

Operating Statement Notes

The tables below analyse the favourable variances over £50,000 and all adverse variance for the Wholesale Markets as reported on the Operating Statement which is attached at Appendix 3. The summary compares the Original 2018/19 to the 2018/19 Latest Budget (LB). Brackets on the summary signify an expenditure item or an adverse variance. Figures without brackets indicate an income item or a favourable variance.

<u>New Spitalfields Market</u>	<u>Description</u>	<u>2018/19 OR to LB 2018/19 Variance</u>
<u>Note Number</u>		
	Expenditure	
1	Employment Costs	The increase of (£57,000), (4%) is due to an increase of 2.45% for cost of living increases for grades A-C and a 2.00% increase for grades D and above plus a 4% increase in London weighting costs together with centrally provided budgets for backdated holiday pay, contribution pay and apprenticeship costs.
2	Premises	<p>The decrease of £281,000, 17% is due to:</p> <ul style="list-style-type: none"> • £271,000 reduction in minor improvements works funded from the Repair and Repainting Fund due to the re-phasing of works managed by City Surveyor's; • £11,000 reduction of CCTV costs with a new CCTV system due to be installed in 2019/20 which will not result in CCTV maintenance costs until 2020/21; • £8,000 reduction in energy expenditure due to lower than anticipated costs for the Carbon Reduction Commitment; • £5,000 reduction in business rates due to lower than expected costs; • (£12,000) increase in costs relating to the Building Repairs and Maintenance contract managed by Skanska; • (£1,000) increase in insurance costs;

		<ul style="list-style-type: none"> • (£1,000) increase in cleaning and domestic supplies.
3	Supplies and Services	<p>The increase of (£66,000), (40%), is due to:</p> <ul style="list-style-type: none"> • (£74,000) increase which was agreed as a central risk carry forward for the continuation of the lease negotiations at New Spitalfields Market; • (£9,000) increase in health and safety equipment as a result of firefighting remedial works carried out at the market; • (£3,000) increase as a result of additional professional fees. <p>This is offset by a reduction of £20,000 in publicity costs.</p>
4	Waste Recycling Contract and	<p>The increase of (£634,000), (30%) is due to changes in waste management at the market. The fixed element of the contract has increased by (£100,000), the recycling rebate budget equates to (£98,000) and the variable element of the contract amounts to (£436,000). These costs are fully recoverable under the service charge.</p>
	Income	
5	Rent	<p>The increase of £71,000, 3% is due to additional rent income as a result of lease renewals from the catering units. This was previously agreed by Markets Committee in November 2018.</p>
6	Charges for Services	<p>The increase in income of £619,000, 12%, is due to:</p> <ul style="list-style-type: none"> • £422,000 increased service charge income; • £288,000 income relating to recycling rebates from Countrystyle as well as income recharged to tenants as part of the waste and cleaning contract; • £134,000 increased income as a result of higher levels of declared waste at the market; • £24,000 in additional income from reimbursable works and firefighting remedial works recharged to the tenants;

		<ul style="list-style-type: none"> • £17,000 of additional income related to wayleaves and tolls; • £8,000 increased utility income as a result of energy price rises; • (£260,000) reduction in car parking and barrier admission income; • (£14,000) reduction in income for licenses and certificates.
7	Capital Charges and Depreciation	Increased depreciation of (£199,000), (29%) is due to a (£208,000) increase in capital charges for operational buildings. This is offset by a £9,000 reduction in equipment depreciation.
8	Other Central Costs	<p>The (£360,000), (9,000%) increase is due to:</p> <ul style="list-style-type: none"> • (£271,000) reduced service charge transfers from the market reserves due to re-phasing of repairs as part of the 20-year plan funded from the Repainting and Repair Fund; • (£89,000) increase in central support recharges; • (£5,000) increase in IT recharges; • (£2,000) increase in City Procurement recharges. <p>This is offset by reduced Directorate recharges of £7,000.</p>

<u>Billingsgate Market</u>	<u>Description</u>	<u>2018/19 OR to LB 2018/19 Variance</u>
<u>Note Number</u>	<u>Expenditure</u>	
9	Employment Costs	The increase of (£38,000), (2%) is due to an increase of 2.45% for cost of living increases for grades A-C and a 2.00% increase for grades D and above plus a 4% increase in London weighting costs together with centrally provided budgets for backdated holiday pay and contribution pay.
10	Transport	The increase of (£20,000), (38%) is due to the purchase of a forklift truck for use at the market.

11	Supplies and Services	<p>The increase in supplies and services of (£16,000), (13%) is due to:</p> <ul style="list-style-type: none"> • (£9,000) increase in additional professional fees for fire risk assessments and car park management fees; • (£7,000) increase relating to computer licence fees and bank charges for the running of the car park; • (£2,000) increase in equipment costs. <p>This is offset by a decrease of £2,000 in advertising costs.</p>
12	Other Central Costs	<p>There is an increase of (£94,000), (26%) due to:</p> <ul style="list-style-type: none"> • (£91,000) increase due to increased central support recharges; • (£6,000) increase in City Procurement recharges; • (£6,000) increase in IT recharges; • (£6,000) increase in Directorate recharges. <p>This is offset by £15,000 in grant income to cover 75% of the expenditure for the purchase of a forklift truck.</p>

<u>Smithfield Market</u>	<u>Description</u>	<u>2018/19 OR to LB 2018/19 Variance</u>
<u>Note Number</u>	<u>Expenditure</u>	
13	Premises	<p>The £73,000, 2% decrease is due to:</p> <ul style="list-style-type: none"> • £200,000 decrease in service voids for vacant premises as a result of the extension of the cap on the Smithfield Service Charge account; • £126,000 decrease in costs due to the re-phasing of works as part of the Additional Works Programme and Cyclical Works Programme;

		<ul style="list-style-type: none"> • £51,000 decrease in costs managed by City Surveyor's relating to the Building Repairs and Maintenance contract delivered by Skanksa; • £6,000 decrease in general repairs and maintenance; • £2,000 decrease in the cost of cleaning and domestic supplies; • (£119,000) agreed carry forwards relating to various premises related costs at the market; • (£109,000) increase in additional energy and utility costs as a result of energy price rises effective from October 2018; • (£72,000) increase in rates costs at the market; • (£12,000) increase in insurance costs.
	INCOME	
14	Rent	The decrease of (£25,000), (1%) is due to no further lettings at the Poultry Market as a result of the Museum of London re-location project.
15	Charges for Services	<p>The decrease of (£1,470,000), (28%) is due to:</p> <ul style="list-style-type: none"> • (£1,839,000) decrease in service charge income due to the extension of the cap on the Smithfield Service Charge account which was previously approved by Markets Committee; • (£14,000) decrease in electricity and gas income; • £290,000 budget has been added for rates income recharged to the tenants following the extension of the cap on the Smithfield Service Charge account; • £83,000 increase in chilled and other water income recharged to the tenants; • £10,000 increase in income from the Animal By-Product facility.
16	Other Central Costs	<p>The increase of (£38,000), (6%) is due to:</p> <ul style="list-style-type: none"> • (£33,000) increase in central support recharges;

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		<ul style="list-style-type: none"> • (£6,000) increase in City Procurement recharges; • (£6,000) increase in IT recharges; • £6,000 decrease in Directorate recharges; • £1,000 decrease in City Surveyor's recharges.
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