

**Wholesale Markets Operating Statement Variance Notes - 2019/20**

The tables below analyse the variances for the wholesale markets as reported on the operating statement which is attached at Appendix B1. The statement compares the 2019/20 final budget to the actual outturn for 2019/20.

Brackets signify an expenditure item and/or a worse than budget position and non-brackets signify an income item and/or a better than budget position. All worse than budget variances between final budget and actual figures and better than budget variances of £50k or more have been detailed below.

<b>New Spitalfields Market</b>		
<b>Notes</b>	<b>Description</b>	<b>2019/20 Final Budget to Actual Outturn</b>
<b>Operating Expenditure</b>		
1	Employment Costs	£202k, 12% staff cost underspend was due to vacant positions in maintenance and security roles.
2	Premises	<p>£81k, 6% underspend due to:</p> <p>Underspends of:</p> <ul style="list-style-type: none"> <li>• £40k energy costs as a result of a reduction in energy prices in the second half of 2019/20 and energy efficient measures introduced at the market;</li> <li>• £29k building, repairs and maintenance costs managed by City Surveyor's;</li> <li>• £5k cleaning expenditure as a result of lower than expected costs of the contract;</li> <li>• £3k water expenditure as a result of reduced consumption;</li> <li>• £3k locally managed repairs and maintenance works as a result of lower than anticipated breakdown general and breakdown electrical costs;</li> <li>• £2k rates costs relating to common areas of the market.</li> </ul> <p>These were partly offset by a £1k overspend in insurance costs.</p>

3	Supplies and Services	<p>(£14k), (5%) overspend due to:</p> <p>Overspends of:</p> <ul style="list-style-type: none"> <li>• (£13k) increase in provisions for potential bad debts due to financial difficulties experienced by tenants as a result of the Covid-19 pandemic;</li> <li>• (£12k) equipment, furniture and materials costs which is explained by additional firefighting safety equipment which was recharged to tenants;</li> <li>• (£6k) communications and computing costs largely due to the purchase of GuardTek security software for use by the constabulary;</li> <li>• (£4k) printing and stationery costs due to the printing of ID cards for the entry barrier and higher than anticipated printing recharges.</li> </ul> <p>Underspends of:</p> <ul style="list-style-type: none"> <li>• £10k budget for professional fees relating to rent reviews was not required in 2019/20 and will instead commence in 2020/21;</li> <li>• £6k fees and services expenses due to lower than expected costs for professional, legal and inspection fees;</li> <li>• £2k promotion fund expenditure managed by the Spitalfields Market Tenants' Association;</li> <li>• £2k general provisions and hospitality expenses;</li> <li>• £1k clothing and uniform costs.</li> </ul>
4	Waste and Recycling Contract	£60k, 2%, overall underspend relating to the waste and recycling contract delivered by Countrystyle Recycling Ltd. This was due to lower than anticipated costs for the fixed element of the contract as well as an underspend in the rebate repaid to tenants due to income from the rebate being less than expected.
<b>Operating Income</b>		
5	Charges for Services	(£272k), (4%) less income than budgeted due to:

		<p>Reduced income of:</p> <ul style="list-style-type: none"> <li>• (£154k) entry barrier income due to delays in the planning and installation of the barrier;</li> <li>• (£129k) service charge income because of reduced service charge expenditure;</li> <li>• (£26k) recycling rebate received from Countrystyle Recycling Ltd due to lower levels of waste at the market;</li> <li>• (£14k) charges for the removal of declared waste;</li> <li>• (£8k) charges incurred by tenants related to the waste and recycling contract as a result of contract costs being underspent;</li> <li>• (£7k) income for undeclared waste;</li> <li>• (£5k) licenses and certificates, wayleaves and tolls and parking permits.</li> </ul> <p>Additional income of</p> <ul style="list-style-type: none"> <li>• £58k utility costs recharged to tenants as a result of higher energy prices during the first half of 2019/20;</li> <li>• £6k charges relating to the late payment of invoices;</li> <li>• £3k reimbursable works;</li> <li>• £3k firefighting remedial works recharged to tenants;</li> <li>• £1k pallet income from the waste and recycling contract.</li> </ul>
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<b>Billingsgate Market</b>		
<b>Notes</b>	<b>Description</b>	<b>2019/20 Final Budget to Actual Outturn</b>
<b>Operating Expenditure</b>		
6	Premises	<p>£101k, 8% underspend was due to:</p> <p>Underspends of:</p> <ul style="list-style-type: none"> <li>• £23k service charge contribution to the Repainting and Special Works account as a result of the overall level of works being less than anticipated. This was in addition to the reserves being used to fund the cost of part of the works;</li> <li>• £23k energy expenditure as a result of a reduction in energy costs during the second half of 2019/20;</li> <li>• £20k minor improvement works managed by City Surveyor's relating to the repainting and special works account;</li> <li>• £13k locally managed breakdown electrical works;</li> <li>• £12k locally managed breakdown general costs;</li> <li>• £9k building, repairs and maintenance costs managed by City Surveyor's;</li> <li>• £6k locally managed contract servicing costs;</li> <li>• £3k pest control and cleaning costs.</li> </ul> <p>Overspends of:</p> <ul style="list-style-type: none"> <li>• (£7k) service charge voids on vacant premises;</li> <li>• (£1k) additional water expenditure.</li> </ul>
7	Transport	(£13k), (24%) overspend due to higher than anticipated costs for the repair and maintenance of vehicles.
8	Supplies and Services	<p>(£62k), (39%) overspend due to:</p> <p>Overspends of:</p> <ul style="list-style-type: none"> <li>• (£31k) increase in provisions for potential bad debts due to financial difficulties experienced by tenants as a result of the Covid-19 pandemic;</li> </ul>

