

Committee(s):	Dated:
Markets	17.07.2019
Subject: Revenue Outturn 2018/19	Public
Report of: Chamberlain Interim Director of Consumer Protection and Market Operations	For Information
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Summary

This report compares the 2018/19 revenue outturn for the services overseen by your Committee with the final budget for the year. The outturn for the year shows net income of £648,000, compared to the total agreed final budget of (£158,000) net expenditure, representing an underspend of £806,000 as summarised below.

Table 1 - Summary Comparison of 2018/19 Revenue Outturn with Final Budget					
	Original Budget	Latest Budget	Final Budget	Revenue Outturn	Variance Favourable/ (Adverse)
	£'000	£'000	£'000	£'000	£'000
	(A)	(B)	(C)	(D)	(D-C)
Local and Central Risk					
Interim Director of Consumer Protection and Market Operations	5,784	4,118	4,122	4,619	497
City Surveyor	(1,655)	(1,580)	(1,789)	(1,545)	244
Total Direct Net Income /(Expenditure)	4,129	2,538	2,333	3,074	741
Capital and Support Costs	(2,034)	(2,469)	(2,491)	(2,426)	65
Overall Total Net Income/(Expenditure)	2,095	69	(158)	648	806

The Interim Director of Consumer Protection and Market Operations had a net underspend of £497,000 on his local and central risk budgets within Markets Committee. This mainly related to underspends in employment, professional fees and locally managed repairs and maintenance works, as well as underspends in agreed carry forward projects from 2017/18. This was in addition to extra income from the Rotunda car park at Smithfield and filming at Billingsgate Market.

The City Surveyor's net underspend of £244,000 mainly related to savings and re-phasing on the three 3-year cyclical works programmes.

Chief Officers submitted requests to carry forward underspends and these will be considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee.

Recommendation(s)

Note the report and the proposed carry forward of local risk underspends to 2019/20

Main Report

Revenue Outturn for 2018/19

1. The outturn position for your Committee's services during 2018/19 totalled net income of £648,000, an underspend of £806,000 compared to the final budget of (£158,000) net expenditure. A summary comparison with the final budget for the year is tabulated below. In this and subsequent tables, figures in brackets indicate expenditure, decreases in income or increases in expenditure. Figures without brackets represent income, increases in income or decreases in expenditure.

Table 2 - Detailed Summary Comparison of 2018/19 Revenue Outturn with Final Budget

	Original Budget	Latest Budget	Final Budget	Revenue Outturn	Variance Favourable/ (Adverse)	Variance Favourable/ (Adverse)	Notes
	£'000	£'000	£'000	£'000	£'000	%	
Local Risk							
Interim Director of Consumer Protection and Market Operations	(704)	(1,712)	(1,710)	(1,422)	288	16.8%	A
City Surveyor							
- Repairs and Maintenance	(765)	(771)	(980)	(1,010)	(30)	(3.1%)	
- Cyclical Works Programme	(890)	(809)	(809)	(535)	274	33.9%	
City Surveyor Total	(1,655)	(1,580)	(1,789)	(1,545)	244	13.6%	B
Total Local Risk	(2,359)	(3,292)	(3,499)	(2,967)	532	15.2%	
Central Risk							
Interim Director of Consumer Protection and Market Operations	6,488	5,830	5,832	6,041	209	3.6%	C
Total Local and Central Risk	4,129	2,538	2,333	3,074	741	31.8%	
Capital and Support Services	(2,034)	(2,469)	(2,491)	(2,426)	65	2.6%	D
Overall Total	2,095	69	(158)	648	806	510.1%	
Total Local & Central Risk exc City Surveyor	5,784	4,118	4,122	4,619	497	12.1%	

2. The local risk underspend of £532,000 comprises the following main variances:

A. Interim Director of Consumer Protection and Market Operations £288,000 underspend:

i. **Smithfield Market** – underspend of £242,000 was due to:

