



Markets Committee

Date: WEDNESDAY, 26 NOVEMBER 2014
Time: 11.30 am
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members:

John Scott (Chairman)	Deputy Keith Knowles
Hugh Morris (Deputy Chairman)	Edward Lord
Alex Bain-Stewart	Professor John Lumley
Nicholas Bensted-Smith	Wendy Mead
Christopher Boden	Robert Merrett
Alderman Charles Bowman	Deputy Joyce Nash
Revd Dr William Campbell-Taylor	Graham Packham
Deputy John Chapman	Chris Punter
Karina Dostalova	Adam Richardson
Deputy Stanley Ginsburg	Elizabeth Rogula
Alderman Timothy Hailes JP	Ian Seaton
Brian Harris	Deputy Dr Giles Shilson
Christopher Hayward	Angela Starling
Tom Hoffman	Patrick Streeter
Michael Hudson	James Tumbridge
Jamie Ingham Clark	Mark Wheatley
Deputy Alastair King	

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Lunch will be served in the Guildhall Club at 1pm
NB: Part of this meeting could be the subject of audio video recording

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **PUBLIC MINUTES**
To agree the public minutes of the meeting held on 19 September 2014.
For Decision
(Pages 1 - 6)
4. **SMITHFIELD MARKET - CONDENSER WATER COOLING SYSTEM - UPDATE**
Report of the City Surveyor

This report should be read in conjunction with Item 12 on the agenda
For Information
(Pages 7 - 12)
5. **RISK MANAGEMENT STRATEGY**
Report of the Chamberlain

For Information
(Pages 13 - 48)
6. **REVENUE AND CAPITAL BUDGETS - 2014/15 AND 2015/16**
A joint report of the Chamberlain and the Director of Markets and Consumer Protection

For Decision
(Pages 49 - 70)
7. **ENFORCEMENT ACTIVITY AT SMITHFIELD MARKET**
A report of the Director of Markets & Consumer Protection

For Information
(Pages 71 - 82)
8. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
9. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
10. **EXCLUSION OF THE PUBLIC**
MOTION - That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

Part 2 - Non-Public Agenda

11. **NON-PUBLIC MINUTES**
To agree the non-public minutes of the meeting held on 19 September 2014.
For Decision
(Pages 83 - 86)
12. **APPENDIX TO THE 'SMITHFIELD WATER CONDENSER COOLING SYSTEM - UPDATE'**
Report of the City Surveyor
For Information
(Pages 87 - 90)
13. **DEBT ARREARS MARKETS - PERIOD ENDING 30 SEPTEMBER 2014**
Report of the Director of Markets and Consumer Protection
For Information
(Pages 91 - 100)
14. **NON PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
15. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

Confidential Agenda

16. **SERVICE BASED REVIEW PROPOSALS - DEPARTMENT OF MARKETS & CONSUMER PROTECTION**
Report of the Director of Markets & Consumer Protection

Circulated to Members separately

For Decision

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MARKETS COMMITTEE

Friday, 19 September 2014

Minutes of the meeting of the Markets Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Friday, 19 September 2014 at 11.30 am

Present

Members:

John Scott (Chairman)	Edward Lord
Hugh Morris (Deputy Chairman)	Professor John Lumley
Nicholas Bensted-Smith	Wendy Mead
Christopher Boden	Robert Merrett
Alderman Charles Bowman	Deputy Joyce Nash
Revd Dr William Campbell-Taylor	Graham Packham
Deputy John Chapman	Adam Richardson
Karina Dostalova	Elizabeth Rogula
Brian Harris	Ian Seaton
Tom Hoffman	Deputy Dr Giles Shilson
Michael Hudson	Angela Starling
Jamie Ingham Clark	Patrick Streeter
Deputy Alastair King	Mark Wheatley
Deputy Keith Knowles, MBE	

In Attendance

Amos Alade - DEFRA

Officers:

Suellen Dooley	Comptroller and City Solicitor's Department
David Smith	Director, Markets and Consumer Protection
Malcolm Macleod	Superintendent, Markets & Consumer Protection
Nigel Shepherd	Superintendent, Markets & Consumer Protection
Robert Wilson	Superintendent, Markets & Consumer Protection
Steven Chandler	City Surveyor's
Andrew Crafter	City Surveyor's
Simon Owen	Chamberlain's Department
Debbie Howard	Chamberlain's Department
Julie Gibbs	Markets and Consumer Protection Department
Saimah Tahir	Town Clerk's Department
Rakesh Hira	Town Clerk's Department

1. APOLOGIES

Apologies were received from Chris Punter, James Tumbridge, Alderman Timothy Hailes, Deputy Stanley Ginsburg and Christopher Hayward.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

There were no declarations.

3. **PUBLIC MINUTES**

The public minutes of the meeting held on 16 July 2014, were approved as a correct record.

4. **MARKETS BUSINESS PLAN UPDATE PERIOD 1 2014/15 (APRIL - JULY)**

A report of the Director of Markets and Consumer Protection providing an update on the progress against the Business Plan of the Markets Department for Period 1 against key performance indicators (KPIs) and objectives was considered.

A discussion took place in response to a question on employee sickness. It was noted that the City Corporation had a robust Sickness Management Policy and once a statement of Fitness for Work is received from a General Practitioner Occupational Health would not be in a position to refute it.

The Director of Markets and Consumer Protection informed Members of a 10% variation in his Department's budget. There had been a movement in funds from the Port Health and Environmental Services (PHES) Committee budget to the Markets budget to cover the change in management responsibility for the Smithfield Animal By-Product Facility from Smithfield Enforcement Team (SET) which was funded by the PHES budget, to the Markets Superintendent, funded by the Committee. He pointed out that this had no effect on the overall total departmental budget, which spans three Committees, and reflected the previously agreed shift in responsibility following the creation of the new ABP Facility in the Poultry Market.

In response to a question by a Member on filming fees within the Markets, the Superintendent of Billingsgate Market explained that the decision on whether to charge for filming was made in conjunction with the Public Relations Office.

In response to a question from a Member the Superintendent of Billingsgate Market explained that Canary Wharf as a location made Billingsgate vulnerable to terrorism, there was an action plan in place to address the safety of people.

RESOLVED – That the contents of the report be noted.

5. **SMITHFIELD MARKET - CONDENSER WATER COOLING SYSTEM - UPDATE**

A report of the City Surveyor provided Members with an update on the performance of the Condenser Water Cooling System at Smithfield Market which serves Tenants' refrigeration equipment, and the works currently being undertaken to improve the system. The report highlighted that the performance of the condenser water cooling system was currently satisfactory. He reported that the hot weather in July 2014 had caused problems for a number of fridges, including those previously identified by the City of London Corporation as being at risk.

In response to a question by a Member, the City Surveyor explained that Phase 3 of the works programme is due to be completed in October 2014. This is as a result of conducting operations during a five hour fridge shutdown which affects stall temperatures and the unknown condition of 50 year old internal pipe work in the Poultry Market building.

The City Surveyor reported that the final phase of works was now underway to address the dirt contamination in the cooling towers. Dirt was mainly airborne particles, drawn into the system at the cooling towers. Filtration units were being installed to resolve the contamination.

RESOLVED – That the contents of the report be noted.

6. CHRISTMAS 2014 - SMITHFIELD MARKET TRAFFIC MANAGEMENT PLAN UPDATE

A report of the Superintendent of Smithfield Market updated Members on the outcome of investigations to identify possible alternative sources of funding for private stewards in order to implement a more comprehensive Traffic Management Plan at Smithfield Market for Christmas Period 2014. Funding of £8,000 was requested from the projected Central Risk underspend or from a reduction in car parking concessions. It was hoped that the plan would alleviate the congestion and gridlocking of Christmas 2013.

In response to a question by a Member, a representative of the City of London Police assured the Committee that accreditation under the Community Safety Accreditation Scheme would be investigated which would result in Traffic Stewards being more effective in their role. It was noted that as Market Constabulary staff had regulating traffic listed within their job description they should be trained to become Traffic Stewards, which may prove more cost effective. The Superintendent assured Members that signage within the Traffic Management Plan would identify all vehicles in full and not contain any abbreviations.

RESOLVED – That Members approve:

- The Final Traffic Management Plan.
- Funding the private stewards and signage from the projected underspend on Smithfield Central Risk budgets

7. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

8. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

The Chairman informed the Committee of the letter received from the Chairman of the Spitalfields Market Tenants' Association regarding the contributions to the Repair & Repainting Fund and the administration charge and stated that a response would be sent as soon as possible.

9. **EXCLUSION OF THE PUBLIC**

RESOLVED – That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part I of Schedule 12A of the Local Government Act as follows:-

Item	Paragraph
10-19	3

10. **NON-PUBLIC MINUTES**

The non-public minutes of the meeting held on 16 July 2014, were approved as a correct record.

11. **REQUEST FOR DELEGATED AUTHORITY TO APPROVE THE LETTING OF THE COCK TAVERN, SMITHFIELD MARKET, EC1**

A joint report of the City Surveyor and the Director of Markets and Consumer Protection.

12. **LEASE RENEWAL OF ADVERTISING HOARDINGS AT BILLINGSGATE MARKET**

A report of the City Surveyor.

13. **DEBT ARREARS MARKETS - PERIOD ENDING 30TH JUNE 2014**

A report of the Director of Markets and Consumer Protection.

14. **SMITHFIELD MARKET - POULTRY MARKET LETTING OF STALL 224**

A report of the Director of Markets and Consumer Protection.

15. **CONCESSIONARY PARKING AT SMITHFIELD MARKET DURING THE CHRISTMAS PERIOD 2014**

A report of the Superintendent of Smithfield Market.

16. **TENANCIES AT WILL AND ASSIGNMENTS**

A report of the Director of Markets and Consumer Protection.

17. **NON PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

18. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

There was one urgent item of business.

19. **CONFIDENTIAL MINUTES**

The confidential minutes of the meeting held on 16 July 2014 were approved as a correct record, subject to the amendment of one word.

The meeting ended at 1.00 pm

Chairman

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Committee(s):	Date(s):
Markets	26 November 2014
Subject: Smithfield Market – Condenser Water Cooling System – update	Public
Report of: The City Surveyor	For Information

Summary

This report provides Members with an update on the performance of Smithfield Markets' Condenser Water Cooling System, which serves Tenants' refrigeration equipment, and the works currently being undertaken to improve the system.

The performance of the condenser water cooling system since the last report given in September has generally been satisfactory, but operational issues have been experienced which have had an impact on refrigeration equipment. These have included a power supply failure on 6 October disabling fridges and cooling system pumps, which led to an interruption of the service for about 7-8 hours, a broken valve restricting the water flow to one fridge, which resulted in an unacceptable stall temperature, and a further contamination issue, which is being investigated.

Following work carried out by Tenants to upgrade three fridge condensers during the summer, a further condenser has now been replaced, with one more due to be replaced shortly.

Phase 3 of the City's improvement works are largely complete with new equipment installed in operation. The final item – inspecting, flushing and cleaning the Poultry Market distribution pipework – should be complete in 2-3 weeks.

On completion of this the City intends to increase gradually the system operating temperature to reduce running costs and wear on cooling tower fans.

The City will continue to monitor the system closely.

Recommendation(s)

Members are invited to:

- Note the contents of this report.

Main Report

Background

1. The Market's condenser water cooling system removes waste heat from 120 tenants' refrigeration units in East, West and Poultry Markets and dissipates it to the atmosphere via five cooling towers located in the Poultry Market. The system is operated and maintained by the City Corporation.
2. Over the last four years the City Corporation has been undertaking a programme of works to improve the system in East and West Markets. The first two phases are complete.
3. A third phase of work intended to address dirt contamination in the system commenced in June 2014 and is largely complete. This has involved work in East, West and Poultry Markets to inspect, clean and flush pipework and install additional filtration equipment.

Current Position

4. The cooling system is currently supplying water to the Tenants' fridge condensers at 20°C. The low setting will gradually be increased once the current Phase 3 works on site are complete, as the City would like to operate the system at a higher temperature to reduce its operating costs. A few operational issues have been experienced since the last report to Members in September and these are covered in the Non-Public Annex to this report.
5. As reported in September's report, three Tenants had replaced their fridge condensers in East and West Markets with uprated units, giving immediate benefits. A further condenser has now been replaced, with one more due to be replaced shortly. Details of the fridges concerned are given in the Non-Public Annex to this report.
6. In the City's view this is addressing the underlying problem with refrigeration equipment which prevents stall temperatures being achieved and it is hoped that the same solution will be adopted for other fridges with problems.
7. The City's work to service and repair cooling tower fans undertaken during August and September is complete and critical spares are held on site. Mitie, the Building Repairs and Maintenance Contractor, has been instructed to carry out a weekly inspection of the towers. The purpose is to check for visible problems (eg tower sumps overflowing), unusual sounds (eg fan shaft bearings or belts failing) or excessive vibration.
8. Following past incidents which caused interruptions to the water circulation the City has reviewed the control of the cooling system pumps (a total of 4 pairs). With the aid of the City's specialist control system contractor, proposals have been developed to improve the alarm system and facilitate pump maintenance operations. The cost is assessed at about £15,000, for which funds are being procured.

