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# 1

## PURPOSE

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This Statement of Intent is to:

- state publicly the activities and intentions of this Council Controlled Trading Organisation for the year and the objectives to which those activities will contribute
- provide an opportunity for shareholders to influence the direction of the organisation
- provide a basis for the accountability of the Directors to their shareholders for the performance of the organisation.

This Statement of Intent covers the year 1 July 2009 to 30 June 2010 and the following two financial years.

# 2

## INTRODUCTION

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Capacity is a management company specialising in the delivery of infrastructure based services. Capacity operates as a Council Controlled Trading Organisation under the Local Government Act 2002 and has two shareholders, Hutt City Council and Wellington City Council.

Capacity staff are committed to finding better and more efficient ways of providing water, stormwater and wastewater management services. At the same time we are developing our services for future growth as we look to expand our client base.



# 3

## NATURE AND SCOPE OF ACTIVITIES

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For the past five years Capacity has consolidated our position and services to our two shareholding Councils and now manage services for Upper Hutt City Council as a client.

This coming year will again see a focus on expanding our client base by offering services to other councils in the greater Wellington region. The existing shareholders will benefit from the expansion of the business through a return on their investment.

Capacity returns all financial gains to its shareholders through a reduction in service delivery costs. Accordingly business expansion provides returns to the company's shareholders by reduction in overhead costs currently met by shareholder clients, a reduction in Capacity staff costs directed to delivery and management of an expanded client base and a reduction on shareholder client costs by profit contribution from contracted customers.

Capacity will continue to focus on key areas which drive us towards being the first choice in infrastructure services in the Wellington region. These are the setting up of an in-house engineering design team and the expansion of the project supervision team to manage the Wellington City Council capital works programme.

Capacity has revised savings targets from 1 July 2009 onwards. Capacity will formally report on the performance of the Upper Hutt contract prior to the contract expiring on 30 June 2010.

Capacity remains focused on a commitment to protect the environment. In 2009/2010 we aim to take our protection of the environment to a new level by focussing even more strongly on promoting the benefits of water conservation to all residents and ratepayers. The leak detection and pressure management strategies we have introduced will help Councils conserve water and detect problems in the network more quickly. Capacity has undertaken to prepare policy papers for its shareholder clients focussing on demand management for potable water. Such policy recommendations will outline costs, benefits and appropriate methodologies.

Capacity actively seeks opportunities to improve services in asset planning and contract management. We continue to manage more than 5,217 km of pipes, 115 reservoirs and 165 pump stations for three councils. During 2009/2010 Capacity is responsible for managing \$67 million of operational expenditure and \$35 million of capital expenditure for our client Councils.

Schedule two outlines how Capacity's costs are allocated across client Councils based on planned work activities.

Capacity is committed to ensuring all work managed on behalf of our client's accords with the highest standards of health and safety for those involved in the work and for the general public. The company will continually seek opportunities to integrate water, stormwater and waste water activities within the Wellington region where such integration can deliver least cost, best practice outcomes to the benefit of all our clients.

Capacity staff are highly skilled in the engineering water and drainage fields. Staff have extensive institutional knowledge of clients' infrastructure and understanding of working in the local government environment. We are proud of our strengths and recognise that the recruitment and retention of skilled personnel with water industry knowledge is essential to the ongoing success of our business.

# 4

## OUR BUSINESS OBJECTIVES

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Capacity has four principal objectives which are:

- the long term planning management and delivery of the water, stormwater and wastewater assets of the client Councils
- to contribute to achieving the co-operative delivery of integrated water services in the Wellington metropolitan region
- to operate as a successful business, returning any benefits to shareholders.
- to exhibit a sense of social and environmental responsibility by having regard to the interests of the community and to conduct its affairs in accordance with sound business practice.

Capacity's business objectives are set out in the Business Plan 2009-2012 .

Section 59 of the Local Government Act 2002 also provides that the principal objective of Council Controlled Trading Organisations is to achieve the objectives of the shareholder, be a good employer, and exhibit a sense of social and environmental responsibility by having regard to the interests of the community and to conduct its affairs in accordance with sound business practice.

In order to meet these objectives we focus our work on planning, consultation, managing, monitoring, delivery and corporate governance.

