

<b>Committee(s):</b>	<b>Date(s):</b>
Markets	22 July 2015
<b>Subject:</b> Revenue Outturn 2014/15	<b>Public</b>
<b>Report of:</b> The Chamberlain Director of Markets and Consumer Protection	<b>For Information</b>

### Summary

This report compares the 2014/15 revenue outturn for the services overseen by your Committee with the final budget for the year. Overall total net revenue outturn during the year was (£0.62m), whereas the total final budget was £1,009m, representing a surplus of (£1.071m) as summarised below.

<b>Summary Comparison of 2014/15 Revenue Outturn with Final Budget</b>				
	<b>Latest Agreed Budget</b>	<b>Final Budget</b>	<b>Revenue Outturn</b>	<b>Variations Increase/ (Decrease)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Local and Central Risk</b>				
Director of Markets and Consumer Protection	(2,562)	(2,217)	(2,977)	(760)
City Surveyor	1,094	1,094	907	(187)
<b>Total Direct Expenditure/(Income)</b>	<b>(1,468)</b>	<b>(1,123)</b>	<b>(2,070)</b>	<b>(947)</b>
<b>Capital and Support Services</b>	<b>1,975</b>	<b>2,132</b>	<b>2,008</b>	<b>(124)</b>
<b>Overall Totals</b>	<b>507</b>	<b>1,009</b>	<b>(62)</b>	<b>(1,071)</b>

The Director of Markets and Consumer Protection had a net under spend of £760,000 on his local and central risk budgets within Markets Committee, which mainly related to savings at Smithfield Market in relation to employment costs, utilities and delays in repairs from carried forward funds from 2013/2014. There are also savings at Billingsgate and New Spitalfields Markets in relation to re-phrased repair work funded from the local risk.

Chief Officers have submitted requests, to carry forward under spends. These requests will be considered by the Chamberlain in consultation with Chairman and Deputy Chairman of the Resource Allocation Sub Committee. The Director of Markets and Consumer Protection has requested to carry forward £407,000 for all the Committees within his remit, of which £189,000 was within the services

supporting Markets Committee. The City Surveyor's net under spend of £187,000 mainly related to re-phased additional work programme or historical repair work at Smithfield Market.

**Recommendations**

It is recommended that this revenue outturn report for 2014/15 and the proposed carry forward of under spending to 2015/16 are noted.

## Main Report

### Revenue Outturn for 2014/15

1. A summary comparison with the final budget for the year is tabulated below. In this and subsequent tables, figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure. The net income position for your Committee's services during 2014/15 totalled (£0.62m), a surplus of (£1,071m) compared to the approved budget of £1,009m.

<b>Summary Comparison of 2014/15 Revenue Outturn with Final Budget</b>						
		<b>Latest Agreed Budget £000</b>	<b>Final Budget £000</b>	<b>Revenue Outturn £000</b>	<b>Variation Increase/ (Decrease) £000</b>	<b>Variation Increase/ (Decrease) %</b>
<b>Local Risk</b>						
Director of Markets and Consumer Protection	A	1,930	1,930	1,400	(530)	(27.5)
City Surveyor						
Repairs & Maintenance		471	471	519	48	10.2
Additional Works		623	623	388	(235)	(37.7)
Programme		1,094	1,094	907	(187)	(17.1)
City Surveyor's Total		<b>3,024</b>	<b>3,024</b>	<b>2,307</b>	<b>(717)</b>	<b>(23.7)</b>
<b>Total Local Risk</b>						
<b>Central Risk</b>						
Director of Markets and Consumer Protection	B	(4,492)	(4,147)	(4,377)	(230)	5.5
<b>Total Local and Central risk</b>		<b>(1,468)</b>	<b>(1,123)</b>	<b>(2,070)</b>	<b>(947)</b>	<b>84.3</b>
<b>Capital and Support Services</b>		<b>1,975</b>	<b>2,132</b>	<b>2,008</b>	<b>(124)</b>	<b>(5.8)</b>
<b>Total local and Central risk excluding City Surveyors</b>	C	<b>(2,562)</b>	<b>(2,217)</b>	<b>(2,977)</b>	<b>(760)</b>	<b>34.3</b>
<b>Overall Totals</b>		<b>507</b>	<b>1,009</b>	<b>(62)</b>	<b>(1,071)</b>	<b>(106.1)</b>

Note: Local Risk, line A and Central Risk, line B = line C which is the 1<sup>st</sup> row of the summary comparison table.

