



## Markets Committee

**Date:** MONDAY, 30 NOVEMBER 2015  
**Time:** 11.30 am  
**Venue:** COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

**Members:**

John Scott (Chairman)	Edward Lord
James Tumbridge (Deputy Chairman)	Professor John Lumley
Alex Bain-Stewart	Alderman Julian Malins
Deputy John Barker	Wendy Mead
Nicholas Bensted-Smith	Deputy Robert Merrett
Chris Boden	Deputy Joyce Nash
Revd Dr William Campbell-Taylor	Graham Packham
Deputy John Chapman	Chris Punter
Karina Dostalova	Elizabeth Rogula
Alderman John Garbutt	James de Sausmarez
Deputy Stanley Ginsburg	Ian Seaton
Deputy Brian Harris	Deputy Dr Giles Shilson
Tom Hoffman	Angela Starling
Michael Hudson	Patrick Streeter
Deputy Jamie Ingham Clark	David Thompson
Ann Holmes	Mark Wheatley
Deputy Alastair King	

**Enquiries:** Gemma Stokley  
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Lunch will be served in the Guildhall Club at 1pm  
N.B. Part of this meeting could be the subject of audio or visual 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 29 October 2015.  
**For Decision**  
(Pages 1 - 4)
4. **REVENUE AND CAPITAL BUDGETS - 2015/16 AND 2016/17**  
Joint report of the Chamberlain and the Director of Markets and Consumer Protection.  
**For Decision**  
(Pages 5 - 36)
5. **FUTURE PRESENTATION OF REVENUE OUTTURN REPORTS**  
The Chamberlain to be heard.  
**For Information**
6. **SMITHFIELD MARKET - CONDENSER WATER COOLING SYSTEM - UPDATE**  
Report of the City Surveyor.  
**N.B. This Item is to be read in conjunction with the appendix at Item No. 12.**  
**For Information**  
(Pages 37 - 42)
7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
8. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
9. **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.  
**For Decision**

## Part 2 - Non-Public Agenda

10. **NON-PUBLIC MINUTES**  
To agree the non-public minutes of the meeting held on 29 October 2015.  
**For Decision**  
(Pages 43 - 46)

11. **RECOVERING THE COSTS OF ADMINISTERING DEBT AT THE MARKETS**  
Joint report of the Comptroller and City Solicitor and the Chamberlain.  

**For Decision**  
(Pages 47 - 54)
12. **SMITHFIELD MARKET - CONDENSER WATER COOLING SYSTEM - UPDATE -  
NON PUBLIC APPENDIX**  
Non-public appendix to be read in conjunction with Item No. 6.  

**For Information**  
(Pages 55 - 56)
13. **CONCESSIONARY PARKING AT SMITHFIELD MARKET DURING THE  
CHRISTMAS PERIOD 2015 - SMTA SECOND REQUEST**  
Report of the Superintendent of Smithfield Market.  

**For Decision**  
(Pages 57 - 58)
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**

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## MARKETS COMMITTEE

Thursday, 29 October 2015

Minutes of the meeting of the Markets Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Thursday, 29 October 2015 at 11.00 am

### Present

#### Members:

John Scott (Chairman)	Ann Holmes
James Tumbridge (Deputy Chairman)	Edward Lord
Alex Bain-Stewart	Professor John Lumley
Deputy John Barker	Alderman Julian Malins
Chris Boden	Deputy Joyce Nash
Deputy John Chapman	Graham Packham
Karina Dostalova	Angela Starling
Alderman John Garbutt	Patrick Streeter
Deputy Stanley Ginsburg	David Thompson
Deputy Brian Harris	Mark Wheatley
Michael Hudson	

#### In Attendance

Mark Boleat - Chairman, Policy & Resources Committee

#### Officers:

Steven Chandler	- City Surveyor's Department
Andrew Crafter	- City Surveyor's Department
Paul Hickson	- Comptroller & City Solicitor's Department
Matthew Hill	- Smithfield Market Superintendent
Debbie Howard	- Chamberlain's Department
Huw Rhys Lewis	- City Surveyor's Department
Malcolm Macleod	- Superintendent, Billingsgate Market
Scott Morgan	- Town Clerk's Department
David Smith	- Director, Markets and Consumer Protection
Julie Smith	- Chamberlain's Department
Donald Perry	- Markets and Consumer Protection Department
Gemma Stokley	- Town Clerk's Department
Robert Wilson	- Superintendent, New Spitalfields Market
Peter Young	- City Surveyor's Department
Julie Zhu	- Public Relations Office

The Chairman welcomed Mark Boleat, former Chairman of the Markets Committee to the meeting.

1. **APOLOGIES**

Apologies for absence were received from Nicholas Bensted-Smith, Tom Hoffman, Wendy Mead, Deputy Robert Merrett, Elizabeth Rogula, James de Sausmarez and Ian Seaton.

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 30 September 2015 were considered and approved as a correct record.

**MATTERS ARISING**

**Revenue Outturn 2014/15 (page 2)** – Following a motion at the last meeting that this matter be referred to the Policy and Resources Committee, the Chairman reported that this would be deferred and that the Chamberlain would, instead, be addressing the Committee on this matter at their next meeting.

**Visitors to the Markets (page 3)** – The Chairman reported that Nigel Farage had recently visited Billingsgate Market.

4. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

5. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

**Christmas Parking at Smithfield Market**

The Chairman reported that, following a recent request from the SMTA, an additional report regarding Christmas Parking at Smithfield Market would be considered by the Committee at their next meeting.

6. **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
7	2, 3, 5 & 7
8 & 9	3
10	1 & 3
11	3, 5 & 7

7. **NON-PUBLIC MINUTES**

The non-public minutes of the meeting held on 30 September 2015 were considered and approved as a correct record.

8. **POULTRY MARKET - UPDATED GATEWAY 3 OPTIONS REPORT**  
The Committee considered and agreed an updated Gateway 3 options report of the City Surveyor relative to the Poultry Market after one of the recommendations within the report was deferred from the last meeting on 30 September 2015.
9. **POULTRY MARKET LETTING STRATEGY**  
The Committee considered and agreed a report of the City Surveyor regarding the Poultry Market letting Strategy.
10. **POULTRY MARKET LETTINGS GENERAL UPDATE AND THE LETTING OF UNIT 206**  
The Committee considered a joint report of the City Surveyor and the Director of Markets & Consumer Protection seeking approval to the letting of unit 206. Members sought additional information and therefore deferred a decision on this matter.
11. **DEBT ARREARS MARKETS - PERIOD ENDING 30TH SEPTEMBER 2015**  
The Committee received a report of the Director of Markets and Consumer Protection informing Members of invoiced income raised and outstanding as at 30<sup>th</sup> September 2015 from 31 days to 121+ days.
12. **NON PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**  
There were no questions in the non-public session.
13. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**  
There were no additional, urgent items of business for consideration in the non-public session.

