

Committee:	Date:
Markets	16 July 2014
Subject:	Public
Revenue Outturn 2013/14	
Report of:	For Information
The Chamberlain	
Director of Markets and Consumer Protection	

Summary

This report compares the 2013/14 revenue outturn for the services overseen by your Committee with the final budget for the year. Overall total net income during the year was (£0.561m), whereas the total agreed budget was £0.257m, representing an under spend and/or increase in income generation of (£0.818m) as summarised below.

Summary Comparison of 2013/14 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	(2,959)	(3,583)	(624)
City Surveyor	1,193	939	(254)
Total Direct Expenditure/(Income)	(1,766)	(2,644)	(878)
Capital and Support Services	2,023	2,083	60
Overall Totals	257	(561)	(818)

The Director of Markets and Consumer Protection had a net underspend of £624,000 on his local and central risk budgets within Markets Committee, which mainly related to savings at Smithfield Market in relation to salary, energy, heat and cooling of water costs and additional rent income at Billingsgate Market.

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. The Director of Markets and Consumer Protection has requested to carry forward £402,000 for all the Committees within his remit, of which £213,000 was within the services supporting Markets Committee.

The City Surveyor's net underspend of £254,000 mainly relates to delayed or cancelled works at Billingsgate and New Spitalfields Markets.

Recommendations

It is recommended that this revenue outturn report for 2013/14 and the proposed carry forward of underspending to 2014/15 are noted.

Main Report

Revenue Outturn for 2013/14

1. 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. The net income position for your Committee's services during 2013/14 totalled (£0.561m), a surplus of (£0.818m) compared to the approved budget of £0.257m.

Summary Comparison of 2013/14 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	1,585	1,174	(411)	(25.9)
City Surveyor				
Repairs & Maintenance	774	494	(280)	(36.1)
Additional Works Programme	419	445	26	6.2
City Surveyor's Sub Total	1,193	939	(254)	(21.3)
Total Local Risk	2,778	2,113	(665)	(23.9)
Central Risk				
Director of Markets and Consumer Protection	(4,544)	(4,757)	(213)	(4.7)
Capital and Support Services	2,023	2,083	60	3.0
Overall Totals	257	(561)	(818)	(318.3)

2. The local risk underspend of £665,000 comprises the following main variations:

- **Director of Markets and Consumer Protection** – lower than anticipated expenditure for employment costs and premises related expenditure items at Smithfield Market (£294,000), New Spitalfields Market (£51,000) and the Directorate (£33,000); additional income of (£44,000) was generated from the Rotunda Car Park as well as lower than anticipated premises related expenses for the car park and ‘Other properties’ such as the storage facility beneath the market (£24,000). This is partly offset by increased expenditure for employment costs and a reduction in car parking income totalling £35,000 at Billingsgate Market.

- **City Surveyor** – a reduction in repairs and maintenance costs mainly due to delayed or cancelled projects as follows:

- **Billingsgate Market (£145,000)** - the delayed project is the replacement of the fire alarm system where it had been envisaged that a replacement would be on a rolling 3 year basis starting in 2013/14 but the replacement will now take place as a single project with the works scheduled to commence in November 2014 (£50,000).

A project to replace the site boilers has been cancelled and some individual parts have been renewed instead (£75,000), and project evaluation work on projects such as the additional facilities project have been delayed (£20,000).

- **New Spitalfields Market (£99,000)** – the delayed projects are the replacement of air circuit breakers in two locations (£35,000), flooring replacements in Pods A,B and C (£7,000), delay in the lift replacement work (£55,000), and minor savings on the Gatehouse refurbishment (£2,000).

- **Smithfield Market (£10,000)** – is due to savings made on general breakdown and electrical budgets of (£41,000), additional expenditure on the Additional Work Programme (AWP) of £26,000 and unexpected works required on the Cock Tavern £5,000.

3. The central risk underspend of (£213,000) comprises the following main variations:

- **Billingsgate Market** - Dilapidations rebate against the Satellite Building (£179,000) and additional rental income generated (£233,000), which was netted off against the provision for bad debts, plus additional vacancy costs £35,000 and reduced income transferred from the Billingsgate Reserve funds of £165,000. The income from reserves was not required as some works detailed above were delayed or cancelled.

- **Smithfield Market** - Reduced expenditure on inspections made by the Meat Inspectors Office (£40,000), FSA Inspections (£46,000) and additional income from the Rotunda Car Park (£20,000) and rental income of (£7,000).

