

<b>Committee(s):</b> Markets	<b>Dated:</b> 29 November 2017
<b>Subject:</b> Revenue and Capital Budgets - 2017/18 and 2018/19	<b>Public</b>
<b>Report of:</b> The Chamberlain Director of Markets and Consumer Protection	<b>For Decision</b>
<b>Report Author:</b> Debbie Howard, Chamberlain's Department	

### Summary

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 2017/18 and provisional revenue budget for 2018/19, 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, including a 2% reduction for efficiency savings.

Business priorities for the forthcoming year will include:

- Focus on maintaining the high quality of service within cash limited resource allocation. As all the Markets have service charges, 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.
- Concluding the Strategic Review of Markets and gaining Committee and Court approval of its recommendation.
- Assisting the City Surveyor in completing the Smithfield Poultry Market project.
- Improving the state of the infrastructure and cleaning standards at Billingsgate.
- Installing an Entry Barrier system at New Spitalfields Market to improve control and generate income.
- Working with the City Surveyor and the Museum of London on the project to relocate the Museum of London.
- Improving risk management generally and, specifically, continuing to reduce health and safety risks at the markets and minimising accidents.

Table 1 Summary Revenue Budgets 2017-18 and 2018-19					
	Original Budget 2017/18 £'000 (A)	Latest Budget for approval (LAB) 2017/18 £'000 (B)	Movement Original 2017-18 to LAB 2017-18 £'000 (A-B)	Original Budget 2018/19 £'000 (C)	Movement Original 2017-18 to Original 2018-19 £'000 (A-C)
Expenditure	(16,076)	(15,421)	655	(16,030)	46
Income	18,686	18,487	(199)	20,500	1,814
<b>Net Surplus/(Deficit)</b>	2,610	3,066	456	4,470	1,860
Support Services and Capital Charges	(2,380)	(2,340)	40	(2,250)	130
Total Net Expenditure	230	726	496	2,220	1,990

Overall, the 2017/18 latest budget shows a net surplus of £726,000, an increase in net surplus of £496,000 compared to the original budget of £230,000. The main reasons for this saving are listed below:-

- Reductions to phasing of City Surveyors Additional Works Programme £614,000.
- Reduction in premises related expenses £533,000.
- Reduced transfers to reserves £76,000.
- Reduction of Capital and support costs £40,000.

The reductions are partially offset by the following:-

- Employment cost increases of £102,000.
- Increases in supplies and services of £371,000.
- Increased waste and cleaning of £95,000.
- Reduction of income, £199,000.

The 2018/19 provisional revenue budget shows a net surplus of £2,220,000, an increase in net surplus of £1,990,000 compared with the original budget for 2017/18 of £230,000. The main reasons for this saving are listed below:-

- Reductions to phasing of City Surveyors Additional Works Programme, £594,000.
- A reduction in premises related expenses, £92,000.
- Reduction in transfers, £76,000.
- Reduction of Capital and support cost £130,000.
- Increased income, £1,814,000.

The reductions are partially offset by the following:

- Employment cost increases of £244,000.
- Increased transport costs, £17,000.

- Increased supplies and services, waste contract £455,000.

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

## **Recommendations**

The Committee is requested to:-

- Review the latest 2017/18 revenue budget to ensure it reflects the Committee's objectives and, if so, approve the budget. Review the provisional 2018/19 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.
- Members are asked to note the Building Repairs and Maintenance asset verification exercise being undertaken by the City Surveyor and agree that any minor changes for 2017/18 latest and 2018/19 original budgets arising from this exercise be delegated to the Chamberlain.

## **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 2017/18 and the proposed revenue budgets and capital budgets for 2018/19. 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 2017/18 and the proposed revenue budget for 2018/19 has been analysed by service expenditure and compared with the original budget for 2017/18. 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, expenditure and adverse variances are presented in brackets. Significant variances (generally those greater than £50,000) are commented on but in accordance with this Committees request, all adverse variances are commented on.

