

Operating Statement Notes

The tables below analyse the aggregate favourable variances over £50k and all adverse variances for the Wholesale Markets as reported on the Operating Statement which is attached at Appendix 4. The summary compares the budget variances between the 2019/20 Original Budget (OR) to the 2019/20 Latest Budget (LB) and budget variances between the 2019/20 OR and the 2020/21 OR. Brackets in the summary signify an expenditure item or an adverse variance. Figures without brackets indicate an income item or a favourable variance.

New Spitalfields Market	Description	2019/20 OR to 2019/20 LB Variance Notes	2019/20 OR to 2020/21 OR Variance Notes
Note No.	Operating Expenditure		
1	Employment Costs	Increase of (£15k) is due to a 2.45% uplift for cost of living increases for grades A-C and 2% for grades D and above plus a 5% increase in London Weighting costs, together with centrally provided budgets for contribution pay and apprenticeship costs.	Increase of (£12k) is due to a 2% uplift for cost of living increases for all grades plus a 2% increase in London Weighting costs.
2	Premises	<p>Decrease of £260k is due to:</p> <ul style="list-style-type: none"> • £200k reduction in service charge contributions to the Repainting and Repair tenant reserves as a result of reduced income from the entry barrier; • £47k reduction in Carbon Reduction Commitment costs as a result of changes in the energy contract whereby carbon reduction levies are now included within electricity costs; • £16k decrease in locally managed repairs and maintenance costs; 	<p>Decrease of £231k is due to:</p> <ul style="list-style-type: none"> • £200k reduction in service charge contributions to the Repainting and Repair tenant reserves as a result of reduced income from the entry barrier; • £47k reduction in Carbon Reduction Commitment costs as a result of changes in the energy contract whereby carbon reduction levies are now included within electricity costs; • £21k decrease in locally managed repairs and maintenance costs;

		<ul style="list-style-type: none"> • £11k lower insurance costs; • £8k decreased cleaning and domestic supplies; • (£17k) increase in costs relating to the Building Repairs and Maintenance contract managed by Skanska; • (£3k) additional rates; • (£2k) higher gas costs. 	<ul style="list-style-type: none"> • £10k lower insurance costs; • £5k decrease in cleaning and domestic supplies; • (£25k) increase in costs relating to the Building Repairs and Maintenance contract managed by Skanska; • (£18k) additional electricity costs as a result of increased prices; • (£4k) higher gas costs; • (£4k) additional rates; • (£1k) increase in water costs.
3	Supplies and Services	<p>Increase of (£86k) is due to:</p> <ul style="list-style-type: none"> • (£75k) increase in fees and services costs of which (£30k) is due to changes in the recharging of internal legal fees which now is met by local risk budgets as well as planned tenant supervisor training and professional fees relating to rating advice and rent reviews; • (£5k) additional communications and computing costs; • (£4k) higher equipment, furniture and materials expenditure; • (£4k) increase in printing, stationery and subscriptions; • £2k reduction in uniforms and clothing costs. 	<p>Increase of (£160k) is due to:</p> <ul style="list-style-type: none"> • (£110k) increase in professional fees relating to rent reviews; • (£33k) increase in fees and services of which (£30k) is due to changes in the recharging of internal legal fees which now is met by local risk budgets; • (£8k) higher equipment, furniture and materials expenditure due to the planned equipment purchases in 2020/21; • (£7k) additional communications and computing costs; • (£3k) increase in printing, stationery and subscriptions; • £1k reduction in uniforms and clothing costs.

4	Waste and Recycling Contract	Increase of (£24k) relates to increases in the rebate element of the waste collection contract due to higher levels of recyclable waste.	Increase of (£78k) primarily relates to inflationary uplifts in the fixed element of the contract as well as increases in the rebate and variable elements of the contract.
Operating Income			
5	Charges for Services	<p>Decrease in income of (£204k) is due to:</p> <ul style="list-style-type: none"> • (£580k) reduction in income from the entry barrier due to installation delays; • (£50k) reduced waste collection income recharged to tenants; • (£46k) decreased income from Carbon Reduction Commitment recharges to tenants; • £409k increased service charge income to offset increased service charge expenditure and reduced sundry income; • £31k additional income from the rebate element of the waste collection contract due to increased levels of recyclable waste; • £20k additional pallet income; • £12k increase in other sources of sundry income. 	<p>Decrease in income of (£113k) is due to:</p> <ul style="list-style-type: none"> • (£210k) reduction in income from the entry barrier as a result of revised usage levels of the car park; • (£50k) reduced waste collection income recharged to tenants; • (£46k) decreased income from Carbon Reduction Commitment recharges to tenants; • £123k increased service charge income to offset increased service charge expenditure and reduced sundry income; • £31k additional income from the rebate element of the waste collection contract due to increased levels of recyclable waste; • £20k additional pallet income; • £10k higher utility income recharged to tenants; • £9k increases in other sources of sundry income.
Central Costs			
6	Capital Charges and Depreciation	Increase of (£198k) is due to additional depreciation charges primarily relating to the installation of the entry barrier.	Increase of (£198k) is due to additional depreciation charges primarily relating to the installation of the entry barrier.