**The meeting ended at 11.40 am**

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Chairman

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# Agenda Item 4

<b>Committee(s):</b>	<b>Date(s):</b>	<b>Item no.</b>
Markets Committee	30.11.2015	
<b>Subject:</b> REVENUE AND CAPITAL BUDGETS - 2015/16 and 2016/17	<b>Public</b>	
<b>Report of:</b> The Chamberlain Director of Markets and Consumer Protection	<b>For Decision</b>	
<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 latest revenue budget for 2015/16 and provisional revenue budget for 2016/17, 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 the forthcoming year include :</p>		
<ul style="list-style-type: none"><li>• Implementing the ongoing Service Based Reviews to deliver savings for 2016/17 and beyond;</li><li>• maintaining the present high level quality of service to our tenants within a cash-limited resource allocation;</li><li>• completing the New Spitalfields rent and lease negotiations.</li></ul>		

Summary of Table 1

	Original Budget 2015/16 £'000 (A)	Latest Budget for approval (LAB) 2015/16 £'000 (B)	Movement Original 2015-16 to LAB 2015-16 £'000 (A-B)	Original Budget 2016/17 £'000 (C)	Movement Original 2015-16 to Original 2016-17 £'000 (A-C)
Expenditure	14,109	15,013	904	15,133	1,024
Income	(16,538)	(16,683)	(145)	(17,202)	(664)
<b>Net (Surplus)/Deficit</b>	<b>(2,429)</b>	<b>(1,670)</b>	<b>759</b>	<b>(2,069)</b>	<b>360</b>
Support Services and Capital Charges	2,147	2,221	74	2,256	109
Total Net Expenditure	(282)	551	833	187	469

Overall, the 2015/16 latest budget is £551,000, an increase of £833,000 compared to the original budget of (£282,000). Main reasons for this increase are:

- Re-phasing of City Surveyors local risk estimate for Additional Works Programme of £ 363,000.
- Carry forward provision of £189,000 for works at Smithfield Market,
- Service Based review Savings, (£63,000)
- Supplies and Services, £344,000

Overall, the 2016/17 provisional revenue budget totals £187,000, an increase of £469,000 compared with the original budget for 2015/16 of (£282,000). Main reasons for this increase are:

- Re-phasing and additional City Surveyors local risk estimate for Additional Works Programme and Building Repair Maintenance (BRM) of £728,000,
- Service Based Review Savings of (£362,000),
- National Insurance increases due to the cancelled rebate by the Government, £43,000,
- Supplies and Services, £60,000

#### Recommendations

The Committee is requested to:

1. Review the latest 2015/16 revenue budget ensure it reflects the Committee's objectives and, if so, approve the budget for

submission to the Finance Committee.

2. Review the provisional 2016/17 revenue budget to ensure it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee.
3. Review and approve the draft capital budget.
4. Authorise the Chamberlain to revise these budgets to allow for changes to the Additional Works Programme and in respect of recharges as well as any changes from Markets Service Reviews, City of London Procurement initiative savings and Carbon Trading Allowances. If the revisions vary by more than 10% of total expenditure a further report will be submitted to this committee for approval.

## **Main Report**

### **Background**

1. The City of London Corporation owns and manages Billingsgate Market (fish) in Docklands, Smithfield Market (meat) in the City and 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 latest revenue budget and capital budgets for 2015/16 and the proposed revenue budgets and capital budgets for 2016/17. The revenue budget management arrangements are to:
  - Provide a clear distinction between local and 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 latest budget for 2015/16 and the proposed revenue budget for 2016/17 has been analysed by service expenditure and compared with the original budget for 2015/16. The budgets are further analysed between:

- Local risk budgets – these are deemed to be largely within the Chief Officer’s control.
  - Central Risk budgets – these are budgets comprising specific items where the Chief Officer manages the underlying service, but where the eventual financial outcome can be strongly influenced by external factors outside his/her control or are budgets of a corporate nature (e.g. interest on balances and rent from properties).
  - Support Services and Capital Charges – these cover budgets for activities provided by one service to another. The control of costs on these budgets is exercised at the point where the cost or income first arises as a local or central risk cost (e.g. Surveyors employee recharge).
4. The report also compares the current year’s budget with the forecast outcome.
5. In the various tables, income and favourable variances are presented in brackets. Only significant variances (generally those greater than £50,000) are commented on, however this Committee has asked that all adverse variances be commented on, whatever the value.

### **Business Planning Priorities**

6. Business priorities for 2016/17 will focus on maintaining the high quality of service 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.
7. Other priorities will include:
- Continuing to implement agreed savings from the Service Based Review and, where possible, seek opportunities for increasing revenue from new or existing income streams;
  - Continuing to reduce health and safety risks at the markets and minimising accidents.
  - Completing the New Spitalfields rent and lease negotiations.
  - Improving the state of the infrastructure and cleaning standards at Billingsgate;

- Continuing to ensure that the commitments in the Smithfield leases are fully implemented by both the tenants and the City;
- Providing leadership and management training for our middle managers.
- Developing a workforce plan which ensures that our workforce has both the capability and resources to meet the business objectives

## **8. Projects.**

- The Smithfield Poultry Market roof repairs and electrical re-wiring project has been initiated and will be progressed as rapidly as possible by the City Surveyor and industry to enable its planned completion by the end of 2017. Other 'historic works' at Smithfield will be progressed by the City Surveyor in line with the approved Additional Works Programme and the 20 year Maintenance Plan.
- Following Consultation with the London Fish Merchants Association and individual tenants, the Additional Facilities Project at Billingsgate is currently being progressed and priced. Once that is complete, options will be put forward to Members for decision.
- Evaluation and pricing of the Phase 2 Billingsgate roof replacement project is underway with a view to the next gateway report being presented to Committees in 2016. Both Billingsgate projects are dependent on funding being available from the Sinking Fund and matched fishing industry grants.

## **Latest Revenue Budget for 2015/16**

9. Overall there is an increase between the Committee's original and latest budget for 2015/16 of £833,000. Table 1A summarises the movements between the original and latest budgets comprising this increase. A further analysis of local and central risk budgets by service is provided at Appendix 1A.

## **Expenditure**

10. An increase in expenditure between the original 2015/16 and latest proposed 2015/16 budget totals £904,000 as follows:
11. A decrease in employment costs of (£54,000) is due to:

- A reduction of (£113,000) for deleted posts at Smithfield Market, of which (£84,000) was Service Based Review savings,
  - less an additional post at Spitalfields Market for a constable recoverable through the Service Charge £35,000;
  - and additional costs for contribution pay and increments of £24,000 over all the markets.
12. An increase of £180,000 for premises related costs is mainly due to a one off carry forward budget of £189,000 for repair work at Smithfield Market from 2014/15 to 2015/16 and a net decrease for repair work at all the markets of (9,000).
13. The increase of £17,000 is due to vacant costs of the Satellite Unit at Billingsgate Market due to the additional length it has been unoccupied and the City has paid the proportion of Service Charge.
14. The increase of £363,000 is due to additional repair work detailed in Table 2A.
15. The increase in transport related costs of £45,000 is due to the purchase of a Tug Bin at Billingsgate Market funded from the Repair and Special Works Fund (RSWF) of £22,000 and hire of a Johnson Sweeper of £23,000 funded through the Service Charge.
16. There is an increase in supplies and services of £108,000 within the Directors local risk budget which is due to:
- an increase in the management of the Rotunda Car Park £42,000. This is due to the increased cost of the corporate city car parks contract retender which now includes payment of the London Living Wage.
  - fees against possible arbitration of £55,000 at Smithfield Market;
  - an increase in the cost of waste removal of £9,000 at Smithfield Market;
  - and a net increase of £2,000 at the other markets covering various categories.
17. There is an increase in central risk supplies and services of £243,000 due to:
- £156,000 for fees against the lease renewal at Spitalfields Market,
  - £10,000 for the Christmas traffic management at Smithfield Market,

- £17,000 for fees for the letting of the Cock Tavern at Smithfield Market,
- and £60,000 for professional fees for the letting of the Satellite Unit Billingsgate Market.

### Income

18. An increase in income between the original 2015/16 and latest proposed 2015/16 budget totals (£145,000). Favourable variances over (£50,000) and adverse variances are as follows:
19. The local risk income has increased by (£98,000) to compensate for additional costs payable by the tenants via the Service Charges at Billingsgate and Spitalfields.
20. The small reduction in rent of £3,000 is due to a reduction in Tenancy at Will income.

