

Committee:	Date:
Markets Committee	29 January 2020
Subject: Markets Committee Budget Estimates and High-Level Summary Business Plan 2020/21	Public
Report of: The Chamberlain Director of Markets & Consumer Protection	For Decision
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Summary

This report is the annual submission of the revenue and capital budgets overseen by your Committee. In particular it is asking members to note the latest revenue budget for 2019/20 and approve the proposed revenue and capital budgets for 2020/21, for subsequent submission to the Finance Committee and final high-level summary business plan for Markets Committee for 2020/21.

The 2019/20 Latest Budget totals net expenditure of (£290k), an increase in total net expenditure of (£1.211m) compared with the 2019/20 Original Budget of net income £921k.

The proposed 2020/21 Original Budget totals net income of £94k, an increase in net income of £384k compared with the 2019/20 Latest Budget of net expenditure (£290k).

Recommendation

Members are asked to:

- i) review and approve the Markets Committee proposed revenue budget for 2020/21 for submission to Finance Committee;
- ii) review and approve the Markets Committee proposed capital and supplementary revenue projects budgets for 2020/21 for submission to Finance Committee;
- iii) authorise the Chamberlain, in consultation with the Director of Markets & Consumer Protection to revise these budgets to allow for any further implications arising from Corporate Projects, other reviews and changes to the Cyclical Works Programme;
- iv) agree that minor amendments for 2019/20 and 2020/21 budgets arising during budget setting be delegated to the Chamberlain;

- v) note the factors taken into consideration in compiling the Department of Markets & Consumer Protection Business Plan, including efficiency measures; and
- vi) approve, subject to the incorporation of any changes sought by this Committee, the draft high-level summary business plan for 2020/21.

Main Report

Background

1. As part of the new framework for corporate and business planning, departments were asked to produce standardised high-level, 2-side business plans for the first time in 2017 for the 2018/19 year. Members generally welcomed these high-level plans for being brief, concise, focused and consistent statements of the key ambitions and objectives for every department.
2. For 2020/21, the high-level summary business plan has been further evolved to make use of the information now available and give a better overview of how the department's work contributes to the Corporate Plan. It provides an overview of departmental activity and resources, mainly but not limited to the forthcoming 12 months, including capital and revenue projects. As a high-level summary, this document does not capture the granularity of departmental work but gives the overall picture of departmental activity, customer feedback, trends where applicable and direction of travel.
3. For the first time in 2020/21, high-level summary business plans are being brought forward alongside budget estimates, pending full integration of the processes for 2021/22, to inform medium-term financial planning and the development of spending priorities. This report therefore presents the budget estimates and draft final high-level summary Business Plan together as appendices.

Markets Committee Budget Estimates

4. This report presents at Appendix 1, the latest revenue budget for 2019/20 and the provisional 2020/21 budget for your Committee under the control of the Director of Markets & Consumer Protection, analysed between:
 - **Local Risk Budgets** – these are budgets deemed to be largely within the Chief Officer's control.
 - **Central Risk Budgets** – these are budgets comprising specific items where a Chief Officer manages the underlying service, but where the eventual financial outturn can be strongly influenced by external factors outside his/her control or are budgets of a corporate nature.

- **Support Services and Capital Charges** – these cover budgets for services provided by one activity to another. The control of these costs is exercised at the point where the expenditure or income first arises as local or central risk.
5. The budget has been prepared within the resources allocated to the Director.
 6. Overall, the 2019/20 Latest Budget totals net expenditure of (£290k), an increase in net expenditure of (£1.211m) compared to the Original Budget of £921k net income. The 2020/21 proposed revenue budget totals net income of £94k, an increase in net income of £384k on the 2019/20 Latest Budget
 7. 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 1 - Summary Revenue Budgets 2019/20 and 2020/21			
	Original Budget 2019/20 £'000	Latest Budget 2019/20 £'000	Original Budget 2020/21 £'000
Expenditure	(16,615)	(17,359)	(17,185)
Income	19,989	19,676	19,785
Net (Expenditure)/ Income	3,374	2,317	2,600
Support Services and Capital Charges	(2,453)	(2,607)	(2,506)
Total Net (Expenditure)/Income	921	(290)	94

