

Committee(s):	Dated:
Markets	30 November 2016
Subject: REVENUE AND CAPITAL BUDGETS - 2016/17 and 2017/18	Public
Report of: The Chamberlain Director of Markets and Consumer Protection	For Decision
Report Author: Debbie Howard, Chamberlain's Department	
<p><u>Summary</u></p> <p>This report is the annual submission of the revenue and capital budgets overseen by your Committee. It seeks approval to the latest revenue budget for 2016/17 and provisional revenue budget for 2017/18, for subsequent submission to the Finance Committee. Details of the Committee's draft capital budget are also provided. The budgets have been prepared within the resources allocated to the Director.</p> <p>Business priorities for the forthcoming year include:</p> <ul style="list-style-type: none"> • Focus on maintaining the high quality of service within cash limited resource allocation. As all the Markets have service charges, albeit with Smithfield's being phased in over five years until 1 April 2018, consultation with the respective Tenants' Associations on the level of services and their costs will be important to demonstrate value for money, whilst still ensuring that the City's responsibilities as landlord and property owner are protected. • Conducting the Strategic Review of Markets. • Continuing to implement agreed savings from the Service Based Review and, where possible, to seek opportunities for increasing revenue from new or existing income streams. • Improving risk management generally and, specifically, continuing to reduce health and safety risks at the markets and minimising accidents 	

Summary of Table 1

	Original Budget 2016/17 £'000 (A)	Latest Budget for approval (LAB) 2016/17 £'000 (B)	Movement Original 2016-17 to LAB 2016-17 £'000 (A-B)	Original Budget 2017/18 £'000 (C)	Movement Original 2016-17 to Original 2017-18 £'000 (A-C)
Expenditure	15,133	13,858	(1,275)	16,076	943
Income	(17,202)	(18,042)	(840)	(18,686)	(1,484)
Net (Surplus)/Deficit	(2,069)	(4,184)	(2,115)	(2,610)	(541)
Support Services and Capital Charges	2,256	2,363	107	2,380	124
Total Net Expenditure	187	(1,821)	(2,008)	(230)	(417)

Overall, the 2016/17 latest budget is (£1,821,000), a reduction in net costs of (£2,008,000) compared to the original budget of £187,000. The main variances for this reduction are listed below;

- Employment cost increases, £109,000.
- Changes to phasing of City Surveyors Additional Works Programme, (£709,000).
- Premises related reductions of (£1,104, 000) less carry forward provision of £146,000 for works at Smithfield Market.
- Transport related increases, £64,000.
- Supplies and Services increases, £180,000.
- Waste and cleaning, £60,000.
- Reduced transfers to reserves (£21,000)
- Increases to income, (£840,000) which includes (£273,000) of service based review savings.
- Capital and support cost increases £107,000.

Overall, the 2017/18 provisional revenue budget totals (£230,000), a reduction in net costs of (£417,000) compared with the original budget for 2016/17 of £187,000. The main variances for this reduction are listed below;

- Employment cost increases of £318,000.
- Changes to phasing of City Surveyors Additional Works Programme, £561,000.
- A reduction in premises related expenses, (£62,000).
- Increased transport costs, £12,000.

- Increased supplies and services, waste contract £59,000.
- Increase in transfers, £55,000.
- Increased income, (£1,484,000).
- Capital and support cost increases £124,000.

The reasons for the variances are listed in the main body of the report.

Recommendations

The Committee is requested to:

- Review the latest 2016/17 revenue budget to ensure it reflects the Committee's objectives and, if so, approve the budget. Review the provisional 2017/18 revenue budget to ensure it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee.
- Review and approve the draft capital budget.
- Authorise the Chamberlain to revise these budgets to allow for changes to the Additional Works Programme and in respect of recharges as well as any changes from Markets Service Reviews, City of London Procurement initiative savings and Carbon Trading Allowances. If the revisions vary by more than 10% of total expenditure a further report will be submitted to this committee for approval.