Billingsgate Market	Description	2019/20 OR to 2019/20 LB Variance Notes	2019/20 OR to 2020/21 OR Variance Notes
Note No.	Operating Expenditure		
7	Employment Costs	Increase of (£85k) is due to a 2.45% uplift for cost of living increases for grades A-C and 2% for grades D and above plus a 5% increase in London Weighting costs, together with centrally provided budgets for contribution pay and apprenticeship costs.	Increase of (£87k) is due to an uplift of 2% for cost of living increases for all grades plus a 2% increase in London Weighting costs.
8	Premises	<p>Decrease of £134k is due to:</p> <ul style="list-style-type: none"> • £100k reduced service charge contribution to the Repainting and Special Works Fund as some works will be funded by the reserves; • £68k reduction in locally managed repairs and maintenance costs due to reduced works levels in 2019/20; • £15k lower cleaning and domestic supplies expenditure; • £7k reduction in insurance costs; • (£31k) increase in energy costs as a result of price rises; • (£10k) additional costs relating to the Building Repairs and Maintenance contract managed by Skanska; • (£10k) extra pest control contract costs managed by City Surveyor's; • (£4k) increase in water expenditure; 	<p>Decrease of £184k is due to:</p> <ul style="list-style-type: none"> • £101k reduced service charge contribution to the Repainting and Special Works Fund as some works will be funded by the reserves; • £82k reduction in locally managed repairs and maintenance costs due to reduced works levels in 2020/21; • £29k lower costs relating to the Building Repairs and Maintenance contract managed by Skanska; • £15k decrease in cleaning and domestic supplies; • £4k reduction in insurance costs; • (£31k) increase in energy costs as a result of price rises; • (£7k) extra pest control contract costs managed by City Surveyor's; • (£4k) increase in water expenditure;

APPENDIX 5

		<ul style="list-style-type: none"> • (£1k) increase in rates. 	<ul style="list-style-type: none"> • (£4k) increase in rates; • (£1k) higher service charge voids for vacant premises.
9	Transport	Increase of (£2k) is due to the purchase of a forklift truck for use at the market.	
10	Supplies and Services	<p>Increase of (£31k) is due to:</p> <ul style="list-style-type: none"> • (£25k) increase in fees and services costs due to changes in the recharging of internal legal fees which now is met by local risk budgets; • (£8k) increase in equipment, furniture and materials; • (£2k) additional communications and computing costs; • (£2k) increase in printing, stationery and hospitality; • £5k reduction in clothing and uniform costs; • £1k decrease in advertising. 	Increase in supplies and services of (£25k) is due to an increase in fees and services costs as a result of changes in the recharging of internal legal fees which now is met by local risk budgets.
Operating Income			
11	Charges for Services	<p>Decrease of (£70k) is due to:</p> <ul style="list-style-type: none"> • (£105k) decrease in service charge income as a result of reduced service charge expenditure and increased sundry income; • (£100k) reduced service charge contribution to the Repainting and Special Works Fund as some works will be funded by the reserves; 	<p>Decrease of (£107k) is due to:</p> <ul style="list-style-type: none"> • (£127k) decrease in service charge income as a result of reduced service charge expenditure and increased sundry income; • (£101k) reduced service charge contribution to the Repainting and Special Works Fund as some works will be funded by the reserves;

		<ul style="list-style-type: none"> • (£20k) lower public car parking income due to reduced occupancy levels and increased levels of competition; • (£5k) less income from wayleaves and tolls; • (£4k) reduction in casual rent income; • £74k increase in income from electricity and gas recharged to tenants as a result of energy price rises; • £33k in additional filming income due to a large one-off filming project; • £27k higher income from water recharged to tenants as a result of price rises; • £15k in additional refuse collection income; • £15k increase in income from trade car parking. 	<ul style="list-style-type: none"> • (£5k) lower public car parking income due to reduced occupancy levels and increased levels of competition; • (£5k) less income from wayleaves and tolls; • (£4k) reduction in casual rent income; • £59k increase in income from electricity and gas recharged to tenants as a result of energy price rises; • £23k higher income from water recharged to tenants as a result of price rises; • £20k in additional filming income; • £17k increase in income from trade car parking; • £15k in additional refuse collection income; • £1k in additional insurance income relating to the Satellite Unit.
Central Costs			
12	Other Central Costs	<p>Decrease of £86k due to:</p> <ul style="list-style-type: none"> • £33k increased transfer from reserves to fund repairs and maintenance works on the Repainting and Special Works Fund; • £28k reduction in central support recharges; • £15k grant income to cover 75% of the costs of purchasing a new vehicle; • £15k decrease in Directorate recharges; • (£5k) increase in IT recharges. 	<p>Decrease of £99k due to:</p> <ul style="list-style-type: none"> • £53k reduction in central support recharges; • £25k transfer from reserves to fund repairs and maintenance works on the Repainting and Special Works Fund; • £13k lower Directorate recharges; • £6k decrease in IT recharges; • £2k reduced City Procurement recharges.