### **Support and Capital Charges**

21. A detailed breakdown of support and capital charges and recharges can be seen at Appendix 2. The net increase of £74,000 between 2015/16 original budget and 2015/16 latest budget is mainly due to increases in insurances, City Procurement and IT charges and capital costs. This is offset by reductions in Support Services from Chamberlain, Comptrollers, Town Clerk City Surveyors and the Directorate.

TABLE 1A - MARKETS COMMITTEE SUMMARY – ALL FUNDS OR 2015/16 - LAB 2015/16

Analysis of Service Expenditure	Local or Central Risk	Actual 2014/15 £'000	Original Budget 2015/16 £'000	Latest Budget for approval (LAB) 2015/16 £'000	Movement Original 2015/16 to LAB 2015/16 £'000	Paragraph Reference
<b>EXPENDITURE</b>						
Employees	L	5,059	5,213	5,159	(54)	11
Premises Related Expenses (see note i)	L	4,799	4,836	5,016	180	12
Premises Related Expenses (see note ii)	C	482	130	147	17	13
City Surveyor – Repairs & Maintenance	L	907	960	1,323	363	14
Transport Related Expenses	L	82	50	95	45	15
Supplies & Services (see note iii)	L	860	892	1,000	108	16
Supplies & Services (see note iv)	C	(26)	90	333	243	17
Waste & Cleaning Contract at New Spitalfields Market	L	1,811	1,857	1,857	0	
Capital Charges	L	292	0	0	0	
Transfer to Reserves	L	0	81	83	2	
Transfer to Service Charge Reserves	C	0	0	0	0	
<b>Total Expenditure</b>		<b>14,266</b>	<b>14,109</b>	<b>15,013</b>	<b>904</b>	
<b>INCOME</b>						
Other Grants, Reimbursements and Contribution	L	(422)	(492)	(492)	0	
Other Grants, Reimbursements and Contribution	C	0	0	0	0	
Customer, Client Receipts (see note v)	L	(10,535)	(10,721)	(10,819)	(98)	19
Customer, Client Receipts (see note v)	C	(1,417)	(1,462)	(1,474)	(12)	
Customer, Client Receipts (Rent)	C	(3,646)	(3,711)	(3,708)	3	20
Investment Income	L	(10)	(4)	(4)	0	
Investment Income	C	0	0	0	0	
Transfer from Service Charge Reserves	L	(242)	(112)	(156)	(44)	
Transfer from Service Charge Reserves	C	(64)	(36)	(30)	6	
<b>Total Income</b>		<b>(16,336)</b>	<b>(16,538)</b>	<b>(16,683)</b>	<b>(145)</b>	
<b>TOTAL EXPENDITURE/ (INCOME) BEFORE SUPPORT SERVICES AND CAPITAL CHARGES</b>		<b>(2,070)</b>	<b>(2,429)</b>	<b>(1,670)</b>	<b>759</b>	
<b>SUPPORT SERVICES AND CAPITAL CHARGES</b>						
Central Support Services and Capital Charges		2,466	2,569	2,619	50	
Recharges within Committees		0	0	0	0	
Recharges within Fund		(88)	(84)	(85)	(1)	
Recharges Across Funds		(370)	(338)	(313)	25	
<b>Total Support Services and Capital Charges</b>		<b>2,008</b>	<b>2,147</b>	<b>2,221</b>	<b>74</b>	<b>21</b>
<b>TOTAL NET EXPENDITURE/(INCOME)</b>		<b>(62)</b>	<b>(282)</b>	<b>551</b>	<b>833</b>	

Notes - Examples of types of service expenditure:-

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



## **Proposed Revenue Budget for 2016/17**

22. The provisional 2016/17 budgets being presented to your Committee and under the control of the Director of Markets and Consumer Protection have been prepared in accordance with the guidelines agreed by the Policy and Resources and Finance Committees. These include 1.5% cash limit allowance for pay increases, as well as the previously approved Service Based Review savings. The budget has been prepared within the resources allocated to the Director.
23. Overall there is an increase of £469,000 between the Committee's 2015/16 and 2016/17 original budgets. Table 1B summarises the movements comprising the increase. A further analysis of the local and central revenue budgets by service is provided in Appendix 1B.

### **Expenditure**

24. An increase in expenditure between 2015/16 and 2016/17 totals £1,024,000 as follows:
25. An increase in employment costs of £69,000 is due to:
- increases in National Insurance of £130,000, of which £88,000 is recoverable through the Service Charges,
  - an additional post at Spitalfields, recoverable through the Service Charge, £35,000,
  - cost of living and incremental increases of £52,000 less
  - a reduction of (£113,000) at Smithfield Market for deleted posts at Smithfield Market,
  - Service Based Review Savings of (£35,000) at Billingsgate Market
26. An increase of £227,000 for premises related costs is due to:
- an increase in repair and maintenance of £126,000 at Billingsgate Market,
  - an increase of £80,000 for repairs and maintenance at Spitalfields Market;

- a net increase of £21,000 for other premises costs across all the markets.

27. An increase of £728,000 detailed on table 2B is due to:

- an agreement in court that the City of London will undertake certain historical works at Smithfield Market. It was agreed by the City Surveyors that this would be included under the Additional Work Programme,
- the increase in reactive and planned works at Smithfield Market is due to moving from a square metre basis to an asset price basis of apportionment for the building and repair contract as reported to Corporate Asset and Resource and Allocation Sub Committee.

28. The increase in local risk supplies and services of £55,000 is due to increases in the costs of the waste contract by £12,000, increase in the cost of managing the Rotunda Car Park by £38,000 at Smithfield Market and inflation increases for various cost categories of £5,000.

29. Increase in professional fees for letting premises of £4,000 at all markets.

30. There is an inflationary increase of £4,000 for the waste contract at Spitalfields Market.

31. The reduction of transfers to the markets reserve accounts of (£60,000) is due to increased costs, resulting in a reduction of contribution.

### **Income**

32. An increase in income between the original 2015/16 and latest proposed 2016/17 budget totals (£664,000) as follows:

33. The increase of (£79,000) is due to additional contributions payable by the tenants at Billingsgate Market as a contribution to the RSWF for future repairs and projects of (£75,000) and a net increase of (£4,000) at the other markets for direct recoverable costs.

34. An increase for local risk client receipts of (£331,000) is due to:

- recoverable costs have increased, therefore contributions from tenants through the Service Charge have increased by (£162,000) at Spitalfields Market,
- recoverable costs have increased, therefore contributions from tenants through the Service Charge have increased by (£150,000) at Billingsgate Market and,

- the income from the Rotunda Car Park has increased by (£12,000) and direct recovery items such as rates of (£7,000) has increased at Smithfield Market.
35. The increase in central risk client receipts of (£50,000) is due to additional income of (£78,000) at Billingsgate Market for Car Parking, less a reduction in income at Smithfield Market central risk of £28,000 for Car parking.
36. There is a rental income increase of (£223,000), which is due to:
- An increase in rental income at Billingsgate of (£250,000). Under the Service Based Review the rental income was due to increase by (£328,000) however, the Satellite Unit will only achieve (£250,000) in 2016/17, the difference will be met elsewhere within the estimates.
  - this is offset by a reduction in Tenancy at Will income of £27,000 at Smithfield Market and Billingsgate Market.
37. Interest rates have fallen which has resulted in a reduction of investment income of £1,000.
38. An increase of transfers from the market reserves for local risk costs of £22,000 is due to higher costs not sufficiently funded by the contributions to the Service Charge for Billingsgate and New Spitalfields Markets.

### **Support and Capital Charges**

39. The net increase of £109,000 between 2015/16 and 2016/17 original budgets is due to increases in insurances, City Procurement and IT charges and capital costs. This is offset by reductions in Support Services from Chamberlain, Comptrollers, Town Clerk City Surveyors and the Directorate. A detailed breakdown can be seen at Appendix 2.

