

CAPACITY ANNUAL REPORT 2004/05 REVIEW

1. Introduction

The directors of Capacity (Wellington Water Management Limited) have submitted their audited annual report for the year to 30 June 2005. This is the first full year of operation for Capacity.

2. Performance

a Financial results

(i) Against targets

Statement of Financial Performance

<i>\$'000</i>	FY Actual	FY Budget	2003/04 Actual
Income	4,496	4,887	1,273
Expenditure	4,613	4,887	1,273
Operating surplus	(117)	-	-
Operating margin	-	-	-
Return on equity	-	-	-

This statement does not include project expenditure incurred, as this is paid directly by the respective Councils. The small operating loss is related to transitional personnel liabilities (for annual leave). Note that the 2003/04 year was only for the final quarter.

Statement of Financial Position

<i>\$'000</i>	FY Actual	2003/04 Actual
Current assets	940	1,712
Non-current assets	100	51
Current liabilities	560	1,157
Non-current liabilities	9	20
Equity	471	586
Current ratio	1.68	1.48
Equity ratio	45%	33%

Receivables and payables have settled to an appropriate level in relation to company turnover.

Statement of Cash Flows

\$'000	FY Actual	2003/04 Actual
Operating	208	(274)
Investing	(65)	(19)
Financing	(11)	597
Net	133	304
Closing balance	437	304

The balance sheet improvements noted earlier translate into a positive cash flow result.

(ii) Trends

Since the company has only operated since April 2004, no trends are reported.

b KPIs

(i) Against targets

Measure	2004/05 Target	2004/05 Actual
Work with the approved budget and business plan	To be achieved	Achieved
Work within and report on the approved strategic plan and statement of intent	To be achieved	Achieved
Percentage of residents satisfied with storm water collection and service	70%	56%
Percentage of water complaints response within 1 hour, fixed within 6 hours.	100% water requests attended to within 1 hour, water shutdowns were restored within 6 hours	Achieved
Percentage days of contaminants free sampling	Coastal sites – 75% faecal coliform bacteria Bathing Beaches – 100% enterococci bacteria Freshwater sites – 100% faecal coliform bacteria	71% 100% achieved 75%
Budget savings	\$4.175 million in 5 years	

Capacity has generally achieved the KPI measures set for its performance. In future years many of the above measures will not be reported to this Subcommittee, as they relate more to service delivery than to governance. Some new measures have instead been introduced. The savings model has been developed, and will be reported on in future years.

(ii) Trends

Since the company has only operated since April 2004, no trends are reported.

c Significant changes

(i) In activities

There have not been any changes in the activities undertaken by Capacity.

(ii) Other – governance

Councillors John Austad and David Zwartz resigned as directors on 9 October 2004 and 5 November 2004 respectively and Councillors Bryan Pepperell and Roger Styles were appointed as directors on 5 November 2004 and 14 December 2004.

3. Discussion

a Key items from the year

OPERATING MAINTENANCE CONTRACT: a new maintenance contract was established with Abigroup Asset Services New Zealand Limited commencing in July 2005. This contract combines opex work for the two councils, over a four year period, and is expected to deliver improved service levels and reduced costs.

b Issues for consideration

No new issues have been raised in reviewing the annual report.

4. Conclusion

a Summary of analysis

Capacity has had a sound year, in terms of its key indicators and financial performance. A number of key water supply, storm water and waste water projects were completed during the year including the Aramoana Reservoir, Roseneath reservoir, the Harris St Stormwater Project, and underground wastewater storage at the Michael Fowler Centre.

b Looking forward

The company will seek to optimise its capex expenditure by appropriate bundling and tendering of contracts, and from this fully identify what savings can and will be delivered.

From a customer perspective, the two shareholding councils will expect to see consolidation in the service delivery performance over the next 12 to 24 months.

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