

## **Wholesale Markets Operating Statement 2017/18 - Notes**

The tables below analyse the variances for the Wholesale Markets as reported on the Operating Summary which is attached at Appendix B1. The summary compares the 2017-18 final budget to the actual outturn for 2017-18. The Operating Statement has not been prepared in accordance with conventional public sector financial reporting format. Brackets signify an expenditure item and/or deficit position and non-brackets signify an income item and/or a surplus position. All adverse variances between final budget and actual costs and favourable variances of £50,000 or more have been detailed below.

<b>Spitalfields Market</b>		
<b>Notes</b>	<b>Description</b>	<b>2017-18 Final Budget to Actual Outturn</b>
	<b>Expenditure</b>	
1	Employees	£136,000/9% decrease in employment costs due to vacant positions in maintenance, security and support staff roles.
2	Premises	<p>£285,000/19% decrease in costs was due to:</p> <ul style="list-style-type: none"> <li>• a decrease in repairs and maintenance costs of £234,000. This variance is primarily attributable to lower than budgeted works managed by the City Surveyor's on the Repainting and Special Works Fund. In addition, CCTV maintenance costs were not required due to delays in the installation of CCTV hardware;</li> <li>• a decrease in cleaning and domestic supply costs of £73,000. The budget set for cleaning services provided by Servest Group Ltd was based on the costs for a full year. However, the contract did not commence until October 2017;</li> <li>• a decrease in energy and water costs of £68,000. This was due to lower than anticipated usage and energy efficient lighting measures being installed at the Market;</li> <li>• a decrease in business rates of £8,000. This was due to the actual costs being less than was originally anticipated;</li> <li>• a decrease in costs of works managed by City Surveyor's of £3,000. This was due to the works costing less than budgeted.</li> </ul> <p>This was offset by an over recovery on the service charge of (£101,000) which was transferred to the Repainting and Special Works Fund at year end.</p>

3	Supplies & Services	<p>£93,000/39% decrease in costs was due to:</p> <ul style="list-style-type: none"> <li>• a decrease in professional fees costs of £74,000. This was due to delays in the completion of lease renewal negotiations;</li> <li>• a decrease in equipment and furniture costs of £8,000;</li> <li>• a decrease in uniforms and clothing costs of £6,000;</li> <li>• a decrease in other general costs of £5,000.</li> </ul>
4	Waste & Cleaning Contract	(£15,000)/-1% increase in costs due to the variable element of the waste collection contract delivered by Countrystyle Recycling Ltd.
	<b>Income</b>	
5	Rent	(£196,000)/-9% less income than budgeted.
6	Charges for Services	<p>(£188,000)/-4% decrease in income was due to:</p> <ul style="list-style-type: none"> <li>• service charge income being less than budgeted by (£261,000). This was due to total net service charge expenditure being less than anticipated and therefore less service charge income was required;</li> <li>• income from the recovery of Carbon Reduction Commitment costs was (£17,000) less than budgeted. This was due to the cost of the Carbon Reduction Commitment being less than expected;</li> <li>• income from licenses and certificates was (£9,000) less than budgeted.</li> </ul> <p>This was offset by the following:</p> <ul style="list-style-type: none"> <li>• an increase in overtrading notices and declared waste income of £68,000;</li> <li>• an increase in electricity income of £21,000 due to higher electricity prices;</li> <li>• an increase in other types of income such as filming, fixed penalty notices and waste related rebate income from Countrystyle Recycling Ltd of £10,000.</li> </ul>
	<b>Central Costs</b>	
7	Capital Charges & Depreciation	(£1,000)/<-1% increase in costs relating to depreciation charges for operational buildings and equipment.
8	Other Central Costs	<p>(£311,000)/-173% increase in costs due to:</p> <ul style="list-style-type: none"> <li>• a net transfer of (£233,000) to the reserve account from the revenue account;</li> </ul>

		<ul style="list-style-type: none"> <li>• an increase of (£84,000) in central support and IT costs.</li> </ul> <p>This was offset by a reduction in Directorate recharge costs of £4,000 and additional interest income of £2,000.</p>
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<b>Billingsgate Market</b>		
<b>Notes</b>	<b>Description</b>	<b>2017-18 Final Budget to Actual Outturn</b>
	<b>Expenditure</b>	
9	Premises	<p>(£47,000)/-4% increase in costs was due to:</p> <ul style="list-style-type: none"> <li>• an increase in locally managed repairs and maintenance costs of (£76,000). This was due to higher than anticipated breakdown costs;</li> <li>• an increase in the contribution from the service charge account to the Repainting and Special Works Fund of (£19,000); and</li> <li>• an increase in service charge voids payable by the City of (£9,000).</li> </ul> <p>This was offset by the following:</p> <ul style="list-style-type: none"> <li>• a decrease in energy costs of £37,000. This was due to lower than anticipated electricity usage and the costs of the carbon reduction commitment being less than budgeted;</li> <li>• a decrease in works managed by the City Surveyor's of £17,000 due to lower than anticipated contract servicing and breakdown costs;</li> <li>• a decrease in cleaning and domestic supplies of £3,000.</li> </ul>
10	Transport	<p>(£21,000)/-41% increase in costs was due to:</p> <ul style="list-style-type: none"> <li>• (£19,000) spent on the purchase of a tow tractor. 75% of the costs were financed through a grant from European Structural and Investment Funds;</li> <li>• an increase in hired transport costs of (£5,000).</li> </ul> <p>This was offset by a £3,000 decrease in expenditure relating to vehicle maintenance and running costs.</p>
11	Supplies & Services	£89,500/55% was written back into the Billingsgate Market Non-Service Charge Account as a result a bad debt provision that was no longer required.
	<b>Income</b>	
12	Charges for Services	<p>(£14,000)/-&lt;1% decrease in income was due to:</p> <ul style="list-style-type: none"> <li>• (£41,000) decrease in electricity income recharged from tenants due to lower than expected electricity expenditure;</li> <li>• (£35,000) decrease in service charge income. This was due to total net service charge expenditure being less than anticipated and therefore less service charge income was required;</li> </ul>

