

Committee(s):	Date(s):
Markets	10 July 2013
Subject: Revenue Outturn 2012/13	Public
Report of: The Chamberlain Director of Markets and Consumer Protection	For Information

Summary

This report compares the 2012/13 revenue outturn for the services overseen by your Committee with the final agreed budget for the year. Overall total net expenditure during the year was £5.674m, whereas the total agreed budget was £6.059m, representing an under spend of £0.385m as summarised below.

Summary Comparison of 2012/13 Revenue Outturn with Final Agreed Budget			
	Final Agreed Budget £000	Revenue Outturn £000	Variations Increase/ (Decrease) £000
Local and Central Risk			
Director of Markets and Consumer Protection	(1,444)	(1,419)	25
City Surveyor	422	411	(11)
City Surveyor – Additional Works Programme	785	335	(450)
Total Direct Net Expenditure	(237)	(673)	(436)
Capital and Support Services	6,296	6,347	51
Overall Totals	6,059	5,674	(385)

Chief Officers have submitted requests, to carry forward underspends. These requests will be considered by the Chamberlain in consultation with Chairman and Deputy Chairman of the Resource Allocation Sub Committee.

However, the Director of Markets and Consumer Protection had a net overspend of £65,000 on his local risk budgets within Markets Committee, which mainly related to an operational deficit at Smithfield Market. Consequently the Director of Markets and Consumer Protection has no carry forward within the services supporting Markets Committee and the over spend on the local risk budget will be offset against the Directors overall local risk

underspend within the services supporting Port Health & Environmental Services Committee and Licensing Committee.

The City Surveyor's net underspend of £461,000 mainly relates to the re-phasing of the Additional Works Programme over its three year cycle. It is anticipated that this will be spent over the life of the programme.

Recommendations

It is recommended that this revenue outturn report for 2012/13 is noted.

Main Report

Revenue Outturn for 2012/13

- Actual net expenditure for your Committee's services during 2012/13 totalled £5.674m, an underspend of £0.385m compared to the final approved budget of £6.059m. A summary comparison with the final agreed budget for the year is tabulated below. In this and subsequent tables, figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure.

Summary Comparison of 2012/13 Revenue Outturn with Final Agreed Budget				
	Final Agreed Budget £000	Revenue Outturn £000	Variations Increase/ (Decrease) £000	Variation Increase/ (Decrease) %
Local Risk				
Director of Markets and Consumer Protection	3,358	3,423	65	1.9
City Surveyor				
Repairs & Maintenance	422	411	(11)	(2.6)
Additional Works Programme	785	335	(450)	(57.3)
City Surveyor's Sub Total	1,207	746	(461)	(38.1)
Total Local Risk	4,565	4,169	(396)	(8.7)
Central Risk				
Director of Markets and Consumer Protection	(4,802)	(4,842)	(40)	(0.8)
Capital and Support Services	6,296	6,347	51	0.8
Overall Totals	6,059	5,674	(385)	(6.4)

2. The local risk overspend of £65,000 comprises the following main variations:
 - **Director of Markets** - higher expenditure on premises related expenditure items at Smithfield Market and the Rotunda Car Park - £96,000. These costs are partly offset by savings and additional income generated at all Markets (£31,000).
 - **City Surveyor** – a reduction in repairs and maintenance costs mainly as a result of re-phasing of the Additional Works Programme £461,000.
3. The central risk underspend of £40,000 comprises the following main variations:
 - A rate rebate at Billingsgate Market (£139,500), which was partly offset by a transfer to the Repainting and Special Work Fund (RSWF) to ensure that the Service Charge balanced to nil £88,500 and;
 - Increased net expenditure mainly at Billingsgate Market due to changes in Billingsgate lease renewals £76,000.
 - Additional rental income generated at New Spitalfields Market (£65,000).
4. The £51,000 variation in capital and support services is made up of a number of small variations as a result of changes in the level and attribution of central costs.
5. Annex A1 and A2 provides a more detailed comparison of the local risk outturn against the final agreed budget, including explanations of variations.

