

Committee(s):	Dated:
Markets	19 July 2017
Subject:	Public
Revenue Outturn 2016/17	
Report of:	For Information
The Chamberlain Director of Markets and Consumer Protection	
Report author:	
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Summary

This report compares the 2016/17 revenue outturn for the services overseen by your Committee with the final budget for the year. Overall total net revenue outturn during the year was (£2.485m), compared to a total final budget of (£1.704m), representing a surplus of (£0.781m) as summarised below.

Table 1 - Summary Comparison of 2016/17 Revenue Outturn with Final Budget

	Original	Latest	Final Budget 2016/17 £'000	Revenue Outturn 2016/17 £'000	Variation Increase/ (Decrease) £'000
	Budget	Approved			
	2016/17 £'000	Budget (LAB) 2016/17 £'000			
	(A)	(B)	(C)	(D)	(D-C)
Local and Central Risk					
Director of Markets & Consumer Protection	(3,757)	(5,163)	(5,170)	(5,731)	(561)
City Surveyor	1,688	979	1,047	977	(70)
Total Direct Expenditure/(Income)	(2,069)	(4,184)	(4,123)	(4,754)	(631)
Capital and Support Costs	2,256	2,363	2,419	2,269	(150)
Overall Totals	187	(1,821)	(1,704)	(2,485)	(781)

The Director of Markets and Consumer Protection had a net under spend of

(£561,000) on his local and central risk budgets within Markets Committee, which mainly related to savings across all markets on employment costs, utilities, professional and legal costs. There was also additional income generated.

Chief Officers have submitted their requests to carry forward their under spends. 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 £338,000 for all the Committees within his remit, of which £137,000 relates to services supporting Markets Committee.

The City Surveyor's net under spend of (£70,000) mainly related to the re-phased additional work programme and historical repair work at Smithfield Market.

Recommendations

It is recommended that this revenue outturn report for 2016/17 and the proposed carry forward of under spending to 2017/18 are noted.

Main Report - Revenue Outturn for 2016/17

1. A summary comparison with the final 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 shown in the highlighted row for your Committee's services during 2016/17 totalled (£2.485m), a surplus of (£0.781m) compared to the final budget of (£1.704m).

Table 2 - Detailed Summary Comparison of 2016/17 Revenue Outturn with Final Budget

		Original Budget	Latest Agreed Budget	Final Budget	Revenue Outturn	Variation Increase/(Decrease)	Variation Increase/(Decrease)
		£'000	£'000	£'000	£'000	£'000	%
Local Risk							
Director of Markets & Consumer Protection	A	1,506	1,565	1,565	1,256	(309)	(19.7%)
City Surveyors							
Repairs and Maintenance		667	701	703	727	24	3.4%
Additional Works Programme		1,021	278	344	250	(94)	(27.3%)
City Surveyor's Total		1,688	979	1,047	977	(70)	(6.7%)
Total Local Risk		3,194	2,544	2,612	2,233	(379)	(14.5%)
Central Risk							
Director of Markets & Consumer Protection	B	(5,263)	(6,728)	(6,735)	(6,987)	(252)	(3.7%)
Total Local and Central risk		(2,069)	(4,184)	(4,123)	(4,754)	(631)	(15.3%)
Capital and Support Services		2,256	2,363	2,419	2,269	(150)	(6.2%)
Overall Total		187	(1,821)	(1,704)	(2,485)	(781)	45.8%
Total Local and Central risk excluding City Surveyors	C	(3,757)	(5,163)	(5,170)	(5,731)	(561)	(10.9%)

Note: Local Risk line A and Central Risk line B = line C, which is the 1st row of Table 1, the summary comparison table.

2. The local risk under spend of (£379,000) comprises the following main variations:

Director of Markets and Consumer Protection (£309, 000) underspend:

• **Smithfield Market (£283,000) underspend -**

- employment costs were lower by (£42,000) as a maintenance operative post was vacant for 12 months;
- premises related costs were lower due to carry forward funding of (£13,000) from the previous year which remains unspent. This was due to better than expected costs of some repairs. This is offset by higher costs for repairs to the Rotunda car park of £11,000 and installation of energy meters £10,000;
- electricity, water and carbon commitments were lower by (£173,000) due to reduced unit prices and reduced consumption;
- professional fees were lower as arbitration for the renewal of services on the lease was not required in 2016-17 (£35,000);
- net reduction for supplies and services of (£4,000);
- higher income for the Rotunda car park of (£179,000),
- a reduction in income for utilities recovered from the Commercial offices £142,000.

