CRANLEIGH

Water Governance Group

Record of Agreement:

1. This Agreement records the consensus reached by the Waikato Water Governance Group in relation to the design and operation of a possible Waikato Waters CCO.

Key Elements of the Proposed CCO

2. The key elements of the proposed Waters CCO are agreed as per the Cranleigh report:

   a. The purpose of the CCO will be to provide drinking water and treat and dispose of wastewater (water services) across the Hamilton, Waikato and Waipa local authority areas.

   b. The CCO will aim to deliver water services and operations in an efficient, effective and sustainable manner, maintaining agreed service standards and prudent management.

   c. The CCO will also provide stormwater services under contract to Hamilton City, Waikato District and Waipa District Councils.

   d. The CCO would be 100% owned by Hamilton City Council, Waikato District Council and Waipa District Council.

   e. It will be possible for other Councils to join the CCO on a fair and equitable basis.

   f. The CCO will take the form of a shareholder-owned, limited liability entity subject to taxation advice.

   g. The CCO will earn enough revenue to maintain and develop the waters network, but will not pay dividends to shareholders.

   h. It will effectively be a cooperative in favour of water customers and communities, although customers will not be members or shareholders.

   i. The CCO will purchase the water and waste water assets and liabilities of the three Councils. This will involve a transfer of those assets and related liabilities from each Council to the CCO. In consideration for the water and waste water assets the Councils will receive a mix of cash, shares in the CCO and shareholder loans.

   j. The CCO will manage its own balance sheet and debt within agreed parameters.

   k. The CCO will be overseen by an independent, professional board of directors who are appointed by shareholders through the Shareholders' Forum.

   l. The CCO will be managed by a CEO reporting to the Board of Directors.

m. Operational decisions about water services will be the responsibility of the Board, based on an agreed Statement of Intent with the Councils and on decision thresholds defined in the constitution on a 'no surprises' basis.

n. The CCO will be 'customer-facing'. That is, it will be expected that any service requests or customer complaints will be managed by the CCO.

o. The CCO will report against financial and non-financial performance targets, and on any other matters reasonably requested.

p. The CCO will bill customers directly after a transition period.

q. Strategic planning, particularly for growth, will remain the exclusive prerogative of the Councils, and the CCO will be constitutionally bound to give effect to these plans and strategies.

Values and Principles

3. As joint owners of a Waikato Waters CCO, Hamilton City and Waikato and Waipa District Councils would require the CCO to adopt, and expect it to adhere to, the following values and principles:

- **Transparent, Ethical and with Integrity** – operations, costs and business practices must be transparent to both shareholders and the public. The CCO must act with integrity and adopt the highest ethical standards in all that it does. Its business practices must be beyond reproach.

- **Open and Customer Focused** – placing customers at the centre of all that it does, the CCO must be focused on delivering the services that they need. It must be responsive, open to criticism and feedback, and constantly seek to learn and improve.

- **Reliable** – with the customer at the centre of all that it does, the CCO must deliver reliable services, replacing aging infrastructure as is necessary to maintain supply, and securing additional water sources as may be necessary to ensure reliable, consistent delivery.

- **Affordable** – with the customer at the centre of all that it does, the CCO must deliver affordable services. To do this it must be very focused on finding the most cost-effective ways of delivering its services.

- **Safety** – develop and foster an embedded safety culture that is reflected in the quality, consistency, and safety of products and services. The safety culture will be reflected in all aspects of the CCO's operations and in the way in which it looks after its customers and its staff.

- **Innovation** – develop and foster a culture of innovation that constantly seeks to find new ways of delivering more cost effective services.

- **Kaitiakitanga** – recognising the guardianship and link between Iwi, water and natural resources.

- **Environmental Care** – the long-term success of both the CCO and the communities that it serves depends on the sustainable management of water resources. The CCO must embed sustainability principles in its business, caring for the water sources on which it depends, minimising water losses, minimising wastewater overflows, and ensuring that the quality of discharges meet required standards. The CCO must also play a positive role in managing demand for water and appropriate incentives for conservation.

- **Social Responsibility** – working for the benefit of the communities that it serves, the CCO must imbue its activity with a strong sense of social responsibility. A strong social conscience must be reflected in pricing policy and tariff structures.

- **Enabling Economic Development** – providing reticulated water and wastewater services is a key enabler of economic development and growth. The CCO must plan and develop water services to sustain existing communities and support the agreed growth priorities of the shareholding councils.