### **Business Planning Priorities**

6. Business priorities for 2018/19 will focus on maintaining the high quality of service within cash limited resource allocation. As all the Markets have service charges, 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:

- Concluding the Strategic Review of Markets and gaining Committee and Court approval of its recommendation.
- From efficiency measures 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.
- Assisting the City Surveyor in completing the Smithfield Poultry Market project.
- Improving the state of the infrastructure and cleaning standards at Billingsgate.
- Installing an Entry Barrier system at New Spitalfields Market to improve control and generate income.
- 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.
- Following consultation with the London Fish Merchants' Association (LFMA) and individual tenants, the Additional Facilities and Phase 2 of the Re-Roofing Projects at Billingsgate Market will remain 'on hold' but further discussions are underway with the LFMA to agree affordable improvements in the Market's infrastructure.

- The Spitalfields Entry Barrier Project has been initiated and will be progressed through the Gateways and Planning Permission from LB Waltham Forest, with the intention to complete it within 2018/19. It is being funded by the Markets Repairs and Repainting Fund and requires no City funding.

### **Latest Revenue Budget for 2017/18**

9. Overall there is an increase in net surplus between the Committee's original and latest budget for 2017/18 of £496,000. Table 1A and the paragraphs below summarise the movements between the original and latest budgets comprising this saving. A further analysis of local and central risk budgets by service is provided at Appendix 1A.

### **Expenditure**

10. An increase in employment costs of £102,000 due to pay award of 1.5% and increases in pension and National Insurance costs.
11. A decrease of £559,000 for local risk premises related costs is due to:
- New Spitalfields Market - Reduction of £280,000 due to:
    - An increase in cleaning costs of £53,000 for the new Servest cleaning contract commencing in October 2017.
    - An increase in water costs of £44,000.
    - A reduction in minor improvement works due to re-phasing of work of £377,000 funded from the Repair and Repainting fund.
  - Billingsgate Market - Reduction of £224,000 is due to:
    - A reduction of contribution expected from the tenants to the Market reserves fund of £150,000.
    - Revised energy budget due to new contract from October 2017, resulting in a reduction in electricity charges of £42,000.
    - Reduction in general breakdown and contract servicing budgets of £56,000.
    - Increased costs for rates due to revaluation of £19,000 and pest control and cleaning materials of £5,000.
  - Smithfield Market - Reduction of £55,000 is due to:
    - Reduction in electricity of £195,000 due to better information of consumption and price.
    - An increase of Citigen energy/water costs of £34,000.
    - Increase in business rates of £83,000 for the main market and £23,000 for the Rotunda Car Park.

12. Increase of £26,000 for central risk premises related costs is due to a rate increase of £30,000 at Billingsgate Market offset by small reductions across several categories of £4,000.
13. Decrease of £614,000 is due to re-phasing of the Additional Works Programme, £688,000 at Smithfield Market which is offset by increases in the planned building, repair and maintenance works at all markets of £74,000 as detailed in Table 2A.
14. Increase in local risk supplies and services of £149,000 is due to a carry forward of £137,000 for the Strategic Review consultation and an increase in uniforms at Billingsgate due to the purchase of stab vests of £6,000 and other minor increases over several categories of £6,000.
15. Increase in central risk supplies and services of £222,000 due to:
  - An increase at Smithfield Market professional fees for the rent negotiations of £100,000 and an increase of £2,000 for the Crossrail compensation negotiations. Christmas traffic security and signage of £16,000 and installation of electric boards in the Commercial Office common areas of £5,000.
  - An increase for professional fees for the negotiations of the advertising hoarding at Billingsgate Market of £10,000.
  - An increase of £90,000 which was agreed as a central risk carry forward for the continuation of the lease negotiations at Spitalfields Market offset by a reduction of £1,000 for inspection costs.
16. Increase in local risk waste and cleaning contract of £95,000 at New Spitalfields Market is due to the retendered waste contract won by Countrystyle and the newly implemented corporate office cleaning contract by Servest starting in October 2017.
17. A transfer of £76,000 to the Billingsgate Market repainting and special works fund will be reduced due to a reduced service charge contribution.

