

PORT BOARD

26 July 2010

TRADING UPDATE

REPORT OF THE PORT DIRECTOR

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.

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 3, 30 June 2010. This is the most up to date position having been firmed up since publication of the first quarterly revenue budget review taken to Cabinet on 24 June 2010.

	To date (Q1) £000	Budget £000	Projected Spend £000	Variance £000
Delegated Items				
- Expenditure	(763)	(3,266)	(3,317)	(51)
- Income	497	3,430	2,611	(819)
Delegated Surplus / (Deficit)	(265)	164	(706)	(870)

Non Delegated items	0	(380)	(380)	0
Total Net Cost	(265)	(216)	(1,086)	(870)

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 an overspend on employee expenditure following the employment of temporary staff to assist with stevedoring duties.

3.3 The Port Director is currently undertaking a detailed review of the current income projections and expenditure position, in conjunction with seeking to develop the Business in order to mitigate the budget position and 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 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.

	£000
Opening Balance 1 April 2010	895
Commitments	
- Port Penstocks (1)	32
- Port Workshops Move (2)	288
Projected Balance 31 March 2011	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. Recommendation

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.