Main Report

Background

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. This report sets out the proposed latest revenue budget and capital budgets for 2016/17 and the proposed revenue budgets and capital budgets for 2017/18. The revenue budget management arrangements are to:
 - Provide a clear distinction between local and central risk and recharge budgets.
 - Place responsibility for budgetary control on departmental Chief Officers.
 - Apply a cash limit policy to Chief Officers' budgets.

- Provide information regarding the service based review proposals.
3. The latest budget for 2016/17 and the proposed revenue budget for 2017/18 has been analysed by service expenditure and compared with the original budget for 2016/17. The budgets are further analysed between:
 - Local risk budgets – these are deemed to be largely within the Chief Officer’s control.
 - Central Risk budgets – these are budgets comprising specific items where the 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 (e.g. interest on balances and rent from properties).
 - Support Services and Capital Charges – these cover budgets for activities provided by one service to another. The control of costs on these budgets is exercised at the point where the cost or income first arises as a local or central risk cost (e.g. Surveyors employee recharge).
 4. The report also compares the current year’s budget with the forecast outturn.
 5. In the various tables, income and favourable variances are presented in brackets. Only significant variances (generally those greater than £50,000) are commented on, however, this Committee has asked that all adverse variances be commented on, whatever the value.

Business Planning Priorities

6. Business priorities for 2017/18 will focus on maintaining the high quality of service within cash limited resource allocation. As all the Markets have service charges, albeit with Smithfield's being phased in over five years until 1 April 2018, consultation with the respective Tenants' Associations on the level of services and their costs will be important to demonstrate value for money, whilst still ensuring that the City's responsibilities as landlord and property owner are protected.
7. Other priorities will include:
 - Conducting the Strategic Review of Markets.
 - Continuing to implement agreed savings from the Service Based Review and, where possible, to seek opportunities for increasing revenue from new or existing income streams.
 - Improving risk management generally and, specifically, continuing to reduce health and safety risks at the markets and minimising accidents.

- Improving the state of the infrastructure and cleaning standards at Billingsgate.
- Continuing to ensure that the commitments in the Smithfield leases are fully implemented by both the tenants and the City.
- Letting the vacant meat trading premises at the Poultry Market, Smithfield.
- Completing arrangements for the full implementation of the service charge at Smithfield.
- Working with the City Surveyor and the Museum of London on the project to relocate the Museum of London.
- Providing leadership and management training for our middle managers.
- Developing a workforce plan which ensures that our workforce has both the capability and resources to meet the business objectives.

8. Projects.

- The Smithfield Poultry Market roof repairs and electrical re-wiring project will be progressed as rapidly as possible by the City Surveyor and industry to enable its anticipated planned completion by early 2018. Other 'historic works' at Smithfield will be progressed by the City Surveyor in line with the approved Additional Works Programme and the 20 year Maintenance Plan, with a view to completing them by the end of 2017.
- Following Consultation with the London Fish Merchants Association and individual tenants, the Additional Facilities and Phase 2 of the Re-Roofing Projects at Billingsgate have been put 'on hold'.
- The Spitalfields Safety Barrier Project is underway and should be completed early in 2017/18. This is being funded by the Market's Repairs & Repainting Fund and requires no City funding.
- The Spitalfields Entry Barrier Project has been initiated and will be progressed through the Gateways with the intention to complete it within 2017/18. It is being funded by the Markets Repairs and Repainting Fund and requires no City funding.

Latest Revenue Budget for 2016/17

9. Overall there is a reduction in net costs between the Committee's original and latest budget for 2016/17 of (£2,008,000). Table 1A and the paragraphs below summarise the movements between the original and latest budgets comprising

this reduction. A further analysis of local and central risk budgets by service is provided at Appendix 1A.