## **Income**

18. Decrease in total income between the original 2017/18 and latest proposed 2017/18 budget totals £199,000. Main variances include:
19. Reductions in local risk income of £422,000 due to:
  - Reduced service charge income of £134,000 due to a reduction for repairs, reduced car parking income of £50,000 at Billingsgate Market, offset by receipt of a non- government grant of £16,000 for equipment purchased and an increase of market reserve transfers of £58,000.
  - Reduced income transfer from Spitalfields Market reserves of £377,000 due to reduction in repair costs. This is offset by additional net income to fund increased costs £65,000.
20. The central risk income has increased by £223,000 due to increased rent due at Spitalfields Market £215,000, Billingsgate Market of £56,000 and Smithfield other properties of £85,000, plus a net increase across Spitalfields and Billingsgate of £12,000 for increases in service charge income, which is netted off against reductions

in advertising hoarding income of £125,000 and £20,000 for transfers from reserves at Billingsgate Market.

### **Support Services and Capital Charges**

21. A detailed breakdown of support services and capital charges can be seen at Appendix 2. The decrease of £40,000 between 2017/18 original budget and 2017/18 latest budget is mainly due to decreases in Capital Charges.

### **Building Repairs and Maintenance (BRM)**

22. Members should note the basis on which repairs and maintenance budgets have been prepared for the latest estimates for 2017/18 include a part year charge from the former repairs and maintenance contractor (MITIE) and 9 months from the new contractor (Skanska), whereas the original 2018/19 budgets are based on the tendered return of the new contractor.
23. Under the terms of the BRM contract, Skanska are undertaking an asset verification exercise which is expected to be completed in February 2018, the outcome of the review is likely to result in variations to the figures that have been submitted for 2017/18 latest and 2018/19 original budgets.
24. Committees are requested to acknowledge this potential change and allow the Chamberlain (in consultation with the City Surveyor) to make the necessary budget adjustments within overall approval, following the asset verification.

TABLE 1A - MARKETS COMMITTEE SUMMARY – ALL FUNDS OR 2017/18 - LAB 2017/18

Analysis of Service Expenditure	Local or Central Risk	Actual 2016/17 £'000	Original Budget 2017/18 £'000	Latest Budget for approval (LAB) 2017/18 £'000	Movement Original 2017/18 to LAB 2017/18 £'000	Paragraph Reference
<b>EXPENDITURE</b>						
Employees	L	(5,238)	(5,600)	(5,702)	(102)	10
Premises Related Expenses (see note i)	L	(4,222)	(5,012)	(4,453)	559	11
Premises Related Expenses (see note ii)	C	254	(118)	(144)	(26)	12
City Surveyor – Repairs & Maintenance	L	(977)	(2,249)	(1,635)	614	13
Transport Related Expenses	L	(75)	(60)	(60)	0	
Supplies & Services (see note iii)	L	(950)	(968)	(1,117)	(149)	14
Supplies & Services (see note iv)	C	(48)	(93)	(315)	(222)	15
Waste & Cleaning Contract at New Spitalfields Market	L	(1,921)	(1,900)	(1,995)	(95)	16
Capital Charges	L	0	0	0	0	
Transfer to Reserves	L	(128)	(76)	0	76	17
Transfer to Service Charge Reserves	C	0	0	0	0	
<b>Total Expenditure</b>		<b>(13,305)</b>	<b>(16,076)</b>	<b>(15,421)</b>	<b>655</b>	
<b>INCOME</b>						
Other Grants, Reimbursements and Contribution	L	374	373	289	(84)	19
Other Grants, Reimbursements and Contribution	C	0	0	0	0	
Customer, Client Receipts (see note v)	L	10,751	11,321	11,286	(35)	19
Customer, Client Receipts (see note v)	C	3,767	1,510	1,414	(96)	20
Customer, Client Receipts (Rent)	C	2,984	4,768	5,107	339	20
Investment Income	L	6	3	19	16	19
Investment Income	C	0	0	0	0	
Transfer from Service Charge Reserves	L	147	661	342	(319)	19
Transfer from Service Charge Reserves	C	30	50	30	(20)	20
<b>Total Income</b>		<b>18,059</b>	<b>18,686</b>	<b>18,487</b>	<b>(199)</b>	
<b>TOTAL EXPENDITURE/ (INCOME) BEFORE SUPPORT SERVICES AND CAPITAL CHARGES</b>		<b>4,754</b>	<b>2,610</b>	<b>3,066</b>	<b>456</b>	
<b>SUPPORT SERVICES AND CAPITAL CHARGES</b>						
Central Support Services and Capital Charges		(2,653)	(2,770)	(2,731)	39	21
Recharges within Committees		0	0	0	0	
Recharges within Fund		77	77	77	0	
Recharges Across Funds		307	313	314	1	21
<b>Total Support Services and Capital Charges</b>		<b>(2,269)</b>	<b>(2,380)</b>	<b>(2,340)</b>	<b>40</b>	
<b>TOTAL NET EXPENDITURE/(INCOME)</b>		<b>2,485</b>	<b>230</b>	<b>726</b>	<b>496</b>	