• **Billingsgate Market £7,000 overspend –**

- employment costs were lower due to a refund of overpaid salary costs of (£9,000) on the service charge;
- planned works of (£61,000) were lower due to cancelled or delayed projects; energy costs were also lower by (£58,000) due to a reduction in unit prices. This was offset by an increase in water costs of £10,000 which was due to a late charge from the previous year;
- transport costs were lower due to equipment not purchased (£20,000) and reduced repairs costs of (£11,000) ;
- net increase in income for services to tenants (£21,000);

- due to the reduction in costs, there is an additional net contribution of £170,000 to the Repairs and Special Works Fund from the Service Charge.
- various small costs were overspent by £7,000 on the corporate account such as overtime, telephone, computing and staff travel.
- **Directorate (£4,000) underspend** – lower computing and conference expenses.
- **New Spitalfields Market (£29,000) underspend**
 - employment costs were less due to vacant security and maintenance posts (£102,000);
 - reduced electric and carbon commitment costs due to reduced unit price and consumption (£32,000);
 - reduced inspection and legal fees (£12,000);
 - net increase in income from interest and transfers (£6,000);
 - service charge income was less due to reduce costs of £123,000.

City Surveyor (£70,000) underspend – the reduction in repairs and maintenance costs relates mainly to re-phased projects at Smithfield Market. These 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 projects are rolled over to future years.

- **Smithfield Market (£111,000)** – is due to re-phased works on the Additional Work Programme and historical work programme;
- **Billingsgate Market £44,000** - is due to the reallocation of the current corporate repair contract, which has resulted in an increase in reactive and planned maintenance charges.
- **New Spitalfields Market (£3,000)** – additional works and repairs funded from the reserves and/or the service charge.

3. The central risk under spend of (£252,000) comprises the following main variations:

- **Smithfield Market (£168,000) underspend**

- increase in the expected rate rebate for the Rotunda car park of (£60,000);
- additional rental income (£36,000);
- reduction in inspection costs of (£72,000).

- **Billingsgate Market £13,000 overspend**

- professional fees relating to the proposed advertising hoardings lease were less than anticipated (£10,000);
- net increase in rental income of (£1,000);
- net reduction in central risk costs and recharges has resulted in a reduction in a transfer from reserves of £24,000.

- **New Spitalfields Market (£97,000) underspend;**

- additional rental income (£7,000);
- professional fees for external surveyors of (£90,000) for the lease renewal negotiations was unspent and a bid for a central risk carry forward has been made.

The (£150,000) underspend in Capital and Support Services is due to reduced support costs on City Cash of (£85,000) and City Fund of (£57,000), reduced premises insurance at Smithfield Market (£18,000), offset by increased surveyors employment recharges of £10,000.

Annex A1 and A2 provides a more detailed comparison of the local and central risk outturn against the final budget, including detailed explanations of variations.

Local Risk Carry Forward to 2017/18

4. Chief Officers can request up to 10% or £500,000 of under spend (whichever is the lesser) of the final 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.

The Director of Markets and Consumer Protection had a local risk under spend excluding City Surveyors local risk of (£309,000) on the activities overseen by your Committee and is proposing to carry forward £137,000 of his local risk under spend for the following purposes:

City Cash - Smithfield Market

- £120,000 for consultancy services to complete a report on the Strategic Review of Markets, which has been agreed by your Committee. This was as a result of funding from the Transformation Fund being rejected by Summit Group who recommended a carry forward bid.
- £17,000 to employ 1 apprentice Support Officer to provide continued capacity for administration activities, research and project work. This is a second year apprentice and is not funded from the apprentice levy scheme.

