

Committee(s):	Date(s):		
Markets	20 November 2013		
Subject: REVISED REVENUE AND CAPITAL BUDGETS - 2013/14		Public	
Report of: The Chamberlain Director of Markets and Consumer Protection		For Decision	

Summary

This report is a submission of the revenue and capital budgets overseen by your Committee. In particular it seeks approval to the provisional revenue budget for substantial changes for Smithfield Market due to changes required because of the new leases signed in April 2013. The budgets have been prepared within the resources allocated to the Director.

Business priorities for the remainder of this year include maintaining the same high level of service or developing new services within a cash limited resource allocation; reducing energy consumption and carbon footprint; and to review our tenant's service charge accounts to ensure that we continue to deliver cost effective services.

Summary of Table 1	Original Budget 2013-14 OR £000	Latest Approved Budget 2013-14 £000	Movement £000
Expenditure	13,209	13,190	(19)
Income	(14,459)	(15,267)	(808)
Support Services and Capital Charges	6,182	2,157	(4,025)
Total Net Expenditure	4,932	80	(4,852)

Overall, the revised 2013-14 provisional revenue budget totals £80,000, a decrease of (£4.852m) compared with the original budget approved by your

Committee in November 2012.

The main reasons for this decrease are:

- Total income has increased by (£808,000), mainly because of the Smithfield lease renewals.
- Central Support Services and Capital Charges have decreased by (£4.025m) due to a change in the City of London Corporation adopting the UK Generally Accepted Accounting Practices (UK GAAP).

Recommendations

The Committee is requested to:

- Review the revised revenue budget for 2013/14 to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee.

Main Report

Introduction

1. The City of London Corporation owns and manages Billingsgate Market (fish) in Docklands, Smithfield Market (meat) in the City and Spitalfields Market (fruit, vegetables and flowers) in Leyton. Smithfield and Billingsgate Markets are funded from City's Cash and Spitalfields Market is funded from City Fund.
2. A separate report would not normally be prepared for Committee to approve a revised 'Latest Approved Budget' as movements would usually be insignificant against the original budget and well below 10%, which is the percentage change trigger in budget movements for a further report to be presented to your Committee for approval. This was agreed by your Committee in November 2012.
3. It has been agreed with the Chairman and Deputy Chairman to provide the significant changes in a separate report so it is easier to review the revisions required in 2013/14 due to the Smithfield lease renewals and changes in accounting practice.
4. A separate report seeking approval for the Revenue and Capital provisional budgets for 2014/15 is also provided within the Committee agenda for approval by your Committee.
5. This report sets out the proposed revised revenue budget for 2013/14.

6. The revenue budget management arrangements are to:
 - Provide a clear distinction between local risk, central risk and recharge budgets.
 - Place responsibility for budgetary control on departmental Chief Officers.
 - Apply a cash limit policy to Chief Officers' budgets.
7. The original provisional budget for 2013/14 has been analysed by the service expenditure and compared with the latest revised budget for 2013/14 which is referred to as the 'Latest Approved Budget' in the tables, (see Table 1).
8. The report also compares the current year's latest approved budget with the forecast outturn.

Business Planning Priorities

9. Business priorities in 2013/14 include maintaining the same high level of service or developing new services within a cash limited resource allocation; identifying new income streams; reducing energy consumption and carbon footprint; on-going support for the Procure to Pay (PP2P) initiative in order to deliver savings through improved procurement and to review our tenants service charge accounts to ensure that we are delivering cost effective services and value for money.
10. Smithfield Market leases were renewed in April 2013. The estimates have been prepared in accordance with the new lease arrangements and the wholesale account has been closed. A new service charge account and corporate account has been prepared and incorporated into Table 1
11. At Billingsgate there are two priority projects for 2013/14. They are to implement works for renewing the roof and the creation of additional fish handling building facilities. It is anticipated that there will be no impact on revenue as the project is expected to be funded from grants and the reserves in the "sinking fund". Future 'gateway' reports will be prepared to keep your Committee updated on the latest developments.