Expenditure

10. An increase in employment costs of £109,000 is due to reinstating vacant posts at New Spitalfields Market to reflect the number of posts available as per the establishment records. All posts are recoverable from the Service Charge.
11. A decrease of (£635,000) for local risk premises related costs is due to:
 - A one off carry forward budget of £107,000 for repair work at Smithfield Market from 2015/16 to 2016/17.
 - Increase of £32,000 for additional work carried out from 2015/16 that was not included in the carry forwards at Smithfield Market.
 - Reduced contribution to the repainting and special works fund of (£191,000) from Billingsgate tenants due to the delay and cancellation of projects on the service charge.
 - Reduced contribution to the repair and repainting fund of (£100,000) from Spitalfields tenants due to the lease renewals.
 - Realignment of the energy budgets for Billingsgate (£55,000) and Smithfield (£159,000).
 - Reduced costs for the Rotunda car park of (£81,000).
 - Delay to projects for Billingsgate (£136,000) and Spitalfields (£45,000).
 - Various reductions for all markets (£7,000).
12. Decrease of (£323,000) for central risk premises related costs is due to a rate rebate on Smithfield car park of (£310,000) and reductions of voids and empty rates at Billingsgate (£13,000).
13. Decrease of (£709,000) is due to re-phasing of the Additional Works Programme as detailed in Table 2A.
14. Increase in transport related costs of £64,000 is due to a mixture of repairs to vehicles and maintenance contract increases for Billingsgate of £34,000 and an additional £32,000 at Smithfield for two new scrubber dryer vehicles.
15. Increase in local risk supplies and services of £55,000 is due to an increase in legal fees of £60,000 for possible arbitration costs if service levels on the service charge are not agreed between the City of London and the Smithfield tenants

which is offset by a (£5,000) reduction in costs over several spend categories for Billingsgate.

16. Increase in central risk supplies and services of £125,000 due to £115,000 for fees provided against the lease renewal at Spitalfields Market and £10,000 for professional fees for the letting of the advertising hoardings at Billingsgate Market.

Income

17. Increase in total income between the original 2016/17 and latest proposed 2016/17 budget totals (£840,000). Main variances include:

18. Reductions in local risk income of £427,000 due to:

- Reduced contribution to reserves at Billingsgate of £191,000 and £100,000 at Spitalfields Market plus £1000 for rates income at Smithfield Market.
- Reduction of £112,000 for Citigen income, netted off against increased car park income of (£47,000) at Smithfield.
- Reduced service charge income at Billingsgate to compensate for reduced costs of £221,000 and additional income of (£51,000) for Spitalfields licences and investment income.
- Increased transfers of (£100,000) from market reserves are required to compensate for a reduced contribution at Spitalfields and Billingsgate to ensure the service charge accounts are balanced to nil within the R&R accounts.

19. The central risk income has increased by (£1,267,000) due to increased market rental terms agreed and expected backdated rent due at Spitalfields Market, which is netted against a reduction in services charges due to the reduced costs of projects, repairs and support costs.

Support Services and Capital Charges

20. A detailed breakdown of support services and capital charges can be seen at Appendix 2. The increase of £107,000 between 2016/17 original budget and 2016/17 latest budget is mainly due to increases in capital costs

