

## City of London Corporation Committee Report

<b>Committee(s):</b> Market Board – For decision	<b>Dated:</b> 13/11/2024
<b>Subject:</b> Revenue and Capital Budgets 2025/26	<b>Public report:</b> For Decision
<b>Does this proposal require extra revenue and/or capital spending?</b>	Yes
<b>If so, how much?</b>	£698k
<b>What is the source of Funding?</b>	City Cash and City's Fund
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	No
<b>Report of:</b>	The Chamberlain The Director of Markets
<b>Report author:</b>	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 approved revised revenue budget for 2024/25 and approve the draft revenue and capital budgets for 2025/26, for subsequent submission to Finance Committee. It also asks Members to support a request to Resource Allocation sub committee to address a significant budget pressure at Smithfield Market.

The draft budget for 2025/26 has been prepared in line with the budget guidelines set by the Resource Allocation sub committee (RASC). However, additional budget pressures of £698k have been identified at Smithfield Marketing relation to closure of the Poultry Market and the Smithfield service charge cap. The draft budget therefore, includes a credit line of £698k for unidentified savings to be achieved during 2025/26 in order to stay within the budget totals agreed by RASC. It is this sum that will be subject to the request to RASC for additional funding. It should be noted that even if this is granted it will still leave the Director of Markets to find £334k of planned ToM savings in 2025/26

The draft 2025/26 Original Budget, presented in this report, totals net income of £352k, including the £698k unidentified savings line, compared to the 2024/25 Original Budget net expenditure of (£20k), a decrease of £372k.

The report also presents the staffing statement for 2025/26 as well as a Wholesale Market Operating Statement for both the Approved Revised Budget for 2024/25 and the Original Budget for 2025/26 for the three markets. This is included at Appendix 4.

The 2024/25 Approved Revised Budget is also presented in this report in Appendix 1 for information. This totals net income of £98k, an increase of £118k compared with the 2024/25 Original Budget of net expenditure of (£20k).

## Recommendation(s)

Members are asked to:

- i) note the approved revised revenue budget for 2024/25 for Markets Board.
- ii) critically review and approve the Markets Board draft revenue budget for 2025/26, which has been composed in line with RASC guidelines, for submission to Finance Committee.
- iii) approve a request to RASC for the budget adjustment relating to the budget shortfall of £698k in 2025/26 at Smithfield Market.
- iv) review and approve the Markets Board draft capital and supplementary revenue projects budgets for 2025/26 for submission to Finance Committee.
- v) note that the draft budget does also not include any additional 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; and
- vi) agree that any amendments for 2024/25 and 2025/26 budgets arising from changes to recharges, energy costs and any other minor changes be delegated to the Chamberlain in consultation with the City Surveyor.

## Main Report

### Background

1. This report sets out the approved revised revenue budget for 2024/25 and the draft revenue and capital budgets for 2025/26 for your board and under the control of the City Surveyor, 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 2024/25 budget and draft 2025/26 budget, summarised in Table 1 below, are analysed by risk, fund, and Chief Officer in Appendix 1.

<b>Table 1 - Summary Revenue Budgets 2024/25 and 2025/26</b>			
	<b>Original Budget 2024/25</b>	<b>Approved Revised Budget 2024/25</b>	<b>Original Budget 2025/26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Expenditure *	(15,892)	(15,834)	(16,274)
Income	19,553	19,613	19,781
<b>Net (Expenditure)/ Income</b>	<b>3,661</b>	<b>3,779</b>	<b>3,507</b>
Support Services and Capital Charges	(3,681)	(3,681)	(3,155)
<b>Total Net (Expenditure)/Income</b>	<b>(20)</b>	<b>98</b>	<b>(352)</b>

\* Includes unidentified savings

#### **Latest Revenue Budget for 2024/25**

4. Appendix 1 provides details on budget movements between the 2024/25 Original Budget as agreed by Markets Committee in November 2023 and the 2024/25 Approved Revised budget. The Total net expenditure has decreased by £118k from a net expenditure position of (£20k) to a net income position of £98k. Main reasons for the decrease are:

- Increase of income of £60k received in Billingsgate Market following agreement with Midgard Ltd to occupy unused space in the carpark.

#### **Draft Revenue Budget for 2025/26**

5. Total net income for 2025/26 amounts to £352k, an increase of £372k compared with the Original Budget for 2024/25 of (£20k) net expenditure as agreed by Markets Committee in November 2023.
6. As advised by Resource Allocation Sub Committee, the 2025/26 budget includes a 2% uplift for inflation.
7. The budget has been prepared and exceeds the draft resource envelope anticipated to be allocated to Markets Board by RASC by £698k. To balance the RASC total this has been included in the report as an unidentified saving pending a request for additional resources has been included.

The reasons for this increase in expenditure are detailed in points a and b below:

The Markets Director has a budget shortfall of £698k for 2025/26 for Smithfield Market which is demonstrated in the table below.