Revenue Budget for 2013/14

12. The proposed revised Revenue Budget for 2013/14 is shown in Table 1 below, analysed between:

- Local Risk budgets – these are budgets deemed to be largely within the Chief Officer’s control.
 - 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 of his control or are budgets of a corporate nature (e.g. interest on balances and rent incomes from investment properties).
 - 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.
13. The City of London has also adopted the UK GAAP standards for calculating depreciation and this has resulted in a significant change to the 2013/14 budgets.
14. The provisional revised 2013/14 budgets, being presented to your Committee, and under the control of the Director of Markets and Consumer Protection have been prepared in accordance with guidelines agreed by the Policy & Resources and Finance Committees.

TABLE 1
MARKETS COMMITTEE SUMMARY – ALL FUNDS

Analysis of Service Expenditure	Local or Central Risk	Actual 2012-13 £'000	Original (OR) Budget 2013-14 £'000	Latest Approved Budget (LAB) 2013-14 £'000	Movement (OR) 2013-14 to (LAB) 2013-14 £'000	Paragraph Reference
EXPENDITURE						
Employees	L	4,932	5,105	5,055	(50)	} 18
Premises Related Expenses (see note i)	L	4,058	3,944	3,910	(34)	
Premises Related Expenses (see note ii)	C	172	107	144	37	
City Surveyor – Repairs & Maintenance	L	745	1,257	1,193	(64)	
Transport Related Expenses	L	42	39	54	15	
Supplies & Services (see note iii)	L	965	823	847	24	
Supplies & Services (see note iv)	C	879	150	180	30	
Waste & Cleaning Contract at New Spitalfields Market	L	1,714	1,780	1,773	(7)	
Transfer to Service Charge Reserve	L	184	4	34	30	
Total Expenditure		13,691	13,209	13,190	(19)	
INCOME						
Other Grants, Reimbursements and Contribution	L	(362)	(275)	(244)	31	21
Customer, Client Receipts (see note v)	L	(8,060)	(8,146)	(9,777)	(1,631)	19
Customer, Client Receipts (see note vi)	C	(1175)	(1,107)	(1,097)	10	21
Customer, Client Receipts (Rent)	C	(4,697)	(4,769)	(3,721)	1,048	20
Investment Income	L	(28)	(20)	(21)	(1)	21
Transfer from Service Charge Reserves	L	(22)	(100)	(27)	73	21
Transfer from Service Charge Reserves	C	(21)	(42)	(380)	(338)	21
Total Income		(14,365)	(14,459)	(15,267)	(808)	
TOTAL EXPENDITURE/ (INCOME) BEFORE SUPPORT SERVICES AND CAPITAL CHARGES		(674)	(1,250)	(2,077)	(827)	
SUPPORT SERVICES AND CAPITAL CHARGES						
Central Support Services and Capital Charges		6,652	6,490	2,469	(4021)	} Appendix 2
Recharges within Committees		0	0	0	0	
Recharges within Fund		(45)	(32)	(30)	2	
Recharges Across Funds		(259)	(276)	(282)	(6)	
Total Support Services and Capital Charges		6,348	6,182	2,157	(4,025)	
TOTAL NET EXPENDITURE/(INCOME)		5,674	4,932	80	(4,852)	

Notes - Examples of types of service expenditure:-

- (i) Premises Related Expenses, Local Risk (L) – includes repairs & maintenance, energy costs, rates, water services, cleaning and domestic supplies.
- (ii) Premises Related Expenses, Central Risk (C) – estimated car park rates liability at Billingsgate Market
- (iii) Supplies and Services, Local Risk (L) – Equipment, furniture, materials, uniforms, printing, stationary, professional fees, grants & subscriptions.
- (iv) Supplies and Services, Central Risk (C) – actual includes legal fees for Smithfield, current year includes rates and professional fees for Billingsgate.
- (v) Customer, Client Receipts Local risk (L) – service charge and car parking income and reimbursements for electricity and water (C) car park hoarding, car parking income.
- (vi) Car Park Hoarding and Car Parking Income Central Risk (C).