2. The local risk under spend of £717,000 comprises the following main variations:

**Director of Markets and Consumer Protection** – lower than anticipated expenditure as follows:

- **Smithfield Market (£389,000)**
  - employment costs are lower than anticipated as posts have been deleted through natural wastage as part of the Service Based Review and as part of the ongoing negotiations with the Smithfield Tenants Association regarding required service levels payable through the Service Charge (£120,000);
  - due to delays in procurement and City Surveyor resources, carry forward funding of (£147,000) from the previous year is being re- applied as a carry forward budget from 2014/15 into 2015/16;
  - utilities are lower than anticipated due to weather conditions resulting in reduced consumption of (£122,000).
- **Smithfield Other Properties (Rotunda car park/underground storage facility, Cock Tavern and tunnels) (£53,000)** - additional income of (£34,000) was generated from the Rotunda car park as well as lower than anticipated premises related expenses for the car park (£19,000).
- **Billingsgate Market (£35,000)** – additional income generated from filming and car parking. (20% of car parking income is allocated to local risk)
- **Directorate (£32,000)** – lower than anticipated employment costs due to a Service Based Review saving of one post.
- **New Spitalfields Market (£21,000)** – lower than anticipated vacancies.

**City Surveyor** – a reduction in repairs and maintenance costs mainly due to re-phased, or cancelled projects as follows:

- **Smithfield Market (£166,000)** – is due to rephrased works on the Additional Work Programme and historical work programme of (£223,000), and additional expenditure on general breakdown repairs of 57,000.
- **Billingsgate and New Spitalfields Market (£21,000)** – works and repairs funded from the reserves and/or the service charge are now recorded under local risk, so the budget was not required.

3. The central risk under spend of (£230,000) comprises the following main variations:

• **Smithfield Market (£208,000)**

- reduced expenditure on inspections made by the Meat Inspectors Office which is a Service Based Review saving (£45,000),
- net reduction of Tenancy at Will income £24,000;
- savings made on the Food Standard Agency (FSA) inspections due to the cost of inspections now invoiced direct to the tenants (£105,000);
- rebate for over charging the 2012-13 FSA inspections (£55,000);
- additional car parking income (£30,000) and additional rental income of (£4,000), less costs of re-letting the Cock Tavern £7,000.

• **Billingsgate Market (£53,000);**

- additional income from the 80% allocated car parking income (£41,000) (80% of car parking income is allocated to central risk),
- reduced professional fees for the Satellite Unit due to timing of work, further costs expected. (£8,000);
- bad debt provision reduced (£10,000),
- increased service charge costs due to vacant premises £6,000

• **New Spitalfields Market £31,000** is due to a reduction of Tenancy at Will income.

4. The £124,000 variation in Capital and Support Services is due to increases in Support Services due to the additional costs associated with the restructure in the Chamberlain Department for IT and Procurement Services.

Annex A1 and A2 provides a more detailed comparison of the local risk outturn against the final budget, including explanations of variations.

**Local Risk Carry Forward to 2014/15**

5. Chief Officers can request up to 10% or £500,000 of under spend (whichever is the lesser) of the final local risk budget to be carried forward, as long as it is not fortuitous and the resources are required for a planned purpose. 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 and Consumer Protection had a local risk under spend of (£530,000) on the activities overseen by your Committee and is proposing to carry forward £189,000 of his local risk under spend for the following purposes:

## **City Cash - Smithfield Market**

- £47,000 for the renewal of emergency lighting in the West Market - previously unspent carry forward from 2013/14,
  - £10,000 to renew the rail system compressors for the East and West Market - previously unspent carry forward from 2013/14,
  - £90,000 to re-install showers and tanking to floor in the West Market common changing areas to maintain water tight surfaces - previously unspent carry forward from 2013/14;
  - £16,000 for the renewal of non slip surfaces of the loading bays for the East and West Market;
  - £20,000 for an inverter drive replacement;
  - £6,000 for 2 new CCTV cameras in the Poultry Market.
7. The City Surveyor's under spend of (£187,000) relates mainly to re-phased or cancelled projects at Smithfield Market (£166,000), Billingsgate Market (£19,000) and New Spitalfields (£2,000). The cancelled or re-phased projects have been reviewed under the 20 year plan between the Superintendents and the City Surveyor to ensure the planned programme of works is maintained and any delayed or cancelled projects are rolled over to future years.

