



## Half Year Report to Shareholders

For the six month period ended 31 December 2006

# Contents

INTRODUCTION	3
FINANCIAL RESULTS	3
FINANCIAL STATEMENTS	4
Statement of Financial Performance	4
Statement of Movements in Equity	5
Statement of Cash Flows	6
Statement of Financial Position	7
STATEMENT OF INTENT PERFORMANCE MEASURES	8
APPENDIX ONE - WELLINGTON CITY COUNCIL ACTIVITIES	9
APPENDIX TWO - HUTT CITY COUNCIL ACTIVITIES	12

## Introduction

Capacity is a Council Controlled Trading Organisation that manages water, stormwater and wastewater services on behalf of Wellington City Council and Hutt City Council for residents, ratepayers and visitors.

This report covers Capacity's activities for the period from 1 July 2006 to 31 December 2006 for Wellington City Council and Hutt City Council. Financial statements for Capacity and activity highlights for each council are included in the report.

## Financial Results

Total expenditure for the quarter is \$2,517,000 against a budgeted sum of \$2,452,000. Year to date expenditure is over budget by \$65,000.

General expenditure is above budget due to additional costs incurred for vehicle maintenance and fleet costs (\$24,000 above budget). However, we are in the process of termination of three vehicles as leases become due at the end of January. This will reduce the effects of the increased cost of petrol and ongoing leasing costs.

Work on Capacity's ISO accreditation process has been in progress since June 2006. This has incurred additional consultant's costs (\$16,000) to procure the services of an ISO specialist to assist and advise us on the technicalities of becoming ISO accredited by June 2008.

Capacity has moved to a wireless environment, where all operational staff have been equipped with laptops that have the capability to connect (through wireless technology) to the Capacity network when offsite. This is to improve service levels and increase efficiency of staff in the field allowing field staff access to the CONFIRM system (customer request for service) and GIS. Costs have been affected by \$10,000 as a result.

Refer to the Statement of Financial Performance for more details.

# FINANCIAL STATEMENTS

## Statement of Financial Performance

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

	6 Months to 31 December 2006 Actual \$000	6 Months to 31 December 2006 Budget \$000	Variance \$000
REVENUE			
Operations	2,516	2,452	(64)
Interest	1	-	(1)
TOTAL REVENUE	<u>2,517</u>	<u>2,452</u>	<u>(65)</u>
EXPENDITURE			
Operating Expenditure	530	470	(60)
Audit fees	-	-	-
Directors' fees	34	35	1
Depreciation	9	10	-
Interest expense	1	1	0
Rental and Operating Lease Costs	109	102	(7)
Personnel Expenditure	1,834	1,834	(0)
TOTAL EXPENDITURE	<u>2,517</u>	<u>2,452</u>	<u>(65)</u>
NET SURPLUS/(DEFICIT) BEFORE TAXATION	<u>-</u>	<u>-</u>	<u>-</u>
Tax Expense	-	-	-
NET SURPLUS/(DEFICIT) AFTER TAXATION	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

## Statement of Movements in Equity

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

	3 Months to 30 September 2006 \$000	Full Year 2005/2006 \$000
NET SURPLUS/(DEFICIT) FOR THE YEAR	-	(94)
MOVEMENTS IN EQUITY FOR THE PERIOD	<u>-</u>	<u>(94)</u>
EQUITY AT BEGINNING OF YEAR	377	471
EQUITY AT END OF YEAR	<u><u>377</u></u>	<u><u>377</u></u>

## Statement of Cash Flows

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

6 Months to  
31 December 2006  
\$000

### Cash flows from operating activities

Cash was provided from:

Operating Receipts	1,408
GST	40

Cash was disbursed to:

Payments to Suppliers	(1,183)
-----------------------	---------

Net cash outflow from operating activities

264

### Cash flows from financing activities

Cash was applied to:

Finance lease repayments	(3)
--------------------------	-----

Net cash inflow from financing activities

(3)

Net Increase in Cash held	261
---------------------------	-----

Opening Cash Balance 1 October 2006	188
-------------------------------------	-----

Closing Cash Balance 31 December 2006	<u>449</u>
---------------------------------------	------------

