

PORT BOARD

06 September 2010

TRADING UPDATE

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 a 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 4, 31 July 2010. For comparison the position as at period 3 is also shown.

	Spend to Date £000	Budget £000	Projected Spend £000	Variance (Period 4) £000	Variance (Period 3) £000
Delegated Items					
- Expenditure	(1,009)	(3,266)	(3,298)	(32)	(51)
- Income	813	3,430	2,707	(723)	(819)
Delegated Surplus / (Deficit)	(196)	164	(591)	(755)	(870)
Non Delegated items	0	(380)	(380)	0	0

Total Net Cost	(196)	(216)	(971)	(755)	(870)
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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 forecast income position has improved following review based on the first four months trading position. The expenditure position reflects a reduced overspend on employee expenditure following the release of a number of temporary employed staff that were taken on to assist with stevedoring duties.

3.4 The Port Director is seeking to develop Business opportunities in order to mitigate the budget position and present the best possible outturn position. Where investment is required from the revenue budget in order to develop such opportunities, measures will be put in place to contain such spend without adversely impacting on the outturn position. The position is being closely monitored and updates will be provided as part of regular board reports.

4. Port Reserve

4.1 The improved trading position in recent years at the Port has enabled a reserve to be established that has been available to meet investment requirements. The table below outlines the current position. As proposals for investment are developed the potential call on the reserve will be updated.

	£000	£000
Opening Balance 2010/2011		895
Commitments		
- Port Penstocks (1)	32	
- Port Workshops Move (2)	288	320
Closing Balance		575

Notes:

1) Latest forecast to complete Port Penstocks Capital Scheme.

2) Port Workshops Move is to be funded either via the investment reserve or prudential borrowing. Decision to be made during 2010/2011 financial year.

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.