Explanation	£000's
(a) Service Charge Cap since 2018/19 (no inflation increase)	270
(b) Budgets still required following Poultry market closure	428
Budget Shortfall	698

8. The details for these items are as follows.

**a) Inflation on Service Charge since 2018/19**

A report to Markets Committee in May 2018 approved by Court for Common Council in June 2018 agreed that following:

- agreement in relation to the Poultry Market closure, the Service Charge cap at Smithfield should remain in place until such time as the whole Market relocates or until 31 March 2028, whichever is earlier,
- the City agrees to freeze the Market rents at their current level
- the cost recommendations of the points above should be borne centrally and not by the Markets Committee

The problem that the Market faces is that costs have increased overtime without any adjustment to the cap and hence recovery of these costs has not been possible. If the assumed inflationary adjustment in the City's budget for each year since 2018/19 could have been applied to the cap, then the Market would be £270k better off. Since the cap is fixed under the lease agreed with the tenants there needs to be an adjustment to Smithfield Market's net expenditure budget to take account of this shortfall in income.

**b) Budgets still required following Poultry market closure**

When the decision was made to close the Poultry Market, certain assumptions were made on the level of savings that this would bring to the budgets overseen by the Markets Board and budget reductions were made in the financial years 2023/24 and

2024/25. Whilst some of these savings have materialised, such as rates reductions, energy requirements for the whole building and repairs and maintenance, others have not.

The Animal By Product Facility has had to be re-located to within the East Market resulting in an increased cost to that Market of £106k. The energy for the Cooling Tower was again funded from Poultry Market budgets and now there is a current on-going cost for their running not budgeted for of £26k (excluding any maintenance required).

Employee costs were also charged to Poultry Market for the work that these staff undertook there, but these staff had other duties within the East and West Market that they undertook in conjunction with this and are still required to undertake which is resulting in a £296k budget deficit within the 2025/26 Estimates. Since these savings cannot be made without compromising operations it is requested that budget adjustments are made to restore these budgets for 2025/26.

The assumptions in the report approved by Members were:

- *In the shorter term, vacant possession of the Poultry Market by 2020/21 is important to avoid putting the entire Museum relocation project behind schedule.*
- *The whole Smithfield meat market will relocate from its current site within the next decade, and probably by about 2024, or earlier if possible.*

9. Because of these items it has not been possible to set the Markets Board budget within the overall envelope set by RASC. Instead, an unidentified savings has been added for £698k. It is this sum which Members agreement is sought to make a bid to RASC for extra budget.

10. It should be noted that even if the two requests are agreed by Members and RASC this will still leave the Markets Director to find £334k of savings mainly relating to TOM savings in 2025/26. These savings targets have been incorporated into the 2025/26 estimates presented to your Board today, and the Director will be seeking to make these through either expenditure efficiencies or by growing car park, filming and other income.

Other items to note:

- Members should note that the Cyclical Works Programme (CWP) figures included in this report relate only to elements of the newly approved £133m programme for the City overall.
- 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 City Surveyor.

### 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 and the Markets Directorate) is shown in Appendix 4.
12. The net income shown on the Operating Statement is lower than the overall Markets Board net expenditure total of (£352k) as the Operating Statement excludes the net cost for the operation of the Rotunda Car Park at Smithfield Market and the Markets Directorate.

### Staffing Statement

13. The below table analyses the movement in manpower and related staff costs. This shows a reduction of 1 FTE from 115.0 to 114.0 and an increase in total employment costs of £622k from (£5.934m) to (£6.494m) due to the transfer of staff from Poultry Market to the East and West Markets at Smithfield.

	Original Budget 2024/25		Original Budget 2025/26	
	Manpower Full-time Equivalent	Estimated Cost £'000	Manpower Full-time Equivalent	Estimated Cost £'000
<b>Directorate</b>	4.5	(369)	4.5	(382)
<b>New Spitalfields Market</b>	31.3	(1,686)	31.5	(1,722)
<b>Smithfield Market</b>	38.7	(1,760)	37.5	(2,227)
<b>Billingsgate Market</b>	40.5	(2,119)	40.5	(2,163)
<b>Total Markets</b>	<b>115.0</b>	<b>(5,934)</b>	<b>114.0</b>	<b>(6,494)</b>

Increase in cost is due to Market Forces, higher graded staff and additional contractual salaries

### Draft Capital Project Budgets for 2025/2026

14. The latest estimated costs of the Board's current approved capital and supplementary revenue projects (which are formed of new Cyclical Works approvals) are summarised in Appendix 5.
15. It should be noted that the table above excludes the costs of the Markets Consolidation Programme.

16. 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 2025.

## **Conclusion**

This report presents the draft 2025/26 budgets for Markets Board for Members to consider and approve including the unidentified savings of £698k which this has been included in the report until a resolution has been found.

## **Appendices**

- Appendix 1 – Board Summary Budget by Risk, Fund and Chief Officer
- Appendix 2 – Original Budget 2024/25 to Original Budget 2025/26
- Appendix 3 - Original Budget 2024/25 to Original Budget 2025/26 Movement Notes
- Appendix 4 – Wholesale Markets Operating Statement 2024/25 Approved Revised Budget and 2025/26 Original Budget
- Appendix 5 – Capital Forecast 2024/25 and 2025/26

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