TABLE 1B - MARKETS COMMITTEE SUMMARY – ALL FUNDS OR 2015/16 to OR 2016/17

Analysis of Service Expenditure	Local or Central Risk	Actual 2014/15 £'000	Original Budget 2015/16 £'000	Original Budget 2016/17 £'000	Movement 2015/16 to 2016/17 £'000	Paragraph Reference
<b>EXPENDITURE</b>						
Employees	L	5,059	5,213	5,282	69	25
Premises Related Expenses (see note i)	L	4,799	4,836	5,063	227	26
Premises Related Expenses (see note ii)	C	482	130	129	(1)	
City Surveyor – Repairs & Maintenance	L	907	960	1,688	728	27
Transport Related Expenses	L	82	50	48	(2)	
Supplies & Services (see note iii)	L	860	892	947	55	28
Supplies & Services (see note iv)	C	(26)	90	94	4	29
Waste & Cleaning Contract at New Spitalfields Market	L	1,811	1,857	1,861	4	30
Capital Charges	L	292	0	0	0	
Transfer to Reserves	L	0	81	21	(60)	31
Transfer to Service Charge Reserves	C	0	0	0	0	
<b>Total Expenditure</b>		<b>14,266</b>	<b>14,109</b>	<b>15,133</b>	<b>1,024</b>	
<b>INCOME</b>						
Other Grants, Reimbursements and Contribution	L	(422)	(492)	(571)	(79)	33
Other Grants, Reimbursements and Contribution	C	0	0	0	0	
Customer, Client Receipts (see note v)	L	(10,535)	(10,721)	(11,052)	(331)	34
Customer, Client Receipts (see note v)	C	(1,417)	(1,462)	(1,512)	(50)	35
Customer, Client Receipts (Rent)	C	(3,646)	(3,711)	(3,934)	(223)	36
Investment Income	L	(10)	(4)	(3)	1	37
Investment Income	C	0	0	0	0	
Transfer from Service Charge Reserves	L	(242)	(112)	(90)	22	38
Transfer from Service Charge Reserves	C	(64)	(36)	(40)	(4)	
<b>Total Income</b>		<b>(16,336)</b>	<b>(16,538)</b>	<b>(17,202)</b>	<b>(664)</b>	
<b>TOTAL EXPENDITURE/ (INCOME) BEFORE SUPPORT SERVICES AND CAPITAL CHARGES</b>		<b>(2,070)</b>	<b>(2,429)</b>	<b>(2,069)</b>	<b>360</b>	
<b>SUPPORT SERVICES AND CAPITAL CHARGES</b>						
Central Support Services and Capital Charges		2,466	2,569	2,646	77	
Recharges within Committees		0	0	0	0	
Recharges within Fund		(88)	(84)	(77)	7	
Recharges Across Funds		(370)	(338)	(313)	25	
<b>Total Support Services and Capital Charges</b>		<b>2,008</b>	<b>2,147</b>	<b>2,256</b>	<b>109</b>	<b>39</b>
<b>TOTAL NET EXPENDITURE/(INCOME)</b>		<b>(62)</b>	<b>(282)</b>	<b>187</b>	<b>469</b>	

40. The lease negotiations at New Spitalfields are currently ongoing between the Spitalfields Tenants Association and their representatives and the City Surveyor. The current lease expired for the majority of tenants in May 2015 and as 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 and 2016/17. When the outcome of negotiations are complete a revision will be required.

### City Surveyors Local Risk

41. The increase of £363,000 between original and latest budget for 2015/16 for the City Surveyor's repairs and maintenance programme reflects changes in the composition and phasing of the works as outlined in Table 2A below

TABLE 2A - CITY SURVEYOR LOCAL RISK OR 2015/16 - LAB 2015/16

	Original Budget 2015/16	Latest Budget for Approval 2015/16	Movement
Repairs and Maintenance	£'000	£'000	£'000
Additional Works Programme	440	616	176
Planned, Re-active & Cyclical Works			
Billingsgate	164	172	8
Smithfield	325	503	178
Spitalfields	31	32	1
<b>Total City Surveyor</b>	<b>960</b>	<b>1,323</b>	<b>363</b>

42. The increase of £728,000 between original 2015/16 and original 2016/17 budget for the City Surveyor's repairs and maintenance programme reflects changes in the composition and phasing of the works as outlined in Table 2B below

TABLE 2B - CITY SURVEYOR LOCAL RISK OR 2015/16 - OR 2016/17

	Original Budget 2015/16	Original Budget 2016/17	Movement
Repairs and Maintenance	£'000	£'000	£'000
Additional Works Programme	440	1,021	581
Planned, Re-active & Cyclical Works			
Billingsgate	164	172	8
Smithfield	325	463	138
Spitalfields	31	32	1
<b>Total City Surveyor</b>	<b>960</b>	<b>1,688</b>	<b>728</b>

43. Budgets have provisionally been included for the 2016/17 additional works programme based on bids considered by the Corporate Asset Sub Committee in June 2015. However, a decision on funding of the programme is not due to be made by the Resource Allocation Sub Committee until December 2015. It may therefore be necessary to adjust budgets to reflect the Resource Allocation Sub Committee's decision.

44. The main elements for the increase in the additional works programme, which is for Smithfield Market only, is that the value of work identified in the City Surveyor's 20 year programme for the latest budget for 2015/16 and 2016/17 has increased in comparison with the combined value of various programmes in the original estimate for 2015/16.

45. The planned and reactive works has increased due to the change in pricing mechanism from a square metre basis to a price per asset basis which has resulted in a significant increase for Smithfield Market.

## **Manpower Statement**

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

Table 3 - Manpower statement OR 2015/16 - OR 2016/17

	Original Budget 2015/16		Original Budget 2016/17	
	Manpower Full-time Equivalent	Estimated cost £'000	Manpower Full-time Equivalent	Estimated cost £'000
Directorate	5.4	403	5.4	418
Spitalfields Market	29.0	1,276	30.0	1,374
Smithfield Market	49.0	1,876	44.5	1,809
Billingsgate Market	41.0	1,658	38.5	1,681
<b>TOTAL MARKETS</b>	<b>124.4</b>	<b>5,213</b>	<b>118.4</b>	<b>5,282</b>

### **Potential Further Budget Developments**

47. The provisional nature of the 2016/17 revenue budget recognises that further revisions may be required, particularly 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.

### **Service Based Review**

48. The 2015/16 savings of £410,000 and £392,000 for 2016/17 are reflected in the budgets presented to your committee and are anticipated to be fully met within the appropriate year.

### **Forecast Outturn 2016/17**

49. The forecast outturn for the current year 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**

50. 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.

51. On this basis, there is an overall cost to the City of London Corporation for operating the Markets of £31,000 in 2016/17. The costs are lower than the overall Committee total as the excluded items produced a net deficit of £438,000. The costs of the Markets include capital charges and depreciation for 2016/17 totalling £804,000.

52. Appendix 3 details the reasons for adverse variances and favourable variances over £100,000 or where savings are part of the service based review.

### **Draft Capital Depreciation Budget**

53. The City of London Corporation has adopted the Generally Accepted Accounting Practices UK (GAAP UK) which has resulted in the notional capital costs at Spitalfields Market, Smithfield Market and Billingsgate Market being written down and depreciation of the building and plant being charged to the revenue account. The charges for 2016/17 are:

Market	£
Spitalfields	537,000
Billingsgate	152,000
Smithfield	115,000
Total	804,000



## **Draft Capital and Supplementary Revenue Budgets**

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

Table 5 - Capital & Supplementary Revenue projects							
Service Managed	Project	Ex. Pre 01/04/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	Later Years £'000	Total £'000
<b>Pre-implementation</b>							
Billingsgate	Additional fish handling facilities	17	10	5	0	0	32
Smithfield	Poultry market repairs	5	317	290	0	0	612
<b>Authority to start work</b>							
Billingsgate	Johnson Sweeper Vehicle	0	66	0	0	0	66
Billingsgate	Flat roof and ceiling renewal	698	180	0	0	0	878
Total Markets		720	573	295	0	0	1588

55. 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. It should be noted that the above figures exclude the implementation costs of those schemes which have yet to receive authority to start work.

