

Committee(s):	Dated:
Markets	15.07.2020
Subject: Revenue Outturn 2019/20	Public
Report of: Chamberlain Director of Markets & Consumer Protection	For Information
Report author: Leyla Dervish, Chamberlain's Department	

Summary

This report compares the 2019/20 revenue outturn for the services overseen by your Committee with the final budget for the year. The outturn for the year shows net income of £3k, compared to the final budget of (£304k) net expenditure, representing an underspend of £307k as summarised below.

Table 1 - Summary Comparison of 2019/20 Revenue Outturn with Final Budget				
	Latest Budget	Final Budget	Revenue Outturn	Variance Better/ (Worse)
	£'000	£'000	£'000	£'000
	(A)	(B)	(C)	(C-B)
Local and Central Risk				
Director of Markets & Consumer Protection	4,281	4,296	4,377	81
City Surveyor	(1,964)	(1,964)	(1,776)	188
Total Direct Net Income/ (Expenditure)	2,317	2,332	2,601	269
Capital and Support Costs	(2,607)	(2,636)	(2,598)	38
Overall Total Net Income/(Expenditure)	(290)	(304)	3	307

The Director of Markets & Consumer Protection had a net underspend of £81k on his local and central risk budgets within Markets Committee. This mainly related to underspends in employment, energy and the waste & recycling contract operated at New Spitalfields Market. These underspends were partly offset by additional security costs incurred during the Animal Rebellion demonstration at Smithfield Market, increased bad debt provisions and reduced barrier income at New Spitalfields Market due to installation delays.

The City Surveyor's net underspend of £188k mainly related to savings and re-phasing on the three 3-year cyclical works programmes.

The Director of Markets and Consumer Protection has submitted a request to carry forward underspends and this will be considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee.

Recommendation(s)

Members are asked to:

- Note the report and the proposed carry forward of local risk underspends to 2020/21.

Main Report

Revenue Outturn for 2019/20

1. The outturn position for your Committee's services during 2019/20 totalled net income of £3k, an underspend of £307k compared to the final budget of (£304k) net expenditure. A summary comparison with the final budget for the year is tabulated below. In this and subsequent tables, figures in brackets indicate expenditure, decreases in income or increases in expenditure. Figures without brackets represent income, increases in income or decreases in expenditure.

Table 2 - Detailed Summary Comparison of 2019/20 Revenue Outturn with Final Budget

	Latest Budget	Final Budget	Revenue Outturn	Variance Better/ (Worse)	Variance Better/ (Worse)	Notes
	£'000	£'000	£'000	£'000	%	
Local Risk						
Director of Markets & Consumer Protection	(1,647)	(1,632)	(1,374)	258	15.8%	A
City Surveyor						
- Repairs and Maintenance	(940)	(940)	(953)	(13)	(1.4%)	
- Cyclical Works Programme	(1,024)	(1,024)	(823)	201	19.6%	
City Surveyor Total	(1,964)	(1,964)	(1,776)	188	9.6%	B
Total Local Risk	(3,611)	(3,596)	(3,150)	446	12.4%	
Central Risk						
Director of Markets & Consumer Protection	5,928	5,928	5,751	(177)	(3.0%)	C
Total Local and Central Risk	2,317	2,332	2,601	269	11.5%	
Capital and Support Services	(2,607)	(2,636)	(2,598)	38	1.4%	D
Overall Total	(290)	(304)	3	307	101.0%	
Total Local & Central Risk exc City Surveyor	4,281	4,296	4,377	81	1.9%	

2. The local risk underspend of £446k comprises the following variances:

A. Director of Markets & Consumer Protection £258k underspend:

i. **Smithfield Market** – underspend of £240k was due to:

- £247k lower than budgeted energy costs as result of reduced energy prices in the second half of 2019/20 as well as energy efficient measures introduced at the market;
- £92k reduction in employment costs due to vacant posts;
- £38k reduced spend on locally managed repairs & maintenance costs;
- £7k reduced spend in equipment, furniture and materials;
- £7k saving in fees and services;
- £4k higher than budgeted rates income recharged to tenants;
- £3k reduction in water costs;
- £2k lower than budgeted spend on clothing and uniforms;
- £1k saving in the management fees relating to the car park;
- (£91k) reduced income from chilled water recharges;
- (£26k) reduction in electricity and gas recharges to tenants;
- (£13k) additional spend on cleaning and domestic supplies;
- (£12k) lower than budgeted income from the Rotunda car park;
- (£9k) additional refuse collection costs;
- (£5k) reduction in income relating to unfit meat recharges;
- (£4k) increased spend on professional fees;
- (£1k) higher than budgeted spend on printing and stationery.

