

Langstone Harbour Business Plan

April 2017

Preface

This plan has been produced to establish an effective framework for the management of the harbour's assets for the benefit of all stakeholders. This plan describes the business, its current position and the market it operates within, its strategy and objectives, and financial forecasts.

The Government's Review of Trust Ports, *Modernising Trust Ports* (second edition, 2009) states that all trust ports have a duty to maximise the benefits available to all their stakeholders and that it is the duty of the Board to strike a balance that fully respects the interests of all stakeholders, not just one group, in the light of the objectives of the trust port and what constitutes the "common good" for all stakeholders (current and future).¹ The Langstone Harbour Business Plan has been developed to address the sometimes competing needs of harbour stakeholders so that the harbour is run efficiently and fairly taking account of the harbour's commercial and recreational use and environmental sensitivity.

¹ The Department for Transport will be consulting on revised good governance guidance for ports in 2017

Contents

1	Introduction.....	4
1.1	The local context.....	4
1.2	Mission statement and strategic aims of the Board	4
2	Current Position.....	5
2.1	Governance	5
2.2	Nature designations and impact on business	5
2.3	Financial position	5
2.4	Commercial shipping revenue generation	7
2.5	Pilotage.....	7
2.6	Leisure revenue generation	7
2.7	Assets	7
2.8	Infrastructure liabilities	7
2.9	Organisational structure and staffing	7
2.10	Planning context.....	8
3	Business Analysis	9
3.2	Commercial shipping trends	9
3.3	Leisure trends	10
3.4	SWOT analysis	11
3.5	Opportunities and interventions.....	11
3.6	Risk analysis	13
4	Modernising Trust Ports	13
4.1	Target level of return	13
4.2	KPIs.....	14
4.3	Procurement of services and investments	14
4.4	Stakeholder Benefit	14
4.5	The role of stakeholders and consultation	14
4.6	Reporting requirements	14
4.7	Board member appointment	15
4.8	Structural change	15
5	Business Plan.....	16
5.1	Business plan objectives	16
5.2	Action plan	16
5.3	Financial implications and forecasts	16
5.4	Summary Forecast Table	17
6	Appendix A - SWOT Analysis.....	18
7	Appendix B – Strategic Aims and Business Plan Objectives.....	21
8	Appendix C – Action Plan.....	22

1 Introduction

Langstone Harbour is a tidal basin located between Portsmouth Harbour and Chichester Harbour on the Hampshire coast and is administered by the Langstone Harbour Board (LHB). Together, the three harbours form the largest intertidal area on the south coast of England. Langstone Harbour is relatively less developed than its neighbouring harbours in commercial terms and finding the right balance between commercial opportunities open to the LHB and managing its internationally recognised environmental designations is fundamental to the future of the harbour. This is a recurring theme that is at the heart of this business plan which sets out the LHB's current position and financial plans for the next five years.

1.1 The local context

Langstone Harbour is located between Portsea Island to the west and Hayling Island to the east. It is a large harbour (some 19 km²) and vast stretches of mud are exposed at the lowest tide when only one-tenth of this area is under water. The coastal margin of the harbour is approximately 21km.

The harbour is relatively quieter and less developed than its neighbouring harbours, the Dockyard Port of Portsmouth and the yachting centre of Chichester Harbour. It shares internationally recognised wildlife designations with Chichester Harbour and although considered to be less intensively used than either Chichester or Portsmouth Harbours, has a quarter of a million people living within a 5 mile radius.

The islands within the harbour are all that remain of a prehistoric grassland landscape through which the Rivers Langstone and Broom ran before encroachment by the sea so that the area is rich in historical artifacts as well as wildlife. Today, the harbour landscapes of water, shore and sky make an important contribution to the visual character of south east Hampshire and the harbour which, as well as its recreation and conservation functions, supports commercial shipping and a small fleet of commercial and charter fishing vessels.

1.2 Mission statement and strategic aims of the Board

Mission statement

To manage the harbour efficiently and cost effectively, taking account of the harbour's unique conservation interests, and to regulate the harbour to national safety standards for the benefit of all users.

Strategic aims

The strategic aims of the Board are to:

- Ensure the harbour is properly funded to carry out its core functions for safety, conservancy, education and interpretation.
- Provide an uninterrupted and cost effective Pilotage service.
- Maintain clear navigation channels.
- Manage environmental features in the harbour.
- Provide other cost effective services for the benefit of harbour users.
- Comply with appropriate standards of governance.
- To participate in appropriate local, regional and national consultation.

2 Current Position

2.1 Governance

LHB is responsible for navigation and moorings. Established by the 1962 Langstone Harbour Order, made under the General Pier and Harbour Act 1861, the Board's area extends to the Harbour mouth and includes the area covered by water at mean high-water springs, thereby excluding the shore and islands within the harbour. The Board comprises six members of Portsmouth City Council, six members of Havant Borough Council, one member of Hampshire County Council and two members of the Advisory Committee.

The Langstone Harbour Advisory Committee was established by the 1962 Order and its role strengthened by the 1985 Revision Order. The Board is required to consult the Advisory Committee on "all matters substantially affecting the preservation, protection, regulation, management, maintenance and improvement of the Harbour and the navigation thereof".

LHB has powers to precept on Portsmouth City Council and Havant Borough Council in equal proportion where there is a deficiency in revenue. However, this power has not been exercised since 2013.

