

Item 5. Draft Business Case for creation of Conservation Board

1. Summary

This paper presents a first full draft of a Business Case document for creation of a Conservation Board for the Shropshire Hills AONB. The purpose of the Business Case is principally to support the formal decision making required by both Councils and by Defra.

2. Background

The draft Business Case document has been based on a Shropshire Council template for services looking to externalise from the Council, but it has been adapted to suit our circumstances and the need for it to be appropriate to the other relevant organisations too. The draft has been prepared by Phil Holden and Neil Willcox.

The draft includes some text from papers of recent meetings of the AONB Partnership and Management Board, along with new and reworked text where appropriate.

Of the Appendices listed, only the Options Appraisal and Risk Register are included on this occasion. The current AONB Partnership structure and staff structure are probably familiar to members of the Board but can be supplied if necessary. The financial information of Appendix 4 is currently being worked on by the AONB Partnership Manager with a senior member of Shropshire Council's Finance department. The presentation of this is a simplified expenditure and income summary for Financial Years from 2016-17 to 2019-20. This is still in preparation and will be included with a future draft of the Business Case. This summary needs to correspond to the more detailed AONB Partnership budgets presented in item 6, which for the current meeting will provide additional information to support the finance sections of text in the Business Case.

The comments of the Transition Board on the text and any areas which need adding or strengthening will be very welcome. A Word version of the main document is also circulated in case members wish to mark comments electronically.

3. RECOMMENDATION:

The Transition Board is recommended to comment on the draft Business Case and Appendices 2 and 3.

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Shropshire Hills AONB Partnership proposal for transferring out of Shropshire Council into a 'Conservation Board'

BUSINESS CASE

Draft at 3.8.16

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1. Introduction and background

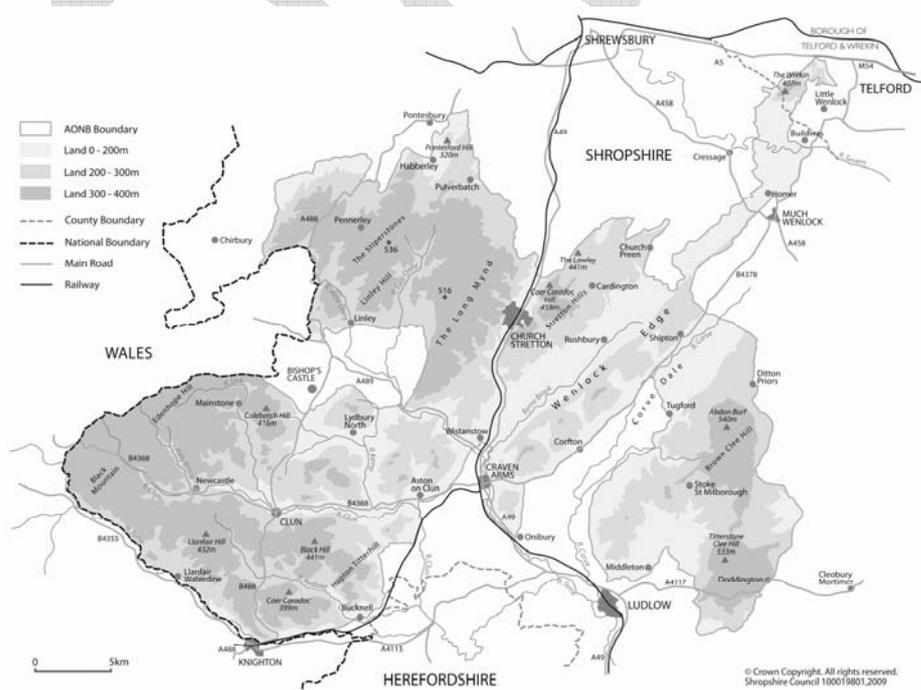
This document sets out a business case for the future structure of the Shropshire Hills Area of Outstanding Natural Beauty (AONB) organisation as a Conservation Board.

Financial pressures led Shropshire Council in spring 2016 to seek a substantial reduction in its net annual cash contribution to the AONB Partnership on the back of proposals to manage the AONB team within a new integrated Landscape, Health and Economy team within the wider Outdoor Partnerships service. Following a formal consultation with potentially affected staff and significant representations from the AONB Partnership and its members, agreement in principle was reached in April 2016 on an alternative proposal:

- To develop new independent delivery arrangements for the AONB team outside the Council within a new external organisational structure,
- To confirm a savings plan to Shropshire Council within the context of a review of the AONB budget both before and after externalisation.