9. Phase 3 of the improvement works, intended to address dirt contamination problems in the system, is nearing completion. The Contractor is Hanmar Environmental Ltd. Completion has been delayed by problems achieving satisfactory isolations of pipework within the Poultry Market, concerns expressed by the Market Tenants Association about the effects of 5 hour fridge shutdowns on stall temperatures, and the need to gauge the effects of fridge shutdowns. A more detailed report on each section of the work is given in Appendix 1.
10. In view of particular concern about the effect of fridge shutdowns on stall temperatures in West Market, the City has modified its design to avoid the need for any shutdowns of West Market fridges. This has involved relocating new filtration units to a position where new pipework can be connected into the system whilst in operation, using a technique known as 'live tapping'. This has entailed more work and taken longer, however the priority has been to maintain the service as far as possible. East Market and Poultry Market fridges appear to be more tolerant of fridge shutdowns.
11. The last item in Phase 3 currently underway is the inspecting, flushing and cleaning of the Poultry Market distribution pipework. This is expected to be complete in 2-3 weeks.
12. On completion of the Phase 3 work the City intends to increase gradually the system operating temperature to reduce running costs and wear on cooling tower fans. Ideally this would be to at least 25-26°C, a more typical temperature for this type of system. This will be done in consultation with the Tenants' Association.
13. Two Tenants have sought meetings with the Superintendent and City Surveyor. These are covered in the Non-Public Annex to this report.

Corporate & Strategic Implications

14. The system supports the following Strategic Aims:
 - To provide modern, efficient and high quality local services and policing within the Square Mile for workers, residents and visitors with a view to delivering sustainable outcomes.
 - To provide valued services to London and the nation.

Implications

15. The cooling system provides a critical service for Tenants' refrigeration equipment and the City is completing its programme of work to improve its performance and resilience. A failure of the system could expose the City to claims for loss or damage suffered by tenants as a result of refrigeration equipment breakdown.

16. The replacement of undersized fridge condensers by tenants is continuing and will address historic problems with stall temperatures in the associated stalls.

Conclusion

17. The performance of the condenser water cooling system since the last report given in September has generally been satisfactory, but operational issues have been experienced which have had an impact on refrigeration equipment. These have included a power supply failure on 6 October disabling fridges and cooling system pumps, which led to an interruption of the service for about 7-8 hours, a broken valve restricting the water flow to one fridge, which resulted in an unacceptable stall temperature, and a further contamination issue, which is being investigated.
18. Following work carried out by Tenants to upgrade three fridge condensers during the summer, a further condenser has now been replaced, with one more due to be replaced shortly.
19. Phase 3 of the City's improvement works are near to completion, following a delay due to difficulties achieving isolations of pipework in the Poultry Market, concerns expressed about the effects of 5 hour fridge shutdowns on stall temperatures, and a change implemented to avoid the need for a shutdown of fridges in West Market.
20. The City will continue to monitor the system closely.

Background Papers:

Report of the City Surveyor (ref CS319/14) dated September 2014 to Markets Committee: 'Smithfield Market – Condenser Water Cooling System - update'

Appendix 1:

Summary of progress on Phase 3 improvement works

Andrew Crafter

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Appendix 1: Summary of progress on Phase 3 improvement works

Section	Description	Position
A	Installation of in-line duplex filters, removal of redundant strainers, internal inspection of pipework	Complete and in use
B	Installation of new sidestream filtration unit in cooling tower circuit	Installed; awaiting connection of power supply when the next system shutdown takes place, and commissioning.
C	Installation of additional sidestream filtration unit to serve cooling towers 1 & 2	Installed and awaiting commissioning.
D	Opening up of pipework to East Market in car park for inspection, installation of additional isolating valves and dirt collection pockets	Complete
E	Installation of new valves on all individual branches in Poultry Market (total 26), jet cleaning and flushing of pipework, setting flow rates	New valves: complete Cleaning/flushing: in progress Setting flow rates: following flushing
F	Replacement of main flow meter in East Market circuit and new flow meter in Poultry Market circuit.	Complete and in use
G	Installation of pressure sensor in Poultry Market circuit to monitor system pressure and control pump speed	Complete and in use

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Committee:	Date:
Markets Committee	26 th November 2014
Subject: Risk Management Strategy	Public
Report of: Chamberlain	For information

Summary

This report introduces the new Risk Management Strategy which was approved by the Audit and Risk Management Committee on the 13 May 2014. All committees are receiving a similar report which provides information to members about the new Risk Management Strategy and progress on its implementation. This report covers the Markets and Consumer Protection department (excluding Port Health and Public Protection service which is reporting to the Port Health and Environmental Service Committee on 18 November 2014).

In line with the Cabinet Office's Management of Risk (M_O_R) principles a Risk Management Strategy has been developed to provide a clearer and dynamic framework for managing organisational risks. Key changes in the Risk Management Strategy include a new framework to define risks, a new 4x4 risk scoring model, the introduction of a target risk score and a clearer route to escalate risks.

Service Committees will continue to have responsibility to oversee the significant risks faced by Departments in the delivery of their service responsibilities. Chief Officers are accountable for effective risk management within their department, reporting to their relevant service Committee(s), a responsibility that cannot be delegated.

An on-line risk management system is currently being implemented which will assist in the recording, management, and dynamic reporting of risks.

The changes arising from the risk management strategy will be implemented within City of London departments and Institutions alongside the phased rollout of the risk management information system. This will be done by working with each department, beginning with the Chamberlain's.

At the request of the Audit and Risk Management Committee, a revised framework for the review of key departmental risks at the same time as seeking updates on Corporate Risks has been developed. The new programme of risk review by members of the Audit and Risk Management Committee commenced from 9 September 2014 with the Chamberlain's Department. The Markets and Consumer Protection Department is scheduled for 8 December 2014.

The Departmental Risk Registers will be reviewed, and updated, in line with the new Risk Management Strategy including the adoption of the 4x4 risk scoring and introduction of a target risk score.

Recommendations:

Members are asked to

- Note the new Risk Management Strategy and plans for the phased roll-out of the strategy within Departments and City of London Institutions.

Main Report

Background

1. In 2013 a risk management improvement plan was developed to improve and refresh the City Corporation's risk framework. An independent review of risk management was also undertaken by Zurich Municipal which further informed and strengthened the objectives set out in the improvement plan. Outcomes from the improvement plan resulted in a changes to the risk framework and the creation of a Risk Management Strategy, which has replaced the risk management handbook and is in line with the terminology used commonly in other organisations as well as the Cabinet Office's Management of Risk principles. The Risk Management Strategy was approved by the Audit and Risk Management committee on 13 May 2014.
2. Service Committees have responsibility to oversee the significant risks faced by Departments in the delivery of their service responsibilities, receiving regular reports from Chief Officers identifying the significant risks and providing assurance that appropriate mitigation action has been identified and implemented. Chief Officers are accountable for effective risk management within their department, a responsibility that cannot be delegated.

Risk Management Policy (Page II, Appendix 1)

3. As part of the Risk Management Strategy a new Risk Management Policy statement was created. This is a statement of intent for risk management signed by the Chairman of Audit and Risk Management Committee and the Town Clerk.
4. An objective of the risk management policy statement is briefly to communicate the City Corporation's commitment to risk management, in order to support the realisation of its objectives, and to highlight its appetite for risk.

Risk Management Strategy (Appendix 1)

5. The Risk Management Strategy builds on the previous risk management handbook providing guidance on how risk management is used and how it will operate within the Corporation. Development of this document also fits in line with the Cabinet Office's M_O_R principles.

6. The Strategy was developed in consultation with the officers forming the Risk Management Group and has been reviewed by Chief Officers and Members of the Audit and Risk Management Committee.
7. Service Committees continue to have responsibility to oversee the significant risks faced by Departments in the delivery of their service responsibilities, receiving regular reports from Chief Officers identifying the significant risks and providing assurance that appropriate mitigation action has been identified and implemented.
8. Key changes in the strategy include:
 - i. A clearer framework to define risks, using the Cause, Risk and Effect model (Appendix 1, Page 10).
 - ii. A new 4x4 scoring model for likelihood and impact (Appendix 1, Page 11). This brings it in line with the risk matrices for Health and Safety and City of London Police.
 - iii. The introduction of a Target Risk Score (Appendix 1, Page 22) to indicate how the Current/Net risk score will reduce further with the in-progress or planned controls. This will be the optimum score for the risk in order for it to be manageable, taking account of the resources available and the ability of the Corporation directly to manage the risk once external factors are considered.
 - iv. A clear escalation route highlighting how risks will be raised to management boards based on the risk score or risk type (Page 16). Service Committees will continue receiving top departmental risks, now set at a risk score 16 or above, on at least a quarterly basis.
 - v. Service committees can recommend departmental risks to be reviewed further at the Audit and Risk Management committee and can recommend the risks to be escalated on to the Corporate Risk Register.

Risk Management Information System

9. As departments are becoming more familiar with risk management, greater focus is being placed on the risk registers, which is resulting in an administrative burden due to the manual collation process involved using spreadsheets. To reduce this burden, improve consistency and significantly improve the ability to provide dynamic risk reports the City Corporation is introducing a risk management information system.
10. Some of the benefits that can be achieved from a risk management system include:
 - a. Clearer oversight of Corporate, Strategic and Operational risks;
 - b. Greater transparency and visibility of risk management;
 - c. Assurance that risk portfolios are actively managed and that risk management is robust;

- d. Improving data quality and saving time (and expense) in administering risk registers;
 - e. Behaviour changes from gathering information to interpreting what is said and improving the ability to provide business intelligence for decision making;
 - f. Easier to share and communicate risk information;
 - g. Improved reporting of risk information and usage in other areas, e.g. risk-based audits; and
 - h. Real time information with clear audit trail.
11. In addition to the above, a risk system will also allow customised reports to be produced which can focus on specific areas of interest, for example, producing a report for the top financial risks for a particular service area. This cannot be currently achieved due to the independent nature of the risk registers on MS Excel.

Planned Roll out

12. It is planned that changes arising from the risk management strategy are rolled out alongside the rollout of the risk management information system. This will ensure that information placed in the new system is refreshed and fits in line with the new risk framework. Installation of the new risk management software has commenced, with a phased roll-out now underway and due to be completed by the end of March 2015.
13. The Markets and Consumer Protection Department has developed a risk register which covers all its functions. The key risks in the department's risk register relating to this service are reported to the Markets Committee periodically (three times per year). The risk information is included in the Business plan update to this committee. Up until the implementation of the software planned for Quarter 4 2014/15 risk information will continue to be presented in the current format.

Cyclical Review of Corporate and Departmental Risks

14. Over the last two and half years, a structured approach to reviewing the City's strategic risks has been adopted. At the request of the Committee, a revised framework for the review of key departmental risks at the same time as seeking updates on Corporate Risks has been agreed with the Chairman of the Audit and Risk Management Committee and Chief Officers.
15. The new programme of risk review by members of the Audit and Risk Management Committee commenced from 9 September 2014 with the Chamberlain's Department, with the Markets and Consumer Protection Department scheduled for 8 December 2014.

Conclusion

16. The risk management framework continues to be actively reviewed to make it easier and effective in order to embed it further in the City Corporation. Service Committees are an essential part of the framework to enable the City

Corporation to understand and manage risks and in order to achieve the objectives set out in their respective departmental plans.

Appendices

- Appendix 1 – Risk Management Strategy

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City of London Corporation

Risk Management Strategy

Version 2.03

Approved by the
Audit & Risk management
committee
13 May 2014



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Version History

This strategy builds on and replaces earlier versions of the risk management handbook and is intended to be a high level document that provides a framework to support the City Corporation's statutory responsibility for managing risk.

It also allows the City to further strengthen and improve its approach to risk management enhancing its ability to deliver its corporate aims and objectives successfully.

The risk management strategy sets out key objectives across a three year rolling period but will be reviewed annually to ensure it remains fit for purpose.