LHB has statutory powers in relation to the regulation of shipping movements and the safety of navigation within the harbour and is a 'competent harbour authority' as defined in the Pilotage Act 1987. This means that Pilotage is compulsory within the limits of the Langstone Pilotage District. The Board's area of jurisdiction for Pilotage extends into the Solent south from the harbour entrance and west to St. Helen's fort, close NE of the Isle of Wight.

2.2 Nature designations and impact on business

Over the past fifty years, development pressure has resulted in the edge of Langstone Harbour being used for industry, landfill, housing, roads, playing fields and a golf course. Over the same period, there has been increasing recognition of the value of inter-tidal habitat that has been lost to development and 'coastal squeeze'.

Areas important for nature conservation are now protected. Langstone Harbour was first notified as a site of Special Scientific Interest in 1958. In 1987, Langstone and Chichester Harbours were designated as a wetland of international importance under the Ramsar Convention and as a Special Protection Area under the European Directive on the conservation of wild birds. It is notified as part of the Natura 2000 network under the European Directive on the Conservation of Natural Habitats and Wild Fauna and Flora, also known as the Habitats Directive. Langstone Harbour is within the Solent Maritime Special Area of Conservation (SAC) and is part of the wider Solent European Marine Site (SEMS) which provides the basis for the implementation of the Habitats Directive and the Birds Directive in the marine environment. There is a local nature reserve on the east side of the harbour. The Langstone Harbour Management Plan states that "the principle has now been established that the functional, landscape and ecological relationships between the Harbour and its surroundings must be respected" (1997: p 25).

Nevertheless, it is likely that there will be continued demands for more land for development around the harbour. The intertidal area may be squeezed behind hard sea defences as sea level rises and casual recreational use of the harbour is likely to continue to rise. Planning control is the responsibility of the local planning authority and the LHB has no jurisdiction over peripheral land or environmental matters affecting the water and intertidal areas. LHB has indicated its commitment for harbour conservation by adopting powers in relation to conservation and interpretation of the natural environment under which an Environment Officer is appointed (SI1999/266). The Board and its Advisory Committee contain individuals and organisations that are committed to conservation. There is the potential for some activities that increase the Board's income e.g. increased number of moorings, to have a detrimental impact on the natural environment and this needs to be acknowledged and managed.

2.3 Financial position

LHB has two main sources of income. Commercial shipping consists of harbour and cargo dues derived

from vessels that berth at the two commercial wharves, together with a small income from commercial craft, including fishing boats and a Ferry. Leisure income is derived from harbour dues, licences, moorings, and services provided including labour and fuel.

Expenditure is related to the provision of a safe harbour and the delivery of a range of more commercial services such as pilotage, labour, maintenance, and fuel. By far the largest item of expenditure is the LHB staff, with the provision of the harbour offices, workshop, vehicles and vessels making up most of the remainder.

LHB has powers to precept on Portsmouth City Council and Havant Borough Council in the event of a budget deficit. LHB does not have any debts and holds a general reserve amounting to £195,000 at the end of 2016/17. A further earmarked reserve fund for asset replacement amounting to £416,295, has been set aside for the replacement of the Board's ageing assets.

Table 1 below provides a summary of the income and expenditure account for 2016/17

TABLE 1 – LHB INCOME & EXPENDITURE 2016/17

INCOME	£
Income - commercial	299,434
Income Pilotage	114,477
Income - leisure	243,349
Income - interest on cash deposits	752
Fuel Sales	48,999
TOTAL Income	707,011

EXPENDITURE	
Employees	322,164
Repairs and Maintenance	45,360
Electricity, Water & Cleaning	5,397
Rent and Rates	36,955
Boats and Vehicles	8,301
Equipment, Furniture & Materials	2,686
IT	10,478
General Office Expenses	13,434
Travel and Subsistence	6,525
Insurance	25,861
Misc Expenses	5,778
Audit and Professional Fees	11,801
Purchase of fuel for resale	36,668
Pilotage	92,840
Environmental	10,774
Support Service Charges	2,880
Capital Purchases	42,928
TOTAL Expenditure	680,830
LA Precepts & Grants	5,000
Contribution to Reserves	31,182

Source: LHB

2.4 Commercial shipping revenue generation

The importation of sea dredged aggregates through Bedhampton Wharf and Kendalls Wharf, both privately owned, provides LHB with over 50% of its income.

2.5 Pilotage

The amount of pilotage undertaken by Langstone CHA is a small proportion of the compulsory pilotage in the harbour. The main users operate under Pilotage Exemption and a small income is derived from Pilotage Exemption Certificates. Pilotage charges are broadly set at a level to enable the pilotage account to break even.

2.6 Leisure revenue generation

The Harbour Board levies a range of charges for recreational use of the harbour. The bulk of the income comes from harbour dues and mooring fees. Harbour dues are set annually and all vessels using the harbour are liable for the charges; in 2016/17 leisure harbour dues amounted to 9% of total income. Moorings include Board owned deep water (BDW) and tidal moorings, the most popular of which are the more accessible deep water moorings. The Board has 92 occupied BDW moorings and a vacancy rate for this type of mooring of 32%, which has declined from 35% in 2015. In 2016/17 income from moorings amounted to 13% of total income. In addition to these two main sources of income, the Board charge and issue licences for water skis, jet skis, and slipway launching. Fuel sales make up the remainder of income and this service is provided on a fully commercial basis, competing with another provider.