2. Executive Summary

In 2018 the Shropshire Hills AONB designation will be 60 years old. The primary purpose of conserving and enhancing natural beauty is as important now as it was in 1958, and delivers a wide range of environmental, economic and social benefits. The Shropshire Hills is a relatively large AONB, governed by a strong Partnership and supported by an active staff team. The context of continued structural change in local government and the broader working environment has however led partners to agree that the interests of the AONB are now best served by creation of an independent AONB body. A modern, lean application of the 'Conservation Board' model enabled by the Countryside and Rights of Way Act 2000 will provide the strongest organisation possible for the long term future of the AONB. The modest additional costs of this structure will be offset by the advantages of unequivocal focus on the needs of the AONB, ability to harness volunteer effort from Board level to on the ground practical work, and enhanced ability to fund-raise, working with a newly established AONB charity.



Map of Shropshire Hills AONB and of AONBs nationally

3. Legal basis and functions of the AONB organisation

AONBs legal framework: AONBs are formal legal designations enabled by the National Parks and Access to the Countryside Act 1949 for the principal purpose of conserving and enhancing the natural beauty of the designated area. This Act also gives local authorities, Shropshire Council and Telford Wrekin Council in this case, a permissive power to take action to conserve and enhance the natural beauty in the AONB. AONBs are from the same legislative fold as National Parks and share some similarities, as well as differences in organisation and levels of funding.

The Countryside & Rights of Way Act 2000 places a statutory duty with regard to the AONB Management Plan on local authorities. S89(2) 2 of the Act states that “the relevant local authority in respect of an area of outstanding natural beauty shall... prepare and publish a plan which formulates their policy for the management of the area of outstanding natural beauty and for the carrying out of their functions in relation to it.” There is also a requirement to ‘act jointly’, and the two local authorities for the Shropshire Hills AONB have formally agreed that the AONB Partnership would lead the preparation of the Management Plan on their behalf with the involvement of a range of local authority members and officers. On completion, the formal approval of the Management Plan is currently by the local authorities themselves.

S85 of the Act also places on relevant authorities a general duty to have regard to the purpose of conserving and enhancing the natural beauty of the AONB when exercising or performing any functions affecting land in the AONB. “Relevant authorities” are any public bodies including local and statutory authorities, parish councils and statutory regulators.

There are 46 AONBs in the UK, operating in a strong national network through the National Association for AONBs.

Current governance: The current governance arrangement for the AONB is a ‘Joint Advisory Committee’ to Shropshire and Telford & Wrekin Councils, known as the Shropshire Hills AONB Partnership, which is supported by the AONB Partnership team, hosted by Shropshire Council as the accountable body. Funding for the Partnership team is received from Defra and the two local authorities, along with project funding and earned income from many sources.

The AONB Partnership’s main roles are to:

- Take and co-ordinate action to conserve and enhance natural beauty; promote enjoyment and understanding, and further sustainable development.
- Develop policy and strategy for the area through the AONB Management Plan, and influence the policies and strategies of others.
- Develop the AONB Partnership as an inclusive and effective organisation.
- Support the involvement of the community in the management of the AONB.

The Partnership has an independent Chair and representation of many organisations with remits relevant to the AONB, as well as Parish & Town Council representatives, and individual members. This broad engagement is key to successful delivery. The AONB Team seek to concentrate their work in areas which complement or add value to the work of others, and avoid duplication. The AONB Partnership does not own or directly manage any land. A diagram of the current AONB structure is shown at **Appendix 1**.

In July 2016 following several years of research and development work, a new Charitable Incorporated Organisation (CIO) for the AONB, the Shropshire Hills AONB Trust, was registered with the Charity Commission. This has a minority of trustees appointed by the AONB Partnership and is independent of the Partnership in governance terms. It is intended to provide a complementary structure to the main AONB governance organisation, as an effective mechanism for fundraising to benefit the AONB. It is expected to give grants directly to projects in the community, and will work collaboratively with the AONB Partnership (or Conservation Board in due course), which it may also benefit financially according to the trustees' discretion and its charitable objects.