Local Risk Carry Forward to 2013/14

6. The Director of Markets and Consumer Protection had a local risk overspend of £65,000 on the activities overseen by your Committee. The Director also had net local risk underspends totalling £430,000 on activities overseen by Port Health & Environmental Services and Licensing Committees.
7. Permission has been sought from the Chamberlain for the overspend of £65,000 to be netted off against the overall underspend of £430,000, which has been granted and the Director is proposing that his total eligible underspend be carried forward to use fully upon activities within Port Health & Environmental Services Committee.
8. The City Surveyor's underspend of £461,000 relating mainly to the Additional Works Programme will be rolled over to 2013/14. The Additional Works Programme has been approved by the Policy and Resources Committee to enable the highest priority schemes and precautionary surveys from the City Surveyor's 20 year plan to proceed as soon as possible. The progress of schemes is monitored quarterly by the Corporate Asset Sub Committee. Budget transfers are permitted between schemes and also between years in order to allow for the re-phasing and completion of works.

Financial Performance of the Markets

9. Members have, in the past, requested a breakdown of financial performance of individual Wholesale Markets (i.e. excluding the car park and outside properties at Smithfield). This is set out in Annex B1 which shows the operating costs for each Market. An apportionment of the Directorate costs and other central support costs are included below the operating line.
10. The three Wholesale Markets produced a combined operating surplus of £2.044m in 2012/13. Surpluses of £1.806m and £0.763m at Spitalfields and Billingsgate respectively have been partly offset by a deficit of £0.525m at Smithfield.
11. When capital charges and other central costs of £4.993m and £2.749m respectively are added, the overall cost to the City of London Corporation of operating the markets was £5.698m in 2012/13

Annex A1 - Comparison of 2012/13 Local Risk Revenue Outturn with Final Agreed Budget

Annex A2 - Comparison of 2012/13 Central Risk Revenue Outturn with Final Agreed Budget

Appendix B1 - Comparison of 2012/13 Operating Statement with Operating Budget

Contacts:

Simon Owen

020 7332 1358

simon.owen@cityoflondon.gov.uk

Debbie Howard

020 7332 3574

debbie.howard@cityoflondon.gov.uk

Markets Committee - Comparison of 2012/13 Revenue Outturn with Final Agreed Budget

	Final Agreed Budget £000	Revenue Outturn £000	Variation Increase/ (Decrease) £000	Variation %	Reasons
LOCAL RISK					
Director of Markets					
City Fund					
Spitalfields Market Service Charge	25	25	0	(00.0%)	
Spitalfields Market Corporation	23	9	(14)	(60.9%)	3
Total City Fund	48	34	(14)	(29.2%)	
City's Cash					
Smithfield Wholesale Market	2,835	2,884	49	1.7%	1
Smithfield Market Other Services	(106)	(59)	47	(44.3%)	2
Billingsgate Market Non Service Charge	164	160	(4)	(2.4%)	3
Markets Directorate	417	404	(13)	3.1%	3
Total City's Cash	3,310	3,389	79	2.4%	
Total Director of Markets	3,358	3,423	65	1.9%	
City Surveyor					
City Fund					
Spitalfields Market Service Charge	22	22	0	0.0%	
Spitalfields Market Corporation	1	5	4	400.0%	4
Total City Fund	23	27	4	17.4%	
City's Cash					
Smithfield Wholesale Market					
General repairs and maintenance	306	292	(14)	(4.6%)	5
Additional programme of works	784	334	(450)	(57.4%)	6
Billingsgate Market Service Charge	84	92	8	9.5%	7
Billingsgate Market Non Service Charge	9	0	(9)	(100.0%)	7
Total City's Cash	1,183	718	(465)	(39.3%)	
Total City Surveyor	1,207	746	(461)	(38.2%)	
TOTAL LOCAL RISK	4,565	4,169	(396)	(8.7%)	