The harbour is home to a range of clubs that host events in the harbour. Clubs and associations are a key feature of the harbour and contribute to its character and can help promote use of the harbour. However, while the activities of local clubs enhance the use of the harbour, participation of resident boats in recreational events does not provide additional income to the Board. Jet skiing has become more popular in recent years while participation in water skiing activities has declined. These activities still only represent a very small proportion of Harbour Board income.

2.7 Assets

LHB's current asset register is as follows:

- 2 ribs used for patrols
- John Easterling - a work boat
- Delilah – a maintenance barge
- Utility vehicle
- Forklift truck
- Slipway trolley
- Fuel dispensing system and storage tanks
- Hayling and Eastney pontoons and associated bridges
- Harbour office building and grounds.

2.8 Infrastructure liabilities

The Board has little ownership of land and infrastructure in and around the harbour. The main items are the harbour office and compound, and the two pontoons known as the Hayling and Eastney pontoons. The two pontoons are principally used by the public ferry and smaller commercial craft including charter recreational boats and registered fishing boats. These two pontoons are now ageing and will require significant investment over the coming years. Capital expenditure of about £240K has been budgeted for the year 2017/18 for the replacement of the Hayling pontoon.

2.9 Organisational structure and staffing

The functions of the Board are discharged by a team of staff led by the Harbour Manager. The team is responsible for ensuring the safety of the harbour and its users, responding to incidents, and ensuring

charges are collected. These functions are carried out by the Harbour Manager, his deputies and a team of patrol officers. The patrol team is a flexible resource with more officers employed through the busier summer months. The operational staff are supported by an administration team, with external legal, treasury and engineering support. A full time Environment Officer is employed by the Board in recognition of the unique and important natural environment of the harbour; the purpose of this role is to ensure that the harbour is managed in accordance with the environmental and conservation objectives of the Solent European Marine Site. Table 2 below sets out the current staffing arrangements:

TABLE 2 – LHB STAFFING

MARINE	ADMINISTRATION	ENVIRONMENT	SUPPORT
Harbour Manager	Admin Officer P/T	Environment Officer	Clerk P/T
Deputy Harbour Master	Deputy Admin Officer		Treasurer P/T
Assistant Harbour Master	Admin Asst P/T		Engineer P/T
Patrol Officer			
Seasonal Staff (up to 6)			

Source: LHB

2.10 Planning context

The statutory planning context of the harbour is characterized by policies that aim to safeguard the harbour as opposed to policies that lean towards development or intensification. Havant Borough Council, Portsmouth City Council, and Hampshire County Council have planning jurisdiction in the harbour area.

Havant Borough Council

Langstone Harbour is recognised in The Havant Borough Council Core Strategy document as a key area of the borough for leisure and recreation, with internationally important nature designations. The Core Strategy notes that Langstone Harbour and the wider Hayling Island area pose big challenges for the borough in trying to provide housing and employment whilst also protecting the landscape and managing the impacts of climate change. The key policies to note are:

- **Policy CS1 Health & Wellbeing**
Planning permission will be granted for the modification of moorings and berths but not new jetties and slipways in Chichester Harbour, Langstone Harbour and along the Hayling Waterfront which are identified as sensitive for landscape and/or nature conservation reasons. The special character and nature of Langstone means that “it is not acceptable to increase the number of berths in the harbours or for additional ancillary infrastructure”.
- **Policy CS5 Tourism**
This policy looks to encourage the development of small scale and sustainable recreational facilities, and enhance existing tourism infrastructure. It notes the potential for small-scale improvement to Hayling seafront, and the potential for a visitor centre at Broadmarsh.
- **Policy CS11 Protecting and Enhancing the Special Environment and Heritage of Havant**
This policy seeks to protect the borough’s statutory and non statutory designated landscape. The policy is informed by the Havant Borough Townscape, Landscape and Seascape Character Assessment that emphasises the unique nature of the landscape and seascape at Langstone.
- **Policy DM9 Development in the Coastal Zone**
Planning permission will only be granted for development in the coastal zone which has no harmful effects on nature conservation within the Chichester and Langstone Harbour SSSIs, SPA, Solent Maritime SAC and Ramsar site, nor any SINC and Local Nature Reserves.

- Policy DM10 Pollution
Development will only be permitted where external lighting would not interfere with safe navigation in either Chichester or Langstone Harbours and other coastal locations.

The Core Strategy also identifies strategic sites within the borough that present opportunities to deliver the planning policy objectives, such as provision of new housing or employment. It should be noted that Broadmarsh was originally considered as a strategic site for employment uses but was withdrawn following the consultation period. Broadmarsh was withdrawn as a strategic site because of significant constraints including potential impact on controlled waters; however the site will continue to be the subject of planning policy consideration through the Development Delivery (Allocations) Development Plan Document. Following consultation the Hayling Island site was not considered a strategic site for housing delivery principally because of access issues, and whilst it has been identified as an area for regeneration and tourism development, significant housebuilding is not proposed.

