

# **HEADS OF AGREEMENT**

**relating to**

## **WAIKATO WATER DONE WELL**

Between the Signatory Councils listed in Schedule 1

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## Parties

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This agreement is entered into between the Councils listed in Schedule 1 (**Participating Councils**)

## Background

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- A. Under the banner 'Waikato Water Done Well', the Waikato Joint Mayors and Chairs Forum (**Forum**) requested that work be carried out to support individual councils in the Waikato to make an informed decision on the merits of aggregating water services, regionally or sub-regionally.
- B. In July 2024, based on a pre-circulated paper and a presentation made by the Waikato Water Done Well Project team, the Forum endorsed the following recommendations being put to each Forum member organisation for decision making:
  - a. **Strategic direction:** That the vision, outcomes and success measures (as now set out in Schedule 2 to this agreement) be adopted in principle.
  - b. **Co-design a staged aggregated model (for water services):** That participating councils co-design an aggregated model that is staged by function and governed by a professional board from the outset. Stage 1 will be the establishment of an entity providing functional services to participating councils (in relation to water services). The end point (to deliver on the vision, outcomes and success measures) is an aggregated, fully regulated water services entity (this being Stage 2, where the assets and liabilities are transferred from Councils into the entity).
  - c. **Advise Forum Chairs of decision:** That each member organisation formally advise the Forum Chairs of their decision in relation to the above recommendations by mid-September 2024. Non-participating councils will exit this workstream but will be kept informed of the work underway.
  - d. **Heads of Agreement (HOA):** That participating councils instruct their Chief Executive to negotiate a HOA to bring back for their approval by the end of October 2024 (with the intention of the HOA being signed in November 2024). The HOA will be a non-binding agreement between participating councils, entered into on a good faith basis to show a commitment to progress in the manner proposed. The framework will inform the development of more formal documentation.
- C. Over the course of August and September 2024, the above recommendations were presented to each Waikato council. A formal resolution to participate was passed by all but one council (this being Hamilton City Council) and a mandate given to the Chief Executives to negotiate a HOA. This mandate was also given by Waikato Regional Council (**WRC**) to its Chief Executive to participate in the HOA process and contribute towards the negotiation of a regional approach.
- D. The Chief Executives have discharged the mandate from their respective organisations. This agreement documents the output of the HOA negotiations and the intended key terms of the formal governance documentation for the proposed aggregated model. For completeness, it is noted that the negotiations were completed based on the relationship principles and HOA decision making framework set out in Schedule 3. It is intended that the

same relationship principles will inform the Participating Councils negotiation of the formal governance documentation.

- E. During the course of negotiations (and subject to formal council approval and public consultation), certain Participating Councils expressed the desire / need to move directly to the Stage 2 end-point (and transfer their water services business to the aggregated entity) rather than progress in an incremental manner. To ensure flexibility, the ability of Participating Councils to go directly to the Stage 2 end-point is also built into this HOA.
- F. The role of WRC as a key party to the negotiation of this agreement, and as a strong partner and supporter of the collaborative regional approach that can deliver the strategic outcomes is again acknowledged. At this point it is noted that WRC is not a signatory to this agreement because its functions are currently outside the scope of water services contemplated by this agreement. However, to demonstrate its ongoing support for a regional approach, WRC has requested the provision be included in this agreement to formally document its wish to maintain a partnership relationship going forward (refer clause 10.10 and 10.11 below).

## Agreement

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The Parties have agreed the following:

### 1. Legal status and purpose of this agreement

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- 1.1. This agreement is not intended to be legally binding. It is entered into by the Parties in good faith to demonstrate their commitment to co-design an aggregated model for the delivery of water services that can achieve the purposes set out in clause 3.
- 1.2. This agreement sets out the framework of the agreed design and is subject to such adaptations as are considered necessary by the Parties to comply with the requirements of upcoming legislation (Bill#3), any associated Government policy and the outcome of public consultation.
- 1.3. The intention of the Parties is for this agreement to inform the key provisions of:
  - a) the formal documentation required to establish the aggregated model, namely:
    - i. Public consultation documentation
    - ii. Constitution
    - iii. Shareholders' agreement (including terms of reference for the Shareholder Representative Group (refer section 7 below))
    - iv. Statement of expectations
  - b) the service level agreement to be entered into between each Participating Council and the CCO at Stage 1.
- 1.4. Further detail on the content and purpose of the above documents is set out in Schedule 4 to this agreement. These documents will be brought back to each Party for consideration and formal approval at the appropriate time.
- 1.5. By entering this HOA, the Parties commit to undertake the co-design activities for the aggregated model. To ensure consistent messaging across communities as to the content of this HOA, and what has been agreed, Participating Councils agree to collaborate and ensure, to the extent practicable, a no surprises approach is taken when communicating about the contents of this HOA and the analysis of this option.

## 2. Establishment of a water services company

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2.1. Subject to public consultation and agreement on the formal documentation, the Parties agree to establish a water services company which will be:

- a) incorporated as a limited liability company under the Companies Act 1993
- b) owned by the Parties who will have voting rights
- c) a Council Controlled Organisation (**CCO**) within the meaning of section 6 of the Local Government Act 2002
- d) an asset owning fully regulated company that will deliver water services to communities (Stage 2) and a provider of **Agreed Functional Services** (refer clause 10.6) to Participating Councils for the period of time that they are at Stage 1
- e) a water services CCO within the meaning of section 5 of the Local Government (Water Services Preliminary Arrangements) Act 2024 (**Preliminary Arrangements Act**)

2.2. The CCO will have:

- a) the registered name of Waikato Waters Limited and a registered office will be confirmed closer to the date of incorporation. Any change in name is a matter on which shareholder approval must be sought
- b) have the purpose set out in clause 3 below

2.3. The key provisions in, and format of, this agreement, set out:

- a) how the CCO will be owned, including the classes of shares that can be held (**Council Ownership**) with each Council referred to as a **Shareholding Council**
- b) what decisions will be brought to Shareholding Councils for decision making, how the shareholders will make those decisions and communicate expectations to the Board of Directors (**Shareholding Councils Influence and Control**)
- c) the way Shareholding Councils will organise themselves to make decisions in relation to those matters that Shareholders have decision making rights over (**Shareholder Representative Forum**)
- d) the requirements for appointing Directors (**Board of Directors**)
- e) the intended process for engaging with Iwi and determining how to effectively partner with Iwi (**Iwi Partner Involvement**)
- f) the intended steps to undertake transition planning to the Stage 2 end-point from an operational perspective, with clarity on the part of the journey to get to Stage 1 (**Transition Planning**)
- g) the steps a Shareholding Council will undertake to move to Stage 2 (**Transfer of water services business into CCO**)
- h) how the proportionality of Stage 2 Shares will be set as between Shareholding Councils (**Issue of Shares at Stage 2**)
- i) high-level overview of what will be settled between a Council and the CCO at the time the Council transfers its business into the CCO (**Settlement**)
- j) key matters to be included in the Stage 1 service level agreement (**Service Level Agreement**)

- k) all Parties agree that the model proposed should be inclusive and designed to cater for the collective benefit. Provision is made for other councils to join over time subject to existing shareholder approval. To enable the Board to focus on establishing the CCO and ensure smooth and safe transition for existing shareholders, there will be periods where other councils cannot be admitted into the model. Similarly, there is provision for councils to exit the model<sup>1</sup>. These are referred to as **On-ramps / Off-ramps** in this HOA.