4. Outcome requirements and a vision for the AONB organisation

The following was agreed by the AONB Partnership Management Board on 11th May 2016 as the key requirements of a new organisation:

- The structure should provide a secure, long term vehicle for delivery of AONB functions, including employment of the staff team.
- The new structure needs to be efficient and cost effective operationally, and have a good ability to fund-raise from a wide variety of sources. Ideally the new structure needs to be capable of borrowing to meet short term cash flow shortfalls.
- The structure must be capable of receiving the AONB funding from Defra (or its successor if Government departments change) and to be directly accountable to Defra for it.
- A relatively simple to understand structure, alongside strong branding, will aid the organisation in public understanding, which is quite a significant issue, and also enhances fundraising ability.
- The structure should be able to attract and involve a high calibre of board members/trustees with relevant skills as well as time and willingness to take on responsibility. These people need to be appointed through robust processes which provide the skills needed but provide checks and balances against possible personal interests or dominance of a small number of individuals.
- The structure must provide links to the two local authorities, but also be seen to be independent from them. The relationship between the organisation and the local authorities' legal duty for the AONB Management Plan needs to be clear, and to not expose the independent organisation to undue risk.
- The structure needs to be able to champion the interests of the AONB, including in planning consultations (both policy and applications).
- The structure needs to support engagement, collaboration, learning, sharing knowledge etc. with the national AONB family.

The Vision

Our vision is that new governance arrangements independent of Shropshire Council for the Shropshire Hills AONB will:

- Be a relevant, progressive and locally determined model, supported by both Councils, as well as partner organisations and stakeholders within the AONB, and offering much better long term stability.

- Build on the existing strong engagement of partner organisations and individuals, and indeed energise this through providing greater responsibility and autonomy, and therefore more reason for people to get involved on a voluntary basis.
- Be a simple, streamlined and efficient structure with a relatively small executive Board of 10-14 members. The appointments and administrative processes for this would be simple, while providing strong involvement of the two local authorities and an optimum size for decision making.
- Allow more secure business planning in terms of fund-raising, project bids, trading and development of strategic work strands, due to undistracted organisational focus solely on the needs of the AONB.
- Considerably raise the profile of the AONB and public perception of its importance, also with the benefits of being easier to understand, enhancing the ability to raise funds for the AONB and providing a stronger voice for its interests in decision making, especially planning.
- Provide a long term, secure and appropriate governance solution for an AONB which is the landscape 'jewel in the crown' for Shropshire and the region, and enable the team to continue to perform at a high level in terms of funding, innovation, co-operation and delivery.
- Work effectively alongside a charitable structure currently in development with the simpler purpose of fund-raising for the benefit of the AONB.
- Be better able to collaborate across the AONB Family, due to lack of competing demands from a host organisation with its main priorities outside the AONB area and remit.

5. Options Appraisal and Confirmation of Approach

An options appraisal was first carried out in 2012, following earlier work by the AONB Partnership in 2010. These formed the basis of detailed options papers taken to the AONB Partnership and its Management Board in the spring of 2016. The options considered were:

1. Work much more closely as an in-house part of the Council
2. Re-form the Partnership's 'Joint Advisory Committee' as a local authority 'Joint Committee'
3. Retain current arrangement hosted by the Council as a semi-independent partnership
4. Retain hosting arrangement but develop linked structures to optimise broader sources of income including charitable, other grants, and trading
5. An independent body for the AONB using a 'generic' model in the form of a Trust, charity or company
6. AONB Conservation Board
7. Transfer hosting to a different organisation

An appraisal in table format of the main options for the structure of the AONB is provided within **Appendix 2** (includes options 3-7 from the above list).

This work concluded that the **Conservation Board** was the preferred model.

Subsequently the AONB Partnership Board at its meeting on the 14th June 2016 endorsed the Conservation Board as the preferred model for an independent structure, and supported a formal request to Defra by the two Councils and Partnership to initiate the process of creating a Conservation Board for the Shropshire Hills AONB.

Conservation Boards are a structure specifically created for AONBs by sections of the Countryside and Rights of Way Act 2000. There are only two AONB Conservation Boards, in the Cotswolds and the Chilterns, both established in 2004.

An independent charity may be another possible structure but appears to carry some unacceptable risks in relation to the statutory duty of the local authorities in relation to the AONB Management Plan. An alternative host body is not ruled out altogether, but is not preferred at this stage.

AONB Conservation Boards are established by a Statutory Instrument. They are legally incorporated bodies and employ staff and hold money directly. They also take on the statutory role of the AONB Management Plan from the local authorities, and can take on other local authority functions by agreement.

The Conservation Board model is designed specifically for AONBs, and offers some advantages including:

- Unequivocal focus on the AONB. A Conservation Board exists solely to support AONB purposes and is not vulnerable to other priorities of a larger organisation.
- Coherence. A Conservation Board brings together the statutory AONB Management Plan duty, the AONB team and the overall governance structure in a single legal entity, in a way that no other available option does. This has advantages of clarity and lack of complex inter-relationships.
- Long-term security. A Conservation Board can only be dissolved by a further Statutory Instrument.
- Defra funding. Conservation Board is a proven model for the application of Defra AONB funding.
- Representation of national importance of the AONB as well as local authorities and other local interests.
- Independent voice for the AONB. Though still not a statutory consultee in planning, a Conservation Board ensures avoidance of conflicted positions in relation to the Council especially regarding involvement in planning consultations.

