

<b>Committee(s):</b> Markets	<b>Dated:</b> 13/01/2021
<b>Subject:</b> Revenue and Capital Budgets 2021/22	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	n/a
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>If so, how much?</b>	n/a
<b>What is the source of Funding?</b>	n/a
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	n/a
<b>Report of:</b> The Chamberlain Director of Markets and Consumer Protection	<b>For Decision</b>
<b>Report author:</b> Leyla Dervish, Chamberlain's Department	

### Summary

This report is the annual submission of the revenue and capital budgets overseen by your Committee. It is asking members to note the latest revenue budget for 2020/21 and approve the proposed revenue and capital budgets for 2021/22, for subsequent submission to the Finance Committee.

The 2020/21 Latest Budget totals net expenditure of (£95k), an increase in total net expenditure of (£189k) compared with the 2020/21 Original Budget of net income £94k.

The proposed budget for 2021/22 has been prepared within the resource envelope allocated to the Director by Resource Allocation Sub Committee, including the Department's required 12% Target Operating Model (TOM) reduction of £427k, which for this Committee amounts to £171k. These savings have yet to be identified and the Director will continue to work through proposals against the 12% savings. These will be revised once the TOM is progressed through the year(s). The 12% savings have therefore been included in the budget as unidentified efficiency savings to ensure flexibility to move people into the right roles as a result of the TOM. Additionally, as a result of the creation of a new Director of Markets post as part of the TOM restructure further unidentified savings of £75k will also be required.

The proposed 2021/22 Original Budget incorporates a reduction in expenditure of £874k compared to the original 2020/21 budget resulting in total net income of £815k, an increase in net income of £721k compared with the 2020/21 Original Budget of net income £94k.

## Recommendations

Members are asked to:

- i) review and approve the Markets Committee proposed revenue budget for 2021/22 for submission to Finance Committee;
- ii) review and approve the Markets Committee proposed capital and supplementary revenue projects budgets for 2021/22 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 and capital charges.

## Main Report

### Background

1. This report sets out the latest budget for 2020/21 and the proposed revenue and capital budgets for 2021/22 for your Committee and under the control of the Director of Markets and Consumer Protection, analysed between:
  - a. **Local Risk Budgets** – these are budgets deemed to be largely within the Chief Officer’s control.
  - b. **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.
  - c. **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.
2. 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.
3. The latest 2020/21 budget and provisional 2021/22 budgets, summarised in Table 1 below, are analysed by risk, fund and Chief Officer in Appendix 1.

	<b>Original Budget 2020/21 £'000</b>	<b>Latest Budget 2020/21 £'000</b>	<b>Original Budget 2021/22 £'000</b>
Expenditure	(17,185)	(16,995)	(16,311)
Income	19,785	19,400	19,639
<b>Net (Expenditure)/ Income</b>	<b>2,600</b>	<b>2,405</b>	<b>3,328</b>
Support Services and Capital Charges	(2,506)	(2,500)	(2,513)
<b>Total Net (Expenditure)/Income</b>	<b>94</b>	<b>(95)</b>	<b>815</b>

## Latest Revenue Budget for 2020/21

4. Appendix 2 provides details on local risk, central risk, support services and capital charges budget movements between the 2020/21 Original Budget and the 2020/21 Latest Budget. Total net expenditure has increased by (£189k) from a net income position of £94k to a net expenditure position of (£95k). Main reasons for the net increase are:
  - (£350k) reduction in income from the entry barrier at New Spitalfields Market due to installation delays;
  - (£303k) decrease in rates income at Smithfield Market due to tenants not being recharged for business rates in 2020/21 as a result of the Covid-19 pandemic. This financial support was funded by previous year carry-forward underspends of £236k and £67k from the Covid-19 contingency fund;
  - (£124k) additional costs at Smithfield Market & Billingsgate Market relating to the Building Repairs and Maintenance contract managed by the City Surveyors Department;
  - (£60k) increase in employment costs due to a 2.25% uplift on basic pay plus a 5.00% increase in London Weighting costs, together with centrally provided budgets for apprenticeship costs and contribution pay;
  - (£57k) increase in equipment purchases and IT related expenditure covering all areas overseen by your Committee in response to both the Covid-19 pandemic and expenditure required to support the entry barrier at New Spitalfields Market;
  - £318k increase in service charge income at New Spitalfields Market and Billingsgate Market. This is due to a reduction in the level of budgeted sundry income, increased recharges and costs from increased activity of the Buildings, Repairs and Maintenance contract managed by the City Surveyors Department;
  - £152k reduced costs due to the re-phasing of works as part of the Cyclical Works Programme at Smithfield Market and the Rotunda Car Park;
  - £107k utilities savings at Smithfield Market and New Spitalfields Market from reduced energy prices and energy efficiency measures introduced;
  - £106k saving at the Rotunda Car Park and Smithfield Outside Properties relating to the Building Repairs and Maintenance contract managed by the City Surveyors Department;
  - £64k decrease in the waste & cleaning contract costs at New Spitalfields Market due to a lower fixed contract price rise than was originally budgeted for. This is in addition to a decrease in the rebate element of the contract repaid to tenants.
  