### 3. Purpose of water services company

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#### 3.1. The overarching purpose of the CCO is to:

- a) achieve the objectives of the Shareholding Councils, both commercial and non-commercial, as stated in the relevant governance documentation and Statement of Expectations
- b) enable Shareholding Councils to collectively achieve the strategic outcomes for water services in their service area in the long term. The strategic outcomes approved in principle are:
  - i. create scale and change to enable the significant investment required to deliver efficient and financially sustainable services that comply with regulatory requirements and enable urban and commercial development
  - ii. create the conditions to build and sustain a highly skilled, adaptable and world-leading water workforce that can innovate and collaborate to drive outcomes for Waikato
  - iii. be customer-focused, leveraging new technologies, while also building customer awareness of their role in the water system and the value of water
  - iv. ensure local voice is represented in critical decision-making around water investment and management across the region, including decisions in relation to water takes and water discharges
  - v. meet the expectations of key partners and stakeholders including those represented in Treaty settlements and Joint Management Agreements
  - vi. protecting public health and the environment
- c) support Shareholding Councils in complying with law, including the Preliminary Arrangements Act, water and wastewater standards, economic regulation such further regulatory requirements as are introduced in the suite of enduring settings for Local Water Done Well
- d) to the extent responsibility for any matter vests in the CCO, to comply with the law.

#### 3.2. The purpose of Stage 1 is to enable Participating Councils to move to the end-point in a timeframe that works for them (through no longer than a 5 year lens. The incremental approach involves the CCO providing Agreed Functional Services (refer clause 10.6) at Stage 1 to:

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<sup>1</sup> It will be a matter for each council to consider (at the appropriate time) what the implications are for it exiting the model if it has committed to it as part of its water services delivery plan.

- a) enable councils to collectively leverage immediate opportunities for their communities and unlock some benefits of a joined-up approach to water infrastructure in the short-term. The immediate opportunities intended to be unlocked (which will also be realised at Stage 2) are:
  - i. Stronger workforce development (build together rather than compete)
  - ii. Capital works delivery (more efficient and cost-effective driven by professional board and single management team)
  - iii. Resilience: infrastructure planned through single AMP informed by a long-term infrastructure strategy
  - iv. Smarter consenting: evolve from ad hoc consent applications to integrated consents
  - v. Better data: consolidated system capturing standardized data and leading to better decision making
  - vi. Identify opportunities for cost saving by having a focussed approach across the region. For example, management of water allocation across councils.
- b) get councils as far along the road to the vision and achieving the strategic outcomes as practicable in the context of Stage 1 while providing a means by which the council can engage with the CCO to respond to its future needs and move to Stage 2 at the appropriate time
- c) conduct its affairs in accordance with sound business practice and in a manner that adheres to the relevant services level agreement while supporting relevant councils to achieve their individual water services strategy deliverables and performance measures, noting that Participating Councils at Stage 1 will retain:
  - i. ownership of water services assets
  - ii. the role of water services provider (and so will remain the regulated provider)
  - iii. decision making in relation to price setting and investment priorities.

## 4. Roles and responsibilities in a water services company

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**Note:** For ease of reference, the roles and responsibilities as between the Board, Shareholders and the Shareholders Representative Forum is set out below.

- 4.1. **Board:** under general law, the business of a company must be managed by the directors. Policy guidance issued to date has confirmed that Local Water Done Well legislation (Bill#3) will require the Board of a water services organisation (as defined in that legislation) to be made up of professional directors. Neither staff nor elected members of a shareholding council can be appointed to the Board. Directors must act in the best interests of a company.
- 4.2. **Shareholders:** Shareholders are the owners the company and will appoint the Board. However, they do not have the authority to directly instruct directors on how to manage the company on a day-to-day basis. There are matters that a Board must seek shareholder approval for which will be set out in the company constitution and the shareholder agreement. Shareholders will also set their expectations of the Board through a combined Statement of Expectations. The governance documentation informed by this HOA will empower the CCO to issue at least two classes of shares; Stage 1 Shares and Stage 2 Shares (refer clause 5 below).

- 4.3. **Shareholder Representative Forum:** the purpose of the Shareholder Representative Forum is to support the coordination and expression of multiple council interests. It will be the Forum at which shareholders will cast their votes to make decisions on those matters that are reserved for shareholder decision making (refer clause 7 below).

## 5. Council Ownership

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- 5.1. Council ownership in the CCO will be way of shares in the company.
- 5.2. Councils will hold shares as **Stage 1 Shareholders** or **Stage 2 Shareholders**.
- 5.3. On establishment the CCO will only have **Stage 1 Shares** on issue. Stage 1 Shares will be held by all Participating Councils who are listed as Shareholders on incorporation of the CCO. This will include both Participating Councils who will progress to Stage 1 in the short-term and Participating Councils who have committed to going directly to Stage 2 by a specific date (refer clause 5.6).
- 5.4. Stage 1 Shares will be held equally among the Shareholding Councils and all shareholders will have the same voting rights.
- 5.5. Stage 2 Shares will be issued to Participating Councils on the transfer of their water services business (drinking water and wastewater) into the CCO. The number of Stage 2 Shares will be determined in accordance with clause 12. Stage 1 Shares previously held by such councils will be cancelled.
- 5.6. Subject to public consultation and agreement on the formal documentation, all Shareholding Councils agree in principle to becoming a Stage 2 Shareholder in future and support the CCO in achieving the overarching purpose identified at clause 3.1. The timing and circumstances on which a Shareholding Council will move to Stage 2 will be determined by each council.
- 5.7. The Parties acknowledge that as Participating Councils move to Stage 2, the number of Stage 1 Shareholders will reduce. Once the number of Stage 2 Shareholders is the same or greater than the number of Stage 1 Shareholders, it is no longer appropriate for Stage 1 Shareholders to be able to influence key decisions in respect of the ownership rights of the CCO. This is reflected in clause 6.4 below. After a period of 5 years from the CCO becoming operational, it is intended that all Stage 1 Shareholders will have transitioned to Stage 2 and there will be no more Stage 1 Shareholders.

### Terms of Shares

- 5.8. Shares will be issued on the following terms:

Stage 1 Shares	Stage 2 Shares
a) Shares cannot be sold or transferred and must be owned by a council (or another water services CCO)	
b) Shareholders must be a party to the shareholders agreement	
c) A security interest cannot be given over any shares	
<b>Note:</b> Bill#3 will also prohibit water services assets being used as security.	



d) Shares will not carry a right to a dividend	
e) Subject to clause 5.3 and clause 5.7, shares are held subject to the relevant council: <ul style="list-style-type: none"> <li>• becoming a party to a service level agreement with the CCO (with the effective date being when the CCO is operational) for a period of 5 years</li> <li>• committing to the CCO providing the Agreed Functional Services (refer clause 10.6).</li> </ul> <p>If a shareholder terminates the services level agreement (or it expires), it will trigger a cancellation of its Stage 1 Shares (for no consideration).</p>	e) Stage 2 shares will be issued to a council in return for it transferring its water services business (assets and liabilities) into the CCO and the CCO undertaking to discharge all future water services delivery obligations for that Council (refer clause 11 and clause 12)
f) Shares are held equally by shareholders with all shareholders having the same voting rights.	f) Shares are held in accordance with the methodology agreed in clause 12 below.

5.9. **Note:** As noted above, Stage 1 Shares will be cancelled once a Shareholder becomes a Stage 2 Shareholder. Each Council will have a different number of Stage 2 Shares when it becomes a Stage 2 Shareholder (determined in accordance with Clause 12). Accordingly, there will be a difference between the voting power of the different Stage 2 Shareholders. The decision-making framework in Section 6 below has been designed to manage this. This will be scenario tested once there is greater clarity on who wishes to progress with WWDW and the likely allocation of shares once those parties have progressed to Stage 2. As with all provisions in this HOA, it will also be reviewed against the requirements of upcoming legislation.

