

Committee(s): Markets	Dated: 07/07/2021
Subject: Markets Revenue Outturn 2020/21	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	n/a
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	n/a
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain's Department?	n/a
Report of: The Chamberlain Director of Markets and Consumer Protection	For Information
Report author: Leyla Dervish, Chamberlain's Department	

Summary

This report compares the 2020/21 revenue outturn for the services overseen by your Committee with the final budget for the year. The outturn for the year shows net expenditure of (£600k), compared to the final budget of (£899k) net expenditure, representing a net underspend of £299k as summarised below.

Table 1 - Summary Comparison of 2020/21 Revenue Outturn with Final Budget				
	Original Budget	Final Budget	Revenue Outturn	Variance Better/ (Worse)
	£'000	£'000	£'000	£'000
	(A)	(B)	(C)	(C-B)
Local and Central Risk				
Director of Markets & Consumer Protection	4,391	3,447	3,190	(257)
City Surveyor	(1,791)	(1,657)	(990)	667
Total Direct Net Income/ (Expenditure)	2,600	1,790	2,200	410
Capital and Support Costs	(2,506)	(2,689)	(2,800)	(111)
Overall Total Net Income/(Expenditure)	94	(899)	(600)	299

The Director of Markets & Consumer Protection had a net overspend of (£257k) on his local and central risk budgets within Markets Committee. This mainly related to reduced income from car parking at all markets and filming income at Billingsgate Market as a result of the Covid-19 pandemic. This was in addition to increased bad debt provisions. The net overspend was partly offset by underspends in employment and net energy costs.

The City Surveyor's net underspend of £667k mainly related to savings and re-phasing on the 3-year cyclical works programme.

The Director of Markets and Consumer Protection has submitted a request to carry forward local risk underspends and this will be considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee.

Recommendation(s)

Members are asked to:

- Note the report and the proposed carry forward of local risk underspends to 2021/22.

Main Report

Revenue Outturn for 2020/21

- This report compares the 2020/21 revenue outturn for services overseen by your Committee with the final budget for the year. Appendix A3 details the budget movements between the original budget agreed by Markets Committee on the 29th January 2020 and the year-end final budget. The outturn position for your Committee's services during 2020/21 totalled net expenditure of (£600k), an underspend of £299k compared to the final budget of (£899k) 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 2020/21 Revenue Outturn with Final Budget					
	Original Budget	Final Budget	Revenue Outturn	Variance Better/ (Worse)	Notes
	£'000	£'000	£'000	£'000	
Local Risk					
Director of Markets & Consumer Protection	(1,439)	(1,822)	(1,780)	42	A
City Surveyor					
- Repairs and Maintenance	(951)	(969)	(780)	189	
- Cyclical Works Programme	(840)	(688)	(210)	478	
City Surveyor Total	(1,791)	(1,657)	(990)	667	B
Total Local Risk	(3,230)	(3,479)	(2,770)	709	
Central Risk					
Director of Markets & Consumer Protection	5,830	5,269	4,970	(299)	C
Total Local and Central Risk	2,600	1,790	2,200	410	
Capital and Support Services	(2,506)	(2,689)	(2,800)	(111)	D
Overall Total	94	(899)	(600)	299	

2. The local risk underspend of £709k comprises the following variances:

A. Director of Markets & Consumer Protection £42k underspend:

i. **Smithfield Market** – underspend of £81k was mainly due to:

- £101k lower than budgeted net energy expenditure caused by reduced energy prices, decreased energy usage and energy efficiency measures introduced at the market. This was partly offset by reduced energy recharges to tenants;
- £43k reduction in fees for the management of the Rotunda car park, internal legal fees and traffic management at the market over the Christmas period;
- £31k underspend due to the proposed purchase of a forklift truck not taking place in 2020/21;
- £30k lower than expected costs for locally managed repairs and maintenance;
- (£103k) reduced income from the Rotunda car park caused by decreased usage of the car park during the Covid-19 pandemic;
- (£44k) increase in bad debt provisions for service charge and sundry debts.

ii. **New Spitalfields Market** – underspend of £22k was mainly due to a decrease in the cost of service voids for vacant premises and training costs being lower than budgeted.

iii. **Markets Directorate** – underspend of £4k was primarily due to conferences not taking place in 2020/21 as a result of the Covid-19 pandemic as well as underspends in training costs and communications, computing and printing.

iv. **Billingsgate Market** – overspend of (£65k) was largely due to a (£50k) reduction in public car parking income as a result of lower usage and (£20k) decreased income from filming projects, both as a result of the Covid-19 pandemic.