Commitments to Iwi

4. Establishing a CCO would change the way in which water services are delivered and managed but it would not change in any way commitments to Iwi through Memoranda of Understanding, Joint Management Agreements, and a number of co-governance and co-management arrangements. Neither would it change processes for water allocation, consents, or regulatory responsibilities.

Control of Water Assets

5. The Local Government Act prohibits the privatisation of water assets. The councils support the current legislation and keeping water assets in public ownership.

Joint Shareholder Decisions

6. Joint shareholder decisions will be made by a Shareholders' Forum established under the constitution of the CCO and a related shareholders agreement. This forum would allow voting in proportion to shareholding.

7. How each council deals with its responsibilities and decision-making will be determined by each council. It is expected that each council will have a framework for considering the performance of the CCO and any issues that need to be decided by the Shareholders' Forum.

Membership of the Shareholders' Forum

8. The Shareholders' Forum will comprise a lead representative and two others appointed by each council.

9. The lead representative will be authorised to exercise any voting on behalf of the shareholding council. In the absence of the lead representative, one of the other representatives will be authorised to exercise the shareholder's votes.

10. It will up to each council to determine how it considers the matters considered by the forum and how their representatives reflect their interests.

11. For the first 18 months of operation, the Shareholders' Forum will be chaired by a non-voting independent chair. At the end of the 18 month period the Shareholders' Forum will recommend to councils whether or not to continue with an independent chair, or whether the position of chair will rotate between shareholders.

12. The Independent Chair will be appointed by resolution of each of the three shareholding councils.

Decision-making Thresholds

13. Shareholders will use best endeavours to make all joint shareholder decisions by consensus.

14. The role of the non-voting Independent Chair will be to facilitate consensus decisions. The Independent Chair must ensure that adequate time is devoted to reaching a consensus. However, where, after the best efforts of the Independent Chair and the members of the Shareholders' Forum a consensus cannot be reached, a decision will be made by voting.

15. Where consensus cannot be reached, 'ordinary' decisions made by the Shareholders' Forum will be by simple majority of votes on a one (equal) vote per shareholder basis.

16. Where consensus cannot be reached, 'significant' decisions made by the Shareholders' Forum will be by way of super-majority with voting proportionate to the shareholding of each council and require a majority of 75% of shareholder votes.

17. Table 1 shows which of the decisions reserved for the Shareholders' Forum are ordinary and which are significant and require a super-majority. It also shows where the role of either the Board or the Shareholders' Forum is to make recommendations or establish principles.

Decision-making Framework

18. Table 1 records the broad allocation of decision-making between the Board of the CCO, the shareholders collectively, and the shareholders individually.

19. In the table the ✔ indicates the decision-maker. The table also shows those responsible for making a recommendation.

Table 1: Decision-making Framework

Decision	Decision-maker			Type of Shareholder Decision
	CCO Board / Management	Shareholders Jointly	Individual Shareholders	
Establishing / changing the CCO's constitution		Recommend	✔	Unanimous
Establishing debt caps and/or debt ratio limits (SOI/Letter of Expectation)	Recommend	✔		Significant
Increases in debt over a certain cap or ratio	Recommend	✔		Significant
Establishing debt levels, security and sources of borrowing	✔		(See Note 1)	NA
Entering into a loan within debt cap and ratio limits	✔			NA
Repayment of shareholder loans	Recommend	✔		Significant
Approving a material transaction – including any additional related revenue	Recommend	✔		Ordinary

Decision	Decision-maker			Type of Shareholder Decision
	CCO Board / Management	Shareholders Jointly	Individual Shareholders	
Acceptance of another Council as a new shareholder and issue of shares, or change in shareholding	Recommend	Recommend	✔	Unanimous
Appointment of Chairperson		✔		Ordinary
Appointment of Directors		✔		Ordinary
Appointing the CCO CEO	✔			NA
Letter of Expectation		✔		Ordinary
Statement of Intent (See Note 2)	✔	✔		Ordinary
Development (and measurement) of KPIs	Contribute / Recommend	✔		Ordinary
Reporting CCO performance	✔			Ordinary
Monitoring the performance of the CCO		✔	Receives reports	Ordinary
Ensuring statutory compliance	✔			NA
Ensuring that assets are maintained to agreed standards over the long-term	✔			NA
Delivering water and wastewater services to agreed standards	✔			NA
Establishing growth priorities		✔ confirm for CCO	✔ through joint process – see below	
Alignment to shareholder strategic plans	✔			NA
Development and approval of capital works programme	✔			NA
Establishing procurement processes and approaches to tendering	✔			NA
Awarding tenders	✔			NA
Establishing / harmonising tariff structures	✔	Establish principles		Ordinary
Changes in tariffs / charges	✔	Establish limits		Ordinary
Negotiating tariffs with major water users	✔			NA
Customer relations – complaints, resolution and feedback process	✔			NA
Water Conservation and Demand Management	✔	Establish principles		Ordinary
Implementing water metering	✔	Establish principles		Significant