## 6. Shareholding Councils influence and control

- 6.1. The general role of a shareholder in a company is set out in clause 4.2 above.
- 6.2. In the CCO, Shareholding Councils will have oversight of decision making in the CCO in the following manner:
- a) voting on those matters that are reserved for Shareholding Council decision making (refer clause 6.4)
  - b) issuing a Statement of Expectations to the Board (refer clause 6.5)
  - c) oversight of the Board through the reporting requirements from the Board to the Shareholders (refer clause 6.8).

### Matters reserved for Shareholding Council decision making

- 6.3. The matters that require approval of the Shareholding Councils are set out in the below table. The Shareholding Councils will reach agreement on these matters through votes cast by their representative on the Shareholder Representative Forum.
- 6.4. While best endeavours will be applied for decisions to be made by consensus, this may not always be possible in a timely manner. To ensure the CCO can operate effectively, and

that Shareholding Councils have confidence in their ability to influence decision making, the level of support required for a decision to be made collectively by the Shareholding Councils is as set out below. The level of support at Stage 1 refers to when all shareholders are Stage 1 Shareholders. The level of support at Stage 2 applies from the first issue of Stage 2 Shares.

Reserved matter	Stage 1 Level of Support	Stage 2 Level of Support
Changes to constitution	75%	51% or more of Stage 1 Shareholders and 75% votes (and number) Stage 2 shareholders
Admission of new shareholders. Noting the intention for the model to be inclusive and that only Stage 2 shareholders will be admitted after incorporation	75%	75% votes (and number) of Stage 2 shareholders
Five-year periodic review of Stage 2 Share allocation provided for in clause 12.4	N/A	75% votes and number Stage 2 Shareholder
Any changes to the rights attached to shares (Note: is class of share specific)	75%	75% number of Stage 1 Shareholders for changes to Stage 1 Shares only 75% votes and number Stage 2 Shareholders for changes to any class of shares
Any winding up or restructuring (includes any merger or amalgamation)	75%	75% votes of Stage 2 shareholders (and 75% number)
Any major transactions	75%	75% votes of Stage 2 shareholders (and 75% number)
Appointment of Directors	75%	51% or more Stage 1 shareholders and 75% (number) of Stage 2 shareholders
Approving the transition plan for Stage 2 (will include: the pricing principles for future fully	75% (with option for dissenting shareholder to off-ramp in	N/A

Reserved matter	Stage 1 Level of Support	Stage 2 Level of Support
regulated entity and investment prioritisation framework)	accordance with clause 15.3)	( <b>Note:</b> The transition plan will be approved and implemented when Stage 2 shares are issued)
Approving Statement of Expectations	75%	Combined SOE for purpose of Bill#3: 75% votes of Stage 2 shareholders  (Note: Ongoing expectations of Stage 1 shareholders will be more appropriately addressed in service level agreement)

## Statement of Expectations

- 6.5. Shareholding Councils will prepare a combined Statement of Expectations which will inform and guide the decisions and actions of the CCO Board.
- 6.6. The Statement of Expectations must cover all matters required by legislation and be consistent with the agreed purpose of the CCO.
- 6.7. The agreed minimum content of the combined Statement of Expectations is set out in Schedule 5.

## Reporting requirements

- 6.8. Subject to such adjustments as may be necessary to meet the minimum requirements under Bill#3, the Board must deliver to the Shareholder:
  - a) half yearly report: a report on the CCO's operations during each half year, with the report delivered within 2 months after the end of the half year.
  - b) an annual report on the CCO's operations which complies with all legislative requirements. For Stage 2 shareholders, this will include the requirements to be confirmed by Bill#3
  - c) such other reporting as may be agreed by the Shareholding Councils after discussion with the Board
  - d) a draft water services strategy for comment to Stage 2 Shareholding Councils.
- 6.9. **Note:** *Bill#3 will provide that all relevant strategy and planning information related to water services must be included in a water services strategy document and not in the LTP. The strategy will be required every three years and the content and process for developing it will be set out in legislation. Stage 1 Shareholders will be required to prepare their own water services strategy document with input from the CCO. The CCO will be responsible for a water services strategy in respect of the business transferred by Stage 2 Shareholders. The Board must state how it is giving effect to the statement of expectations. Stage 2 Shareholders will be able to comment on the draft water services strategy and the Board must consider these comments before preparing a final version.*

## 7. Shareholders Representative Forum

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- 7.1. The role of the Shareholder Representative Forum is as stated at clause 4 above.
- 7.2. The Shareholding councils commit to co-operating and supporting the CCO to be empowered to deliver on its purpose. Effective communication and cooperation between the CCO and Shareholding Councils is critical to the CCO's success. While Shareholding Councils expect that the Chair of the CCO Board and the CCO Chief Executive will develop and maintain strong relationships with each Shareholding Council, it is also necessary that the CCO be able to engage with Shareholding Councils in a co-ordinated and expedient manner.
- 7.3. It is agreed that a Shareholder Representative Forum will be established immediately after the incorporation of the CCO. Each Shareholding Council will appoint a representative with the necessary authority to cast votes on its behalf in relation to matters that are brought to the Shareholder Representative Forum for decision making. Each Party will confirm who their representative is at the time they formally adopt the governance documentation. In the absence of a Party confirming otherwise, their representative will be their Mayor.
- 7.4. Shareholder Representative Forum terms of reference will be agreed as part of the preparation of the formal governance documentation. Proposed content for the terms of reference is included at Schedule 6. This includes that there is clarity on the matters the Shareholder Representative Forum:
  - a) has delegated authority in relation to and so effective decision making
  - b) must refer back to respective Councils for decision making. In relation to such matters, the Representative will be required seek a decision from their Council within a stipulated timeframe and in accordance with the process applicable to that Council. The Shareholder Representative will then bring the decision back to the Shareholder Representative Forum and vote in accordance with that decision.
- 7.5. Shareholder Representatives must be equipped to cast votes on behalf of their councils at each meeting.
- 7.6. Decisions made by the Shareholder Representative Forum are binding on the councils.

## 8. Board of Directors

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- 8.1. The role of the Board is as stated at clause 4 above.
- 8.2. In accordance with legislative requirements, a Board of professional Directors will be appointed to govern the CCO. No current council staff nor elected members of any Shareholding Council can be appointed to the Board.
- 8.3. The minimum number of directors will be 5 and the maximum number will be 7 (subject to clause 8.7).
- 8.4. The Shareholder Representative Forum will lead the recruitment (with external support), selection and appointment of the Chair of the Board of directors.
- 8.5. The Chair will support the Shareholder Representative Forum in the recruitment, selection and appointment of the additional Board members.
- 8.6. All appointments will be competency based having regard to:
  - a) the essential attributes and core competencies of directors provided for in the Institute of Directors Competency Framework; and

- b) the required Board Skills Matrix set out in Schedule 7
- 8.7. The CCO will be incorporated before the competency-based Board is appointed. Named Directors will be required at the time of incorporation. To enable this, it is agreed that two nominal directors will be appointed at the time of incorporation until such time as the appointment of the professional Board of Directors. The nominal directors will be confirmed by those councils who adopt the formal governance documentation to establish the CCO. The nominal directors will be approved by the Chief Executives from Participating Councils and may be from their number.