B. City Surveyor £667k underspend:

This underspend relates to:

- £478k underspend due to the re-phasing of projects relating to the Cyclical Works Programme (CWP) at Smithfield Market, comprises £320k in projects relating to CWP works at the main market and £158k for projects relating to the Rotunda car park and the Smithfield Outside Properties. The CWP does not form part of the City Surveyor's local risk budget and any variances will be carried over to 2021/22. 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.
- £189k underspend relating to the Building, Repairs and Maintenance contract managed by the City Surveyor's Department due to lower than anticipated general breakdown repairs and contract servicing costs. This comprised

underspends of £155k at Smithfield Market, £31k at New Spitalfields Market and £3k at Billingsgate Market.

C. Central Risk (£299k) overspend:

- i. **Billingsgate Market** – overspend of (£273k) was mainly due to:
 - (£199k) reduced income from public car parking as a result of reduced usage of the car park during the Covid-19 pandemic;
 - (£40k) less income as a result of toll fees not being charged to tenants;
 - (£28k) increase in service charge voids relating to vacant premises.
- ii. **Smithfield Market** – overspend of (£68k) was mainly due to a (£61k) increase in the bad debt provision relating to rent debts.
- iii. **New Spitalfields Market** – underspend of £42k was mainly due to reduced professional fees costs of £76k relating to rent reviews at the market. This was partly offset by a (£38k) increase in the bad debt provision for rent debts.

D. Capital and Central Support overspend (£111k) mainly related to:

- (£109k) overspend in Chamberlain's central support recharges due to increased time spent on Market related activities as a result of the Covid-19 pandemic;
 - (£75k) overspend in Comptroller and City Solicitor recharges relating to service provisions by the Rent Accounting and Information Compliance Teams;
 - (£71k) overspend in IT recharges as a result of increased expenditure and time spent on new IT infrastructure needed to facilitate working from home arrangements during the pandemic;
 - £89k additional income in Directorate recharges to other areas of the Department of Markets & Consumer Protection as a result of increased costs incurred on the Directorate account.
3. Appendix A1 and A2 provide a more detailed comparison of the local and central risk outturn against the final budget.
 4. Appendix A3 shows the movement from the 2020/21 original budget (as agreed by your Committee in January 2020) to the final budget.

Local Risk Carry Forward to 2021/22

5. Chief Officers can request up to 10% or £500k of underspend (whichever is the lesser) of their final local risk budget to be carried forward, if it is not fortuitous and the resources were required for a planned purpose during the year and have been delayed for reasons beyond their control. Such requests are considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee.
6. The Director of Markets & Consumer Protection had local risk underspends of £42k on the activities overseen by your Committee. The Director also had local risk underspending totalling £370k on activities overseen by other Committees. The Director is proposing that a total of £379k of his maximum eligible underspend of

£412k be carried forward, of which £20k relates to activities overseen by your Committee. This relates to the proposed purchase of a forklift truck at Smithfield Market to reduce future maintenance costs.

Financial Performance of the Markets

7. For 2020/21, as tabulated in the below summary operating statement, there was a combined net operating income of £2.494m for the three wholesale markets. When capital charges and central support costs of (£2.923m) are added, there is a consolidated net expenditure to the City of London Corporation of (£0.429m).

	Original Budget	Final Budget	Revenue Outturn	Variance Better/ (Worse)
	£'000	£'000	£'000	£'000
Total Operating Expenditure	(16,027)	(16,283)	(14,570)	1,713
Total Operating Income	18,718	18,380	17,064	(1,316)
Total Net Operating (Expenditure)/Income	2,691	2,097	2,494	397
Total Central Costs	(2,506)	(2,726)	(2,923)	(197)
Total Markets (Expenditure)/Income	185	(629)	(429)	200

8. A breakdown of the financial performance of individual wholesale markets (excluding the Rotunda car park and outside properties at Smithfield) is set out in the operating statement in Appendix A4 which shows the net operating income/(expenditure) for each market. For 2020/21, there was net operating income of £2.082m at New Spitalfields Market and £1.158m at Billingsgate Market, which was offset by net operating expenditure of (£0.746m) at Smithfield Market to produce a combined net operating income of £2.494m for the three wholesale markets.
9. The difference between total market net expenditure of (£429k) (shown on Appendix A4) and revenue outturn of (£600k) net expenditure (shown on Table 1 in the main report) is the (£171k) net expenditure generated for the outside properties at Smithfield, including the Rotunda car park, which are not included in Appendix A4.

