

<b>Committee(s):</b>	<b>Dated:</b>
Markets	20 July 2016
<b>Subject:</b>	<b>Public</b>
Revenue Outturn 2015/16	
<b>Report of:</b>	<b>For Information</b>
The Chamberlain Director of Markets and Consumer Protection	
<b>Report author:</b>	
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### Summary

This report compares the 2015/16 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 (£0.796m), whereas the total final budget was £0.608m, representing a surplus of (£1.404m) as summarised below.

Table 1 - Summary Comparison of 2015/16 Revenue Outturn with Final Budget

	Original Budget	Latest Approved Budget	Final Budget	Revenue Outturn	Variation Increase/ (Decrease)
	2015/16	(LAB)			
	£'000	2015/16 £'000	£'000	£'000	£'000
	(A)	(B)	(C)	(D)	(D-C)
<b>Local and Central Risk</b>					
Director of Markets & Consumer Protection	(3,389)	(2,993)	(3,014)	(3,886)	(872)
City Surveyor	960	1,323	1,324	907	(417)
<b>Total Direct Expenditure/(Income)</b>	<b>(2,429)</b>	<b>(1,670)</b>	<b>(1,690)</b>	<b>(2,979)</b>	<b>(1,289)</b>
<b>Capital and Support Costs</b>	<b>2,147</b>	<b>2,221</b>	<b>2,298</b>	<b>2,183</b>	<b>(115)</b>
<b>Overall Totals</b>	<b>(282)</b>	<b>551</b>	<b>608</b>	<b>(796)</b>	<b>(1,404)</b>

The Director of Markets and Consumer Protection had a net under spend of (£872,000) on his local and central risk budgets within Markets Committee, which

mainly related to savings at Smithfield Market in relation to employment costs, utilities, stock adjustment and delays in repair projects from agreed carried forward funds from 2014/15. There were also savings at Billingsgate and Spitalfields in relation to stock and car parking income and the Directorate in relation to training and conference expenses.

Chief Officers have submitted a request 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 £366,000 for all the Committees within his remit, of which £151,000 was within the services supporting Markets Committee. The City Surveyor's net under spend of (£417,000) mainly related to the re-phased additional work programme and historical repair work at Smithfield Market.

### **Recommendations**

It is recommended that this revenue outturn report for 2015/16 and the proposed carry forward of under spending to 2016/17 are noted.

## Main Report - Revenue Outturn for 2015/16

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 shown in the highlighted row for your Committee's services during 2015/16 totalled (£0.796m), a surplus of (£1.404m) compared to the final budget of £0.608m.

Table 2 - Detailed Summary Comparison of 2015/16 Revenue Outturn with Final Budget

		Original Budget	Latest Agreed Budget	Final Budget	Revenue Outturn	Variation Increase/(Decrease)	Variation Increase/(Decrease)
		£'000	£'000	£'000	£'000	£'000	%
<b>Local Risk</b>							
Director of Markets & Consumer Protection	A	1,600	1,739	1,718	1,156	(562)	(32.7%)
City Surveyors							
Repairs and Maintenance		520	707	708	690	(18)	(2.5%)
Additional Works Programme		440	616	616	217	(399)	(64.8%)
City Surveyor's Total		960	1,323	1,324	907	(417)	(31.5%)
<b>Total Local Risk</b>		<b>2,560</b>	<b>3,062</b>	<b>3,042</b>	<b>2,063</b>	<b>(979)</b>	<b>(32.2%)</b>
<b>Central Risk</b>							
Director of Markets & Consumer Protection	B	(4,989)	(4,732)	(4,732)	(5,042)	(310)	(6.6%)
<b>Total Local and Central risk</b>		<b>(2,429)</b>	<b>(1,670)</b>	<b>(1,690)</b>	<b>(2,979)</b>	<b>(1,289)</b>	<b>(76.3%)</b>
<b>Capital and Support Services</b>		<b>2,147</b>	<b>2,221</b>	<b>2,298</b>	<b>2,183</b>	<b>(115)</b>	<b>(5.0%)</b>
<b>Overall Total</b>		<b>(282)</b>	<b>551</b>	<b>608</b>	<b>(796)</b>	<b>(1,404)</b>	<b>(230.9%)</b>
<b>Total Local and Central risk excluding City Surveyors</b>	C	<b>(3,389)</b>	<b>(2,993)</b>	<b>(3,014)</b>	<b>(3,886)</b>	<b>(872)</b>	<b>(28.9%)</b>