## 9. Iwi Partner Involvement

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- 9.1. The Waikato is known nationally for its leadership in managing water to help ensure better long-term outcomes for the Waikato and Waipā rivers, Hauraki Coromandel rivers and Tīkapa Moana/Hauraki Gulf. Participating Councils have adopted in principle the vision 'Te Mana o Te Wai, Te Mana o Te Tangata | Healthy Waters Healthy People'.
- 9.2. The purpose of the CCO (refer clause 3) includes meeting the obligations of Councils as represented in Treaty settlements and other agreements including Joint Management agreements. Given such obligations, an opportunity exists for the CCO (and its Shareholding Councils) to:
  - a) benefit from strategic relationships with Iwi partners to deliver on its purpose (and identify cost effective solutions to resource consents); and
  - b) build upon existing co-governance entities of the region (Waikato River Authority, Hauraki Gulf Forum and Waihou, Piako, Coromandel Catchment Authority). (**Note:** this would not change any existing commitments to Iwi from any council).
- 9.3. The Statement of Expectations will also particularise the expectation that the Board will establish and maintain these strategic relationships. In relation to the role of Iwi in shareholder decision making, the Shareholder Representative Forum will be responsible for engaging with Iwi to prepare a proposal for how shareholders can effectively partner with Iwi and with existing arrangements across the region to achieve the agreed outcomes. The proposal will be brought back to each of the Shareholding Councils for consideration and approval.
- 9.4. For completeness, reference is made to the Board Skills Matrix at Schedule 7 which includes specialist experience of integrating Te Ao Māori and Tikanga Māori in a professional board environment. As the proposal in relation to the long-term engagement with Iwi will require deep engagement and consideration, it is likely to postdate the initial board appointment process. For the initial appointment process, the Waikato Iwi Chairs Forum will be invited to participate in the appointment process so there is assurance this Board competency is demonstrated during the recruitment process.

## 10. Transition Planning

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- 10.1. The establishment of the CCO will provide the legal structure into which the relevant people, processes and systems must transition in order for the CCO to operationally deliver the Stage 1 Agreed Functional Services and Stage 2 water services delivery.

### Transition principles

- 10.2. To ensure a smooth and safe transition, the transition planning will be undertaken in accordance with the following transition principles:

- a) **Sustainability**: focussing on long term financial and non-financial benefits
- b) **Pragmatic**: balanced and pragmatic approach to reach end goal; each stage of planning must be fit for purpose and achievable in the circumstances
- c) **Simplicity**: people understand what is proposed and why
- d) **Flexibility**: design and timing are flexible to cater for different needs
- e) **Commercial robustness**: independent professional board accountable to shareholders and clarity as to respective roles
- f) **Equitable**: everyone wins at some stage based on taking a long-term view
- g) **Value for money**: choices made as part of transition using sound procurement to get the best public value and affordable services for customers
- h) **Work smart**: to the extent appropriate, the work programme will leverage off previous relevant work rather than reinvent the wheel
- i) **Safe transition**: focus during establishment is on safe transition with transformational outcomes being a long-term objective
- j) **Manage expectations**: maintain confidence of key stakeholders
- k) **Customers**: create seamless transition from a service delivery viewpoint
- l) **Employees**: certainty, opportunity, fairness and consistency – feel valued

## Scope and timing of planning

- 10.3. Participating Councils have expressed a desire to move to Stage 2 at different times. In keeping with the transition principle regarding flexibility, the transition planning will provide flexibility for this to be achieved.
- 10.4. Pending the appointment of the CCO Board, the Participating Councils will drive development of a transition plan. As soon as practicable, transition planning will commence with staff of the relevant councils. A high-level overview of the activities that Participating Councils will be required to engage in transition planning is included at Schedule 8.
- 10.5. Stage 1 Shareholders will receive Agreed Functional Services in accordance with the Service Level Agreement to be entered into between each Shareholding Council and the CCO.
- 10.6. The **Agreed Functional Services** are identified as:
  - a) asset management planning
  - b) input into council planning processes
  - c) capital works delivery
  - d) strategic or catchment-wide consenting (compliance will stay with councils as part of operations unless that compliance relates to capital works delivery)
  - e) project planning and design and procurement
- 10.7. Implementation of transition planning will be supported by a:
  - a) robust change process to support safe and seamless transition of people, systems and processes into the CCO
  - b) for Stage 1 Shareholders, a process for agreeing the capital works programme both at the time of transition and periodically after that so the CCO has line of sight of

councils' intentions in sufficient time to give the supply chain certainty of pipeline.  
*[Note: The intention is to leverage off information in the water services delivery plans that are signed off by councils as this should capture the detailed capital works to meet regulatory requirements for the first number of years]*

10.8. The full scope of activity of the CCO at Stage 2 will be worked through in detail as part of the transition planning. Legislation will partly assist the transition with policy confirmation already received that Bill#3 will include provision regarding:

- a) transitional arrangements in relation to the transfer of assets and liabilities and ability of the CCO to issue offers to existing council staff
- b) the powers for a water services organisation to control connections
- c) the power to carry out work on land that is required by a utility provider to ensure infrastructure can be constructed
- d) an updated approach to the bylaws relating to water services
- e) transitional provisions as to how a water services provider will transition to the new system over time.

10.9. In addition to the above, the end-point transition plan must incorporate:

- a) how the CCO will charge for and collect revenue on 'day 1'. This is likely to be under a transitional arrangement in the early years until the CCO has capability to invoice customers directly
- b) the pricing principles for charging and the pathway to long-term pricing harmonisation (whether on a regional basis and / or local community based approach to pricing). The pricing pathway will take time and must include detail of the period of 'jam-jarring' and any charges for historical under-investment (refer clause 10.12 and 10.13.) that may be considered appropriate). In particular, of the establishment principles:
  - i. **Simplicity:** people understand what is proposed and why
  - ii. **Equitable:** everyone wins at some stage based on taking a long-term view
  - iii. **Value for money:** affordable services for customers
- c) principles that will inform the investment prioritisation framework (including any transition)
- d) consideration of any wider existing agreements or contracts
- e) a plan for relationship management with civil and other contractors
- f) systems the CCO will rely on for operations (e.g. finance, asset management, people, customer facing software) and any transitional arrangement required before the systems are fully operational
- g) readiness criteria the Board will apply to determine readiness to receive a water services business in a seamless and safe manner.

10.10. The transition plan must also have regard to the future partnership opportunities identified by Participating Councils with WRC which include, but are not limited to:

- a) technical leadership around a catchment-based approach to land use planning, infrastructure services and consenting
- b) shared services including technology



- c) the future delivery of functional services by the CCO to WRC
- 10.11. The Chief Executives of Participating Councils will continue to explore these partner opportunities in the timeframe between now and the establishment of the CCO, with the Board and Chief Executive of the CCO taking responsibility thereafter. The Statement of Expectations will reflect these opportunities.

## Addressing historical underinvestment

**Note:** *The need to bring assets up to a standard is an issue that needs to be addressed as part of the new regulatory regime whether a Council chooses to join a CCO or not. A multi-council owned asset owning CCO will, for asset management and economic regulatory purposes, need to develop standards for the assets it holds. At the time of transfer of assets into the CCO, some council's assets may be over this standard and others may be under this. The following provision is included in this agreement to provide Participating Councils with a framework for navigating this*

- 10.12. Councils are required to identify and address any historical underinvestment as part of the development of water services delivery plans. This applies irrespective of whether a Council seeks to join a CCO or not. At the time of entering into this agreement, this work is still underway by Councils and pending legislation will confirm the scope of the future regulatory regime.
- 10.13. Under the Waikato Water Done Well model, Councils will transfer to Stage 2 at different times, up to a timeframe of 5 years from the CCO becoming operational. At the time of transfer of a water services business, there may be a remaining gap between what is required to comply with regulatory requirements and a Council's infrastructure backlog. To address any backlog, as part of transition planning and having regard to the developing requirements of economic regulation, the Participating Councils will agree the principles and process for measuring and addressing any underinvestment by a Participating Council and the collective position in relation to cross subsidisation. In so doing, Councils will:
  - a) be guided by pragmatism
  - b) leverage off assessments done in other water services CCOs (including overseas, where appropriate)
  - c) consider the lack of water meters a historic underinvestment

## 11. Transfer of water services business into CCO (Stage 2)

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### Two waters or three waters

- 11.1. In return for the CCO undertaking to discharge all future obligations of a Council in relation to the delivery of drinking water and wastewater services (see clause 11.3 below for stormwater services), a Council will transfer its water services business into the CCO.
- 11.2. Bill#3 will provide that Councils will retain legal responsibility for the management of stormwater services but, in the context of a CCO, can choose to:
  - a) deliver stormwater services in-house but contract aspects to the CCO
  - b) transfer aspects of stormwater service delivery (including certain stormwater network assets) to the CCO (DIA guidance provides that further detail in relation to what this



means in relation to the CCO being able to charge for stormwater will be provided in Bill#3).

