

PORT BOARD

2 December 2010

FINANCIAL POSITION - SUMMARY

REPORT OF THE PORT DIRECTOR

Part 1

1 Purpose of the Report

- 1.1 The purpose of the report is to advise the Board of the current trading position for the Port of Sunderland. Elsewhere on the agenda the financial position is presented in more detail.

2 Background

- 2.1 The Port's annual budget was agreed, as part of the Council budget at the full Council meeting on 3 March 2010. In recognition of the difficult trading conditions, no additional income targets were included as part of the budget set, equally the income budget was not reduced to take into effect the impact of the loss of the SOSL contract. As such the agreed budget included challenging income targets.
- 2.2 In acknowledgement of the potential trading difficulties envisaged in 2010/2011 as a consequence of the economic downturn, a prudent level of contingency provision was proposed and agreed by Cabinet on 24 June 2010 as part of the first quarterly revenue budget review for 2010/2011. The establishment of such a provision ensures the Council has in place funding to meet any shortfall against the agreed budget, whilst not diminishing the requirement for the Port to seek to mitigate any loss of income to prevent a budget overspend.

3 Trading Position

- 3.1 The latest trading statement below details the projected outturn based on actual figures to the end of Period 7, 31 October 2010. For comparison the position as at period 6 (last Port report period) is also shown.

	Spend to Date £000	Budget £000	Projected Spend £000	Variance (Period 7) £000	Variance (Period 6) £000
Delegated Items					
- Expenditure	(1,828)	(3,266)	(3,216)	50	19
- Income	1,473	3,430	2,550	(880)	(750)
Delegated Surplus / (Deficit)	(355)	164	(567)	(830)	(731)

Non Delegated items	0	(380)	(380)	0	0
Total Net Cost	(265)	(216)	(947)	(830)	(731)

3.2 The current trading position reflects the full year impact of the loss of the oil contract in addition to the impact on trade caused by the general economic conditions. The expenditure position reflects variances across most expenditure headings including an overspend on employee expenditure following the employment of temporary staff to assist with stevedoring duties and an underspend on haulage costs offset by reduced haulage income.

3.3 As the year progresses further clarity on spend and income projections are being achieved. On-going work by the Port Director in reviewing expenditure requirements and income projections is continually informing the outturn position. This exercise in conjunction with seeking to develop the Business has the clear aim of mitigating the budget position to present the best possible outturn position. As reported to cabinet as part of the first review, the position is being closely monitored and updates will be provided as part of regular board reports.

4. Port Reserve

4.1 The position in respect of the Port Reserve is included within part 2 of the agenda.

5. Summary

5.1 The Port Board is requested to note the contents of this report and agree to receive further financial reports during the course of the year.