Movement between Latest Approved Budget and Final Budget

Members have asked for clarification on the changes in budgets during the year and it has been agreed that a reconciliation of movement be prepared detailing the variations which is shown at Annex A3.

Financial Performance of the Markets

5. 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 Appendix 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.

An apportionment of the Directorate costs and other central support costs are included below the operating line.

Operating surpluses of £2.819m at Spitalfields, £1.592m at Billingsgate and £0.092m at Smithfield Market produced a combined surplus of £4.503m for the three Wholesale Markets. When capital of (£0.915m) and central support costs

of (£1.620m) respectively are added, there is a consolidated surplus to the City of London Corporation of £1.968m in 2016/17.

The difference between the Total Market Income of £1.968M as shown on Appendix B1 and the Revenue Outturn of £2.485m as shown on Table 1 in the main report is a surplus of £0.517M which is the outturn for Outside Properties, including the Rotunda car park, which are not included in Appendix B1.

6. Details of variances for Appendix B1 are listed and attached on Appendix B2.

City of London overall Financial Position and context for the Efficiency and Sustainability Plan

7. The Court of Common Council approved the published Efficiency and Sustainability Plan on the 13th October 2016. This plan focuses on the existing Service Based Review programme which is now nearing completion, other agreed transformation initiatives and developing a framework for continuous efficiency improvement for 2017/18 and later years. This plan needs to be viewed in the context of the overall Medium Term Financial Strategy to have a five year plan with sufficient cashable savings to present a balanced budget for all four funds and adopting an investment approach utilising the headroom to invest in one-off projects such as the Museum of London relocation project and 'bow wave' list of outstanding repairs.
8. To assist with this context and messaging, a set of core messages on the City of London Corporation's Finances have been developed and are set out in Appendix B3 for members' information.

Annex A1 - Comparison of 2016/17 Local Risk Revenue Outturn with Final Agreed Budget

Annex A2 - Comparison of 2016/17 Central Risk Revenue Outturn with Final Agreed Budget

Annex A3 – Movement from Latest Approved Budget to Final Budget

Appendix B1 - Comparison of 2016/17 Operating Statement with Operating Budget

Appendix B2 – Variance details for appendix B1

Appendix B3 – Efficiency & Sustainability Plan – Core Messages on the City of London Corporation's finances.

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Markets Committee - Comparison of 2016/17 Revenue Outturn with Final Budget

	Original Approved Budget	Latest Approved Budget	Final Budget	Revenue Outturn	Variation Increase/ (Decrease)	Variation %	Reasons
	£'000	£'000	£'000	£'000	£'000	%	
LOCAL RISK							
Director of Markets							
City Fund							
Spitalfields Market Service Charge	27	27	27	12	(15)	(55.6%)	1
Spitalfields Market Corporation	22	20	20	6	(14)	(70.0%)	2
Total City Fund	49	47	47	18	(29)	(61.7%)	
City Cash							
Smithfield Market Service Charge	857	939	939	819	(120)	(12.8%)	3
Smithfield Market Non Service Charge	76	137	137	148	11	8.0%	4
Smithfield Market Other Services	(49)	(129)	(129)	(303)	(174)	(134.9%)	5
Billingsgate Market Service Charge	0	0	0	0	0	0.0%	
Billingsgate Market Non Service	137	135	135	142	7	5.2%	6
Markets Directorate	436	436	436	432	(4)	(0.9%)	7
Total City Cash	1,457	1,518	1,518	1,238	(280)	(18.4%)	
Total Director of Markets	1,506	1,565	1,565	1,256	(309)	(19.7%)	
City Surveyor							
City Fund							
Spitalfields Market Service Charge	32	54	54	51	(3)	(5.6%)	8
Spitalfields Market Corporation	0	0	0	0	0	0.0%	
Total City Fund	32	54	54	51	(3)	-5.6%	
City Cash							
Smithfield Market Service Charge	1,213	446	393	377	(16)	(4.1%)	9
Smithfield Market Non Service Charge	153	276	397	298	(99)	(24.9%)	9
Smithfield Market Other Services	118	32	32	36	4	12.5%	9
Billingsgate Market Service Charge	165	164	164	144	(20)	(12.2%)	10
Billingsgate Market Non Service	7	7	7	71	64	914.3%	10
Total City Cash	1,656	925	993	926	(67)	(6.7%)	
Total City Surveyor	1,688	979	1,047	977	(70)	(6.7%)	
TOTAL LOCAL RISK	3,194	2,544	2,612	2,233	(379)	(14.5%)	

Reasons for Local Risk Variations – Director of Markets

1. **Spitalfields Market Service Charge Account** - underspend (£15,000) 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 lower costs of (£15,000).

