

Part 1

PORT BOARD

3rd March 2011

FINANCIAL POSITION - SUMMARY

**REPORT OF THE PORT DIRECTOR AND THE EXECUTIVE DIRECTOR OF
COMMERCIAL & CORPORATE SERVICES**

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 10. For comparison the position as at period 8 (last Port report period) is also shown.

	Spend to Date	Budget	Projected Spend	Projected Variance	Projected Variance
	Period 10	Full Year	Full Year	Period 10	Period 8
	£000	£000	£000	£000	£000
Delegated Items					
- Expenditure	(2,518)	(3,267)	(3,229)	38	50
- Income	2,074	3,428	2,593	(835)	(880)
Delegated Surplus / (Deficit)	(444)	161	(636)	(797)	(830)
Non Delegated items	1	(379)	(378)	0	0
Total Net Cost	(443)	(219)	(1,014)	(797)	(830)

3.2 The current trading position is slightly improved from that reported at period 8; this is in the main due to increased income projections. Although Cargo dues forecasts have reduced as a result of a decrease in the expected aluminium and steel plate tonnage, this decrease has been more than offset by increases in other income streams. 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, as set out in the commercial update elsewhere on the agenda, has the clear aim of mitigating the budget position to present the best possible outturn position.

4. Summary

4.1 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.