

Committee(s): Markets Board	Dated: 08/11/2023
Subject: Revenue and Capital Budgets 2023/24	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 Markets Director	For Decision
Report author: Andrew Little, Chamberlain's Department	

Summary

This report is the annual submission of the revenue and capital budgets overseen by your Board. It is asking Members to note the latest revenue budget for 2023/24 and approve the draft revenue and capital budgets for 2024/25, for subsequent submission to Finance Committee.

The 2023/24 Latest Budget totals net expenditure of (£395k), a decrease of (£111k) compared with the 2023/24 Original Budget of net expenditure of (£506k).

The draft budget for 2024/25 has been prepared within the provisional resource envelope for Markets Board anticipated to be allocated to the Chief Operating Officer by Resource Allocation Sub Committee. The draft budget includes £274k in unidentified savings to be achieved during 2024/25 which has largely arisen because of the closure of the Poultry Market from August 2023.

The draft 2024/25 Original Budget totals net income of £25k compared to the 2023/24 Original Budget of net expenditure of (£506k), a decrease of £531k. The decrease is primarily explained by the closure of the Poultry Market in August 2023, additional income at Spitalfields Market and additional film income at Billingsgate Market.

This draft budget does not include estimated energy price increases for 2024/25, other than the 3% budgetary inflation allowed. The Corporation is currently reviewing these additional energy costs considering changing market prices. Any budget adjustment for rising energy prices will be allocated by the Chamberlain during the financial year.

The report also presents the staffing statement for 2024/25 as well as the operating statement for the three wholesale markets. For 2024/25, the City is estimated to incur combined net income of £69k for operating the three markets.

Recommendations

Members are asked to:

- i) note the latest revenue budget for 2023/24 for Markets Board.
- ii) critically review and approve the Markets Board draft revenue budget for 2024/25 for submission to Finance Committee.
- iii) review and approve the Markets Board draft capital and supplementary revenue projects budgets for 2024/25 for submission to Finance Committee.
- iv) note that the draft budget does not include the estimated increases in energy costs which are currently being reviewed considering changing market prices with budgets to be adjusted once a final agreement on energy forecasts is made.
- v) agree that amendments for 2023/24 and 2024/25 budgets arising from changes to recharges or for any further implications arising from Corporate Projects, energy price increases and other reviews and changes to the CWP 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 2023/24 and the draft revenue and capital budgets for 2024/25 for your board 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 2023/24 budget and draft 2024/25 budget, summarised in Table 1 below, are analysed by risk, fund, and Chief Officer in Appendix 1.

Table 1 - Summary Revenue Budgets 2023/24 and 2024/25			
	Original Budget 2023/24 £'000	Latest Budget 2023/24 £'000	Original Budget 2024/25 £'000
Expenditure	(15,633)	(15,522)	(15,727)
Income	18,924	18,924	19,424
Net (Expenditure)/ Income	3,291	3,402	3,697
Support Services and Capital Charges	(3,797)	(3,797)	(3,672)
Total Net (Expenditure)/Income	(506)	(395)	25

Latest Revenue Budget for 2023/24

4. Appendix 2 provides details on budget movements between the 2023/24 Original Budget as agreed by Markets Committee in November 2022 and the 2023/24 Latest Budget. The Total net expenditure has decreased by (£111k) from a net expenditure position of (£506k) to a net expenditure position of (£395k). Main reasons for the decrease are:

- Reduction in 7K budgets managed by the City Surveyor for the CBRE Integrated Facilities Management contract that commenced in April 2023
- Additional budget was awarded for the addition of the £1k, that was consumed within basic pay.

5. A detailed breakdown of the budget changes by expenditure and income category can be found within the notes section of Appendix 2.

Draft Revenue Budget for 2024/25

6. Total net income for 2024/25 amounts to £25k, a decrease of (£531k) compared with the Original Budget for 2023/24 of (£506k) net expenditure as agreed by Markets Committee in November 2022.