There may however be some disadvantages. The main factors appear to be:

- Some additional costs. As with any independent structure, support functions historically provided at no charge by the Council would have to be bought in. Conservation Boards also have to pay VAT on relevant expenditure.
- Establishment time. The overall lead in time for full establishment of a Board is considerable (up to 18 months/ 2 years to being fully operational, though significant steps can be taken before this as above).
- Cash flow and need for financial reserve. This is similar to the situation with a trust, in order to bankroll activity.
- Local authority funding and influence. The two Conservation Boards which exist receive funding contributions from their constituent local authorities, of which they have a much greater number than in Shropshire. These contributions are paid to them at the beginning of the Financial Year and therefore help cash flow as well as

overall budgets. With most of the AONB within Shropshire Council's area, a Conservation Board for the Shropshire Hills AONB would be at a disadvantage financially if Shropshire Council did not contribute at all.

- Not having charitable status directly. A Conservation Board cannot hold charitable status in its own right. However, the AONB Trust CIO structure which has just been established could work in synergy with a Conservation Board, as it was expected to do with the AONB Partnership.

The relative strengths and weaknesses of the Conservation Board model are summarised within the SWOT analysis below:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Statutory status of AONB designation and Conservation Board • Part of a strong national AONB family through the National Association for AONBs • Strong local support for an independent body solely focussed on the needs of the AONB 	<ul style="list-style-type: none"> • Conservation Boards pay VAT on relevant expenditure • Inability to reclaim 'full cost recovery' from some project funders (c.f. charities)
Opportunities	Threats
<ul style="list-style-type: none"> • Working alongside the new Shropshire Hills AONB Trust charity (CIO) • Potential for enhanced commercial activity • Ability to survive at a range of scales of operation, depending on levels of funding • Possibility of holding property as an asset, e.g. offices 	<ul style="list-style-type: none"> • Process to create Conservation Board dependent on Defra capacity • Reliance on capacity of volunteer trustees • Need to cover pension and redundancy liabilities, and to manage cash flow and reserves effectively

Potential risks and mitigations associated with the Conservation Board model are described in more detail in **Appendix 3**.

6. The Operating Environment

AONBs are a statutory designation with a long history. Their continued importance has been underlined by the relative protection of their funding by Defra in recent years, along with exceptional levels of ministerial support. The typical model of local authority hosting has come increasingly under strain in a number of AONBs as Councils have had to adopt more radical budget savings and restructuring. This is especially so in Shropshire now, where such a high proportion of a relatively large AONB sits within the area of one unitary authority, making the AONB structure more vulnerable to decisions taken by one body.

AONBs are recognised internationally by the International Union for the Conservation of Nature (IUCN) as 'Category V' protected areas. Some level of international and European links will remain important even after the UK leaves the EU. Wider political change and economic pressure creates an increasingly uncertain environment in which AONBs must operate. The ability to continue to diversify income streams while remaining true to the central AONB purposes is important, while not undermining the important principle of core public funding for the many public benefits provided by AONBs and the work of their teams.

The 'need' for services delivered by the AONB team is defined in the statutory AONB Management Plan, which identifies priorities for the area. These are long term issues, and the need to provide continued proactive conservation and management of the AONB landscape is well evidenced.

In certain areas of project delivery, e.g. conservation and landscape scale projects, there could be competition from organisations such as local conservation charities who have good track records in securing external funding. Some project bids will be up against projects from all over the country, including potentially other AONBs.

7. Summary of projected budget position

a) Financial Position Statement (Income/Expenditure)

A detailed draft budget for the AONB is included within **Appendix 4**, and is summarised below.

i) Current Income & Expenditure

2016-17 income and expenditure is currently projected as £1,141,887.

The budgets break down into sections comprising:

- Main AONB staff team and core operations
- River Clun Recovery Project (WREN funded – a Landfill Tax distributor)
- Stiperstones and Corndon Landscape Partnership Scheme (HLF)

and other minor projects:

- Shuttle buses
- Sustainable Business Network

In more detail there are three main funding contracts in place:

- Annual contract with Defra for AONB funding, currently £186,416 pa. Defra have made a four year grant offer, to 2019-20.
- Five year £2.1m contract 2013-18 with Heritage Lottery Fund (HLF) for the Stiperstones and Corndon Hill Country Landscape Partnership Scheme
- Four year £216k contract with WREN (a Landfill Tax fund) for the River Clun Recovery Project, ending March 2019.