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 2018/19**

25. The provisional 2018/19 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 1.5% cash limit allowance for pay increases and a 2% reduction for efficiency savings in base budgets. The budget has been prepared within the resources allocated to the Director.
26. Overall there is an increase in net surplus of £1,990,000 compared with the original budget for 2017/18 of £230,000 between the Committee's 2017/18 and 2018/19 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**

27. Increase in employment costs of £244,000 is due to an uplift of 1.5% for cost of living increase and incremental increases together with increases in pension contributions and National Insurance.
28. Decrease of £121,000 for premises related costs is due to:
- Decrease in repair and maintenance of £372,000 at New Spitalfields Market, netted off against increased costs for the new office cleaning contract with Servest of £47,000, increased energy and water charges of £59,000.
  - Decrease in energy costs of £30,000 and £50,000 for contribution to market reserves due to reduced repair and maintenance cyclical works for Billingsgate Market. This is netted off against an increase in rates of £21,000, cleaning and pest control materials of £10,000 and general repairs of £26,000.
  - Increased business rates for Smithfield Market and the car park £80,000, HV tanking of plant £74,000 in the East Market, £64,000 to complete installation of electric meters, Citigen heating and cooling increases of £54,000 and signage £11,000. This is netted off against a reduction in electric of £115,000 due to revision of consumption and price.
29. An increase in premises related expenditure on the central risk of £229,000 is due to rates increase at Billingsgate Market for the car park of £28,000 and the cost of

services for the vacant premises within the Poultry Market payable by the Landlord under the 2013 lease agreement of £201,000.

30. Decrease of £594,000 detailed on table 2B is due to re-phasing of City Surveyors repairs of £631,000 at Smithfield Market and increases in reactive and planned works at all markets £37,000.
31. Increased transport costs of £17,000 due to the purchase of a sit on scrubber-dryer vehicle for Smithfield Market.
32. Increased local risk supplies and services of £54,000 due to:
  - An increase in publicity costs to improve social media presence of £20,000, netted against reductions of £11,000 for computer maintenance, licenses, legal fees and cash collection.
  - Increases at Smithfield Market for a jet wash machine £6,000, Christmas traffic management £16,000, 4% contractual increase for refuse collection, £24,000.
  - A net reduction over several categories of £1,000.
33. The £1,000 increase in costs is due to Inspection costs at Smithfield Market.
34. Increased costs for the waste, recycling and cleaning contract tendered by Countrystyle at New Spitalfields Market has increased the fixed price of the contract by £200,000.
35. The decrease of transfers to the markets reserve accounts at Billingsgate Market of £76,000 is due to an increase in repairs and equipment and a reduction in contribution from the service charge, resulting in less funds transferred to the reserves.