Portsmouth City Council

In common with the Havant Core Strategy, the Portsmouth Core Strategy, adopted in January 2012, recognises the importance of Langstone Harbour for its amenity and quality of environment. A study to determine the impact of disturbance from recreation on wildlife at European sites around the Solent is underway, and this will inform the Council about the impact of city development on sensitive sites. The Core Strategy policy does promote the protection and enhancement of such sites.

Hampshire County Council

The Hampshire Minerals Plan (2013) was prepared by Hampshire County Council, Portsmouth City Council and the New Forest National Park Authority as the minerals planning authorities for the area. The plan reviewed Hampshire's existing wharves and concluded that they were still capable of accommodating a significant increase in the amount of sand and gravel handled should demand increase. On this basis Policy M4 safeguards the wharfs at Langstone Harbour, Kendalls Wharf and Bedhampton Wharf, for their existing use on the basis they provide an important role in the supply of aggregates.

3 Business Analysis

3.1 Changing financial position of LHB

Table 3 below shows the proportion of income derived from the main sources; interest on cash holdings and fuel sales have been ignored for this presentation.

This shows a number of clear trends with precept disappearing entirely in 2015/16. The commercial shipping income as a percentage of the total has risen steadily and now amounts to more than 50% of the Board's income. Leisure income on the other hand has been declining although with a small recovery in 2015/16.

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Income from commercial shipping £	183,261	191,022	197,310	349,121	362,353	307,887	521,406
% of total	28%	31%	32%	47%	50%	52%	63%
Income from Leisure activities £	227,856	226,660	251,214	250,763	236,273	217,686	240,603
% of total	35%	37%	41%	34%	32%	37%	29%
Income from Precept and grants £	150,648	141,759	141,803	95,901	95,901	25,000	0
% of total	23%	23%	23%	13%	13%	4%	0

3.2 Commercial shipping trends

Total port freight has remained relatively stable regionally, notably in the Hampshire ports of Southampton and Portsmouth. Southampton is by far the biggest port in the region and Portsmouth the

second most significant port.

Table 4 compares total cargo throughputs at selected ports. Total freight at all ports has remained stable and the impact of the economic downturn on Langstone aggregate imports in 2011 and 2012 can clearly be seen.

TABLE 4 – CARGO AT SELECTED WEST SUSSEX AND HAMPSHIRE PORTS (THOUSAND METRIC TONNES)

Port	2011	2012	2013	2014	2015
Southampton	37,879	38,107	35,796	36,689	37,660
Portsmouth	3,772	3,486	3,614	3,786	3,776
Shoreham	2,081	1,903	1,600	1,826	1,909
Langstone	374	353	535	513	472

Source: DfT and LHB

Table 5 sets out the cargo volumes for import of sea dredged aggregates and records the number of ship visits. It can be seen that the recession had a significant effect on trade but that the throughput returned to a normal level of about half a million tonnes per year from 2013. The tonnage imported in 2015 was significantly affected by the shortage of vessels supplying aggregates to Southampton, Shoreham and Langstone. An additional sea-dredger dedicated to supplying one of the wharves in Langstone Harbour was brought in to service in late 2016 and this will stabilise the imbalance between supply and demand.

TABLE 5 – LANGSTONE HARBOUR CARGO VOLUMES

Year	Number of ships	Cargo (metric tonnes)	Average tonnes per vessel
2005	394	542,500	1,377
2006	427	547,246	1,282
2007	402	546,686	1,359
2008	308	408,458	1,326
2009	250	354,283	1,417
2010	236	325,232	1,378
2011	264	374,000	1,417
2012	259	353,031	1,363
2013	347	535,000	1,542
2014	354	513,450	1,450
2015	341	472,000	1,384
2016	430	558,000	1,298

Source: LHB

Langstone Harbour has very limited wharfage and infrastructure, with opportunity for expansion severely constrained by the site's environmental designations. The Harbour is not suited to the handling of unitised or general cargo and these sectors offer no potential for growth.

3.3 Leisure trends

The marine industry is a significant economic force in the South East. British Marine Federation (BMF)

figures for 2015 suggest that the UK leisure and small commercial marine industry generated direct and indirect revenues of £3.2 billion.

The maintenance and use of boats generates demand for services, such as marinas, boatyards and chandlers, and also drives the aftermarket for boat parts, supplies and accessories. Boating and marinas not only provide infrastructure for people to participate in leisure activities but can also serve as visitor attractions in their own right, attracting non-boating users, who spend money on-site and in the wider local economy.

Past performance suggests that the leisure and small commercial marine industry will continue to grow and further development in the marine sector could bring local benefits. The marine leisure sector is a possible area of business growth for LHB.

The overall trend within the leisure market has been towards an enhanced offer for boat owners in the middle and upper ends of the market. This part of the market is served at Langstone by Southsea Marina, but the relative lack of services, accessibility and development opportunities tend to suggest that there is limited scope for expansion to provide the range of services that might appeal to this segment of the market. Although there may always be pressure for more intensive development, such as proposals for a new marina complex at Broadmarsh, the more immediate future of leisure operations within the harbour is likely to focus on smaller scale expansion of existing activities. Such expansion is likely to be generally demand led given the limited role and resources of the Board itself.

LHB's leisure income has remained relatively stable as a percentage of overall income) in recent years reflecting the nature of the harbour that does not have scope for significant expansion.