Appendices

- **Appendix A1** - Comparison of 2020/21 Local Risk Outturn with Final Budget
- **Appendix A2** - Comparison of 2020/21 Central Risk Outturn with Final Budget
- **Appendix A3** - Reconciliation of Original Budget to Final Budget - 2020/21
- **Appendix A4** - Wholesale Markets Operating Statement 2020/21
- **Appendix A5** – Operating Statement Variance Notes 2020/21

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Markets Committee - Comparison of 2020/21 Local Risk Outturn with Final Budget

	Original Budget	Final Budget	Revenue Outturn	Variance Better/ (Worse)	Notes
	£'000	£'000	£'000	£'000	
LOCAL RISK					
Director of Markets & Consumer Protection					
City Fund					
New Spitalfields Market Service Charge	(19)	(19)	(9)	10	1
New Spitalfields Market Corporate Account	(55)	(72)	(60)	12	2
New Spitalfields Market Repainting and Repairs	0	0	0	0	
Total City Fund	(74)	(91)	(69)	22	
City's Cash					
Smithfield Market Service Charge	(851)	(868)	(622)	246	3
Smithfield Market Corporate Account	(115)	(418)	(463)	(45)	4
Smithfield Other Services	191	191	71	(120)	5
Billingsgate Market Service Charge	0	0	0	0	
Billingsgate Market Corporate Account	(124)	(163)	(228)	(65)	6
Billingsgate Market Repainting and Special Works	0	0	0	0	
Markets Directorate	(466)	(473)	(469)	4	7
Total City's Cash	(1,365)	(1,731)	(1,711)	20	
Total Director of Markets & Consumer Protection	(1,439)	(1,822)	(1,780)	42	
City Surveyor					
City Fund					
New Spitalfields Market Service Charge	(73)	(73)	(73)	0	
New Spitalfields Market Corporate Account	(55)	(55)	(24)	31	
Total City Fund	(128)	(128)	(97)	31	
City's Cash					
Smithfield Market Service Charge	(420)	(505)	(386)	119	
Smithfield Market Corporate Account	(829)	(438)	(124)	314	
Smithfield Other Services	(273)	(406)	(206)	200	
Billingsgate Market Service Charge	(141)	(180)	(176)	4	
Billingsgate Market Corporate Account	0	0	(1)	(1)	
Total City's Cash	(1,663)	(1,529)	(893)	636	
Total City Surveyor	(1,791)	(1,657)	(990)	667	8
TOTAL LOCAL RISK	(3,230)	(3,479)	(2,770)	709	