7. Considering recommendations from Resource Allocation Sub Committee, the 2024/25 budget includes a 3% uplift for inflation. The budget has been prepared within the draft resource envelope anticipated to be allocated to Markets Board by Resource Allocation Sub Committee with the following exceptions and assumptions:

- The draft budget includes £274k in unidentified savings which have arisen because of the closure of the Poultry Market in August 2023. which will

require savings to be achieved during 2024/25. This will be reviewed by the Markets Director in due course and primarily relates to staffing and other costs which will need to be reduced because of the decreased level of activity following the closure of the Poultry Market.

- Members should note this report does not include any estimated energy price increases for the 2024/25 financial year. At present the PPA allowance for 2024/25 is not known and this will partially offset any price rise increase.
- Members should note that the CWP figures included in this report relate only to elements of previously agreed programmes, which will be completed in 2023/24 and 2024/25. The separate bid for CWP works programme for 2024/25 has not been included in this report. The report will be submitted for approval from Resource Allocation Sub Committee to agree the funding, once these have been agreed for the 2024/25 programme, Members will be advised of the outcome and Members are asked to authorise the Chamberlain to revise the budgets to allow for these approvals.
- Support services, City Surveyor managed costs 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. Members are asked to agree that the decision as to the changes required to these budgets are delegated to the Chamberlain in consultation with the Chief Operating Officer.

8. Main reasons for the net (£500k) increase in net income compared with the 2023/24 Original Budget agreed by Markets Committee in November 2022 are:

- Increase in Service Charge on Account budgets at Spitalfields Market.
- Increase in Refuse Collection income at Spitalfields Market
- Increase in expected Film income at Billingsgate Market.
- Due to the transferral of the Poultry Market to the Museum of London project, there is a saving of £125k on Capital Charges.

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 and the Markets Directorate) is shown in Appendix 4, with Appendix 5 detailing the reasons for all variances over £50k.

10. There is an overall net expenditure to the City for operating the Markets of (£69k) in 2024/25. The net expenditure can be primarily explained by the current cap on the service charge at Smithfield Market.
11. The net expenditure shown on the Operating Statement is lower than the overall Markets Board net income total of £25k as the Operating Statement excludes a net cost for the operation of the Rotunda Car Park and outside properties at Smithfield Market as well as net expenditure of for the Markets Directorate.

Staffing Statement

12. The below table analyses the movement in manpower and related staff costs. This shows a decrease in full-time equivalent posts from 119.3 to 115 and a decrease in total employment costs of £337k from (£6.271m) to (£5.934m) due to the Poultry Market closure.

Table 2 - Staffing Statement OR 2023/24- OR 2024/25				
	Original Budget 2023/24		Original Budget 2024/25	
	Manpower Full-time Equivalent	Estimated Cost £'000	Manpower Full-time Equivalent	Estimated Cost £'000
Directorate	4.0	(358)	4.5	(369)
New Spitalfields Market	30.3	(1,641)	31.3	(1,686)
Smithfield Market	44.3	(2,155)	38.7	(1,760)
Billingsgate Market	40.7	(2,117)	40.5	(2,119)
Total Markets	119.3	(6,271)	115.0	(5,934)

Draft Capital Project Budgets for 2023/24

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

Service	Project	Exp. Pre 01/04/23	2023/24	2024/25	Total
		£'000	£'000	£'000	£'000
Billingsgate Market	Provision of Additional Fish Handling Facilities	154	18	0	172
Billingsgate Market	Billingsgate Cold Store Roof Remedials	0	614	0	614
Smithfield Market Car Park	Sprinkler and fire door remedial works	0	120	0	120
TOTAL Markets		154	752	0	906

14. It should be noted that the table above 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 2024.

Conclusion

16. This report presents the draft 2024/25 budgets for Markets Board for Members to consider and approve.

Appendices

- Appendix 1 – Board Summary Budget by Risk, Fund and Chief Officer
- Appendix 2 – Original Budget 2023/24 to Latest Budget 2023/24
- Appendix 3 – Original Budget 2023/24 to Original Budget 2024/25
- Appendix 4 – Wholesale Markets Operating Statement 2023/24 Latest Budget and 2024/25 Original Budget
- Appendix 5 – Wholesale Markets Operating Statement Movement Notes

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