3.4 SWOT analysis

Appendix A contains an analysis of LHB's strengths, weaknesses, opportunities and threats (SWOT). This is a simple analysis that, together with an understanding of more general trends, can help shape future decisions of the Board. The two main outputs from the SWOT analysis are a set of opportunities and interventions that the Board should explore; and a set of business risks that need to be managed. These are discussed below.

3.5 Opportunities and interventions

There are a number of areas where LHB should be looking to take opportunities, intervene or change in order to continue to operate efficiently and meet its strategic aims. This section describes potential interventions; the next chapter of this document presents these interventions in an overall action plan.

Leisure boating market

Langstone Harbour's large expanse of mud and tide-controlled water has been called bleak, lacking the natural beauty of Chichester Harbour to the east or the historic fascination of Portsmouth on its western flank. Nevertheless, its location in the Solent makes it potentially an attractive location for boat owners who want leisure moorings with easy access to other destinations in the Solent.

Recent trends in the number of moorings in the harbour do not appear to support Langstone's appeal as overall the demand for moorings appears to be static or falling. The number of occupied moorings overall (excluding Southsea Marina) decreased from 550 in 2009 to 521 in 2016. The preference by leisure boat users for the convenience of walk ashore facilities in marinas is supported by 100% occupancy rates in the Premier owned Southsea Marina and demand for pontoons in Eastney Lake.

Without careful management, the expansion of leisure boating could conflict with the harbour's commitment to conservation and emphasis on "quiet enjoyment" promulgated through the Harbour Management Plan (1997). This includes a recommendation that the total number of moorings in use in the Harbour should not normally increase by more than 10% in any one year and the environmental impact of each increase assessed before further additions are agreed.

The Harbour Management Plan recommends that the strategy for recreation should be to maintain Langstone harbour as a relatively quiet and uncommercialised area for recreational pursuits that do not

conflict with conservation of the harbour's wildlife and landscape resources. The 'empty space' characteristic of the harbour is valued for its relative isolation and undisturbed habitat in the interests of nature conservation. The plan also recommends the use of pontoon berths and piled moorings in appropriate locations in order to reduce the area covered by moorings, and that facilities for sailing clubs and visiting yachtsmen should be improved where this does not conflict with landscape or conservation objectives.

The environmental aspects of the Harbour Management Plan have been looked at recently. Although the 1997 plan notes a designated water ski-ing area, there is no zoning policy for different harbour leisure activities or intensity of uses. The 1997 Harbour Management Plan was agreed by all harbour stakeholders and its review would require the active involvement of all stakeholders.

An increase in the number of pontoon berth has occurred in Eastney Lake where there are the highest number of occupied tidal moorings in a relatively protected location and close to shore-side facilities. This has brought financial benefit to the Board. The lack of shelter on the east side of the entrance of the harbour close to the harbour office makes this an unsuitable location for an increase in moorings.

Commercial shipping

LHB does not own the wharves at Langstone and is not in a position to significantly influence the throughput of cargoes. The introduction in 2009 of revised charges for commercial shipping has provided LHB with an opportunity to establish an asset replacement reserve and reduce reliance on the precept. The continuity of this strategy will be dependent on the operators of the wharves continuing with current operations and the general economic position, over neither of which LHB has much influence.

The majority of commercial vessels using Langstone Harbour operate under pilot exemption certificates. While it is mandatory for the Board to maintain a pilotage service, pilotage operates at a very marginal surplus and is not an area of income where the surplus is expected to grow significantly.

Asset management

Key assets including vessels, vehicles and the two pontoons will require investment/replacement within the life of this business plan period.

The Board's asset investment strategy is based on the following principal considerations:

- The obligation to regulate harbour activities in accordance with byelaws and the requirements of the Port Marine Safety Code.
- The public safety implications associated with the pontoons that afford public access via the ferry service.
- The replacement options for the maintenance barge and associated decisions about how mooring maintenance is delivered.

Environment

The LHB's commitment to stewardship of its natural environment is demonstrated by the employment of an Environment Officer who has responsibilities for environmental monitoring, management and education. The LHB is well placed to build on its environmental commitment through developing a stronger 'green tourism' profile. This could have a variety of benefits to the Board. It would strengthen the Environment Officer's role not only as a stakeholder benefit for environmental management, but also as a rational and commercially led response to the management of visitor numbers. Visiting yachtsmen could be strongly encouraged to use the (expanded) leisure facilities in Eastney Lake, minimising impact on the harbour elsewhere, and providing a larger customer base for Eastney businesses. There is the opportunity for the Environment Officer to work with harbour stakeholders to achieve high environmental standards.

Staffing structure

Members of staff are the largest item of LHB expenditure at over 50% of total expenditure. Given this proportion and as a small organisation it is appropriate for LHB to keep its staffing needs under close

review.

ACTION – review staffing requirements periodically.

3.6 Risk analysis

In addition to taking advantage of opportunities the Board must manage risks. The key risks identified through the SWOT analysis are set out below.