### Made up of:

Cash	449
------	-----

Short term deposits	-
---------------------	---

Closing Cash Balance	<u>449</u>
----------------------	------------

# Statement of Financial Position

FOR THE THREE MONTH PERIOD ENDED 31 DECEMBER 2006

	6 Months to 31 December 2006 \$000	Full year 2005/2006 \$000
<b>CURRENT ASSETS</b>		
Bank	449	403
Accounts Receivable	477	664
Taxation Receivable	8	8
	<u>935</u>	<u>1,075</u>
<b>NON CURRENT ASSETS</b>		
Intangible Assets	1	-
Property, Plant & Equipment	81	92
	<u>82</u>	<u>92</u>
<b>TOTAL ASSETS</b>	<u><b>1,017</b></u>	<u><b>1,166</b></u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	345	532
Finance Leases	2	9
Annual Leave	293	248
	<u>640</u>	<u>789</u>
<b>TOTAL LIABILITIES</b>	<u><b>640</b></u>	<u><b>789</b></u>
<b>NET WORKING CAPITAL</b>	<u><b>377</b></u>	<u><b>377</b></u>
Share Capital	600	600
Retained Earnings	(223)	(223)
<b>EQUITY</b>	<u><b>377</b></u>	<u><b>377</b></u>

## Statement of Intent Performance Measures

Measure	Wellington City Council	Hutt City Council
<b>Asset Management</b>		
Complete Asset Management Plans within timeframe	Asset Management Plans for water, stormwater and wastewater were completed and presented to Council officers in January 2007.	Capacity is currently reviewing the draft copies of Hutt City Council's Asset Management Plans for the three water activities.
<b>Resource Consents</b>		
Compliance with existing resource consents	All resource consent conditions have been met.	All resource consent conditions have been met.
Consent renewals accepted by regulatory authority prior to expiry	In progress are Moa Point, Careys Gulley and the Western Treatment Plant consent renewals. All are on track to meet the required deadlines.	The Gracefield resource consent was lodged in September 2006.
<b>Customer Service</b>		
<i>Responsiveness</i> 90% requests for service resolved within 15 days	98% of requests for service were resolved within 15 days during the quarter.	92% of customer requests were resolved within 15 days.
<i>Customer satisfaction</i> 90% of customers are satisfied with the work completed	95% of customers are satisfied with the work completed for water, stormwater and wastewater.	100% of customers were satisfied with the work completed.
<b>Contractor Performance</b>		
Progress against agreed programme of capital works <ul style="list-style-type: none"> <li>▪ 90% completed on time</li> <li>▪ 90% completed within budget</li> </ul>	Reported at year end	
<b>Financial Performance</b>		
Actual total operating expenditure within budget	Capacity's operational expenditure is three percent above budget.	
Budget savings in five years Target: \$4.175 million by 30 June 2009	The savings model is currently under review with both councils.	

# Appendix One - Wellington City Council Activities

## Resource Consent Process – Moa Point Wastewater Treatment Plant and the Southern Landfill Sludge Disposal

Wellington City Council (WCC) holds a number of resource consents for the operation of Moa Point and Southern Landfill Sludge Disposal. The Southern Landfill Sludge Disposal resource consents will expire on 8 January 2008 and the Moa Point Wastewater Treatment Plant resource consents will expire on 16 February 2008.

Applications for new resource consents must be made by 29 April 2007 (at the latest) for the Southern Landfill Sludge Disposal and by 6 July 2007 for the Moa Point Wastewater Treatment Plant resource consents.

The public and key stakeholder consultation process was completed on 29 November 2006. A report on feedback from this process was included in the in the Draft Assessment of Environmental Effects (for the sludge application only) which was sent out to key stakeholders for their comments in mid December 2006.

Capacity presented a briefing paper to the Strategy and Policy Committee (SPC) on 7 December 2006. The briefing outlined progress of the resource consent renewal project and the proposed methodology to identify the wastewater network management options to minimise the sewer overflows of the Moa Point sewer catchment. We are planning to present two more papers to the SPC on 1 March and 7 June 2007.

Workshops on Multi Criteria Analysis<sup>1</sup> were held with the project team and iwi groups (separate workshop for Tenth's Trust and Ngati Toa) to rank the proposed sewer overflow prevention. It is expected to consult iwi before the next two SPC papers.

---

<sup>1</sup> Multi-criteria analysis is a technique for evaluating alternative measures that takes into consideration a number of criteria, such as cultural, social, economic and environmental factors.

