

<b>Committee: Markets Board</b>	<b>Dated: September 20 2023</b>
<b>Subject: Markets Revenue Outturn 2022/23</b>	<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 Chief Operating Officer	<b>For Information</b>
<b>Report author:</b> Andrew Little, Chamberlain's Department	

### Summary

This report compares the 2022/23 revenue outturn for the services overseen by your Board with the final budget for the year. The outturn for the year shows net income of £991,000, compared to the final net expenditure budget of £750,000, representing a net underspend of £1,741m.

The underspend of £2.052m for the Chief Operating Officer is explained in detail in Appendices A1 and A2 for each Market and whilst this was offset by an overspending of £713,000 on Capital and Support Services, the City Surveyor has an underspending of £402,000, primarily on the Cyclical Works Programme (which will be carried forward to 2023/24).

In respect of your Board, the Chief Operating Officer has requested a carry forward to 2023/24 of £15,000 to fund a stock of critical spares for the Smithfield Market rail system to allow prompt repair should it breakdown.

The report also presents the Wholesale Markets Operating Statement for 2022/23 (as per table 2) which shows combined net operating income of £4.811m for the three wholesale markets, an underspending of £2.130m compared with the final net income budget of £2,681,000. Once capital charges and other central costs are accounted for, total net income amounted to £795,000 an underspend of £1,225,000 compared with the final net expenditure budget of £430,000. Full details are provided at Appendix 4

### Recommendation

Members are asked to note the outturn for 2022/23 as set out in this report.

### Main Report

#### Revenue Outturn for 2022/23

1. This report compares the 2022/23 revenue outturn for services overseen by your Board with the final budget for the year. Appendix A3 details the budget movements between the original budget agreed by Markets Committee on November 3<sup>rd</sup> 2021 and the year-end final budget. The outturn position for your Board's services during 2022/23 totalled net expenditure of £991,000, an underspending of £1.741m compared to the final budget of £740,000 net income. 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.

<b>Table 1 - Comparison of 2022/23 Revenue Outturn with Final Budget</b>					
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Revenue Outturn</b>	<b>Variance</b>	<b>Variance</b>
	£ 000's	£ 000's	£ 000's	£ 000's	%
<b>Chief Operating Officer</b>					
Local Risk	(1,313)	(1,710)	(1,145)	565	-49.3%
Central Risk	5,654	5,654	7,141	1,487	20.8%
<b>Total Chief Operating Officer</b>	<b>4,341</b>	<b>3,944</b>	<b>5,996</b>	<b>2,052</b>	<b>34.2%</b>
<b>City Surveyor</b>					
Repairs and Maintenance	(794)	(815)	(779)	36	-4.6%
Cyclical Works Programme *	(662)	(765)	(399)	366	-91.7%
<b>City Surveyor Total</b>	<b>(1,456)</b>	<b>(1,580)</b>	<b>(1,178)</b>	<b>402</b>	<b>-34.1%</b>
<b>Capital and Support Services</b>	<b>(2,764)</b>	<b>(3,114)</b>	<b>(3,827)</b>	<b>(713)</b>	<b>18.6%</b>
<b>Combined Total</b>	<b>121</b>	<b>(750)</b>	<b>991</b>	<b>1,741</b>	<b>175.7%</b>

\* Please note that underspends on the Cyclical Works Programme can be carried forward over the lifetime of the programme as agreed in the Governance of the Cyclical Works Programme.

2. The Chief Operating Officer total underspend of £1.74m for Markets Board comprises the following variances:

- The Chief Operating Officer Local Risk underspending of £565,000 is set out in Appendix A1
- The Chief Operating Officer Central Risk underspending of £1.487m is set out in Appendix 2
- The Capital and Support Services overspending of £713,000 was primarily due to a £381,000 increase in costs in relation to Capital Charges at Spitalfields Market and £295,000 overspend on Support Services across the Markets from other departments.
- The City Surveyor £402,000 underspending was due to the re-phasing of the Cyclical Works Programme over the remaining years for delivery.

3. Appendix A3 shows the movement from the 2022/23 original budget (as agreed by Markets Committee in November 2021) to the final budget.

#### **Local Risk Carry Forward to 2023/24**

4. The Chief Operating Officer had local risk underspending of £565,000 on the activities overseen by your Board, which reduced to an underspending of £334,000 across all her services, she requested a carry forward £15,000 for critical spares in relation to the Smithfield Market rail system, to allow for a swift repair should the system fail, however this was not approved.

