

**[Scheme name]**  
**LMA DUE DILIGENCE**  
**INTERIM BOARD CHARTER**  
**March 2013**

**EXPLANATORY NOTE**

This Interim Board Charter template has been prepared to assist the board to establish governance standards that will meet the expectations of channel irrigation scheme customers and government as the major stakeholders in the due diligence process.

The Charter may be amended when the board is formed to meet particular needs of the board through negotiation with the Independent Chair.

## **1 Introduction**

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The Queensland Government is considering options for transferring SunWater's eight channel irrigation schemes to local ownership and management. To allow the government and SunWater customers to determine whether they support such a move, the government is inviting proposals on how a transition to local management arrangements (LMA) could be achieved.

This process will involve selecting a Chair and establishing an interim board for each of the eight schemes. The Chairs will lead the boards in undertaking a due diligence of the schemes, developing proposals for how the schemes could be managed under LMA, and in consulting with irrigators and other stakeholders. The proposals are to be completed by September 2013, with government expected to decide whether to accept the proposals by December 2013.

In the event that irrigators and government agree to move to LMA, the detailed arrangements for the execution of the transfer of assets, establishment of legal entities and transitional arrangements will be undertaken as part of a subsequent phase of work.

## **2 Establishment of the Interim Board**

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The Chair of the [XYZ] LMA Interim Board has been invited by the Minister for Energy and Water Supply (the Minister) to establish and lead a process for the purpose of developing a proposal for the transfer of the [XYZ] scheme from SunWater to LMA. The Chair and the members shown in Appendix 1 have agreed to establish the [XYZ] LMA Interim Board (the Interim Board) for that purpose.

This charter sets out the objective, roles and responsibilities, governance framework, code of conduct and operating arrangements for the board.

The board will wind up at the conclusion of the due diligence process unless otherwise agreed with government.

## **3 APPOINTMENT AND COMPOSITION**

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The inaugural Chair and members of the Interim Board have been selected through an open call process with a selection panel made up of:

- in the case of the Interim Board Chair – the Independent Chair and representatives from local irrigator or community organisations, and
- in the case of other members of the board – the Interim Board Chair and the Independent Chair.

The Interim Board will consist of up to five members, including the Chair. The board will ensure that it has an appropriate skill set to perform its role. The board will include at least two members who are not SunWater customers in the scheme and are not directly affiliated with a customer.

Where the board determines that it requires additional input from scheme customers due to complex geographically, commodity or infrastructure issues then consideration will be given to establishing a reference group. Terms of reference will be developed for the reference group and confidentiality matters addressed in consultation with the Independent Chair.

If the position of Chair becomes vacant during the LMA process, the Interim Board and the Independent Chair will determine an appropriate selection process for a replacement.

If a vacancy on the board occurs during the LMA process, the Interim Board Chair and Independent Chair may determine an appropriate selection process for a replacement.

## **4 Objective of the Interim Board**

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The objective of the Interim Board is to develop a business proposal, describing how the transfer of ownership of the [XYZ] scheme assets to a new corporate entity owned and controlled by the customers will result in long term sustainability for the scheme. The proposal will be considered by the customers and the State Government in deciding whether to proceed to local ownership.

The proposal must demonstrate:

- how a move to local ownership and management will ensure that the scheme will be sustainable over the long term
- that the proposal is in the best interests of scheme customers and the State of Queensland, and
- that the proposal aligns with the Government’s commitments of growing a four pillar economy and doubling the value of agricultural production by 2040.

The Queensland Government has established principles to guide the LMA process (the LMA principles). The Interim Board must ensure that the proposal complies with the principles. The principles are:

1. The long-term benefits (including economic, financial and public interest benefits) to the State of each proposal outweigh the costs incurred in setting up and operating local management.
2. A strong majority of irrigators support the move to local management.
3. The LMA must be a viable enterprise over the long term with limited risk of financial, operational or other significant failure, without recourse to government.
4. The LMA is capable of delivering efficient water services.
5. The assets will be maintained and refurbished in line with agreed service levels.
6. The LMA demonstrates a capacity to meet the statutory planning, regulatory and environmental obligations.
7. Any required debt funding can reasonably be accessed, noting that the new entities would be prohibited from borrowing from the Queensland Treasury Corporation (QTC).