# 5

## ACTIVITIES FOR 2009/2010

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### Focus on planning

During 2009/10 Capacity will deliver strategic network plans for the three waters to Wellington City Council. The strategic plans will ultimately contribute to the asset management plans and form the basis for network improvements and renewals over the long term.

Asset Management Plans 2010/11 will be completed for each council during 2009/10. In addition, the Asset Management Plans set out the process for managing risk associated with the provision of water services in the councils. This process is designed to ensure that:

- all significant risks associated with the three water activities are identified, understood and managed
- the highest risks should be addressed within the short to medium term
- risk reduction treatments which best meet business needs are applied
- requirements for reporting of risk are specified (these integrate with corporate risk reporting processes for the councils and Capacity).

Following the precedent established during 2008/09, client councils will receive and agree project plans with milestones and delivery dates for the asset management plans during 2009/10. the project plans will also identify resources inputs to be provided by Capacity.



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Development of a separate activity risk management plan for each of the three water activities for Wellington City Council and Hutt City Council will be completed during 2009/10.

We will complete the Water Supply Public Health Risk Management Plan for Upper Hutt City Council.

## Focus on consultation

We specialise in infrastructure based management services including resource consent consultations. Our staff are skilled in the project management of complex resource consent applications.

In 2009/10 we will continue working with Wellington City Council and other key stakeholders on stormwater discharge consents that are due to expire. A single consent approach for stormwater discharges into the coastal marine environment has been adopted with increased and more diverse monitoring options recommended. This will allow a more in-depth knowledge base that can be used to integrate planning, solution investigation and development as well as community involvement.

We are working towards the renewal of the consent for wastewater overflows into the Waiwhetu Stream. A substantial amount of work has been undertaken to reduce these overflows, and as such we are now consulting with a range of organisations to ensure that the final application accurately addresses the community's concerns and expectations.

## Focus on managing

We manage maintenance and operations contracts, prepare new contracts and manage tendering processes. We are actively engaged with the maintenance contractors to ensure that the work is carried out to appropriate standards and that all calls logged are progressed accordingly.

The maintenance contracts are due to be revised by 30 June 2009. Capacity will continue consulting with all client Councils with the tendering arrangement through 2009 and will recommend a contract structure to all three Councils. Capacity will be actively working with the selected contractor to ensure the contracts are transitioned in a seamless manner.

During 2008/09 Capacity implemented a business improvement process funded by shareholders. As at 30 June the 2008 process improvements had realised savings to shareholders in excess of \$400,000.

ISO accreditation was achieved in November 2008 and during 2009/10 we will continue with quality improvement.

During 2008/09 staff shortages at a critical time led to inaccuracies in a financial report to shareholders. Additional staff have been engaged to provide ongoing continuity. Monthly and quarterly financial reports have been timely and accurate since the rectification required to the Quarter 1 Report 2008/09. The shareholder reporting format has been expanded to provide further details on Capacity's service delivery.

## Focus on monitoring

The Asset Management System (AMS) is a key component of asset management including managing data input, system development reporting and quality assurance. Real time monitoring of asset systems operations and functionality including pump stations and treatment plants is carried out through SCADA telemetry.

We provide input to the GIS system to continually improve the quality of data and incorporating additions, deletions or other changes to the water services infrastructure as required.

Our risk management system covers identification, registration, measurement and management of Capacity's business risks. Capacity regularly reviews risk identification and management to ensure new risks are recorded and mitigation strategies are implemented. The Board's Audit and Risk Committee regularly review and measure all outstanding risks and also review internal audit process on an annual basis. Table one, Capacity's Risk Profile shows reduction in risk profile over the period 2005 – 2009.

