

Mr Bryan Jackson  
Chair  
Capacity  
PO Box  
Wellington

Dear Bryan

## **2005/06 Statement of Intent and Council Expectations**

Thank you for the draft Statement of Intent (SOI) that you provided to the Council for review. It was considered on 11<sup>th</sup> April by the Council Controlled Organisation Performance Subcommittee which then made recommendations to the Strategy and Policy Committee regarding the matters the Council should, if necessary, ask Capacity to reflect in its SOI prior to Council adoption. Subsequently, at its meeting of 21 April, the Strategy and Policy Committee approved the contents of this letter.

Under Schedule 8 of the Local Government Act 2002 a key purpose of a statement of intent is ...”to provide an opportunity for the shareholders to influence the direction of the organisation.” With this in mind, for the first time, the Council has decided it will be more proactive in setting its expectations of Capacity in the coming year. Accordingly, this letter sets out our response to the SOI and also our expectations of the contribution of Capacity in achieving the vision for our city as *Creative Wellington – Innovation Capital*.

The Council envisages that its expectations will be reflected in the final statement of intent to be approved. I would be happy to elaborate on the Council's position in regard to the contents of this letter, if you or your board wishes to discuss them.

### **Ownership and Control Objectives**

Section 59 of the Local Government Act 2002 sets out statutory objectives that a Council Controlled Organisation (CCO) must fulfil. They are:

- To achieve the objectives, both commercial and non-commercial, of its settlor(s) or shareholders as specified in the SOI;
- To be a good employer;
- To exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so;

- To conduct its affairs in accordance with sound business practice.

In addition, the Council's general objectives for CCOs are that they should:

- have a partnership approach with Council and other CCOs;
- have a regional focus, where this is appropriate;
- achieve maximum effectiveness and efficiency of, and concentrated focus on service delivery;
- access alternative sources of funding and endeavour to reduce their reliance on ongoing Council funding; and,
- operate at breakeven<sup>1</sup>.

### **Expected Contribution to Council Objectives**

The Council's strategic direction continues to build on its vision for Wellington city as *Creative Wellington – Innovation Capital* and it is vital that Capacity continues to deliver on the Council objectives to enable this vision to be achieved.

The business plan and SOI should clearly demonstrate how Capacity contributes to the Council's strategic direction and outline how Capacity's objectives and strategies underpin this.

Notwithstanding the need for Capacity to comply with the objects set out in its company constitution, the Council as a stakeholder, would like Capacity when planning and undertaking its activities during 2005/06 to address the following areas of focus (in addition to the general expectations of all CCOs set out above):-

- The Council believes Capacity should have a primary focus on service delivery to existing customers and should not in the meantime focus on maximising shareholder value at the expense of achieving desired service levels.
- The Council would also like Capacity to consider an increased emphasis on promoting and practising sustainable water usage and conservation.

### **Desired Results**

Council officers will work with Capacity to agree performance measures so that these measures are in place for 2005/06. We recommend that performance measures are established in the following areas:

- Asset Management Plans;
- Compliance with resource Consents;
- Customer Service;

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<sup>1</sup> They are not required to generate a profit or surplus apart from where this is required to meet financial obligations. Neither are they required to pay a contribution or dividend to Council.

- Contractor Performance, and;
- Financial Performance.

## **Performance Reporting Expectations**

### *Financial Information*

We wish to clarify the information we require to be provided to the Council under Sec 9. 1 (h) of Schedule 8 of the Local Government Act 2002 and establish the standards for this information.

Consolidated financial statements covering 2005/06 and the two following years should be incorporated in Capacity's strategic or business plan that is provided to the Council. This should include a statement of financial performance, statement of financial position and cashflow statement.

For reporting purposes Capacity is required to provide a budgeted statement of financial performance for each quarter for 2005/06.

A draft template is attached that sets out the suggested format providing financial information.

### *Performance Targets*

Where it is appropriate the performance targets should also be provided for each quarter so that actual performance can be monitored on a quarterly basis. The quarterly targets should be phased appropriately to reflect any seasonal differences that are expected.

## **Conclusion**

In developing its business plan and final SOI for the 2005/06 year Council would like Capacity to consider these issues and ensure that they are taken into account.

We look forward to receiving your final SOI before 30 June 2005.

Yours sincerely

Garry Poole  
Chief Executive