2. **Spitalfields Market Corporation Account** – underspend of (£14,000) is due to the following:
 - Reduced energy costs in the year resulted in lower charges for carbon reduction (£7,000);
 - supplies and services were less than expected mainly due to the legal fee budget not required in 2016/17 (£7,000).

3. **Smithfield Market Service Charge Account** - underspend (£120,000) is mainly due to the following:
 - reduced employment costs due a maintenance operative post vacant for the year (£42,000);
 - premises related costs were lower than anticipated due to carry forward funding of (£13,000) from the previous year which remains unspent;
 - lower than expected chilled and hot water provided by Citigen which is mainly due to a decreased pricing mechanism caused by the fall in oil prices (£10,000);
 - reduced electricity costs for common areas due to lower consumption and lower unit cost (£56,000);
 - reduced carbon commitment due to reduced consumption (£14,000);
 - higher water charges due to higher consumption £6,000;
 - increased costs for refuse collection of £20,000;

- higher than expected service charge income from new tenants who are outside of the capped charge (£8,000);
 - transport costs and phone costs are lower than anticipated (£3,000).
4. **Smithfield Market Non Service Charge Account** - overspend £11,000 is mainly due to the following:
- increased repair costs due to the installation of electric meters £10,000;
 - lower than anticipated cost for energy and chilled water due to unit price reduction and a decrease in consumption (£88,000);
 - professional fees are lower than anticipated as arbitration for the renewal of services on the lease was not implemented in 2016-17 (£60,000);
 - reduction in income from trading and commercial office tenants for energy costs and chilled water £149,000;
5. **Smithfield Market Other Services**- underspend of (£174,000) is due to higher than expected car parking usage.
6. **Billingsgate Market Non Service Charge** – overspend £7,000 is due to various small overspends over several spend categories such as staff travel, telephone and computer costs.
7. **Directorate** – The under spend of (£4,000) is due to reduced costs for mobile telephones and computer costs. The reduction is passed onto all the Markets and Consumer Protection budgets under the remit of the Director on a proportionate basis, through the recharging policy of the City of London.

Reasons for Significant Local Risk Variations – City Surveyors

8. Underspend of (£3,000) at New Spitalfields Market is due to a reduction in costs for completed works.
9. Net under spend of (£111,000) at Smithfield Market is due to the following:

- Additional Work Programme (AWP) being delayed and re-phased (£44,000) and net reduction in general breakdown works of (£12,000);
- recharge costs to commercial office tenants for the AWP works on the Dorma Windows of the West Market (£55,000).

10. Net over spend of £44,000 at Billingsgate Market is due to the adverse reappportionment of reactive and planned repair cost in 2016-17 that cannot be recovered from the service charge.

Markets Committee - Comparison of 2016/17 Outturn with Final Budget

	Original Approved Budget £'000	Latest Approved Budget £'000	Final Budget £'000	Revenue Outturn £'000	Variation Increase/ (Decrease) £'000	Variation Variation %	Reasons
CENTRAL RISK							
Director of Markets							
City Fund							
Spitalfields Market Service Charge	(460)	(367)	(367)	(370)	(3)	(0.8%)	11
Spitalfields Market City Account	(1,347)	(2,573)	(2,573)	(2,665)	(92)	(3.6%)	12
Spitalfields Market Tenants Repairs	(21)	(21)	(21)	(23)	(2)	(9.5%)	13
Total City Fund	(1,828)	(2,961)	(2,961)	(3,058)	(97)	3.3%	
City Cash							
Smithfield Market Service Charge	85	5	5	2	(3)	(60.0%)	14
Smithfield Market Non Service	(1,684)	(1,628)	(1,628)	(1,736)	(108)	(6.6%)	15
Smithfield Market Other Services	0	(310)	(310)	(367)	(57)	18.4%	16
Billingsgate Market Service Charge	(320)	(308)	(308)	(302)	6	1.9%	17
Billingsgate Market Non Service	(1,497)	(1,495)	(1,502)	(1,519)	(17)	(1.1%)	18
Billingsgate Market Special Works	(19)	(31)	(31)	(7)	24	77.4%	19
Total City Cash	(3,435)	(3,767)	(3,774)	(3,929)	(155)	(4.1%)	
TOTAL CENTRAL RISK	(5,263)	(6,728)	(6,735)	(6,987)	(252)	(3.7%)	