Latest Revenue Budget for 2019/20

8. Appendix 2 provides details on local risk, central risk, support services and capital charges budget movements between the 2019/20 Original Budget and the 2019/20 Latest Budget. Total net expenditure has increased by (£1.211m) from a net income position of £921k to a net expenditure position of (£290k). The increase in net expenditure relates to:
 - (£901k) increase in repairs and maintenance costs managed by the City Surveyors Department mainly relating to the Cyclical Works Programme and the Building Repairs and Maintenance contract managed by Skanska;
 - (£261k) decreased income mainly relates to reduced income from the entry barrier at New Spitalfields Market due to a delayed opening, reduction in income from chilled water and heating at Smithfield Market and a reduction in service charge income at Billingsgate Market as a result of lower service charge expenditure for tenants;
 - (£198k) increase in capital and depreciation charges following the installation of the entry barrier at New Spitalfields Market;

- (£193k) increase in employment costs, due to a 2.45% uplift on cost of living for grades A-C and a 2.00% uplift for grades D and above, plus a 5.00% increase in London Weighting costs, together with centrally provided budgets for apprenticeship costs and contribution pay;
 - (£85k) reduction in service charge contributions into the Repainting and Special Works Fund at Billingsgate Market due lower repairs and maintenance works taking place in 2019/20 and £33k increased use of the tenant reserve account;
 - (£78k) increase largely relates to changes in the recharging of internal legal fees;
 - (£3k) increase in Directorate recharges;
 - £428k reduction is mainly attributable to reduced service charge contributions into the reserve accounts. This is due to reduced income from the entry barrier at New Spitalfields Market and increased use of the reserves at Billingsgate Market;
 - £47k decrease in central support services costs, mainly relating to a decrease in recharges from the Comptrollers and City Solicitors Department;
9. A detailed breakdown of the budget changes by expenditure and income category can be found within the notes section of Appendix 2.

Proposed Revenue Budget for 2020/21

10. Appendix 3 provides details on local risk, central risk, support services and capital charges budget movements between the 2019/20 Latest Budget and the 2020/21 Original Budget. Total net income has increased by £384k from a net expenditure position of (£290k) to a net income position of £94k. The increase in net income relates to:
- £173k decrease in repairs and maintenance costs managed by the City Surveyors Department mainly relating to the Cyclical Works Programme and the Building Repairs and Maintenance contract managed by Skanska;
 - £136k increased income mainly from the entry barrier at New Spitalfields Market and increased car parking income from Smithfield Car Park;
 - £115k decrease in premises related expenditure which includes a £100k Fundamental Review saving relating to the Building Management System at Smithfield Market as agreed by Resource Allocation Sub Committee;

- £108k decrease in central support services costs, mainly relating to a decrease in central recharges from the Comptrollers and City Solicitors Department;
- £17k saving due to removal of one-off cost for previous year purchase of forklift truck;
- (£71k) increase primarily due to professional fees at New Spitalfields Market relating to advice for rent reviews;
- (£54k) increase in costs relating to the waste and cleaning contract at New Spitalfields Market primarily due to an uplift in the fixed element of the contract as a result of inflationary increases in the contract price;
- (£19k) reduction in income transfers from the New Spitalfields Market Repainting and Repairs Fund and the Billingsgate Market Repainting and Special Works Fund, as a result of reductions in repairs and maintenance works taking place in 2020/21;
- (£8k) income decrease mainly due to the removal of a one-off grant for the purchase of a vehicle at Billingsgate Market in 2019/20;
- (£7k) increase in Directorate recharges;
- (£6k) increase in employment expenditure due to a 2.00% uplift for cost of living for all grades plus a 2.00% uplift in London Weighting costs.

11. A detailed breakdown of the budget changes by expenditure and income category can be found within the notes section of Appendix 3.

Staffing Statement

12. The below table analyses the movement in manpower and related staff costs. This shows an increase in full-time equivalent posts from 123.4 to 125.4 and an increase in total employment costs of (£199k) from (£5.957m) to (£6.156m).

Table 2 - Staffing Statement OR 2019/20 - OR 2020/21				
	Original Budget 2019/20		Original Budget 2020/21	
	Manpower Full-time Equivalent	Estimated Cost £'000	Manpower Full-time Equivalent	Estimated Cost £'000
Directorate	5.4	(450)	5.4	(459)
New Spitalfields Market	35.0	(1,682)	35.0	(1,694)
Smithfield Market	44.0	(1,961)	45.0	(2,052)
Billingsgate Market	39.0	(1,864)	40.0	(1,951)
Total Markets	123.4	(5,957)	125.4	(6,156)

Operating Statement

13. The operating statement which shows the financial position of the individual Wholesale Markets (i.e. excluding the Directorate, Smithfield car park and outside properties at Smithfield Market) is shown in Appendix 4, with Appendix 5 detailing the reasons for all adverse variances, and all favourable variances over £50k.
14. There is an overall net income to the City of London Corporation for operating the Markets of £185k in 2020/21. The net income is higher than the overall Markets Committee total of £94k as the Operating Statement excludes a net cost of (£91k) for the operation of the car park and outside properties at Smithfield Market. The overall Markets net income for 2020/21 includes costs for capital depreciation charges of (£1.273m).