The principles have been expanded into the LMA Principles and Assessment Criteria. A draft of this document is included as Appendix 2. This document will be finalised by the IAG and LMA working group. The IAG will make recommendations to government on the basis of the Principles and Assessment Criteria. In coming to a final decision government may take additional factors into account.

A draft Business Proposal Template is included as Appendix 3. The template is designed to assist with the development of the business proposal and will also be finalised by the IAG and LMA working group.

## **5 LMA Governance arrangements**

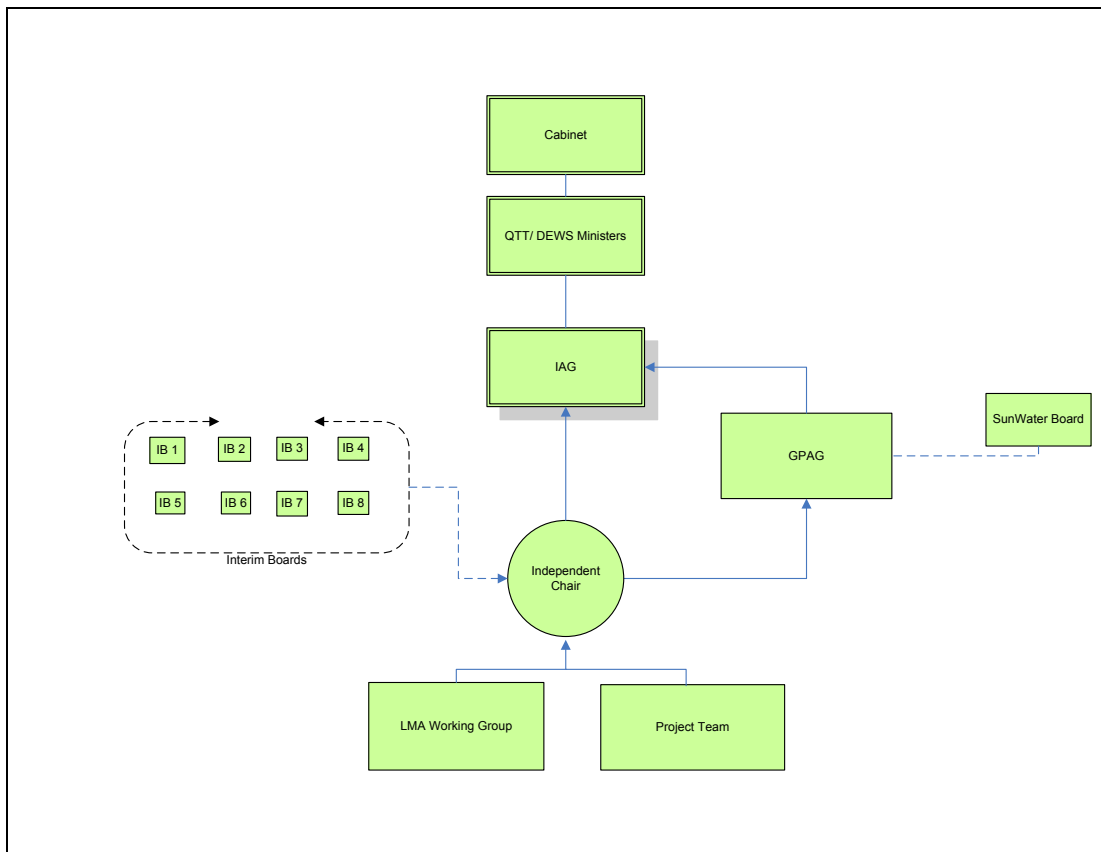
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The Interim Board acknowledges that it has been established to contribute towards a broader program of work (‘the LMA process’), aimed at exploring options for LMA in the eight SunWater channel schemes. The LMA process is described in more detail in the Implementation Plan for Stage 2 of Investigation of Local Management Arrangements (‘the Implementation Plan’).