## **Movement between Latest Approved Budget and Final Budget**

8. Members have asked for clarification on the changes in budgets during the year and it has been agreed that a reconciliation of movement be prepared detailing the variations which is shown at Annex A3

## **Financial Performance of the Markets**

9. Members have in the past, requested a breakdown of financial performance of individual Wholesale Markets (i.e. excluding the car park and outside properties at Smithfield). This is set out in Annex B1 which shows the operating costs for each Market. This table is not prepared in accordance with conventional City of London format as shown in Annex A1 and A2, therefore brackets indicate increases in expenses or decreases in income.

An apportionment of the Directorate costs and other central support costs are included below the operating line. The three Wholesale Markets produced a combined operating surplus of £2.305m in 2014/15. Surpluses of £1.561m and £0.963m at Spitalfields and Billingsgate respectively have been partly offset by a deficit of (£0.219m) at Smithfield.

10. When capital costs of (£0.847m) and central support costs of (£1.429m) respectively are added, there is a consolidated surplus to the City of London Corporation of £0.029m in 2014/15.
11. Details of variances for Appendix B1 are listed and attached on Appendix B2.

Annex A1 - Comparison of 2014/15 Local Risk Revenue Outturn with Final Agreed Budget  
Annex A2 - Comparison of 2014/15 Central Risk Revenue Outturn with Final Agreed Budget  
Annex A3 – Movement from Latest Approved Budget to Final Budget  
Appendix B1 - Comparison of 2014/15 Operating Statement with Operating Budget  
Appendix B2 – Variance details for appendix B1

**Contacts:**

*Simon Owen*

020 7332 1358

[simon.owen@cityoflondon.gov.uk](mailto:simon.owen@cityoflondon.gov.uk)

*Debbie Howard*

020 7332 3574

[debbie.howard@cityoflondon.gov.uk](mailto:debbie.howard@cityoflondon.gov.uk)

**Markets Committee - Comparison of 2014/15 Revenue Outturn with Final Agreed Budget**

	<b>Latest Approved Budget £000</b>	<b>Final Budget £000</b>	<b>Revenue Outturn £000</b>	<b>Variation Increase/ (Decrease) £000</b>	<b>Variation %</b>	<b>Reasons</b>
<b>LOCAL RISK</b>						
<b>Director of Markets</b>						
City Fund						
Spitalfields Market Service Charge	25	25	2	(23)	(92.0)	1
Spitalfields Market Corporation	22	22	24	2	9.1	2
<b>Total City Fund</b>	<b>47</b>	<b>47</b>	<b>26</b>	<b>(21)</b>	<b>(44.7)</b>	
City's Cash						
Smithfield Market Service Charge	989	989	782	(207)	(20.9)	3
Smithfield Market Non Service Charge	299	299	117	(182)	(60.9)	4
Smithfield Market Other Services	(17)	(17)	(70)	(53)	(311.8)	5
Billingsgate Market Non Service	163	163	128	(35)	(21.5)	6
Markets Directorate	449	449	417	(32)	(7.1)	7
<b>Total City's Cash</b>	<b>1,883</b>	<b>1,883</b>	<b>1,374</b>	<b>(509)</b>	<b>(27.0)</b>	
<b>Total Director of Markets</b>	<b>1,930</b>	<b>1,930</b>	<b>1,400</b>	<b>(530)</b>	<b>(27.5)</b>	
<b>City Surveyor</b>						
City Fund						
Spitalfields Market Service Charge	30	30	26	(4)	(13.3)	
Spitalfields Market Corporation	1	1	3	2	(200.0)	
<b>Total City Fund</b>	<b>31</b>	<b>31</b>	<b>29</b>	<b>(2)</b>	<b>(6.5)</b>	<b>8</b>
City's Cash						
Smithfield Market Service Charge	250	250	307	57	22.8	9
Smithfield Market Non Service Charge	663	663	440	(223)	(33.6)	9
Smithfield Other Services	0	0	0	0	00	
Billingsgate Market Service Charge	139	139	131	(8)	(5.8)	10
Billingsgate Market Non Service	11	11	0	(11)	(100)	10
<b>Total City's Cash</b>	<b>1063</b>	<b>1063</b>	<b>878</b>	<b>(185)</b>	<b>(17.4)</b>	
<b>Total City Surveyor</b>	<b>1,094</b>	<b>1094</b>	<b>907</b>	<b>(187)</b>	<b>(17.1)</b>	
<b>TOTAL LOCAL RISK</b>	<b>3,024</b>	<b>3,024</b>	<b>2,307</b>	<b>(717)</b>	<b>(23.7)</b>	