Each of these sections is more or less a stand-alone budget, with its own funders and timescale. Some require cash match from the overall AONB budget and some generate income for it, while some have both.

There are no significant long term expenditure contracts.

ii) Current Staff Numbers & Costs

The costs of staff are:

- Main AONB team (6.4 FTE) £231,072
- Stiperstones and Corndon LPS (4.2 FTE) £137,056

iii) Savings Targets

The budgets are currently held within Shropshire Council's SAMIS accounting system as 'net nil' budgets with no base budget. Shropshire Council's annual contribution of £40,830 is paid into the cost centre as a transaction every year. The Council's savings aspiration in relation to this contribution is £40,830. Negotiations between representatives of the AONB Partnership and the Council regarding future levels of financial contribution have not yet been concluded.

iv) 3 Year Income and Expenditure

The projected budget assumes that Conservation Board status will be achieved at April 2018. Any changes to this will result in some profiling of the budget.

Projected levels of income and expenditure are similar in 2017-18 to those in 2016-17. In March 2018, the Stiperstones and Corndon LPS will close, and projected turnover for 2018-19 and 2019-20 is around £300k - £400k pa. This will increase if new projects come on stream as expected.

Forward budgets allow for annual 1% increases on salaries. Known possibilities for reducing staff hours in two cases are included. Budgets are allowing for the new independent body to cover costs of support services procured from April 2018 costed at £17,500 pa, and the payment of VAT by the Conservation Board on relevant items.

There are sums of AONB cash match required into certain projects, and various sources of 'unattached' income with which to meet these. This creates the final net addition to, or draw on, reserves which balances the financial year's accounts overall. The strategy as in recent years will be to aim to earn income where possible through e.g. projects, fee earning activity and trading, alongside any savings which can be identified. A modest one-off draw on reserves may be made to fund feasibility work and start-up costs, but if a longer term deficit continues which cannot be met by earned income and other savings, then cuts to staffing will be necessary.

For 2018-19 and 2019-20 allowing for an expected level of income which is not currently secured, the annual budgets are projected to reach within around £10k of break even.

v) Cash Flow and use of reserves

A cash flow modelling exercise has been carried out based on actual spend within 2015-16. Assuming similar levels and patterns of spend in 2018-19 onwards (but with the Stiperstones and Corndon Landscape Partnership Scheme finished, the Conservation Fund transferred to the new AONB Trust charity and the Defra contribution paid quarterly up front to a Conservation Board), a maximum temporary cash flow deficit of around £85k is predicted, which would need to be covered by working capital from the AONB reserves.

The full transfer of reserves earned over recent years by the AONB Partnership and currently held by Shropshire Council is required. The reserve is needed:

- To bankroll cash flow as above
- To cover potential redundancy liabilities

- As a source of match funding for new project bids, which will remain a crucial part of the business model.

vi) Commercial Opportunities

There are a number of commercial opportunities which have been used to varying degrees to date, and have potential to be developed further:

- Fee-earning project delivery – this may be within the AONB (preferably), or potentially outside the AONB (at opportunity cost of activity for the AONB). Many projects are developed in partnership with other organisations – activity can be fee earning either when bankrolled by the team itself or sometimes when led by other organisations.
- Consultancy – the team have considerable technical skills and some history of paid work, hitherto on a largely reactive basis rather than promoted.
- Trading – Some income is derived from sale of books, branded merchandise, etc and hire of meeting room facilities.
- Fee earning services – there is a possibility of charging for pre-application planning advice, but this has not been done so far due to capacity issues.

8. Legal considerations

The legal framework for AONBs and the related local authority obligations are described in section 3 above.

a) Legal implications of new structure

The main legal implication of the proposed structure change is that a Conservation Board, under detailed provisions in the Countryside and Rights of Way Act 2000, takes on fully the responsibility of the two Councils to prepare and review an AONB Management Plan. This is perceived to be a strength of the model, providing both additional status and influence for the Conservation Board, and relieving the Council of this responsibility.

Within the Conservation Board model the Councils would still retain the legal duty applicable to all public bodies to 'have regard to the purposes of AONBs in carrying out their functions' (Section 85, Countryside & Rights of Way Act 2000).

b) Statutory processes, including consultation

The creation of a Conservation Board is achieved through a Statutory Instrument laid before both Houses of Parliament. This process is led by Defra, who also provide the main AONB funding. Following agreement of both Councils to the Business Case, the two Councils must write formally to Defra to request them to initiate the creation of a Conservation Board.