Explanations for Local Risk Variances

1. **New Spitalfields Market Service Charge** – underspend of £10k was due to lower than anticipated costs of service charge voids for vacant premises.
2. **New Spitalfields Market Corporate Account** – underspend of £12k was due to a £9k reduction in training costs and a £3k decrease in the bad debt provision relating to service charge and sundry debts.
3. **Smithfield Market Service Charge** – underspend of £246k was due to the following:
 - £166k reduced energy costs as a result of lower energy prices and usage as well as energy efficiency measures introduced at the market;
 - £31k decrease in transport expenditure due to the proposed purchase of a forklift truck not taking place in 2020/21;
 - £13k lower costs for chilled water and heating caused by reduced usage and operational changes which has led to energy efficiency savings;
 - £12k reduction in locally managed repairs and maintenance costs;
 - £11k underspend on cleaning and domestic supply costs;
 - £11k less expenditure on employment due to vacant posts and reduced indirect employee expenses;
 - £10k reduced refuse collection costs caused by lower levels of waste and reduced trade at the market as a result of the Covid-19 pandemic;
 - £5k underspend on professional fees in relation to traffic management costs over the Christmas period;
 - £1k additional income from service charges;
 - (£14k) extra costs for equipment, furniture and materials largely due to the purchase of a new scrubber dryer to reduce future repair costs at the market.
4. **Smithfield Market Corporate Account** – overspend of (£45k) was due to the following:
 - (£244k) less income from the recharging of electricity and gas costs to tenants as a result of energy costs being underspent;
 - (£179k) reduced income from chilled water recharges due to lower than anticipated heating and cooling costs;
 - (£44k) increase in bad debt provisions for service charge and sundry debts;
 - (£7k) decrease in net income relating to unfit meat recharges due to lower levels of condemned meat at the market. This was partly offset by reduced refuse collection costs;
 - (£3k) increase in communications and computing costs following the purchase of computer hardware;
 - £215k decrease in energy costs as a result of lower energy prices and usage as well as energy efficiency measures introduced at the market;
 - £174k underspend in chilled water and heating expenditure due to energy efficiency measures and lower usage levels from commercial tenants during the Covid-19 pandemic;
 - £27k underspend due to lower than anticipated professional fees and internal legal fees;
 - £10k decrease in costs for locally managed repairs and maintenance works;
 - £5k decrease in employment costs as a result of vacant posts;
 - £1k underspend in the cost of cleaning and domestic supplies.

5. **Smithfield Other Services** – overspend of (£120k) was due to the following:
 - (£103k) lower than budgeted income from the Rotunda car park due to reduced usage from the car park as a result of the Covid-19 pandemic;
 - (£36k) higher than budgeted electricity costs at the Rotunda car park as a result of increased electricity usage;
 - £11k saving in management fees due to reduced manning levels at the Rotunda car park during the Covid-19 pandemic;
 - £8k underspend on repairs and maintenance costs.

6. **Billingsgate Market Corporate Account** – overspend of (£65k) was due to the following:
 - (£50k) reduced income from car parking as a result of lower usage of the car park during the Covid-19 pandemic;
 - (£20k) decrease in filming due to a reduction in the number of filming projects taking place at the market throughout the Covid-19 pandemic;
 - (£3k) additional repairs and maintenance costs;
 - (£3k) higher than budgeted employment costs;
 - (£3k) reduction in casual rent and other sundry income;
 - (£2k) higher than anticipated costs for equipment, furniture and materials;
 - (£2k) additional costs for communications and computing and hospitality expenses;
 - £18k decrease in internal legal fees.

7. **Markets Directorate** – underspend of £4k comprised the following:
 - £3k decrease in conference expenses due to events not taking place in 2020/21 as a result of the Covid-19 pandemic;
 - £3k reduction in training costs;
 - £2k underspend relating to communications, computing and printing costs;
 - £1k decrease in travelling expenses;
 - £1k underspend relating to equipment and furniture;
 - (£6k) higher than budgeted employment costs.

8. **City Surveyor** - underspend of £667k was due to:
 - £478k lower than budgeted costs relating to the re-phasing of the CWP at Smithfield Market;
 - £189k lower than budgeted costs for the Building Repairs and Maintenance contract managed by the City Surveyor's department of which £155k related to Smithfield Market, £31k related to New Spitalfields Market and £3k related to Billingsgate Market.

Markets Committee - Comparison of 2020/21 Central Risk Outturn with Final Budget					
	Original Budget	Final Budget	Revenue Outturn	Variance Better/ (Worse)	Notes
	£'000	£'000	£'000	£'000	
CENTRAL RISK					
Director of Markets & Consumer Protection					
City Fund					
New Spitalfields Market Service Charge	411	422	425	3	9
New Spitalfields Market Corporate Account	1,992	1,952	1,992	40	10
New Spitalfields Market Repainting and Repairs	22	7	6	(1)	11
Total City Fund	2,425	2,381	2,423	42	
City's Cash					
Smithfield Market Service Charge	(4)	(4)	(3)	1	12
Smithfield Market Corporate Account	1,523	1,015	974	(41)	13
Smithfield Other Services	101	101	73	(28)	14
Billingsgate Market Service Charge	324	364	351	(13)	15
Billingsgate Market Corporate Account	1,452	1,452	1,198	(254)	16
Billingsgate Market Repainting and Special Works	9	6	0	(6)	17
Markets Directorate	0	(46)	(46)	0	
Total City's Cash	3,405	2,888	2,547	(341)	
TOTAL CENTRAL RISK	5,830	5,269	4,970	(299)	