In performing its role, the board will have regard to the governance arrangements for the LMA process, recognising that:

- an Independent Chair has been appointed to support the LMA process, and particularly to support the Interim Boards in achieving their objectives
- a project team has been established to support the Independent Chair and the boards
- the board is accountable to the Independent Chair for undertaking activities under the board’s work plan
- engagement with government will be via the Independent Chair, and
- the Independent Chair and the project team will respect the authority of the board to take its own decisions in relation to the development of the business proposal.

The governance arrangements are shown in the figure below and described in more detail in the Implementation Plan.



## 6 AUTHORITY AND ROLE

The Interim Board derives its authority to prepare a business proposal for the XYZ scheme from the invitation of the Minister to the Chair, made on [INSERT].

The role of the Interim Board is to:

- undertake due diligence of the scheme, to ensure they have sufficient information to develop the business proposal

- determine the appropriate level/s of service to be priced in the business proposal
- prepare a business proposal that is consistent with the board’s objective and the LMA principles
- determine through consultation with scheme customers whether the proposal meets the Business Proposal Assessment Guide criteria and make recommendations to the Independent Chair accordingly
- identify policy issues at the scheme and state level that require resolution to enable LMA to be implemented
- engage and consult with customers of the scheme to ensure that:
  - customers understand the LMA process
  - customers have an opportunity to contribute to the development of the proposal, and
  - there a strong majority of customers support the proposal.

The Interim Board acknowledges that:

- the board is required to prepare a business proposal in the best interests of all customers in the scheme, however
- the board does not act on behalf of the customers, and the proposal and any other recommendations they make to government will not be binding on the customers, and
- the board does not have authority over the scheme assets and their operation or over SunWater staff.

## 7 CODE OF CONDUCT

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The Interim Board recognises that the LMA process is time bounded, complex, involves many parties and will involve inherent conflicts of interest. Ensuring the success of the process will require all those involved to commit to the highest standards of ethical behaviour and building strong relationships.

The Interim Board recognise that there are certain fundamental ethical values that underpin their role. All members of the board will:

- act honestly, in good faith, with impartiality, and in the best interests of the (XYZ) scheme customers as a whole
- be open and honest with each other, the Independent Chair, and the project team at all times
- actively participate in all business of the board
- be accountable for the way in which resources and services provided to fund the activities of the board are accessed and used
- abide by majority decisions of the board
- ensure, to the maximum extent possible, that they do not engage in any other activities that may lead to a conflict of interest with their responsibilities to the board
- not allow personal interests, or the interests of any associated person, to conflict with the interests of the board
- work cooperatively among themselves and with the project team
- be cognizant of the needs and constraints of other parties to the LMA process
- be diligent and strive to meet the intent of the LMA principles and the timelines for the LMA process
- respect the confidentiality requirements of the various parties to the LMA process
- not take improper advantage of their position as member of the board or make improper

- use of information acquired as a member of the board
- respect the ongoing roles and responsibilities of SunWater staff, and
- avoid any behaviour that is likely to reflect badly on the board, scheme customers or the LMA process.

## **8 Responsibilities of the Interim Board**

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In fulfilling its role, the Interim Board will:

- comply with this charter, including the code of conduct
- develop a work plan for achieving its objective and performing its role
- establish a memorandum of understanding with the project team for the support to be provided to the board by the project team
- be accountable for any funds or resources provided to the board for the performance of its role, and ensure those funds and resources are used effectively in achieving the objective
- oversee and manage the work of any third-party consultants engaged to assist the board with its responsibilities
- provide monthly reports to the Independent Chair against the work plan
- provide a final report, including the business proposal and recommendations, to the Independent Chair, and
- identify, manage, and report on risks related to the board's role and the achievement the board's objective.

