



Report to Shareholders

For the nine months period ended 31 March 2008

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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 2007 to 31 March 2008 for Wellington City Council and Hutt City Council. Financial statements for Capacity and key performance measures for each council are included.

Financial Results

Total expenditure for the nine months is \$4,006,000 against a budgeted sum of \$3,840,000. Year to date expenditure is over budget by \$166,000. The net deficit of \$49,000 is the annual leave expense which is invoiced to shareholders when the leave is actually taken.

An overspend of \$39,000 in operating expenditure reflects increases in contracting costs, technical services and printing. Printing costs (that include communications and marketing activities) have increased due to the expenditure incurred for new stationery as part of Capacity's brand review. This included producing co-branded letterhead with each council as well as a refresh of Capacity's publications and letterhead. Technical service increases have been incurred from our records management programme and costs in the production of our 2006/07 annual report.

In personnel expenditure an overspend of \$126,000 reflects holiday pay accruals (which are unable to be invoiced), unexpected additional recruitment costs and new insurance for employees. Contractor's costs are also exceeding budget due to using consultants and temporary staff to undertake the work that would be conducted by permanent staff.

FINANCIAL STATEMENTS

Statement of Financial Performance

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2008

	9 Months to 31 March 2008 Actual \$000	9 Months to 31 March 2008 Budget \$000	Variance \$000
REVENUE			
Operations	3,952	3,840	(112)
Interest	5	-	-
TOTAL REVENUE	<u>3,957</u>	<u>3,840</u>	<u>(117)</u>
EXPENDITURE			
Operating Expenditure	588	549	(39)
Audit fees	-	-	-
Directors' fees	53	53	1
Depreciation	15	15	-
Interest expense	1	1	1
Rental and Operating Lease Costs	333	331	(2)
Personnel Expenditure	3,017	2,891	(126)
TOTAL EXPENDITURE	<u>4,006</u>	<u>3,840</u>	<u>(166)</u>
NET SURPLUS/(DEFICIT) BEFORE TAXATION	<u>(49)</u>	<u>-</u>	<u>49</u>
Tax Expense	-	-	-
NET SURPLUS/(DEFICIT) AFTER TAXATION	<u><u>(49)</u></u>	<u><u>-</u></u>	<u><u>49</u></u>

Statement of Movements in Equity

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2008

	9 Months ended 31 March 2008 \$000	As at June 2007 \$000
NET SURPLUS/(DEFICIT) FOR THE YEAR	(49)	(1)
MOVEMENTS IN EQUITY FOR THE PERIOD	<u>(49)</u>	<u>(1)</u>
EQUITY AT BEGINNING OF YEAR	376	377
EQUITY AT END OF YEAR	<u><u>327</u></u>	<u><u>376</u></u>

Statement of Cash Flows

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2008

9 Months to
31 March 2008
\$000

Cash flows from operating activities

Cash was provided from:

Operating Receipts	1,208
GST	(38)

Cash was disbursed to:

Payments to Suppliers	(1,472)
Payments of Tax	-

Net cash outflow from operating activities (302)

Cash flows from investing activities

Cash was applied to:

Purchase of Property, Plant & Equipment	0
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Net cash outflow from investing activities 0

Cash flows from financing activities

Cash was applied to:

Finance lease repayments	-
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Net cash inflow from financing activities -

Net Increase in Cash held (302)

Opening Cash Balance 1 January 2008 277

Closing Cash Balance 31 March 2008 (25)

Made up of:

Cash (25)

Short term deposits -

Closing Cash Balance (25)

Statement of Financial Position

AS AT 31 MARCH 2008

	9 Months ended 31 March 2008 \$000	As at June 2007 \$000
CURRENT ASSETS		
Bank	(25)	376
Accounts Receivable	675	543
Taxation Receivable	5	7
	<u>655</u>	<u>926</u>
NON CURRENT ASSETS		
Intangible Assets	0	-
Property, Plant & Equipment	65	72
	<u>65</u>	<u>72</u>
TOTAL ASSETS	<u>720</u>	<u>997</u>
CURRENT LIABILITIES		
Accounts Payable	96	374
Finance Leases	0	0
Provision for Taxation	-	-
Annual Leave	296	247
	<u>392</u>	<u>621</u>
NON CURRENT LIABILITIES		
Finance Leases	-	-
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>392</u>	<u>621</u>
NET WORKING CAPITAL	<u>328</u>	<u>376</u>
Share Capital	600	600
Retained Earnings	(272)	(224)
EQUITY	<u>328</u>	<u>376</u>

Statement of Intent Performance Measures

Measure	Wellington City Council	Hutt City Council
Asset Management		
Complete Asset Management Plans within timeframe	Asset Management Plans for water, stormwater and wastewater were completed.	Asset Management Plans for water, stormwater and wastewater were completed in January 2008.
Resource Consents		
Compliance with existing resource consents	Resource consent conditions have been met with the exception of non-compliance through late delivery of a report in respect to pump station overflow prevention works.	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. These are progressing through mediation and negotiation phases to agreed timeframes.	All consent renewals on track.
Customer Service		
<i>Responsiveness</i> 90% requests for service resolved within 15 days	97% of requests for service were resolved within 15 days.	92% of customer requests were resolved within 15 days.
<i>Customer satisfaction</i> 90% of customers are satisfied with the work completed for water, stormwater and wastewater.	91% of customers are satisfied with the work completed.	82% of customers were satisfied with the work completed.
Contractor Performance		
Progress against agreed programme of capital works <ul style="list-style-type: none"> ▪ 90% completed on time ▪ 90% completed within budget 	<ul style="list-style-type: none"> ▪ It is anticipated to complete 80% of projects within the financial year ▪ It is anticipated to complete more than 90% of the projects budget. 	
Financial Performance		
Actual total operating expenditure within budget	Capacity's operational expenditure is four percent above budget.	
Budget savings in five years Target: \$4.175 million by 30 June 2009	The savings remains under review with the intention of finalisation and reporting against target for the year ended 30 June 2008.	

Appendix One – Other Performance Targets

Comply with financial, technical and regulatory standards.

Our 2007/8 audit report was favourable – that Capacity complies with generally accepted accounting practices, that the performance information gives a true and fair view of the achievements measured against targets and that the accounting records are proper.

Establish a strategic business plan by 30 June 2007.

Capacity's Strategic Plan for period 2007 – 2010 was completed on time.

Develop asset management plans as required that reflect best practice or meet specific requirements for approval by the appropriate organisation.

Asset Management Plans have been completed for Wellington City Council and Hutt City Council for 2007/08. WCC Summary Plans for 2008/09 year have been delivered.

Ensure infrastructure asset maintenance is carried out in accordance with asset management plans and to best applicable trade standards and practice.

Infrastructure asset maintenance is carried out in accordance with asset management plans and to best trade standards and practice.

Meet the performance measures set by shareholders in service contracts or service level agreements, including managing emergencies.

The performance measures set out in the SLA particularly for WCC are currently being reviewed. We are working with WCC to ensure that the information provided is beneficial and that it can be reliably collected.

Start preparing a work programme on public awareness of water consumption and report back to Council by 31 March 2008 as requested in writing by respective shareholders.

Capacity was working with GWRC and the four TLA's, WCC, HCC, UHCC and PC to develop a water strategy for subsequent approval by the respective councils. This work has now been overtaken by the proposal to prepare a regional water strategy.