The process for creating a Conservation Board is set out in Defra guidance of 2008 requires formal consultation, and this is mainly carried out at a national level. The scoping work on options carried out so far by the AONB Partnership has included the broad membership of the Partnership and has significant support. Some further local consultation on implementation of the preferred option would be carried out.

c) Equalities considerations

The proposals set out here are not believed to have any implications with respect to the Councils' statutory duties under the Equality Act 2010 and section 149 of the Public Sector Equality Duty. An Equalities and Social Inclusion Impact Assessment has not been prepared but will be should circumstances change.

d) Legal obligations with contracts

The HLF Landscape Partnership Scheme contract is due to end before the Conservation Board would come into existence. In relation to the Defra AONB funding contract, Defra are clearly a crucial player in relation to creation of the Conservation Board, and informal discussions have been opened on this. The possibility of transition and novation of contract has not yet been discussed with WREN, but no major difficulties are expected with this.

9. Staff and other contractual implications

a) Staff

A current staff structure is included at **Appendix 5**. In summary the team currently comprises 13 staff (10.6FTE), with 7 (6.4 FTE) based at Craven Arms, and 6 (4.2 FTE) based at Chirbury in a semi-independent team for the Stiperstones and Corndon Hill Country Landscape Partnership Scheme (HLF funded to March 2018).

The proposed transition would transfer the employees of the AONB team and its services to the new Conservation Board structure. The Stiperstones and Corndon LPS will terminate at or before the new body comes into operation, so there will be no requirement to novate this contract or transfer these staff. (It is conceivable that extensions to contracts on some of the LPS staff may be achievable through new funding or projects).

Staff are fully aware of the proposal to create a Conservation Board and have been involved in discussion of options and developing the proposal. No formal consultations have taken place in relation to HR matters, following the lifting of earlier restructuring proposals for the AONB team.

Pensions: An AONB Conservation Board is a 'Scheduled Body' in relation to the Local Government Pension Scheme (LGPS), meaning that its staff are entitled to join the LGPS. A 'grouping' with Shropshire Council within the scheme is sought, in relation to sharing the burden of pension scheme shortfalls which may not otherwise be sustainable for the small independent body of the Conservation Board.

b) Assets

i) Summary of Assets & IT systems

The main office at Craven Arms and the LPS office at Chirbury are both rented, and equipped with hard-wired network connected to the Shropshire Council IT system via broadband. All staff now have laptops, and a rented printer/copier is in place at each office.

The offices are furnished and equipped, and there are small amounts of display equipment and tools held, along with a considerable quantity of archive files. A detailed inventory will be prepared.

ii) Potential Asset Transfer

The main AONB Partnership office at Craven Arms comprises four units in the Shropshire Council owned property Drovers House, which includes a small number of other rented offices and retail units. Discussions are ongoing with the Council about a possible asset transfer involving Drovers House to an independent AONB organisation, as a means of providing it with some ongoing income as well as an asset and security of tenure.

10. Partners

The main stakeholders are:

- The two Councils – Shropshire and Telford & Wrekin.
- Funders – especially Defra, and to a lesser extent WREN.
- AONB Partnership members – The Partnership is the formal governance structure for the AONB and will remain so until a new structure replaces it.
- Delivery partner organisations – e.g. Natural England, National Trust, Shropshire Wildlife Trust. Most of these organisations would not be represented directly on the Conservation Board, so future relationships will be important. Natural England also have a national advisory role to government in relation to AONBs.
- The National Association for AONBs and the AONB family – the transition of structure is of interest to other AONBs as a potential model or example, and there is much that we can continue to learn from them, including the two existing Conservation Boards and two AONB trusts in Northern Ireland.
- AONB membership schemes – including the Friends of the Shropshire Hills AONB and the Shropshire Hills Sustainable Business Network.
- Local partnerships including local partnerships at the Wrekin, Clun Catchment, Clee Hill and Stiperstones – Corndon.
- Local businesses that depend on the qualities of the AONB.
- Community organisations – including Parish and Town Councils and voluntary organisations.

Engagement Plan and public consultation:

The existing AONB Partnership structures for both meetings (of various groups) and communications (publications, websites, e-newsletter and social media) will provide effective mechanisms to continue to engage with the relevant stakeholders. For more details of the work of the AONB Partnership visit <http://www.shropshirehillsaonb.co.uk/>.