- £127,000 increased energy income as a result of energy price rises recharged to tenants following the introduction of the new corporate energy contract delivered by Total Gas & Power Limited;
- £94,000 of the approved 2017/18 carry forward bids were not spent due to large increases in costs for the generator plug-in connection works which prevented the works continuing;
- £78,000 additional income at the Rotunda car park;
- £78,000 staff savings due to vacant positions in maintenance and support staff roles;
- £64,000 minor improvement works managed by City Surveyor's for the replacement of electricity meters was delayed in 2018/19 and will now take place in 2019/20;
- £15,000 additional chilled water income recharged to tenants as a result of increased usage over the summer period;
- £4,000 general supplies and services underspends;
- £2,000 additional income from the Animal By-Product (ABP) facility relating to higher levels of unfit meat surrendered at the market.

This was partly offset by the following overspends:

- (£207,000) additional utilities expenditure due to the introduction of the new corporate energy contract delivered by Total Gas & Power Limited;
- (£8,000) reduced income relating to reimbursable works and service charge sundries;
- (£5,000) locally managed repairs and maintenance works.

ii. **New Spitalfields Market** – underspend of £20,000 was due to:

- £8,000 lower employment costs;
- £5,000 lower than anticipated service charge voids for empty premises;
- £3,000 income derived from interest charged on the late payment of service charge invoices;
- £2,000 energy savings as a result of a lower than anticipated charge for the carbon reduction commitment;
- £2,000 general supplies and services expenditure not required.

iii. **Billingsgate Market** – underspend of £16,000 was due to:

- £25,000 additional filming income;
- £1,000 locally managed repairs and maintenance works not required.

This was partly offset by the following overspends:

- (£6,000) reduced income for public car parking as a result of reduced occupancy levels at the car park;
- (£4,000) additional administrative staff costs due to an overlap period between the outgoing and incoming Superintendents.

iv. **Markets Directorate** – underspend of £10,000 comprised £6,000 in employment & training costs and £4,000 in subscriptions & conference expenses not required.

B. City Surveyor £244,000 underspend:

This underspend relates to:

- £274,000 underspend in the re-phasing of projects relating to the Cyclical Works Programme (CWP) for cost of works at Smithfield Market, comprises £206,000 in CWP works at the main market and £68,000 in projects relating to the Rotunda car park. The CWP does not form part of the City Surveyor's local risk budget and any variances will be carried over to 2019/20. This is a three-year rolling programme reported to the Corporate Asset Sub-Committee (CASC) quarterly, where the City Surveyor will report on financial performance and phasing of the projects. Under the governance of the programme, variances on budgets are adjusted for the life of the programme to allow for the completion of works which span multiple financial years. Projects which fall under the CWP have been reviewed under the Forward Maintenance Plan between the Superintendent and the City Surveyor to ensure assets are extended in service for as long as possible.
- (£30,000) overspend relating to the building, repairs and maintenance contract delivered by Skanska Construction UK Ltd due to higher than anticipated general breakdown and contract servicing costs comprising (£23,000) at Billingsgate Market and (£10,000) at New Spitalfields Market. This was partly offset by an underspend of £3,000 at Smithfield Market.

C. The central risk underspend of £209,000 comprises the following main variances:

i. **Smithfield Market** – underspend of £128,000 was due to:

- £82,000 professional fees not required as the Foods Standards Agency (FSA) now invoices the tenants directly for inspection fees;
- £25,000 higher than anticipated rent levels at the Poultry Market;
- £15,000 additional rent as a result of a rent review in 2018/19 for the Oriole Bar;

- £6,000 reduction of the previous year's bad debt provision at Smithfield Outside Properties.

ii. **New Spitalfields Market** – underspend of £73,000 was due to:

- £60,000 professional fees savings as a result of lower than anticipated lease renewal costs;
- £19,000 additional rent income as a result of a rent review at the catering units;
- £8,000 higher than budgeted service charge income due to increased City Surveyor's employee recharges.

