

Committee: Markets Board	Dated: 22nd July 2024
Subject: Markets Revenue Outturn 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 City Surveyor	For Information
Report author: Afsana Rahman, Chamberlain's Department	

Summary

This report compares the 2023/24 revenue outturn for the services overseen by your Board with the final budget for the year. The outturn for the year shows net expenditure of £1.884m, compared to the final net expenditure budget of £959k, representing a net overspend of £925k.

This overspending comprises of £196k against the City Surveyor's local risk and central risk budgets, which is explained in paragraph 2; an overspending of £449k on capital and support services due to a change in the basis of allocation; an overspending of £280k, due to an acceleration of essential works within the Cyclical Works Programme, mainly due to works on the glass canopy at Smithfield; and to further reactive works identified as part of the Integrated Facilities Management Contract.

The report also presents the Wholesale Markets Operating Statement for 2023/24 (as per table 2), which shows a combined net operating income of £2.151m for the three wholesale markets and, a net under recovery of £108k for the year. Once capital charges and other central costs are accounted for, total net expenditure amounted to (£2.096m), an overspend of (£1.118m) compared with the final net expenditure budget of (£978k). Full details are provided at Appendix 2.

Finally, Members should note, that in November 2023, Markets moved from the Chief Operating Officer's department to the City Surveyors Department. For the purposes of this report the chief officer has been assumed as the City Surveyor for the whole year.

Recommendation

Members are asked to note the outturn for 2023/24 as set out in this report.

Main Report

Revenue Outturn for 2023/24

1. This report compares the 2023/24 revenue outturn for services overseen by your Board with the final budget for the year. Appendix A1 details the budget movements between the original budget agreed by Markets Committee on 9th November 2022 and the year-end final budget. The outturn position for your Board's services during 2023/24 totalled net expenditure of (£1.884m), an overspend of (£925k) compared to the final budget of (£959k) 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 1 - Comparison of 2023/24 Revenue Outturn with Final Budget					
	Original Budget	Final Budget	Revenue Outturn	Variance	Variance
	£ 000's	£ 000's	£ 000's	£ 000's	%
City Surveyor					
Local Risk	(1,208)	(1,819)	(2,064)	(245)	13.5%
Central Risk	5,113	5,065	5,114	49	1.0%
Total City Surveyor	3,905	3,246	3,050	(196)	(6.0) %
City Surveyor (FM)					
Repairs and Maintenance	(802)	(570)	(677)	(107)	18.8%
Cyclical Works Programme *	(35)	(35)	(208)	(173)	494.3%
City Surveyor Total	(837)	(605)	(885)	(280)	46.3%
Capital and Support Services	(3,574)	(3,600)	(4,049)	(449)	12.5%
Combined Total	(506)	(959)	(1,884)	(925)	96.5%

2. The Surveyors Department total overspend of (£925k) for Markets Board comprises of the following variances:
 - The Surveyors Department Local Risk overspend of (£245k) is mainly due to increase costs of work. New Spitalfields Market had an increase cost due to sump pumps and high-level cleaning while Smithfield Market had to cover additional costs for cyclical work. There was also a high increase in utilities costs across each three Markets. The main charges were for electricity, water, and gas.
 - The Surveyors Department Central Risk over recovery of £49k mainly due to the recovery of utilities bills as well as recover additional income from rental due to rent reviews.
 - The Capital and Support Services overspending of (£449k) reflects a change of the basis of apportionment as set out in paragraph 10 below. This additional charge was primarily due to a (£368k) increase in costs in relation to Digital Information and Technology Services and City of London Payment Service for all three Markets (as explained in paragraph 10) There was also additional salary cost of £238k for the Markets Directorate for Markets co-location Project staffing.
 - The City Surveyor (FM) services overspending (£280k) was due to the acceleration of urgent essential works to the Glass Canopy at Smithfield within the Cyclical Works Programme and reactive works identified by the Integrated Facilities Management contractors.
3. Appendix A1 shows the movement from the 23/24 original budget (as agreed by Markets Committee on 9th November 2022) to the final budget.