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

2. The local risk under spend of (£979,000) comprises the following main variations:

**Director of Markets and Consumer Protection (£562,000) underspend:**

• **Smithfield Market (£502,000) underspend -**

- 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 on-going negotiations with the Smithfield Tenants Association regarding required service levels payable through the Service Charge (£79,000);
- carry forward funding of (£73,000) from the previous year remains unspent. This is partly due to better than expected costs of some repairs and partly due to delays in procurement and insufficient City Surveyor resources to achieve all of the planned work within the timeframe;
- the total stock held for materials and equipment has exceeded the City's threshold and a stock adjustment has been made to the balance sheet which has resulted in a reduced charge to the revenue account for materials in the year of (£82,000);
- Citigen costs for heating and cooling water are lower than anticipated due to the reduction in oil prices which is the basis of the calculation of the price charged to the City. This, together with the reduced consumption has resulted in reduced costs of (£101,000);
- utilities were lower than anticipated by (£76,000) as follows:
  - Water (£30,000) due to replacement of broken water meter;
  - Electricity and Carbon commitment was less than anticipated due to reduced consumption (£46,000);
- professional fees were lower than anticipated as arbitration for the renewal of services on the lease was not implemented in 2015-16 (£55,000);
- net reduction for supplies and services of (£11,000);
- higher than anticipated income for services charged to tenants (£25,000).

- **Billingsgate Market (£33,000) underspend** – additional income generated from filming and car parking (20% of car parking income is allocated to local risk).
- **Directorate (£10,000) underspend** – lower than anticipated training and the cancellation in 2015-16 of the Committee visit to Rungis Market.
- **New Spitalfields Market (£17,000) underspend** – the total of stock held for materials and equipment has exceeded the City's threshold and a stock adjustment has been made to the balance sheet which has resulted in a reduced charge to the revenue account for materials in the year.

**City Surveyor (£417,000) underspend** – the reduction in repairs and maintenance costs relates mainly to re-phased or cancelled projects, as listed below. These 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.

- **Smithfield Market (£372,000)** – is due to re-phased works on the Additional Work Programme and historical work programme due over the next two years;
- **Billingsgate Market (£61,000)**, is due to delayed projects;
- **New Spitalfields Market £16,000** – additional works and repairs funded from the reserves and/or the service charge.

3. The central risk under spend of (£310,000) comprises the following main variations:

- **Smithfield Market (£169,000) underspend**
  - savings made on the Food Standard Agency (FSA) inspections due to the cost of inspections now invoiced direct to the tenants (£83,000);
  - rebate for a contingency held on a Supplementary Revenue Project (SRP) run by City Surveyors (£71,000);
  - additional rental income (£9,000);
  - a net reduction in legal fees for rental and rates of premises and reduced provision for bad debts (£6,000).

- **Billingsgate Market £44,000 overspend**

- additional rental income (£7,000);
- reduction in reserves of £58,000 for City Surveyors costs;
- net income is higher due to additional City Surveyors staff time charged, resulting in additional income required from the market reserve (£7,000).

- **New Spitalfields Market (£185,000) underspend;**

- additional rental income (£51,000);
- professional fees for external surveyors for the lease renewal negotiations was unspent and a bid for a central risk carry forward has been included in the report to Resource Allocation Sub Committee (£120,000);
- additional income from reserves to fund higher City Surveyors costs (£14,000).

4. The (£115,000) underspend in Capital and Support Services is due to reduced premises insurance on buildings at Smithfield which are no longer owned by the City of London Corporation or which have been demolished.

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

### **Local Risk Carry Forward to 2015/16**

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.

The Director of Markets and Consumer Protection had a local risk under spend excluding City Surveyors local risk of (£562,000) on the activities overseen by your Committee and is proposing to carry forward £151,000 of his local risk under spend for the following purposes:

### **City Cash - Smithfield Market**

- £7,000 to replace the loading bays arms which was delayed due to finding a suitable provider of this specialised equipment for the East Market;

- £32,000 to procure two new scrubber/dryer machines. The procurement was started in time for delivery before 31<sup>st</sup> March 2016, however, delays from the supplier resulted in the machines being delivered on 4<sup>th</sup> April 2016;
- £27,000 to continue to renew emergency lighting in the East and West market and the car park. This work commenced in 2015/16 but due to operational demands of the market, some of the work had to be delayed - previously unspent carry forward from 2013/14;
- £80,000 for ‘tanking’ 4 rooms out of 8 in the car park that holds all the low and high voltage electrical equipment to power the East and West market;
- £5,000 for the Markets Committee Members visit to Rungis Market in Paris which was originally planned to take place early in 2016 but had to be delayed and is now scheduled for 30 June 2016.