Explanations for Central Risk Variances

9. **New Spitalfields Market Service Charge** – service charge income was £3k higher than budgeted to fund increased insurance and City Surveyors employee recharges.
10. **New Spitalfields Market Corporate Account** – the increase in net income of £40k included a £76k saving in professional fees relating to rent review costs offset by a (£38k) increase in the bad debt provision relating to rent debts. This was in addition to £2k in additional rent income.
11. **New Spitalfields Market Repainting and Repairs** – the transfer from reserves was (£1k) less than budgeted due to lower than anticipated City Surveyor's employee recharges relating to the level of works carried out.
12. **Smithfield Market Service Charge** – underspend of £1k was due to lower than anticipated Food Standards Agency (FSA) inspection fees.
13. **Smithfield Market Corporate Account** – the decrease in net income of (£41k) was due to:
 - (£25k) increase in the bad debt provision relating to rent debts;
 - (£21k) reduction in rent income from the Poultry Market;
 - £5k decrease in legal fees.

14. **Smithfield Other Services** – the decrease in net income of (£28k) was due to:
- (£36k) increase in the bad debt provision relating to outstanding rent debts at the Oriole Bar;
 - £5k reduction in professional fees;
 - £3k in additional rent income generated from the Smithfield Outside Properties.
15. **Billingsgate Market Service Charge** – service charge income was (£13k) lower than budgeted due to decreased costs for central support recharges and building, repairs and maintenance works managed by the City Surveyor's Department.
16. **Billingsgate Market Corporate Account** – the decrease in net income of (£254k) related to the following:
- (£199k) reduction in public parking income due to the Covid-19 pandemic;
 - (£40k) income reduction as a result of toll fees not being charged to tenants;
 - (£28k) increase in service charge voids;
 - (£10k) increase in professional fees relating to rent reviews and lease renewals;
 - £13k additional income from renting out space for their storage containers;
 - £6k reduction in the bad debt provision relating to rent debts;
 - £4k lower than budgeted spend on computer consumables and bank charges.
17. **Billingsgate Market Repainting and Special Works** – the transfer from reserves was (£6k) less than budgeted due to lower than anticipated City Surveyor's employee recharges relating to the level of works carried out.

Markets Committee - Reconciliation of Original Budget to Final Budget - 2020/21	
	£'000s
Original 2020/21 Budget (All Risks)	94
Local Risk including City Surveyors Repairs and Maintenance	
Original Budget 2020/21 - as agreed by Markets Committee on 29th January 2020	(3,230)
Carry forward funding to cover costs of business rates not being re-charged to Smithfield Market tenants	(236)
Contingency Fund monies to cover costs of business rates not being re-charged to Smithfield Market tenants	(67)
Centrally funded apprenticeship costs	(27)
Centrally funded contribution pay	(20)
Revised estimates budget changes as reported to Markets Committee on 13th January 2021 mainly relating to the re-phasing of works as part of the Cyclical Works Programme.	134
Centrally funded salary payments made to staff in response to Covid-19	(33)
Final 2020/21 Local Risk Budget including City Surveyors Repairs and Maintenance	(3,479)
Central Risk	
Original Budget 2020/21 - as agreed by Markets Committee on 29th January 2020	5,830
Revised estimates budget changes as reported to Markets Committee on 13th January 2021 mainly relating to increased income from service charges as a result of increased recharges and costs from the Building, Repairs and Maintenance contract.	21
Supplementary Revenue Project funding for Canopy and Guttering Works at Smithfield Market	(332)
Centrally funded pension strain costs	(250)
Final 2020/21 Central Risk Budget	5,269
Support Services and Capital Charges	
Original Budget 2020/21 - as agreed by Markets Committee on 29th January 2020	(2,506)
Revised estimates budget changes as reported to Markets Committee on 13th January 2021 mainly relating to increased income from recharges to other areas of the Department of Markets & Consumer Protection.	6
Revisions to capital charges at New Spitalfields Market	(175)
Centrally funded Film Liaison Staff Costs at Billingsgate Market	(14)
Final 2020/21 Support Services and Capital Charges Budget	(2,689)
Final 2020/21 Budget (All Risks)	(899)