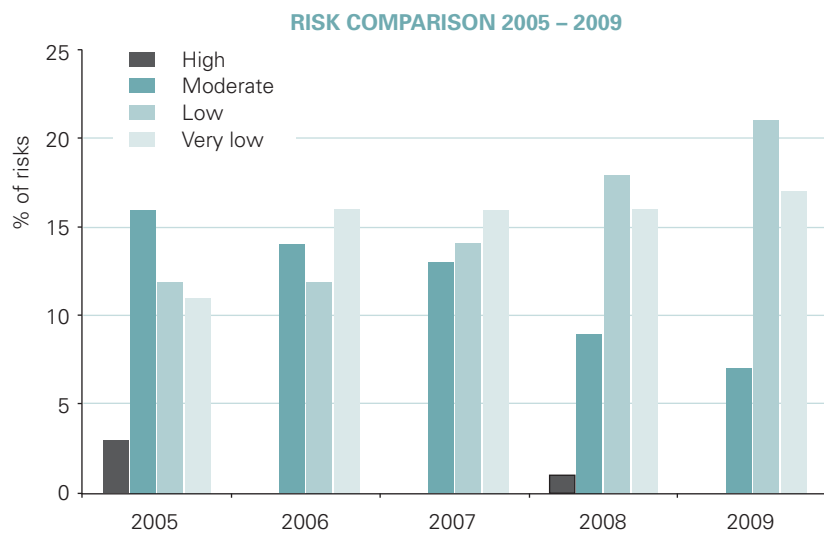


Table one: Capacity's risk profile

During 2008/09 Wellington City Council undertook an internal audit and review on behalf of the Capacity Board.

The internal audit report from the WCC Risk Assurance team advised the Board that many of the operational tasks and activities required by the Service Level Agreement are appropriately carried out. The audit report provided a number of recommendation that have been implemented with the Board of Directors monitoring the implementation of the remaining recommendations. The Audit Status Report has been forwarded to Wellington City Council Risk Assurance team following directors' review.

Capacity reports monthly and quarterly to its clients, quarterly to its shareholders and produces semi-annual and annual reports. Capacity will ensure agreed targets and key performance indicators are referenced in such reports when appropriate.



The key focus during 2009/10 will be providing annual savings while maintaining service delivery. Timelines on recommendations in the audit report will be in the Business Plan 2009/10.

## Focus on delivery

To ensure timely and efficient delivery of services to our customers we prepare draft capital works programmes consistent with Asset Management Plans. Capacity manages the capital works programme including design, obtaining necessary consents, tendering, contract administration and financial management. In 2009/10 financial year, we will set up an in-house design team and expand the project supervision team to manage Wellington City Council capital works programme. Wellington City Council Infrastructure has approved the reduction in external consultancy expenditure in 2009/10 and 2010/11 commensurate with the costs and benefits associated with the development of in-house design competence.

The Board has approved the reduction in external consultancy expenditure in 2009/10 and 2010/11 commensurate with the costs and savings associated with the development of in-house design competence.

We continue to develop the skills of our project managers to ensure that agreed capital works are carried out on time, to cost and at a high standard. We ensure that water services related requests for service are responded to in accordance with customer policies and practices. We also process water services management aspects of subdivision and building consent applications to meet standards within required timeframes.

Capacity and the shareholder councils will provide a report of the savings performance over the initial five-year period. A savings target has been agreed with Wellington City Council for the 12 months ended 30 June 2010 and is included within the Key Performance Indicators (Section 10).

Hutt City Council has requested future performance is measured by comparative network key performance indicators benchmarked against other New Zealand resident entities. Recommended saving goals based upon operating cost per property for each of the three waters is included within the Key Performance Indicators (Section 10).

## Focus on growing our own business

During 2009/10 Capacity will continue marketing its products and services to Councils in the greater Wellington region.

Capacity staff numbers from 1 July 2008 total 60 following integration of the transferring staff from Upper Hutt City Council. The growth strategy requires us to seek bigger premises in Petone to accommodate all staff in mid 2009.

# 6

## CAPACITY'S CONTRIBUTION TO COUNCIL AND COMMUNITY OUTCOMES

Capacity contributes to the Council and community outcomes for Wellington City Council, Hutt City Council and Upper Hutt City Council through the work that we do, in order to meet the vision of all these cities. Council and community outcomes are the community's overall aspirations for the city.







## CORPORATE GOVERNANCE

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This statement provides an overview of Capacity's main corporate governance policies, practices and processes adopted by the Board.