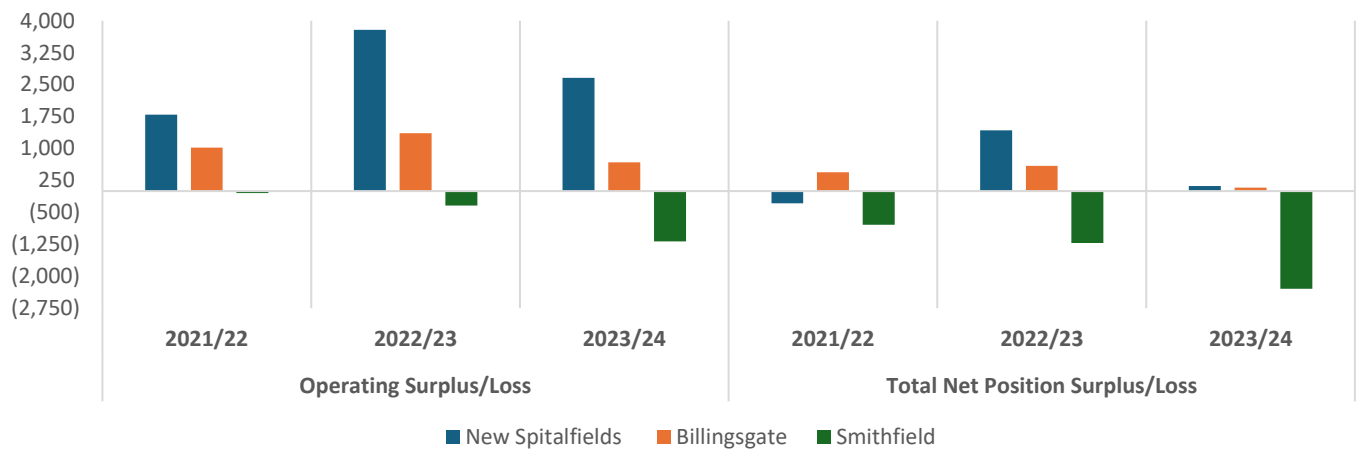
Financial Performance of the Markets

4. As previously requested by the board, tabulated in the below summary operating statement for 2023/24, there was a combined net operating income of £2.151m for the three wholesale markets. When capital charges and central support costs of (£4.247m) are added, there is a consolidated net expenditure to the City of London Corporation of (£2.096m). 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	(15,277)	(15,799)	(18,073)	(2,274)
Total Operating Income	17,916	18,058	20,224	2,166
Total Net Operating (Expenditure) / Income	2,639	2,259	2,151	(108)
Total Central Costs	(3,080)	(3,237)	(4,247)	(1,010)
Total Markets (Expenditure) / Income	(441)	(978)	(2,096)	(1,118)

5. 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 A2 which shows the net operating income/(expenditure) for each market.
6. Total net expenditure amounted to (£2.096m) after capital charges and other central costs are accounted for. This equates to an overspend of (£1.118m) compared to the final budget of £978k net expenditure. The principal reason was the overspending on central services (see paragraph 2 above)
7. The difference between total market net expenditure of (£2.096m) (shown in Appendix A2) and revenue outturn of (£1.884m) net expenditure (shown in Table 1) is the £212k net income for the outside properties at Smithfield, including the Rotunda car park, which are not included in Appendix A2.
8. 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 2023/24. Billingsgate achieved net income of £83k, Spitalfields achieved net income of £117k which was offset by net expenditure of £2.296m at Smithfield Market
9. Chart 1 also shows that Smithfield Market has incurred deficits in each of the previous three financial years, which is largely attributable to the current cap on the service charge meaning that expenditure is not fully recoverable from tenants. The deficit that was incurred at Spitalfields in 2021/22 has not been repeated 2023/24 and the market is now showing a surplus. Billingsgate has maintained a surplus over the previous three financial years.

Chart 1 - Markets Net Income/(Expenditure) - 2021/22 To 2023/24



10. During 2023/24 a review of central support services recharges was carried out. This involved updating the basis of apportionment for all recharges following the TOM and Governance Review along with trying to make them more transparent and fairer across all services. The updated basis has led to several variations to the original budget across committees, but overall total recharges have remained within the total original envelope. City Fund Original Budget £29.9m, Outturn £27.9m, and City's Estate Original Budget £24.2m, Outturn £22.9m. Consultation has been held with areas where recharges are funded from local reserves, i.e. HRA and Police, any variation/increase in costs across other services are met from the deficit funding and have no effect on front-line services.

11. Appendix A4 provides Members with information on balances held on various repair funds for each market as of 31 March 2024.

Appendices

- **Appendix A1** - Reconciliation of Original Budget to Final Budget – 2023/24
- **Appendix A2** - Wholesale Markets Operating Statement 2023/24
- **Appendix A3** - Wholesale Markets Operating Statement Variance Notes – 2023/24
- **Appendix A4** - Wholesale Markets Reserves Balances – 31 March 2024

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