- 15. In Table 1, income and favourable variances are presented in brackets. Only significant variances (generally those greater than £100,000) have been commented in full in the following paragraphs.
- 16. An analysis of revenue expenditure by Service Managed is provided in Appendix 1.
- 17. There is a reduction of (£4.852m) in the overall budget between the 2013/14 original budget and the 2013/14 proposed latest approved budget. The movement is explained by the variances outlined below.
- 18. There is an overall reduction in local and central risk expenditure of (£19,000), due to the numerous ups and downs in the various expenditure categories.
- 19. The increase of (£1.631m) in local risk customer and client receipt income is due to:

Division	Description
Smithfield	<ul style="list-style-type: none"> • Increase in service charge income of (£2.012m) off set against a decrease in reimbursable work and filming income of £21,000.
Spitalfields	<ul style="list-style-type: none"> • A net reduction of £59,000 of service charge income as expenditure has fallen within the service charge.
Billingsgate	<ul style="list-style-type: none"> • A net reduction of £118,000 of service charge income as a result of reductions in service charge

	<p>expenditure.</p> <ul style="list-style-type: none"> • A reduction in car parking income of £35,000. • A net reduction of income due to a reduction in contribution to the repairs and repainting fund in the year of £120,000.
Smithfield Other	<ul style="list-style-type: none"> • A net reduction in car parking income from the Rotunda car park of £28,000.

20. The decrease in rental income within the central risk of £1.048m is mainly due to:

Division	Description
Smithfield	<ul style="list-style-type: none"> • Reduction in rental income due to the changes within the leases. The original budget for Smithfield Market was an all-inclusive total of £2.635m. The rent and service charge elements have now been split and the rent calculated according to the new leases which total £1.706m. The adverse variance in the central risk is £929,000. • Reduction in rental income on the Cock Tavern of £21,000 due to the premises being repossessed by City Surveyors for non- payment of debt.
Billingsgate	The rental income has reduced by £98,000 due to the vacant Satellite unit.

21. The net increase of (£225,000) income from the service charge reserve is mainly required due to the requirement to fund increased repair and maintenance costs at Billingsgate and Spitalfields.

TABLE 2 - CITY SURVEYOR LOCAL RISK			
Repairs and Maintenance	Original Budget 2013/14 £'000	Latest Approved Budget 2013/14 £'000	Movement
Additional Works Programme	683	419	(264)
Planned, Re-active & Cyclical Works			
Billingsgate	91	291	200
Smithfield	270	276	6
Spitalfields	213	207	(6)
Total City Surveyor	1,257	1,193	(64)

22. A rephrasing of the City Surveyors Additional Works Programme has resulted in a decrease of (£64,000).
23. Following the implementation of the MITIE and APEX contracts in July 2012, budgets have been re-aligned to reflect the tendered cost of the new contracts. The 2013/14 latest approved budget, therefore reflects those changes.

24. Analysis of the movement in manpower and related staff costs are shown in Table 3 below.

Table 3 - Manpower statement	Original Budget 2013/14		Latest Approved Budget 2013/14	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Directorate	5.4	421	6.4	425
Spitalfields Market	29.0	1,283	29.0	1,235
Smithfield Market	49.0	1,797	49.0	1,835
Billingsgate Market	41.0	1,604	39.6	1,560
TOTAL MARKETS	124.4	5,105	124.0	5,055

Revenue Budget 2013/14

25. The forecast outturn for the current year is £80,000. It is anticipated that the Director of Markets and Consumer Protection will remain within his resource allocation.