## **9 Responsibilities of the Chair**

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The Chair is the official representative and spokesman for the Interim Board. The Chair's responsibilities include:

- providing leadership to the board
- ensuring the efficient organisation and conduct of the board
- chairing board meetings
- ensuring that the board fulfils its role, including its commitment to deliver a business proposal within the agreed timelines
- continuously monitoring the performance of individual members and the board as a whole
- promoting an environment of trust, respect and openness to ensure consultative and constructive relationships between the board, the Independent Chair, the project team and other relevant stakeholders
- actively participating in the LMA Working Group (see Implementation Plan for Terms of Reference), and
- acting as the spokesperson for the board in interactions with key stakeholders.

## **10 Due Diligence Resources**

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In performing their roles and responsibilities, the Chair and the Interim Board will be supported by the LMA Independent Chair and the LMA project team. The project team will provide the board with legal, engineering, financial, and other technical support to assist with the due diligence and the development of the proposal. However, the board will be responsible for preparing the proposal and the Independent Chair and the project team will respect the board's responsibility to do so.

The Department of Energy and Water Supply has committed resources to fund the project team and additional experts to support the Interim Board. The Independent Chair is responsible for allocating and managing these resources to meet the needs of the board and the LMA project as a whole. To support this process:

- The Independent Chair, in consultation with the LMA Working Group, will be responsible for determining how the available resources can be equitably shared across the eight schemes.
- The board, with support from the project team, will prepare a work plan, describing its proposed approach to achieving its objective and fulfilling its role, including identifying the resources that will be required from the project team.
- The board and the project team will agree upon a memorandum of understanding, describing the resources that will be made available to the board by the project team, and the way in which the resources will be managed to meet the objectives under the board's work plan.

The Interim Board recognises the limits on the resources that will be available through the project team. The board may use additional resources where necessary and available, for example if irrigators in the scheme are prepared to fund additional due diligence work.

## **11 Confidentiality**

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The members of Interim Board:

- acknowledge that in undertaking their duties as board members, they will be provided with commercially-sensitive or other confidential information
- recognise that such information is only provided for the purpose of undertaking due diligence and preparing the business proposals
- agree to sign confidentiality agreements where required, including with SunWater and the Department of Energy and Water Supply, and
- will work with the Independent Chair in preparing material to present to scheme customers for consultation purposes, to balance the need to provide adequate information to customers with the need to maintain confidentiality.

The final business proposal submitted to government will be assessed and submitted for Cabinet consideration and therefore must be treated as commercial in confidence. Decisions in relation to public release of the business proposals will be a matter for government.

## **12 Conflict of Interest**

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The Interim Board recognises the potential for actual and perceived conflicts of interest in respect of members of the board. As a result, members must:

- declare any interests or business or other relationship that could, or could reasonably be perceived to, impact upon their ability to act in the best interests of the board and the channel scheme as a whole
- complete and keep up to date a Declaration of Interests form (Appendix 4), and
- keep the board informed of any changes in their interests and business or other relationships on an ongoing basis.

A member of the board who is also a customer of the scheme will have an ongoing, general conflict of interest. Where such a conflict exists, both the member and the board as a whole must monitor the interest and exercise judgement in determining whether, and in which circumstances, the interest constitutes a material conflict of interest. A material conflict of interest exists when the interests are likely to cause the member to be unable to act in an independent manner when making decisions or when the outcome of the particular decision is likely to provide a significant benefit to the member.

If a member has an interest in a matter that comes before the board for discussion, then the board must determine whether there is a material conflict of interest, and if so whether the member should be excluded from the discussion. Where there is any doubt, the board will adopt a conservative

approach to avoid any actual or perceived conflict arising.

## 13 Board Meetings

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The Chair will call regular meetings of the Interim Board, on dates as determined by the board. The Chair is responsible for the general conduct of meetings and for the procedures to be adopted at meetings. For each meeting:

- the agenda will be determined by the Chair, in consultation with the project team when their support is required, and
- the board may invite people with particular expertise or knowledge as it deems necessary or appropriate.