56. The Additional Fish Handling Facilities project and the later phases of the Roof Renewal project at Billingsgate Market are expected to commence in 2016/17, subject to approval.

57. The implementation of the Poultry Market Repairs project at Smithfield Market, which is being funded by the City, is also anticipated to commence in 2016/17, subject to authority to start work.

58. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2016.

Contact:

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**Appendix 1A - Analysis by Service Managed OR 2015/16 - LAB 2015/16**

	Actual 2014/15  £'000	Original Budget 2015/16  £'000	Latest Budget for approval (LAB) 2015/16  £'000	Movement OR 2015/16 - LAB 2015/16  £'000	Paragraph reference
<b>CITY FUND</b>					
<b>Spitalfields Market</b>					
- Service Charge Account	2	26	26	0	
- City Account	(754)	(846)	(653)	193	
- Repairing and Repairs Fund	0	0	0	0	
<b>Total Spitalfields Market</b>	<b>(752)</b>	<b>(820)</b>	<b>(627)</b>	<b>193</b>	
<b>TOTAL CITY FUND</b>	<b>(752)</b>	<b>(820)</b>	<b>(627)</b>	<b>193</b>	
<b>CITY'S CASH</b>					
<b>Smithfield</b>					
Service Charge Account	1,322	1,713	1,909	196	
Non-Service Charge Account	(146)	(623)	(340)	283	
Other Services	(33)	19	140	121	
<b>Total Smithfield Market</b>	<b>1,143</b>	<b>1,109</b>	<b>1,709</b>	<b>600</b>	
<b>Billingsgate</b>					
Service Charge Account	0	0	0	0	
Non-Service Charge Account	(453)	(571)	(531)	40	
Repairing and Special Works Account	0	0	0	0	
<b>Total Billingsgate Market</b>	<b>(453)</b>	<b>(571)</b>	<b>(531)</b>	<b>40</b>	
<b>Markets Directorate</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL CITY'S CASH</b>	<b>690</b>	<b>538</b>	<b>1,178</b>	<b>640</b>	
<b>TOTAL</b>	<b>(62)</b>	<b>(282)</b>	<b>551</b>	<b>833</b>	

**Appendix 1B - Analysis by Service Managed OR 2015/16 - OR 2016/17**

	Actual 2014/15  £'000	Original Budget 2015/16  £'000	Original Budget 2016/17  £'000	Movement OR 2015/16 - OR 2015/16  £'000	Paragraph reference
<b>CITY FUND</b>					
<b>Spitalfields Market</b>					
- Service Charge Account	2	26	27	1	
- City Account	(754)	(846)	(813)	33	
- Repairing and Repairs Fund	0	0	0	0	
<b>Total Spitalfields Market</b>	<b>(752)</b>	<b>(820)</b>	<b>(786)</b>	<b>34</b>	
<b>TOTAL CITY FUND</b>	<b>(752)</b>	<b>(820)</b>	<b>(786)</b>	<b>34</b>	
<b>CITY'S CASH</b>					
<b>Smithfield</b>					
Service Charge Account	1,322	1,713	1,945	232	
Non-Service Charge Account	(146)	(623)	(237)	386	
Other Services	(33)	19	156	137	
<b>Total Smithfield Market</b>	<b>1,143</b>	<b>1,109</b>	<b>1,864</b>	<b>755</b>	
<b>Billingsgate</b>					
Service Charge Account	0	0	0	0	
Non-Service Charge Account	(453)	(571)	(891)	(320)	
Repairing and Special Works Account	0	0	0	0	
<b>Total Billingsgate Market</b>	<b>(453)</b>	<b>(571)</b>	<b>(891)</b>	<b>(320)</b>	
<b>Markets Directorate</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL CITY'S CASH</b>	<b>690</b>	<b>538</b>	<b>973</b>	<b>435</b>	
<b>TOTAL</b>	<b>(62)</b>	<b>(282)</b>	<b>187</b>	<b>469</b>	

## Appendix 2 - Support Service and Capital Charges from/to Markets Committee

	Actual 2014/15  £'000	Original 2015/16  £'000	Latest Budget for Approval (LAB) 2015/16  £'000	Original Budget 2016/17  £'000
<b>Support Service and Capital Charges</b>				
Administrative Buildings	33	37	33	36
City Surveyor's Employee Recharge	249	194	213	214
Insurance	478	496	506	553
IS Recharges – Chamberlain	253	199	237	231
City Procurement Recharges - Chamberlain	80	18	48	56
Capital Charges	583	734	806	804
<b>Support Services -</b>				
Chamberlain	353	346	319	316
Comptroller and City Solicitor	100	116	110	105
Town Clerk	190	228	197	181
City Surveyor	100	128	108	106
Corporate (e.g. sustainability & contingency planning)	0	39	0	0
Liability Insurance	47	34	42	44
<b>Total Support Services and Capital Charges</b>	<b>2,466</b>	<b>2,569</b>	<b>2,619</b>	<b>2,646</b>
<b>Recharges Within Funds</b>				
Corporate and Democratic Core – Finance Committee	(77)	(77)	(77)	(77)
Directorate Recharge – Port Health and Environmental Services Committee	(11)	(10)	(8)	0
<b>Recharges Across Funds</b>				
Directorate Recharge - Markets – City Fund	(96)	0	0	0
Directorate Recharge – Licensing Committee	(24)	(24)	(20)	(21)
Directorate Recharge – Port Health and Environmental Services Committee	(250)	(311)	(293)	(292)
<b>TOTAL SUPPORT SERVICE AND CAPITAL CHARGES</b>	<b>2,008</b>	<b>2,147</b>	<b>2,221</b>	<b>2,256</b>

The Capital Charges within this Committee total £804,000 in 2016/17. These relate to depreciation charges at Spitalfields Market £537,000 depreciation at Smithfield Market, the Animal- By- Product facility and the Car Park £115,000; and depreciation charges at Billingsgate Market £152,000 based on the estimated value as at 1 April 2014 divided by anticipated lives of assets. This is in accordance with the City adopting the UK GAAP accounting standards.