## Resource Consent Process – Western Wastewater Treatment Plant

The objective of this process is to obtain resource consents enabling the continued operation of the Western Wastewater Treatment Plant (WWWTP) of Wellington City Council.

The applications were heard by Greater Wellington Regional Council (GW) in late October and early November 2006. Duration of twenty-five years was sought for the five consents.

The GW hearings committee decision was published on 22 December. Any appeal needs to be lodged before 31 January 2007. The applications for five consents were granted subject to the agreement of the Minister of Conservation in respect of the coastal discharge consents, and subject to 31 pages of conditions for the five consents.

The project team is currently considering the implications of the decision prior to recommending to WCC whether to appeal the decision and on what grounds.

## Watermain Renewals

Wellington City Council has a programme to gradually replace all unlined cast iron water mains to improve drinking water quality across the city. Cast iron pipes are being replaced with plastic pipes because plastic is non corrosive and improves the efficiency of water flow. During the first half of the year 4.25 kilometres of pipe was replaced. The opportunity to upsize the pipe diameter to cater for any future demand increases was also incorporated into the replacement programme.

## Sewer Tank in Bellvue, Newlands

A sewer tank has been built in the new Bellevue subdivision in Newlands. Additional growth in the area will place further demand on the existing sewer network. The sewer tank will alleviate additional pressure on the network and reduce the likelihood of blockage and ongoing maintenance issues.

## Central Business District Rising Main Valves

Six out of seven valves have been installed to optimise sewer network controls, reduce down time and keep the remaining sewer network running while repairs are being undertaken to other parts of the network. This forms part of the work required under the sewage pollution elimination programme that aims to contain sewage in the network during pump station outage.

## Appendix Two - Hutt City Council Activities

### Jackson Street, Petone Upgrade

This project involves the renewal of water, stormwater and wastewater networks and the resurfacing of the carriageway in Jackson Street, Petone. The work has been divided in to three financial years. Resurfacing of the road is being managed by Hutt City Council. The schedule for the three years is outlined below.

- *2005/06 Financial Year:* All work between Hutt Road and Victoria Street - Services renewal complete.
- *2006/07 Financial Year:*  
Victoria Street and bay Street - Stormwater pipe renewal is 100% completed  
Gear Street West to Fitzherbert Street - Water mains renewals 100% completed  
Bay Street to Queen Street - Sewer pipe renewals will commence on 1st March 2007
- *2007/08 Financial Year:* All work between Bay Street and Queen Street.

### Trunk Wastewater Excess Flow Management

This is a major project to mitigate wet weather overflows in Hutt city. Construction of a storage tank, pump station and underground pipe work at the Silverstream site were completed in August 2006.

### Gracefield Pump Station (PS) Project

The pump supply contract for the Gracefield stormwater pumping station has been let. Tender reports have been prepared for the construction of the stormwater branch main, and for the construction of the pumping station. The two contracts will be awarded in mid January 2007.

### Opahu Stream Pump Station Construction Project

A new pumping station is being constructed at the outlet of the Opahu Stream to reduce the flood risk of the Opahu Stream catchment area and improve the water-way capacity. The project is a joint initiative between Hutt City Council and Greater Wellington Regional Council.

Work on the foundations of the control building is complete and construction of the control building structure will commence shortly. Work on the electrical installations is underway and

the access road to the pumping station has been constructed to the base course level. The pump installations will commence late January 2007.

### Black Creek/ Wainuiomata Stormwater Improvements Project (Stage two)

This project forms part of the HCC programme to increase flood protection. The project involves widening and upgrading of Black Creek to minimise flooding risk to adjacent properties.

Upgrading the Black Creek section from Bryan Heath pedestrian bridge to Nelson Crescent Bridge is 90% complete. Work has commenced on excavating the Park Way drain from Black Creek to the Fitzherbert Road Bridge. Tree clearing has been completed where the new Fredrick Wise Park pedestrian Bridge will be constructed and work is underway with clearing the remaining trees in this area.

### Private Drains Project

The water tightness testing program in area two is complete and the upgrade of faulty private drains is expected to commence in March 2007. Tenders have been evaluated with two contractors to be engaged to complete the works by March 2008.

The participation rate in the Council managed scheme is higher than expected in area one where the upgrade of faulty private drains is progressing well and will be completed by March 2007.