ii. **New Spitalfields Market** – underspend of £8k was due to:

- £13k reduction in training costs;
- £6k additional income derived from interest charged on the late payment of rent and service charge invoices;
- £3k in additional income as a result of the previous year's carbon reduction commitment;
- (£8k) increase in repair, equipment and furniture spend relating to the employee wellbeing project;
- (£6k) higher employment costs relating to the employee wellbeing project.

iii. **Billingsgate Market** – underspend of £6k was due to:

- £16k additional filming income;
- £3k additional income derived from interest charges for the late payment of service charges;
- (£8k) reduction in parking income;
- (£4k) higher than budgeted employment costs for administrative and support staff;
- (£1k) additional spend on communications & computing.

iv. **Markets Directorate** – underspend of £4k comprised £3k reduced spend on communications & computing and £1k saving in conference expenses.

B. City Surveyor £188k underspend:

This underspend relates to:

- £201k underspend in the re-phasing of projects relating to the Cyclical Works Programme (CWP) at Smithfield Market, comprises £172k in projects relating to the Rotunda car park and £29k in CWP works at the main market. The CWP does not form part of the City Surveyor's local risk budget and any variances will be carried over to 2020/21. This is a three-year rolling programme reported to the Corporate Asset Sub-Committee (CASC) quarterly, where the City Surveyor will report on financial performance and phasing of the projects. Under the governance of the programme, variances on budgets are adjusted for the life of the programme to allow for the completion of works which span multiple financial years. Projects which fall under the CWP have been reviewed under the Forward Maintenance Plan between the Superintendent and the City Surveyor to ensure assets are extended in service for as long as possible.
- (£13k) overspend relating to the building, repairs and maintenance contract due to higher than anticipated general breakdown repairs and contract servicing costs due to more assets being included in the scope of the contract. This comprised of a (£49k) overspend at Smithfield Market offset by underspends of £29k at New Spitalfields Market and £7k at Billingsgate Market.

C. The central risk overspend of (£177k) comprises the following main variances:

i. Smithfield Market – overspend of (£116k) was due to:

- (£176k) additional security costs for the Animal Rebellion demonstration;
- (£8k) increase in provisions for potential bad debts due to financial difficulties experienced by tenants as a result of the Covid-19 pandemic;
- £32k in additional rent income from the Poultry Market;
- £31k reduction in legal fees;
- £3k in additional rent income generated from the Oriole Bar;
- £2k due to lower than anticipated Food Standards Agency (FSA) inspection fees.

ii. New Spitalfields Market – underspend of £15k was due to:

- £19k higher than budgeted service charge income to fund increased City Surveyor's employee recharges;
- £10k saving in professional fees relating to rent review costs;
- £9k in additional rent income;
- (£13k) increase in provisions for potential bad debts due to financial difficulties experienced by tenants as a result of the Covid-19 pandemic;
- (£10k) reduction in transfer from reserves due to lower than anticipated City Surveyor's employee recharges relating to the level of works carried out on the Repairs & Repainting account.

iii. **Billingsgate Market** – overspend of (£76k) was due to:

- (£40k) income reduction as a result of toll fees not being charged to tenants;
- (£31k) increase in provisions for potential bad debts due to financial difficulties experienced by tenants as a result of the Covid-19 pandemic;
- (£29k) reduction in public parking income as a result of lower than anticipated usage at the car park;
- (£12k) lower than budgeted service charge income due to decreased central support costs and lower than budgeted building, repairs and maintenance works delivered by the building repairs and maintenance contractor;
- (£7k) in additional costs as a result of the transport risk assessment;
- (£7k) increase in service charge voids;
- (£7k) less than budgeted transfer from reserves due to lower than anticipated City Surveyor's employee recharges relating to the level of works carried out on the Repainting & Special Works Fund;
- £57k additional income from renting out space for storage containers.

D. The underspend of £38k for capital and support service recharges was mainly due to the changes in levels of work undertaken in respect of the City's wholesale markets, the most significant of which are:

- Central Support Recharges £36k. This underspend related to the following departments:
 - Town Clerk's £36k;
 - Chamberlain's £28k;
 - City Surveyor's £9k;
 - Comptroller and City Solicitor's (£37k).
- IT Staff Recharges £21k;
- Administrative Buildings & Walbrook Wharf £8k.