### The Board of Directors

Capacity is a Council Controlled Trading Organisation as defined by Section 6 of the Local Government Act 2002. Capacity is also covered by the Companies Act 1993 and governed by law and best practice. Board performance reviews have been undertaken in the 2008/09 year and will be undertaken annually by 30 June each year using the Institute of Directors Board evaluation service. A Board development programme will be implemented in 2009/10 in response to outcomes of the 2008/09 evaluations reports if required.

The Board is responsible for the proper direction and control of Capacity.

Unanimous approval of the Board is required for:

- 1.1. significant changes to the company's structure
- 1.2. extraordinary transactions (entering into any contract or transaction except in the ordinary course of business)
- 1.3. delegation of Directors' powers to any person
- 1.4. any decision to diversify business into a business not forming part of or being naturally ancillary to the core business of managing water services
- 1.5. major transactions including establishment and renewal of contracts for delivery of services.
- 1.6. disputes (commencing or settling any litigation, arbitration or other proceedings which are significant or material to the company's business)
- 1.7. borrowings in a manner that materially alters the company's banking arrangements, advancing of credit (other than normal trade credit) exceeding \$5,000 to any person except for making deposits with bankers, or giving of guarantees or indemnities to secure any person's liabilities or obligations
- 1.8. sale of assets (sell or dispose of fixed assets for a total price per transaction exceeding \$100,000 or a series of aggregated transactions exceeding \$200,000); and
- 1.9. capital expenditure (other than in the ordinary course of doing business) at a total cost to the company, per transaction, exceeding \$100,000 or a series of aggregated transactions exceeding \$200,000.

The agreement of the Shareholders is required for:

- 1.10 any changes to the constitution
- 1.11 any increases in capital and the issue of further securities, share buybacks and financial assistance
- 1.12 any alteration of rights attaching to shares
- 1.13 any arrangement, dissolution, reorganisation, liquidation, merger or amalgamation of the company
- 1.14 any "major transactions" as that term is defined in the Companies Act 1993.

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## **Ratio of consolidated shareholders funds to total assets**

Ownership of infrastructural assets is retained by the shareholders (or other clients). As a business that returns all benefits to shareholders, a statement of the ratio of shareholders' funds to assets is not considered appropriate.

## **Accumulated profits and capital reserves**

There is no intention to pay a dividend in the 2009/10 financial year or succeeding years.

## **Information to be provided to shareholders**

In each year Capacity shall comply with the reporting requirements under the Local Government Act 2002 and the Companies Act 1993 and regulations.

In particular Capacity will provide:

- 1 A statement of intent detailing all matters required under the Local Government Act 2002, including financial information for the next three years.
- 2 Within one month after the end of each quarter the Company shall provide a report on the operations of Capacity to enable an informed assessment of its performance, including financial statements (in accordance with section 66 of the LGA 2002).
- 3 Within two months after the end of the first half of each financial year, the Company shall provide a report on the operations of Capacity to enable an informed assessment of its performance, including financial statements (in accordance with section 66 of the LGA 2002).
- 4 Within three months after the end of each financial year, Capacity will provide an annual report which provides a comparison of its performance with the statement of intent, with an explanation of any material variances, audited consolidated financial statements for that financial year, and an auditors report (in accordance with section 67, 68 and 69 of the LGA 2002).

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## Share acquisition

There is no intention to subscribe for shares in any other company or invest in any other organisation.

## Compensation from Local Authority

It is not anticipated that the company will seek compensation from any local authority other than in the context of normal commercial contractual relationships.

## Commercial value of the shareholders' investment

The net value of the shareholders' investment in the company is estimated to be valued at \$362,000 as at 31 March 2009. This value shall be assessed by the Directors on completion of the annual accounts or at any other time determined by the Directors. The method of assessment will use the value of shareholders funds as determined in the annual accounts as a guide.



