

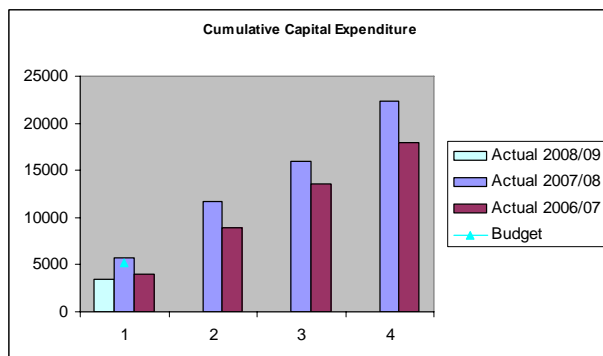
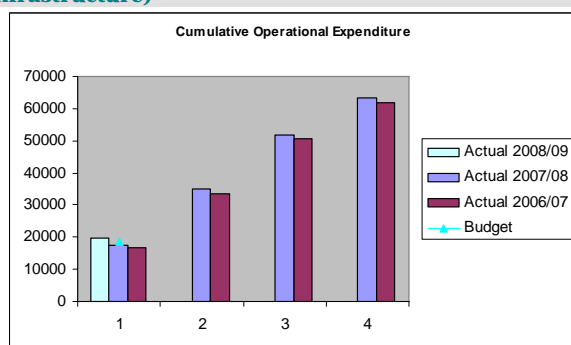
Quarterly Review – Capacity (Wellington Water Management Limited)

Capacity has presented its report for the quarter ended 30 September 2008 for review. A summary of key findings is presented below and the full report is attached.

Highlights: achievements

- Capacity's budgeted annual management fee to Upper Hutt, Lower Hutt and Wellington City Council's has increased above what was approved in the Statement of Intent by \$64k. Further to this, actual invoiced revenue for the quarter was \$1.684M, \$110k more than the revised Q1 budget, and \$126k more than the original, approved budget. However, actual costs were below the originally budgeted \$1.558M for the quarter, leading to a surplus of \$153k against the targeted surplus of \$16k
- Capacity successfully negotiated the provision of water management services to Upper Hutt City Council, and commenced provision on 1 July.

Performance (expenditure relating to WCC infrastructure)



Macro Key Performance Indicators

- Capacity reports on the SLA agreed performance measures annually; a review of the high level KPIs for the quarter highlights the following:
 - The Company again notes that it is on target to meet its asset management plan completion dates however the completion date was October 2007
 - Capacity asserts that it has achieved targets within its allocated budget – see 'Highlights: achievements' above
 - Capacity asserts that it has delivered against the Council's operating and capital expenditure budgets – see 'Financial Commentary' above
 - With regard to the Savings Model, the Company reports that "Discussions between Wellington City Council and Capacity will be finalised during November 2008"

Activities during the quarter

- Capacity retained the Council's Risk Assurance team to complete an audit of the Company's systems, processes and controls. A draft has been submitted in the second quarter and will be reported to the Audit and Risk Management Subcommittee and to CCOPS once it has been approved by the Capacity Board.

Financial Commentary

- The biggest item affecting the Council's \$78M annual operating budgets is depreciation of water assets. Unbudgeted vesting of assets has led to increased depreciation charges in general and higher than anticipated revaluations of water assets have led to higher depreciation. An adverse year-end variance of \$3.4M (4%) is currently forecast
- The main variance to Council's \$27M capex budget is a \$2.6M positive variance due to the later than anticipated start of construction on the Messines Road reservoir
- Discrepancies between the Capacity Q1 report and Council's Infrastructure Drainage and Water report for September will be explained and rectified in the Capacity Q2 report.
- Capacity overspent their management fee against a number of budgeted expenses, but reduced employee costs due to unfilled positions led to a net underspend against both the original and revised budget.

Note that individual project expenditure is reported within the shareholding councils. The performance charts list the aggregate project expenditure being managed on behalf of the Council. Financial performance figures below refer to the company's income/expenditure.

Statement of Financial Performance

For the quarter ended 30 September 2008

\$'000	Q1	Q1	YTD	YTD	2008/09 FY Budget
	Actual	Budget	Actual	Budget	
Income	1,686	1,574	1,686	1,574	6,264
Expenditure	1,533	1,558	1,533	1,558	6,264
Operating surplus / (loss)	153	16	153	16	-

Statement of Financial Position

As at 30 September 2008

\$'000	YTD	2007/08	2008/09
	Actual	FY Actual	FY Budget
Current assets	1,159	1,036	1,045
Non-current assets	55	59	39
Current liabilities	774	808	707
Non-current liabilities	-	-	-
Equity	440	287	376
Current ratio	1.5 : 1	1.3 : 1	1.5 : 1
Equity ratio	36%	26%	35%

Statement of Cash Flows

As at 30 September 2008

\$'000	YTD	2007/08	2008/09
	Actual	FY Actual	FY Budget
Operating	69	(85)	110
Investing	-	(5)	-
Financing	-	-	-
Net	69	(90)	110
Closing balance	424	286	274

Note: FY Budgets are as approved in the Business Plan.

Contact officer:

Jonathan Gulland

Profile - Capacity (Wellington Water Management Limited)

Capacity (Wellington Water Management Ltd) is a council controlled trading organisation established in April 2004. Its primary role is to manage the water, wastewater and stormwater assets of its shareholding councils. Currently the shareholders are Hutt City Council and Wellington City Council.



In addition to the long term management of these assets Capacity was established with the objective and ability to pursue the development of related opportunities with other local authorities and organisations.

Entity Data

Established	5 th April 2004	
Board	Bryan Jackson (Chair) Richard Westlake Peter Leslie Cr Andy Foster (WCC) Cr Ray Wallace (HCC) Peter Allport	<i>Term expires:</i> 30 Nov 09 30 June 09 31 Dec 10 Oct 2010
CEO	David Hill	
Balance date	30 June	
Number of FTE staff	47	
Website	www.capacity.net.nz	
Type of entity	Company	
LGA designation	CCTO	
By reason of Council interest	Board control: all trustees appointed by shareholding Councils	
Type of interest	\$375,000 (book value) 62.5% Shareholding	