	21
Smithfield Market	(490)	(507)	(17)
New Spitalfields Market	(91)	(103)	(12)
Total City Surveyor	(1,655)	(1,063)	592

35. The main elements for the decrease in the Cyclical Works Programme in 2019/20, which is for Smithfield Market only, is that the value of work identified in the forward maintenance 20-year plan for the latest budget for 2018/19 and 2019/20 has been re-phased in comparison with the combined value of various programmes in the original estimate for 2018/19.

Manpower Statement

36. Analysis of the movement in manpower and related staff costs are illustrated in Table 3.

Table 3 - Manpower Statement OR 2018/19 - OR 2019/20				
	Original Budget 2018/19		Original Budget 2019/20	
	Manpower Full-time Equivalent	Estimated Cost £'000	Manpower Full-time Equivalent	Estimated Cost £'000
Directorate	5.4	(449)	5.4	(450)
New Spitalfields Market	34.0	(1,610)	35.0	(1,682)
Smithfield Market	46.0	(1,985)	44.0	(1,961)
Billingsgate Market	38.5	(1,800)	39.0	(1,864)
Total Markets	123.9	(5,844)	123.4	(5,957)

Potential Further Budget Developments

37. The provisional nature of the 2019/20 revenue budget recognises that further revisions may be required, particularly in relation to:

- Decisions on funding of the Cyclical Works Programme by the Resource Allocation Sub Committee;
- Capital and depreciation charges, central and department recharges, which have not yet been finalised for the forthcoming year.

Forecast Outturn 2018/19

38. The forecast outturn for the current year is projected to exceed the latest budget by approximately £104,000 due to higher income than expected from the Rotunda Car Park at Smithfield Market, filming at Billingsgate Market and rent for Smithfield Outside Properties.

Members Format – Operating Summary

39. Members have, in the past, expressed interest in the financial performance of the individual Wholesale Markets (i.e. excluding the car park and outside properties at Smithfield). This is set out in Appendix 3.
40. There is an overall net income to the City of London Corporation for operating the Markets of £984,000 in 2019/20. The net income is higher than the overall Committee total of £921,000 as the excluded items produced a net cost of £63,000. The overall Market net income for 2019/20 includes costs for capital depreciation charges of (£1,075,000).
41. Appendix 4A and 4B details the reasons for all adverse variances and favourable variances over £50,000.

Draft Capital Depreciation Budget

42. The City of London Corporation has adopted the Generally Accepted Accounting Practices UK (UK GAAP) which has resulted in the notional capital costs at New Spitalfields Market, Smithfield Market and Billingsgate Market being written down and depreciation of the building and plant being charged to the revenue account. The charges for 2019/20 are:

Table 4 - Annual Capital Depreciation Charges	
Market	£'000
New Spitalfields Market	(859)
Billingsgate Market	(117)
Smithfield Market	(99)
Total Markets	(1,075)

Draft Capital and Supplementary Revenue Budgets

43. The latest estimated costs for the Committee's draft capital and supplementary revenue projects are summarised in the Table below:

Service Managed	Project	Ex. Pre	2018/19 £'000	2019/20 £'000	Later Years £'000	Total £'000
		April 2018 £'000				
Pre-implementation						
Smithfield Market	Poultry Market Repairs	(1,144)	(123)			(1,267)
New Spitalfields Market	Entry Barrier	-	(276)			(276)

Total Markets		(1,144)	(399)			(1,543)
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44. Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work. It should be noted that the above figures exclude the implementation costs of those schemes which have yet to receive authority to start work.
45. At Smithfield Market the Poultry Market Repairs project, in its original scope, has been suspended as the building is to be occupied by the Museum of London (subject to negotiation with the SMTA).
46. The installation of the barrier at New Spitalfields Market to control access to the site is due to complete in the current financial year.
47. In addition to the above, approval in principle has also been given to the relocation of the three wholesale markets from their current locations to a single new site. Funding of £2m has been provided for the preparation of a feasibility and business case which is to be presented to the relevant committees early in 2019.
48. The latest Capital and Supplementary Revenue Project forecast expenditure on approved schemes will be presented to the Court of Common Council for formal approval in March 2019.