## **Income**

36. An increase in total income between the original 2017/18 and latest proposed 2018/19 budget totals £1,814,000 as follows:
37. Decrease of £223,000 is due to reduced contributions payable by the tenants at Billingsgate Market of £50,000 and reduction of £173,000 at Smithfield Market for direct recoverable rates which will be recoverable via the service charge from 2018-19 as per the terms of the lease agreement.
38. Increase for local risk client receipts of £1,461,000 is due to:
  - Increased income generated due to recovering all cost of services from the market trading tenants at Smithfield Market due to the capped agreement ceasing from 01/04/2018 of £1,018,000.
  - Increase in car park charges of £33,000, additional reimbursement from Commercial Office tenants of £36,000 for the HV tanking netted against a reduction for electricity costs reimbursement of £20,000 at Smithfield Market.

- Recoverable service charge income has increased £58,000 to compensate for net increases in employment, water and materials and filming income has increased by £6,000 at Billingsgate Markets.
- Admission charging into New Spitalfields Market will generate £400,000 additional income which will be netted off against the car parking income which will no longer be charged of £70,000. The income is for the benefit of the service charge.

39. Increase for central risk income of £864,000 due to:

- Increase in Service Charge reimbursement income which will fund recharged costs and Building, Repair and Maintenance (BRM) costs, £790,000 at Smithfield Market.
- Increased Service Charge reimbursements for recharges and BRM costs of £74,000 for all markets.

40. Increase of rental income at Billingsgate £62,000 and Smithfield Other properties of £35,000.

41. Decrease in transfers of £385,000 from the market reserves for local and central risk costs due to lower costs of repairs and projects which are no longer required to be funded by the contributions to the service charge for Billingsgate and New Spitalfields Markets.

### **Support Services and Capital Charges**

42. The net decrease of £130,000 between 2017/18 and 2018/19 original budgets is due to decreases in insurance and capital charges. A detailed breakdown can be seen at Appendix 2.

TABLE 1B - MARKETS COMMITTEE SUMMARY – ALL FUNDS OR 2017/18 to OR 2018/19

Analysis of Service Expenditure	Local or Central Risk	Actual 2016/17 £'000	Original Budget 2017/18 £'000	Original Budget 2018/19 £'000	Movement 2017/18 to 2018/19 £'000	Paragraph Reference
<b>EXPENDITURE</b>						
Employees	L	(5,238)	(5,600)	(5,844)	(244)	27
Premises Related Expenses (see note i)	L	(4,222)	(5,012)	(4,891)	121	28
Premises Related Expenses (see note ii)	C	254	(118)	(347)	(229)	29
City Surveyor – Repairs & Maintenance	L	(977)	(2,249)	(1,655)	594	30
Transport Related Expenses	L	(75)	(60)	(77)	(17)	31
Supplies & Services (see note iii)	L	(950)	(968)	(1,022)	(54)	32
Supplies & Services (see note iv)	C	(48)	(93)	(94)	(1)	33
Waste & Cleaning Contract at New Spitalfields Market	L	(1,921)	(1,900)	(2,100)	(200)	34
Transfer to Reserves	L	(128)	(76)	0	76	35
Total Expenditure		(13,305)	(16,076)	(16,030)	46	
<b>INCOME</b>						
Other Grants, Reimbursements and Contribution	L	374	373	150	(223)	37
Other Grants, Reimbursements and Contribution	C	0	0	0	0	
Customer, Client Receipts (see note v)	L	10,751	11,321	12,782	1,461	38
Customer, Client Receipts (see note v)	C	3,767	1,510	2,374	864	39
Customer, Client Receipts (Rent)	C	2,984	4,768	4,865	97	40
Investment Income	L	6	3	3	0	
Transfer from Service Charge Reserves	L	147	661	295	(366)	41
Transfer from Service Charge Reserves	C	30	50	31	(19)	41
Total Income		18,059	18,686	20,500	1,814	36
TOTAL EXPENDITURE/ (INCOME) BEFORE SUPPORT SERVICES AND CAPITAL CHARGES		4,754	2,610	4,470	1,860	
<b>SUPPORT SERVICES AND CAPITAL CHARGES</b>						
Central Support Services and Capital Charges		(2,653)	(2,770)	(2,635)	135	
Recharges within Committees		0	0	0	0	
Recharges within Fund		77	77	77	0	
Recharges Across Funds		307	313	308	(5)	
Total Support Services and Capital Charges		(2,269)	(2,380)	(2,250)	130	42
<b>TOTAL NET EXPENDITURE/(INCOME)</b>		<b>2,485</b>	<b>230</b>	<b>2,220</b>	<b>1,990</b>	

