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| Committee(s): | Date(s): |
| Markets | 28 January 2015 |
| Subject: Revenue and Capital Budgets – comparison between original 2014/15 and latest approved budget 2014/15 | Public |
| Report of: The Chamberlain Director of Markets and Consumer Protection | For Information |

Summary

This report has been prepared following Members request to provide details about changes in the budgets between the original budget 2014/15 and the latest approved budget, approved by your Committee on 26 November 2014. The Director of Markets and Consumer Protection's overall resource base for 2014/15 has increased by £140,000 net, as detailed in Table 1 below.

| Summary Of Table 1 | Original Budget 2014/15 £'000 (A) | Latest Approved Budget 2014/15 £'000 (B) | Movement Column A-B £'000 | Original Budget 2015/16 £'000 |
|--------------------------------------|--------------------------------------|---|------------------------------|----------------------------------|
| Expenditure | 14,470 | 14,786 | 316 | 14,109 |
| Income | (16,215) | (16,474) | (259) | (16,538) |
| Net (Surplus)/Deficit | (1,745) | (1,688) | 57 | (2,429) |
| Support Services and Capital Charges | 2,112 | 2,195 | 83 | 2,147 |
| Total Net Expenditure | 367 | 507 | 140 | (282) |

The increase between the original 2014/15 and latest approved budget 2014/15 is due to:

- an increase in repairs funded from carry forward budgets from 2013/14 at Smithfield £213,000
- an increase in support costs of £83,000
- the transfer of budgets from Port Health & Environmental Services Committee to Markets Committee for Animal By-Product work £70,000 and;
- an increase in salary contribution for Smithfield and Billingsgate £3,000.

These increases were offset by:

- service based review savings for Billingsgate in 2014/15 of (£30,000) relating to additional income for car parking and a net increase in service charge income and transfers from reserves of (£199,000) to fund additional repair budgets.

There has also been a significant movement of expenditure for tenant funded repairs from the City Surveyors budget to the Directors local risk budget between the original and the latest approved budget. This repair expenditure has corresponding income or transfers from reserves to fund these repairs.

Recommendation(s)

Members are asked to:

- Note the report.

Main Report

Background

1. In 2012 a new Revenue and Capital Budget template was agreed by a Members' Working Party. The new template was introduced to make it easier for Members to understand the budgets at a high level and to provide consistency across spending committees.
2. One of the main changes was that the new template no longer compared the original budget to the latest approved budget in the same financial year. This agreed template has been used to report the Markets Committee Revenue and Capital Budgets since 2013/14.
3. However, due to the introduction of the Smithfield Market service charge and the significant changes this created from the original 2013/14 to the latest approved budget 2013/14, it was agreed that a separate report be prepared to agree the 'proposed' latest approved budget for 2013/14 and a further report for the agreement of the original budget for 2014/15 was also tabled. This approach was agreed with the Chairman and Deputy Chairman as a one off due to the complexity of the changes.

Current Position

4. At the Markets Committee meeting on 26 November 2014, the Chamberlain was requested to provide additional information regarding the differences between the original budget for 2014/15 and the 'proposed' latest approved budget for the same year. Members were concerned that there appeared to be large variances between the budget line items for the previously reported original budget 2014-15 to the latest approved budget 2014-15, and using the current template, there were no explanations for these variances. Although the Chamberlain did give verbal reasons for the net variance on the Directors' overall resource base, the Chairman requested that a written report confirming the changes was provided to the next Markets Committee.
5. The Chairman and Deputy Chairman have since met with the Chamberlain and agreed a change will be made to the template for future Estimates reports to include a table and explanation for any changes from the original to latest approved and proposed following years estimates.