Version control:

Date	Version Number	Comments
21/04/11	1.0	- Risk Management Handbook created
22/04/14	2.0	- Refreshed Risk Management Handbook and renamed as Risk Management Strategy
21/10/14	2.01	- Minor typographical changes
23/10/14	2.02	- Minor typographical changes
28/10/14	2.03	- Job title change

CITY OF LONDON CORPORATION'S **RISK MANAGEMENT POLICY STATEMENT**



THE CITY OF LONDON CORPORATION (COL) RECOGNISES AND ACCEPTS ITS RESPONSIBILITY¹ TO MANAGE RISKS EFFECTIVELY IN A STRUCTURED MANNER IN ORDER TO ACHIEVE ITS OBJECTIVES AND ENHANCE THE VALUE OF SERVICES PROVIDED TO THE COMMUNITY.

In pursuit of this policy COL has adopted a risk management strategy that captures the following key objectives:

- Enables corporate, departmental and programme objectives to be achieved in the optimum way and to control risks and maximise opportunities which may impact on COL's success;
- COL recognises its responsibility to manage risks and support a structured and focused approach that includes risk taking in support of innovation to add value to service delivery.
- Risk management is seen as an integral element of the Corporation culture;

These key objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines for risks and their controls at all levels;
- Ensuring that Members, Chief Officers, external regulators and the public at large can obtain necessary assurance that the Corporation is mitigating the risks of not achieving key priorities and managing opportunities to deliver more value to the community, and is thus complying with good corporate governance;
- Complying with relevant statutory requirements, e.g. the Bribery Act 2010, the Health and Safety at Work Act, the Local Government Act and more;
- Providing opportunities for shared learning on risk management across the Corporation and its strategic partners;
- Monitoring arrangements on an on-going basis.

APPETITE FOR RISK

City of London Corporation seeks to minimise unnecessary risk and manage residual risk to a level commensurate with its status as a public body so that:

- The risks have been properly identified and assessed;**
- The risks will be appropriately managed, including the taking of appropriate actions and the regular review of risk(s);**

The City of London Corporation will also positively decide to take risks in pursuit of its strategic aims where it has sufficient assurances that the potential benefits justify the level of risk to be taken.

APPROVED BY:

Alderman Nick Anstee

(Chairman of the Audit and Risk Management Committee)

John Barradell

(Town Clerk and Chief Executive)

¹Accounts and Audit Regulations 2011

Chapter 1: Introduction

In a rapidly changing environment, with the effects of reduced public funding, the changing demographics and the continual demand on services, the City of London Corporation is faced with an unprecedented challenge to deliver its statutory obligations, provide high quality services, as well as manage the associated social and financial implications.

The interlocking challenges faced from budget pressures, supplier failures, security issues, and so on, has created a complex matrix of risks, all requiring some level of management.

Amongst these challenges however opportunity can also be created for those who are best placed to embrace, innovate, collaborate and manage new risks.

This strategy has been developed to provide guidance on the City's approach to managing both opportunities and threats within the business environment, and through adoption will help to create an environment which meets the needs of the City's citizens, partners and other key stakeholders.

Aligned with this we will aim to be an exemplar of good practice and we will continue to meet our statutory responsibility to have in place satisfactory arrangements for managing risks, as laid out under regulation 4 of the Accounts and Audit Regulations 2011:

“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.”

Only by active management of risks will the City of London Corporation be able to meet its corporate objectives which in turn will enhance the value of services provided to the City.

What is risk and risk management?

The word 'risk' is a very common term used in everyday language and will be referred to by many professions from both the public and private sector. It is a concept which has grown from being used to describe a narrow field of risks which are to be avoided, to a wider, more holistic focussed world where importance is placed on how to manage risk rather than avoiding it.

The following definition for risk² has been adopted by the City of London Corporation:

“The effect of uncertainty on objectives”

Risk management is a business discipline that every working sector uses to achieve objectives in an efficient, effective and timely manner. Our risk management definition is²:

“The systematic application of principles, approach and processes to the tasks of identifying and assessing risks, and then planning and implementing risk responses”

²OGC: Management of Risk

Purpose of this strategy

The City of London Corporation is a complex organisation, comprising a number of departments with very diverse operations. By adhering to this strategy, the City of London Corporation will be better placed to meet all its objectives in an efficient, effective and timely manner.

Every risk is linked to a business objective and this strategy will help enforce a proactive stance to managing these risks, ensuring that less time is spent reacting to situations and more time is spent taking advantage of opportunities.

Listed below are some of the benefits of successfully implementing this strategy:

- Ability to satisfy statutory requirements (under the Local Government Act 1999), government regulations (e.g. Corporate Manslaughter Act, Health and Safety at Work Act, Children's Act 2004, Care Bill 2014, and more) and compliance related matters (e.g. financial and contractual regulations, Bribery Act 2010, and more);
- Protecting and enhancing the City of London Corporation's reputation;
- Better management and partnership working with city partners, improving safeguards against financial loss and reducing chances of organisational failure;
- Increased innovation, value for money and visual improvements in service delivery;
- Improved ability to justify decisions being taken and reduced risk of mistakes, reducing complaints and improving customer satisfaction;
- Ensuring teams achieve goals and objectives, and increasing their competitiveness (against other organisations);
- Common understanding of risk management for consistency and ease of application;
- Improved assurance levels arising from audit and external inspections, providing confidence to customers that risks are being controlled;
- Effective resilience to changing environmental conditions, to protect key services.

Chapter 2: Managing risks

Why manage risks

Effective risk management is an on-going process with no overall end date as new risks (threats and opportunities) arise all the time.

The Corporation is fully committed to developing a culture where risk is appropriately and effectively managed for which the following benefits will be achieved:

- An increased focus on what needs to be done (and not done) to meet objectives;
- More effective allocation of resources reducing incidences of mistakes and providing greater control of costs – demonstrating value for money; Greater transparency in decision making and enhanced ability to justify actions taken;
- Improved resilience against sudden changes in the environment including, but not limited to, natural disasters and risks related to supplier failures;
- Reduction of the Corporation's insurance costs, in turn protecting the public purse;
- Improved safety for staff, partners and residents; and
- Minimised losses due to error or fraud across the Corporation.

Choosing whether to eliminate or innovate

Innovation by its very nature involves taking risks, and as a consequence, places greater demand on all of us to ensure that those risks are well managed.

One of the key aims of risk management is to ensure that the process supports innovation, not by preventing it - but rather helping to take well thought through risks that maximise the opportunities of success.

Good risk management is about being "risk aware" not "risk averse"!

Roles and Responsibilities

The City Corporation considers risk management to be an intrinsic part of the Corporation's system of corporate governance. It is recognised that for this to be effective it is vital that everybody within the Corporation understands the role they play in effective management of risk.

Tier	Responsibility
Court of Common Council	Overall accountability for risk management.
Audit and Risk Management Committee	Providing assurance to the Court on the effectiveness of the risk management framework and its application. The Chairman is the Member Risk Champion.
Service Committees	Oversee the significant risks faced by Departments in the delivery of their service responsibilities.
Chief Officers Group	Collective responsibility for management of Corporate risks.
Chief Officers Summit Group	Promoting, steering and monitoring risk management for the Corporation. The Chief Officers Summit Group oversees the strategic elements of risk management.
Business Support Director	Officer Risk Champion, promoting risk management and leading Senior Management engagement. The Business Support Director is the Chairman to the Risk Management Group and also attends the Audit and Risk Management Committee.
Risk Management Group	Promoting and embedding risk management, with key outcomes reported to the Chief Officers Summit Group. The Risk Management Group oversees the operational elements of risk management.
Head of Audit and Risk Management	Deputy Chairman of the Risk Management Group and provides assurance to the effectiveness of the internal control environment.
Corporate Risk Advisor	Provides risk management support and advice to the Corporation. Also responsible for promoting the consistent use of risk management, developing the risk framework and facilitation of the City of London's Corporate Risk Register.

Tier	Responsibility
Individual Chief Officers	Accountable for effective risk management within their department, reporting to their relevant service Committee(s) – this responsibility cannot be delegated.
Risk Owner	The person that is accountable for the overall management of the risk, including bidding for resources to control the risk.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.
Departmental Risk Coordinators	Promoting, facilitating and championing the implementation of risk management within their department.
Service/ Project Managers	Accountable for effective management of risk within their areas of responsibility.
Employees	Maintaining an awareness and understanding of key risks and management of these in day-to-day activities.

Outcomes of this strategy will be achieved by working closely with many key teams within departments such as Health and Safety, Insurance, Corporate Performance & Business Development, Project Management, Contingency Planning and more.

The ultimate responsibility for risk management lies with the Court of Common Council and the Town Clerk. However, it must be stressed that **risk management is the responsibility of everyone working in, for and with the City of London Corporation.**

Chapter 3: The risk management process

Essentially risk management is the process by which risks are identified, evaluated, controlled and monitored at regular intervals. It is about managing resources wisely, evaluating courses of action to support decision-making, protecting clients from harm, safeguarding assets and the environment and protecting the Corporation's public image.

Whenever an activity takes place, there will be an outcome that will either lead to a success or failure. In undertaking the activity there will be a number of factors which needs to be right to determine whether the activity is a success or not, or to put it the other way round, there are a number of risk factors which, if they are not managed properly, will result in failure rather than success.

Risk Management is also a business planning tool designed to provide a methodical way for addressing risks. It is about:

- Identifying the objectives and what can go wrong;
- Acting to avoid it going wrong or to minimise the impact if it does;
- Realising opportunities and reducing threats.

The risk management cycle

The risk management process is broken down into five steps illustrated below:

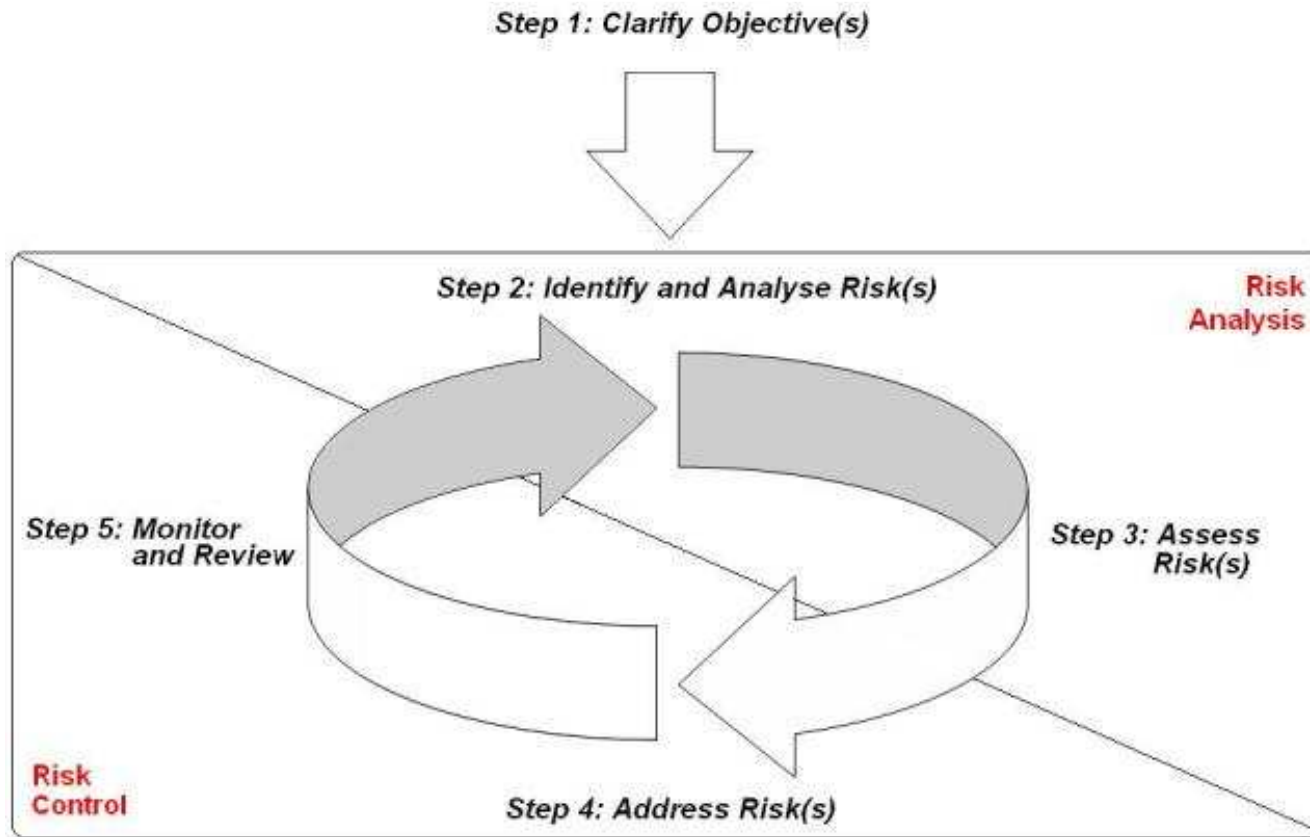


Figure 1: City of London's risk management cycle

Step 1: Clarify Objectives

It is difficult to think about risks in isolation, so the first step is to be clear about the objectives and key deliverables. This part of the process requires information about the (planned) activity.