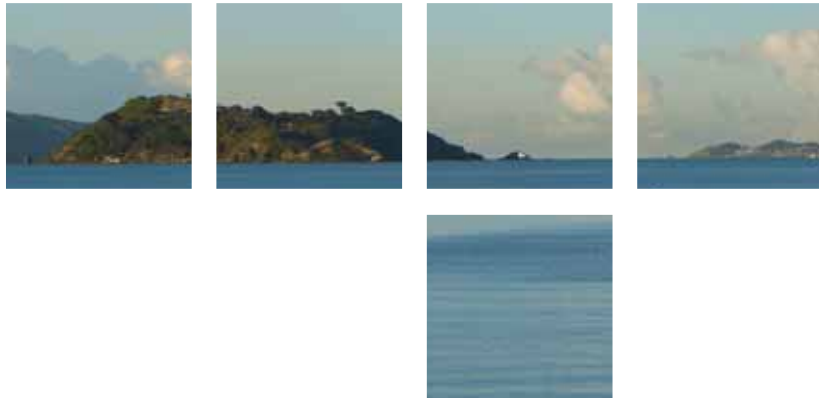
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## FORECAST FINANCIAL STATEMENTS

### Forecast Statement of Financial Performance

FOR THE FINANCIAL YEARS ENDING 30 JUNE 2010, 30 JUNE 2011, 30 JUNE 2012

	Budget 2009/2010 000's	Budget 2010/2011 000's	Budget 2011/2012 000's
<b>REVENUE</b>			
Operations	7,378	7,652	7,885
<b>TOTAL REVENUE</b>	<b>7,378</b>	<b>7,652</b>	<b>7,885</b>
<b>EXPENDITURE</b>			
General expenditure	1,597	1,657	1,707
Personnel expenditure	5,729	5,941	6,122
Depreciation	50	52	53
Interest on finance leases	2	2	2
<b>TOTAL EXPENDITURE</b>	<b>7,378</b>	<b>7,652</b>	<b>7,885</b>
NET SURPLUS/(DEFICIT) BEFORE TAXATION	-	-	-
Tax expense/(benefit)	-	-	-
<b>NET SURPLUS/(DEFICIT) AFTER TAXATION</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Forecast Statement of Financial Position

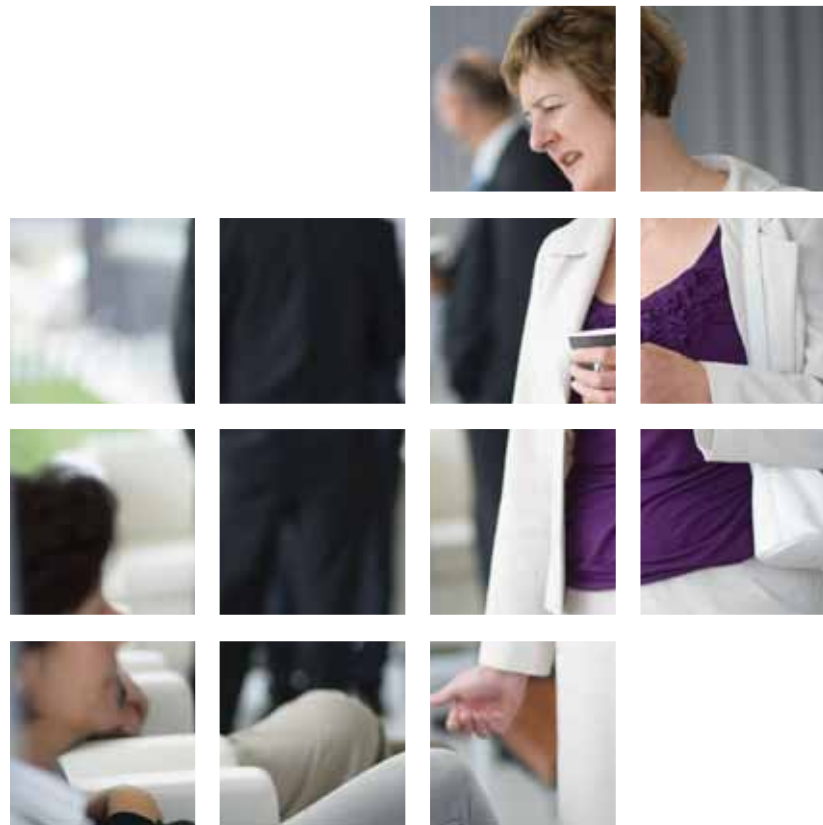
FOR THE FINANCIAL YEARS ENDING 30 JUNE 2010, 30 JUNE 2011, 30 JUNE 2012