The Chair will ensure the meeting procedures provide that:

- a quorum consists of at least three board members
- board meetings are held at least monthly
- a record of the minutes of the meeting will be kept, and
- members are given reasonable notice of meetings.

## 14 Remuneration and Insurance

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Board members will be remunerated in accordance with the rates set under the Government guideline on Remuneration of Part-time Chairs and Members of Government Boards, Committees, and Statutory Authorities. The Independent Chair has established a cap on the total available remuneration for the board.

Remuneration will be by way of a grant from the Department of Environment and Water Supply directly to the individual board members. The grant will also define the number of days for meetings and for special assignment (i.e. other activities).

Indemnity insurance will be provided for board members.

## 15 Definitions

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**Business proposal** means the proposal to be prepared by the Interim Board describing how the [XYZ] scheme could be owned and managed by an entity that is owned by the customers of the scheme

**Customer** means a customer of SunWater supplied with water by the XYZ scheme

**IAG** means the Inter-departmental Advisory Group which has responsibility for overseeing the LMA process.

**Implementation Plan** means Implementation Plan for Stage 2 of Investigation of Local Management Arrangements, approved by the Minister and Treasurer in February 2013

**Independent Chair** means the independent chair appointed to lead the LMA Stage 2 process

**Independent Member** means a member who is not a scheme customer

**Interim Board** means the Interim Board for XYZ scheme

**LMA principles** means the principles established by the State Government and described in section 2 of this charter

**LMA Working Group** means the group described in the Implementation Plan consisting of the chairs of the Interim Boards of all eight channel schemes, the Independent Chair, and industry



representatives.

**Irrigator** means an irrigator supplied with water by the XYZ scheme

**Member** means the members of the Interim Board, and includes the Chair

**Minister** means the Minister for Energy and Water Supply

**Objective of the board** means the objective stated in section 3

**Project team** means the independent team established the purposes of supporting the Interim Board and the LMA Stage 2 process and hosted by the Department of Energy and Water Supply

**Scheme** means the [XYZ] scheme

## **Appendix 1 – Inaugural Members of the Interim Board**

Chair:

Board member:

Board member:

Board member:

Board member:

## Appendix 2 – Draft LMA Principles and Assessment Criteria

*DRAFT WORK IN PROGRESS – 10 April 2013*

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### Introduction

The purpose of this document is to provide the Interim Boards with an understanding of the way their proposals will be assessed by government and to avoid ‘gaming’ by parties on both sides of the transaction (i.e. the government and the Interim Boards) in the final stages of negotiation on a move to LMA. This document describes:

1. **The LMA Assessment Principles.** These are the principles approved by the Cabinet Budget Review Committee (CBRC) meeting in December 2012. These principles must be met to allow for a shift to local ownership and management of SunWater’s eight channel irrigations schemes. This document includes an interpretation of each of these principles as the basis for setting out a common understanding of their meaning and to assist the Interim Boards in preparing proposals that meet these principles.
2. **The LMA Assessment Criteria.** This document identifies three assessment criteria that will be used to demonstrate that the principles have been met. These criteria take into account linkages between principles and the reality that certain principles will have greater significance than others in the final decision-making. The final business proposals will be assessed against these criteria and the Interdepartmental Advisory Group (IAG) will make recommendations to government on this basis. For each assessment criteria suggestions have been made in relation to the evidence that should be provided by the Interim Boards in the business proposals.
3. **Policy assumptions.** There are a number of policy issues about which assumptions will need to be made by the Interim Boards and by government in preparing and assessing the business proposals. This document identifies some of those issues. The document will be updated during the course of the project to include additional matters that are identified and an agreed position for each of these issues as they are resolved.

Each business proposal must consider the LMA principles and must satisfy the LMA assessment criteria. This document is not designed to be exhaustive, and Interim Boards may include other information they consider supports their proposal. A business proposal template has also been developed to assist the Interim Boards to ensure that the due diligence, early negotiation of material issues and the preparation of the business proposals meet the needs of decision-makers.