This was offset by higher than anticipated central recharge costs in the following areas:

- Directorate recharges to other areas of the Department of Markets & Consumer Protection (£18k);
- City Surveyor's Employee Recharges (£5k);
- Insurances (£4k).

3. Appendix A1 and A2 provide a more detailed comparisons of the local and central risk outturn against the final budget.
4. Appendix A3 shows the movement from the 2019/20 latest budget (as reported to your Committee in January 2020) to the final budget.

Local Risk Carry Forward to 2020/21

5. Chief Officers can request up to 10% or £500k of underspend (whichever is the lesser) of their final local risk budget to be carried forward, if it is not fortuitous and the resources were required for a planned purpose during the year and have been delayed for reasons beyond their control. Such requests are considered by the

Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee.

6. The Director of Markets & Consumer Protection had local risk underspends of £258k on the activities overseen by your Committee. The Director also had local risk underspending totalling £385k on activities overseen by other Committees. The Director is proposing that a total of £317k of his maximum eligible underspend of £444k be carried forward, of which £236k relates to activities overseen by your Committee for the following purpose:
 - £236k funding for the tenant's rates liability at Smithfield Market. The balance of £67k to be met from the COVID-19 Contingency Fund.

Financial Performance of the Markets

7. A breakdown of the financial performance of individual wholesale markets (excluding the car park and outside properties at Smithfield) is set out in the operating statement in Appendix B1 which shows the net operating income/(expenditure) for each market. An apportionment of the Directorate costs and other central support costs are included below the net operating line.
8. For 2019/20, there was net operating income of £2.145m at New Spitalfields Market and £1.413m at Billingsgate Market, which was offset by net operating expenditure of (£0.996m) at Smithfield Market to produce a combined net operating income of £2.562m for the three wholesale markets. When capital charges of (£1.272m) and central support costs of (£1.266m) are added, there is a consolidated net income to the City of London Corporation of £24k.
9. The difference between total market net income of £24k (shown on Appendix B1) and revenue outturn of £3k (shown on Table 1 in the main report) is the (£21k) net expenditure generated for outside properties at Smithfield, including the Rotunda car park, which are not included in Appendix B1. Details of variances for the operating statement are included on Appendix B2.

Appendices

- **Appendix A1** - Comparison of 2019/20 Local Risk Outturn with Final Budget
- **Appendix A2** - Comparison of 2019/20 Central Risk Outturn with Final Budget
- **Appendix A3** – Movement from Latest Budget to Final Budget
- **Appendix B1** – Wholesale Markets Operating Statement 2019/20
- **Appendix B2** – Wholesale Markets Operating Statement Variance Notes - 2019/20

Contact details:

Leyla Dervish

leyla.dervish@cityoflondon.gov.uk

020 7332 3574

Markets Committee - Comparison of 2019/20 Local Risk Outturn with Final Budget

	Latest Budget	Final Budget	Revenue Outturn	Variance Better/ (Worse)	Variance	Notes
	£'000	£'000	£'000	£'000	%	
LOCAL RISK						
Director of Markets & Consumer Protection						
City Fund						
New Spitalfields Market Service Charge	(21)	(21)	(21)	0	0.0%	1
New Spitalfields Market Corporate Account	(87)	(87)	(79)	8	9.2%	
New Spitalfields Market Repainting and Repairs	0	0	0	0	0.0%	
Total City Fund	(108)	(108)	(100)	8	7.4%	
City's Cash						
Smithfield Market Service Charge	(934)	(931)	(691)	240	25.8%	2
Smithfield Market Corporate Account	(193)	(192)	(182)	10	5.2%	3
Smithfield Other Services	176	176	166	(10)	(5.7%)	4
Billingsgate Market Service Charge	0	0	0	0	0.0%	5
Billingsgate Market Corporate Account	(126)	(114)	(108)	6	5.3%	
Billingsgate Market Repainting and Special Works	0	0	0	0	0.0%	6
Markets Directorate	(462)	(463)	(459)	4	0.9%	
Total City's Cash	(1,539)	(1,524)	(1,274)	250	16.4%	
Total Director of Markets & Consumer Protection	(1,647)	(1,632)	(1,374)	258	15.8%	
City Surveyor						
City Fund						
New Spitalfields Market Service Charge	(73)	(73)	(73)	0	0.0%	7
New Spitalfields Market Corporate Account	(47)	(47)	(18)	29	61.7%	
Total City Fund	(120)	(120)	(91)	29	24.2%	
City's Cash						
Smithfield Market Service Charge	(540)	(540)	(544)	(4)	(0.7%)	8
Smithfield Market Corporate Account	(756)	(756)	(757)	(1)	(0.1%)	8
Smithfield Other Services	(365)	(365)	(208)	157	43.0%	8
Billingsgate Market Service Charge	(183)	(183)	(175)	8	4.4%	9
Billingsgate Market Corporate Account	0	0	(1)	(1)	0.0%	9
Total City's Cash	(1,844)	(1,844)	(1,685)	159	8.6%	
Total City Surveyor	(1,964)	(1,964)	(1,776)	188	9.6%	
TOTAL LOCAL RISK	(3,611)	(3,596)	(3,150)	446	12.4%	