Members Format

26. Members have, in the past, expressed interest in the financial performance of individual Wholesale Markets (i.e. excluding the car park and outside properties at Smithfield and Directorate costs). This is set out in Appendix 3, which has not been prepared in accordance with conventional City of London format but where expenditure and adverse variances are presented in brackets.
27. On this basis, there is an overall cost to the City of London Corporation of operating the Markets of £76,000 in 2013/14. The costs are lower this year than the overall Committee total, as the excluded items of the Smithfield Car Park and other services produce a small net surplus of £4,000. The costs of the Markets include capital charges and depreciation for 2013/14 totalling £846,000.
28. The City of London Corporation has now adopted the Generally Accepted Accounting Practice Standards for the UK, (UK GAAP) which

has resulted in the notional capital costs at Smithfield and Billingsgate Markets being written down and depreciation of the building charged to the revenue account. The charges are:

Spitalfields	£555,000
Billingsgate	£169,000
Smithfield	£122,000
Total	£846,000

Draft Capital and Supplementary Budgets

29. There are no details of Capital and Supplementary Budgets given within this report. An updated position of the Committee's draft capital and supplementary revenue projects latest estimated costs, are summarised within the 2014/15 estimate report, attached within this committee's agenda.

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APPENDIX 1

Analysis by Service Managed	Actual 2012-13 £'000	Original OR Budget 2013-14 £'000	Latest Approved Budget LAB 2013-14 £'000	Movement OR 2013-14 to LAB 2013-14 £'000	Paragraph Reference
CITY FUND					
Spitalfields Market					
- Service Charge Account	26	25	26	1	
- City Account	(875)	(792)	(816)	(24)	
- Repairing and Repairs Fund	0	0	0	0	
Total Spitalfields Market	(849)	(767)	(790)	(23)	
TOTAL CITY FUND	(849)	(767)	(790)	(23)	
CITY'S CASH					
Smithfield Market					
- Wholesale	6,731	6,116	0	(6,116)	
- Service Charge Account	0	0	1,755	1,755	
- Non-Service Charge Account	0	0	(550)	(550)	
- Other Services	(24)	(83)	4	87	
Total Smithfield Market	6,707	6,033	1,209	(4,824)	
Billingsgate Market					
- Service Charge Account	0	0	0	0	
- Non-Service Charge Account	(184)	(334)	(339)	(5)	
- Repairing and Special Works Account	0	0	0	0	
Total Billingsgate Market	(184)	(334)	(339)	(5)	
Markets Directorate	0	0	0	0	
TOTAL CITY'S CASH	6,523	5,699	870	(4,776)	
TOTAL	5,674	4,932	80	(4852)	

APPENDIX 2

Support Service and Capital Charges from/to Markets Committee	Actual 2012/13 £000	Original Budget OR 2013/14 £000	Latest Approved Budget 2013/14 £000
Support Service and Capital Charges			
Administrative Buildings	37	40	39
City Surveyor's Employee Recharge	180	189	179
Insurance	455	458	458
IS Recharges - Chamberlain	202	170	220
Capital Charges (note 1 below)	4,993	4,883	846
Support Services -			
Chamberlain	159	140	144
Comptroller and City Solicitor	146	158	156
Town Clerk	239	216	243
City Surveyor	170	162	113
Corporate (e.g. sustainability & contingency planning)	38	42	40
Liability Insurance	33	32	31
Total Support Services and Capital Charges	6,652	6,490	2,469
Recharges Within Funds			
Corporate and Democratic Core – Finance Committee	(77)	(77)	(77)
Unfit meat disposal charges – Port Health and Environmental Services Committee	48	62	62
Directorate Recharge – Port Health and Environmental Services Committee	(16)	(17)	(17)
Recharges Across Funds			
Directorate Recharge - Markets – City Fund			
Directorate Recharge – Licensing Committee	(17)	(15)	(15)
Directorate Recharge – Port Health and Environmental Services Committee	(242)	(261)	(265)
TOTAL SUPPORT SERVICE AND CAPITAL CHARGES	6,348	6,182	2,157

Note 1. The Capital Charges within this Committee total £846,000 in 2013/14. The breakdown of depreciation can be viewed at paragraph 28 of the report.