## City Surveyors Local Risk

43. The decrease of £614,000 between original and latest budget for 2017/18 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

<b>TABLE 2A - CITY SURVEYOR LOCAL RISK OR 2017/18 - LAB 2017/18</b>			
	<b>Original Budget 2017/18</b>	<b>Latest Budget for Approval 2017/18</b>	<b>Movement</b>
<b>Repairs and Maintenance</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Additional Works Programme</b>	<b>(1,521)</b>	<b>(833)</b>	<b>688</b>
<b>Planned, Re-active &amp; Cyclical Works</b>			
Billingsgate	(171)	(178)	(7)
Smithfield	(476)	(533)	(57)
Spitalfields	(81)	(91)	(10)
<b>Total City Surveyor</b>	<b>(2,249)</b>	<b>(1,635)</b>	<b>614</b>

44. The decrease of £594,000 between original 2017/18 and original 2018/19 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

<b>TABLE 2B - CITY SURVEYOR LOCAL RISK OR 2017/18 - OR2018/19</b>			
	<b>Original Budget 2017/18</b>	<b>Original Budget 2018/19</b>	<b>Movement</b>
<b>Repairs and Maintenance</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Additional Works Programme</b>	<b>(1,521)</b>	<b>(890)</b>	<b>631</b>
<b>Planned, Re-active &amp; Cyclical Works</b>			
Billingsgate	(171)	(184)	(13)
Smithfield	(476)	(490)	(14)
Spitalfields	(81)	(91)	(10)
<b>Total City Surveyor</b>	<b>(2,249)</b>	<b>(1,655)</b>	<b>594</b>

45. Budgets have provisionally been included for the 2018/19 additional works programme based on bids considered by the Corporate Asset Sub (Finance) Committee in June 2017. However, a decision on funding of the programme is not due to be made by the Resource Allocation Sub (Policy and Resources) Committee until December 2018. It may therefore be necessary to adjust budgets to reflect the Resource Allocation Sub (Policy and Resources) Committee's decision.
46. The main elements for the decrease in the additional works programme 2018/19, 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 2017/18 and 2018/19 has been re-phased in comparison with the combined value of various programmes in the original estimate for 2017/18.
47. The planned and reactive works contract has been awarded to Skanska who are carrying out an extensive asset review at the markets. It may therefore be necessary to adjust budgets to reflect possible increases or decreases in planned works for all markets.

### Manpower Statement

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

Table 3 - Manpower statement OR 2017/18 - OR 2018/19				
	Original Budget 2017/18		Original Budget 2018/19	
	Manpower Full-time Equivalent	Estimated cost	Manpower Full-time Equivalent	Estimated cost
		£'000		£'000
Directorate	5.4	(433)	5.4	(449)
Spitalfields Market	34.0	(1,562)	34.0	(1,610)
Smithfield Market	46.0	(1,860)	46.0	(1,985)
Billingsgate Market	38.5	(1,745)	38.5	(1,800)
<b>TOTAL MARKETS</b>	<b>123.9</b>	<b>(5,600)</b>	<b>123.9</b>	<b>(5,844)</b>

### Potential Further Budget Developments

49. The provisional nature of the 2018/19 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 (Policy and Resources) Committee
  - Capital and depreciation charges, central and department recharges, which have not yet been finalised for the forthcoming year.

