

Committee(s):	Dated:
Markets	11 July 2018
Subject: Revenue Outturn 2017/18	Public
Report of: Chamberlain Director of Markets and Consumer Protection	For Information
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Summary

This report compares the 2017/18 revenue outturn for the services overseen by your Committee with the final budget for the year. Overall total net outturn for the year was £831,000, whereas the total agreed final budget was £641,000, representing an underspend of £190,000 as summarised below.

Table 1 - Summary Comparison of 2017/18 Revenue Outturn with Final Budget					
	Original Budget	Latest Approved Budget	Final Budget	Revenue Outturn	Variance (Increase)/ Decrease
	£'000	£'000	£'000	£'000	£'000
	(A)	(B)	(C)	(D)	(D-C)
Local and Central Risk					
Director of Markets & Consumer Protection	4,533	4,354	4,352	4,479	127
City Surveyor	(2,254)	(1,635)	(1,635)	(1,372)	263
Total Direct Net (Expenditure) / Income	2,279	2,719	2,717	3,107	390
Capital and Support Costs	(2,081)	(2,066)	(2,076)	(2,276)	(200)
Overall Total	198	653	641	831	190

The Director of Markets and Consumer Protection had a net underspend of £127,000 on his local and central risk budgets within Markets Committee, which mainly related to savings on employment, utilities, professional and legal costs.

Chief Officers submitted requests to carry forward underspends and these requests have been 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 has agreement to carry forward £320,000 for all the Committees within his remit, of which £193,000 relates to services supporting Markets Committee.

The City Surveyor's net under spend of £263,000 mainly related to savings and re-phasing on the three 3 year cyclical works programmes and historical repair work at Smithfield Market.

Recommendation(s)

It is recommended that this revenue outturn report for 2017/18 and the carry forward of underspending to 2018/19 are noted.

Main Report

Revenue Outturn for 2017/18

- The net outturn position for your Committee's services during 2017/18 totalled £831,000, an underspend of £190,000 compared to the final budget of £641,000. A summary comparison with the final budget for the year is tabulated below. In this and subsequent tables, figures in brackets indicate expenditure, decreases in income or increases in expenditure. Figures without brackets represent income, increases in income or decreases in expenditure.

Table 2 - Detailed Summary Comparison of 2017/18 Revenue Outturn with Final Budget

		Original Budget £'000	Latest Agreed Budget £'000	Final Budget £'000	Revenue Outturn £'000	Variance Favourable/ (Adverse) £'000	Variance Favourable/ (Adverse) %
Local Risk							
Director of Markets & Consumer Protection	A	(1,262)	(1,464)	(1,467)	(1,329)	138	9.4%
City Surveyor							
- Repairs and Maintenance		(701)	(802)	(802)	(635)	167	20.8%
- Cyclical Works Programme		(1,553)	(833)	(833)	(737)	96	11.5%
City Surveyor's Total		(2,254)	(1,635)	(1,635)	(1,372)	263	16.1%
Total Local Risk		(3,516)	(3,099)	(3,102)	(2,701)	401	12.9%
Central Risk							
Director of Markets & Consumer Protection	B	5,795	5,818	5,819	5,808	(11)	(0.2%)
Total Local and Central Risk		2,279	2,719	2,717	3,107	390	14.4%
Capital and Support Services		(2,081)	(2,066)	(2,076)	(2,276)	(200)	(9.6%)
Overall Total		198	653	641	831	190	29.6%
Total Local & Central Risk exc City Surveyor	C	4,533	4,354	4,352	4,479	127	2.9%

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 £401,000 comprises the following main variations:

Director of Markets and Consumer Protection £138,000 underspend:

i. Smithfield Market £124,000 underspend:

- Rotunda car park generated additional income of £142,000;
- employment costs were lower by £119,000 due to security, maintenance and support staff positions being vacant for part of the year;
- a works provision of £72,000 created at Smithfield Market. Due to time constraints, these works were not feasible in 2017/18 and hence have been included as part of their carry forward requests for 2018/19 (see paragraph 8);
- locally managed repairs & maintenance breakdown works were £5,000 lower;
- service charge income was (£136,000) lower, primarily due to additional units in the Poultry Market not being let;
- energy costs were (£107,000) higher due to increased usage and higher unit prices for heating, chilled water and electricity costs. This was partly offset by increased income for the recovery of energy costs £36,000;
- management fees payable to Indigo Park Services UK Ltd for the running of the Rotunda car park were (£7,000) higher than budgeted.