TABLE 1A - MARKETS COMMITTEE SUMMARY – ALL FUNDS OR 2016/17 - LAB 2016/17

Analysis of Service Expenditure	Local or Central Risk	Actual 2015/16 £'000	Original Budget 2016/17 £'000	Latest Budget for approval (LAB) 2016/17 £'000	Movement Original 2016/17 to LAB 2016/17 £'000	Paragraph Reference
EXPENDITURE						
Employees	L	5,080	5,282	5,391	109	10
Premises Related Expenses (see note i)	L	4,389	5,063	4,428	(635)	11
Premises Related Expenses (see note ii)	C	72	129	(194)	(323)	12
City Surveyor – Repairs & Maintenance	L	907	1,688	979	(709)	13
Transport Related Expenses	L	81	48	112	64	14
Supplies & Services (see note iii)	L	949	947	1,002	55	15
Supplies & Services (see note iv)	C	132	94	219	125	16
Waste & Cleaning Contract at New Spitalfields Market	L	1,837	1,861	1,921	60	
Capital Charges	L	0	0	0	0	
Transfer to Reserves	L	0	21	0	(21)	
Transfer to Service Charge Reserves	C	0	0	0	0	
Total Expenditure		13,447	15,133	13,858	(1,275)	
INCOME						
Other Grants, Reimbursements and Contribution	L	(478)	(571)	(279)	292	18
Other Grants, Reimbursements and Contribution	C	0	0	0	0	
Customer, Client Receipts (see note v)	L	(10,624)	(11,052)	(10,816)	236	18
Customer, Client Receipts (see note v)	C	(1,363)	(1,512)	(690)	822	19
Customer, Client Receipts (Rent)	C	(3,842)	(3,934)	(6,011)	(2,077)	19
Investment Income	L	(7)	(3)	(4)	(1)	18
Investment Income	C	0	0	0	0	
Transfer from Service Charge Reserves	L	(71)	(90)	(190)	(100)	18
Transfer from Service Charge Reserves	C	(41)	(40)	(52)	(12)	19
Total Income		(16,426)	(17,202)	(18,042)	(840)	
TOTAL EXPENDITURE/ (INCOME) BEFORE SUPPORT SERVICES AND CAPITAL CHARGES		(2,979)	(2,069)	(4,184)	(2,115)	
SUPPORT SERVICES AND CAPITAL CHARGES						
Central Support Services and Capital Charges		2,549	2,646	2,745	99	
Recharges within Committees		0	0	0	0	
Recharges within Fund		(77)	(77)	(77)	0	
Recharges Across Funds		(289)	(313)	(305)	8	
Total Support Services and Capital Charges		2,183	2,256	2,363	107	20
TOTAL NET EXPENDITURE/(INCOME)		(796)	187	(1,821)	(2,008)	

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) – service charge and car parking income and reimbursements for electricity and water

Proposed Revenue Budget for 2017/18

21. The provisional 2017/18 budgets being presented to your Committee and under the control of the Director of Markets and Consumer Protection have been prepared in accordance with the guidelines agreed by the Policy and Resources and Finance Committees. These include 1% cash limit allowance for pay increases, as well as the previously approved Service Based Review savings. The budget has been prepared within the resources allocated to the Director.
22. Overall there is a decrease in net costs of (£417,000) between the Committee's 2016/17 and 2017/18 original budgets. Table 1B and the paragraphs below summarise the movements comprising this reduction. A further analysis of the local and central revenue budgets by service is provided in Appendix 1B.

Expenditure

23. Increase in employment costs of £318,000 is due to increases in cost of living, incremental increases and reinstatement of posts of £197,000 and an increase in pension contributions and National Insurance of £121,000, of which £88,000 is recoverable through the service charge.
24. Decrease of (£51,000) for premises related costs is due to:
- Decrease in repair and maintenance cyclical works of (£128,000) at Billingsgate Market.
 - Decrease in energy costs of (£41,000) at Billingsgate Market.
 - Decrease of (£100,000) for contribution to market reserves due to reduced repair and maintenance cyclical works for Billingsgate Market.
 - Reduced car park business rates for Smithfield Market (£78,000).
 - Reduced Citigen costs for cooling and heating due to the fall in oil prices (£157,000), partly offset by increases in energy of £15,000 at Smithfield Market.

- Increase in repair and maintenance costs for the pedestrian barrier, the proposed CCTV system and other various small repairs at Spitalfields Market of £477,000. The project work will be managed by City Surveyors and will be funded from the market reserve fund.
- Changes in the Spitalfields waste contract will result in increased costs for cleaning and materials of £67,000, recoverable through the service charge.
- Reduction of contribution to market reserves of (£100,000) at Spitalfields Market.
- A net decrease of (£6,000) for other premises costs across all the markets.

25. Increase of £561,000 detailed on table 2B is due to:

- £500,000 of additional works due to an agreement in court that the City of London will undertake certain historical works at Smithfield Market. It was agreed by the City Surveyors that this would be included under the Additional Work Programme,
- £61,000 is increases in reactive and planned works at Smithfield and Spitalfields Markets.

26. Increased transport costs of £12,000 due to increased repair and maintenance contract for cleaning vehicles at Billingsgate.

27. Increased local risk supplies and services of £21,000 due to increased cost of managing the Rotunda car park, £38,000 which is partly offset by savings over several items for the three markets (£17,000).