## Reasons for Local Risk Variations – Director of Markets

1. **Spitalfields Market Service Charge Account** - under spend of (£23,000) is due to the following:
  - A budget is maintained on the Service Charge Account to expend against Service Charge apportionment for vacant premises (voids) which is the liability of the City of London under the current leases. The vacant premises were lower than anticipated which has resulted in an under-spend of (£23,000).
2. **Spitalfields Market Corporation Account** - the overspend of £2,000 is due to the following:
  - Hosting an event for the World Union of Wholesale Markets (WUWM) from planned under spends elsewhere in the budget £15,000;
  - Rates were less than anticipated (£2,000);
  - Supplies and Services were less than expected mainly due to the Professional/Legal fee budget not required in 2014/15 (£8,000) and equipment, printing and conference budgets not fully expended (£3,000).
3. **Smithfield Market Service Charge Account** - the under spend of (£207,000) is mainly due to the following:
  - Lower than expected employment costs of (£120,000) due to:
    - ❖ Cleaning and Maintenance Operatives – several vacancies for different time periods throughout the year, offset against agency costs (£107,000)
    - ❖ Administration Posts – 1 vacant part time administration post, all year (£13,000);
  - Lower than expected chilled and hot water provided by Citigen (£39,000);
  - Lower than expected electricity costs for common areas due to lower consumption and better check meters (£48,000).
4. **Smithfield Market Non Service Charge Account** - under spend of (£182,000) is mainly due to the following:
  - Lower than expected employment costs of (£13,000);
  - Due to delays in procurement and City Surveyor resources, carry forward funding of (£147,000), is being re- applied as a carry forward budget from 2014/15 into 2015/16;
  - Higher than expected income for utilities and fees (£22,000).

5. **Smithfield Market Other Services**- under spend of (£53,000) is mainly due to the following:
  - Additional income of (£34,000) was generated from the Rotunda car park;
  - Lower than anticipated premises related expenses for the car park (£19,000).
6. **Billingsgate Market Non Service Charge** – the underspend of (£35,000) is due to the additional income generated from the car park.
7. **Directorate** – the reduction of (£32,000) is due to reduced employment costs due to an administration vacancy in the Directorate. The reduction is passed onto all the Markets and Consumer Protection budgets under the remit of the Director, through the recharging policy of the City of London. This post has been identified as a Service Based Review saving.

#### Reasons for Significant Local Risk Variations – City Surveyors

8. The under spend at New Spitalfields Market is due to works costing less than expected (£2,000).
9. The net under spend of (£166,000) at Smithfield Market is due to the Additional Work Programme being delayed and re-phased (£223,000) and additional general breakdown works of £57,000.
10. The net under spend of (£19,000) at Billingsgate Market is due to delayed or cancelled minor works.

**Markets Committee - Comparison of 2013/14 Revenue Outturn  
with Final Budget**

	<b>Latest Approved Budget £000</b>	<b>Final Budget £000</b>	<b>Revenue Outturn £000</b>	<b>Variation Increase/ (Decrease) £000</b>	<b>Variation %</b>	<b>Reasons</b>
<b>CENTRAL RISK</b>						
<b>Director of Markets</b>						
City Fund						
Spitalfields Market Service	(426)	(426)	(423)	3	(0.7)	
Charge	(1,347)	(1,347)	(1,308)	39	(2.9)	11
Spitalfields Market City	(29)	(29)	(40)	(11)	37.9	12
Account						
Spitalfields Market Tenants						
Repairs						
Total City Fund	(1,802)	(1,802)	(1,771)	31	(1.7)	
City's Cash						
Smithfield Market Service	105	105	(55)	(160)	(152.4)	13
Charge	(1,647)	(1,302)	(1,323)	(21)	1.6	14
Smithfield Market Non	0	0	(27)	(27)	0	15
Service	(289)	(289)	(285)	4	(1.4)	
Smithfield Market Other	(835)	(835)	(892)	(57)	6.8	16
Services	(24)	(24)	(24)	0	0	
Billingsgate Market Service	0	0	0	0	0	
Charge						
Billingsgate Market Non						
Service						
Billingsgate Market Special						
Works						
Directorate						
Total City's Cash	(2,690)	(2,345)	(2,606)	(261)	11.1	
<b>TOTAL CENTRAL RISK</b>	<b>(4,492)</b>	<b>(4,147)</b>	<b>(4,377)</b>	<b>(230)</b>	<b>5.5</b>	