Explanations for Local Risk Variances

1. **New Spitalfields Market Corporate Account** – underspend of £8k was due to the following:
 - £13k reduction in training costs;
 - £6k additional income derived from interest charged on the late payment of rent and service charge invoices;
 - £3k in additional income as a result of the previous year's carbon reduction commitment;
 - (£14k) increase in repair, equipment, furniture and employment costs relating to the employee wellbeing project.
2. **Smithfield Market Service Charge** – underspend of £240k was due to the following:
 - £147k lower than budgeted energy costs as result of reduced energy prices in the second half of 2019/20 as well as energy efficient measures introduced at the market;
 - £91k reduction in employment costs due to vacant posts;
 - £17k lower than budgeted repairs & maintenance costs;
 - £7k reduced spend on equipment, furniture and materials;
 - £3k reduction in water costs;
 - £2k lower than budgeted spend on clothing and uniforms;
 - (£13k) additional spend on cleaning and domestic supplies;
 - (£9k) additional refuse collection costs;
 - (£4k) increased spend on professional fees;
 - (£1k) higher than budgeted spend on printing and stationery.
3. **Smithfield Market Corporate Account** – underspend of £10k was due to the following:
 - £102k reduction in energy costs as a result of lower energy prices in the second half of 2019/20 as well as energy efficient measures introduced at the market;
 - £18k reduced spend on locally managed repairs & maintenance costs;
 - £7k saving in fees and services;
 - £4k higher than budgeted income from rates recharged to tenants;
 - £1k saving in employment expenditure;
 - (£91k) reduced income from chilled water recharges;
 - (£26k) reduction in electricity and gas recharges to tenants;
 - (£5k) reduction in income relating to unfit meat recharges.
4. **Smithfield Other Services** – net income reduction of (£10k) was due to the following:
 - (£12k) lower than budgeted income from the Rotunda car park;
 - (£2k) higher than budgeted electricity costs;
 - £3k reduced spend on repairs and maintenance;
 - £1k saving in the management fees relating to the car park.
5. **Billingsgate Market Corporate Account** – underspend of £6k was due to the following:
 - £16k additional filming income;

- £3k of additional income derived from interest charges for the late payment of service charges;
 - (£8k) reduction in parking income;
 - (£4k) higher than budgeted employment costs;
 - (£1k) additional spend on communications & computing.
6. **Markets Directorate** – underspend of £4k comprised of £3k reduced spend on communications & computing and £1k saving in conference expenses.
 7. **City Surveyor New Spitalfields Market** - underspend of £29k due to lower than budgeted building, repairs and maintenance contract costs delivered by the building repairs and maintenance corporate contractor.
 8. **City Surveyor Smithfield Market** - total underspend of £152k was due to underspends of £201k relating to the re-phasing of the CWP. Additionally, there was an overspend of (£49k) relating to the building, repairs and maintenance contract due to higher than anticipated reactive repairs and the pest control contract.
 9. **City Surveyor Billingsgate Market** - underspend of £7k due to lower than budgeted building, repairs and maintenance contract costs delivered by the corporate contractor.