Reasons for Significant Central Risk Variations

11. **Spitalfields Market Service Charge A/C** – net income was higher (£3,000) to fund increased City Surveyor costs resulting in additional funds required from tenants' contributions.
12. **Spitalfields Market City A/C** – underspend of (£92,000) is due to lower than anticipated professional fees for external surveyor costs due to delays in the

lease renewal process. The unspent professional fees budget has been included in the central risk carry forward requests in 2017/18.

13. **Spitalfields Market Tenants Repairs A/C** – net income/expenditure on this account is transferred to/from the Spitalfields Reserve Account to fund works and projects. More works were complete which resulted in additional funds required from the Spitalfields Market Reserve Account (£2,000).
14. **Smithfield Service Charge A/C** – net expenditure was lower due mainly to the reduction of the FSA Inspection fee charges (£3,000).
15. **Smithfield Market Non Service Charge A/C** – net income was higher due to reduced professional fees for lettings and inspection costs of (£69,000) and an increase in rental income of (£39,000).
16. **Smithfield Other Services A/C** – net income was higher due to a rate rebate higher than anticipated for the Rotunda Car Park of (£57,000).
17. **Billingsgate Market Service Charge A/C** – net income was lower due to reductions in City Surveyors costs resulting in fewer funds required from tenants contributions £6,000.
18. **Billingsgate Market Non Service Charge A/C** – net income was higher due to professional fees not required (£10,000) and additional rent income (£7,000).
19. **Billingsgate Market Special Works A/C** – net income was lower due to a reduction of City Surveyors staff time charged, resulting in reduced income required from the market reserves £24,000.

Annex A3

Markets Committee – Movement in 2016/17 Latest Approved Budget to Final Budget

Analysis by Service Managed	Original Budget 2016/17 £'000	Latest Approved Budget* 2016/17 £'000	Final Budget 2016/17 £'000	Movement £'000	Notes
CITY FUND					
Spitalfields Market Service Charge	27	27	27	0	
Spitalfields Market City Account	(774)	(1,754)	(1,741)	13	
Spitalfields Market Repainting & Repair	0	0	0	0	
TOTAL CITY FUND	(747)	(1,727)	(1,714)	13	a
CITY CASH					
Smithfield Market Service Charge	2,656	1,898	1,860	(38)	b
Smithfield Market City Account	(960)	(799)	(678)	121	c
Smithfield Other Properties	156	(282)	(282)	0	
TOTAL SMITHFIELD MARKET	1,852	817	900	83	
Billingsgate Market Service Charge	0	0	0	0	
Billingsgate Market City Account	(918)	(911)	(890)	21	
Billingsgate Market Repainting & Repair	0	0	0	0	
TOTAL BILLINGSGATE MARKET	(918)	(911)	(890)	21	d
DIRECTORATE	0	0	0	0	
TOTAL CITY CASH	934	(94)	10	104	
TOTAL	187	(1,821)	(1,704)	117	

*Latest Approved Budget as reported to your Committee on 30th November 2016

Notes:

- (a) Recharged costs have increased mainly for IT costs.
- (b) City Surveyors costs decreased (£53,000) which were netted off against increased IT costs £15,000
- (c) Increased City Surveyors rephased costs for the Additional Works Programme (AWP)
- (d) Recharged costs have increased mainly for IT and City Procurement costs.