The AONB Partnership processes are very broad in terms of membership and most information is made fully publicly available, so requirements for local public consultation are largely covered. There is considerable support for the proposal.

11. Timescales and resources

The expected timescale for the creation of a Conservation Board is 12-18 months from the formal request. Key milestones and indicative timescales are:

9 Aug 2016	First meeting of Transition Board
8 Sept 2016	AONB Partnership meeting to support draft Business Case
13 Oct 2016	Business Case to Telford & Wrekin Council Cabinet
19 Oct 2016	Business Case to Shropshire Council Cabinet
Oct 2016	Formal request to Defra to initiate creation of Conservation Board
2017	Drafting of legal orders (Defra)
2017	Consultations (by Defra)
2017	Agreement regarding premises and funding
2017	Confirmation of legal orders and appointments to Board (Defra)
2017	Establishment of banking and finance arrangements
April 2018	Transfer of staff and formal launch of Conservation Board

A Transition Board has been established including representatives of both Councils, as well as other members elected from the AONB Partnership, and the possibility of additional co-opted members.

Options Analysis – SHROPSHIRE HILLS AONB PARTNERSHIP

<input type="checkbox"/> Options		Retain current arrangement hosted by the Council as a semi-independent Partnership	Transfer hosting to a different organisation, if available	Create a new independent Trust for the AONB	AONB Conservation Board	Retain hosting but develop linked charitable structure to optimise broader income sources
Implications for customers	Pros	People understand how it currently works	More flexibility? Could open avenues for non-public sector funding	Could open avenues for non-public sector funding Freer to advocate for the AONB	Stronger body and more free to advocate for the AONB	Could open avenues for non-public sector funding
	Cons	Subject to imposed changes from the council such as terms and conditions which may increase costs and impact on the ability of the service to recruit and retain suitably qualified staff. Lack of flexibility? Reputation is affected by the reputation of the council.	Break with Council where statutory duty lies Potential confusion about responsibilities, and lack of overlap with role of another host	Loss of support from the officers and support services within the council. Credibility of the potential of the new model to deliver long term.	Additional management costs, reducing funding available for activities?	Associated structure(s) could be confusing
Implications for staff	Pros	Protection of T&Cs for staff.	Potential useful synergies with other staff of host body	Potential openings into new networks	Could be transferred on existing conditions?	Protection of T&Cs for staff.
	Cons	Possible erosion of T&Cs as a result of further cuts. Limited opportunities for career progression	Uncertainty, possibility of less favourable T&Cs.	Likely loss of T&Cs such as poorer pension Different competencies required of staff for working in third sector? Loss of staff and expertise due to savings required?	Possible loss of T&Cs such as poorer pension? Loss of staff and expertise due to savings required?	Possibility of staff time getting directed to benefit charity rather than team/Partnership.
Financial Implications	Pros	Council bankrolling. Access to support services such as finance (especially cash flow) HR and legal.	Could open avenues for non-public sector funding	Could open avenues for non-public sector funding	Could open avenues for non-public sector funding Defra funding increased and paid more flexibly	Council bankrolling Retain access to LA support such as finance, HR and legal

<input type="checkbox"/> Options		Retain current arrangement hosted by the Council as a semi-independent Partnership	Transfer hosting to a different organisation, if available	Create a new independent Trust for the AONB	AONB Conservation Board	Retain hosting but develop linked charitable structure to optimise broader income sources
	Cons	Council funding likely to decrease further Council may start to charge for support services.	Upheavals of transfer Potentially less accountability for public funding Likely loss of Council funding	Support services would have to be bought in, raising costs New body may be unable to meet pension commitments Likely loss of Council funding	Set-up costs, and increased running costs (need for s151 Finance officer and audit, VAT not reclaimable) Need for asset base or cash flow arrangement. Possible loss of Council funding	Need trustees to take more responsibility for some activities, and to audit independently
Scope for future business development	Pros	Financial support. Confidence in the council as a provider.	Uncertain	Potential opportunities to provide service to other areas. Able to tender for commercial business outside of current restrictions.	Potential opportunities to provide service to other areas?	Flexible, with options to route new activity through Council or charitable structure as most appropriate
	Cons	Slightly restricted by council procedures.	More exposure to external competition.	Able to work in new activities	Operational decision-making more dependent on views of Board	Potential for lack of alignment/competition
Implications for Council	Pros	Council retains influence on service delivery and degree of 'protection' in controversial planning issues. Proven model for testing service which can be extended to other areas of Shropshire. Huge added value can be demonstrated from Council funding	Removal of responsibility	Removal of staff liabilities and pension / redundancy costs.	Removal of staff liabilities and pension / redundancy costs. Demonstrable model of out-sourcing. Council can still take credit for work through association.	Reduced draw on support services for some activities which may be moved out to charitable structure Council can still take credit for work through association
	Cons	Redundancy and pension liabilities	Loss of association and kudos from link with AONB activity	The council would lose influence.	The council would lose influence.	Council retains some contractual responsibilities