Markets Committee - Comparison of 2019/20 Central Risk Outturn with Final Budget

	Latest Budget £'000	Final Budget £'000	Revenue Outturn £'000	Variance Better/ (Worse) £'000	Variance %	Notes
CENTRAL RISK						
Director of Markets & Consumer Protection						
City Fund						
New Spitalfields Market Service Charge	410	410	429	19	4.6%	10
New Spitalfields Market Corporate Account	2,092	2,092	2,098	6	0.3%	11
New Spitalfields Market Repainting and Repairs	22	22	12	(10)	(45.5%)	12
Total City Fund	2,524	2,524	2,539	15	0.6%	
City's Cash						
Smithfield Market Service Charge	(4)	(4)	(2)	2	50.0%	13
Smithfield Market Corporate Account	1,492	1,492	1,345	(147)	(9.9%)	14
Smithfield Other Services	101	101	130	29	28.7%	15
Billingsgate Market Service Charge	366	366	354	(12)	(3.3%)	16
Billingsgate Market Corporate Account	1,440	1,440	1,383	(57)	(4.0%)	17
Billingsgate Market Repainting and Special Works	9	9	2	(7)	(77.8%)	18
Total City's Cash	3,404	3,404	3,212	(192)	(5.6%)	
TOTAL CENTRAL RISK	5,928	5,928	5,751	(177)	(3.0%)	

Explanations for Central Risk Variances

10. **New Spitalfields Market Service Charge** – service charge income was £19k higher than budgeted to fund increased City Surveyor's employee recharges.
11. **New Spitalfields Market Corporate Account** – the increase in net income of £6k included a £10k saving in professional fees relating to rent review costs offset by a (£13k) increase in the bad debt provision. This was in addition to £9k in additional rent income.
12. **New Spitalfields Market Repainting and Repairs** – the transfer from reserves was (£10k) less than budgeted due to lower than anticipated City Surveyor's employee recharges relating to the level of works carried out.
13. **Smithfield Market Service Charge** – underspend of £2k was due to lower than anticipated FSA inspection fees.
14. **Smithfield Market Corporate Account** – the decrease in net income of (£147k) was due to:
- (£176k) in additional security costs relating to the Animal Rebellion demonstration;
 - (£8k) increase in the bad debt provision;
 - £5k decrease in legal fees;

- £32k in additional rent income from the Poultry Market.

15. **Smithfield Other Services** – the increase in net income of £29k was due to a £26k reduction in legal fees and £3k in additional rent income generated from the Oriole Bar.

16. **Billingsgate Market Service Charge** – service charge income was (£12k) lower than budgeted due to decreased central support costs and lower than budgeted building, repairs and maintenance works delivered by the corporate building repairs and maintenance contractor.

17. **Billingsgate Market Corporate Account** – the decrease in net income of (£57k) related to the following:

- (£40k) income reduction as a result of toll fees not being charged to tenants;
- (£31k) increase in the bad debt provision;
- (£29k) reduction in public parking income;
- (£7k) in additional costs as a result of the transport risk assessment;
- (£7k) increase in service charge voids;
- £57k additional income from renting out space for their storage containers.

18. **Billingsgate Market Repainting and Special Works** – the transfer from reserves was (£7k) less than budgeted due to lower than anticipated City Surveyor's employee recharges relating to the level of works carried out.

Markets Committee – Movement in 2019/20 Latest Budget to Final Budget - All Risks

Analysis by Service Managed	Original Budget 2019/20 £'000	Latest Budget* 2019/20 £'000	Final Budget 2019/20 £'000	Movement £'000	Notes
CITY FUND					
New Spitalfields Market Service Charge	(21)	(21)	(21)	0	
New Spitalfields Market Corporate Account	1,008	756	756	0	
New Spitalfields Market Repainting and Repairs	0	0	0	0	
TOTAL CITY FUND	987	735	735	0	
CITY'S CASH					
Smithfield Market Service Charge	(1,629)	(1,875)	(1,872)	3	1
Smithfield Market Corporate Account	710	81	82	1	2
Smithfield Other Services	(63)	(197)	(197)	0	
TOTAL SMITHFIELD MARKET	(982)	(1,991)	(1,987)	4	
Billingsgate Market Service Charge	0	0	0	0	
Billingsgate Market Corporate Account	916	966	949	(17)	2,3
Billingsgate Market Repainting and Special Works	0	0	0	0	
TOTAL BILLINGSGATE MARKET	916	966	949	(17)	
DIRECTORATE	0	0	(1)	(1)	2
TOTAL CITY'S CASH	(66)	(1,025)	(1,039)	(14)	
TOTAL	921	(290)	(304)	(14)	

*Latest Budget as reported to your Committee on 29th January 2020

Notes

1. £3k reduction in centrally provided budget for apprenticeship costs to reflect final outturn for 2019/20.
2. Adjustments to centrally allocated budgets for internal legal fees to reflect final outturn for 2019/20 (Smithfield Corporate Account £1k decrease, Billingsgate Corporate Account £12k decrease, Directorate (£1k) increase).
3. (£29k) budget added to cover central recharge costs relating to filming.