This document has been reviewed by both sides to the irrigation channel scheme transaction. It has been approved by the IAG on behalf of the prospective ‘sellers’ and endorsed by the LMA WG on behalf of the prospective ‘buyers’. However, the parties recognise that:

- the interpretation of the principles and the three assessment criteria have not been approved by CBRC
- the final decision on whether to proceed with LMA will require a decision of the Cabinet, and will not be a matter for the IAG, and
- in making its final decision, Cabinet will be influenced by factors beyond those described in this document, including circumstances related to the State budget.

## LMA Principles

Cabinet Budget Review Committee has approved a set of principles to guide the LMA process. In order to establish a common understanding of what is meant by the principles and to apply that thinking to the development and assessment of the business proposals, this document sets out the rationale behind the principle.

**Principle 1: The long-term benefits (including economic, financial and public interest benefits) to the State of each proposal outweigh the costs incurred in setting up and operating local management.**

**Rationale:** The channel irrigation schemes are significant public assets and there has been major investment by the State over many decades to establish and maintain the schemes. As State-owned assets, they are currently insured for a sum of \$2.3 billion. The schemes support over two thousand irrigation farms and contribute significantly to local economies. Before divesting itself of these assets, government must decide that any change is in the public interest at local and State levels. This will require an understanding of what the benefits would be of a shift to local management compared with the cost of establishing and maintaining the new arrangements, and specifically what the benefits and costs to State would be.

**Principle 2: A strong majority of irrigators support the move to local management.**

**Rationale:** A move to local management will only be successful if the new arrangements have strong support from the irrigators who will become responsible for the scheme. It is important that irrigators understand the implications of the proposed new arrangements, are involved in developing the proposals, and support a shift to local management.

At the same time, there are many irrigators across the eight schemes, and it is unrealistic to expect that there will be universal support for a change to local management. There are also many different ways in which local management could be implemented, and it is also unlikely that all irrigators will support any one model. However, broad support for the general approach will be required.

**Principle 3: The LMA must be a viable enterprise over the long term with limited risk of financial, operational or other significant failure, without recourse to government.**

**Rationale:** A major risk to irrigators and government is that one of the new entities fails. In that case, there would be significant risk for individual businesses within the schemes and government may be pressured to intervene and again take over responsibility for the scheme. This could involve significant cost to irrigators and government, particularly if the assets have been run down or are otherwise damaged. The cost of scheme failure would likely to be recouped through price increases. Failure could be due to one or more of:

- Poor financial management
- Poor asset management
- Natural or other disaster resulting in major damage to scheme assets, and inadequate insurance and/or resources to repair the damage.

**Principle 4: The LMA is capable of delivering efficient water services.**

**Rationale:** The schemes are to transition as going concern businesses and will need to demonstrate that they will be able to continue to meet the needs of their customers. To be financially viable, the new entities will need to efficiently meet the level of service required by customers. There may be some economies of scale in the way water services are provided by SunWater that could be lost if LMA proceeds and there may be new innovations at the scheme level that secure greater efficiencies and/or better service. The proposals should clearly demonstrate effective and efficient delivery of water and water services.

**Principle 5: The assets will be maintained and refurbished in line with agreed service levels.**

**Rationale:** Further to principle 3, irrigators and government have an interest in ensuring that the assets are maintained to meet the needs of irrigators and to minimise the risk of failure. At the same time, an objective of local management is that irrigators within a scheme can take responsibility for deciding on appropriate levels of service for water supply and the related asset management, and whether to rationalise or expand aspects of the scheme. Irrigators may determine that certain assets are no longer required, or may accept a different level of risk in relation to asset management. This will be acceptable provided the required service levels are clearly defined and it is demonstrated that risk can be managed effectively.