This will include an understanding of:

- The corporate/departmental/project objectives;
- The scope of the activity;
- The assumptions that have been made;
- The list of stakeholders; and
- How the activity sits within the corporate/departmental/project structure.

This includes:

- Making sure that everyone is clear about the relationship between the services and its wider environment;
- Identifying internal and external stakeholders;
- Understanding the Corporation and its capabilities, as well as its objectives and strategies that are in place to achieve them.

Note: Risks will always be linked to a Service, Departmental or Corporate objective.

Step 2: Identify and Analyse risks

The aim of this step is to identify the risks to the (planned) activity that may affect the achievement of the objective(s), which can either be positive or negative.

Consultation is required from different levels of management and staff members, and sometimes customers and stakeholders, asking the following questions:

- What might prevent the achievement of the stated objectives?
- Has it gone wrong before?
- Who should own this risk?
- When should we start managing this risk?

It is widely recommended to identify risks through workshops and/or training sessions. However, there are many other methods which can be used such as questionnaires, a Strengths - Weaknesses - Opportunities - Threats analysis, brainstorming sessions, and more.

During the identification stage the following information needs to be gathered:

- The description of the risk, in terms of Cause → Risk → Effect;
- The nature of the risk – for example, political, financial, reputation, and more; and
- The name of the individual taking responsibility for the risk (i.e. the risk owner).

Step 3: Assess Risks (4x4)

Every risk should be assessed to help determine how much attention is given to the particular event. This is done by ranking the risks with a set of scores determined by their individual likelihood and impact rating.

The City of London Corporation uses a 4 point scale and the multiple of the likelihood and impact gives us the risk score, which is used to determine the risk profile. See Appendix 1 for details on how risks should be scored.

The risk score is placed on the Risk matrix (Figure 2) and is used to help prioritise and assist risk owners in the actions they need to take to manage the risk.

		Impact			
		Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likelihood	Likely (4)	4	8	16	32
	Possible (3)	3	6	12	24
	Unlikely (2)	2	4	8	16
	Rare (1)	1	2	4	8

Figure 2: COL risk matrix

Step 5 highlights how often risks should be reviewed and Chapter 4 highlights how the risk scores are used for reporting purposes.

Step 4: Address Risks

Without this step, risk management would be no more than a bureaucratic process. Addressing risk involves taking practical steps to manage and control it.

Not all risks need to be dealt with in the same way. The common risk response outlined below should help in considering the range of options available when responding to risks.

Importantly, when agreeing actions to control risk, consideration is required on whether the actions themselves introduce new risks

Threat responses

When managing threats, the controls that are put in place should help to effectively reduce the risk to a manageable level. There are four approaches that can be taken when deciding on how to manage threats:

- **Reduce:** A selective application of management actions, by applying internal control to reduce either the likelihood or the impact, or both, designed to contain risk to acceptable levels, e.g. mitigation action, contingency planning and more;
- **Transfer:** Shifting part of the responsibility or burden for the loss to another party, e.g. through outsourcing, insurance, etc;
- **Avoid:** An informed decision not to become involved in a risk situation. This can be challenging as the City of London Corporation may not be able to avoid risks associated with its statutory functions;
- **Accept:** An informed decision to accept the likelihood and impact of a particular risk. For example, the ability to do anything about a risk may be limited, or the cost of taking any action may be disproportionate to the potential benefit.

Ownership of Risks and Controls

Having identified and defined the risks, it is essential that someone "owns" them (i.e. the risk owner). This is not the same as being responsible for carrying out the tasks or actions for the risk (i.e. the control owner). This is a critical part of the step as without a named individual it is unlikely that the risk will be managed.

Risk Owner

It is important that the risk owner, where possible, be:

- A person who has the ability to influence the outcome of the event, one way or another;
- A person who can be accountable for the delivery in the area where the risk would have an effect;
- A person who can take charge and lead nominated control owners.

From a departmental viewpoint, the risk owner should be a member of the department's management team.

Control Owner

Control owners are responsible for carrying out the tasks or actions for the risk, as assigned by the risk owner.

It is important to note that:

- Control owners can be different from the Risk owner;
- Control owners can be from a different department to the Risk owner;
- A risk may contain many controls, therefore many control owners, however only on an exceptional basis would one control be assigned to multiple risks.

Control owners can be any officer within the organisation, but must have an adequate reporting line to the Risk owner.

Step 5: Monitor and Review

Once risks have been identified and appropriate controls and action plans put in place to manage them, it is essential to routinely monitor their status. Risks change, due to many factors, and it is essential that they are periodically reviewed to capture any new events which may affect the delivery of our objectives.

As a guide, risks should be reviewed in management meetings using the following criteria:

Risk Type	Standard Review	Programmes, projects and partnerships
Red Threats	1-3 months	Monthly
Amber Threats	3 months	Monthly
Green Threats	6 months	Quarterly

Note: At least annually, each risk register should be reviewed in its entirety.

Chapter 4: Reporting risks

Reporting framework

It is essential that risk management is used as a tool to assist good management and to provide assurances to relevant officers and Members that adequate measures have been taken to manage risk.

Escalation of risks ensures that managers have a clearer picture on risks or potential issues facing service areas. This helps in the overall decision making process by allowing senior staff to allocate resources or review areas of concern.

Page 16 illustrates the reviewing and reporting framework to support this escalation and assurance process.

Role of Audit and Risk Management Committee

As set out in its formal terms of reference, the Audit and Risk Management Committee is responsible for monitoring and overseeing the City Corporation's risk management strategy and needs to be satisfied that the assurance framework properly reflects the risk environment. It is through this Committee that the Court of Common Council discharges its responsibility for obtaining assurance that those risks faced by the Corporation are being appropriately managed.

Role of Other Committees and Departments

It is the role of each Service Committee and Department to maintain and act on its own risks, working closely with the Risk and Assurance Manager if need be. The criteria for escalating risks should be agreed by the relevant Service Committee and Chief Officer.

The Audit and Risk Management Committee will concentrate on monitoring the Corporate Risks faced by the City Corporation, and the measures taken to control the risk. The Audit and Risk Management Committee will also seek assurance regarding the effective operation of this framework at Committee level.

Review and Reporting Framework

Risks will be escalated using a bottom up process depending on the risk score (i.e. Risk tolerance) and/or management recommendation.

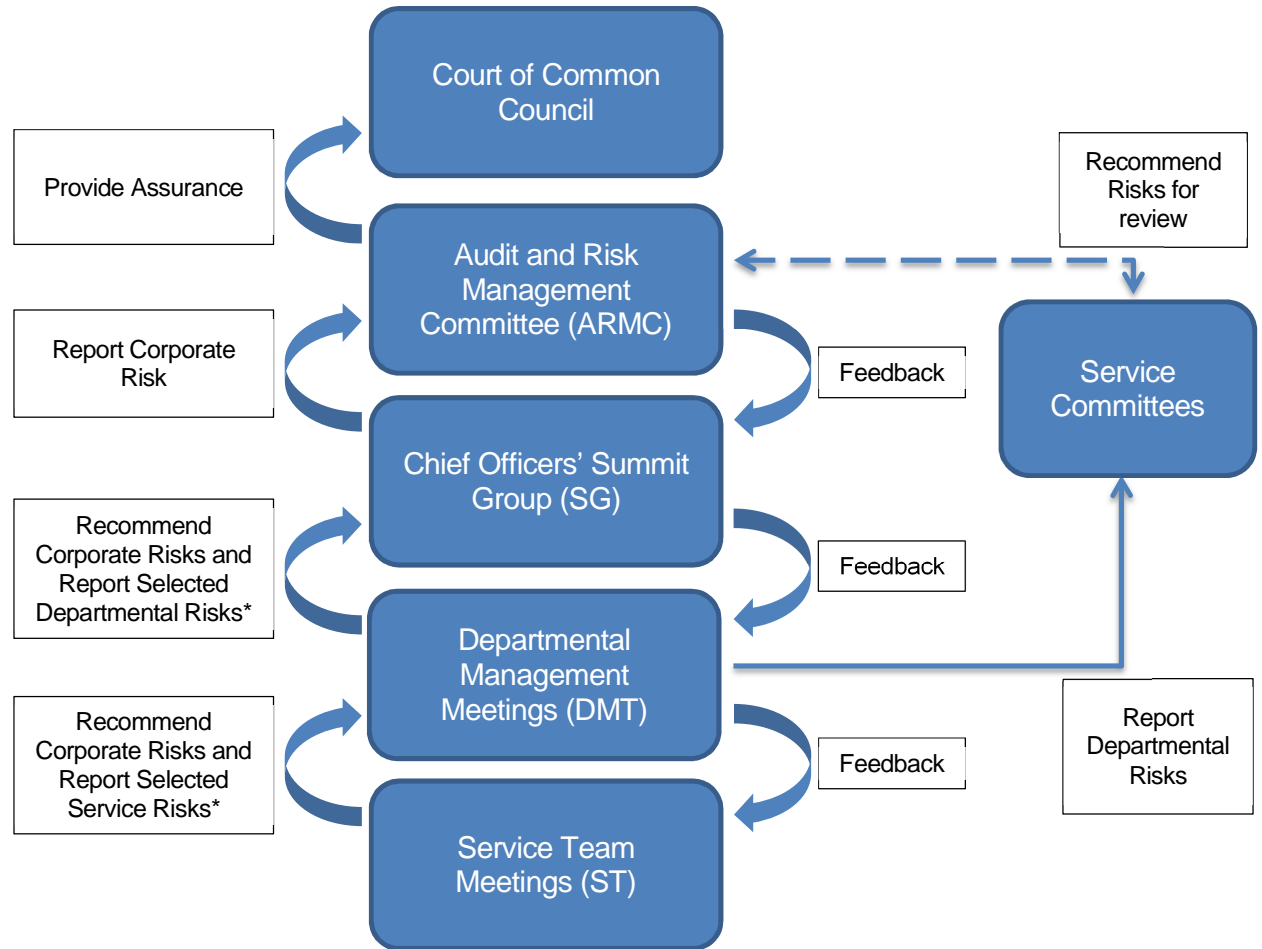
Corporate Reviews will be undertaken either every two or three months.

Departmental Reviews should be adapted to suit the structure of each respective department, although as minimum should be done Quarterly.

Annual review of all risks should be undertaken as a minimum.

Reporting Criteria

Reporting Criteria		
Corporate reviews	ARMC	Oversee Corporate risks
	SG	Identify Corporate/Departmental risks and review all Departmental risks of score 24 or more.
Departmental Reviews	DMT's	Identify Corporate/Departmental risks and review all Service Teams risks of score 16 or more
	ST's	Identify Corporate/Departmental risks and review all Service risks of score 6 or more
	Team meetings /121's	Identify potential Corporate/Departmental risks and review all current risks



*exception basis

Risk Registers

Key risk registers are listed below along with their escalation criteria (based on risk score).

Corporate Risk Register	The Corporate Risk Register is used to highlight and assure Members that key risks are being effectively managed. These risks are extracted from various areas of the Corporation's risk system as directed by the Members and approved by the Town Clerk and Chief Officers (See Glossary for definition of Corporate Risk).
Top Risk Register	This register flows out from the Departmental risk registers and is challenged and moderated quarterly by the Chief Officer's Summit Group (SG). Risks which are escalated here are those with a risk score of 24 or more.
Departmental risk register	This register flows out from the Service risk registers and is challenged and moderated quarterly by the Departmental Management Teams (DMT's). Risks which are escalated here are those with a risk score of 16 and above.
Service risk register	This register flows out from the Service area/Team risk registers and is challenged and moderated quarterly by the Service Team Meetings (ST's). Risks which are escalated here are those with risk score of 6 and above.
Programme and Project risk registers	Where it is considered appropriate, major partnerships, programmes and projects will produce and maintain their own risk registers. Risk to the programme/project should be recorded within Project Vision and managed through the corporate Project framework.