TABLE 7 – RISK ANALYSIS

Risk	Mitigation
Changes in legislation which could have an impact on the Board	Maintain oversight of emerging legislation
Withdrawal of one of the commercial operators and the impact on revenue	Maintenance of healthy working relationship through the services provided by the Board
Reliance on precept and reluctance of local authorities to make contributions	On-going dialogue and relationship with local authorities
Decline of the leisure market income	Rationalisation and enhancement of leisure offer working with other leisure providers
Infrastructure failure	Asset investment strategy and continued build-up of asset replacement reserve
Environmental change and/or damage	Operations of the Board to manage the environment and mitigate against misuse and damage

4 Modernising Trust Ports

Modernising Trust Ports, second edition, (MTP2) is guidance issued by the Department for Transport following a review that highlighted a need for a general improvement in the openness and accountability within the Trust Port sector. The guidance provides benchmarks of good practice although some parts of the guidance would not necessarily be appropriate for, in particular, the smaller ports. A key principle of the guidance is the expectation that Trust Ports will take steps to comply with the guidance or state where and why they have decided not to. The business planning process provides an opportunity for LHB to respond to the guidance, and this section of the document sets out the key MTP2 issues to be addressed.

Note: A new edition of guidance, “Ports Good Governance Guidance”, will be out for consultation in 2017. This publication will supersede Modernising Trust Ports, 2nd edition.

4.1 Target level of return

MTP2 suggests that Trust Ports set a target level of return for existing and proposed activities. LHB has considered this guidance and does not believe that, given the very limited scope of its commercial

activities and limited market place, it is appropriate to set an overall target level of return. However in accordance with the spirit of MTP it is appropriate and proper for the Board to set its dues, evaluate its investments and charge for its services at commercial and competitive rates. LHB has already demonstrated its approach to setting appropriate commercially driven charges. LHB will adopt similar approaches to other charges that it levies.

4.2 KPIs

MTP2 makes recommendations for the use of Key Performance Indicators and suggests a range of KPIs that could be used across the Trust Ports sector to enable comparison and benchmarking. LHB has considered this guidance and does not believe, given the range of its activities, that the suggested KPIs would provide the Board with meaningful information to measure the performance of its operations. Instead it will report annually on the following KPIs:

- Financial position – debt, benchmarking of charges
- Governance - Board member attendance
- Environmental performance
- Mooring occupancy – of LHB moorings
- Accident statistics

4.3 Procurement of services and investments

MTP2 encourages Trust Ports to set out an investment policy that seeks to offer maximum benefit to stakeholders, considers its commercial position and challenges the way in which services are provided. LHB has key investment decisions within the lifetime of this business plan period, and these decisions will be made within the framework of this plan and the action plan, thus providing the robust and transparent policy required. Key investment and procurement decisions will be outlined in the annual report. This will include any strategies or arrangements to repair or replace business critical plant and machinery when the need arises.

4.4 Stakeholder Benefit

LHB provides significant benefit to port stakeholders and MTP2 requires Trust Ports to decide upon these benefits in consultation with stakeholders and in concert with the commercial realities and expectations of the port i.e. the level of return may influence the scope of the stakeholder benefit.

LHB's stakeholder benefits, within the interpretation of MTP2, can be described as consisting of the following elements:

- The provision of the pontoons to facilitate the operation of the ferry that forms part of the local transport infrastructure.
- Provision of fuel to harbour users.
- The education functions of the Board.

These benefits are provided in addition to the Board's core functions (safety, management, enforcement etc.) that ensure the harbour can be enjoyed safely by its current users and conserved for the benefit of future users. The business plan objectives and action plan refer to 'customer benefit' and this is meant to be a wider definition of benefit, not the technical definition of stakeholder benefit provided by MTP2.

4.5 The role of stakeholders and consultation

LHB already does many of the things cited within MTP2 as good practice in respect of stakeholders and consultation including its well established Advisory Committee, operational website, liaison with statutory agencies and the local authorities, publication of Annual Reports, an annual open meeting, and more informal engagement with local groups and organisations. It is proposed that LHB report on its stakeholder consultation activity as part of its annual reporting process – see below. It is also proposed that there are continued efforts to engage the leisure and commercial shipping interests through the Advisory Committee.

4.6 Reporting requirements

MTP2 sets out guidance on reporting for Trust Ports including the production of an annual efficiency statement and an annual strategy document. Again for LHB, much of this ground is covered by the current Annual Report format adopted by the Board. It is proposed to continue to report via this format, and the Board believes that this report will achieve the benchmark set out in MTP2. Specifically the Annual Report includes explicit reference to stakeholder benefit, performance indicators, key investment/procurement decisions, statement of consultation activities, and strategy for the coming year.

4.7 Board member appointment

MTP2 recommends a number of actions for Trust Ports in relation to Board member appointment. This area of the guidance is difficult for the Board to implement given its current structure and constitution where members of the Board are appointed directly by the constituent local authorities. The appointment process for Board members is an important safeguard for the constitutional provisions for the constituent local authorities.

4.8 Structural change

MTP2 states that “the Department strongly encourages trust ports to analyse their corporate structure and keep it under review, with a view to identifying opportunities to enhance their efficiency and get value from their assets.” LHB does, and will continue, to subject its activities to regular review and market testing through its business planning process. LHB do not however consider it appropriate, given the limited range of commercial activities it undertakes and assets it owns, to pursue an alternative operating model for the entirety of the port’s functions.

5 Business Plan

5.1 Business plan objectives

A set of business objectives have been developed against which progress can be assessed, decision making tested and measurable objectives and targets monitored. These are:

- Monitor and reduce costs. (Reduce reliance on precept).
- Increase leisure income from Harbour Dues and other services through expansion of the customer base.
- Build an adequate reserve to fund repair and replacement of LHB infrastructure.
- Quantify and report on customer benefits.
- Implement MTP2 recommendations as appropriate.