## Wholesale Markets Operating Summary

	Spitalfields Market						Billingsgate Market						Smithfield Market						APPENDIX 3 Total Wholesale Market								
	Actual	Original Budget	Latest	Percentage Increase/decrease	Original Budget	Percentage Increase/decrease	Notes	Actual	Original Budget	Latest	Percentage Increase/decrease	Original Budget	Percentage Increase/decrease	Notes	Actual	Original Budget	Latest	Percentage Increase/decrease	Original Budget	Percentage Increase/decrease	Notes	Actual	Original Budget	Latest	Percentage Increase/decrease	Original Budget	Percentage Increase/decrease
	2014/15 £'000	2015/16 £'000	2015/16 £'000	CUOR/LAB %	2016/17 £'000	NYOR/CU-OR %		2014/15 £'000	2015/16 £'000	2015/16 £'000	CUOR/LAB %	2016/17 £'000	NYOR/CU-OR %		2014/15 £'000	2015/16 £'000	2015/16 £'000	CUOR/LAB %	2016/17 £'000	NYOR/CU-OR %		2014/15 £'000	2015/16 £'000	2015/16 £'000	CUOR/LAB %	2016/17 £'000	NYOR/CU-OR %
<b>Operating Expenditure</b>																											
<b>Expenditure</b>																											
Employees (basic pay, NI, pension, overtime, training and recruitment advertising)	(1,264)	(1,276)	(1,340)	-5%	(1,374)	-8%	1&14	(1,600)	(1,658)	(1,661)	0%	(1,681)	-1%	19	(1,793)	(1,876)	(1,751)	7%	(1,809)	4%	9&25	(4,657)	(4,810)	(4,752)	1%	(4,864)	-1%
Premises (Energy, repair and maintenance, rates, insurance, water, pest control, cleaning materials )	(1,216)	(1,254)	(1,309)	-4%	(1,269)	-1%	2&15	(1,444)	(1,277)	(1,281)	0%	(1,494)	-17%	20	(2,992)	(3,041)	(3,501)	-15%	(3,646)	-20%	10&26	(5,652)	(5,572)	(6,091)	-9%	(6,409)	-14%
Transport (Vehicle running costs, congestion charge and travel costs)	(5)	(6)	(6)	0%	(6)	0%		(69)	(30)	(84)	-180%	(38)	-27%	5&21	(10)	(13)	(4)	69%	(3)	77%	10A&26A	(84)	(49)	(94)	-92%	(47)	2%
Supplies and Services (Refuse collection, Equipment and CCTV hire/maintenance and purchase, uniforms and clothing, communication and office expenses)	(142)	(145)	(316)	-118%	(162)	-12%	3&16	(118)	(121)	(176)	-45%	(127)	-5%	6&22	(556)	(408)	(473)	-16%	(422)	-3%	11	(816)	(674)	(965)	-43%	(711)	-4%
Waste and Cleaning contract	(1,811)	(1,857)	(1,857)	0%	(1,861)	0%	17	0	0	0	0%	0	0%		0	0	0	0%	0	0%		(1,811)	(1,857)	(1,857)	0%	(1,861)	0%
<b>Total operating expenditure</b>	<b>(4,438)</b>	<b>(4,538)</b>	<b>(4,828)</b>	<b>6%</b>	<b>(4,672)</b>	<b>-3%</b>		<b>(3,231)</b>	<b>(3,086)</b>	<b>(3,202)</b>	<b>-4%</b>	<b>(3,340)</b>	<b>-8%</b>		<b>(5,351)</b>	<b>(5,338)</b>	<b>(5,729)</b>	<b>-7%</b>	<b>(5,880)</b>			<b>(13,020)</b>	<b>(12,962)</b>	<b>(13,759)</b>		<b>(13,892)</b>	
<b>Income</b>																											
Rent, Wayleaves and Tolls Income	1,330	1,330	1,330	0%	1,330	0%		623	667	644	3%	917	-37%	7&23	1,713	1,734	1,713	1%	1,713	1%	12	3,666	3,731	3,687	1%	3,960	-6%
Charges for Services (Filming, car parking, service charge income, insurance, advertising hoarding, reimbursement if direct recovered costs)	4,669	4,795	4,896	-2%	4,929	-3%	4&18	3,571	3,703	3,785	-2%	3,974	-7%	8&24	3,419	3,470	3,462	0%	3,491	-1%		11,659	11,968	12,143	-1%	12,394	-4%
<b>Total Operating Income</b>	<b>5,999</b>	<b>6,125</b>	<b>6,226</b>	<b>2%</b>	<b>6,259</b>	<b>-2%</b>		<b>4,194</b>	<b>4,370</b>	<b>4,429</b>	<b>1%</b>	<b>4,891</b>	<b>11%</b>		<b>5,132</b>	<b>5,204</b>	<b>5,175</b>	<b>-1%</b>	<b>5,204</b>	<b>0%</b>		<b>15,325</b>	<b>15,699</b>	<b>15,830</b>	<b>1%</b>	<b>16,354</b>	<b>4%</b>
<b>Net Operating Surplus/(Deficit)</b>	<b>1,561</b>	<b>1,587</b>	<b>1,398</b>	<b>-14%</b>	<b>1,587</b>	<b>0%</b>		<b>963</b>	<b>1,284</b>	<b>1,227</b>	<b>-5%</b>	<b>1,551</b>	<b>17%</b>		<b>(219)</b>	<b>(134)</b>	<b>(554)</b>	<b>76%</b>	<b>(676)</b>	<b>80%</b>		<b>2,305</b>	<b>2,737</b>	<b>2,071</b>	<b>-32%</b>	<b>2,462</b>	<b>-11%</b>
<b>Central Costs</b>																											
Capital Charges and depreciation	(555)	(556)	(555)	0%	(537)	3%		(203)	(162)	(152)	6%	(152)	0%		(89)	(16)	(115)	-619%	(115)	-619%	13&29	(847)	(734)	(822)	-12%	(804)	-9%
Other Central Costs* (Trf to and from reserves to fund repairs and works, support costs and Directorate apportionment)	(254)	(211)	(216)	-2%	(264)	-25%	18A	(307)	(551)	(544)	1%	(508)	7%		(868)	(940)	(900)	4%	(917)	2%	14&30	(1,429)	(1,702)	(1,660)	2%	(1,689)	1%
<b>Total Market (Expenditure)/Income</b>	<b>752</b>	<b>820</b>	<b>627</b>	<b>-31%</b>	<b>786</b>	<b>20%</b>		<b>453</b>	<b>571</b>	<b>531</b>	<b>-8%</b>	<b>891</b>	<b>36%</b>		<b>(1,176)</b>	<b>(1,090)</b>	<b>(1,569)</b>	<b>31%</b>	<b>(1,708)</b>	<b>36%</b>		<b>29</b>	<b>301</b>	<b>(411)</b>	<b>173%</b>	<b>(31)</b>	<b>1071%</b>

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

## Notes

The City has adopted the UKGAAP standards.  
**Favourable variances over £50,000 and all adverse variances are reported within Appendices 4A and 4B.**

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## Operating Statement Notes

The tables below analyse the variances over £50,000 for the Wholesale Markets as reported on the Operating Summary which is attached at Appendix 3. The summary compares the Original 2015-16 to the 2015/16 Latest Budget for Approval (LAB). 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>2015/16 OR to LAB 2015/16 Variance</u>
	<b>Expenditure</b>	
1	Employees	The increase in cost of (£64,000) which is recoverable through the Service Charge, -5% is due to: <ul style="list-style-type: none"> <li>• a vacant position filled in the year, payable via the Service Charge, (£35,000),</li> <li>• It was agreed with the SpMTA to employ an additional constable (£29,000). The cost will be met from the Service Charge.</li> </ul>
2	Premises Related	The increase in cost of (£55,000), -4%, is in relation to: <ul style="list-style-type: none"> <li>• additional repairs and maintenance projects payable via the market reserve account listed on the 20 year plan, (£39,000),</li> <li>• an increase for rates and water of (£9,000),</li> <li>• an increase for maintenance and additional CCTV equipment of (£7,000).</li> </ul>
3	Supplies and Services	The increase in cost of (£171,000) -118%, is due to: <ul style="list-style-type: none"> <li>• an increase for professional fees for Surveying costs required for the lease negotiations (£150,000),</li> <li>• higher spend on hi-viz clothing within the service charge, (£15,000);</li> </ul>

		<ul style="list-style-type: none"> <li>inflationary increases on various expenditure items (£6,000).</li> </ul>
	<b>Income</b>	
4	Charges for services	The increase in income of £101,000, -2%, is due to increases in service charge costs.