Challenging environment

There is a strong support framework in the City Corporation to challenge risks and to provide assistance to departments. Below lists some of the key groups which assist with this:

<p>Audit and Risk Management Committee</p>	<p>On a periodic cycle each Corporate risk and a nominated Departmental risk register is challenged by Members of the Audit and Risk Management Committee. These sessions allow Chief Officers to demonstrate how risks are being managed and allow Members to directly question any areas of interest.</p>
<p>Chief Officers' Summit Group</p>	<p>Each quarter the Chief Officers' Summit Group review all the top risks for the Corporation (of score 24 and above) and challenge and moderate as necessary. Corporate risks are escalated by the Departmental Management Teams and upon approval are escalated to the Audit and Risk Management Committee.</p>
<p>Departmental Risk Coordinators</p>	<p>The risk coordinators provide advice and guidance on the application of the Risk Management Strategy, working closely with the Risk and Assurance Manager. They are the first point of call for risk related matters for their department providing operational support.</p> <p>The Risk Coordinators meet as a group on a 6 monthly basis with representatives from the City of London Police, Internal Audit, Health and Safety, Contingency Planning, Corporate Performance & Business Development and Insurance.</p>

Chapter 5: Strategic Improvement

This strategy is based on strengthening and improving the City's approach to risk management, enhancing its ability to deliver its corporate aims and objectives successfully. It is recognised that to significantly improve the risk management capability and the maturity of the Corporation will be a journey requiring continuous review and improvement activity.

The Risk Management Strategy will be regularly reviewed. Further activities to enhance existing arrangements will be identified by reviewing emerging best practice and assessing their suitability for implementation in the context of the aims, objectives and organisational culture of the Corporation. Once assessed and agreed, further improvement activities will be implemented through the risk management improvement plan.

Below lists some of the key activities/projects which will assist in delivering the strategy.

Project / Task	Brief summary	Target date / Frequency
Introduce a Risk Management Information System	To procure an online risk register tool ensuring consistency, transparency and a clear audit trail for risks and controls.	Aug 2014
Improve skill set and raise awareness of risk management	Create a suite of tools to raise awareness and assist officers in the management of risks.	Jan 2015
Review new framework	Review the risk maturity of the organisation on a yearly cycle.	Annual review
Introduce Opportunity Risk Management	Subject to the organisations risk maturity level, introduce the opportunity risk methodology and look to report opportunity risks.	Review in 2015/16

Glossary

Consistent understanding and application of language provides a sound basis for embedding risk management. To promote this consistency, the following key terms are defined:

Term	Definition
Cause	<p>Definite events or sets of circumstances which exist in the department, programme/project, partnership or their environments, and which give rise to uncertainty.</p> <p>Causes themselves are not uncertain since they are facts or requirements.</p>
Control Evaluation	A measure to determine how effective the controls are.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.
Controls	Measures taken to control the impact or likelihood of risks to an acceptable level.
Corporate risk	<p>Strategic or Operational risks reported to the Audit and Risk Management Committee for assurance purposes.</p> <p>One or more of the following criteria must apply:</p> <ul style="list-style-type: none"> ▪ The risk relates directly to one or more of the Strategic Aims or Key Policy Priorities. ▪ A risk that has significant impact on multiple operations if realised. ▪ There are concerns over the adequacy of departmental arrangements for managing a specific risk. <p>Corporate risks can also be those requested by the Audit and Risk Management Committee specifically.</p>
Current / Net risk	The re-assessed level of risk taking in to account the existing controls.
Effect	<p>Unplanned variations from objectives, either positive or negative, which would arise as a result of risks occurring.</p> <p>Effects are contingent events, unplanned potential future variations which will not occur unless risks happen.</p>
Operational Risk	Risks arising from or relating to the execution of day-to-day operations and service delivery.

Term	Definition
Original / Gross risk	The assessed level of risk on the basis that no mitigating controls are in place.
Risk	The effect of uncertainty on objectives.
Risk Management	The systematic application of policies, procedures and practices to the tasks of identification, evaluation, and mitigation of issues that threaten the achievement of defined objectives.
Risk Owner	The person that is accountable for the overall management of the risk, including bidding for resources to control the risk.
Strategic risk	Risks arising from or relating to long term departmental objectives.
Target risk	The level at which the risk will be deemed as acceptable.

Appendix 1 - Risk scoring

Risk scoring is purely subjective. Perceptions of a risk will vary amongst individuals and hence it is better to score the risk collectively than leave it to one person's judgement.

Definitions

1. **Original/Gross score:** the level of risk perceived before any mitigating actions/controls have been put in place.
2. **Current/Net score:** the level of risk currently perceived by the user/management, taking in-to account any controls.
3. **Target score:** the preferable score for the risk to be in order for it to be manageable, thinking in term of what resources are available, and the ability of the Corporation to directly manage the risk once external factors are considered.

Risk scoring method

Risks are scored in terms of likelihood and impact

→ Risk should be scored by first determining how likely it is to occur (**Likelihood**)

→ It should then be rated according to the worst case scenario if it should arise (**Impact**).

Likelihood scoring guide

The criterion below is not exhaustive and intended to be used as a guide. **You will need to come to a management consensus when scoring risks.**

	Rare	Unlikely	Possible	Likely
	1	2	3	4
Criteria	Less than 10%	10 – 40%	40 – 75%	More than 75%
Probability	Has happened rarely/never before	Unlikely to occur	Fairly likely to occur	More likely to occur than not
Time period	Unlikely to occur in a 10 year period	Likely to occur within a 10 year period	Likely to occur once within a one year period	Likely to occur once within three months
Numerical	Less than one chance in a hundred thousand (<10 ⁻⁵)	Less than one chance in ten thousand (<10 ⁻⁴)	Less than one chance in a thousand (<10 ⁻³)	Less than one chance in a hundred (<10 ⁻²)

Impact scoring guide

The criterion below is not exhaustive and intended to be used as a guide. **You will need to come to a management consensus when scoring risks.**

		Minor	Serious	Major	Extreme
		1	2	4	8
THREATS	Service Delivery / Performance	Minor impact on service, typically up to 1 Day	Service Disruption 2-5 Days	Service Disruption > 1 week to 4 weeks	Service Disruption > 4 weeks
	Financial	Financial loss up to 5% of Budget	Financial loss up to 10% of Budget	Financial loss up to 20% of Budget	Financial loss up to 35% of Budget
	Reputation	Isolated service user/stakeholder complaints contained within business unit/division	Adverse local media coverage/multiple service user/stakeholder complaints	Adverse national media coverage 1-3 days	National publicity more than 3 days. Possible resignation of leading Member or Chief Officer.
	Legal / Statutory	Litigation claim or fine less than £5,000	Litigation claim or fine between £5,000 and £50,000	Litigation claim or fine between £50,000 and £500,000	Multiple civil or criminal suits. Litigation claim or fine in excess of £500,000
	Safety / Health	Minor incident including injury to one or more individuals	Significant Injury or illness causing short term disability to one or more person	Major injury or illness/disease causing long term disability to one or more person.	Fatality or life threatening illness / disease (e.g. Mesothelioma) to one or more persons
	Objectives	Failure to achieve Team plan objectives	Failure to achieve one or more service plan objective	Failure to achieve a Strategic plan objective	Failure to achieve a major corporate objective

Risk Matrix

The following chart shows the area the risk will fall in to dependant on its score, with red being the most severe and green being the least. The scores within the chart are multiples of the likelihood and impact.

e.g. (Likelihood of) 4 x (Impact of) 4 = (Risk Score of) 16

Impact scores increase by a factor of 2, thus having greater weighting in comparison to the Likelihood scores.

		Impact			
		Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likelihood	X				
	Likely (4)	4	8	16	32
	Possible (3)	3	6	12	24
	Unlikely (2)	2	4	8	16
Rare (1)	1	2	4	8	

Figure 2: COL risk matrix

What the colours mean (as a guide):

- Red - Urgent action required to reduce rating
- Amber - Action required to maintain or reduce rating
- Green - Action required to maintain rating

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Agenda Item 6

Committee(s):	Date(s):
Markets Committee	26 November 2014
Subject: REVENUE AND CAPITAL BUDGETS - 2014/15 and 2015/16	Public
Report of: The Chamberlain Director of Markets and Consumer Protection	For Decision
<u>Summary</u>	
<p>This report is the annual submission of the revenue and capital budgets overseen by your Committee. In particular it seeks approval to the provisional revenue budget for 2015/16, 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.</p> <p>Business priorities for 2015/16 will focus on maintaining the present high quality of service to our tenants and developing new services within a cash-limited resource allocation. As all the Markets now have service charges, albeit with Smithfield's being phased in over five years, 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.</p>	

Summary Of Table 1	Latest Approved Budget 2014/15 £'000	Original Budget 2015/16 £'000	Movement £'000
Expenditure	14,786	14,109	(677)
Income	(16,474)	(16,538)	(64)
Net (Surplus)/Deficit	(1,688)	(2,429)	(741)
Support Services and Capital Charges	2,195	2,147	(48)
Total Net Expenditure	507	(282)	(789)

Overall, the 2015/16 provisional revenue budget is a surplus of (£282,000), an improvement of (£789,000) compared with the latest approved budget for 2014/15 of £507,000.

The reasons for this decrease are:

- One off carry forwards from 2013/14 totalling (£213,000) for Smithfield Market that are included in the 2014/15 estimate.
- Service Based Review savings of (£347,000) as detailed in the Non-Public report which is reported elsewhere on the agenda.
- Net reduction in City Surveyor's repairs and maintenance estimate of (£135,000) as detailed in Table 2.
- Decrease in capital charges of (£48,000).
- Net reduction in various categories of (£46,000).

Recommendations

The Committee is requested to:

- Review the provisional 2015/16 revenue budget including the service based review proposals, to ensure that it reflects the Committee's objectives. If it does reflect the Committees objectives, to approve the budget for submission to the Finance Committee.
- If specific service based review proposals included within this budget are rejected by your Committee, or other Committees request that further proposals are pursued, that the substitution of

other suitable proposals for a corresponding amount is delegated to the Town Clerk in discussion with the Chairman and Deputy Chairman of your Committee. If the substituted saving is not considered to be straight forward in nature, then the Town Clerk shall also consult with the Chairman and Deputy Chairman of the Policy and Resource Committee prior to approving an alternative proposal(s).

- Review and approve the draft capital budget.
- Authorise the Chamberlain to revise these budgets to allow for further implications arising from potential budget developments including any changes from Markets Service Reviews, City of London Procurement initiative savings, changes to the Additional Works Programme, implications arising from Carbon Trading Allowances and changes in respect of recharges. If the revisions vary by more than 10% of total expenditure, a further report will be submitted to this committee for approval.

Main Report

Introduction

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 Spitalfields Market is funded from City Fund.
2. This report sets out the proposed revenue budget and capital budgets for 2015/16. The revenue budget management arrangements are to:
 - Provide a clear distinction between local risks, central risk and recharge budgets.
 - Place responsibility for budgetary control on departmental Chief Officers.
 - Apply a cash limit policy to Chief Officers' budgets.
 - Provide information regarding the service based review proposals.
3. The proposed budget for 2015/16 has been analysed by the service expenditure and compared with the latest approved budget for the current year.

Business Planning Priorities

4. Business priorities for 2015/16 will focus on maintaining the present high quality of service to our tenants and developing new services within cash limited resource allocation. As all the Markets now have service charges, albeit with Smithfield's being phased in over five years, 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.
5. Other priorities will include:
 - Implementing decisions from the Service Based Reviews and seeking to identify new sources of income and increasing revenue from existing income streams.
 - Reducing energy consumption in the City's areas to reduce costs and the carbon footprint.
 - Continuing to improve safety and reduce accidents at the Markets.
 - Concluding lease negotiations at Spitalfields.
 - Continuing to ensure that the Commitments in the new Smithfield leases are fully implemented by both the tenants and the City.
 - Improving the state of the infrastructure and cleaning standards at Billingsgate.
 - Providing leadership and management training for our middle managers.

Projects

- Phase 1 of the Billingsgate roof replacement project was completed in mid-2014 and the evaluation of Phase 2 is underway with a view to the next Gateway report being presented to Committees in spring 2015.
- The Billingsgate Additional Facilities project will be progressed in parallel with Phase 2 of the Billingsgate roof replacement. The operational requirement is currently being re-evaluated and the fish merchants are being fully involved in its compilation.

- The Smithfield Poultry Market roof repairs and electrical re-wiring project has been initiated and will be progressed as rapidly as possible. Other 'historic works' at Smithfield will be progressed by the City Surveyor in line with the approved Additional Works Programme.
- The possibility of installing photo-voltaic (PV) cells on the market hall roof at Spitalfields is at the concept stage and will be progressed to Gateway 1 during the year.
- These projects are not yet included in the Draft Capital and Supplementary Revenue Budgets at paragraph 23, as they have yet to gain Gateway approval.

Proposed Revenue Budget for 2015/16

6. The proposed Revenue Budget for 2015/16 is shown in Table 1 below analysed between:
 - Local Risk budgets – these are budgets deemed to be largely within the Chief Officer’s control.
 - Central Risk budgets – these are budgets comprising specific items where a Chief Officer manages the underlying service, but where the eventual financial outturn can be strongly influenced by external factors outside of his control or are budgets of a corporate nature (e.g. interest on balances and rent incomes from investment properties).
 - Support Services and Capital Charges – these cover budgets for services provided by one activity to another. The control of these costs is exercised at the point where the expenditure or income first arises as local or central risk.
7. The provisional 2015/16 budgets, being presented to your Committee, and under the control of the Director of Markets and Consumer Protection have been prepared in accordance with guidelines agreed by the Policy & Resources and Finance Committees. These include the 2% inflation allowance and the Service Based Review savings.