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Identified risks		<p>Potential continued loss of funding from the council.</p> <p>Possible shift to unsuitable business model through externalising to private company</p>	<p>No possible partner identified or likely to be available.</p> <p>Potential host may not commit to longer term</p>	<p>Large financial viability risk through independence without adequate financial reserves/ assets</p> <p>Cash flow may make this unviable</p> <p>May not be able to attract trustees with sufficient capacity</p>	<p>Loss of influence for the AONB within the council.</p> <p>Cash flow very likely to be a problem</p> <p>Significant lead-in time for establishment</p>	<p>Change may be inadequate to meet Council's desire for new business models</p> <p>Governance of charitable structure needs to be strong enough to retain links and avoid mission creep</p>
Impact on market position	Pros					
	Cons					
Effect of changes to governance	Pros	No change	Unknown, depends on organisation	More independence	<p>More independence, opportunities for people to take responsibility</p> <p>High status structure, specifically for AONBs from an Act of Parliament</p> <p>Could sit alongside a complementary charitable structure</p>	New opportunities for involvement and responsibility as trustees.
	Cons	No change	<p>Lack of connection to LAs who hold statutory responsibility</p> <p>Unknown, depends on organisation</p>	Much more responsibility required of Board, Trustees etc	Board membership is restricted and would reduce community representation, or a wider Partnership could be retained, meaning another group to sustain	Charitable structure and AONB Partnership/ Council relationships could cause tension

<input type="checkbox"/> Options		Retain current arrangement hosted by the Council as a semi-independent Partnership	Transfer hosting to a different organisation, if available	Create a new independent Trust for the AONB	AONB Conservation Board	Retain hosting but develop linked charitable structure to optimise broader income sources
Business Impact / Other	Pros	Proven model Council able to act as accountable body for projects and larger schemes, e.g. LPS	Disruption during transfer period	Complete freedom	Freer to comment on Council decisions and actions	Charity can fund-raise more effectively
	Cons	Ineligible for some funds e.g. charitable	Possible different geographic focus of different host body	Holding directly all risks and responsibilities	Increased bureaucracy?	Complexity of organisational relationships

What is important to us:-

Effectiveness of delivery for the AONB

Financial security to enable effective forward planning and avoidance of unnecessary potentially crippling risks

Links and influence with the Council, and with other partners

Distinct identity and profile

Key words for how we want to be

Respected

Efficient

Trusted

Entrepreneurial

Innovative

Strategic

Inclusive

Action

Successful

Useful

Risk Register – Shropshire Hills AONB transition to Conservation Board

	Risk	Probability	Impact	Impact specifics	Contingency actions
1	Non-agreement in principle by local authorities	L	H	Impossible to go ahead	Strong business case. Need to consider alternative model.
2	Failure to release reserves to new body	L	H	Insufficient working capital to cash flow and make project bids	Strong business case
3	Insufficient financial support from LAs	M	M	Lack of funds and visible lack of commitment	Strong business case. Need to earn more income and/or make savings.
4	Non-agreement by Defra	L	H	Impossible to go ahead	Strong business case. NAAONB support. Need to consider alternative model?
5	Lack of capacity in Defra to do legal work	M/H	H	Delay or inability to progress	Possible to buy in necessary legal work?? Need to consider alternative model.
6	Lack of capacity within Shropshire Council to support transition	M	H	Support needed from various departments	Progress essential work as soon as possible. Maintain political support.
7	Lack of trustee/board capacity	L	M	Delay or inability to progress	Build transition structures and opportunities to get involved.
8	Potentially unmanageable burden of pension liabilities	M	H	Especially re scheme shortfalls	Seek 'grouping' with Shropshire Council within LGPS.
9	Reduction in Defra financial support	M	M	Reduction to extent causing unviability very unlikely	Continue to broaden sources of other income.
10	Failure to secure additional income	L	L	Levels of income may determine scale of operation but unlikely to threaten viability	Staff resource and Board support focused on sound business plan, including pursuit of new projects, fee-earning work and fund-raising.
11	Reduced delivery capacity of AONB team during transition period	M	L	Time taken. Uncertainty may affect ability to make bids.	Careful work programming. Use of available support.