28. Current market information suggests it is likely the Spitalfields Market waste contract currently being tendered will increase in value and a £35,000 uplift of budget has been estimated, plus an inflationary increase of £4,000 for the existing waste contract at Spitalfields Market.

29. The increase of transfers to the markets reserve accounts of £55,000 is due to a reduction in service charge costs at Billingsgate and Spitalfields.

Income

30. An increase in total income between the original 2016/17 and latest proposed 2017/18 budget totals (£1,484,000) as follows:
31. Decrease of £198,000 is due to reduced contributions payable by the tenants at Billingsgate Market of £100,000 and Spitalfields Market of £100,000 as a contribution to the repair funds for future repairs and projects and a net increase of (£2,000) at Smithfield Market for direct recoverable costs.
32. Increase for local risk client receipts of (£269,000) is due to:
- Additional income generated against the capped service charge income by letting the premises in the Poultry Market and recovering additional cost of services of (£173,000). This forms part of the Director of Markets and Consumer Protection's service based review savings.
 - Recoverable service charge income has reduced by £47,000 to compensate for the reduction in service charge costs at Billingsgate and Smithfield Markets.
 - An increase in income of (£125,000) for Spitalfields Market service charge to compensate for increases in costs.
 - Various small increases in income over several categories (£18,000).
33. Increase for central risk rental income of (£834,000) due to:
- Service Based Review saving of (£100,000) for Billingsgate Market met from additional rent for the advertising hoarding.
 - Due to the lease renewals expected to be complete by December 2016, backdated rent has been estimated at Spitalfields Market at (£699,000).
 - Increase in Tenancy at Will income of (£35,000) at Smithfield Market and Billingsgate Market.
34. Increase in transfers of (£581,000) from the market reserves for local and central risk costs due to higher costs of repairs and projects not sufficiently funded by the contributions to the service charge for Billingsgate and New Spitalfields Markets.
35. There is a small £2,000 decrease in central risk income over several categories for Billingsgate and Smithfield markets.

Support Services and Capital Charges

36. The net increase of £124,000 between 2016/17 and 2017/18 original budgets is due to increases in capital charges. This is offset by net reductions in insurance and support services from Chamberlain, Comptrollers and Town Clerk. A detailed breakdown can be seen at Appendix 2.
37. The lease negotiations at New Spitalfields are currently on-going between the Spitalfields Tenants Association and their representatives and the City Surveyor. The current lease expired for the majority of tenants in May 2015 and negotiations are expected to be finalised by the end of December 2016. The Director of Markets and Consumer Protection in liaison with the Chamberlain department has increased the rental income for New Spitalfields for 2016/17 to account for backdated rent and for the appropriate increase in 2017/18. When the outcome of negotiations is complete a revision may be required.