TABLE 1

MARKETS COMMITTEE SUMMARY – ALL FUNDS

Analysis of Service Expenditure	Local or Central Risk	Actual 2013-14 £'000	Latest Approved Budget 2014-15 £'000	Original Budget 2015-16 £'000	Movement 2014-15 to 2015-16 £'000	Paragraph Reference
EXPENDITURE						
Employees	L	4,947	5,220	5,213	(7)	i
Premises Related Expenses (see note a)	L	3,850	5,381	4,836	(545)	ii
Premises Related Expenses (see note b)	C	182	165	130	(35)	vii
City Surveyor – Repairs & Maintenance	L	939	1095	960	(135)	iii
Transport Related Expenses	L	70	57	50	(7)	vii
Supplies & Services (see note c)	L	838	866	892	26	vii
Supplies & Services (see note d)	C	105	195	90	(105)	iv
Waste & Cleaning Contract at New Spitalfields Market	L	1,765	1,807	1,857	50	v
Capital Charges	C	0	0	0	0	vii
Transfer from Reserves	L	-52	0	81	81	vi
Transfer to Service Charge Reserves	C	0	0	0	0	
Total Expenditure		12,644	14,786	14,109	(677)	
INCOME						
Other Grants, Reimbursements and Contribution	L	(191)	(456)	(492)	(36)	xi
Other Grants, Reimbursements and Contribution	C	(179)	0	0	0	
Customer, Client Receipts (see note e)	L	(9,980)	(11,022)	(11,390)	(368)	viii, ix
Customer, Client Receipts (see note e)	C	(918)	(758)	(793)	(35)	xi
Customer, Client Receipts (Rent)	C	(3,832)	(3,711)	(3,711)	0	
Investment Income	L	(17)	(8)	(4)	4	xi
Investment Income	C	0	0	0	0	
Transfer from Service Charge Reserves	L	(56)	(463)	(112)	351	x
Transfer from Service Charge Reserves	C	(115)	(56)	(36)	20	xi
Total Income		(15,288)	(16,474)	(16,538)	(64)	
TOTAL EXPENDITURE/ (INCOME) BEFORE SUPPORT SERVICES AND CAPITAL CHARGES		(2,644)	(1,688)	(2,429)	(741)	
SUPPORT SERVICES AND CAPITAL CHARGES						
Central Support Services and Capital Charges		2,450	2,625	2,569	(56)	
Recharges within Committees		0	(0)	0	0	
Recharges within Fund		(39)	(84)	(84)	0	
Recharges Across Funds		(328)	(346)	(338)	8	
Total Support Services and Capital Charges		2,083	2,195	2,147	(48)	xii
TOTAL NET EXPENDITURE/(INCOME)		(561)	507	(282)	(789)	

Notes - Examples of types of service expenditure:-

- (a) Premises Related Expenses, Local Risk (L) – includes repairs & maintenance, energy costs, rates, water services, cleaning and domestic supplies
- (b) Premises Related Expenses, Central Risk (C) – estimated car park rates liability at Billingsgate Market
- (c) Supplies and Services, Local Risk (L) – Equipment, furniture, materials, uniforms, printing, stationary, professional fees, grants & subscriptions
- (d) Supplies and Services, Central Risk (C) – actual includes legal fees for Smithfield Market, current year estimates include rates and professional fees for Billingsgate.
- (e) Customer, Client Receipts Local risk (L) – service charge and car parking income and reimbursements for electricity and water

- 8. On Table 1 income and favourable variances are presented in brackets. Only significant variances (generally those greater than £100,000) have been commented on in the following paragraphs.
- 9. An analysis of revenue expenditure by service managed is provided in Appendix 1.
- 10. There is a reduction of (£789,000) in the overall budget between the 2014/15 latest approved budget and the 2015/16 original budget. This movement is explained by the variances outlined below:

(A) Expenditure Budgets

A total decrease in expenditure of (£677,000) as follows:

- I. A net decrease in employment costs of (£7,000) which is made up of the following:
 - Proposed Service Based Review savings of (£100,000).
 - Increases in employment costs due to pay increments of £93,000.
- II. A reduction in premises related expenditure of (£545,000) as follows:
 - Reduction in repairs and maintenance budgets of (£461,000) due to the completion and re-phasing of planned work in the 20 year plan funded from the markets reserve funds.
 - A one off carry forward budget of (£213,000) for repair work at Smithfield Market from 2013/14 to 2014/15.
 - This is partly offset by increases for energy, insurances, waste and rates of £129,000.

- III. A net reduction of (£135,000) for the City Surveyor's repairs and maintenance programme which reflects changes in the composition and phasing of the works as outlined in Table 2 below.
- IV. A reduction of (£105,000) for supplies and services which includes the following:
 - Food Standards Agency Inspection fees of (£45,000) for Smithfield have been reduced.
 - Analysis fees have been reduced by (£25,000) at Smithfield Market.
 - Professional fee savings for the Billingsgate satellite unit of (£40,000).
 - Net increase of £5,000, due to inflationary increases for waste removal and CCTV maintenance.
- V. A retail price increase of £50,000 for the Waste contract at New Spitalfields Market.
- VI. Increase transfer to the New Spitalfields reserve fund of £81,000 due to an excess of contribution due to the reduction in cyclical repairs.
- VII. There is a net decrease of (£16,000) for various small variances on several expenditure items.

(B) Income Budget

There is a net increase of (£64,000) in income as follows:

- VIII. Expected increases in income under the Service Based Review total (£196,000), mainly due to the expected increased rental income on the advertising hoarding at Billingsgate of (£100,000), reduction in the City's liability for service charges at Smithfield and Billingsgate of (£65,000) as voids will be reduced and increased car park income of (£31,000).
- IX. Increase in service charge income which will reimburse increased costs under the service charges for employment, rates, insurance, waste and utilities of (£172,000).
- X. A reduction in transfers to fund repairs and maintenance from the Markets reserve funds has resulted in a reduction of income to the revenue account of £351,000.
- XI. Various net increases in contributions, investment interest and reserve transfers of (£47,000).

(C) Recharges

- XII. There is a net reduction in capital and recharged costs of (£48,000) due mainly to a reduction in capital charges at Billingsgate Market of (£56,000) and increased charges for central support costs of £8,000.
11. Recharge details can be reviewed at Appendix 2. The Chamberlain recharge apportionment has increased by £10,000 from £336,000 in 2014/15 to £346,000 in 2015/16. This is mainly due to an overspend of £346,000 to be recovered through reductions in 2014/15 as agreed by Finance Committee on 22 July 2014 together with inflation of £163,000 and Service Based Review savings of £298,000.

City Surveyors Repairs and Maintenance

12. Budgets have provisionally been included for the 2015/16 additional works programme based on bids considered by the Corporate Asset Sub Committee in June 2014. However, a decision on funding of the programme is not due to be made by the Resource Allocation Sub Committee until December 2014. It may therefore be necessary to adjust budgets to reflect the Resource Allocation Sub Committee's decision.
13. The main elements for the decrease in the additional works programme is that the value of work identified in the City Surveyor's 20 year programme for 2015/16 has reduced in comparison with the combined value of various programmes in 2014/15.

TABLE 2 - CITY SURVEYOR LOCAL RISK	Latest Approved Budget 2014/15 £'000	Original Budget 2015/16 £'000	Movement
Repairs and Maintenance			
Additional Works Programme	663	440	(223)
Planned, Re-active & Cyclical Works			
Billingsgate	151	164	13
Smithfield	250	325	75
Spitalfields	31	31	0
Total City Surveyor	1,095	960	(135)

14. Analysis of the movement in manpower and related staff costs are shown in Table 3 below.

Table 3 - Manpower statement	Latest Approved Budget 2014/15		Original Budget 2015/16	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Directorate	6.4	434	5.4	403
Spitalfields Market	29.0	1,276	29.0	1,276
Smithfield Market	52.0	1,912	49.0	1,876
Billingsgate Market	39.6	1,598	41.0	1,658
TOTAL MARKETS	127.0	5,220	124.4	5,213

Potential Further Budget Developments

15. The provisional nature of the 2015/16 revenue budget recognises that further revisions may be required, including in relation to:

- Possible budget adjustments relating to Service Based Reviews.
- Decisions on funding of the Additional Work Programme by the Resource Allocation Sub Committee.
- Central and department recharges, which have not yet been finalised for the forthcoming year.
- The lease negotiations at New Spitalfields are currently ongoing between the Spitalfields Tenants Association and their representatives and the City Surveyor. The current lease expires for the majority of tenants in May 2015 and as a prudent course of action, the Chamberlain in consultation with the Director of Markets and Consumer Protection has not increased the rental income for New Spitalfields for 2015/16. When the outcome of these negotiations is complete a revision will be required.

Revenue Budget 2014/15

16. The forecast outturn for the current year is £507,000, which is in line with the latest approved budget. It is anticipated that the Director of Markets and Consumer Protection will remain within his resource allocation.

Members Format – Operating Summary

17. Members have, in the past, expressed interest in the financial performance of individual Wholesale Markets (i.e. excluding the car park and outside properties at Smithfield). This is set out in Appendix 3, which has not been prepared in accordance with conventional City of London format but where expenditure and adverse variances are presented in brackets.
18. On this basis, there is an overall cost to the City of London Corporation of operating the Markets of £460,000 in 2014/15 and a surplus of £301,000 in 2015/16.
19. The surplus of £301,000 on the Operating Statement in 2015/16 is higher than the overall Committee total of £282,000 as shown on Table 1 as the excluded items of the Car Park, Other Properties and the Directorate produced a small net surplus of (£19,000).
20. The costs of the Markets include capital charges and depreciation for 2015/16 totalling £734,000.
21. The City of London Corporation has adopted the Generally Accepted Accounting Practices UK (GAAP UK) which has resulted in the notional capital costs at Smithfield Market and Billingsgate Market being written down and depreciation of the building and plant being charged to the revenue account.

The charges for 2015/16 are:

Market	£
Spitalfields	556,000
Billingsgate	162,000
Smithfield	16,000
Total	734,000

22. Appendix 4 details the reason for adverse variances and favourable variances over £100,000 or where savings are required in accordance with the Service Based Review.

Draft Capital and Supplementary Revenue Budgets

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

Service Managed	Project	Exp. Pre 01/04/14 £'000	2014/15 £'000	2015/16 £'000	Later Years £'000	Total £'000
<u>Pre-implementation</u>						
Billingsgate	Additional Fish Handling Facilities	17	15	-	-	32
Billingsgate	Venting and Cooling Phase 2	82	-	-	-	82
Smithfield	Poultry Market Repairs	19	85	-	-	104
<u>Authority to Start Work</u>						
Billingsgate	Flat Roof and Ceiling Renewal	55	834	-	-	889
TOTAL MARKETS		173	934	-	-	1,107

24. 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.
25. The Flat Roof Renewal works at Billingsgate were completed earlier this year. The later phases of the Roof Renewal project and the Additional Fish Handling Facilities project are anticipated to commence in 2015/16, subject to approval. These projects are not included in the table due as the projects have yet to gain Gateway approval. The Venting and Cooling Phase 2 project has been put on hold for the time being due to lack of funding.
26. The implementation of the Poultry Market Repairs project, which is being funded by the City, is anticipated to commence in 2015.
27. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2015.