**Principle 6: The LMA demonstrates a capacity to meet the statutory planning, regulatory and environmental obligations.**

**Rationale:** The new entities will be subject to a range of regulatory obligations. These are likely to include:

- Distribution operations licence conditions (e.g. monitoring and reporting on water abstractions, seasonal water assignments)
- Environmental licences (e.g. use of chemicals, maintenance works)
- Occupational health and safety requirements
- Corporations law or equivalent requirements

The new businesses will need to demonstrate they will have the capacity and systems to comply with these requirements.

**Principle 7: Any required debt funding can reasonably be accessed, noting that the new entities would be prohibited from borrowing from the Queensland Treasury Corporation (QTC).**

**Rationale:** Subject to the business model proposed for each scheme, the new, irrigator-owned entities may require additional funds to finance operations, renewals, or expansions in the scheme. As privately owned entities, these new bodies will not be able to access funds through the Queensland Treasury Corporation. Government will need to be satisfied that the entities are able to access capital and/or debt funding that the business model requires.

## LMA Assessment Criteria

For the purposes of assessing the business proposals, the seven LMA principles have been distilled into three assessment criteria, recognising the connections and dependencies between the different principles; the relative importance of different principles; and that it is not possible to identify pass/fail benchmarks for all the principles, but rather that a level of judgement will be required.

In considering whether to proceed with LMA, government will need to determine:

- (i) whether LMA can work, i.e. if the businesses will be viable, and
- (ii) whether LMA is in the best interests of the State, i.e. that the benefits outweigh the costs.

Underpinning these considerations is the fundamental requirement that there be strong irrigator support for a move to LMA, which is recognised as a pre-requisite for success. These factors form the basis of the first two criteria below. The third of the criteria relates to separation payments, in recognition the significance of such payments both for ensuring the long-term viability of the new businesses as well as for assessing the costs and benefits to government of a move to LMA.

The Interim Boards will not be able to provide information related to all of the considerations raised in the annex – for example assessing the costs to government of administering different regulatory regimes, or assessing the budgetary implications for SunWater or government of different options. It will be a matter for the project team and/or government to provide the information and analysis related to such matters.

### **Criteria 1: Long-term viability of the business**

The proposal must demonstrate that the new business will be viable over the long term with limited risk of financial, operational or other significant failure, without recourse to government. This will include demonstrating that:

- There is strong irrigator-support for the move to local management.
- The proposed corporate form accommodates the needs of different customers.
- There is a sound strategic plan for the entity.
- The business proposal takes into account the short, medium and long-term needs of the business.
- Revenue, including revenue during drought, will be sufficient to support proposed operations, maintenance and renewals programs.
- The corporate form ensures assets are protected and maintained to provide water services over the long-term.
- Assets will be maintained in accordance with agreed service standards.
- Risks and risk management strategies are identified.
- The entity will have appropriate capacity, skills, and diversity within the board, management, and staff, including the capacity to comply with its regulatory requirements.
- If necessary the entity can access capital/debt funding.

### **Criteria 2: Benefits outweigh the costs**

The proposal must demonstrate that long-term benefits (including economic, financial and public interest benefits) to the State of moving to LMA will outweigh the costs to the State of setting up

and operating the new business. Costs and benefits will need to be considered in terms of both whole-of-state issues/costs and scheme-specific issues. This will include an assessment of:

- the costs of maintaining the status quo, including ongoing CSO payments, other costs to SunWater, and costs of regulatory oversight
- the cost of moving to LMA, including transaction costs, any separate payments, ongoing costs
- the risk of scheme failure and the implications for government and local businesses and communities in the event of failure
- the costs to SunWater and government if only some schemes moving to LMA
- the benefits of moving to LMA, including benefits from improved agricultural productivity.

### **Criteria 3: Separation payments are reasonable and justified**

The proposal must demonstrate that any proposed separation payments are reasonable and justified. The reasonableness of separation payments will be assessed having regard to:

- the current condition of the assets
- the proposed service standards
- the proposed renewals program, and
- the proposed tariff structure.

