Public Accounts and Audit Select Committee

29 June 2016

Title: Barking Market-Breakdown of Accounts 2015/16 and 2016/17

Report of the Corporate Director, Adult and Community Services

Open Report

Wards Affected: None

Report Author: Jonathon Toy, Operational Director

Accountable Director: Claire Symonds, Strategic Director Customer, Commercial & Service Delivery

Contact Details: jonathon.toy@lbld.gov.uk

Summary

At its meeting of 22 March 2016, Members received a report confirming accounts for Barking Market from 2012/13 to 2015/16 together with details of how the finances for the 2016/17 budget will be brought into line. The Select Committee requested that an updated report was submitted to this meeting to include:

(a) The 2016/17 Barking Market budget;

(b) An analysis of the Market’s viability;

(c) The further costs for the Barking Market Manager post which had been covered on an interim basis and would be brought to a conclusion on 31 March 2016;

(d) The impact of the reductions shown in the report as part of the strategic direction of the Market; and

(e) the reasons for the significant increase in staff costs;

This report covers the above matters.

Recommendation(s)

PAASC to note this report.

1 Barking Market Budget 2016/17

1.1 The following table provides an analysis of the Barking Market Budget for 2016/17. Compared to 2015/16 the figures represent:-

- A realistic income target from the letting market stalls of £815,000
- A reduction of refuse charges of £55,000
- A reduction is staffing costs of £61,900
1.2 The budget table has also been realigned to provide committee members with further clarification in relation to the £359,800 referred to as Support Services in the budget for 15/16. This sum combined council related support costs of £33,400 for services such as IT, finance support and other internal recharges and a net income contribution of £326,400. The forecast column for 16/17 sets this out for clarity.

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<tr>
<td>Income</td>
<td>-869,871</td>
<td>-765,877</td>
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<td>71,896</td>
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<td>Expenditure</td>
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<td>Staff Costs</td>
<td>44,732</td>
<td>57,058</td>
<td>148,800</td>
<td>224,518</td>
<td>75,718</td>
<td>162,600</td>
<td>167,000</td>
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<td>Advertising</td>
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<td>17,735</td>
<td>33,800</td>
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<td>Other Operating Costs</td>
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<td>20,680</td>
<td>7,980</td>
<td>12,700</td>
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<td>Profit Share/Management Fee</td>
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<td>21,517</td>
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<td>Internal Charges</td>
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<td></td>
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<tr>
<td>- Support Services</td>
<td>7,700</td>
<td>6,100</td>
<td>33,400</td>
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<td>33,400</td>
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<td>- Refuse and Cleansing</td>
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<td>357,300</td>
<td>284,100</td>
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<td>229,100</td>
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<tr>
<td>- Parking (internal charge)</td>
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<td>30,400</td>
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<td>Total Internal Charges</td>
<td>427,600</td>
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<td>Total Expenditure</td>
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<td>818,086</td>
<td>543,200</td>
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<td>488,200</td>
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<td>Net Contribution - (surplus)/shortfall</td>
<td>-15,807</td>
<td>52,209</td>
<td>-326,400</td>
<td>-179,999</td>
<td>146,401</td>
<td>-326,400</td>
<td>-322,000</td>
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</table>

1.3 Analysis of the markets financial viability.

1.4 There are only three ways which we can influence the viability of the market.

- reduce the costs for cleansing and refuse collection
- ensure that staffing costs are contained and
- maximise the income from pitch fees.

1.5 Steps have already taken place to reduce staffing costs in 2016/17. This relates to one post. Further reductions will be made as the market team is integrated with the council’s Street Enforcement Team, thereby reducing the supervisory costs.

1.6 The overall costs for cleansing and refuse collection remains a challenge, as it is recognised that the market does need to be kept at a satisfactory level of cleanliness. Cost reductions of £55,000 have been achieved for 16/17, and further work will be undertaken during this financial year to assess how the regeneration programme referred to below has improved the management of refuse and improvements in the overall cleansing.

1.7 In terms of income from market stalls, the council is developing a communications plan which will promote the market and develop a number of themed events across
the year. This campaign will coincide with the completion of the regeneration scheme and the new layout of the market which is anticipated for October 2016. However, a key element of the long term viability of the market is the diversification of goods being sold and the traders operating. The council is increasing the number of itinerant traders who are taking stalls, encouraging those traders who offer something else from clothes and soft furnishing which currently dominate the market. Itinerant traders are charged at a slightly high pitch fee than regular traders.

1.8 It should be highlighted that Barking Market is currently financially viable. The market made a net contribution to the council of £146,401 in 2015/16. Although this was less than the anticipated £326,400, this was still a net financial contribution. The reductions in salaries and cleaning costs in 2016/17 will result in an higher net contribution this financial year.

1.9 **Strategic direction for Barking Market** – The impact of the reductions highlighted in the paragraphs above is aligned to the overall regeneration of Barking Town Centre, including the paving, lighting improvements and improvements to the layout and presentation of the market. It also includes the introduction of a compactor and improved bin storage areas which will reduce waste and refuse costs. Much of these works were undertaken in 15/16 which impacted on the market, the number of stall holders and the resulting income. The reductions in staffing costs in 16/17 primarily relate to the Barking Market Manager Post which will be absorbed within the Street Enforcement Service and the facts that the profit sharing arrangements with Charfleets was concluded in 2015/16.

1.10 A new strategy for the market is being drawn up to ensure the market is able to operate within agreed budget limits and achieve the income target that has been set. The strategy is in its early stages and will be developed in consultation with a range of council services, members, partners and partner agencies. The strategy will focus on increasing the vibrancy of the markets so that it is seen as a destination of choice for both traders and consumers, increasing in commercial viability and will be presented to members in the late Autumn 2016.

1.11 The strategy will include:

- Reducing the staffing costs by bringing terms and conditions in line with the council’s terms and conditions.
- Reducing the internal charges by providing better on site facilities alongside how refuse and street cleansing charges are assessed.
- Stabilising income and developing a medium term strategy that can increase income through events, better communication and diversification of traders.
- Reductions that have already been agreed in these overall charges for refuse and street cleansing for the financial year 2016/17. This represents a reduction of 18% compared to the 2015/16 expenditure.

1.12 **Increase in staffing costs for 15/16.** The increase in staff costs for 2015/16 reflected the transfer of staff from Charfleets to the council. This transfer was made under TUPE. As a result staff were remunerated at the Charfleets terms and conditions for 2015/16. This are being reviewed as part of the establishment of the council’s new Enforcement Service.
1.13 As part of the transfer from Charfleets to LBBD the market was required to demonstrate a surplus of £326,000. This was reflected in the 2015/16 budget as part of the internal charges under Support Services. For clarity it has not been separated and shown under a Contribution line in the table above. Future financial reports will highlight the level of contribution from the market account.

1.14 The Barking Market Managers post was brought to a conclusion on the 31st March 2016. The overall costs for this post in 2015/16 was £62,000 and relates to salary costs.

2 Financial Implications

2.1 The report is for information only, therefore, there are no direct financial implications arising.

2.2 The market is operated as a trading account and should be fully self financing with expenditure met by fees and charges paid by the traders for licence and pitch fees. Costs including administration, cleaning, refuse as well as overheads are charged on a full cost recovery basis to the street trading account. Fees are reviewed on an annual basis as part of the Council’s review of fees and charges, and agreed by Cabinet.

3 Legal Implications

This is a ‘for information only’ report and has no legal implications

Other Implications

Risk Management - No specific implications

Public Background Papers Used in the Preparation of the Report: None

List of appendices: None