**Reasons for Significant Central Risk Variations**

11. **Spitalfields Market City A/C** – net income is lower due to reduced Tenancy at Will rent in the year £39,000.
12. **Spitalfields Market Tenants Repairs A/C** – net income/expenditure on this account is transferred to/from the Spitalfields Reserve Account to fund works and projects. More works were complete which resulted in additional funds required from the Spitalfields Market Reserve Account (£11,000).
13. **Smithfield Service Charge A/C** – net expenditure is lower due mainly to the reduction of the FSA Inspection fee charges (£105,000) and a rebate on the previous year of (£55,000).
14. **Smithfield Market Non Service Charge A/C** – net income is higher due to the reduction in expenditure for inspections by Environment Services (£45,000), less lower than expected rental income due to reduction of Tenancy at Will fees of £24,000.

15. **Smithfield Other Services A/C** – net income is higher due mainly to additional income for car parking (£30,000) and additional rent of (£4,000), less professional fees required for the letting of the Cock Tavern £7,000.
16. **Billingsgate Market Non Service Charge** – net income is higher due to additional car parking income.

Annex A3

Markets Committee – Movement in 2014/15 Latest Approved Budget to Final Budget

Analysis by Service Managed	Original Budget 2014-15 £'000	Latest Approved Budget* 2014-15 £'000	Final Budget 2014-15 £'000	Movement £'000	Notes
<b>CITY FUND</b>					
Spitalfields Market Service Charge	35	25	25	0	
Spitalfields Market City Account	(822)	(832)	(832)	0	
Spitalfields Market Repainting & Repair	0	0	0	0	
<b>TOTAL CITY FUND</b>	<b>(787)</b>	<b>(807)</b>	<b>(807)</b>	<b>0</b>	
<b>CITY CASH</b>					
Smithfield Market Service Charge	1,785	1,700	1,701	1	(a)
Smithfield Market City Account	(210)	(78)	292	370	(b)
Smithfield Other Properties	28	47	47	0	
<b>TOTAL SMITHFIELD MARKET</b>	<b>1,603</b>	<b>1,669</b>	<b>2,040</b>	<b>371</b>	
Billingsgate Market Service Charge	0	0	0	0	
Billingsgate Market City Account	(434)	(355)	(333)	22	(c)
Billingsgate Market Repainting & Repair	0	0	0	0	
<b>TOTAL BILLINGSGATE MARKET</b>	<b>(434)</b>	<b>(355)</b>	<b>(333)</b>	<b>22</b>	
<b>DIRECTORATE – Late budget change for reapportionment.</b>	<b>0</b>	<b>0</b>	<b>109</b>	<b>109</b>	<b>(d)</b>
<b>TOTAL CITY CASH</b>	<b>1,169</b>	<b>1,314</b>	<b>1,816</b>	<b>502</b>	
<b>TOTAL</b>	<b>382</b>	<b>507</b>	<b>1,009</b>	<b>502</b>	

\*Latest Approved Budget as reported to your Committee on 26<sup>th</sup> November 2014

**Notes:**

- a) Transfer of £1,000 from central funds for contribution pay while service charge is capped.
- b) Transfer of £300,000 from capital to fund the transfer of supplementary revenue project costs for the Poultry Market roof and the transfer of £70,000 for central recharges and capital charges from Environmental Services for the Animal By Product facility at Smithfield Market.
- c) Transfer of £22,000 from central funds for film liaison apportioned costs.
- d) Transfer of £109,000 from central funds for IT and Procurement services apportioned costs. This was a late budget transfer and so has not been reapportioned across the Markets to create a nil position on the Directorate.