ii. Billingsgate Market £4,000 underspend:

- additional filming income £24,000, due to increased filming;
- general supplies and services expenditure savings £5,000;
- increased administrative staff costs (£12,000) due to agency staff expenditure;
- unrecoverable breakdown and contract servicing expenditure (£8,000);
- reduced public car parking income (£4,000);
- reduced casual rent income (£1,000).

iii. Spitalfields Market £15,000 underspend:

- service charge voids for empty premises £15,000 lower than anticipated.

iv. Markets Directorate (£5,000) overspend:

- increased consultant fees for the Strategic Review of Markets (£12,000);
- communications and computing costs (£6,000) higher due to the introduction of the MICAD property maintenance software;
- training courses and conference expenses underspend £8,000;
- general office expenditure underspend £5,000.

City Surveyor £263,000 underspend: this reduction mainly relates to re-phased projects at Smithfield Market, savings and re-phasing on the three 3 year cyclical works programmes and historical repair work at Smithfield Market. These projects have been reviewed under the Forward Maintenance Plan between the Superintendent and the City Surveyor to ensure assets are extended in service for as long as possible. As part of the planned 3 year programme of works any projects not required immediately are rolled over to future years.

- i. **Smithfield Market £243,000 underspend** – was due to savings on completed projects of approximately £75,000 and re-phased works on the Additional Works Programme and historical work programme resulting in a total underspend of £346,000. This was partly offset by an overspend of (£103,000) relating to higher than anticipated general breakdown and contract servicing costs;
- ii. **Billingsgate Market £17,000 underspend** - lower general breakdown and contract servicing costs;
- iii. **Spitalfields Market £3,000 underspend** - lower general breakdown and contract servicing costs.

3. The central risk overspend (£11,000) comprises the following main variations:

i. **Spitalfields Market (£133,000) overspend:**

- income for rent was (£196,000) less than budgeted;
- income was reduced by (£11,000) due to lower than expected City Surveyor's employee recharges which resulted in less service charge income and transfer from reserves being required;
- underspend of £74,000 relating to professional fees for external surveyors due to a delay in lease renewal negotiations for tenants whose leases expire on different dates compared to the majority of the bulk leases which have recently been completed.

ii. **Smithfield Market £85,000 underspend:**

- professional and inspection fees underspend £167,000 due to delays in rent review negotiations being completed and changes in billing process, whereby the Food Standards Agency (FSA) now invoice tenants directly for inspection fees;
- rental income (£57,000) under accrued for 2017/18 due to errors in year end billing. This will be compensated by additional rental income for 2018/19;
- additional professional fees (£13,000) relating to the Crossrail project;
- additional costs for electrical boards and cabling (£6,000);

- increased bad debt provision (£6,000) for irrecoverable debts for outside properties.

iii. **Billingsgate Market £37,000 underspend:**

- release of a £90,000 bad debt provision held for the Billingsgate Cold Store. The Superintendent confirmed this debt was settled in full;
- additional rent income £13,000;
- lease renewal negotiation budget £10,000 relating to the advertising hoardings was not required in 2017/18;
- reduced service charge income (£34,000) due to lower than anticipated central support costs;
- reduced public car parking income (£14,000);
- additional service charge voids (£9,000) for vacant premises;
- reduced transfer from reserves for the Repainting and Special Works Fund due to lower City Surveyor's employee recharges (£7,000);
- additional bank charges and computer consumables (£7,000);
- reduced income for toll charges (£5,000).

4. The capital and support services overspend of (£200,000) is mainly due to increase in costs and changes in time allocations of central departments, the most significant of which are:

- Comptroller and City Solicitor (£120,000)
- Chamberlain (including IT, City Procurement) (£75,000)
- City Surveyors employment recharges (£49,000)
- Town Clerk's (£5,000)
- Reduced insurance costs £30,000
- Additional Directorate recharges charged to Port Health £19,000.

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

6. 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. Appendix A3 shows the movement from the 2017/18 original budget and the latest approved budget (as reported to your Committee in November 2017) to the final budget.