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<u>Billingsgate Market Note number</u>	<u>Description</u>	<u>2015/16 OR to LAB 2015/16 Variance</u>
	<b>Expenditure</b>	
5	Transport	The (£54,000), -180%, increase is due to; <ul style="list-style-type: none"> <li>the hire of a Johnson sweeper (£23,000) on the service charge and additional budget future costs for the Johnson Sweeper of (£9,000),</li> <li>the purchase of a Tug Bin vehicle funded from the market reserves (£22,000).</li> </ul>
6	Supplies and Services	The increase of (£55,000), -45%, is due to an increase in professional fees of (£60,000) required for the Satellite unit and a net decrease in other costs of £5,000.
	<b>Income</b>	
7	Rental Income	Reduction in rental income of (£23,000) , 3% which was the apportionment of rent expected to be achieved from the Satellite unit during 2015/16 but lettings took longer than anticipated.
8	Charges for Services	The £82,000, -2%, increase in income is due to: <ul style="list-style-type: none"> <li>additional service charge income to cover additional transport costs of £32,000 and £17,000 on central support costs,</li> <li>additional car parking income of £33,000</li> </ul>

<u>Smithfield Market Note number</u>	<u>Description</u>	<u>LAB 2014-15 to 2015-16 OR Variance</u>
	<b>Expenditure</b>	
9	Employment.	The decrease of £125,000, 7%, is due to; <ul style="list-style-type: none"> <li>• a reduction in constabulary and cleaning posts of £125,000, partly taken as service based review savings in 2015/16 of £98,000.</li> </ul>
10	Premises	The (£460,000) increase of -15% is due to: <ul style="list-style-type: none"> <li>• one off carry forwards of (£189,000) for projects and repair works delayed from 2014/15 into 2015/16, such as – re-install showers and tanking to floor in the West market, emergency lighting renewal, inverter drive replacement and renewal of the rail system compressor in the East and West Markets.</li> <li>• an increase in City Surveyors costs of (£298,000) detailed in Table 2. (£176,000 for additional works programme and cyclical works of £178,000 less £56,000 of this total which is for the car park and not part of the difference for the operating wholesale market).</li> <li>• An increase in other premises costs such as energy and water of £27,000.</li> </ul>
10A	Transport	The reduction of £9,000, 69%, is due to a reduction in congestion charging costs.
11	Supplies and Services	The increase of (£65,000) of -16% is due to: <ul style="list-style-type: none"> <li>• Provision for professional fees of £55,000,</li> <li>• a net increase in various other costs of £10,000 including waste.</li> </ul>

	<b>INCOME</b>	
12	Rental Income	A reduction in rental income of £21,000, -1% is due to a reduction of Tenancy at Will lettings.
13	Capital Charges and depreciation	The (£99,000), -619%, increase in depreciation is due to the transfer of budget from Port Health and Environmental Services Committee to Markets Committee for the Animal By Product Facility.
14	Other central costs	The decrease of £40,000, 4% is due to the reapportionment of costs based on the reduced full time equivalent staff numbers and reduced central support costs.

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## Operating Statement Notes

The tables below analyse the variances over £50,000 for the Wholesale Markets as reported on the Operating Summary which is attached at Appendix 3. The summary compares the Original 2015-16 to the Original 2016/17t Budget. 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>2015/16 OR to 2016/17 OR Variance</u>
	<b>Expenditure</b>	
14	Employees	<p>The increase in cost of (£98,000) -8% which is recoverable through the Service Charge is due to:</p> <ul style="list-style-type: none"> <li>• a vacant positions filled in the year, payable via the Service Charge, (£35,000),</li> <li>• It was agreed with the SpMTA to employ an additional constable (£29,000). The cost will be met from the Service Charge. Increases in employers National Insurance contributions due to the reduction of the government rebate of £34,000 which is recoverable through the service charge.</li> </ul>
15	Premises Related	<p>The increase in cost of (£15,000), -1%, is in relation to:</p> <ul style="list-style-type: none"> <li>• an increase for rates and water of (£9,000),</li> <li>• an increase for maintenance and additional equipment for the CCTV system of (£6,000).</li> </ul>
16	Supplies and Services	<p>The increase in cost of (£17,000), -12%, is due to inflationary increases on various expenditure items and purchasing hi-vis jackets for resale (£17,000).</p>

17	Waste Contract	The small £4,000, a less than 1% increase is due to a RPI increase in accordance with the contract.
	<b>Income</b>	
18	Charges for services	The increase in income of £134,000, -3%, is due to increases in service charge costs.
18A	Other Central Costs	The net increase of £53,000, -25% is due to the transfer of funds from the reserves to fund extra repairs.

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<u>Billingsgate Market Note number</u>	<u>Description</u>	<u>2015/16 OR to 2016/17 OR Variance</u>
	<b>Expenditure</b>	
19	Employment costs	The (£23,000), -1%, increase is due to higher National Insurance Contributions of (£26,000), increments and cost of living increases of (£32,000) less Service Based Review Savings of £35,000 for one post.
20	Premises	The (£217,000), -17% increase is due; <ul style="list-style-type: none"> <li>• to additional repairs and projects of (£126,000),</li> <li>• additional contribution payable to the RSWF (£75,000),</li> <li>• inflationary increases of (£16,000) for energy, cleaning and water.</li> </ul>
21	Transport	The increase of (£8,000), -27% is for additional motorised equipment.
22	Supplies and Services	The increase of (£6,000), -5%, is due inflationary increases for the waste contract.
	<b>Income</b>	
23	Rental Income	Increase in rental income of £250,000, 37% is due to increased rent for the Satellite unit.
24	Charges for Services	The £271,000, 7%, increase in income is due to: <ul style="list-style-type: none"> <li>• additional service charge income to cover additional costs of £254,000,</li> <li>• additional Car parking income £17,000.</li> </ul>

<u>Smithfield Market Note number</u>	<u>Description</u>	<u>2015/16 OR to 2016/17 OR Variance</u>
	<b>Expenditure</b>	
25	Employment.	The reduced in costs of £67,000, 4%, is due to; <ul style="list-style-type: none"> <li>• a reduction in constabulary and cleaning posts of £125,000,</li> <li>• increased costs for National Insurance of (£53,000),</li> <li>• increase in training (£5,000).</li> </ul>
26	Premises	The (£605,000) increase of -20% is due to an increase in City Surveyors costs of £581,000 for additional works programme and cyclical works of £24,000.
26A	Transport	The reduction of £10,000 of 77% is due to a reduction in congestion charging costs.
27	Supplies and Services	The increase of (£14,000) of -3% is due to <ul style="list-style-type: none"> <li>• inflationary increase in various costs.</li> </ul>
	<b>INCOME</b>	
28	Rental Income	A reduction in rental income of £21,000 of 1% is due to reduced Tenancy at Will lettings.
29	Capital Charges and depreciation	The (£99,000), -619% increase in depreciation is due to the transfer of budget from Port Health and Environmental Services Committee to Markets Committee for the Animal By Product Facility.
30	Other central costs	The decrease of £23,000, -2% is due the reapportionment of costs based on the reduced full time equivalent staff numbers and reduced costs.



<b>Committee(s):</b>	<b>Date(s):</b>
Markets	30 November 2015
<b>Subject:</b> Smithfield Market – Condenser Water Cooling System – update	<b>Public</b>
<b>Report of:</b> The City Surveyor (Ref. CS 362/15)	<b>For Information</b>
<p><b>Summary</b></p> <p>This report provides a summary of three operating incidents that occurred on the Smithfield Market condenser water cooling system in July, August and September 2015. It describes the further actions being taken to improve reliability in the light of these incidents.</p> <p>Since mid-September the cooling system has operated normally with no further incidents recorded.</p> <p>This report also introduces an on-going project taking place to review the overall management of the condenser water cooling system in its entirety, including: emergency procedures, out of hours cover, communications and departmental management responsibilities.</p> <p>The report also covers the outcome of the meeting held with the Smithfield Market Tenants Association (SMTA) on 20 August 2015.</p> <p>The City will continue to monitor the system closely.</p> <p><b>Recommendation(s)</b></p> <p>Members are invited to note the contents of this report.</p>	

## 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 as Landlord.
2. Earlier this year the City Corporation completed a programme of works to improve the water circulation in the three Markets and remove dirt contamination in the system.
3. Reliability of the system has been a cause for concern and there have been a number of issues and problems over the years.