- 11.3. It is agreed that the option in clause 11.2(b) above is the preferred option in the early years of the CCO with councils determining if they will receive stormwater management services from the CCO. The provision of such services will be charged on a cost-plus basis. Prior to a Shareholding Council moving to Stage 2, it will engage with the CCO regarding the nature of the stormwater management services to be provided by the CCO, together with the levels of service, performance targets and the cost to be paid to the CCO for the service.

### Scope of transfer

- 11.4. The starting point for determining what will transfer from a Shareholding Council to the CCO will be the information in the relevant Shareholding Council's approved water services delivery plan (as signed off by councils and certified by CEs). This will provide detail on the current state of a Council's water services business (with the plans due to be submitted by 3 September 2025 subject to an extension of time being granted).
- 11.5. Where the intended transfer of the business is over 18 months after the water services delivery plan has been approved, the Board may require a further independent assessment of:
- a) current state of assets of a council, the value and lifespan
  - b) necessary investment for the assets to be compliant
  - c) ring-fenced water services debt
  - d) ring-fenced water services revenue (including development contributions that are attributable to water services activity)
- 11.6. As a minimum, the transfer at Stage 2 will include:
- a) the transfer of assets, liabilities, and other matters relevant to water services (including contracts) from Councils to the CCO
  - b) transfer of development contribution or financial contribution required for water services infrastructure from Councils to the CCO
  - c) payment by the CCO to the Council of its two waters infrastructure debt. The mechanics of this will be confirmed with LGFA.
- 11.7. The net amount payable by the CCO to the Shareholding Council will be calculated in accordance with clause 13 below.
- 11.8. Bill#3 will provide further detail on the legislative mechanisms that will be available to transfer water services business into a water services CCO (assets, liabilities, processes to offer staff a role in the CCO). All legislative requirements and processes that Bill#3 will provide to support a transfer will be complied with and incorporated into the transition planning.

## 12. Issue of Stage 2 Shares

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- 12.1. **Note:** As stated at clause 5.8, Stage 2 Shares cannot be sold or transferred, nor do they carry a right to a dividend. The relevance of the number of Stage 2 Shares is the voting rights that they carry. The matters which will be voted on and the threshold for decisions to pass are set out in clause 6.4.

- 12.2. The voting rights that a shareholder has will be exercised to inform the direction of the CCO in the circumstances set out in clause 6.4. As the influence of a Shareholder will be exercised for the benefit of the communities to whom water services are being delivered, it has been agreed that shares will be allocated by reference to number of full connections in a council in the following manner:
- a) The first issue of Stage 2 Shares will be based on one share for every 1,000 full connections (rounded up) within the relevant Participating Council's service area on the date of issue
  - b) All subsequent issues of Stage 2 Shares will:
    - i. be based on one share for every 1,000 connections (rounded up) within the service area of the incoming shareholder on the intended date of issue (**Intended Date**)
    - ii. trigger a review of the Stage 2 Shares held by existing Stage 2 Shareholders and the issue of further Stage 2 shares to reflect any increase in the number of connections in its former service area on the Intended Date. Any decreases in connections will be ignored.
- 12.3. Stage 1 Shares held by a council will be cancelled (for no consideration) on issue of Stage 2 Shares to that council.
- 12.4. To ensure the proportionality of Stage 2 Shares reflects the number of connections across the service area, and can be adjusted to reflect material changes whether due to population growth or other changes, a 5 yearly review of connections will be carried out. This requirement to carry out a review can be waived with the approval of 75% (votes) and 75% (number) of Stage 2 Shareholders.
- 12.5. Shareholding Councils waive any pre-emptive rights in respect of the issue of shares to an existing Shareholder Council where the shares are issued because of the transfer of its business into the CCO (or because of an increase under clause 12.2(b)(ii) or clause 12.4).

## 13. Settlement between CCO and Councils

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- 13.1. A settlement statement will be prepared in advance of a Shareholding Council's business transferring into the CCO. The form of the settlement statement will be agreed between the CCO and the Shareholders in advance (with regard had to any guidance issued by DIA in relation to transfer agreements and / settlement statements and tax advice to inform the development of an efficient approach to settlement statement).
- 13.2. As a principle, on settlement the CCO will be required to refinance out the level of council debt (less cash reserves) attributable to water at the settlement date. In practical terms, this will require the CCO to borrow from LGFA, pay the proceeds to council, and council then use the proceeds to pay down water related borrowings with LGFA.

## 14. Service Level Agreement

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- 14.1. Key provisions in the Service Level Agreement will include:
- a) Effective date from which services will be provided
  - b) A commitment to obtain all Agreed Functional Services from the CCO from the effective date (subject to limited exceptions for 'in-flight' projects)

- c) The need to provide an inventory of existing contracts that will be managed by the CCO from the effective date
- d) Agreement that CCO will be the principal to all future contracts for capital works management
- e) Agreement as to the management charge payable to the CCO for general overheads and services
- f) Annual work programme agreed in advance together with capex budget (and instalments for payment). Details as to how CCO will be funded.
- g) Three-year plan to be provided no later than 6 months prior to the due date for water services strategy (which will be required under the new legislation).

## 15. On-ramps / Off-ramps

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### Stage 1 on-ramps and off-ramps

- 15.1. In this HOA, a Participating Council commits (in good faith) to negotiate formal governance documentation and such other matters as necessary to establish the CCO. If a Participating Council does not adopt the formal governance documentation, it will exit the Waikato Water Done Well Workstream. The timeframe for completion of the formal governance documentation is estimated to be the end of Q1 2025 / early Q2 2025.
- 15.2. Councils who have not been party to this HOA but consider and agree to the governance documentation before the CCO is formally incorporated can join as a Shareholding Council during this time. This is subject to:
- a) other Participating Councils' agreement
  - b) a contribution towards the costs that have been incurred and investment made by other councils in the ongoing Waikato Water Done Well work determined in accordance with the same formula set out in clause 15.11 below.

### Next off-ramp (ability to exit)

- 15.3. If a Shareholding Council cannot agree to the transition plan that is presented to it by the Board (estimated to be in Q3 2025) within a period of 3 months after the establishment plan is tabled to the Shareholder Representative Forum<sup>2</sup>:
- a) it can exercise its option for the CCO to buy back its shares (for nominal consideration); or
  - b) the other shareholders can pass a resolution (75% in number) to buy back that shareholders shares (for no consideration)
- 15.4. Cancellation of shares in these circumstances does not mean the existing council will be unable to obtain services under a services level agreement once the CCO becomes operative. However, the council will no longer be a Shareholding Council.