TABLE 1B - MARKETS COMMITTEE SUMMARY – ALL FUNDS OR 2016/17 to OR 2017/18

Analysis of Service Expenditure	Local or Central Risk	Actual 2015/16 £'000	Original Budget 2016/17 £'000	Original Budget 2017/18 £'000	Movement 2016/17 to 2017/18 £'000	Paragraph Reference
EXPENDITURE						
Employees	L	5,080	5,282	5,600	318	23
Premises Related Expenses (see note i)	L	4,389	5,063	5,012	(51)	24
Premises Related Expenses (see note ii)	C	72	129	118	(11)	
City Surveyor – Repairs & Maintenance	L	907	1,688	2,249	561	25
Transport Related Expenses	L	81	48	60	12	26
Supplies & Services (see note iii)	L	949	947	968	21	27
Supplies & Services (see note iv)	C	132	94	93	(1)	
Waste & Cleaning Contract at New Spitalfields Market	L	1,837	1,861	1,900	39	28
Capital Charges	L	267	0	0	0	
Transfer to Reserves	L	0	21	76	55	29
Transfer to Service Charge Reserves	C	0	0	0	0	
Total Expenditure		13,714	15,133	16,076	943	
INCOME						
Other Grants, Reimbursements and Contribution	L	(478)	(571)	(373)	198	31
Other Grants, Reimbursements and Contribution	C	0	0	0	0	
Customer, Client Receipts (see note v)	L	(10,624)	(11,052)	(11,321)	(269)	32
Customer, Client Receipts (see note v)	C	(1,363)	(1,512)	(1,510)	2	35
Customer, Client Receipts (Rent)	C	(3,842)	(3,934)	(4,768)	(834)	33
Investment Income	L	(7)	(3)	(3)	0	
Investment Income	C	0	0	0	0	
Transfer from Service Charge Reserves	L	(71)	(90)	(661)	(571)	34
Transfer from Service Charge Reserves	C	(41)	(40)	(50)	(10)	34
Total Income		(16,426)	(17,202)	(18,686)	(1,484)	
TOTAL EXPENDITURE/ (INCOME) BEFORE SUPPORT SERVICES AND CAPITAL CHARGES		(2,712)	(2,069)	(2,610)	(541)	
SUPPORT SERVICES AND CAPITAL CHARGES						
Central Support Services and Capital Charges		2,282	2,646	2,770	124	
Recharges within Committees		0	0	0	0	
Recharges within Fund		(77)	(77)	(77)	0	
Recharges Across Funds		(289)	(313)	(313)	0	
Total Support Services and Capital Charges		1,916	2,256	2,380	124	36
TOTAL NET EXPENDITURE/(INCOME)		(796)	187	(230)	(417)	

City Surveyors Local Risk

38. The decrease of £709,000 between original and latest budget for 2016/17 for the City Surveyor's repairs and maintenance programme reflects changes in the composition and phasing of the works as outlined in Table 2A below

TABLE 2A - CITY SURVEYOR LOCAL RISK OR 2016/17 - LAB 2016/17

	Original Budget 2016/17	Latest Budget for Approval 2016/17	Movement
Repairs and Maintenance	£'000	£'000	£'000
Additional Works Programme	1,021	278	(743)
Planned, Re-active & Cyclical Works			
Billingsgate	172	171	(1)
Smithfield	463	476	13
Spitalfields	32	54	22
Total City Surveyor	1,688	979	(709)

39. The increase of £561,000 between original 2016/17 and original 2017/18 budget for the City Surveyor's repairs and maintenance programme reflects changes in the composition and phasing of the works as outlined in Table 2B below

TABLE 2B - CITY SURVEYOR LOCAL RISK OR 2016/17 - OR 2017/18

	Original Budget 2016/17	Original Budget 2017/18	Movement
Repairs and Maintenance	£'000	£'000	£'000
Additional Works Programme	1,021	1,521	500
Planned, Re-active & Cyclical Works			
Billingsgate	172	171	(1)
Smithfield	463	476	13
Spitalfields	32	81	49
Total City Surveyor	1,688	2,249	561

40. Budgets have provisionally been included for the 2017/18 additional works programme based on bids considered by the Corporate Asset Sub Committee in June 2016. However, a decision on funding of the programme is not due to be made by the Resource Allocation Sub Committee until December 2017. It may therefore be necessary to adjust budgets to reflect the Resource Allocation Sub Committee's decision.
41. The main elements for the increase in the additional works programme 2017/18, which is for Smithfield Market only, is that the value of work identified in the City Surveyor's 20 year programme for the latest budget for 2016/17 and 2017/18 has increased in comparison with the combined value of various programmes in the original estimate for 2016/17.
42. The planned and reactive works has increased significantly at Spitalfields as a discount was received on the pricing mechanism in previous years which has now come to an end.

Manpower Statement

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

Table 3 - Manpower statement OR 2016/17 - OR 2017/18

	Original Budget 2016/17		Original Budget 2017/18	
	Manpower Full-time Equivalent	Estimated cost £'000	Manpower Full-time Equivalent	Estimated cost £'000
Directorate	5.4	418	5.4	433
Spitalfields Market	30.0	1,374	34*	1,562
Smithfield Market	44.5	1,809	46 **	1,860
Billingsgate Market	38.5	1,681	38.5	1,745
TOTAL MARKETS	118.4	5,282	123.9	5,600

* Original 2016-17 full time equivalents did not include vacant posts. This has been corrected and now falls in line with City policy of reporting all posts as shown on the establishment reports. There is also an additional security post which is payable via the Service Charge. **An additional 0.50 full time equivalent administrator absorbed from the meat traders budget is included which is payable by the City of London.