Appendix B sets out the business plan objectives and how they relate to LHB's strategic aims.

5.2 Action plan

Appendix D contains a table that collects together all of the actions that have been identified through the business planning process. This action plan is intended to be a working document that provides a framework within which the management and Board can monitor performance and report on progress with the achievement of its objectives.

5.3 Financial implications and forecasts

The business plan objectives include three related financial considerations; the reduction of costs, reduced reliance on the precept, and planned investment in infrastructure. The action plan resulting from this business plan provides the framework for decisions aimed at achieving these objectives. In monitoring and implementing the action plan the Board will also need to respond to market conditions. The purpose of this section of the business plan is to set out some basic scenarios and very broad forecasts that will assist the Board in looking forward.

The key investment decisions within this plan period are the investment in the pontoons and the refurbishment of the maintenance barge. Both of these decisions are subject to a number of factors that need to be reviewed and the business plan action plan sets out how the Board will address these. In the forecasts set out below there is an assumption that any major investments will be funded from the asset replacement reserve. The prudence exercised whilst the dispute over commercial dues was being settled has resulted in a substantial increase to the asset replacement reserve

5.4 Summary Forecast Table

LANGSTONE HARBOUR BOARD BUSINESS PLAN Summary Table

	Growth of all income and expenditure heads at assumed CPI of 3% per annum					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Operational income	706,260	711,559	694,825	722,580	733,957	755,976
Investment Income	752	3,810	3,924	4,042	4,163	4,288
Income - precept and grants	5,000	0	0	0	0	0
Other	0	39,884	3,000	10,000	0	0
TOTAL income	712,012	755,253	701,750	736,622	738,121	760,264
Operational Expense	637,902	685,592	651,303	670,842	690,967	756,696
Capital Purchases	42,928	306,000	33,000	35,000	5,500	45,000
Contribution to Reserves	31,182	(236,339)	17,447	30,780	41,653	48,568
Closing Reserves	589,690	353,351	370,798	401,578	443,231	393,915

6 Appendix A - SWOT Analysis

STRENGTHS
<p>Access: Close proximity to the Solent and contrasting neighbouring harbours. Strategic importance of ferry and it's independent funding.</p>
<p>Commercial shipping: Safeguarded wharfs with opportunities for expansion.</p>
<p>Fishing: 10 charter fishermen pay to use LHB pontoons to embark and disembark.</p>
<p>Facilities: Variety of mooring types: deep water; lower cost mud moorings, relatively sheltered mud moorings outside Premier Marina; walk ashore pontoons within Southsea Marina (not LHB owned). Southsea Marina and Eastney Lake pontoons fully occupied. 3 principal sailing clubs and one smaller club, 3 small angling clubs, the Hayling Health Society. 3 principal public slipways, two of which are accessible 24/7. Slipway trolley for boat repairs at Harbour Office LHB sells fuel from Hayling pontoon providing income source and local competition. Harbour vessels provide facilities to customers.</p>
<p>Assets: LHB owns 2 RIBS, patrol launch, the John Easterling, and its own maintenance barge. Self-sufficient for deep water maintenance. The Board owns a vehicle, forklift truck and slipway trolley at the Office premises. The fuel dispensing system and storage tanks are owned by the Board. The Board owns both public pontoons and associated bridges. Office building owned by the Board.</p>
<p>Environment: Nature designations constrain development and keep relatively less built-up character especially on east side – so that area remains attractive to visitors. Employment of Environment Officer by LHB.</p>
<p>Governance: Active Advisory Committee to LHB provides local stakeholder input.</p>
<p>Financial position: Debt free, powers to precept. General borrowing power - £500,000.</p>

WEAKNESSES
<p>Physical: Exposed to prevailing winds. Harbour's large fetch creates potential for high waves in harbour on windy days.</p>

<p>Commercial shipping: Restricted to LOA 84m at Kendall's Wharf. Bedhampton Wharf is used by a 72m vessel and this is probably the maximum length that can be accommodated without changing the shape of the turning basin. Restricted tidal access – Kendalls Wharf: Vessels arrive HW-1h30m and depart up to HW+3h00m. There is enough depth alongside for ships in light condition to remain alongside over low water. Bedhampton Wharf: Vessels arrive HW-1h00m and leave up to HW+2h00m. Berth dries and it is not safe for vessels to take the ground at low water. Heavy dependence on income from commercial shipping.</p>
<p>Facilities: Location of deep water moorings restricted to main channels, some are distant from land and there is low demand for remote moorings. Visitor moorings are remote and exposed. Temporary berth only on Hayling pontoon with water and metered electricity. No walk-ashore visitor pontoons at/adjacent to Harbour Office. Access to pontoon berths hampered by strong tidal flows. Limited visitor facilities at Harbour Office. There is a weight restriction in the yard for large plant (underground diesel storage tanks). Dry storage operates at full capacity (12 boats). Restricted land assets (harbour building only). Eastney and Hayling pontoons are costly to maintain.</p>
<p>Environment: Extensive nature designations restrict opportunities for change – cannot increase number of new moorings by more than 10% p.a. of the agreed mooring capacity (1997 Management Plan; 1,564 moorings) Concerns about water quality.</p>
<p>Marketing: No planned marketing strategy.</p>
<p>Financial position: Dependence on commercial shipping for bulk of income. No significant land assets to exploit.</p>