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<sup>2</sup> It is the responsibility of each Council (based on its own factual circumstances) to consider its ability to exit against its water services delivery plan commitment.

## Future on-ramps (admitting other councils as shareholders)

- 15.5. After incorporation, it is intended that new shareholders will only be admitted as Stage 2 Shareholders. The CCO may choose to offer functional services to other councils under a service level agreement but these councils will not be shareholders.
- 15.6. While the intention is to create an entity for the collective benefit, this needs to be balanced with the need to enable the CCO to focus on developing the processes that will achieve the anticipated efficiencies and safely transition existing shareholders into the CCO (and provide certainty for the purpose of completing water services delivery plans). For this reason, new shareholders will not be able to join in the period between the CCO being established and the first Shareholding Council having safely transitioned to Stage 2. Assuming the first Shareholding Council will transition to Stage 2 on 1 July 2026, it is anticipated that other shareholders will not be admitted any earlier than Q3 2026.
- 15.7. The admission of new shareholders will be subject to the approval of existing Shareholding Councils.
- 15.8. Any application to become a shareholder must be supported by a formal resolution from the council submitting the application. The Board will put a proposal to the shareholders via the Shareholder Representative Forum seeking approval to admit a new shareholder.
- 15.9. The proposal must include:
- a) an independent assessment of the proposed incoming shareholders assets and:
  - b) whether there is any historical underinvestment that needs to be addressed, having regard to the position of the Participating Councils determined in accordance with clause 10.12 and 10.13.
  - c) financial implications for the CCO if the council is admitted
  - d) conditions of entry that will apply, including the entry contribution to be made by the incoming shareholder (refer clause 15.11 below)
  - e) likely shares to be issued to incoming shareholder and impact on existing shareholders. The number of shares that will be issued to the incoming shareholder will be determined by the same Stage 2 Share issue methodology
  - f) a recommendation in relation to the timing and transition of the proposed new shareholder which ensures any risk to the safe transition of existing Shareholders or operations of the CCO is fully mitigated.
- 15.10. The applicant shareholder will be required to meet the cost of the Board preparing the above proposal.
- 15.11. If the proposal is approved, the Incoming Shareholders will be required to:
- a) accede to the shareholders agreement on the existing terms
  - b) pay the entry contribution agreed by the existing Shareholders which is equitable and factors in the upfront monetary and time investment made by the original Shareholders. The entry contribution will be no less than the:  

contribution towards the IP built up by the CCO *plus* cost of  
establishment of CCO

*divided by:* current number of connections *multiplied by* number of  
connections in service area of incoming shareholder

- c) comply with any further conditions of entry established by the Board and approved by existing shareholders

## 16. Water services delivery plans and the HOA

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- 16.1. The Parties are each obliged to prepare a water services delivery plan under the terms of the Preliminary Arrangements Act and submit it to the Department of Internal Affairs by 3 September 2025 for approval. Each Party is obliged to consult with its communities on the future water services delivery model that it intends to adopt in its water services delivery plan. The manner in which consultation will take place will be addressed by Participating Councils outside of this Heads of Agreement.
- 16.2. The framework in this HOA is predicated on:
  - a) the future service delivery model of each Participating Council being underpinned by the establishment of the CCO and being informed by the positions developed under the governance documentation
  - b) a joint water services delivery plan being prepared by those councils who adopt the formal governance documentation to establish the CCO (following public consultation); and
  - c) Participating Councils working together and supporting the workstreams under the HOA to enable each council to comply with their obligations under the Preliminary Arrangements Act.
- 16.3. A short-term success measure that has been agreed in principle by Participating Councils is that each of them will submit a compliant water services delivery plan.

## 17. Governance of HOA implementation

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- 17.1. The Parties agree that implementation of this HOA will be overseen by the Chief Executives of the Participating Councils (and noting that entry into formal governance documentation must be brought back to each council for decision making).
- 17.2. The Chief Executives will be responsible for:
  - a) ensuring their respective Elected Members are updated regularly on progress
  - b) determining whether, for efficiency purposes, a steering group should be formed from their number to oversee the work programme. Should a steering group be considered necessary, the group must include a Chief Executive from a minimum of one council intending to move to Stage 1 and the Chief Executive of each council intending to move directly to Stage 2.
- 17.3. The above will apply until the CCO is incorporated. From incorporation, the Shareholder Representative Forum will be established. The Chief Executives will work with the members of that Forum to transition governance oversight in a manner considered appropriate at that time.

## 18. Term and termination clause

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- 18.1. This agreement commences on the date it is last signed by all of the Participating Councils and continues until:

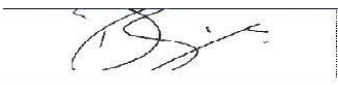


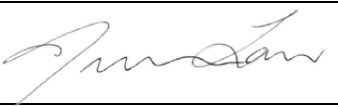
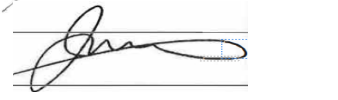
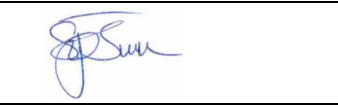
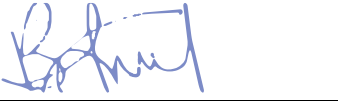
- a) the CCO is established in accordance with the formal governance documentation accepted by the Shareholding Councils; or
- b) a resolution is passed by a Party that it does not wish to adopt the formal governance documentation.