Smithfield Market	Description	2019/20 OR to 2019/20 LB Variance Notes	2019/20 OR to 2020/21 OR Variance Notes
Note No.	Operating Expenditure		
13	Employment Costs	Increase in employment costs of (£94k) is due to a 2.45% uplift for cost of living increases for grades A-C and 2% for grades D and above plus a 5% increase in London Weighting costs, together with centrally provided budgets for apprenticeship costs.	Increase in employment costs of (£91k) is due to a 2% uplift for cost of living increases for all grades plus a 2% increase in London Weighting costs.
14	Premises	<p>Increase of (£696k) is due to:</p> <ul style="list-style-type: none"> • (£529k) increase due to the re-phasing of works as part of the Cyclical Works Programme; • (£110k) additional costs managed by City Surveyor's relating to the Building Repairs and Maintenance contract delivered by Skanksa; • (£39k) agreed carry forwards relating to an automated electricity system and refrigeration deck matting; • (£24k) higher water expenditure as a result of backdated bills; • (£20k) increase in pest control contract costs managed by City Surveyor's; • (£16k) rise in locally managed repairs and maintenance works; • (£2k) increase in rates; • £36k reduction in energy expenditure which is primarily related to operational changes 	<p>Increase of (£522k) is due to:</p> <ul style="list-style-type: none"> • (£602k) increase due to the re-phasing of works as part of the Cyclical Works Programme; • (£24k) higher water expenditure due to backdated bills; • (£19k) increase in pest control contract costs managed by City Surveyor's; • (£7k) increase in rates; • £101k reduction in energy expenditure which is primarily related to operational changes with heating and cooling equipment which will lead to reduced costs; • £12k lower locally managed repairs and maintenance works; • £9k decrease in costs managed by City Surveyor's relating to the Building Repairs and Maintenance contract delivered by Skanksa; • £6k lower insurance costs;

		<p>with heating and cooling equipment which has led to reduced costs;</p> <ul style="list-style-type: none"> • £8k lower insurance costs. 	<ul style="list-style-type: none"> • £2k reduction in cleaning and domestic supplies.
15	Supplies and Services	<p>Decrease in costs of £59k is due to:</p> <ul style="list-style-type: none"> • £80k reduction in professional fees as the Food Standards Agency (FSA) now invoices tenants directly; • £1k lower costs for equipment, furniture and materials purchases; • (£20k) increase in fees and services expenditure primarily due to changes in the recharging of internal legal fees which now is met by local risk budgets; • (£2k) additional communications and computing costs. 	<p>Decrease in costs of £57k is due to:</p> <ul style="list-style-type: none"> • £80k reduction in professional fees as the FSA now invoices tenants directly; • £1k lower costs for equipment, furniture and materials purchases; • £1k decrease in clothing and uniform costs; • (£23k) increase in fees and services expenditure primarily due to changes in the recharging of internal legal fees which now is met by local risk budgets; • (£2k) additional communications and computing costs.
Operating Income			
16	Rent	<p>Decrease of (£108k) is due to rent reviews not taking place and reduced income as a result of agreed rent-free periods at the Poultry Market.</p>	<p>Decrease of (£77k) is due to rent reviews not taking place.</p>
17	Charges for Services	<p>Decrease of (£28k) is due to:</p> <ul style="list-style-type: none"> • (£123k) reduction in income from chilled water and heating as a result of operational changes of heating and cooling equipment which has led to reduced consumption levels; • (£3k) less service charge sundry income; 	

		<ul style="list-style-type: none"> • £96k increase in electricity and gas income recharged to tenants as a result of increased energy price rises; • £2k additional income from the Animal By-Product facility. 	
Central Costs			
18	Other Central Costs	<p>Increase of (£8k) is due to:</p> <ul style="list-style-type: none"> • (£12k) additional central support recharges; • (£6k) in higher IT recharges; • (£3k) increase in City Procurement recharges; • £13k decrease in the Directorate recharge. 	