This was offset by (£14,000) in reduced transfer from reserves to the Repainting and Repairs account due to lower than anticipated City Surveyor's employee recharges.

iii. **Billingsgate Market** – underspend of £8,000 was due to:

- £22,000 higher than budgeted service charge income due to increased central recharges, general breakdown and contract servicing costs;
- £18,000 additional income from renting out space to tenants for their storage containers.

This was offset by the following overspends:

- (£22,000) reduced income from public car parking as a result of lower occupancy levels;
- (£5,000) lower than expected tolls income;
- (£3,000) reduced transfer from reserves for the Repainting and Special Works account due to lower than anticipated City Surveyor's employee recharges;
- (£2,000) higher than anticipated service charge voids for empty premises.

D. The underspend of £65,000 for capital and support service recharges was mainly due to the changes in levels of work undertaken in respect of the City's wholesale markets, the most significant of which are:

- City Surveyors £48,000;
- Town Clerks £22,000;
- Comptroller and City Solicitors £21,000;
- Directorate £11,000;
- City Surveyors employment recharges £19,000.

This was offset by higher than anticipated central recharge costs in the following areas:

- Chamberlains (£39,000);
- IT and City Procurement (£13,000);
- Administrative Buildings (£4,000).

3. Appendix A1 and A2 provides a more detailed comparison of the local and central risk outturn against the final budget.
4. Members have asked for clarification on the changes in budgets during the year and it has been agreed that a reconciliation of movement be prepared detailing the variances. Appendix A3 shows the movement from the 2018/19 original budget and the latest budget (as reported to your Committee in January 2019) to the final budget.

Local Risk Carry Forward to 2019/20

5. Chief Officers can request up to 10% or £500,000 of underspend (whichever is the lesser) of the final local risk budget to be carried forward, if it is not fortuitous, and the resources are required for a planned purpose. Such requests are considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee.
6. The Interim Director of Consumer Protection and Market Operations had local risk underspends of £288,000 (excluding City Surveyors) on the activities overseen by your Committee. The Interim Director also had local risk overspending totalling £20,000 on activities overseen by other Committees. The Interim Director is proposing that £127,000 of the eligible underspend of £174,000 be carried forward, all of which relates to services supporting Markets Committee at Smithfield Market:
 - £40,000 replacement of the hydraulic platform which is used for essential high-level access, cleaning and repairs;
 - £35,000 replacement of electricity meters at the East and West Markets which is required to invoice tenants for their electricity consumption and to monitor usage in the common areas;
 - £33,000 purchase of a new forklift truck which is an essential part of the pallet collection service and will assist in the unloading of heavy goods items and spares;
 - £8,000 to switch the power supply condensed water-cooling towers from the Poultry Market to the West Market;
 - £7,000 purchase of PDA hand-held devices and software to roll-out Guardtek security and enforcement mobility products to the security staff;
 - £4,000 matting for the refrigeration deck to help improve safety issues resulting from water leaks and spillages.

Financial Performance of the Markets

7. Members have requested a breakdown of the financial performance of individual wholesale markets (i.e. excluding the car park and outside properties at Smithfield). This is set out in the operating statement in Appendix B1 which shows the net operating income/(expenditure) for each market. An apportionment of the Directorate costs and other central support costs are included below the net operating line.
8. For 2018/19, there was net operating income of £2.161m at New Spitalfields Market and £1.403m at Billingsgate Market, which was partly offset by net operating expenditure of (£0.601m) at Smithfield Market which has produced a combined net operating income of £2.963m for the three wholesale markets. When capital charges of (£1.103m) and central support costs of (£1.337m) are added, there is a consolidated net income to the City of London Corporation of £0.523m.

9. The difference between total market net income of £0.523m (shown on Appendix B1) and revenue outturn of £0.648m (shown on Table 1 in the main report) is the £0.125m net income generated for outside properties at Smithfield, including the Rotunda car park, which are not included in Appendix B1. Details of variances for the operating statement are included on Appendix B2.