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

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**

6. 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.

Surpluses of £1.703m at Spitalfields, £1.134m at Billingsgate and £0.483m at Smithfield Market produced a combined surplus of £3.23m for the three Wholesale Markets. When capital costs of (£0.839m) and central support costs of (£1.61m) respectively are added, there is a consolidated surplus to the City of London Corporation of £0.871m in 2015/16.

7. Details of variances for Appendix B1 are listed and attached on Appendix B2.

Annex A1 - Comparison of 2015/16 Local Risk Revenue Outturn with Final Agreed Budget  
Annex A2 - Comparison of 2015/16 Central Risk Revenue Outturn with Final Agreed Budget  
Annex A3 – Movement from Latest Approved Budget to Final Budget  
Appendix B1 - Comparison of 2015/16 Operating Statement with Operating Budget  
Appendix B2 – Variance details for appendix B1

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Markets Committee - Comparison of 2015/16 Revenue Outturn with Final Budget

	Original Approved Budget	Latest Approved Budget	Final Budget	Revenue Outturn	Variation Increase/ (Decrease)	Variation %	Reasons
	£'000	£'000	£'000	£'000	£'000	%	
<b>LOCAL RISK</b>							
<b>Director of Markets</b>							
City Fund							
Spitalfields Market Service Charge	26	26	26	4	(22)	(84.6%)	1
Spitalfields Market Corporation	22	22	22	27	5	22.7%	2
<b>Total City Fund</b>	<b>48</b>	<b>48</b>	<b>48</b>	<b>31</b>	<b>(17)</b>	<b>(35.4%)</b>	
City Cash							
Smithfield Market Service Charge	936	861	840	514	(326)	(38.8%)	3
Smithfield Market Non Service Charge	75	264	264	86	(178)	(67.4%)	4
Smithfield Market Other Services	(48)	(27)	(27)	(26)	1	3.7%	5
Billingsgate Market Non Service	166	166	166	133	(33)	(19.9%)	6
Markets Directorate	423	427	427	418	(9)	(2.1%)	7
<b>Total City Cash</b>	<b>1,552</b>	<b>1,691</b>	<b>1,670</b>	<b>1,125</b>	<b>(545)</b>	<b>(32.6%)</b>	
<b>Total Director of Markets</b>	<b>1,600</b>	<b>1,739</b>	<b>1,718</b>	<b>1,156</b>	<b>(562)</b>	<b>(32.7%)</b>	
<b>City Surveyor</b>							
City Fund							
Spitalfields Market Service Charge	30	32	32	48	16	50.0%	8
Spitalfields Market Corporation	1	0	0	0	0	0.0%	
<b>Total City Fund</b>	<b>31</b>	<b>32</b>	<b>32</b>	<b>48</b>	<b>16</b>	<b>50.0%</b>	
City Cash							
Smithfield Market Service Charge	336	581	582	493	(89)	(15.3%)	9
Smithfield Market Non Service Charge	440	482	482	212	(270)	(56.0%)	9
Smithfield Market Other Services	0	56	56	43	(13)	(23.2%)	9
Billingsgate Market Service Charge	145	165	165	103	(62)	(37.6%)	10
Billingsgate Market Non Service	8	7	7	8	1	14.3%	10
<b>Total City Cash</b>	<b>929</b>	<b>1,291</b>	<b>1,292</b>	<b>859</b>	<b>(433)</b>	<b>(33.5%)</b>	
<b>Total City Surveyor</b>	<b>960</b>	<b>1,323</b>	<b>1,324</b>	<b>907</b>	<b>(417)</b>	<b>(31.5%)</b>	
<b>TOTAL LOCAL RISK</b>	<b>2,560</b>	<b>3,062</b>	<b>3,042</b>	<b>2,063</b>	<b>(979)</b>	<b>(32.2%)</b>	

## Reasons for Local Risk Variations – Director of Markets

1. **Spitalfields Market Service Charge Account** - underspend (£22,000) 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 underspend of (£22,000).
  