TABLE 1 - MARKETS COMMITTEE SUMMARY – ALL FUNDS

| Analysis of Service Expenditure | Local or Central Risk | Original Budget 2014-15 £'000 | Latest Approved Budget 2014-15 £'000 | Movement 2014-15 £'000 | Para Ref | Original Budget 2015-16 £'000 |
|--|--------------------------------|--|--|------------------------------|-------------|--|
| EXPENDITURE | | | | | | |
| Employees | L | 5,150 | 5,220 | 70 | 7 | 5,213 |
| Premises Related Expenses (see note i) | L | 4,373 | 5,381 | 1,008 | 8 | 4,836 |
| Premises Related Expenses (see note ii) | C | 135 | 165 | 30 | 9 | 130 |
| City Surveyor – Repairs & Maintenance | L | 1,870 | 1095 | (775) | 10 | 960 |
| Transport Related Expenses | L | 39 | 57 | 18 | 11 | 50 |
| Supplies & Services (see note iii) | L | 817 | 866 | 49 | 12 | 892 |
| Supplies & Services (see note iv) | C | 150 | 195 | 45 | 13 | 90 |
| Waste & Cleaning Contract at New Spitalfields Market | L | 1,810 | 1,807 | (3) | | 1,857 |
| Transfer to Reserves | L | 126 | 0 | (126) | 14 | 81 |
| Total Expenditure | | 14,470 | 14,786 | 316 | | 14,109 |
| INCOME | | | | | | |
| Other Grants, Reimbursements and Contribution | | (462) | (456) | 6 | | (492) |
| Customer, Client Receipts (see note v) | L | (10,171) | (11,022) | (851) | | (11,390) |
| Customer, Client Receipts (see note v) | C | (1,169) | (758) | 411 | | (793) |
| Customer, Client Receipts (Rent) | C | (3,748) | (3,711) | 37 | | (3,711) |
| Investment Income | L | (10) | (8) | 2 | | (4) |
| Transfer from Service Charge Reserves | L | 0 | (463) | (463) | | (112) |
| Transfer from Service Charge Reserves | C | (655) | (56) | 599 | | (36) |
| Total Income | | (16,215) | (16,474) | (259) | 15 | (16,538) |
| TOTAL EXPENDITURE/ (INCOME) BEFORE SUPPORT SERVICES AND CAPITAL CHARGES | | (1,745) | (1,688) | 57 | | (2,429) |
| SUPPORT SERVICES AND CAPITAL CHARGES | | | | | | |
| Central Support Services and Capital Charges | | 2,393 | 2,625 | 232 | | 2,569 |
| Recharges within Fund | | 6 | (84) | (90) | | (84) |
| Recharges Across Funds | | (287) | (346) | (59) | | (338) |
| Total Support Services and Capital Charges | | 2,112 | 2,195 | 83 | 16 | 2,147 |
| TOTAL NET EXPENDITURE/(INCOME) | | 367 | 507 | 140 | | (282) |

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 Market, current year estimates include rates and professional fees for Billingsgate.
- (v) Customer, Client Receipts Local risk (L) and central risk (C) – service charge and car parking income and reimbursements for electricity and water

6. The revenue budget for 2014/15 is shown in Table 1 and the movement is analysed between the original and latest approved budget by local risk, central risk and support costs for 2014/15. Income and favourable variances are presented in brackets and all variances over £50,000 are commented in full. The 2015/16 estimates are also included in the table for ease of comparison purposes. The explanations for the movement between the latest approved budget 2014/15 and the 2015/16 original budget, were included in the original estimates report to your Committee on 26th November.

Expenditure

7. There is an increase of £70,000 in local risk employment costs due to:
- Smithfield Market – additional salary costs for the Animal by Product facility of £42,000 and £1,000 for contribution pay.
 - Billingsgate Market – additional salary costs for temporary administration post, overtime and holiday pay due to a member of staff leaving unexpectedly, £14,000. This is being funded by additional income generation in the year.
 - New Spitalfields Market – various small additions to salary costs for increments payable through the service charge £11,000.
 - Directorate – additional salary costs for contribution pay £2,000.
8. There is an increase of £1,008,000 for local risk premises related costs due to:
- Smithfield Market
- An increase of £213k for repairs and maintenance funded by agreed carry forwards.
 - Due to a faulty meter being replaced and accurate readings now being taken there will be expected additional costs for water of £73,000 on the service charge.
 - Increase in Rotunda Car Park Management fee from Apcoa in line with inflation of £16,000.

- An increase for cleaning materials for the Animal-By Product Facility of £4,000.
- Increase in carbon reduction costs £42,000 due to price increase.