		<ul style="list-style-type: none"> <li>• (£17,000) decrease in public car parking income due to lower than anticipated usage;</li> <li>• (£8,000) decrease in casual rent income.</li> </ul> <p>This was offset by the following:</p> <ul style="list-style-type: none"> <li>• £35,000 additional income in retail and trade car parking;</li> <li>• £24,000 higher than anticipated income for filming;</li> <li>• £16,000 higher than expected income from refuse collection;</li> <li>• £12,000 in additional income recovered from tenants for water usage.</li> </ul>
	<b>Central Costs</b>	
13	Other Central Costs	<p>(£72,000)/-18% increase in costs was due to:</p> <ul style="list-style-type: none"> <li>• an increase of costs of (£105,000) in central support costs and Directorate recharges;</li> <li>• a net transfer of (£22,000) to the reserve account from the revenue account;</li> </ul> <p>This was offset by £55,000 in non-government grants to fund the purchase of non-current assets on the Repainting and Special Works Fund.</p>

<b>Smithfield Market</b>		
<b>Notes</b>	<b>Description</b>	<b>2017-18 Final Budget to Actual Outturn</b>
	<b>Expenditure</b>	
14	Employees	£119,000/6% decrease in employment costs was due to vacant positions in maintenance, security and support staff roles.
15	Premises	<p>£128,000/4% decrease in costs was due to:</p> <ul style="list-style-type: none"> <li>• £209,000 decrease in costs of works managed by City Surveyor's. This was due to the re-phasing of historical works as well as lower than anticipated costs for breakdown and contract servicing expenditure;</li> <li>• Water expenditure being £10,000 lower than budgeted. This was due to lower than anticipated consumption;</li> <li>• £6,000 decrease in costs of locally managed repairs and maintenance works;</li> <li>• £4,000 decrease in cleaning and domestic supplies.</li> </ul> <p>This was offset by (£101,000) in additional energy costs. This was due to the following:</p> <ul style="list-style-type: none"> <li>• Chilled water and heating costs were (£81,000) higher than budgeted due to higher than anticipated consumption levels;</li> <li>• Electricity costs were (£20,000) greater than anticipated due to an increase in the unit cost of electricity.</li> </ul>
16	Supplies & Services	<p>£158,000/29% decrease in costs was due to:</p> <ul style="list-style-type: none"> <li>• £86,000 decrease in professional fees. This was due to delays in the completion of rent review negotiations;</li> <li>• £80,000 decrease in inspection fees. This was due to a change in billing process whereby the Foods Standards Agency now invoices tenants directly;</li> <li>• A decrease in costs of £8,000 relating to other items of expenditure relating to equipment, clothing, printing and stationery and communications and computing.</li> </ul> <p>This was offset by a (£16,000) increase in other expenditure. This was primarily caused by refuse collection fees being higher than budgeted as well as a provision for bad and doubtful debts.</p>

17	Works Provisions	Provision of £72,000 created for works 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.
	<b>Income</b>	
18	Rent	<p>(£61,000)/-4% decrease in income was due to the following:</p> <ul style="list-style-type: none"> <li>a year-end billing error which resulted in income for 2017/18 being under accrued by (£55,000). This will also affect rent income in 2018/19 as income for this year will also be overstated by the same amount;</li> <li>(£6,000) in rent income being lower than budgeted.</li> </ul>
19	Charges for Services	<p>(£114,000)/-3% decrease in income was due to the following:</p> <ul style="list-style-type: none"> <li>service charge income was (£136,000) less than budgeted. This was primarily due to additional units in the Poultry Market not being leased out;</li> <li>income from electricity and water costs recharged to tenants was (£40,000) less budgeted due to lower than anticipated usage;</li> <li>(£8,000) less income from service charge sundries and reimbursable works.</li> </ul> <p>This was offset by additional income from chilled water expenditure recharged to tenants of £70,000.</p>
	<b>Central Costs</b>	
20	Capital Charges & Depreciation	(£1,000)/-1% increase in costs due to higher than budgeted depreciation charges on operational buildings and equipment.
21	Other Central Costs	<p>(£24,000)/-3% increase in costs due to central support and IT costs being (£37,000) higher than budgeted.</p> <p>This was offset by the Directorate recharge being £13,000 less than budgeted.</p>