Note 1:
If a council chooses to borrow money secured against rates and on-lend to the CCO that would require the relevant council decisions.
Note 2:
The CCO Board prepares a draft SOI and adopts it following consideration of Shareholder Forum comments. By practice Shareholders 'accept' by resolution the final SOI. The Shareholders' Forum may (by resolution) require the CCO Board to change the SOI (see Local Government Act 2002, Schedule 8).

Establishing Growth Priorities

20. Decisions relating to implementing growth priorities will be determined by the shareholding councils through a new joint committee. For the purposes of this agreement this decision-making body is referred to below as a 'Growth Forum'. The details of the way in which the Growth Forum will be constituted and operate will be finalised later.

21. Each council will take the agreed location and sequencing of growth cells from Future Proof and translate that into more detailed planning for growth within its district. That planning will integrate and align the public infrastructure required to support growth.

22. The Growth Forum will provide the mechanism by which the more detailed growth planning from each council is then integrated. This will resolve any cross boundary issues, and ensure that the sequencing, timing and scope of the planned infrastructure best provides for the growth of the sub-region.

23. The Growth Forum will recommend to councils the agreed priorities for infrastructure. Councils will make final decisions relating to their infrastructure through their Long Term Plan processes (including consultation with their community).

24. The Growth Forum will convey the agreed priorities for infrastructure to the Shareholders' Forum. The Shareholders' Forum will then ensure that these priorities are reflected in the CCO's Letter of Expectation, Statement of Intent, etc.

25. Only shareholder council representatives will be members of the Growth Forum. Only shareholder council representatives will be able to vote and make decisions at the Growth Forum. Other organisations, including the CCO, may be invited to attend and provide advice.

26. Ideally decisions at the Growth Forum will be by consensus. At the Forum all councils will be represented on an equal basis.

Alignment to Council Objectives

27. The CCO will be required to act in the interests of its shareholders and give effect to Council policy as conveyed to the CCO through the Shareholders' Forum, the annual letter of expectations from shareholders and the Statement of Intent process.

28. The constitution of the CCO will use Section 131 of the Companies Act (or equivalent) to support the requirement to act in the interests of shareholders. This requirement will also be reflected in letters of appointment to directors.

29. The councils will use the process described above to establish agreed approaches to growth and development and priorities across the sub-region. These development priorities will be conveyed to the CCO through the Shareholders' Forum.

30. Through the Shareholders' Forum, councils may set other objectives and expectations for the CCO. When developing objectives for the CCO the Shareholders' Forum will provide for input from the Board of the CCO on their ability to meet any proposed objectives and any cost or revenue implications.

Asset Valuation

31. The three councils will jointly appoint one valuer to independently value, or confirm the valuation of all the councils' water services assets as at the formation date of the CCO (expected to be 1 July 2019) using the ODRC methodology.

32. As agreed through LASS the councils will this year appoint one valuer and agree one set of asset life assumptions, one set of unit rates, and optimisation methodologies.

33. The agreed valuer will complete the valuation of the assets, which will become the agreed value of the assets for transfer to the CCO.

Treatment of Existing Council Debt, Development Contributions and Reserves

34. On formation, the CCO would raise debt at least sufficient to settle the agreed consideration.

35. On formation, the CCO would assume all future water infrastructure expansion obligations that each of the councils has relating to development contributions that they have previously received and the councils will pay to the CCO any unspent cash they have received as development contributions for this purpose.

36. On formation, the CCO would pay the councils a cash amount equal to their deficit reserve (if any) and any council with a surplus reserve would pay a cash amount equal to the reserve to the CCO.

Treatment of Future Vested Assets

37. Future vested assets are assets that are transferred to a Council at nominal or zero cost by a developer. They will be sold to the CCO with the consideration being an increase in the shareholder loan of that Council.