5. 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 2021/22

6. The budget has been prepared within the resource envelope allocated to the Director including the Department's required 12% Target Operating Model (TOM) reduction of £427k, which for this Committee amounts to £171k. These savings have yet to be identified and the Director will continue to work through proposals against the 12% savings. These will be revised once the TOM is progressed through the year(s). The 12% savings have therefore been included in the budget as unidentified efficiency savings to ensure flexibility to move people into the right roles as a result of the TOM. Additionally, as a result of the creation of a new Director of Markets post as part of the TOM restructure further unidentified savings of £75k will also be required.
  
7. Appendix 3 provides details on local risk, central risk, support services and capital charges budget movements between the 2020/21 Original Budget and the 2021/22 Original Budget. Total net income has increased by £721k from a net income position of £94k to a net income position of £815k. Main reasons for the net increase are:
  - £392k reduced costs due to the re-phasing of works as part of the Cyclical Works Programme at Smithfield Market and the Rotunda Car Park;
  - £329k increase in service charge income at New Spitalfields Market and Billingsgate Market as a result of increases in gross service charge expenditure and reductions in sundry income;
  - £171k in unidentified efficiency savings relating to the TOM;
  - £156k decrease in expenditure across all three markets relating to the Building Repairs and Maintenance contract managed by the City Surveyors Department;
  - £89k net decrease in central support costs;
  - £75k unidentified savings resulting from the creation of a new Director of Markets post as part of the TOM restructure;
  - £66k net utilities savings across all three markets due to a reduction in energy prices and energy efficiency measures introduced which is offset by reduced income recharged to tenants;
  - £58k decrease in supplies and services costs primarily caused by a reduction in professional fees costs for rent reviews at New Spitalfields Market;
  - (£242k) decrease in parking income across all three markets due to lower anticipated usage levels as a result of the Covid-19 pandemic;
  - (£134k) net change in transfers to and from reserves at New Spitalfields Market due to a planned transfer being made from the Repainting and Repair account to tenant reserves and works being largely funded by a contribution from tenants in 2021/22;
  - (£96k) net decrease in recharges across funds due to reduced Directorate recharges to other areas of the Department of Markets &

Consumer Protection as a result of savings on the Directorate in 2021/22;

- (£69k) reduction in rebate income from the waste collection contract at New Spitalfields Market;
- (£68k) increase in employment costs due to the creation of a new post for the Director of Markets at grade I as part of the TOM restructure. This is in addition to an uplift in basic pay of 2.25% and an increase in London Weighting costs of 5.00% having originally been budgeted for with any savings from the pay freeze now being used to meet the required unidentified efficiency savings.

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

### Operating Statement

9. The operating statement which shows the financial position of the individual Wholesale Markets (i.e. excluding the Rotunda 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.

10. There is an overall net income to the City of London Corporation for operating the Markets of £1.119m in 2021/22. The net income is higher than the overall Markets Committee total of £815k as the Operating Statement excludes a net cost of (£304k) for the operation of the Rotunda Car Park and outside properties at Smithfield Market. The overall Markets net income for 2021/22 includes costs for capital depreciation charges of (£1.266m).

### Staffing Statement

11. The below table analyses the movement in manpower and related staff costs. This shows a decrease in full-time equivalent posts from 125.4 to 121.5 and an increase in total employment costs of (£68k) from (£6.156m) to (£6.224m).

Table 2 - Staffing Statement OR 2020/21 - OR 2021/22				
	Original Budget 2020/21		Original Budget 2021/22	
	Manpower Full-time Equivalent	Estimated Cost £'000	Manpower Full-time Equivalent	Estimated Cost £'000
Directorate	5.4	(459)	4.5	(356)
New Spitalfields Market	35.0	(1,694)	34.0	(1,744)
Smithfield Market	45.0	(2,052)	44.0	(2,131)
Billingsgate Market	40.0	(1,951)	39.0	(1,993)
<b>Total Markets</b>	<b>125.4</b>	<b>(6,156)</b>	<b>121.5</b>	<b>(6,224)</b>

### Draft Capital Project budgets for 2021/22

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

<b>Table 3</b>						
<b>Service Managed</b>	<b>Project</b>	<b>Exp. Pre 01/04/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>Later Years £'000</b>	<b>Total £'000</b>
<b>City's Cash</b> Smithfield Market	Poultry Market Canopy Deconstruction		383			383
<b>City Fund</b> New Spitalfields Market	Entry Barrier	271	5			276
<b>Total Markets</b>		<b>271</b>	<b>388</b>	<b>0</b>	<b>0</b>	<b>659</b>

13. Both schemes listed above are now complete.

14. It will be noted that the table excludes the costs of the Markets Consolidation Programme.

15. 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 2021.

## **Conclusion**

16. This report presents the proposed 2021/22 budgets for Markets Committee for Members to consider and approve.

## **Appendices**

- Appendix 1 – Committee Summary Budget by Risk, Fund and Chief Officer
- Appendix 2 – Original Budget 2020/21 to Latest Budget 2020/21
- Appendix 3 – Original Budget 2020/21 to Original Budget 2021/22
- Appendix 4 – Wholesale Markets Operating Statement 2020/21 Latest Budget and 2021/22 Original Budget
- Appendix 5 – Operating Statement Movement Notes

## **Background information**

- Report 2021/22 Budget setting update; Resource Allocation Sub Committee 10<sup>th</sup> December 2020

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