Potential Further Budget Developments

44. The provisional nature of the 2017/18 revenue budget recognises that further revisions may be required, particularly relation to:

- Decisions on funding of the Additional Work Programme by the Resource Allocation Sub Committee
- Central and department recharges, which have not yet been finalised for the forthcoming year.

Service Based Review

45. The originally proposed 2017/18 Service Based Review Saving of £403,000 will not all be met as £130,000 of rent included for Smithfield Poultry Market letting will now be rent free due to the considerable work required to the premises and this saving has now been slipped, possibly to beyond 2018/19.. Therefore, £273,000 of Service Based Review savings for 2017/18 is reflected in the budgets presented to your committee. However, this slippage in savings will be fully compensated by the anticipated additional rental income generated at Spitalfields Market.

Forecast Outturn 2017/18

46. The forecast outturn for the current year is in line with the latest approved budget. It is anticipated that the Director of Markets and Consumer Protection will remain within his resource allocation for Markets Committee services.

Members Format – Operating Summary

47. 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). 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.

48. On this basis, there is an overall surplus to the City of London Corporation for operating the Markets of £363,000 in 2017/18. The surplus is higher than the overall Committee total of £230,000, as the excluded items produced a net deficit of £133,000. The overall Market surplus for 2017/18 includes costs for capital charges and depreciation totalling £951,000.

49. Appendix 4a and 4b details the reasons for adverse and favourable variances over £50,000 or where savings are part of the service based review.

Draft Capital Depreciation Budget

50. The City of London Corporation has adopted the Generally Accepted Accounting Practices UK (GAAP UK) which has resulted in the notional capital costs at Spitalfields Market, Smithfield Market and Billingsgate Market being written down and depreciation of the building and plant being charged to the revenue account. The charges for 2017/18 are:

Market	£
Spitalfields	651,600
Billingsgate	159,011
Smithfield	146,132
Total	956,743

Draft Capital and Supplementary Revenue Budgets

51. The latest estimated costs for the Committee's current capital and supplementary revenue projects are summarised in the Table below.

Table 5 - Capital & Supplementary Revenue projects						
Service Managed	Project	Ex. Pre 01/04/16 £'000	2016/17 £'000	2017/18 £'000	Later Years £'000	Total £'000
Pre-implementation						
Billingsgate	Fish handling facilities	17	2	-		19
Smithfield	repairs	298	741	-		1,039
Spitalfields	Entry barrier		5	-		5
Authority to start work						
Spitalfields	Segregation barrier	-	107	-		107
Total Markets		315	855	-	-	1,170

52. Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work. It should be noted that the above figures exclude the implementation costs of those schemes which have yet to receive authority to start work.

53. The Additional Fish Handling Facilities project is on hold pending further consultation with the London Fish Markets Association to decide the future direction of the scheme.

54. Implementation of the Poultry Market Repairs project at Smithfield Market, which is being funded by the City, is anticipated to commence in 2017/18, subject to authority to start work.

55. The installation of the barrier at Spitalfields to separate pedestrians from fork lift trucks is now complete.

56. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2017.