Billingsgate Market

- An increase in repair and maintenance costs due to the transfer of budgets from City Surveyors local risk to Billingsgate local risk to accommodate the process changes in Oracle, £246,000. This is funded by the Billingsgate reserve fund.
- An increase in repairs and maintenance of £41,000 to reflect the increasing breakdown costs at the market. This is funded by the service charge.
- Additional carbon reduction costs of £20,000 due to price increase funded via the service charge.

New Spitalfields Market

- An increase in repair and maintenance costs due to the transfer of budgets from City Surveyors local risk to Spitalfields local risk to accommodate the process changes in Oracle, £348,000. This is funded by the New Spitalfields reserve fund.
- Additional carbon reduction costs of £20,000 due to price increases directly recharged. These are netted against a small net decrease over several categories totalling (£15,000) for all the markets.

9. There is an increase of £30,000 for central risk premises costs due to:
 - Smithfield Market - increase of £20,000 due to rates payable on the vacant Cock Tavern. This cost will be reduced when the Cock Tavern is leased in 2015/16.
 - Billingsgate Market – additional service charge costs of £10,000 payable on empty premises due to the continued vacant Satellite Unit 1 premises.
10. There is a reduction of (£775,000) for repairs and maintenance for services managed by City Surveyors:
 - Smithfield Market - rephasing of additional works programme (£181,000)
 - Billingsgate Market - reduction in the budget due to the transfer of budgets from the City Surveyors local risk to the Markets local risk (£246,000).

- New Spitalfields Market - reduction in the budget due to the transfer of budgets from the City Surveyors local risk to the Markets local risk (£348,000).
11. There is an increase of £18,000 for transport costs due to:
- Billingsgate Market - hire of a Johnson Sweeper for £13,000 until the purchase of a new one is implemented. This is funded by the service charge.
 - Smithfield Market - increase in congestion charge plus on costs payable by the service charge, £5,000
12. There is an increase of £49,000 on local risk due to:
- Smithfield Market - Animal By Product transfer £10,000 for removal of waste by Klein's, stationery £1,000, uniforms £1,000, equipment maintenance £4,000 and increase in waste collection by Amey due to additional tonnage collected £17,000 on the service charge.
 - Billingsgate Market - CCTV equipment and maintenance funded by the service charge £7,000 and small net increases over different expenditure types for the service charge £9,000.
13. There is an increase of £45,000 on central risk due to:
- Smithfield Market - legal fees for the independent surveyor £5,000 in regard to confirming the list of works required to be carried out as agreed as part of the lease negotiations.
 - Billingsgate Market - professional fees for the Satellite Unit 1 lease negotiations, £40,000.
14. Due to the increase in local risk repair and maintenance costs following the transfer of City Surveyor budgets to Markets local risk and additional costs for rephasing of works, this has resulted in a reduction of contribution made to the reserves balance for Billingsgate and New Spitalfields Market (£126,000).

Income

15. There is a net increase on income of (£259,000) which is due to the transfers between the Market reserve funds on both local and central risk creating large variances on individual line items and service charge and rental income increases to fund increased costs. The net change is due to:
- Smithfield Market - increase in rental and service charge income due to renting out further premises (£179,000).

- Billingsgate Market - net reduction in the transfer from reserves of £98,000 due to the transfer of City Surveyors budgets to Markets local risk. This is offset by increases in service charge income (£130,000).
- New Spitalfields Market - net reduction in the transfer from reserves of £100,000 due to the transfer of City Surveyors budgets to Markets local risk. This is offset by additional rental and service charge income (£148,000).

Support Services and Capital Charges (including Depreciation)

16. Support Services and Capital Charges have increased due to the carry forward overspend on Chamberlain from 2013/14 of £195,000, an increase in City Surveyors costs of £21,000 and an increase in recharges for CLPS of £16,000. This is netted off against increases in recharged income of (£149,000), giving a net increase of £83,000.

Conclusion

17. Overall there has been a reduction in the Directors of Markets and Consumer Protection's resource requirements from 2014/15 to 2015/16, as detailed in Table 1.

Appendices

- None

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