Local Risk Carry Forward to 2018/19

7. Chief Officers can request up to 10% or £500,000 of underspend (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.
8. The Director of Markets and Consumer Protection had local risk underspends of £138,000 (excluding City Surveyors) on the activities overseen by your Committee. The Director also had local risk underspending totalling £189,000 on activities overseen by other Committees. Agreement has been reached to carry forward £320,000 for all the Committees within his remit, of which £119,000 relates to local risk services supporting Markets Committee for the following purchases:
 - Smithfield Market – four aqua vacuums £5,000 for the use in case of floods, leaks and blockages. These replace the current models which are past their useful economic life;
 - Smithfield Market – 40 euro bins £9,000 which replace the current euro bins in the East and West Markets which are now beyond repair;
 - Smithfield Market – four rail system elevator motors £12,000 to replace the existing motors in the East and West Market which have now past their useful economic life;
 - Smithfield Market - matting for refrigeration deck £6,000 to help improve the safety resulting from water leaks and spillages;
 - Smithfield Market - generator plug-in connections for the East, West and Poultry Markets £78,000 which will provide a quick connection for a portable generator should the power supply to the Market be cut;
 - Smithfield Market - loading arm for the East Market £9,000 required as a result of the design of the loading bay installation.

In addition, the below central risk carry forward has been agreed:

- Spitalfields Market - professional fees for the completion of lease negotiations £74,000.

Financial Performance of the Markets

9. Members have 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 net operating costs for each Market. An apportionment of the Directorate costs and other central support costs are included below the net operating line.

10. For 2017/18 there was a net operating surplus of £2.237m at Spitalfields Market and £1.496m at Billingsgate Market which was partly offset by an operating deficit of (£0.213m) at Smithfield Market which has produced a combined surplus of £3.520m for the three Wholesale Markets. When capital charges of (£0.950m) and central support costs of (£1.869m) are added, there is a consolidated surplus to the City of London Corporation of £0.701m.
11. The difference between Total Market Income £0.701m (shown on Appendix B1) and Revenue Outturn £0.831m (shown on Table 1 in the main report) is the £0.130m surplus generated for outside properties at Smithfield, including the Rotunda car park, which are not included in Appendix B1. Details of variances for Appendix B1 are attached on Appendix B2.

Appendices

- **Appendix A1** - Comparison of 2017/18 Local Risk Outturn with Final Budget
- **Appendix A2** - Comparison of 2017/18 Central Risk Outturn with Final Budget
- **Appendix A3** – Movement from Latest Approved Budget to Final Budget
- **Appendix B1** - Comparison of 2017/18 Operating Statement with Operating Budget
- **Appendix B2** – Variance details for appendix B1

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Markets Committee - Comparison of 2017/18 Local Risk Outturn with Final Budget

	Original Approved Budget	Latest Approved Budget	Final Budget	Revenue Outturn	Variance Favourable/ (Adverse)	Variance	Reasons
	£'000	£'000	£'000	£'000	£'000	%	
LOCAL RISK							
Director of Markets & Consumer							
City Fund							
Spitalfields Market Service Charge	(27)	(27)	(27)	(12)	15	55.6%	1
Spitalfields Market Non Service Charge	(21)	(21)	(21)	(21)	0	0.0%	
Total City Fund	(48)	(48)	(48)	(33)	15	31.3%	
City Cash							
Smithfield Market Service Charge	(680)	(575)	(578)	(609)	(31)	(5.4%)	2
Smithfield Market Non Service Charge	(76)	(201)	(201)	(170)	31	15.4%	3
Smithfield Market Other Services	127	104	104	228	124	119.2%	4
Billingsgate Market Service Charge	0	0	0	0	0	0.0%	
Billingsgate Market Non Service Charge	(136)	(140)	(140)	(136)	4	2.9%	5
Markets Directorate	(449)	(604)	(604)	(609)	(5)	(0.8%)	6
Total City Cash	(1,214)	(1,416)	(1,419)	(1,296)	123	8.7%	
Total Director of Markets & Consumer Protection	(1,262)	(1,464)	(1,467)	(1,329)	138	9.4%	
City Surveyor							
City Fund							
Spitalfields Market Service Charge	(54)	(54)	(54)	(54)	0	0.0%	
Spitalfields Market Non Service Charge	0	(37)	(37)	(34)	3	8.1%	7
Total City Fund	(54)	(91)	(91)	(88)	3	3.3%	
City Cash							
Smithfield Market Service Charge	(393)	(450)	(450)	(418)	32	7.1%	8
Smithfield Market Non Service Charge	(1,503)	(806)	(806)	(629)	177	22.0%	8
Smithfield Market Other Services	(133)	(110)	(110)	(76)	34	30.9%	8
Billingsgate Market Service Charge	(164)	(171)	(171)	(147)	24	14.0%	9
Billingsgate Market Non Service	(7)	(7)	(7)	(14)	(7)	(100.0%)	9
Total City Cash	(2,200)	(1,544)	(1,544)	(1,284)	260	16.8%	
Total City Surveyor	(2,254)	(1,635)	(1,635)	(1,372)	263	16.1%	
TOTAL LOCAL RISK	(3,516)	(3,099)	(3,102)	(2,701)	401	13.0%	