- **New Spitalfields Market** - Reduced income transferred from New Spitalfields Reserve funds of £112,000. The income from reserves was not required as repairs and maintenance projects detailed above were delayed or cancelled.
4. The £60,000 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 2014/15

6. Chief Officers can request up to 10% or £500,000 of underspend (whichever is the lesser) of the final agreed local risk budget to be carried forward, as long as it is not fortuitous and the resources are required for a planned purpose. Such requests are considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee.
7. The Director of Markets and Consumer Protection had a local risk underspend of (£411,000) on the activities overseen by your Committee and is proposing to carry forward £213,000 of his local risk underspending for the following purposes:

City Cash

Smithfield Market

- £10,000 for remedial work on the fire alarm system for the East, West and Poultry Markets;
 - £37,000 for the renewal of emergency lighting in the East and Poultry Market buildings;
 - £47,000 for the renewal of emergency lighting in the West Market;
 - £10,000 to renew the rail system compressors for the East and West Market;
 - £19,000 to replace three loading arms on the loading bays for the West market rail system;
 - £90,000 to re-install showers and tanking to floor in the West Market common changing areas to maintain water tight surfaces.
8. The City Surveyor's underspend of £254,000 relates mainly to cancelled or delayed projects at Billingsgate Market £145,000, New Spitalfields £99,000 and Smithfield £10,000. The cancelled or delayed projects have been reviewed under the 20 year plan between the Superintendents and the City Surveyor to ensure the planned programme of works is maintained and any delayed or cancelled projects are rolled over to future years.

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. This table is not prepared in accordance with conventional City of London format as shown in Annex A1 and A2, therefore brackets indicate increases in expenses or decreases in income.
10. An apportionment of the Directorate costs and other central support costs are included below the operating line.
11. The three Wholesale Markets produced a combined operating surplus of £2.539m in 2013/14. Surpluses of £1.515m and £1.113m at Spitalfields and Billingsgate respectively have been partly offset by a deficit of (£0.089m) at Smithfield.
12. When capital costs of (£0.837m) and central support costs of (£1.227m) respectively are added, there is a consolidated surplus to the City of London Corporation of £0.475m in 2013/14.

Annex A1 - Comparison of 2013/14 Local Risk Revenue Outturn with Final Agreed Budget
Annex A2 - Comparison of 2013/14 Central Risk Revenue Outturn with Final Agreed Budget
Appendix B1 - Comparison of 2013/14 Operating Statement with Operating Budget

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Markets Committee - Comparison of 2013/14 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	26	4	(22)	(84.6%)	1
Spitalfields Market Corporation	23	(6)	(29)	(126.1%)	2
Total City Fund	49	(2)	(51)	(104.0%)	
City's Cash					
Smithfield Market Service Charge	978	677	(301)	(30.8%)	3
Smithfield Market Non Service Charge	(1)	6	7	700%	4
Smithfield Market Other Services	(34)	(102)	(68)	(200%)	5
Billingsgate Market Non Service Charge	163	198	35	21.5%	6
Markets Directorate	430	397	(33)	(7.7%)	7
Total City's Cash	1,536	1,176	(360)	(23.4%)	
Total Director of Markets	1,585	1,174	(411)	(25.9%)	
City Surveyor					
City Fund					
Spitalfields Market Service Charge	18	20	2	11.1%	
Spitalfields Market Corporation	5	1	(4)	(80.0%)	
Spitalfields Repainting and Repair A/C	184	87	(97)	(52.7%)	
Total City Fund	207	108	(99)	(47.8%)	8
City's Cash					
Smithfield Market Service Charge	276	235	(41)	(14.9%)	9
Smithfield Market Non Service Charge	419	445	26	6.2%	9
Smithfield Other Services	0	5	5	100%	9
Billingsgate Market Service Charge	143	143	0	0.0%	
Billingsgate Market Non Service Charge	3	3	0	0.0%	
Billingsgate Repainting and Special Work	145	0	(145)	(100%)	10
Total City's Cash	986	831	(155)	(15.7%)	
Total City Surveyor	1,193	939	(254)	(21.3%)	
TOTAL LOCAL RISK	2,778	2,113	(665)	(23.9%)	