		<ul style="list-style-type: none"> <li>• (£20k) refuse collection costs as a result of higher waste generated at the market. This was offset by additional income recharged to tenants;</li> <li>• (£9k) equipment, furniture and materials costs due to the cost of leasing a compactor and incurring additional material expenses;</li> <li>• (£2k) communications and computing costs primarily relating to the purchase of a database for the car park;</li> <li>• (£2k) other fees and services costs which was largely due to consultant fees for workplace transport safety sessions.</li> </ul> <p>Underspends of:</p> <ul style="list-style-type: none"> <li>• £1k clothing and uniform costs;</li> <li>• £1k budget for advertising not being required.</li> </ul>
<b>Operating Income</b>		
9	Rent	£57k, 6%, additional rent income due to the additional lettings of outdoor container units.
10	Charges for Services	<p>(£197k), (5%) less income than budgeted due to:</p> <p>Reduced income of:</p> <ul style="list-style-type: none"> <li>• (£159k) service charge income as a result of reduced levels of service charge expenditure;</li> <li>• (£40k) income reduction as a result of toll fees not being charged to tenants;</li> <li>• (£36k) public car parking income with reduced occupancy levels;</li> <li>• (£23k) contribution to the Repainting and Special Works account as a result of lower than anticipated levels of works;</li> <li>• (£7k) casual rent and other sundry income.</li> </ul> <p>Additional income of:</p> <ul style="list-style-type: none"> <li>• £25k utilities income as a result of energy price rises in the first half of 2019/20;</li> <li>• £16k filming income;</li> </ul>

		<ul style="list-style-type: none"><li>• £15k retail and trade car parking as a result of higher than expected customer usage;</li><li>• £7k refuse collection income as a result of increased levels of polystyrene collected at the market;</li><li>• £4k interest charged on the late payment of rent and service charge invoices;</li><li>• £1k proceeds from the sale of a vehicle.</li></ul>
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<b>Smithfield Market</b>		
<b>Notes</b>	<b>Description</b>	<b>2019/20 Final Budget to Actual Outturn</b>
<b>Operating Expenditure</b>		
11	Employment Costs	£86k, 4%, staff savings due to vacant positions in maintenance and cleaning roles.
12	Premises	<p>£232k, 6%, underspend due to:</p> <p>Underspends of:</p> <ul style="list-style-type: none"> <li>• £139k heating and cooling costs due to changes in the operation of heating and cooling equipment which has led to lower costs with the equipment working more effectively;</li> <li>• £110k electricity costs caused by a reduction in energy costs and the introduction of energy efficiency measures at the market;</li> <li>• £29k re-phasing of works in the Cyclical Works Programme (CWP) managed by City Surveyor's;</li> <li>• £3k water expenditure as a result of lower levels of usage at the market.</li> </ul> <p>Overspends of:</p> <ul style="list-style-type: none"> <li>• (£23k) pest control contract costs managed by City Surveyor's;</li> <li>• (£13k) cleaning materials due to additional materials being required;</li> <li>• (£11k) building, repairs and maintenance costs managed by City Surveyor's;</li> <li>• (£2k) insurance costs.</li> </ul>
13	Transport	(£3k), (133%), overspend due to additional congestion charging expenses as a result of backdated PSA tax recharges being incurred.
14	Supplies and Services	<p>(£170k), (42%), overspend due to:</p> <p>Overspends of:</p> <ul style="list-style-type: none"> <li>• (£170k) security costs for policing of the Animal Rebellion protest in October 2019;</li> </ul>

		<ul style="list-style-type: none"> <li>• (£8k) increase in provisions for potential bad debts due to financial difficulties experienced by tenants as a result of the Covid-19 pandemic;</li> <li>• (£9k) refuse collection costs as a result of higher levels of waste at the market;</li> <li>• (£1k) higher hospitality costs.</li> </ul> <p>Underspends of:</p> <ul style="list-style-type: none"> <li>• £9k professional and inspection fees which was partly a result of an underspend with inspection fees from the Food Standards Agency (FSA);</li> <li>• £7k equipment, furniture and materials expenditure which was primarily attributable to lower CCTV contract maintenance costs;</li> <li>• £2k clothing and uniform expenses.</li> </ul>
<b>Operating Income</b>		
15	Charges for Services	<p>(£113k), (3%), less income due to:</p> <p>Reduced income of:</p> <ul style="list-style-type: none"> <li>• (£91k) recharging of heating and cooling expenditure due to an underspend caused by changes in the operation of heating and cooling equipment;</li> <li>• (£20k) reimbursement of utility costs from tenants caused by a reduction in energy prices and energy efficiency measures introduced at the market;</li> <li>• (£5k) charges for the collection of condemned meat as a result of lower costs incurred by the Animal By-Product (ABP) facility;</li> <li>• (£3k) reimbursable works and service charge sundries.</li> </ul> <p>Additional income of:</p> <ul style="list-style-type: none"> <li>• £4k recharging of business rates to tenants;</li> <li>• £2k service charge income.</li> </ul>