	Budget 2009/2010 000's	Budget 2010/2011 000's	Budget 2011/2012 000's
<b>CURRENT ASSETS</b>			
Cash	294	400	404
Prepayments	102	106	109
Trade and other receivables	739	739	739
<b>Current assets</b>	<b>1,135</b>	<b>1,245</b>	<b>1,252</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	9	1	-
<b>Non current assets</b>	<b>9</b>	<b>1</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>1,144</b>	<b>1,245</b>	<b>1,252</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	388	476	471
GST payable	113	117	120
Annual leave	267	277	285
<b>TOTAL LIABILITIES</b>	<b>768</b>	<b>870</b>	<b>876</b>
<b>NET WORKING CAPITAL</b>	<b>376</b>	<b>376</b>	<b>376</b>
<b>EQUITY</b>			
Share capital	600	600	600
Retained earnings	(224)	(224)	(224)
<b>TOTAL EQUITY</b>	<b>376</b>	<b>376</b>	<b>376</b>

## Forecast Statement of Cash Flows

FOR THE FINANCIAL YEARS ENDING 30 JUNE 2010, 30 JUNE 2011, 30 JUNE 2012

	Budget 2009/2010 000's	Budget 2010/2011 000's	Budget 2011/2012 000's
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Operating receipts	8,110	8,722	8,870
GST receivable	(655)	(810)	(821)
Cash was disbursed to:			
Payment to suppliers	(7,324)	(7,807)	(8,045)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>130</b>	<b>106</b>	<b>4</b>
OPENING CASH BALANCE	164	294	400
<b>CLOSING CASH BALANCE</b>	<b>294</b>	<b>400</b>	<b>404</b>



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## STATEMENT OF ACCOUNTING POLICIES

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Capacity will apply the following accounting policies consistently during the year and apply these policies to the Statement of Intent. In accordance with the New Zealand Institute of Chartered Accountants Financial Reporting Standard 42 (FRS 42), the following information is provided in respect of the Statement of Intent.

### CAUTIONARY NOTE

The Statement of Intent's forecast financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

### NATURE OF PROSPECTIVE INFORMATION

The financial information presented consists of forecasts that have been prepared on the basis of best estimates and assumptions on future events that Wellington Capacity expects to take place.

### STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARD

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for public benefit entities. IFRS was adopted from 1 July 2006.

### REPORTING ENTITY

Capacity is a company registered under the Companies Act 1993 and a Council Controlled Trading Organisation as defined by Section 6 of the Local Government Act 2002. Current shareholders are Wellington City Council and Hutt City Council.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

For the purposes of financial reporting Capacity is a public benefit entity.

### REPORTING PERIOD

The reporting period covers the 12 months from 1 July 2009 to 30 June 2010. Comparative projected figures for the year ended 30 June 2011 and 30 June 2012 are provided.

### SPECIFIC ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The measurement basis applied is historical cost.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless otherwise stated.

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## JUDGEMENTS AND ESTIMATIONS

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes.

### **a) Revenue**

Capacity derives revenue from its clients. In 2009/10 its clients are Wellington City Council, Upper Hutt City Council and Hutt City Council.

Revenue is recognised when earned and is reported in the financial period to which it relates.

### **b) Expenses**

Expenses are recognised when the goods or services have been received on an accrual basis.

### **c) Taxation**

Income tax expense is charged in the statement of financial performance in respect of the current year's earnings after allowing for permanent differences. Deferred taxation is determined on a comprehensive basis using the liability method.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

### **d) Goods and Services Tax (GST)**

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

### **e) Financial instruments**

Capacity classifies its financial assets and financial liabilities according to the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and evaluates this designation at every reporting date.

#### *Non derivative financial instruments*

Financial assets

Capacity classifies its investments into the following categories: financial assets at fair value through profit and loss and loans and receivables.





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Loans and receivables comprise cash and cash equivalents, trade and other receivables.

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, and call deposits with up to three months maturity from the date of acquisition. These are recorded at their nominal value.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Trade and other receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date for loans of a similar maturity and credit risk. Trade and other receivables issued with duration of less than 12 months are recognised at their nominal value. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired.