Reasons for Significant Local Risk Variations – Director of Markets

1. **Smithfield Wholesale Market** - the overspend of £49,000 is mainly due to the following:
 - Higher than expected energy costs. Trader's demise £110,000 and common parts £20,000 due to higher consumption and price increases.
 - The additional electricity cost is offset by higher than anticipated reimbursement for energy costs for the tenant's demise (£81,000).
 - Additional electric meters required for the common areas at Smithfield Market in relation to the commitment made to the SMTA during the lease renewal negotiations that utilities would be metered where possible £11,000.
 - Income from reimbursement of cool and heated water (Citigen) was less than anticipated £40,000.
 - Savings made on the cost of refuse collection (£28,000), cleaning and pest control costs (£9,000), employment costs (£7,000), and congestion charges (£7,000)
2. **Smithfield Market Other Services** - the adverse variance of £47,000 is mainly due to the following:
 - Higher than expected energy costs for the Rotunda Car Park due to higher consumption and price increases £25,000.
 - Higher than anticipated management fees for the Rotunda Car Park due to higher than expected increase in RPI £10,000.
 - Rotunda Car Park income was less than anticipated due to cancellation of season tickets £10,000.
 - Net cost of additional maintenance required in the vacant storage area beneath the Market £2000.
3. The costs are offset by net savings or additional income generated over various headings of (£31,000) which relate to Spitalfields (£14,000), Billingsgate (£4,000) and the Directorate (£13,000)

Reasons for Significant Local Risk Variations – City Surveyors

4. The adverse variance at New Spitalfields Market is due to unexpected minor works undertaken by City Surveyors £4,000
5. The favourable variance of (£14,000) at Smithfield Market is due to the contingency for general breakdown work not required
6. The City Surveyor's underspend of £450,000 relates to the re-phasing of the Additional Works Programme over its three year cycle. It is anticipated that this will be spent over the life of the programme. (450,000)
7. The adverse variance of £8,000 is offset by the favourable variance of (£9,000) at Billingsgate Market due mainly to additional work required on the common areas of the market payable via the service charge and the general breakdown contingency for work required in the Landlords areas not required.

**Markets Committee - Comparison of 2012/13 Revenue Outturn
with Final Agreed Budget**

	Final Agreed Budget £000	Revenue Outturn £000	Variation Increase/ (Decrease) £000	Variation %	Reasons
CENTRAL RISK					
Director of Markets					
City Fund					
Spitalfields Market Service Charge A/C	(350)	(348)	2	0.5%	
Spitalfields Market City Account	(1,359)	(1,424)	(65)	4.8%	8
Spitalfields Market Tenants Repairs A/C	(17)	(15)	2	(11.8)%	
Total City Fund	(1,726)	(1,787)	(61)	3.5%	
City's Cash					
Smithfield Market Wholesale Market	(1,763)	(1,820)	(57)	3.2%	9
Smithfield Market Other Services	(45)	(27)	18	(40.0%)	10
Billingsgate Market Service Charge A/C	(197)	(225)	(28)	14.2%	11
Billingsgate Market Non Service Charge	(1,054)	(977)	77	7.3%	12
Billingsgate Market Special Works A/C	(17)	(6)	11	(64.7%)	13
Total City's Cash	(3,076)	(3,055)	21	(0.7%)	
TOTAL CENTRAL RISK	(4,802)	(4,842)	(40)	(0.8%)	

Reasons for Significant Central Risk Variations

8. **Spitalfields Market Service Charge A/C** – income is higher than anticipated due to additional rent (£65,000).
9. **Smithfield Wholesale Market** - net income is higher than anticipated due mainly to savings made on legal fees (£31,000) and inspection fees (£40,000) which are partly offset by an unexpected cost for re-measuring the market by a firm of independent surveyors £15,000.
10. **Smithfield Market Other Services** – net income is lower due to an increase in the bad debt provision, mainly for non- payment of rent at the Cock Tavern Public House £18,000. The property has now been repossessed by the City Surveyor.
11. **Billingsgate Market Service Charge A/C** – net income is higher mainly due to higher than expected reimbursement to cover the additional recharged costs of Central Support Services (£20,000) and repair works (£8,000).
12. **Billingsgate Market Non Service Charge** – reduction in net income due mainly to the change in the liability of costs for empty premises £59,000 and increased bad debt provision £33,000 that were payable through the Service Charge under the old lease arrangement. The new leases, implemented in May 2012 are now the liability of City's Cash. Other overspends relate to professional fees which the Chamberlain's department agreed could be funded from central risk rather than local risk for advertising and managing the re-letting of Satellite Unit 1 building £9,000 and a net reduction in rental income and Wayleaves and Tolls £26,000. These were partly offset by a rates refund (£51,000).
13. **Billingsgate Market Special Works A/C** – reduction in net income due mainly to a lower than expected reimbursement required from reserves, as the costs for the work managed by the City Surveyor and funded through the Repainting and Special Works Fund was lower than anticipated £11,000.