Contact:

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APPENDIX 1

Analysis by Service Managed	Actual 2013-14 £'000	Latest Approved Budget 2014-15 £'000	Original Budget 2015-16 £'000	Movement 2014-15 to 2015-16 £'000
CITY FUND				
Spitalfields Market				
- Service Charge Account	2	25	26	1
- City Account	(778)	(832)	(846)	(14)
- Repairing and Repairs Fund	0	0	0	0
Total Spitalfields Market	(776)	(807)	(820)	(13)
TOTAL CITY FUND	(776)	(807)	(820)	(13)
CITY'S CASH				
Smithfield Market				
- Service Charge Account	1,351	1,700	1,713	13
- Non-Service Charge Account	(502)	(78)	(623)	(545)
- Other Services	(86)	47	19	(28)
Total Smithfield Market	763	1,669	1,109	(560)
Billingsgate Market				
- Service Charge Account	0	0	0	0
- Non-Service Charge Account	(548)	(355)	(571)	(216)
- Repairing and Special Works Account	0	0	0	0
Total Billingsgate Market	(548)	(355)	(571)	(216)
Markets Directorate	0	0	0	0
TOTAL CITY'S CASH	215	1,314	538	(776)
TOTAL	(561)	507	(282)	(789)

APPENDIX 2

Support Service and Capital Charges from/to Markets Committee	Actual 2013/14 £000	Latest Approved Budget 2014/15 £000	Original Budget 2015/16 £000	Para Ref
Support Service and Capital Charges				
Administrative Buildings	25	34	37	
City Surveyor's Employee Recharge	292	210	194	
Insurance	453	474	496	
IS Recharges – Chamberlain	229	210	199	
CLPS Recharges - Chamberlain	18	18	18	
Capital Charges	775	775	734	
Support Services -				
Chamberlain	246	336	346	11
Comptroller and City Solicitor	117	120	116	
Town Clerk	235	237	228	
City Surveyor	122	129	128	
Corporate (e.g. sustainability & contingency planning	40	48	39	
Liability Insurance	49	34	34	
Total Support Services and Capital Charges	2,601	2,625	2,569	
Recharges Within Funds				
Corporate and Democratic Core – Finance Committee	(77)	(77)	(77)	
Directorate Recharge – Port Health and Environmental Services Committee	(20)	(10)	(10)	
Recharges Across Funds				
Directorate Recharge - Markets – City Fund	0	0	0	
Directorate Recharge – Licensing Committee	(20) (401)	(22) (321)	(24) (311)	
Directorate Recharge – Port Health and Environmental Services Committee				
TOTAL SUPPORT SERVICE AND CAPITAL CHARGES	2,083	2,195	2,147	

The Capital Charges within this Committee total £734,000 in 2015/16. These relate to depreciation charges at Spitalfields Market (£556,000) depreciation at Smithfield Market and the Car Park (£16,000); and depreciation charges at Billingsgate Market (£162,000) based on the estimated value as at 1 April 2013 divided by anticipated lives of assets. This is in accordance with the City adopting the UK GAAP accounting standards.

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Wholesale Markets Operating Summary

APPENDIX 3

	New Spitalfields				Notes	Billingsgate Market				Notes	Smithfield Market				Notes	Total Wholesale Market				Notes
	Actual	Latest	Original	Percentage		Actual	Latest	Original	Percentage		Actual	Latest	Original	Percentage		Actual	Latest	Original	Percentage	
	2013/14 £'000	Approved Budget (LAB) 2014/15 £'000	(NY-OR) Budget 2015/16 £'000	Increase/ decrease NYOR/LAB %		2013/14 £'000	Approved Budget (LAB) 2014/15 £'000	(NY-OR) Budget 2015/16 £'000	Increase/ decrease NYOR/LAB %		2013/14 £'000	Approved Budget (LAB) 2014/15 £'000	(NY-OR) Budget 2015/16 £'000	Increase/ decrease NYOR/LAB %		2013/14 £'000	Approved Budget (LAB) 2014/15 £'000	(NY-OR) Budget 2015/16 £'000	Increase/ decrease NYOR/LAB %	
Operating Expenditure																				
Expenditure																				
Employees (basic pay, NI, pension, overtime, training and recruitment advertising)	(1,250)	(1,276)	(1,276)	0%		(1,584)	(1,598)	(1,658)	-4%	5	(1,713)	(1,912)	(1,876)	2%	11	(4,547)	(4,786)	(4,810)	-1%	
Premises (Energy, repair and maintenance, rates, insurance, water, pest control, cleaning materials)	(939)	(1,411)	(1,254)	11%	1	(1,048)	(1,480)	(1,277)	14%	6	(2,986)	(3,398)	(3,041)	11%	12	(4,973)	(6,289)	(5,572)	11%	16
Transport (Vehicle running costs, congestion charge and travel costs)	(5)	(6)	(6)	0%		(54)	(37)	(30)	19%		(7)	(13)	(13)	0%		(66)	(56)	(49)	13%	
Supplies and Services (Refuse collection, Equipment and CCTV hire/maintenance and purchase, uniforms and clothing, communication and office expenses)	(173)	(145)	(145)	0%		(129)	(156)	(121)	22%	7	(430)	(464)	(408)	12%	13	(732)	(765)	(674)	12%	
Waste and Cleaning contract	(1,764)	(1,807)	(1,857)	-3%	2	0	0	0	0%		0	0	0	0%		(1,764)	(1,807)	(1,857)	-3%	
Total Operating expenditure	(4,131)	(4,645)	(4,538)	2%		(2,815)	(3,271)	(3,086)	6%		(5,136)	(5,787)	(5,338)	8%		(12,082)	(13,703)	(12,962)	5%	
Income																				
Rent, Wayleaves and Tolls Income	1,342	1,330	1,330	0%		1,042	667	667	0%		1,705	1,713	1,734	1%		4,089	3,710	3,731	1%	
Charges for Services (Filming, car parking, service charge income, insurance, advertising hoarding, reimbursement if direct recovered costs)	4,304	4,684	4,795	2%	3	2,886	3,479	3,703	6%	8	3,342	3,431	3,470	1%		10,532	11,594	11,968	3%	16
Total Operating Income	5,646	6,014	6,125	2%		3,928	4,146	4,370	5%		5,047	5,144	5,204	1%	14	14,621	15,304	15,699	3%	
Net Operating Surplus/(Deficit)	1,515	1,369	1,587	14%		1,113	875	1,284	32%		(89)	(643)	(134)	79%		2,539	1,601	2,737	71%	
Central Costs																				
Capital Charges and depreciation	(555)	(555)	(556)	0%		(160)	(204)	(162)	21%	9	(122)	(16)	(16)	0%		(837)	(775)	(734)	5%	
Other Central Costs* (Trif to and from reserves to fund repairs and works, support costs and Directorate apportionment)	(185)	(7)	(211)	-2914%	4	(404)	(316)	(551)	-74%	10	(638)	(963)	(940)	2%	15	(1,227)	(1,286)	(1,702)	-32%	
Total Market (Expenditure)/Income	775	807	820	-2%		549	355	571	-61%		(849)	(1,622)	(1,090)	33%		475	(460)	301	165%	

N.B.

This table has not been prepared in accordance with conventional City of London Corporation format. In the table above () = Expenditure / Deficit

*Excludes the car park and outside properties at Smithfield
Includes monies allocated from Policy and Resources Committee for additional repairs and maintenance at Smithfield.

Notes

The City has adopted the UKGAAP standards.

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Operating Statement Notes

The tables below analyse the variances for the Wholesale Markets as reported on the Operating Summary which is attached at Appendix 3. The summary compares the 2014-15 Latest Approved Budget (LAB) to the 2015-16, Original Budget (OR). It has not been prepared in accordance with conventional City of London Corporation format. Brackets on the summary signify an expenditure item or a deficit position.

<u>New Spitalfields Market Note number</u>	<u>Description</u>	<u>LAB 2014-15 to 2015-16 OR Variance</u>
	Expenditure	
1	Premises Related	The decrease in cost of £157,000, 11%, is in relation to: <ul style="list-style-type: none"> • repairs and maintenance projects payable via the market reserve account and listed on the 20 year plan, of which £201,000 has been delayed, • the balance is offset against increased costs, mainly for energy of (£44,000).
2	Waste cleaning Contract	The increase in cost of (£50,000), -3%, is due to the annual RPI increase allowable under the waste contract.
3	Income	
	Charges for services	The increase in income of £111,000, +2%, is due to increases in service charge costs.
	Central Costs	
4	Other Central Costs	The increase of (£204,000) -2914% is due to a net increase in funds transferred from the service charge to the reserves due reduced expenditure on cyclical works.

<u>Billingsgate Market Note number</u>	<u>Description</u>	<u>LAB 2014-15 to 2015-16 OR Variance</u>
	Expenditure	
5	Employees	The (£60,000), -4%, increase is due to incremental payments, vacant posts being filled, plus staff on costs and is fully recoverable under the service charge.
6	Premises	The £203,000, 14%, decrease in premises related costs is due to the phasing of the 20 year plan.
7	Supplies and Services	The decrease of £35,000, 22%, is due to a reduction in professional fees required of £40,000 for the Satellite unit and a net increase in other costs of (£5,000).
	Income	
8	Charges for Services	The £224,000, 6%, increase in income is due to: <ul style="list-style-type: none"> • The Service Based Review proposal of additional income generation of £100,000 for advertising hoardings and £35,000 for a reduction in service charge voids due to the expected letting of the Satellite Unit. • £89,000 additional service charge income to cover additional employment costs of £60,000 and other services of £29,000.
	Central Costs	
9	Capital and Depreciation	The £42,000, 21%, decrease, is due to the City's adoption of the UK GAAP Standards and the subsequent changes in the accounting treatment of capital and depreciation.
10	Other central costs	The £235,000 increase of 74% is due to a net transfer to the reserve account due to reduced current year expenditure on cyclical

		works.
<u>Smithfield Market Note number</u>	<u>Description</u>	<u>LAB 2014-15 to 2015-16 OR Variance</u>
	<u>Expenditure</u>	
11	Proposed Service Based Review savings.	£36,000 decrease of 2%.
12	Premises	<p>The £357,000 decrease of 11% is due to:</p> <ul style="list-style-type: none"> • decrease of one off carry forward estimates of £213,000 for projects and repair works delayed from 2013/14 into 2014/15. • Service Based Review saving proposals would result in a reduction of £6,000 for water costs, • a net reduction in City Surveyors costs of £148,000 which is detailed in Table 2 (223,000 for additional works less cyclical works of £75,000) of the main report. The decreased estimates are offset by inflationary increases of (£10,000) mainly for utilities, rates and insurance.
13	Supplies and Services	<p>The decrease of £56,000 of 12% is due to:</p> <ul style="list-style-type: none"> • a proposal to give up £45,000 for inspection fees under the Service Based Review as inspections are now invoiced direct to the traders. • A net reduction in various other costs of £11,000 mainly due to inflationary increases for the waste collection and CCTV maintenance contract (£13,000) less reduction in analysis and legal fees of £24,000.

14	Income	<p>The £60,000 increase of 2% in income is due to:</p> <ul style="list-style-type: none"> • the expectation of increasing rental income on offices 202 and 203 of £21,000 when the current City staff move to the Markets management team office, • increasing the service charge by £9,000 when the office 202 and 203 is let and • additional income of £30,000 for reimbursement of additional charges directly recovered from market tenants.
15	Other Central Costs	<p>The £23,000 decrease of 2% is due to the decrease in the apportionment of central costs.</p>
16	Total premises costs and total income	<p>There is an increase in premises costs of (£1,316,000) between the actual costs in 2013/14 of (£4,973,000) and the Latest Approved budget for 2014/15 of (£6,289,000). This is mainly due to the re-phasing caused by slippage of cyclical works on the 20 year programme and repair projects, inflationary increases and the carry forward budget of £213,000 approved for Smithfield Market.</p> <p>There is an increase in income of £1,062,000 between the 2013/14 actual income of £10,532,000 and the Latest Approved Budget of £11,594,000 which in part nets off the increased premises costs as they are service charge related.</p>

Committee(s):	Date(s):
Markets Committee	26 November 2014
Subject: Enforcement Activity at Smithfield Market	Public
Report of: Director of Markets & Consumer Protection	For Information

Summary

This report advises your Committee of Enforcement Activity carried out by the Smithfield Enforcement Team within my Department. Information from the Food Standards Agency (FSA), on their enforcement activity at Smithfield Market which has previously been provided at Appendix 3 is not currently available.

It provides information on two successful funding bids to the FSA in respect of i) the FSA's National Co-ordinated Food Sampling Programme 2014/15 and ii) a food standards and traceability project.

Details of a study visit to Smithfield by an international delegation as part of a recent government conference on regulation is also provided, together with data provided by the FSA on enforcement actions taken during the period in line with the hierarchy of enforcement.

In respect of enforcement under the Health & Safety at Work etc Act 1974, it should be noted that there has been a decrease in the level of verbal advice given to traders and market customers; however verbal advice given to self-employed persons has increased.

Recommendations

I recommend that your Committee notes the content of this report.

Main Report

Background

1. This is the thirty fourth such report submitted to your Committee. The table at Appendix 1 provides a detailed breakdown of health and safety enforcement activity for the four month period June to September 2014. The names of tenants in respect of which warnings were issued have not been included. The table at Appendix 2 shows health and safety enforcement activity over a sixteen month period. FSA enforcement action usually shown at Appendix 3 is currently not available.

