

Committee(s): Markets	Dated: 03/11/2021
Subject: Revenue and Capital Budgets 2022/23	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 and the Markets Director	For Decision
Report author: Clem Harcourt, 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 2021/22 and approve the proposed revenue and capital budgets for 2022/23, for subsequent submission to Finance Committee.

The 2021/22 Latest Budget totals net income of £212k, a decrease of (£603k) compared with the 2021/22 Original Budget of net income £815k.

The proposed 2022/23 Original Budget totals net income of £529k compared to the original 2021/22 budget of £815k, a decrease in net income of (£286k).

The proposed budget for 2022/23 has been prepared within the provisional resource envelope anticipated to be allocated to the Chief Operating Officer by Resource Allocation Sub Committee in October 2021, but is dependent on the delivery of savings proposals which are still being developed.

The resource envelope must be adhered to, as failure to do so will impact Finance Committee's ability to set Council Tax rates for the year ahead and the requirement in law for the City to set a balanced budget.

Recommendations

Members are asked to:

- i) note the latest revenue budget for 2021/22 for Markets Committee;
- ii) review and approve the Markets Committee proposed revenue budget for 2022/23 for submission to Finance Committee;

- iii) review and approve the Markets Committee proposed capital and supplementary revenue projects budgets for 2022/23 for submission to Finance Committee;
- iv) authorise the Chamberlain, in consultation with the Chief Operating Officer, to revise these budgets to allow for any further implications arising from subsequently approved savings proposals, Target Operating Model (TOM) implementation, or changes to the resource envelope; and
- v) agree that amendments for 2021/22 and 2022/23 budgets arising from changes to recharges or for any further implications arising from Corporate Projects, other reviews and changes to the Cyclical Works Programme and capital charges during budget setting be delegated to the Chamberlain in consultation with the Chief Operating Officer.

Main Report

Background

1. This report sets out the latest budget for 2021/22 and the proposed revenue and capital budgets for 2022/23 for your Committee and under the control of the Chief Operating Officer, 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 2021/22 budget and provisional 2022/23 budgets, summarised in Table 1 below, are analysed by risk, fund and Chief Officer in Appendix 1.

Table 1 - Summary Revenue Budgets 2021/22 and 2022/23			
	Original Budget 2021/22 £'000	Latest Budget 2021/22 £'000	Original Budget 2022/23 £'000
Expenditure	(16,311)	(16,465)	(16,222)
Income	19,639	19,370	19,324
Net (Expenditure)/ Income	3,328	2,905	3,102
Support Services and Capital Charges	(2,513)	(2,693)	(2,573)
Total Net (Expenditure)/Income	815	212	529

Latest Revenue Budget for 2021/22

4. Appendix 2 provides details on budget movements between the 2021/22 Original Budget and the 2021/22 Latest Budget. Total net income has decreased by (£603k) from a net income position of £815k to a net income position of £212k. Main reasons for the net decrease are:

- (£249k) reduction in service charge income at New Spitalfields and Billingsgate Markets as a result of decreases in gross service charge expenditure;
- (£180k) additional depreciation charges at New Spitalfields Market;
- (£175k) increase in professional fees costs for lease renewals at Billingsgate Market and rent reviews at New Spitalfields Market;
- (£103k) reduction in rent income at New Spitalfields Market attributable to two vacant catering units at the market;
- (£63k) cost of condition surveys at Billingsgate and New Spitalfields Markets to identify required works at the markets;
- (£54k) decrease in utilities costs recharged to tenants as a result of lower energy prices;
- £91k increased transfer from reserves to meet the cost of additional works funded through tenant reserves at Billingsgate and New Spitalfields Markets;
- £83k reduction in employment costs attributable to pay being frozen for staff on grades D and above from July 2021 in addition to savings from flexible retirement and the removal of three vacant posts;
- £70k saving from the waste and cleaning contract at New Spitalfields Market covering both fixed and variable elements of the contract.

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 2022/23

6. Total net income for 2022/23 amounts to £529k, a decrease of (£286k) compared with the original budget for 2021/22 of £815k.

7. For 2022/23 budgets include:

- (i) 2% uplift for inflation offset by 2% efficiency savings (a flat cash position);
- (ii) Pay increases at 1.525% for grades A-C from 1st July; and
- (iii) Increase of 1.25% in employer's National Insurance contributions.