## 19. Dispute resolution

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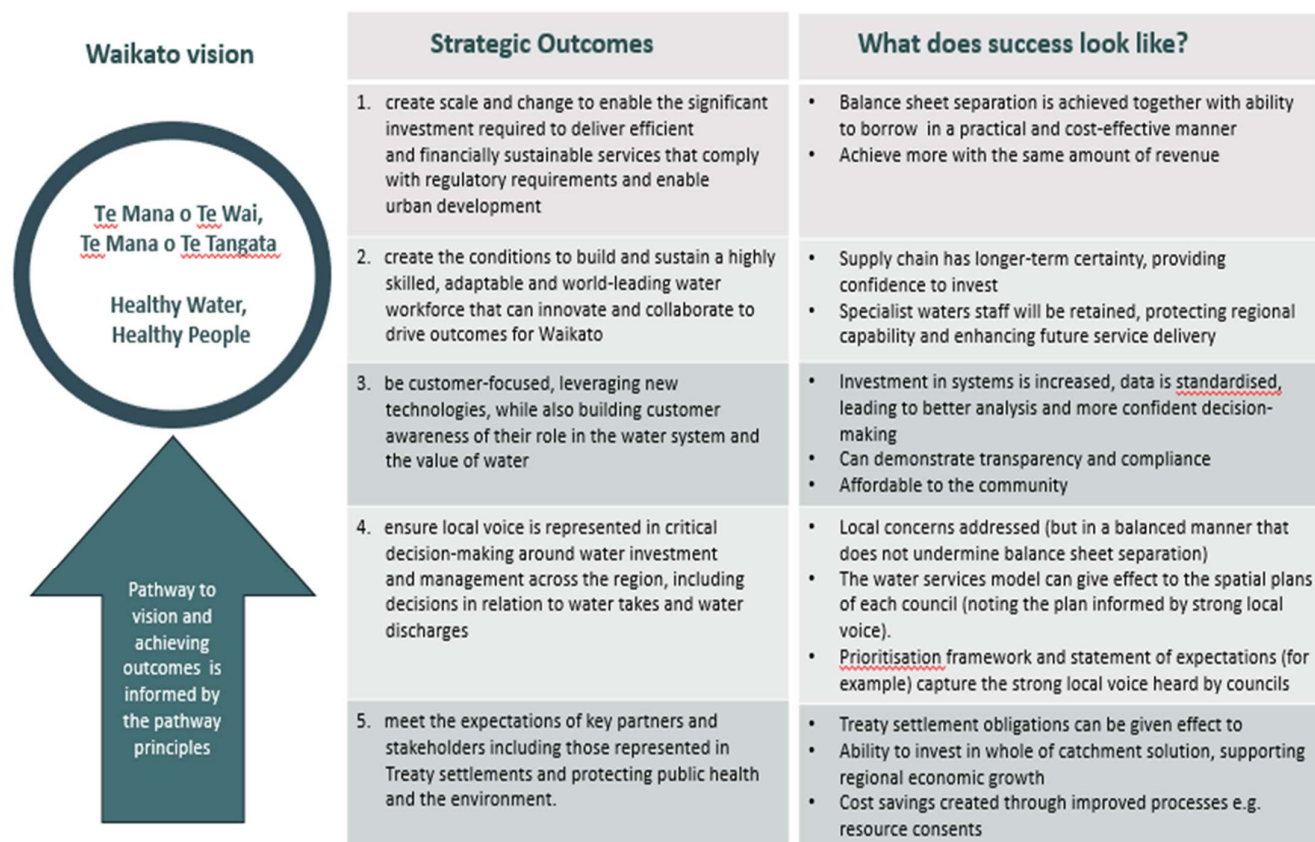
- 19.1. The Parties agree that best endeavours will be applied to facilitate the avoidance of disputes in the first instance.
- 19.2. Although this HOA is not legally binding, should a dispute arise, the Parties will attempt to resolve that dispute through good faith negotiations. All formal documentation entered into by the Parties will contain a substantive dispute resolution clause.
- 19.3. The purpose of this clause is to provide a dispute resolution process should a dispute or difficulty arise before the formal documentation is adopted.
- 19.4. Should a difficulty arise in relation to the HOA that is not resolved through negotiations, a party to the difficulty may at any time give written notice to another party requesting that a meeting take place to seek to resolve the dispute. The Chief Executives of the parties to the difficulty must meet within ten business days of the giving of the notice and endeavour to resolve the difficulty in good faith.
- 19.5. If such meeting does not take place or if five business days after the meeting the difficulty remains unresolved, the matter may, at the discretion of the Party who notified the difficulty, be referred to the Chair of Audit and Risk Committee (or equivalent Committee) of the respective parties who must negotiate in good faith to resolve the difficulty.
- 19.6. If it is referred to the Chair of Audit and Risk Committee (or equivalent Committee) and after five business days of being referred, the difficulty remains unresolved, the parties must, in good faith and acting reasonably, determine the appropriate means of resolving the difficulty whether through:
  - a) a request for a Crown Facilitator to be appointed under the Preliminary Arrangements Act; or
  - b) participating in mediation with an independent mediator.
- 19.7. If the parties do not agree on a mediator, then the mediator will be appointed by the President of the New Zealand Law Society.
- 19.8. The parties must mediate the difficulty in accordance with principles agreed between them or, if no agreement can be reached, the principles determined by the mediator.
- 19.9. Unless the parties agree otherwise, the mediator's fee and any other costs of the mediation itself (such as for venue hire or refreshments) will be shared equally between the parties, but the parties will each pay their own costs of preparing for and participating in the mediation (such as for travel and legal representation).

## Schedule 1 – Signatory Councils

	Authorised signatory	Signature
1. Hauraki District Council	David Speirs	
2. Matamata Piako District Council	Manaia Te Wiata	
3. Ōtorohanga District Council	Tanya Winter	
4. South Waikato District Council	Susan Law	
5. Taupō District Council	Julie Gardyne	
6. Waipā District Council	Steph O'Sullivan	
7. Waitomo District Council	Ben Smit	



## Schedule 2 – Strategic framework





## Schedule 3 – Heads of Agreement Development Process

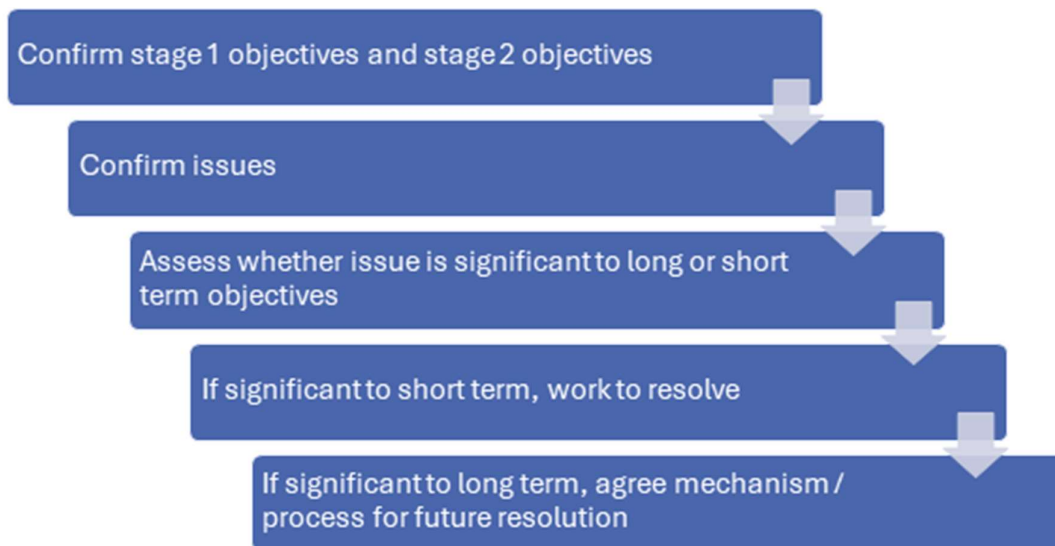
### HOA relationship principles

The parties will:

- a) **Partnership:** engage with each other leveraging off their existing relationships of trust and open communication and will seek to resolve any issues through robust and frank discussion
- b) **Maintain confidence:** conduct themselves in a manner that enables each member to rely on each other including respecting confidential discussions and information
- c) **No Surprises:** communicate openly, honestly and respectfully with each other, including sharing of each council's thinking, their issues and actual or potential changes in direction
- d) **Build goodwill:** work in a manner that is reasonable, honourable and in good faith, and which builds and maintains goodwill between the parties and for the benefit of the people and communities the parties serve
- e) **Timeliness:** maintain their commitment to the timeframes agreed through council resolutions and will respond in a timely manner to issues raised and to communications
- f) **Effective engagement:** make themselves available to effectively engage in the negotiations with the objective of searching for solutions to issues raised
- g) **Be strategic:** work through short-term challenges while being focused on long term opportunities.

### Heads of Agreement decision making framework

Application of the following decision-making framework when working through the various issues tabled by each council.



## Schedule 4 – Documents the HOA will inform

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The content of the heads of agreement will inform development of each of the below documents which will be brought back for formal approval at the appropriate time.

Documents	Detail
Public consultation documentation	Will set out the manner in which the Waikato Water Done Well option will be presented to communities alongside other options Councils may have regarding the anticipated or proposed model or arrangement for delivering water services for the purposes of its water services delivery plan, such as the option of remaining with the existing approach for delivering water services where this is a viable option.
Constitution	Based on the aggregated model being a company (refer clause 2 below), this will set out the rules of how any entity will be governed.
Shareholders' Agreement	Will set out how shareholders will operate with the Board of Directors of any entity and between themselves.
Statement of Expectations	Will set out the expectations the shareholders have of the Board, including how the entity is to conduct its relationship with the shareholding councils, communities, Iwi, hapū, and other Māori organisations.
Service level agreement	Scope of services that each Stage 1 shareholding council will acquire and relevant terms and conditions.
Water services delivery plans	Those Councils who commit to establishing a CCO will prepare a water services delivery plan jointly in relation to the future services delivery model.