Appendices

- **Appendix A1** - Comparison of 2018/19 Local Risk Outturn with Final Budget
- **Appendix A2** - Comparison of 2018/19 Central Risk Outturn with Final Budget
- **Appendix A3** – Movement from Latest Budget to Final Budget
- **Appendix B1** – Wholesale Markets Operating Statement 2018/19
- **Appendix B2** – Wholesale Markets Operating Statement Variance Notes - 2018/19

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Markets Committee - Comparison of 2018/19 Local Risk Outturn with Final Budget

	Original Budget	Latest Budget	Final Budget	Revenue Outturn	Variance Favourable/ (Adverse)	Variance	Notes
	£'000	£'000	£'000	£'000	£'000	%	
LOCAL RISK							
Interim Director of Consumer Protection and Market Operations							
City Fund							
New Spitalfields Market Service Charge	(21)	(21)	(21)	(16)	5	23.8%	1
New Spitalfields Market Corporate Account	(26)	(66)	(66)	(51)	15	22.7%	2
New Spitalfields Market Repainting and Repairs	0	0	0	0	0	0.0%	
Total City Fund	(47)	(87)	(87)	(67)	20	23.0%	
City's Cash							
Smithfield Market Service Charge	0	(797)	(800)	(815)	(15)	(1.9%)	3
Smithfield Market Corporate Account	(180)	(308)	(308)	(163)	145	47.1%	4
Smithfield Other Services	122	122	122	234	112	91.8%	5
Billingsgate Market Service Charge	0	0	0	0	0	0.0%	
Billingsgate Market Corporate Account	(137)	(164)	(164)	(148)	16	9.8%	6
Billingsgate Market Repainting and Special Works	0	0	0	0	0	0.0%	
Markets Directorate	(462)	(478)	(473)	(463)	10	2.1%	7
Total City's Cash	(657)	(1,625)	(1,623)	(1,355)	268	16.5%	
Total Interim Director of Consumer Protection and Market Operations	(704)	(1,712)	(1,710)	(1,422)	288	16.8%	
City Surveyor							
City Fund							
New Spitalfields Market Service Charge	(54)	(54)	(54)	(54)	0	0.0%	
New Spitalfields Market Corporate Account	(37)	(49)	(61)	(71)	(10)	(16.4%)	8
Total City Fund	(91)	(103)	(115)	(125)	(10)	(8.7%)	
City's Cash							
Smithfield Market Service Charge	(407)	(409)	(604)	(512)	92	15.2%	9
Smithfield Market Corporate Account	(920)	(741)	(741)	(617)	124	16.7%	9
Smithfield Other Services	(53)	(165)	(165)	(104)	61	37.0%	9
Billingsgate Market Service Charge	(177)	(162)	(164)	(186)	(22)	(13.4%)	10
Billingsgate Market Corporate Account	(7)	0	0	(1)	(1)	N/A	10
Total City's Cash	(1,564)	(1,477)	(1,674)	(1,420)	254	15.2%	
Total City Surveyor	(1,655)	(1,580)	(1,789)	(1,545)	244	13.6%	
TOTAL LOCAL RISK	(2,359)	(3,292)	(3,499)	(2,967)	532	15.2%	

Explanations for Local Risk Variances

1. **New Spitalfields Market Service Charge** - underspend of £5,000 was due to the vacant premises for 2018/19 being lower than anticipated, resulting in the liability for service charge apportionment on empty premises being lower.
2. **New Spitalfields Market Corporate Account** – underspend of £15,000 was due to the following:
 - £8,000 lower employment costs;
 - £3,000 income derived from interest charged on the late payment of service charge invoices;
 - £2,000 energy savings as a result of a lower than anticipated charge for the carbon reduction commitment;
 - £2,000 general supplies and services expenditure not required.
3. **Smithfield Market Service Charge** - overspend of (£15,000) was due to the following:
 - (£74,000) premises related expenditure was due to overspends in energy costs primarily relating to electricity. This was partly offset by locally managed repairs and maintenance works as well as water expenditure and cleaning and domestic supply costs being lower than budgeted;
 - (£6,000) equipment purchases;
 - (£6,000) less than budgeted income for reimbursable works and service charge sundries.