38. As part of their submissions to Government on new legislation, the councils will suggest reforms so that developers can be required to vest relevant assets directly with a CCO rather than in the council. Under this approach other exemptions will need to apply to avoid large, taxable, paper profits arising in the CCO.

Consideration

39. The principles that apply to consideration are:

    - the councils should be treated in a fair, equitable and even manner
    - the approach to consideration must be transparent and able to be simply explained to the public

- total consideration for each council will be equal to the value of assets contributed

- the value of the councils' assets will be determined by independent valuations prior to the establishment of the CCO

- given the intention to minimise costs to water customers and the need to leave headroom for future capital expenditure, the amount of consideration that is paid as cash needs to be prudent and should not result in the CCO exceeding the maximum prudent level of debt that the CCO could take on at establishment

- no council should be left with residual water-related debts upon establishment of the CCO

- the councils' level of existing water debt will be confirmed by an independent reviewer.

40. The final calculation of consideration will be done as part of the establishment process. It must reflect the value of the assets held by each council at that time. The value of the assets at that time will depend upon the level of investment that the councils make between now and then. This means that at this time the councils cannot agree the final dollar value of consideration, they can only agree the basis on which consideration will be calculated at establishment.

41. The agreed approach to consideration is that:

   a. Total consideration paid by the CCO to the councils will be equal to the sum of the water-related assets, net water-related working capital and any surplus net reserves that are transferred into the CCO (i.e. total assets contributed).

   b. Consideration will be a mix of cash, shareholder loans and ordinary shares.

   c. The cash consideration paid to each council will be the greater of:

      - an amount proportional to the total assets contributed by each council multiplied by the total debt contributed by councils to the CCO as calculated below:

      $$\left(\frac{\mathit{Total\ Assets\ Contributed\ by\ Council}}{\mathit{Total\ Assets\ in\ CCO}}\right) \times \mathit{Total\ Debt\ Contributed\ by\ all\ Councils}$$

      or

      - the total water-related debt contributed by each council to the CCO.

   d. The total consideration paid as ordinary shares will be equal to 75% of the total assets in the CCO less the total debt contributed by councils. The ordinary shares received by each council will be equal to their net equity percentage pre-merger.

      The definition of net equity is as below:

      $$\mathit{Net\ Equity} = \mathit{Total\ Assets\ Contributed} - (\mathit{Debt} + \mathit{Deficit\ Reserves})$$

   e. Shareholder loan amounts will make up the balance of consideration, with the shareholder loan amounts to be apportioned to each council calculated as follows:

      $$\mathit{Council\ Shareholder\ Loan} = \mathit{Total\ Assets\ Contributed\ by\ Council} - \mathit{Cash\ Consideration} - \mathit{Ordinary\ shares}$$

42. On commencement, the CCO will raise debt at least sufficient to pay the cash consideration to each council.

43. Based on the current forecast model (as at 30 June 2019), the agreed approach to consideration would result in the following:

Consideration				
	Waikato	Hamilton	Waipa	Total
As at 30/06/2019	$m	$m	$m	$m
Council Water Assets (2 Waters)				
Fixed Assets	248.9	787.6	232.3	1,268.8
Net Working Capital	4.1	12.5	3.7	20.3
Surplus Net Reserves	0.0	0.0	0.0	0.0
Total Assets Contributed	253.0	800.1	236.0	1,289.1
% of Total Assets	19.6%	62.1%	18.3%	100.0%
Council Water Debt				
External Debt	38.9	130.9	22.6	192.4
Deficit Net Reserves	22.5	0.0	8.9	31.4
Total Debt	61.5	130.9	31.5	223.8
Net Pre-merger Equity	191.6	669.1	204.5	1,065.3
% Equity Pre-merger	18.0%	62.8%	19.2%	100.0%
Purchase Consideration Paid				
Cash	61.5	138.9	41.0	241.3
Ordinary Shares	133.6	466.7	142.7	743.0
Shareholder Loans	58.0	194.4	52.4	304.8
Total Consideration	253.0	800.1	236.0	1,289.1
% Shareholding	18.0%	62.8%	19.2%	100.0%

Please note that the above figures are rounded to one decimal place; any slight differences in the addition of rows is due to rounding.

Debt/Equity Position of the CCO

44. It is noted that based on work to date, the ratio of debt to equity of the CCO has been forecast to peak at just over 31%. Many international water companies have ratios much higher than this.