Explanations for Local Risk Variances

1. **Spitalfields Market Service Charge** - underspend of £15,000 was due to the vacant premises for 2017/18 being lower than anticipated, resulting in the liability for service charge apportionment on empty premises being lower.
2. **Smithfield Market Service Charge** - overspend (£31,000) due to the following:
 - service charge income was (£136,000) less than budgeted which was primarily due to the additional units in the Poultry Market not being let;
 - premises related costs were higher than anticipated by (£13,000) due to overspends in energy costs primarily relating to chilled water, heating and electricity costs. This was partly offset by locally managed repairs and maintenance works being lower than budgeted;
 - (£10,000) less income for reimbursable works at the Poultry Market and service charge sundries;
 - employment costs were underspent by £123,000 due to security, maintenance and support staff positions being vacant for part of the year;
 - total underspends of £5,000 relating to transport, equipment, staff uniforms and communications and computing.
3. **Smithfield Market Non-Service Charge** – underspend £31,000 due to the following:
 - a works provision of £72,000 created at Smithfield Market. Due to time constraints, these works were not feasible in 2017/18 and hence have been included as part of their carry forward requests for 2018/19;
 - chilled water income recharged to tenants was £67,000 higher as a result of increased consumption levels;
 - increased energy costs (£58,000) due to higher chilled water and heating costs;
 - electricity income recharged to tenants was (£40,000) lower due to reduced consumption levels;
 - additional costs (£6,000) for the purchase of a rotary bin washer for the Animal By-Product facility and the installation of electricity meters;
 - additional employment costs (£4,000).
4. **Smithfield Market Other Services** - underspend of £124,000 was due to £142,000 in additional income generated from the Rotunda car park. This was partly offset by (£18,000) in additional expenditure incurred relating to repairs and maintenance, energy and car park management fees.
5. **Billingsgate Market Non-Service Charge** – underspend of £4,000 due to higher than anticipated income from filming and lower than anticipated supplies and services expenditure.
6. **Markets Directorate** – overspend of (£5,000) was primarily attributable to costs incurred for the MICAD software and additional costs for the Strategic Review of

Markets. This was partly offset by underspends with training and general administrative costs. The increase in expenditure was recharged to all budgets under the remit of the Director of Markets and Consumer Protection on a proportionate basis, through the recharging policy of the City of London.

7. **City Surveyor Spitalfields Market** - underspend of £3,000 due to lower than anticipated general breakdown and contract servicing costs.
8. **City Surveyor Smithfield Market** - net underspend of £243,000 due to the AWP being re-phased £346,000, which was partly offset by a net increase in general breakdown works of (£103,000).
9. **City Surveyor Billingsgate Market** - net underspend of £17,000 due to contract servicing costs being £20,000 lower. This was partly offset by breakdown maintenance cost increases (£3,000).

Markets Committee - Comparison of 2017/18 Central Risk Outturn with Final Budget

	Original Approved Budget £'000	Latest Approved Budget £'000	Final Budget £'000	Revenue Outturn £'000	Variance Favourable / (Adverse) £'000	Variance %	Reasons
CENTRAL RISK							
Director of Markets							
City Fund							
Spitalfields Market Service Charge	368	392	392	395	3	0.8%	10
Spitalfields Market Non Charge	2,046	2,154	2,154	2,032	(122)	(5.7%)	11
Spitalfields Market Tenants Repairs	21	22	22	8	(14)	(63.6%)	12
Total City Fund	2,435	2,568	2,568	2,435	(133)	(5.2%)	
City Cash							
Smithfield Market Service Charge	(5)	(4)	(4)	(3)	1	25.0%	13
Smithfield Market Non Service Charge	1,497	1,408	1,409	1,502	93	6.6%	14
Smithfield Market Other Services	0	83	83	74	(9)	(10.8%)	15
Billingsgate Market Service Charge	315	347	347	313	(34)	(9.8%)	16
Billingsgate Market Non Service Charge	1,524	1,408	1,408	1,486	78	5.5%	17
Billingsgate Market Special Works	29	8	8	1	(7)	(87.5%)	18
Total City Cash	3,360	3,250	3,251	3,373	122	3.8%	
TOTAL CENTRAL RISK	5,795	5,818	5,819	5,808	(11)	(0.2%)	