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Appendix 1A - Analysis by Service Managed OR 2016/17 - LAB 2016/17

	Actual 2015/16 £'000	Original Budget 2016/17 £'000	Latest Budget for approval (LAB) 2016/17 £'000	Movement OR 2016/17 - LAB 2016/17 £'000	Paragraph reference
CITY FUND					
Spitalfields Market					
- Service Charge Account	4	27	27	0	
- City Account	(717)	(813)	(1,754)	(941)	
- Repairing and Repairs Fund	0	0	0	0	
Total Spitalfields Market	(713)	(786)	(1,727)	(941)	
TOTAL CITY FUND	(713)	(786)	(1,727)	(941)	
CITY'S CASH					
Smithfield					
Service Charge Account	1,459	1,945	1,845	(100)	
Non-Service Charge Account	(1,046)	(237)	(746)	(509)	
Other Services	74	156	(282)	(438)	
Total Smithfield Market	487	1,864	817	(1,047)	
Billingsgate					
Service Charge Account	0	0	0	0	
Non-Service Charge Account	(571)	(891)	(911)	(20)	
Repairing and Special Works Account	0	0	0	0	
Total Billingsgate Market	(571)	(891)	(911)	(20)	
Markets Directorate	0	0	0	0	
TOTAL CITY'S CASH	(84)	973	(94)	(1,067)	
TOTAL	(797)	187	(1,821)	(2,008)	

Appendix 1B - Analysis by Service Managed OR 2016/17 - OR 2017/18

	Actual 2015/16 £'000	Original Budget 2016/17 £'000	Original Budget 2017/18 £'000	Movement OR 2016/17 - OR 2017/18 £'000	Paragraph reference
CITY FUND					
Spitalfields Market					
- Service Charge Account	4	27	27	0	
- City Account	(717)	(813)	(1,220)	(407)	
- Repairing and Repairs Fund	0	0	0	0	
Total Spitalfields Market	(713)	(786)	(1,193)	(407)	
TOTAL CITY FUND	(713)	(786)	(1,193)	(407)	
CITY'S CASH					
Smithfield					
Service Charge Account	1,459	1,945	1,586	(359)	
Non-Service Charge Account	(1,046)	(237)	344	581	
Other Services	74	156	133	(23)	
Total Smithfield Market	487	1,864	2,063	199	
Billingsgate					
Service Charge Account	0	0	0	0	
Non-Service Charge Account	(571)	(891)	(1,100)	(209)	
Repairing and Special Works Account	0	0	0	0	
Total Billingsgate Market	(571)	(891)	(1,100)	(209)	
Markets Directorate	0	0	0	0	
TOTAL CITY'S CASH	(84)	973	963	(10)	
TOTAL	(797)	187	(230)	(417)	

Appendix 2 - Support Service and Capital Charges from/to Markets Committee

	Actual 2015/16	Original Budget 2016/17	Latest Budget for Approval (LAB) 2016/17	Original Budget 2017/18
	£'000	£'000	£'000	£'000
Support Service and Capital Charges				
Administrative Buildings	32	36	33	40
City Surveyor's Employee Recharge	226	214	214	214
Insurance	387	553	518	523
Film Liaison-Legal Fees	12	0		0
IS Recharges – Chamberlain	245	231	228	224
City Procurement Recharges - Chamberlain	62	56	55	61
 Capital Charges	 838	 804	 915	 957
Support Services -				
Chamberlain	300	316	305	294
Comptroller and City Solicitor	135	105	159	153
Town Clerk	177	181	182	168
City Surveyor	97	106	97	97
Liability Insurance	38	44	39	39
Total Support Services and Capital Charges	2,549	2,646	2,745	2,770
 Recharges Within Funds				
Corporate and Democratic Core – Finance Committee	(77)	(77)	(77)	(77)
Directorate Recharge – Port Health and Environmental Services Committee	0	0	0	0
 Recharges Across Funds				
Directorate Recharge - Markets – City Fund	0	0	0	0
Directorate Recharge – Licensing Committee	(21)	(21)	(20)	(20)
Directorate Recharge – Port Health and Environmental Services Committee	(268)	(292)	(285)	(293)
TOTAL SUPPORT SERVICE AND CAPITAL CHARGES	2,183	2,256	2,363	2,380

The Capital Charges within this Committee total £957,000 in 2017/18. These relate to depreciation charges at Spitalfields Market £652,000 depreciation at Smithfield Market, the Animal- By- Product facility and the Car Park £146,000; and depreciation charges at Billingsgate Market £159,000 based on the estimated value as at 1 April 2014 divided by anticipated lives of assets. This is in accordance with the City adopting the UK GAAP accounting