Shareholder Exit Provisions

45. It will be possible for a shareholding council to exit from the CCO and resume the management and operation of the water and wastewater activities in its area.

46. If a council were to decide to exit from the CCO the following principles would apply:

    a. **Fairness.** The arrangements should be fair to both exiting and remaining shareholders.

b. **Trigger points.** An exit would need to be triggered by a council asking to leave. The key would be appropriate time lines. This might be:

   i. departing council notifies other shareholders it wishes to leave

   ii. other shareholders working with the CCO board and management to develop a detailed exit plan within one year

   iii. departing shareholder has up to one year to accept the plan or agree another

   iv. once a plan is agreed it should be implemented within 18 months.

c. **Treatment of assets.** The departing shareholder will need to buy from the CCO all the water and wastewater assets in its territory at the value they are held in the CCO's accounts together with an appropriate amount of working capital. At the boundaries there may be some assets that serve customers outside the exiting council's territory, or customers within the exiting council's territory may be serviced by assets that remain within the CCO. The remaining and departing councils will need to agree appropriate arrangements for these assets as part of the exit plan.

d. **Consideration.** As payment for the CCO's assets the exiting council would agree to the cancellation of its CCO shares and shareholder loans and would pay the balance in cash.

e. **Other liabilities.** It would be unfair for the remaining shareholders to be left with stranded assets or other liabilities. These might include a now oversized head office or operating systems or redundancy costs for staff not now required who do not wish to accept positions with the exiting council. These costs should be borne by the exiting council.

f. **Transaction costs.** Fair transaction costs such as legal costs and increased costs of working should be borne by the exiting council.

Option to Allow New Shareholders

47. It will be possible for another council to become a shareholder and transfer its water assets into the CCO.

48. A proposal for a new shareholding council would be considered by the Board of the CCO and a recommendation to accept or reject the proposal would be made by the Board to the Shareholders Forum. The final decision on the proposal would be made by the shareholders themselves in accordance with this agreement.

49. The following principles apply to a possible new shareholding:

   a. The shareholders are open to considering the admission of new shareholders.

   b. The admission of a new shareholder must be approved by the existing shareholders.

   c. The admission of a new shareholder should not be detrimental to the existing shareholders.

   d. A new shareholder will pay all the transaction costs of joining the CCO.

Approach to Tariff structures

50. It is essential to establish a clear process for determining water service tariffs. The CCO needs to be able to raise the necessary revenue to cover its operating costs by direct billing. Direct billing is also important to establish a relationship between the customer and service provider. It is intended to move to a unified tariff structure across the sub-region as soon as possible.

51. The following principles apply to water and wastewater revenues and will be reflected in the Letter of Expectation, the Statement of Intent, the CCO monitoring framework and a no surprises policy:

    - CCO revenues will be based on sustainable whole of life costs and long-term cost reduction.
    - Objective to move to price harmonisation as soon as possible so that customers of the same type, that receive the same level of service, pay the same tariffs.
    - Water and wastewater charges will not be higher than expected under council Long Term Plans for at least one year after the establishment of the CCO is completed.
    - CCO to bill customers directly as soon as possible.
    - The CCO must allow for both volume and fixed rate charging.
    - A hardship mechanism shall be included. The preferred mechanism will need to be developed and recommended by the CCO.

Role and Competencies of the Board

52. The board of directors is appointed to act on behalf of the shareholders to run the day to day affairs of the business. A critical board task is the selection, mentoring and monitoring of the CEO.

53. Board members must collectively have skills relevant to a substantial water related infrastructure business. These skills will include civil engineering, accounting, law, customer service, financing, staff selection and monitoring, planning, information technology, health and safety, commercial contracts, procurement, an understanding of and empathy for iwi Māori perspectives, experience of dealing constructively with community matters and concerns and an understanding of local government.

54. This does not mean that the board must include an accountant, an HR expert or a lawyer. Rather that board should include people whose skill set includes a good understanding of the application and relevance of these to the running of a water company. Having said that, it is expected that at least one or two qualified engineers will be on the board given the core function of the business.

55. The board is appointed by the shareholding councils via their Shareholders' Forum and will be accountable to it via the letter of expectation, the statement of intent and reporting processes. If performance is inadequate, the Shareholders' Forum will have the ultimate sanction of removing and replacing some or all of the directors. The Shareholders' Forum will have the right to remove directors at any time.