## Schedule 5 – Statement of Expectations Minimum Content

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The below is the minimum content that must be included in the Statement of Expectations:

- a) Such matters as required by legislation
- b) That the CCO is managed for the collective benefit
- c) Strategic priorities – including that the Board focus on achieving better outcomes for communities, noting that the shareholders are councils who have determined to come on board for the benefit of their communities
- d) The strategic framework adopted in principle by the shareholders is the starting point for the Board when focussing on the long-term strategic direction
- e) Critical success factors. This includes:
  - i. Clarity on mission of Board and values expected to adhere to
  - ii. Maintaining an effective and trusted relationship with each Shareholding Council:
  - iii. Working collaboratively with each Shareholding Council to support the transition and establishment principles being given effect to, including understanding the impact of transition on councils and, to the extent reasonable, the nature of the services that may need to be provided to manage risk
  - iv. Development of staff
- f) Effective partnering with Iwi (refer 9 clause of the Heads of Agreement) to build on existing obligations of Councils (including giving effect to Te Ture Whaimana) and establish and maintain strategic relationships.
- g) Catchment approach to be taken to consenting and investment
- h) Within the context of the CCO, and the wider Statement of Expectations, establish and maintain processes to provide opportunities for Māori to contribute to the decision-making processes of the CCO and consider ways in which it may foster the development of Māori capacity to contribute to these decision-making processes
- i) Effective partnering with Waikato Regional Council to explore the potential opportunities set out in the Heads of Agreement, and as developed over time.
- j) Engage with regulator re regulatory model.
- k) Board will have a significant focus on ensuring a smooth and successful transition of people, processes and systems at each Stage.
- l) Management of risk and robust change process during transition
- m) Grow the cultural competence of the company through governance, management and workforce
- n) Board to ensure effective delivery of the functional services at Stage 1 in accordance with the terms of the services level agreement
- o) Planning and implementation of Stage 2 is to be carried out in accordance with the agreed establishment principles.
- p) Stage 2 establishment planning in accordance with design parameters and key matters agreed below for Stage 2 design

## Schedule 6 – Shareholders Representative Forum Terms of Reference

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The Terms of Reference for the Shareholders Representative Forum will include the following as a minimum:

### **Purpose**

1. The purpose of the Shareholder Representative Forum is to support the coordination of multiple council interests and operate as the liaison between the CCO and the Shareholders and between the Shareholders themselves.

### **Representative**

2. It is expected that only one representative from each Shareholding Council will be appointed and attend meetings of the Shareholder Representative Forum. Unless decided otherwise by a Shareholding Council, the representative will be their Mayor.

### **Decision making**

3. The Shareholder Representative Forum will:
  - a) have delegated authority in relation to general shareholder oversight responsibilities and the matters listed in paragraph 5 below
  - b) be responsible for referring those matters not within the Shareholder Representative Forum's effective decision-making back to their respective Councils for decision making. The matter referred will require a decision of the Council to be brought back to the Shareholder Representative Forum within a stipulated timeframe. Shareholder Representatives must be equipped to cast votes on behalf of their councils at the relevant meeting.
4. Decisions made by the Shareholder Representative Forum are binding on the councils and are not capable of review

### **Delegated authority**

5. The role of the Shareholder Representative Forum will include:
  - a) leading the recruitment, selection and appointment process for the Chair of the CCO Board
  - b) in conjunction with the Chair of the Board, lead the recruitment, selection and appointment process for the Board Directors
  - c) approving a remuneration framework for the Board
  - d) negotiating the combined Shareholders Statement of Expectations
  - e) engaging with the Board in response to any requests for input into policy or procedural matters
  - f) ensuring Shareholding Councils are informed about the CCO's performance
  - g) making and implementing decisions on behalf of Shareholding Councils (in a manner that will be particularised in detailed terms of reference)

h) support decision making in relation to Partner involvement (refer clause 99 of HOA)

**Quorum**

6. For a meeting of the Shareholder Representative Group to have a quorum, at least 75% of the Shareholder Representatives, or their appointed Alternates, must be present. A Representative can appoint an Alternate.

## Schedule 7 – Board Skills and Competency

### Matrix of Skills

Each Director of the Company must have the skills, knowledge, or experience to:

- guide the Company, given the nature and scope of its activities; and
- contribute to the achievement of the objectives of the Company.

In making all Director appointments, the Shareholding Councils must ensure that all directors have the essential attributes and core competencies set out in the Institute of Directors Competency Framework and that the Board collectively has the following attributes:

### COLLECTIVE BOARD ATTRIBUTES

Candidates with the ability and willingness to:		Desirable but not mandatory	At least one director	Multiple directors	All directors
1.	Chair the Board		√		
2.	Participate fully in the life of the Board and on subcommittees as required				√
3.	Demonstrate the individual attributes outlined below				√
<b>Relevant knowledge and experience in/of:</b>					
4.	Governance and leadership experience				√
5.	Commercial strategic and business acumen (with experience to oversee commercial negotiations)			√	
6.	Board member suitable to chair the Finance and Assurance committee, likely with a Chartered Accountant or equivalent background		√		
7.	Relationship management skills and experience, particularly in the Local Government context and with previous public sector experience Proven track record of high EQ and leading through complex change processes			√	
8.	Understanding of governance delivering community good civil infrastructure assets		√		
9.	Governance experience in industries delivering other utilities (such as electricity, telecoms)		√		
10.	A strong understanding of the Waikato region and contemporary local government context, including appreciation of public accountability			√	

Candidates with the ability and willingness to:		Desirable but not mandatory	At least one director	Multiple directors	All directors
11.	Practical, and preferably governance leadership experience in Water Services		√		

Candidates with the ability and willingness to:		Desirable but not mandatory	At least one director	Multiple directors	All directors
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12.	Resource and environmental management and the RMA - <u>– demonstrating a commitment to kaitiakitanga and stewardship of the natural environment</u>		√		
13.	Experience integrating Te Ao Māori and Tikanga Māori in a professional board environment  Understands how to lead, impact and influence to maintain, uphold, and proactively engage with the principles of the Treaty of Waitangi		√		
14.	Demonstrates a strong knowledge of relevant settlements in the region, for example, Te Ture Whaimana			√	

## Schedule 8 – HOA Council Activity

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### Council activity

1. To implement this HOA, a detailed project plan is being developed setting out the phases of work, funding and expectations of councils, with the intention of the CCO being operational by no later than 1 July 2026.
2. Transition planning will begin in earnest once Participating Councils have approved the governance documentation. Once planning commences, it is expected that each Participating Council will work with the other Participating Councils to:
  - i. develop and document the Participating Councils' technical, operational, legal and other requirements to support transition planning for the aggregated model ("**Requirements**")
  - ii. plan and design transition to meet the Requirements (to the extent reasonable) at such time(s) required by the other Participating Councils
  - iii. make decisions in relation to matters for developing the aggregated model within agreed timeframes having regard to the timeframe for submission of water services delivery plans and the intended implementation plan
  - iv. provide a dedicated single point of contact for that Participating Council for the management of the project delivery (ideally a project manager, who will also be the person authorised to make decisions (for example, approvals of proposed public comments on the project) on behalf of that Participating Council)
  - v. provide a dedicated and senior level 'sponsor' for the project
  - vi. attend those meetings agreed by the Participating Councils as appropriate or necessary for the effective governance of and/or the delivery of the aggregated model
  - vii. fund and provide resources to undertake the project