The resulting resource envelope must be adhered to, as failure to do so will impact Finance Committee's ability to set Council Tax rates for the year ahead and the requirement in law for the City to set a balanced budget.

8. The budget has been prepared within the provisional resource envelope anticipated to be allocated to the Chief Operating Officer by Resource Allocation Sub Committee in October 2021, with the following exceptions and assumptions:
- The Chief Operating Officer is still in the process of identifying savings proposals which, if delivered, will enable her to remain within her resource envelope. As a result, the savings required have been incorporated into the 2022/23 budget as “Unidentified Efficiency Savings” and will be revised as necessary throughout the year.
 - Services covered by Markets Committee are not expected to complete implementation of the TOM until 2022 and therefore the budgets set out here do not reflect any changes to structures that may result from that process, including any associated savings as set out above.
 - Support services and capital charges budgets reflect the attribution and cost of central departments. However, the full budgets for these departments have not yet been finalised, so further changes to these budgets may be required.
9. Main reasons for the (£286k) decrease in net income compared with the 2021/22 original budget are:
- (£267k) reduction in service charge income at Billingsgate and New Spitalfields Markets as a result of changes in gross service charge expenditure;
 - (£207k) decrease in unidentified efficiency savings. The 2021/22 original budget included £171k in savings related to the TOM in addition to £75k in further required savings. Based on current levels of anticipated expenditure and income for 2022/23, only £39k remains to be identified which the Markets Director will progress throughout the 2022/23 budgetary cycle;
 - (£180k) in additional buildings depreciation charges at New Spitalfields Market;
 - (£125k) less income from the entry barrier at New Spitalfields Market due to a reduction in customer numbers throughout the pandemic;
 - (£113k) increase in professional fees relating to costs for the lease renewals at Billingsgate Market and rent reviews at New Spitalfields Market;
 - (£80k) increase in transfer to reserves at New Spitalfields Market to fund additional expenditure on the Repainting and Repair account;
 - (£55k) additional heating and cooling costs at Smithfield Market due to increased energy consumption at the market since the lifting of Covid-19 restrictions;
 - £283k lower costs for the waste and cleaning contract at New Spitalfields Market primarily relating to fixed contract costs caused by a variation in the contract;
 - £197k reduction in employment costs as a result of savings from flexible retirement, pay being frozen for staff on grades D above and the removal of three vacant posts;

- £120k net increase in Directorate recharges to other areas of the Department of Markets & Consumer Protection;
- £58k increase in income from parking relating to the Rotunda Car Park at Smithfield and trade car parking at Billingsgate Market; and
- £50k additional filming income at Billingsgate Market.

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

Operating Statement

11. 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 variances over £50k.
12. There is an overall net income to the City of London Corporation for operating the Markets of £833k in 2022/23. The net income is higher than the overall Markets Committee total of £529k 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 2022/23 includes costs for capital depreciation charges of (£1.446m).

Staffing Statement

13. The below table analyses the movement in manpower and related staff costs. This shows a decrease in full-time equivalent posts from 121.5 to 118.4 and a decrease in total employment costs of £197k from (£6.224m) to (£6.027m).

	Original Budget 2021/22		Original Budget 2022/23	
	Manpower Full-time Equivalent	Estimated Cost £'000	Manpower Full-time Equivalent	Estimated Cost £'000
Directorate	4.5	(356)	4.4	(369)
New Spitalfields Market	34.0	(1,744)	31.0	(1,627)
Smithfield Market	44.0	(2,131)	44.0	(2,070)
Billingsgate Market	39.0	(1,993)	39.0	(1,961)
Total Markets	121.5	(6,224)	118.4	(6,027)

Draft Capital Project budgets for 2022/23

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

Service	Project	Exp. Pre 01/04/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Later Years £'000	Total £'000
CITY FUND							
Spitalfields	Entry Barrier	245	31	-	-	-	276
TOTAL MARKETS		245	31	-	-	-	276

15. The scheme listed above is now complete.

16. It should be noted that the table above excludes the costs of the Markets Consolidation Programme.

17. 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 2022.

Conclusion

18. This report presents the proposed 2022/23 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 2021/22 to Latest Budget 2021/22
- Appendix 3 – Original Budget 2021/22 to Original Budget 2022/23
- Appendix 4 – Wholesale Markets Operating Statement 2021/22 Latest Budget and 2022/23 Original Budget
- Appendix 5 – Wholesale Markets Operating Statement Movement Notes

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