The Potential for Elected Representatives to Serve as Board Directors

56. Elected representatives including community board members are not permitted to serve as board directors.

Iwi Relationships

57. Councils will require that one of the competencies that is required on the Board of the CCO is an understanding of and empathy with iwi Māori perspectives. Councils will consult iwi to explain the proposed structure and governance arrangements of the water company and to hear which matters are likely to be of most interest to iwi. This will assist in determining the best avenue for those interests to be heard and will include ensuring that existing consultative arrangements are linked to the water business.

How the Voice and Interests of Customers Are Heard

58. The agreed Board competencies include experience of dealing constructively with community matters and concerns.

59. Representing the interests of customers will be a critical role for councils via the Shareholders' Forum, statement of intent and monitoring process.

60. Councils will ensure that the statement of intent includes clear targets and key performance indicators on service performance and customer satisfaction.

The Management of Stormwater Assets

61. Councils will negotiate appropriate management service agreements for their stormwater activities during the implementation phase. The councils will also adopt the principle that no council should be offered lower pricing for like for like stormwater services than any other council.

Central Government Insurance Cover for Natural Disasters

62. Under current legislation, Central Government insurance cover for natural disasters will not be available to the CCO. However, there may be changes to this legislation and so this position may change by the time that the CCO is formed.

63. Should there be no change to legislation, the CCO can simply buy the necessary cover in the market.

Government Rate Rebates Programme

64. Current legislation provides for rates rebates for certain customers who have difficulty paying. This would not be available to the CCO. As with insurance cover, this legislation is under review.

65. Should there be no change to legislation, the CCO could provide a comparable tariff rebate scheme for such customers at little cost.

Transition & Establishment Processes Options

66. The current negotiation between the councils is intended to produce an agreed CCO proposal that (once agreed by all Councils) will become the basis of a single public description of a possible Waters CCO that will inform the public. It is intended that this single description of the CCO would be available before the end of June 2016.

67. Assuming that the three councils reach agreement on a proposed CCO, it is intended that they would each consult the public on the proposal in 2017. Following public consultation, if the three councils agree to proceed then the establishment and transition process would begin.

68. This sequence of steps is shown in Figure 1 below. It provides a staged transition process and does not transfer assets, liabilities, staff and operational responsibility to the CCO until it is fit for purpose and ready to go.

69. The process provides key decision / control points to shareholders through the process. Under this approach, once a decision to establish a CCO is made, shareholders would work to:

    a) appoint the Board

    b) agree an establishment plan

    c) develop and agree the expectations that they will set for the CCO, the principles that the CCO must use to develop its tariff structure, and their expectations with respect to growth and economic development

    d) consider and adopt the SOI.

70. The CCO will work systematically through the establishment process according to an agreed establishment plan. The CCO Board will oversee the establishment, including recruiting a CEO, SOI, initial tariff structure and tariff transition pathway. The CCO will also setup its business systems and processes **before** it takes over ownership and operation of the water and wastewater systems. Having these systems in place and operational before the CCO commences full operations significantly reduces risks associated with the transition. Importantly, staffing arrangements, management and operational systems will all be in place before it takes over assets.

71. The establishment plan will include the criteria that the CCO Board must meet before the final stage of the establishment process is completed. The CCO Board must satisfy itself that the organisation meets the criteria and is fit for purpose before they agree to the final stage of the transition – the transfer of assets, liabilities, staff and operational responsibility.

72. Prior to the good to go decision, the shareholders will have ample scope to exercise their decision-making role as they establish expectations, principles and the framework of performance measures within which the CCO will operate. All of this must be established and agreed before the transfer of assets and operational responsibility.

73. In order to complete the establishment / transition process in a timely manner many of the processes shown in Figure 1 would be undertaken in parallel, rather than sequentially. The selection and implementation of business systems will need to be run in parallel with the process of setting shareholder expectations. The start of the CEO selection process (selecting a recruitment consultant, developing a draft position description and person spec, etc.) can happen in parallel with the selection and appointment of the Board.

74. The establishment process would also be supported by an executive team comprising key staff from each council. Their role will be to assist both the shareholder representatives and the Board and CEO through the process.

75. Assuming that the three councils consult on the proposal to establish a CCO at the beginning of 2017, it is expected it would be possible to complete the establishment process and transfer the assets and responsibilities to the CCO by the end of the 2018-19 financial year.

Figure 1: Establishment / Transition Process