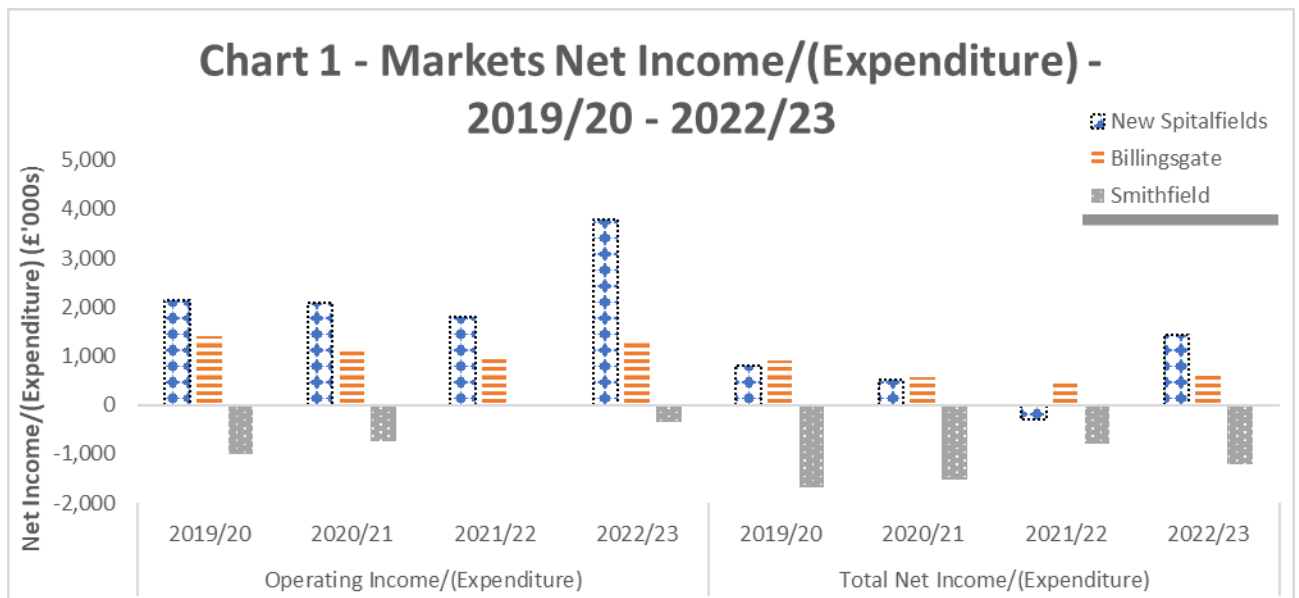
- In addition, although there was an underspend on Markets Board, the City Surveyor was overspent overall on his City Fund/City's Cash local risk budget and the underspending on Markets Board should be seen within the context of overspendings incurred on other committees.

### Financial Performance of the Markets

- As previously requested by the board, tabulated in the below summary operating statement for 2022/23, there was a combined net operating income of £4.811m for the three wholesale markets. When capital charges and central support costs of (£4.016m) are added, there is a consolidated net Income to the City of London Corporation of £795,000. The table excludes the Smithfield Car Park and Outside Properties expenditure and Income.

	Original Budget	Final Budget	Revenue Outturn	Variance Better / (Worse)
	£000's	£000's	£000's	£000's
Total Operating Expenditure	(15,068)	(15,653)	(17,039)	(1,386)
Total Operating Income	18,328	18,334	21,850	3,516
<b>Total Net Operating (Expenditure) / Income</b>	<b>3,260</b>	<b>2,681</b>	<b>4,811</b>	<b>2,130</b>
Total Central Costs	(2,842)	(3,111)	(4,016)	(905)
Total Markets (Expenditure) / Income	418	(430)	795	1,225

- 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.
- Total net expenditure amounted to £795,000 after capital charges and other central costs are accounted for. This equates to an underspend of £1.225m compared to the final budget of £430,000 net expenditure.
- The difference between total market net income of £795,000 (shown in Appendix A4) and revenue outturn of £991,000 net income (shown in Table 1) is the £196,000 net income for the outside properties at Smithfield, including the Rotunda car park, which are not included in Appendix A4.
- Chart 1 below sets out both the net operating income/(expenditure) and total net income/(expenditure) position for each market for the previous three financial years. This indicates that Billingsgate and Spitalfields Markets generated a surplus in 2022/23. Billingsgate achieved net income of £690,000, Spitalfields achieved net income of £1.430m which was offset by net expenditure of £1.22m at Smithfield Market
- Chart 1 also shows that Smithfield Market has incurred deficits in 2022/23 as well as each of the previous three financial years. This is largely attributable to the current cap on the service charge meaning that service charge expenditure is not fully recoverable from tenants. The deficit that was incurred at Spitalfields in 2021/22 has not repeated in 2022/23 and the market moved back to a surplus. Billingsgate has maintained the surplus that it has experienced over the previous financial years.



12. Appendix A6 provides Members with information on balances held on various repair funds for each market as of 31 March 2023.

#### Appendices

- **Appendix A1** - Comparison of 2022/23 Local Risk Outturn with Final Budget
- **Appendix A2** - Comparison of 2022/23 Central Risk Outturn with Final Budget
- **Appendix A3** - Reconciliation of Original Budget to Final Budget – 2022/23
- **Appendix A4** - Wholesale Markets Operating Statement 2022/23
- **Appendix A5** - Wholesale Markets Operating Statement Variance Notes – 2022/23
- **Appendix A6** - Wholesale Markets Reserves Balances – 31 March 2023

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