Appendices

- **Appendix 1A** – Analysis by Service Managed OR 2018/19 – LB 2018/19
- **Appendix 1B** – Analysis by Service Managed OR 2018/19 – OR 2019/20
- **Appendix 2** – Support Services and Capital Charges from/to Markets Committee
- **Appendix 3** – Operating Statement OR 2018/19 to LB 2018/19 to OR 2019/20
- **Appendix 4A** – Operating Statement Variance Notes OR 2018/19 to LB 2018/19
- **Appendix 4B** – Operating Statement Variance Notes OR 2018/19 to OR 2019/20

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Appendix 1A - Analysis by Service Managed OR 2018/19 - LB 2018/19

	Actual 2017/18 £'000	Original Budget 2018/19 £'000	Latest Budget (LB) 2018/19 £'000	Movement OR 2018/19 - LB 2018/19 £'000
CITY FUND				
New Spitalfields Market				
Service Charge Account	(12)	(21)	(21)	0
Non-Service Charge Account	1,081	1,204	861	(343)
Repairing and Repairs Fund	0	0	0	0
Total New Spitalfields Market	1,069	1,183	840	(343)
TOTAL CITY FUND	1,069	1,183	840	(343)
CITY'S CASH				
Smithfield Market				
Service Charge Account	(1,414)	0	(1,601)	(1,601)
Non-Service Charge Account	190	(174)	14	188
Other Services	131	55	(61)	(116)
Total Smithfield Market	(1,093)	(119)	(1,648)	(1,529)
Billingsgate Market				
Service Charge Account	0	0	0	0
Non-Service Charge Account	856	1,031	877	(154)
Repairing and Special Works Account	0	0	0	0
Total Billingsgate Market	856	1,031	877	(154)
Markets Directorate	0	0	0	0
TOTAL CITY'S CASH	(237)	912	(771)	(1,683)
TOTAL	832	2,095	69	(2,026)

Appendix 1B - Analysis by Service Managed OR 2018/19- OR 2019/20				
	Actual 2017/18	Original Budget 2018/19	Original Budget 2019/20	Movement OR 2018/19 - OR 2019/20
	£'000	£'000	£'000	£'000
CITY FUND				
New Spitalfields Market				
Service Charge Account	(12)	(21)	(21)	0
City Account	1,081	1,204	1,008	(196)
Repairing and Repairs Fund	0	0	0	0
Total New Spitalfields Market	1,069	1,183	987	(196)
TOTAL CITY FUND	1,069	1,183	987	(196)
CITY'S CASH				
Smithfield Market				
Service Charge Account	(1,414)	0	(1,629)	(1,629)
Non-Service Charge Account	190	(174)	710	884
Other Services	131	55	(63)	(118)
Total Smithfield Market	(1,093)	(119)	(982)	(863)
Billingsgate Market				
Service Charge Account	0	0	0	0
Non-Service Charge Account	856	1,031	916	(115)
Repairing and Special Works Account	0	0	0	0
Total Billingsgate Market	856	1,031	916	(115)
Markets Directorate	0	0	0	0
TOTAL CITY'S CASH	(237)	912	(66)	(978)
TOTAL	832	2,095	921	(1,174)

Appendix 2 - Support Service and Capital Charges from/to Markets Committee				
	Actual 2017/18	Original Budget 2018/19	Latest Budget (LB) 2018/19	Original Budget 2019/20
	£'000	£'000	£'000	£'000
Support Service and Capital Charges				
Administrative Buildings	(36)	(40)	(38)	(39)
City Surveyor's Employee Recharge	(235)	(225)	(227)	(227)
Premises Insurance	(474)	(476)	(500)	(533)
Transport Insurance	(3)	(5)	(1)	(1)
Liability Insurance	(28)	(36)	(26)	(27)
Engineering Insurance	(15)	(8)	(12)	(13)
Film Liaison-Legal Fees	(10)	0	0	0
IS Recharges – Chamberlain	(317)	(300)	(319)	(295)
City Procurement Recharges - Chamberlain	(67)	(54)	(69)	(69)
Capital Charges	(951)	(905)	(1,104)	(1,075)
Support Services				
Chamberlain	(355)	(287)	(327)	(332)
Comptroller and City Solicitor	(149)	(29)	(148)	(143)
Town Clerk	(200)	(190)	(204)	(207)
City Surveyor	(119)	(80)	(121)	(122)
Sub-total Support Services and Capital Charges	(2,959)	(2,635)	(3,096)	(3,083)
Recharges Within Funds				
Corporate and Democratic Core – Finance Committee	77	77	77	77
Recharges Across Funds				
Directorate Recharge - Markets – City Fund	0	0	0	0
Directorate Recharge – Licensing Committee	19	19	20	21
Directorate Recharge – Port Health and Environmental Services Committee	313	289	314	316

TOTAL SUPPORT SERVICE AND CAPITAL CHARGES	(2,550)	(2,250)	(2,685)	(2,669)
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