<p>OPPORTUNITIES</p>
<p>Commercial shipping: Possible expansion of commercial wharf may increase LHB income subject to risk assessment. (May also necessitate costly infrastructure and additional staff for traffic management and Pilotage).</p>
<p>Visitor Centre at Broadmarsh: Possible development of a visitor centre at Broadmarsh might promote interest in the Harbour.</p>
<p>Facilities for visiting yachtsmen: Provide visitor moorings Provide anchorage for visiting vessels</p>

<p>Assets: The workboat, John Easterling, and maintenance barge used for chargeable services.</p>
<p>Environment: Ensure that habitat/species data collected by LHB is stored securely and a fee charged for data to be made available to e.g. environmental consultancies or local authority planning departments (e.g. fish survey data) EO made available to project manage environmental projects in the harbour vicinity Charge for EO bird surveying for 3rd parties</p>
<p>Financial position: Current level of income provides opportunity to continue to build asset reserve.</p>

<p>THREATS</p>
<p>Commercial shipping: Operators close down, leave, or reduce cargoes taken through Langstone. Viability of ferry service causes operator to cease</p>
<p>Leisure income: There is a risk that the predisposition of modern boat owners to convenience renders swinging moorings redundant. The Board has limited capabilities to provide secure facilities for boat owners.</p>
<p>Assets: Cost of future asset replacement.</p>
<p>Environment: Climate change and flood risk. A shoreline management plan exists for the adjacent coastal area. Rising sea levels and 'coastal squeeze' threaten designated areas. NB Longer time horizon and not directly relevant to business plan (5 year horizon). Poor water quality may affect desirability of harbour for leisure users unless improvements are made.</p>
<p>Planning: Planning policy constrains LHB's or other harbour users' opportunities to develop income.</p>
<p>Stakeholders: Local opposition to change in the harbour.</p>
<p>Financial position: Reversion to reliance on precept.</p>

7 Appendix B – Strategic Aims and Business Plan Objectives

	Objective 1 Monitor costs.	Objective 2 Maintain recreational income as a percentage of turnover	Objective 3 Continue to build an adequate reserve to fund repair and replacement of LHB infrastructure	Objective 4 Quantify and report on customer benefits.	Objective 5 Implement MTP2 recommendations as appropriate
STRATEGIC AIMS					
Ensure the harbour is properly funded to carry out its core functions for safety, conservancy, education and interpretation.	✓	✓	✓		✓
Provide an uninterrupted and cost effective Pilotage service.	✓				
Maintain clear navigation channels.	✓		✓		
Manage environmental features in the harbour.		✓		✓	
Provide other cost effective services for the benefit of harbour users.		✓	✓	✓	
Comply with appropriate standards of governance.					✓
Participate in appropriate local, regional and national consultation.					✓

8 Appendix C – Action Plan

(Start dates are calendar quarters)

OBJECTIVE 1: Monitor costs.				
NO.	ACTION	START	TARGET	TIMESCALE
1.1	Continue to review staffing structure and requirements	Qtr 1	Achieve structure that is fit for purpose and affordable	Annually
1.2	Annual budget setting and monitoring process	Qtr 4	Balanced budgets	Annually

OBJECTIVE 2: Maintain recreational income as a percentage of turnover				
NO.	ACTION	START	TARGET	TIMESCALE
2.1	Continue to review the provision of leisure moorings in the harbour.	Qtr 2	Rationalise provision across the harbour	Annually
2.2	Implement a marketing strategy for LHB mooring vacancies.	Qtr 3	Strategy that maximises opportunities for the most lucrative moorings	
2.3	Charges review	Qtr 4	Charges that are competitive and set at a level that is appropriate to the investment needs of the harbour and its users	Annually
2.4	Review investments	Qtr 1	Ensure returns are maximised	Annually

OBJECTIVE 3: Continue to build an adequate reserve to fund repair and replacement of LHB infrastructure.				
NO.	ACTION	START	TARGET	TIMESCALE
3.1	Maintain list of assets	Qtr 1	Record of assets	Annually
3.2	Establish asset replacement programme	Qtr 3	5 year investment plan	Annually
3.3	Continue to review funding strategy for the pontoons	Qtr 4	Long term funding strategy in place	Annually

OBJECTIVE 4: Quantify and report on customer benefits.				
NO.	ACTION	START	TARGET	TIMESCALE
4.1	Keep the Langstone Harbour Management Plan under review	Qtr 3	Commitment to programme of review	2021
4.2	Stakeholder benefit statement	Qtr 1	Annual statement on Target Level of Return and Stakeholder benefit	Annually

OBJECTIVE 5: Implement MTP2 recommendations as appropriate.

NO.	ACTION	START	TARGET	TIMESCALE
5.1	Adopt appropriate reporting arrangements from MTP2	Qtr 1	Continuing compliance with MTP2 where appropriate for Langstone	Annually
5.2	Continue to report on KPIs	Qtr 2	Demonstrate accountability to stakeholders	Annually
5.3	Strengthen stakeholder consultation arrangements	Qtr 1	Support the Advisory Committee to maintain effective and consistent representation and input from key stakeholders	Ongoing