2. **Spitalfields Market Corporation Account** - overspend of £5,000 is due to the following:
  - professional fees for the fork lift truck/ pedestrian segregation project £15,000;
  - supplies and Services were less than expected mainly due to the legal fee budget not required in 2015/16 (£6,000) and training, equipment, printing and conference budgets not fully expended (£4,000).
  
3. **Smithfield Market Service Charge Account** - underspend (£326,000) is mainly due to the following:
  - Reduced employment costs due to changes in staffing levels (£53,000);
  - lower than expected chilled and hot water provided by Citigen which is mainly due to a decreased pricing mechanism caused by the fall in oil prices (£71,000);
  - reduced electricity costs for common areas due to lower consumption and more accurate check meters (£15,000);
  - the cost of repairs and cleaning materials was off -set by a stock accounting adjustment resulting in a lower than anticipated cost of (£82,000). The adjustment was required as the City of London's stock threshold was exceeded for Markets due to the high value parts now kept in stock for the repair of the condensers;
  - reduced water charges due to lower consumption (£30,000);

- professional fees contingency set aside for possible arbitration was not required during the year (£55,000);
  - higher than expected service charge income from new tenants who are outside of the capped charge (£20,000);
4. **Smithfield Market Non Service Charge Account** - underspend (£178,000) is mainly due to the following:
- Lower than expected employment costs (£26,000);
  - due to reduced costs of repairs and equipment, delays in procurement and availability of City Surveyor resources, carry forward funding of (£94,000), was either unspent or being re-applied as a carry forward budget from 2015/16 into 2016/17;
  - reduced cost for repairs due to an off-set stock adjustment (£24,000);
  - lower than anticipated cost for chilled and hot water provided by Citigen of (£30,000) which is mainly due to the decreased pricing mechanism caused by the fall in oil prices;
  - low value underspends for the Animal By-product facility relating to professional fees and supplies and services (£4,000).
5. **Smithfield Market Other Services**- overspend of £1,000 is due to the following:
- Reduced repair costs for the car park due to delays in planned repairs (£20,000);
  - reduced equipment spend on barrier equipment (£6,000);
  - higher than expected management costs for running the car park due to the new tender and increased employment costs due to the introduction of the London living wage £14,000;
  - lower than expected car parking income of £13,000.
6. **Billingsgate Market Non Service Charge** – underspend (£33,000) is due to the following:
- Increased car parking and filming income (£55,000);
  - reduced communications and employment costs (£11,000);

- increased repairs costs for decoration of the Committee room and offices to let and increased costs for installation of car park barriers £33,000.
7. **Directorate** – The underspend of (£9,000) is due to a postponed trip to Rungis and lower than expected training costs. The reduction is passed onto all the Markets and Consumer Protection budgets under the remit of the Director on a proportionate basis, through the recharging policy of the City of London.

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

8. Overspend of £16,000 at New Spitalfields Market is due to additional general breakdown works.
9. Net under spend of (£372,000) at Smithfield Market is due to the Additional Work Programme being delayed and re-phased (£399,000) and additional general breakdown works of £27,000.
10. Net under spend of (£61,000) at Billingsgate Market is due to delayed or cancelled minor works.

Markets Committee - Comparison of 2015/16 Outturn with Final Budget

	Original Approved Budget £'000	Latest Approved Budget £'000	Final Budget £'000	Revenue Outturn £'000	Variation Increase/ (Decrease) £'000	Variatio n %	Reasons
<b>CENTRAL RISK</b>							
<b>Director of Markets</b>							
City Fund							
Spitalfields Market Service Charge	(439)	(443)	(443)	(453)	(10)	(2.3%)	11
Spitalfields Market City Account	(1,347)	(1,191)	(1,191)	(1,362)	(171)	(14.4%)	12
Spitalfields Market Tenants Repairs	(25)	(21)	(21)	(25)	(4)	(19.0%)	13
<b>Total City Fund</b>	<b>(1,811)</b>	<b>(1,655)</b>	<b>(1,655)</b>	<b>(1,840)</b>	<b>(185)</b>	<b>11.2%</b>	
City Cash							
Smithfield Market Service Charge	85	85	85	2	(83)	(97.6%)	14
Smithfield Market Non Service	(1,738)	(1,698)	(1,698)	(1,790)	(92)	(5.4%)	15
Smithfield Market Other Services	0	18	18	24	6	33.3%	16
Billingsgate Market Service Charge	(300)	(317)	(317)	(259)	58	18.3%	17
Billingsgate Market Non Service	(1,214)	(1,156)	(1,156)	(1,163)	(7)	(0.6%)	18
Billingsgate Market Special Works	(11)	(9)	(9)	(16)	(7)	(77.8%)	19
<b>Total City Cash</b>	<b>(3,178)</b>	<b>(3,077)</b>	<b>(3,077)</b>	<b>(3,202)</b>	<b>(125)</b>	<b>(4.1%)</b>	
<b>TOTAL CENTRAL RISK</b>	<b>(4,989)</b>	<b>(4,732)</b>	<b>(4,732)</b>	<b>(5,042)</b>	<b>(310)</b>	<b>(6.6%)</b>	