Draft Capital and Supplementary Revenue Budgets

15. The latest estimated costs of the Committee's current capital and supplementary revenue projects are summarised in table 3 below:

Table 3						
Service Managed	Project	Exp. Pre 01/04/19 £'000	2019/20 £'000	2020/21 £'000	Later Years £'000	Total £'000
New Spitalfields Market	Entry Barrier	(151)	(130)			(281)
New Spitalfields Market	CCTV System		(70)			(70)
Total Markets		(151)	(200)	0	0	(351)

16. The latest Capital and Supplementary Revenue Project forecast expenditure on approved schemes will be presented to the Court of Common Council for formal approval in March 2020. Both of the New Spitalfields Market schemes listed are due for completion in the current financial year. The above table excludes the costs of the Markets Consolidation Programme.

Annual Capital Bid Process

17. Following a major fire safety review at Smithfield Car Park, two safety improvement recommendations were made. Smithfield Market submitted a £150k capital bid for the replacement of the car park sprinkler heads and fire doors, which were approved in principle by Resource Allocation Sub Committee in December 2019. This project will now progress through the Gateway approval process.

Draft Final High-Level Summary Business Plan for 2020/21

18. This report presents, at Appendix 6, the final high-level summary Business Plan for 2020/21 for the Department of Markets & Consumer Protection.
19. This section outlines the following:
 - a. the factors taken into consideration in compiling the elements of the Business Plan that relate to the operation of the Wholesale Markets;
 - b. how the 2020/21 efficiency target of £100k will be delivered;
 - c. initiatives, programmes and projects, identified through the Fundamental Review.
20. Our priorities are the proposed consolidation of all three markets onto a single site and maintaining existing facilities to a good operational standard during this process.
21. The City's Wholesale Markets are going through a period of unprecedented change with the Markets Consolidation Programme looking to deliver a new consolidated market that meets the needs of the wholesalers and their customers. This will be achieved by delivering a market that makes use of innovation; supports sustainability; makes use of digitisation; and attracts complementary uses including food manufacturing enterprises and provision of educational facilities.
22. During this time the Department's priorities will be to support the programme and ensure that the requirements of Markets' stakeholders are taken into account as it progresses, while continuing to operate safe, efficient and well-maintained Wholesale Markets on the existing sites for our tenants and customers.
23. The Markets will continue to work to deliver best value to our customers and will in the coming year be reviewing options to further reduce energy consumption.
24. The efficiency target for 2020/21 will be delivered through energy savings realised through the optimisation of the Building Management System (BMS) at Smithfield Market.

Corporate & Strategic Implications

25. The Department of Markets & Consumer Protection has reviewed the alignment of its activities with the outcomes in the Corporate Plan. The Department's activities contribute to nine of the 12 corporate outcomes.
26. Objectives for the Wholesale Markets align with the Corporate Plan by contributing to a flourishing society, through supporting access to suitable community facilities, workspaces and visitor accommodation.

Public Sector Equality Duty

27. The Department of Markets & Consumer Protection is committed to complying with the Equality Duty and considers all individuals when carrying out their day-to-day work in shaping policy, in delivering services and in relation to their own employees. We are carrying out the Equality, Diversity and Inclusion self-assessment that will identify gaps in our monitoring and an improvement plan to address those gaps will be developed which will be aligned to the Corporate Equality and Inclusion Plan.
28. Managers within the Department of Markets & Consumer Protection will work with our HR Business Partner to look at increasing the diversity of our staff in higher grades, particularly focusing on women, race and disability that are significantly under-represented in Grade G and above posts within the department.

Conclusion

29. This report presents the budget estimates and final high-level summary Business Plan for 2020/21 for Markets Committee to consider and approve.

Appendices

- Appendix 1 – Committee Summary Budget by Risk, Fund and Chief Officer
- Appendix 2 – Original Budget 2019/20 to Latest Budget 2019/20
- Appendix 3 – Latest Budget 2019/20 to Original Budget 2020/21
- Appendix 4 – Wholesale Markets Operating Statement 2019/20 Latest Budget and 2020/21 Original Budget
- Appendix 5 – Operating Statement Notes
- Appendix 6 – Final high-level summary Business Plan 2020/21

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