Explanations for Central Risk Variances

10. **Spitalfields Market Service Charge** – net income was higher by £3,000 to fund increased City Surveyor employee recharge costs, resulting in additional funds required from tenants' contributions.
11. **Spitalfields Market Non-Service Charge** – overspend of (£122,000) was due to actual rent income being (£196,000) lower than budgeted. This was partly offset by professional fees for external surveyor costs being £74,000 lower due to delays in the completion of the lease renewal process.
12. **Spitalfields Market Tenants Repairs** – net income/expenditure on this account is transferred to/from the Spitalfields Reserve Account to fund works and projects. Fewer works were completed in 2017/18 which resulted in less funds being required from the Spitalfields Market Reserve Account of (£14,000).
13. **Smithfield Service Charge** – underspend of £1,000 due to lower Food Standards Agency (FSA) inspection fees.

14. **Smithfield Market Non-Service Charge** – underspend of £93,000 due to professional fees budget for rent review being underspent by £86,000 as a result of delays in negotiations. In addition, the £80,000 budget for FSA inspection fees was not required due to a change in the billing process. This was partly offset by rent income being (£61,000) lower and additional breakdown costs and a bad debt provision totalling (£12,000).
15. **Smithfield Other Services** – overspend of (£9,000) due to higher legal fees for the Crossrail project (£13,000). This was partly offset by additional rent income for outside properties £4,000.
16. **Billingsgate Market Service Charge** – net income was (£34,000) lower due to fewer funds required from tenants' contributions as a result of City Surveyors breakdown and contract servicing costs, central support costs and insurance costs being less than anticipated.
17. **Billingsgate Market Non-Service Charge** – underspend of £78,000 due to the cancellation of a £90,000 bad debt provision held, additional rental income of £13,000 and £10,000 budget for lease renewal negotiations relating to the advertising hoarding not being required in 2017/18. This was partly offset by (£19,000) less income received for public car parking and toll charges and (£16,000) in additional expenditure relating to service charge voids, bank charges and computer consumables.
18. **Billingsgate Market Special Works** – City Surveyors employee recharges were less than budgeted which resulted in less income (£7,000) required from the market reserves.

Appendix A3

Markets Committee – Movement in 2017/18 Latest Approved Budget to Final Budget

Analysis by Service Managed	Original Budget 2017-18 £'000	Latest Approved Budget* 2017-18 £'000	Final Budget 2017-18 £'000	Movement £'000	Notes
CITY FUND					
Spitalfields Market Service Charge	(27)	(27)	(27)	0	
Spitalfields Market Non Service Charge	1,220	1,292	1,292	0	
Spitalfields Market Repainting & Repair	0	0	0	0	
TOTAL CITY FUND	1,193	1,265	1,265	0	
CITY CASH					
Smithfield Market Service Charge	(1,586)	(1,422)	(1,425)	(3)	(a)
Smithfield Market Non Service Charge	(376)	(79)	(78)	1	(b)
Smithfield Other Services	(133)	(24)	(24)	0	
TOTAL SMITHFIELD MARKET	(2,095)	(1,525)	(1,527)	(2)	
Billingsgate Market Service Charge	0	0	0	0	
Billingsgate Market Non Service Charge	1,100	913	903	(10)	(c)
Billingsgate Market Repainting & Repair	0	0	0	0	
TOTAL BILLINGSGATE MARKET	1,100	913	903	(10)	
DIRECTORATE	0	0	0	0	
TOTAL CITY CASH	(995)	(612)	(624)	(12)	
TOTAL	198	653	641	(12)	

*Latest Approved Budget as reported to your Committee on 29th November 2017

Notes:

- (a) (£3,000) additional budget provided to cover two months of salary costs for an apprentice role
- (b) £1,000 reduction in capital depreciation budgets
- (c) (£10,000) budget added to cover central costs relating to filming