Reasons for Significant Central Risk Variations

11. **Spitalfields Market Service Charge A/C** – net income was higher to fund increased City Surveyor costs resulting in additional funds required from tenants' contributions.
12. **Spitalfields Market City A/C** – underspend of (£171,000) is due to additional rental income (£51,000) and lower than anticipated professional fees for external surveyor costs due to delays in the lease renewal process (£120,000). The unspent professional fees budget has been included in the central risk carry forward requests in 2016-17.
13. **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 (£4,000).

14. **Smithfield Service Charge A/C** – net expenditure was lower due mainly to the reduction of the FSA Inspection fee charges (£83,000).
15. **Smithfield Market Non Service Charge A/C** – net income was higher due to the rebate of a Surveyors Revenue Project (£71,000), reduction in the bad debt provision and reduced legal costs of (£12,000) and additional Tenancy at Will fees of (£9,000).
16. **Smithfield Other Services A/C** – overspend of £6,000 due to the write-off of Snowhill Estate Ltd which was transferred in error from City Surveyors to Markets during the implementation of Oracle Property and Accounts Receivable modules £8,000, which was partly offset by reduced rates bills due to empty premises (£2,000).
17. **Billingsgate Market Service Charge A/C** – net income due to reductions in City Surveyors costs resulting in fewer funds required from tenants contributions £58,000.
18. **Billingsgate Market Non Service Charge A/C** – net income is higher due to additional rent income (£7,000)
19. **Billingsgate Market Special Works A/C** – net income is higher due to additional City Surveyors staff time charged, resulting in additional income required from the market reserves (£7,000).

## Markets Committee – Movement in 2015/16 Latest Approved Budget to Final Budget

Analysis by Service Managed	Original Budget 2015-16 £'000	Latest Approved Budget* 2015-16 £'000	Final Budget 2015-16 £'000	Movement £'000	Notes
<b>CITY FUND</b>					
Spitalfields Market Service Charge	26	26	33	7	
Spitalfields Market City Account	(846)	(653)	(618)	35	
Spitalfields Market Repainting & Repair	0	0	0	0	
<b>TOTAL CITY FUND</b>	<b>(820)</b>	<b>(627)</b>	<b>(585)</b>	<b>42</b>	a
<b>CITY CASH</b>					
Smithfield Market Service Charge	1,713	1,990	2,003	13	
Smithfield Market City Account	(602)	(420)	(420)	0	
Smithfield Other Properties	19	119	119	0	
<b>TOTAL SMITHFIELD MARKET</b>	<b>1,130</b>	<b>1,689</b>	<b>1,702</b>	<b>13</b>	b
Billingsgate Market Service Charge	0	0	0	0	
Billingsgate Market City Account	(571)	(531)	(509)	22	
Billingsgate Market Repainting & Repair	0	0	0	0	
<b>TOTAL BILLINGSGATE MARKET</b>	<b>(571)</b>	<b>(531)</b>	<b>(509)</b>	<b>22</b>	c
<b>DIRECTORATE – Late budget change for reapportionment.</b>	<b>(21)</b>	<b>20</b>	<b>0</b>	<b>(20)</b>	
<b>TOTAL CITY CASH</b>	<b>538</b>	<b>1,178</b>	<b>1,193</b>	<b>15</b>	
<b>TOTAL</b>	<b>(282)</b>	<b>551</b>	<b>608</b>	<b>57</b>	

\*Latest Approved Budget as reported to your Committee on 30<sup>th</sup> November 2015

**Notes:**

- (a) Recharged costs have increased mainly for capital charges and support costs.
- (b) Recharged costs have increased mainly for support costs
- (c) Recharged costs reduced due to reduction in surveyors costs
- (d) Late budget apportionment reapportioned after LAB for recharged IT costs.