This was partly offset by £71,000 staff savings due to vacant positions in maintenance and support staff roles.

4. **Smithfield Market Corporate Account** – underspend of £145,000 was due to the following:
 - £127,000 increased energy income as a result of energy price rises recharged to tenants following the introduction of the new corporate energy contract delivered by Total Gas & Power Limited;
 - £94,000 of the approved 2017/18 carry forward bids were not spent due to large increases in costs for the generator plug-in connection works which prevented the works continuing;
 - £64,000 minor improvement works managed by City Surveyor's for the replacement of electricity meters was delayed in 2018/19 and will now take place in 2019/20;
 - £15,000 additional chilled water income recharged to tenants as a result of increased usage over the summer period;
 - £7,000 employment costs due to vacant positions in support staff roles;
 - £6,000 general supplies and services underspends;
 - £2,000 additional income from the ABP facility relating to higher levels of unfit meat surrendered at the market.

This was offset by the following overspends:

- (£166,000) additional utilities expenditure due to the introduction of the new corporate energy contract delivered by Total Gas & Power Limited;
- (£3,000) breakdown general costs relating to the ABP facility;

- (£1,000) less income than budgeted in relation to the recovery of business rates recharged to the tenants.
5. **Smithfield Other Services** - underspend of £112,000 was due to £78,000 in additional income from the Rotunda car park as well as an underspend of £34,000 in premises related expenditure primarily relating to energy costs being recharged to the Museum of London relocation project.
 6. **Billingsgate Market Corporate Account** – underspend of £16,000 due to the following:
 - £25,000 additional filming income;
 - £1,000 locally managed repairs and maintenance works not required.

This was offset by the following overspends:

 - (£6,000) less income than budgeted for public car parking as a result of reduced occupancy levels;
 - (£4,000) additional administrative staff costs due to an overlap period between the outgoing and incoming Superintendents’.
 7. **Markets Directorate** – underspend of £10,000 comprised £6,000 in employment & training costs and £4,000 in subscriptions & conference expenses not required.
 8. **City Surveyor New Spitalfields Market** - overspend of (£10,000) due to higher than budgeted building, repairs and maintenance contract costs delivered by Skanska Construction UK Ltd.
 9. **City Surveyor Smithfield Market** - total underspend of £277,000 was due to underspends of £274,000 relating to the re-phasing of the CWP. Additionally, there was an underspend of £3,000 relating to the building, repairs and maintenance contract delivered by Skanska Construction UK Ltd.
 10. **City Surveyor Billingsgate Market** - overspend of (£23,000) due to higher than budgeted building, repairs and maintenance contract costs delivered by Skanska Construction UK Ltd.

Markets Committee - Comparison of 2018/19 Central Risk Outturn with Final Budget

	Original Budget	Latest Budget	Final Budget	Revenue Outturn	Variance Favourable / (Adverse)	Variance	Notes
	£'000	£'000	£'000	£'000	£'000	%	
CENTRAL RISK							
Interim Director of Consumer Protection and Market Operations							
City Fund							
New Spitalfields Market Service Charge	394	395	395	403	8	2.0%	11
New Spitalfields Market Corporate Account	2,031	2,028	2,028	2,107	79	3.9%	12
New Spitalfields Market Repainting and Repairs	22	22	22	8	(14)	(63.6%)	13
Total City Fund	2,447	2,445	2,445	2,518	73	3.0%	
City's Cash							
Smithfield Market Service Charge	786	(4)	(4)	(3)	1	25.0%	14
Smithfield Market Corporate Account	1,345	1,520	1,520	1,634	114	7.5%	15
Smithfield Other Services	83	83	83	96	13	15.7%	16
Billingsgate Market Service Charge	355	336	338	360	22	6.5%	17
Billingsgate Market Corporate Account	1,463	1,441	1,441	1,430	(11)	(0.8%)	18
Billingsgate Market Repainting and Special Works	9	9	9	6	(3)	(33.3%)	19
Total City's Cash	4,041	3,385	3,387	3,523	136	4.0%	
TOTAL CENTRAL RISK	6,488	5,830	5,832	6,041	209	3.6%	