### Forecast Outturn 2017/18

50. The forecast outturn for the current year is above the latest approved budget by approximately £160,000. This is due mainly to reduced service charge income as a

result of delaying the additional lettings at the Poultry Market. The Director of Markets and Consumer Protection will review all options within his overall resources for Markets and Consumer Protection to stay within his allocation for Markets Committee services by year end.

### **Members Format – Operating Summary**

51. 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.
52. There is an overall surplus to the City of London Corporation for operating the Markets of £2,251,000 in 2018/19. The surplus is higher than the overall Committee total of £2,220,000, as the excluded items produced a net cost of £31,000. The overall Market surplus for 2018/19 includes costs for capital charges and depreciation totalling £905,000.
53. Appendix 4a and 4b details the reasons for all adverse variances and favourable variances over £50,000.

### **Draft Capital Depreciation Budget**

54. 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 2018/19 are:

Table 4 - Annual Capital Depreciation Charges	
Market	£
Spitalfields	(689)
Billingsgate	(117)
Smithfield	(99)
Total	(905)

### **Draft Capital and Supplementary Revenue Budgets**

55. The latest estimated costs for the Committee’s draft capital and supplementary revenue projects are summarised in the Table below.

Service Managed	Project	Ex. Pre				
		01/04/2017	2017-18	2018-19	Later Years	Total
		£'000	£'000	£'000	£'000	£'000
Pre-implementation						
Smithfield	Poultry Market repairs	(1,133)	(210)			(1,343)
Spitalfields	Entry Barrier		(66)			(66)
Total Markets		(1,133)	(276)			(1,409)

56. 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.
57. 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.
58. The installation of the barrier at Spitalfields to control access to the site has been delayed due to the requirement for a full planning application rather than a Certificate of Lawful Use.
59. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2018.

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**Appendix 1A - Analysis by Service Managed OR 2017/18 - LAB 2017/18**

	Actual 2016/17 £'000	Original Budget 2017/18 £'000	Latest Budget for approval (LAB) 2017/18 £'000	Movement OR 2017/18 - LAB 2017/18 £'000	Paragraph reference
<b>CITY FUND</b>					
<b>Spitalfields Market</b>					
- Service Charge Account	(12)	(27)	(27)	0	
- City Account	1,944	1,220	1,292	72	
- Repairing and Repairs Fund	0	0	0	0	
<b>Total Spitalfields Market</b>	<b>1,932</b>	<b>1,193</b>	<b>1,265</b>	<b>72</b>	
<b>TOTAL CITY FUND</b>	<b>1,932</b>	<b>1,193</b>	<b>1,265</b>	<b>72</b>	
<b>CITY'S CASH</b>					
<b>Smithfield</b>					
Service Charge Account	(1,705)	(1,586)	(1,422)	164	
Non-Service Charge Account	905	(344)	(6)	338	
Other Services	517	(133)	(24)	109	
<b>Total Smithfield Market</b>	<b>(283)</b>	<b>(2,063)</b>	<b>(1,452)</b>	<b>611</b>	
<b>Billingsgate</b>					
Service Charge Account	0	0	0	0	
Non-Service Charge Account	836	1,100	913	(187)	
Repairing and Special Works Account	0	0	0	0	
<b>Total Billingsgate Market</b>	<b>836</b>	<b>1,100</b>	<b>913</b>	<b>(187)</b>	
<b>Markets Directorate</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL CITY'S CASH</b>	<b>553</b>	<b>(963)</b>	<b>(539)</b>	<b>424</b>	
<b>TOTAL</b>	<b>2,485</b>	<b>230</b>	<b>726</b>	<b>496</b>	