Reasons for Local Risk Variations – Director of Markets

1. **Spitalfields Market Service Charge Account** - the underspend of (£22,000) is due to the following:
 - A budget is maintained on the Service Charge Account to expend against Service Charge apportionment for vacant premises (voids) which is the liability of the City of London under the current leases. The vacant premises were lower than anticipated which has resulted in an under-spend of (£22,000).
2. **Spitalfields Market Corporation Account** - the underspend of (£29,000) is due to the following:
 - Carbon Reduction Credits were less than expected (£2,000).
 - The rates were less than anticipated (£4,000).
 - Supplies and Services were less than expected mainly due to the Professional/Legal fee budget not required in 2013/14 (£7,000) and equipment, printing and conference budgets not fully expended (£3,000).
 - Contribution to the Repainting and Repair Fund was too high in 2012/13. This was adjusted in 2013/14 resulting in additional income of (£13,000) on the corporate account.
3. **Smithfield Market Service Charge Account** - the underspend of (£301,000) is mainly due to the following:
 - Lower than expected employment costs of (£104,000) due to:
 - ❖ Security and Maintenance – reduced overtime (£13,000)
 - ❖ Cleaning and Maintenance Operatives – several vacancies for different time periods throughout the year, offset against agency costs (£44,000)
 - ❖ Administration Posts – 1 vacant Administrator post vacant all year and the Operations and Administration Management post vacant for 2 months (£47,000)
 - Lower than expected chilled and hot water provided by Citigen (£88,000).
 - Lower than expected electricity costs for common areas due to replacement of LED lights and check meters (£122,000).
 - Savings made on the cost of rates (£3,000), cleaning materials (£7,000), and small works (£15,000).
 - Income from reimbursement of cool and heated water (Citigen) was less than anticipated £38,000.

4. **Smithfield Market Non Service Charge Account** - the increased expenditure of £7,000 is mainly due to tax paid on Congestion Charge which was not budgeted £5,000, a reduction in rate income of £5000, netted off against additional fee income (£3,000).
5. **Smithfield Market Other Services**- the underspend of (£68,000) is mainly due to the following:
 - Reduction in energy costs (£14,000), equipment (£3,000) and car park management charges (£7,000).
 - Additional car park income (£44,000).
6. **Billingsgate Market Non Service Charge** – the overspend of £35,000 is due to the following:
 - Increased employment costs due to temporary cover for an administration post and maternity cover for a second administration post £24,000.
 - Net reduction in income of £11,000 mainly due to reduced car parking income.
7. **Directorate** – the reduction of (£33,000) is due to reduced employment costs due to an administration vacancy in the Directorate. The reduction is passed onto all the Markets and Consumer Protection budgets under the remit of the Director, through the recharging policy of the City of London.

Reasons for Significant Local Risk Variations – City Surveyors

8. The underspend at New Spitalfields Market is due to delayed or cancelled works undertaken by City Surveyors (£99,000).
9. The net underspend of (£10,000) at Smithfield Market is due to savings made on general breakdown and electrical budgets of (41,000) and additional expenditure on the Additional Work Programme of £26,000 and unexpected works required to the Cock Tavern £5,000.
10. The underspend of (£145,000) at Billingsgate Market is due to delayed or cancelled works in consultation with the Tenants Association.

**Markets Committee - Comparison of 2013/14 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	(1,359)	(1,342)	17	1.3%	11
Spitalfields Market City Account	(343)	(348)	(5)	(1.5)%	
Spitalfields Market Tenants Repairs A/C	(215)	(115)	100	46.5%	12
Total City Fund	(1,917)	(1,805)	112	5.8%	
City's Cash					
Smithfield Market Service Charge A/C	114	68	(46)	(40.3%)	13
Smithfield Market Non Service Charge	(1,539)	(1,579)	(40)	(2.6%)	14
Smithfield Market Other Services	(24)	(51)	(27)	(112.5%)	15
Billingsgate Market Service Charge A/C	(253)	(284)	(31)	(12.2%)	16
Billingsgate Market Non Service Charge	(770)	(1,116)	(346)	(44.9%)	17
Billingsgate Market Special Works A/C	(165)	0	165	100%	18
Directorate	10	10	0	0%	
Total City's Cash	(2,627)	(2,952)	(325)	(12.4%)	
TOTAL CENTRAL RISK	(4,544)	(4,757)	(213)	(4.7%)	

Reasons for Significant Central Risk Variations

11. **Spitalfields Market Service Charge A/C** – net income is lower due to reduced Tenancy at Will rent in the year £17,000.
12. **Spitalfields Market Tenants Repairs A/C** – net income on this account is transferred from the Spitalfields Reserve Account to fund works and projects. Works were delayed or cancelled which resulted in less funds required from the Reserve Account. £100,000.
13. **Smithfield Service Charge A/C** – net expenditure is lower due mainly to the reduction of the FSA Inspection fee charges (£46,000).
14. **Smithfield Market Non Service Charge A/C** – net income is higher due to the reduction in expenditure for Inspections by Environment Services (£40,000)
15. **Smithfield Other Services A/C** – net income is higher due mainly to additional income for car parking (£20,000) and rental income of (£7,000).
16. **Billingsgate Market Service Charge A/C** – net income is higher due to higher service charge income to reimburse the additional recharged costs of Central Support Services (£25,000) and repair works (£6,000).
17. **Billingsgate Market Non Service Charge** – net income is higher due to additional rental income.

18. **Billingsgate Market Special Works A/C** – reduction in net income due 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 £165,000.