Explanations for Central Risk Variances

11. **New Spitalfields Market Service Charge** – service charge income was £8,000 higher than budgeted to fund increased City Surveyor's employee recharges.
12. **New Spitalfields Market Corporate Account** – underspend of £79,000 related to a £60,000 saving in professional fees as a result of lower than anticipated lease renewal costs. This was in addition to £19,000 in additional rent income as a result of a rent review at the catering units.
13. **New Spitalfields Market Repainting and Repairs** – the transfer from reserves was (£14,000) less than budgeted due to lower than anticipated City Surveyor's employee recharges relating to the level of works carried out.
14. **Smithfield Market Service Charge** – underspend of £1,000 due to lower than anticipated FSA inspection fees.
15. **Smithfield Market Corporate Account** – underspend of £114,000 due to £82,000 in professional and legal fees not required as the FSA now invoices the tenants

directly. This was in addition to £26,000 in higher than anticipated rent levels at the Poultry Market and a £6,000 reduction of the previous year's bad debt provision.

16. **Smithfield Other Services** – underspend of £13,000 due to £15,000 in additional rent income generated from the Oriole Bar as a result of a rent review in 2018/19. This was partly offset by an overspend of (£2,000) relating to professional fees incurred as a result of the rent review.
17. **Billingsgate Market Service Charge** – service charge income was £22,000 higher than budgeted to fund increases in City Surveyor's employee recharges and building, repairs and maintenance works delivered by Skanska Construction UK Ltd.
18. **Billingsgate Market Corporate Account** – overspend of (£11,000) due to (£22,000) in reduced income from public car parking in addition to (£5,000) lower than expected tolls income and (£2,000) higher than anticipated service charge voids for empty premises. This was partly offset by £18,000 additional income from renting out space for their storage containers.
19. **Billingsgate Market Repainting and Special Works** – the transfer from reserves was (£3,000) less than budgeted due to lower than anticipated City Surveyor's employee recharges relating to the level of works carried out.

Markets Committee – Movement in 2018/19 Latest Budget to Final Budget - All Risks

Analysis by Service Managed	Original Budget 2018/19 £'000	Latest Budget* 2018/19 £'000	Final Budget 2018/19 £'000	Movement £'000	Notes
CITY FUND					
New Spitalfields Market Service Charge	(21)	(21)	(21)	0	1
New Spitalfields Market Corporate Account	1,204	861	850	(11)	
New Spitalfields Market Repainting and Repairs	0	0	0	0	
TOTAL CITY FUND	1,183	840	829	(11)	
CITY'S CASH					
Smithfield Market Service Charge	0	(1,601)	(1,799)	(198)	2
Smithfield Market Corporate Account	(174)	14	14	0	
Smithfield Other Services	55	(61)	(61)	0	
TOTAL SMITHFIELD MARKET	(119)	(1,648)	(1,846)	(198)	
Billingsgate Market Service Charge	0	0	0	0	3
Billingsgate Market Corporate Account	1,031	877	859	(18)	
Billingsgate Market Repainting and Special Works	0	0	0	0	
TOTAL BILLINGSGATE MARKET	1,031	877	859	(18)	
DIRECTORATE	0	0	0	0	
TOTAL CITY'S CASH	912	(771)	(987)	(216)	
TOTAL	2,095	69	(158)	(227)	

*Latest Budget as reported to your Committee on 30th January 2019

Notes

1. (£12,000) increase in repairs and maintenance budgets managed by City Surveyor's relating to the building, repairs and maintenance contract and a £1,000 reduction relating to the Directorate recharge.
2. (£195,000) increase in repairs and maintenance budgets managed by City Surveyor's relating to the building, repairs and maintenance contract and a (£3,000) budget transfer from the Directorate relating to MICAD repairs and maintenance software.
3. (£18,000) budget added to cover central recharge costs relating to filming.