**Appendix 1B - Analysis by Service Managed OR 2017/18 - OR 2018/19**

	Actual 2016/17 £'000	Original Budget 2017/18 £'000	Original Budget 2018/19 £'000	Movement OR 2017/18- OR 2018/19 £'000	Paragraph reference
<b>CITY FUND</b>					
<b>Spitalfields Market</b>					
- Service Charge Account	(12)	(27)	(21)	6	
- City Account	1,944	1,220	1,204	(16)	
- Repairing and Repairs Fund	0	0	0	0	
<b>Total Spitalfields Market</b>	<b>1,932</b>	<b>1,193</b>	<b>1,183</b>	<b>(10)</b>	
<b>TOTAL CITY FUND</b>	<b>1,932</b>	<b>1,193</b>	<b>1,183</b>	<b>(10)</b>	
<b>CITY'S CASH</b>					
<b>Smithfield</b>					
Service Charge Account	(1,705)	(1,586)	0	1,586	
Non-Service Charge Account	905	(344)	(174)	170	
Other Services	517	(133)	55	188	
<b>Total Smithfield Market</b>	<b>(283)</b>	<b>(2,063)</b>	<b>(119)</b>	<b>1,944</b>	
<b>Billingsgate</b>					
Service Charge Account	0	0	0	0	
Non-Service Charge Account	836	1,100	1,156	56	
Repairing and Special Works Account	0	0	0	0	
<b>Total Billingsgate Market</b>	<b>836</b>	<b>1,100</b>	<b>1,156</b>	<b>56</b>	
<b>Markets Directorate</b>	<b>0</b>	<b>0</b>		<b>0</b>	
<b>TOTAL CITY'S CASH</b>	<b>553</b>	<b>(963)</b>	<b>1,037</b>	<b>2,000</b>	
<b>TOTAL</b>	<b>2,485</b>	<b>230</b>	<b>2,220</b>	<b>1,990</b>	

<b>Appendix 2 - Support Service and Capital Charges from/to Markets Committee</b>				
	<b>Actual 2016/17</b>	<b>Original Budget 2017/18</b>	<b>Latest Budget for Approval (LAB) 2017/18</b>	<b>Original Budget 2018/19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Support Service and Capital Charges</b>				
Administrative Buildings	(34)	(40)	(36)	(40)
City Surveyor's Employee Recharge	(224)	(214)	(227)	(225)
Insurance	(502)	(523)	(517)	(489)
Liability Insurance	(44)	(39)	(34)	(36)
Film Liaison-Legal Fees	(6)	0	0	0
IS Recharges – Chamberlain	(277)	(224)	(303)	(300)
City Procurement Recharges - Chamberlain	(52)	(61)	(55)	(54)
Capital Charges	(915)	(957)	(950)	(905)
<b>Support Services -</b>				
Chamberlain	(279)	(294)	(306)	(287)
Comptroller and City Solicitor	(80)	(153)	(30)	(29)
Town Clerk	(150)	(168)	(195)	(190)
City Surveyor	(90)	(97)	(78)	(80)
<b>Sub-total Support Services and Capital Charges</b>	<b>(2,653)</b>	<b>(2,770)</b>	<b>(2,731)</b>	<b>(2,635)</b>
<b>Recharges Within Funds</b>				
Corporate and Democratic Core – Finance Committee	77	77	77	77
<b>Recharges Across Funds</b>				
Directorate Recharge - Markets – City Fund	0	0	0	0
Directorate Recharge – Licensing Committee	20	20	20	19
Directorate Recharge – Port Health and Environmental Services Committee	287	293	294	289
<b>TOTAL SUPPORT SERVICE AND CAPITAL CHARGES</b>	<b>(2,269)</b>	<b>(2,380)</b>	<b>(2,340)</b>	<b>(2,250)</b>

The Capital Charges within this Committee total £905,000 in 2018/19. These relate to depreciation charges at Spitalfields Market £689,000 depreciation at Smithfield Market, the Animal- By- Product facility and the Car Park £99,000; and depreciation charges at Billingsgate Market £117,000 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.