## **Policy assumptions**

There are various policy issues that will affect the operation of new LMA businesses. In some instances, these policies may be resolved prior to the proposals being completed. Where this is not the case, the Interim Boards will need to make assumptions about future government policy. Equally, those assessing the proposals on behalf of government will need to make certain assumptions in assessing the costs and benefits of the proposals. This document identifies those issues where an agreed position needs to be reached as the basis for preparing and assessing the proposals. This does not mean that government will be bound by or need to have implemented the agreed position – rather, it will be a matter of government advising what assumptions should be made regarding the following (and other) policy issues:

- future regulatory requirements that would impact on the operations of the LMA businesses, including regulations with cost implications for the businesses and for government
- future pricing policy related to bulk water prices, and
- the application of national metering policy to the channel schemes.

During the course of the LMA project, this document will be updated to include agreed positions on the above and other relevant policy issues.

## **Appendix 3 – Draft Business Proposal Template**

### **Summary**

- Overview of the business model to be adopted
- Assessment of benefits to irrigators from new model

### **Corporate form**

- Proposed corporate form, including assessment of how it meets scheme customers' needs and expectations
- Basis for establishing shareholding/membership of new entity
- Protections to be afforded minority shareholders
- Contracting and supply arrangements for customers who do not want or are not eligible to become 'owners' of the scheme

### **Financial**

- Financial model and assumptions underpinning model to reflect overall projected income and expenditure for 20-30 years
- Capital investment plan for 20 - 30 years
- Renewals annuity model for 20-30 years
- Pricing model, including water prices/tariff structures/drainage charges/distribution water harvesting charges/per customer charges (if any)/termination fees (for exiting the channel scheme)
- Capital structure
- Annuities and renewals funds
- Financial management system
- Requirements for and approach to debt funding, including any sources already identified
- Requirements for separation payments, including justification and recommendations with regard to the mechanism and timing of payments

### **Governance, management, and risk**

- Management structure and governance arrangements
- Composition, qualifications, and experience of board, management and staff
- Risk management framework
- Regulatory compliance measures and systems
- Insurance program
- Emergency action plans

#### **1.1 Asset management and operation**

- Defined service levels and performance measures for scheme operation
- Asset management plan, including asset refurbishment and renewals policy and underpinning economic model.



- Operational plan, including plan for management of distribution losses

#### **Potential for innovative approaches to scheme management**

- Any plans for reconfiguration or rationalisation
- Assessment of potential for LMA to support increased agricultural production in the scheme
- Potential benefits for regional economy

#### **Transitional arrangements**

- Proposed approach to reaching consensus on final corporate form, shareholdings, and business model
- Operational plan for first year of operation
- Business continuity plan

#### **Consultation and irrigator support**

- Consultation process for engaging with irrigators from the distribution scheme on the draft business proposal
- Results of consultation
- Approach to addressing concerns raised by irrigators

## Appendix 4 – Declaration of Interests

(XYZ) LMA Interim Board

### DISCLOSURE BY MEMBER

<b>Date</b>	
<b>Full Name</b>	
<b>Title</b>	
<b>Appointed</b>	<i>[date appointed to Board]</i>
<b>Special Responsibilities</b>	<i>[refers to special responsibilities to the entity – e.g. Chair of Board, Chair or member of Board committee]</i>
<b>Qualifications</b>	
<b>Occupation</b>	
<b>Other Directorships, Committees &amp; Affiliations</b>	<i>[list all organisations in which you hold a position on its board, council of management, advisory committee or other senior position]</i>
<b>Disclosure of Interests</b>	Matters/business dealings/contracts/relationships in which I do/may have a material personal interest that could conflict with my duties and/or relate to the affairs of the (XYZ) scheme: <i>[Examples – irrigation customer; related party provides goods/services to the SunWater; own land on which scheme assets are located]</i>

### DECLARATION BY MEMBER

I, [Name of member], certify that to the best of my knowledge and belief, this declaration represents all significant interests or entities related to me that may create a potential conflict of interest with (XYZ) LMA Interim Board.

I further acknowledge that I will immediately advise the Board of any changes to this declaration.

Signed: \_\_\_\_\_

Dated: \_\_\_\_\_