### **Current Position**

4. Since mid-September the system has been operating normally without problem, supplying water at 20°C to tenants' refrigeration equipment.

### **Recent incidents**

5. Between the report to your Committee in July and mid-September there were three serious incidents affecting the operation of the system. The details are given below. None of these were weather-related.
6. On the evening of 22 July, a failure of East Market pumps occurred. As a result, East Market fridges tripped out and it took the on-site maintenance team, working into the night, around five hours to carry out a temporary repair and restore the service. The fault was caused by the failure of a component within the main East Market electrical supply panel, power being lost to all plant fed from it.
7. The City's specialist controls systems contractor examined the panel and submitted a report on its condition with recommendations for repairs. This work was completed on 6 November, and included modifications to duplicate control circuitry to increase reliability in the future.
8. On 28 August, there was a failure of the cooling system circulation in West Market, caused by a large amount of air within the system. Most fridges in South-West quadrant tripped out as a result of the loss of circulation. It took the site maintenance team around four hours to vent all the air out and restore operation.
9. Air in the system has not previously been a problem and it is not clear how this quantity came to be in the system. Scale sludge at critical points in the system could have caused or contributed to it by blocking pipework and fittings, alternatively maintenance work may have inadvertently allowed air to be drawn in. From July there had been an intermittent problem with the water softener, which provides softened make-up water to the cooling system, and

significant scale sludge had been found in tenants' condensers. The softener itself was repaired on 14 August 2015. The use of untreated mains water for make-up had led to a similar large build-up of scale in the system on a previous occasion.

10. On 9 September, there was a further failure of the circulation in West Market, on this occasion found to be due to severe blockage of the main filters installed last year in the basement plantroom. Fridges on North West quadrant tripped out as a result of the reduced circulation.
11. During the week before this the cooling towers had undergone routine cleaning. A large amount of sludge had been found in their sumps and removed. It seems likely that scale elsewhere within the system could have been dislodged, swept round the pipework and trapped by the filters, which had only been cleaned the previous week. Following this, the frequency of filter cleaning was stepped up from monthly to weekly.
12. Both the last two incidents seem related to operation of the water softener which has been recognised as a particularly critical item of plant, as any failure leads to rapid scale formation. The softener has very heavy use because of the very high water demand as a result of the artificially low operating temperature at which the system is set. Since the repairs the water quality has reverted to normal and the system has operated without problem.
13. Following these incidents proposals are being developed to improve the reliability of the system in the future, detailed under paragraphs 20-27 of this report.
14. An insurance claim has been opened to cover all call-out costs arising from these incidents. The costs are being assessed.

### **Meeting with the Smithfield Market Tenants Association (SMTA)**

15. The City Surveyor's report on the cooling system, providing a written description of the system, its history, with an analysis of its current performance, together with a copy of the refrigeration database compiled by the City, was issued by the Superintendent to the SMTA on 7 July.
16. The planned meeting with the SMTA to discuss the report was held on 20 August 2015.
17. The meeting discussion covered the recent contamination problems, design aspects and future work plans for the system, the capacity of the Poultry Market cooling circuit, and the option of re-engaging an independent expert to review system operation. The City resisted the latter suggestion. The City agreed to circulate details of the system water temperature measured since 1 July with a view to determining whether the current setting of 20°C could be increased over the winter.
18. It was agreed the meeting would re-convene in late spring once the City had developed its plans for the future replacement of pumps, which should take place in the winter of 2016/17.

## **Stall 25 refrigeration issues**

19. There has been no response from the Tenant to the City's last letter of 24 February 2015 (See May 2015 and earlier reports to Markets Committee for details).

## **Proposals**

20. The recent incidents and performance of the system have been reviewed by the Market Superintendent, Property Facilities Manager and Principal Engineer.
21. Proposals are being developed to improve the reliability of the system in the future. These comprise two elements: additional equipment to increase resilience of the system and enhanced management responses to address such incidents in the future.
22. To increase the resilience of the system it is intended to install further back-up equipment as follows:
  - A water hardness monitor. This automated unit will provide continuous monitoring of total calcium and magnesium hardness levels within the make-up supply to the cooling towers. It will have an alarm function which is activated should pre-set levels be reached, linked to the City's Building Management System.
  - An additional water softener. The current softener will be duplicated in order to give an immediate alternative at times of malfunction of the duty softener. Operation of the two units will be alternated every week.

In addition, critical spares for the softener will be ordered and held on site. In total these measures will cost around £15,000.
23. It is also intended to proceed with a small scheme to facilitate routine changeover of pumps. To date, this has not been possible on the larger cooling tower and Poultry Market pumps without interrupting the flow.
24. Until now, the City's response to most system failures and breakdowns has followed a call-out to the fridge maintenance contractors to investigate a stall temperature alarm. If they find fridges have tripped due to insufficient water flow, and local strainers are clean, they then alert the Market Constabulary who in turn call out the City's own in-house maintenance staff.
25. The City's Building Management System (BMS) monitors the operational status of all plant, in addition to temperatures and pressures, and initiates an alarm at the local terminal in the event of a malfunction. However, the out-of-hours response to BMS alarms requires updating, and this is being addressed as part of the review below.
26. In addition to the above a review of how the entire system is managed is underway. The system can be broken down into several component parts: water hygiene and cooling towers; pipework, pumps, valves and motors, the system controls and BMS, and the meat traders' own equipment forming part of the system. All these areas carry different responsibilities and have

different teams or contractors working on them at present, which may not be the most efficient way to manage the system. The Facilities Manager, Superintendent and Principal Engineer have identified the key risks to managing the system and are reviewing options for the overall management of the system in the future.

27. Currently the system operating temperature is being maintained at 20°C. Following appropriate consultation with the Tenants, the Superintendent now intends to write to the SMTA stating that the City plans to raise the temperature in stages to 24°C from January. This will reduce the demand on the City's cooling towers, reducing operating and maintenance costs, and likelihood of breakdown. As the fridges were seen to be capable of working with water up to 26°C in the summer, and the original specification was for water supplied at 28.5 or 30.0°C, this should not be a problem.

### **Corporate & Strategic Implications**

28. 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 and Risks**

29. The cooling system operated by the City provides a critical service for Tenants' refrigeration equipment. A failure of the system could expose the City to claims for loss or damage suffered by Tenants if refrigeration equipment then ceases to operate.
30. The actions proposed will reduce the likelihood of future problems with the water softener and will enable the City to provide a better response to a system malfunction.
31. The review of the overall management of the system will increase efficiency, ensure there are a robust contingency plan, clear communications and out of hours cover, and will also make clear the responsibility for management of every part of the system, including the tenants' responsibility for their own equipment.

### **Conclusion**

32. Since mid-September the cooling system has operated normally with no further incidents recorded.
33. Following the incidents during the summer, further actions are being taken to improve reliability of the water softener, and develop enhanced responses to system alarms. The Property Facilities Manager will

produce a report for the next Markets Committee providing an update on the project reviewing the overall management of the system.

34. With the onset of winter it is an appropriate time to increase the operating temperature of the system above 20°C.
35. The City will continue to monitor the system closely, and respond to Tenants' request for advice concerning refrigeration and cooling matters.

**Background Papers:**

Report of the City Surveyor (ref CS217/15) dated July 2015 to Markets Committee: 'Smithfield Market – Condenser Water Cooling System - update'

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