Current Position

2. Members will be aware that following a successful bid, the FSA provided funding of £28,370 to the City of London Corporation for the purpose of food sampling at Smithfield Market as part of their 2013/14 National Co-ordinated Sampling Programme. The results of this sampling programme were reported to your Committee in July 2014.
3. A further successful bid for funding was made to the FSA in February 2014 to participate in their 2014/15 National Co-ordinated Sampling Programme. The value of this funding is £1,590 to cover officer costs in obtaining the samples. A total of 53 samples will be analysed comprising uncooked chicken (16 samples) and minced meat (37 samples). Public analyst costs will be funded directly by the FSA.
4. The objective for the minced meat sampling is to check whether it is being correctly labelled in terms of its fat content, connective tissue or collagen/meat protein ratio, descriptions and/or claims.
5. The objective for the uncooked chicken sampling is to check for correct labelling declarations in terms of meat content, added water and hydrolysed proteins.

6. The Committee will be updated on progress as sampling results become available.
7. The joint initiative between officers of the Smithfield Enforcement Team and the FSA in relation to food delivery vehicles that visit Smithfield has continued with FSA officials following up vehicles with the relevant local authorities across England and Wales.
8. At a meeting attended by FSA officials and City of London Corporation officers on 3rd July 2014 it was confirmed that FSA attendance on the market would be reduced from 75 hours to 35 hours per week. This significantly reduced inspection regime, a central Government responsibility under the FSA, will increase the risk of poor food-handling practices at the Market and will place a greater degree of responsibility for food safety on the individual meat traders. The City has made a representation to the FSA about our concerns but understands that budget pressures on the FSA mean that the reduction is unlikely to be reversed in the near term, and the FSA are prepared to tolerate the increased risk.
9. It was agreed that, in order to ensure official controls are in place on Smithfield Market, the FSA would fund the City of London Corporation to carry out a 3 month project (October 2014 – January 2015) focusing on food standards and traceability. Work on any other areas of specific concern to the City of London was also agreed, including continuation of the joint initiative assessing compliance by food delivery vehicles, food labelling compliance and animal by-product controls.
10. Funding of £26,600 was agreed for this targeted work to assess the level of food business compliance with the following:-
 - Traceability requirements - Article 18 of Regulation (EC) No. 178/2002.
 - Food labelling requirements (backed up by sampling, including speciation). Proposals for the production of guidance and training specific to the needs of Smithfield market traders on new food Information legislation have also been included.
 - Animal By-Product Controls.
 - Delivery Vehicles (food business registration and hygiene controls).

11. The Committee should be aware that Regulation (EC) No.178/2002 introduced the traceability requirement with the objective of ensuring food safety and to assist in enabling unsafe food/feed to be removed from the market place. Traceability is meant to ensure that targeted and accurate withdrawals or recalls can be undertaken, appropriate information can be given to consumers and food business operators, risk assessment can be performed by control authorities and unnecessary wider disruption of trade can be avoided.
12. The traceability requirement relies on the “one step back - one step forward” approach which implies for food business operators that:
 - They shall have in place a system enabling them to identify the immediate supplier(s) and immediate customer(s) of their products
 - A link “supplier-product” shall be established (which products supplied from which suppliers)
 - A link “customer-product” shall be established (which products supplied to which customers)

Note: - food business operators do not have to identify the immediate customers when they are final consumers. (for example, retail customers).

13. On 11 September 2014 the Smithfield Enforcement Team took part in a study visit to the market. The visit was requested by the Better Regulation Delivery Office as part of a three day international conference organised by the UK Government for officials from across the world engaged in driving inspection reform. On the last day of the conference delegates were given the opportunity to attend one of 12 study visits to look in more depth at particular aspects of the way regulation operates in the UK and the relationship that exists between business and regulators to support compliance. The 15 delegates who attended, from countries such as the Philippines, Thailand, Armenia, Mongolia, Georgia and Serbia had a particular interest in the meat sector. In their feedback following the visit they reported that the visit had been one of the most useful aspects of the conference.

14. Over the four month period from 1 June -30 September 2014 formal and informal enforcement has continued under the Health and Safety at Work etc. Act 1974. Formal enforcement is detailed in paragraph 20 and informal action in paragraph 21.

Food Standards Agency Action

15. Communication has been received from the FSA, advising that the enforcement data usually provided to the City of London Corporation for this report is not currently available for the following reasons i) changes to their veterinary management structure has reduced their capacity to analyse and generate the data and ii) significantly reducing their veterinary attendance at Smithfield from 75 hours to 35 hours per week from July 2014 will mean that fewer non compliances will be observed, this means that comparisons cannot be made between data before and after July 2014. However the City has requested the FSA to provide information on trends and or specific issues within the Market.

The FSA has advised that during the period 1 June 2014 and 30 September 2014, 340 enforcement actions have been taken against market traders, compared to 442 enforcement actions in the previous reporting period.

- On 328 occasions verbal advice was given to market traders, of which 17 related to animal by-product controls
 - On 12 occasions written advices were given to market traders.
16. The most frequently observed non compliances leading to advice /enforcement action by the FSA relate to:
- personal protective equipment (both staff and customers) and, less frequently, food and drink being consumed in food areas;
 - unhygienic storage of equipment, packaging and wrapping materials e.g. bags or boxes with product on the floor;
 - inadequate temperature control of product e.g. in non-refrigerated and common areas, minced meat and offal being offered for sale above the legal temperature requirements;
 - insufficient cleaning of structure and equipment e.g. fans, ceilings and freezers a very common fault;
 - maintenance e.g. issues with bulb covers (mostly in display cabinets), maintenance of lower floors in the Poultry Market;

- food safety management based on HACCP e.g. failure to monitor temperatures and take corrective action;
 - animal by-product (ABP) including storage, segregation, labelling and disposal;
 - labelling - referrals to the local authority regarding the removal of vac-packs from original box and then being sold without applying a further label, also frequent enforcement regarding the lack of freezing date.
17. Regular liaison meetings continue to take place between the City of London Corporation and the FSA. Further, FSA officials meet with the Smithfield Market Traders Association on a regular basis.
18. A request has been received from a Member of the Committee in respect of FSA data i.e. to provide additional context by comparing levels of enforcement at Smithfield with other markets of a similar size and nature. The FSA has responded by advising that
- “Comparisons with other markets would not be straightforward. The FSA do not have a tool that allows comparison other than getting the 43 enforcement programmes of Smithfield and the other documents from Liverpool and Birmingham and manually analysing the data. I do not think this analysis is worth carrying out because the nature of the other two markets is very different compared to Smithfield. The other markets consist of a number of cutting plants concentrated in the same area, however, the number of plants is much smaller and the common areas are not like Smithfield. Having spoken to colleagues that cover those markets, the issues that are enforced are generally not much different from those enforced in London”.
19. Notwithstanding the above, the FSA confirmed that businesses on the market would be audited less frequently from August 2014. They advised that the average business will receive one audit per year and that they will be relying on unannounced inspections between audits.

Formal Action

20. Between 1 June 2014 – 30 September 2014 my officers in the Smithfield Enforcement Team took formal action by way of providing written advice to four companies in respect of failing to implement a health and safety management system, following an audit.

Informal Action

21. My officers in the Smithfield Enforcement Team took informal action by providing verbal advice on 243 occasions (traders, customers and self-employed persons) for health and safety infringements, e.g. not wearing personal protective equipment. This represents improved health and safety compliance on the market during the period compared with the previous reporting period (338) . It should be noted that on the 243 occasions when verbal advice was given only 17 involved traders, the remainder involved customers (221) and the self-employed (5).
22. Food Hygiene enforcement is governed by the FSA under the Compliance Code for Regulators. It will continue to be applied to Food Business Operators on the Market. This code is also applied when undertaking Health & safety enforcement, along with the Public Protection Service Policy Statement on Enforcement, as this is a statutory duty of the City.

Conclusion

23. Over the last three reporting periods there has been an improvement in the number of occasions that verbal advice was given to market traders in respect of health and safety compliance. However, for this period there has been an increase in the number of occasions that verbal advice was given to self-employed persons.

Background Papers:

Appendix 1: Table showing breakdown of health and safety enforcement activity during the four month period 1 June 2014 – 30 September 2014.

Appendix 2: Comparison table showing health and safety enforcement activity summary for the period 1 June 2013 – 30 September 2014.

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**HEALTH & SAFETY ENFORCEMENT ACTIVITY SUMMARY FOR LONDON CENTRAL
MARKETS**
1 June 2014 to 30 September 2014

Appendix 1

- 1. Health & Safety Management System relates to breaches of: The Management of Health & Safety at Work Regulations 1999
- 2. Defective work equipment relates to breaches of: The Provision and Use of Work Equipment Regulations 1998
- 3. Health & Safety Advice relates to breaches of: The Personal Protective Equipment at Work Regulations 1992

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Stall	Verbal advice	Written advice	Formal Notices	Referred for Investigation and possible prosecution	Reason
1	1				Health & Safety Advice
4		1			Health & Safety Management System
5	2				Health & Safety Advice
7	1				Health & Safety Advice
16	2				Health & Safety Advice
18	1				Health & Safety Advice
20	1				Health & Safety Advice
22	1	1			Health & Safety Management System
25		1			Health & Safety Management System
31	2				Health & Safety Advice
33	1				Health & Safety Advice
35	1				Health & Safety Advice
40	2				Health & Safety Advice
42	1	2			Health & Safety Management System
46	1				Health & Safety Advice
Total	17	5			Health & Safety Advice
Combination of Market tenants, self employed persons and customers	243				Health & Safety Advice

Each company has been allocated a number, so that the above information remains confidential. The number allocated to the company will remain the same in each period, and this will demonstrate whether companies are improving or whether they are continuing to fail to comply with the Regulations.

HEALTH SAFETY ENFORCEMENT ACTIVITY SUMMARY
SMITHFIELD MEAT MARKET - 1 February 2013 to 31 May 2014

The following information shows the breakdown of the enforcement activity. Each company has been allocated a number, so that the information remains confidential. The number that has been allocated to the company remains the same, and this will demonstrate whether companies are improving or whether they are continuing to fail to comply with the Regulations.

Key **A:** **Verbal advice** **C:** **Formal notices**
B: **Written advice** **D:** **Recommended for prosecution**

Stall	Feb 13 to May 13				June 13 to Sept 13				Oct 13 to Jan 14				Feb 14 to May 14				TOTAL
	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	
1														1			1
2	3				3								2	1			9
3					3												3
4					2												2
5	2				8				3								13
6									2	1							3
7					2				1	1							4
8					1				1								2
9																	0
10									2								2
11																	0
12	3				1				1	1			1				7
13																	0
14					2												2
15	3				6								1				10
16					1												1
17										1							1
18					3				2								5
19										1							1
20																	0
21																	0
22	1												3				4
23																	0
24					4					1							5
25																	0
26																	0
27										1							1
28	3				6				5								14
29																	0
30	1				1				2					1			5
31	3				12				7				3				25
32	2				13				1								16
33	1				1												2
34									1	1			4				6
35					5				1				3				9
36									1								1
37	1								3								4
38	2				6				3								11
39																	0
40	2				3				6	1							12
41																	0
42	4																4
43																	0
44					2				2	1							5
45	1				1				4				1				7
46													1				1
TOTAL	32	0	0	0	86	0	0	0	48	10	0	0	19	3	0	0	198

HEALTH SAFETY ENFORCEMENT ACTIVITY SUMMARY
SMITHFIELD MEAT MARKET - 1 June 2013 to 30 September 2014

The following information shows the breakdown of the enforcement activity. Each company has been allocated a number, so that the information remains confidential. The number that has been allocated to the company remains the same, and this will demonstrate whether companies are improving or whether they are continuing to fail to comply with the Regulations.

Key **A:** **Verbal advice** **C:** **Formal notices**
B: **Written advice** **D:** **Recommended for prosecution**

Stall	June 13 to Sept 13				Oct 13 to Jan 14				Feb 14 to May 14				June 14 to Sept 14				TOTAL
	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	
1											1			1			2
2	3								2	1							6
3	3																3
4	2													1			3
5	8				3								2				13
6					2	1											3
7	2				1	1							1				5
8	1				1												2
9																	0
10					2									1			3
11																	0
12	1				1	1			1								4
13																	0
14	2																2
15	6								1								7
16	1												2				3
17						1											1
18	3				2								1				6
19						1											1
20													1				1
21																	0
22									3				1	1			5
23																	0
24	4					1											5
25																	0
26																	0
27						1											1
28	6				5												11
29																	0
30	1				2					1							4
31	12				7				3				2				24
32	13				1												14
33	1												1				2
34					1	1			4								6
35	5				1				3				1				10
36					1												1
37					3												3
38	6				3												9
39																	0
40	3				6	1							2				12
41																	0
42													1	2			3
43																	0
44	2				2	1											5
45	1				4				1								6
46									1				1				2
TOTAL	86	0	0	0	48	10	0	0	19	3	0	0	17	5	0	0	188

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