#### ***Financial liabilities***

Capacity classifies its financial liabilities into the following categories: financial liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities comprise trade and other payables and borrowings. Financial liabilities with duration of more than 12 months are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised in the statement of financial performance as is any gain or loss when the liability is derecognised. Financial liabilities entered into with duration of less than 12 months are recognised at their nominal value.

### **f) Property, plant and equipment**

#### ***Recognition***

Property, plant and equipment consist of operational assets. Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits over the total life of an existing asset and can be measured reliably. Costs that do not meet the criteria for capitalisation are expensed.

#### ***Measurement***

Items of property, plant and equipment are initially recorded at cost.

The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential and that can be measured reliably is capitalised.

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### ***Impairment***

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported in the statement of financial performance.

### ***Disposal***

Gains and losses arising from the disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the statement of financial performance in the period in which the transaction occurs.

### ***Depreciation***

Depreciation is provided on all property, plant and equipment, except for assets under construction (work in progress). Depreciation is calculated on a straight line basis, to allocate the cost or value of the asset (less any residual value) over its useful life. The depreciation rates of the major classes of property, plant and equipment are as follows:

Telephone system	10.75 per cent
Furniture	7.80–18.60 per cent
Plant and equipment	7.80–48.0 per cent

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance date.

### ***Work in progress***

The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and then depreciated.

## **g) Intangible assets**

Acquired intangible assets are initially recorded at cost.

Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment losses. Amortisation is charged to the statement of financial performance on a straight-line basis over the useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

Computer software	five years
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Realised gains and losses arising from disposal of intangible assets are recognised in the statement of financial performance in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the statement of financial performance.



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#### **h) Employee benefits**

A provision for employee benefits (holiday leave) is recognised as a liability when benefits are earned but not paid. These include salaries and wages accrued up to balance date.

The long service leave liability is a contractual entitlement for a reducing number of grand-parented ex-council employees who after 20 years service are granted a one-off entitlement of extra leave. This entitlement is not offered to new Capacity employees.

Holiday leave is calculated on an actual entitlement basis at the greater of the average or current hourly earnings in accordance with sections 16(2) and 16(4) of the Holidays Act 2003.

#### **i) Other liabilities and provisions**

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

#### **j) Equity**

Equity is the shareholders interest in the entity and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the entity.

The components of equity are accumulated funds and retained earnings.

#### **k) Leases**

Leases, where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items, are classified as operating leases. Payments made under these leases are charged as expenses in the statement of financial performance in the period in which they are incurred. Payments made under operating leases are recognised in the statement of financial performance on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of financial performance as an integral part of the total lease payment. Leases, which effectively transfer to the lessee substantially all the risks and benefits incident to ownership of the leased item, are classified as finance leases.

#### **l) Statement of cash flows**

The statement of cash flows has been prepared using the direct approach.

Operating activities include cash received from all income sources of the company and a record of the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets. Financing activities relate to activities that change the equity and debt capital structure of the company.



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#### **m) Related parties**

A party is related to Capacity if:

- directly or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with Capacity
  - has an interest in Capacity that gives it significant influence over the control of the company
  - has joint control over Capacity
- the party is an associate of Capacity
- the party is a member of key management personnel of Capacity
- the party is a close member of the family of any individual referred to above
- the party is an entity controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to above.

Directors' remuneration is any money, consideration or benefit received, receivable or otherwise made available, directly or indirectly, to a Director during the reporting period. Directors' remuneration does not include reimbursement of legitimate work expenses or the provision of work-related equipment such as cell phones and laptops.

# 10

## KEY PERFORMANCE INDICATORS

### KEY PERFORMANCE INDICATORS 2009/10

Develop and complete Asset Management Plans for client Councils annually.

Deliver budgeted capital expenditure projects for respective Councils.

Deliver budgeted operating and maintenance activities for respective Councils.

Manage and operate Capacity within its 2009/10 budget.

Manage Capacity labour productivity rate to be 80 per cent or more at year end.

Achieve total annual savings of \$432,000 for Wellington City Council.

Annual increases in operating cost per property benchmarks for Hutt City Council's water, stormwater and wastewater networks are at on below Auckland Water Industry averages.

Meet key performance measures as set out in Service Level Agreements.

Comply with financial, technical, and regulatory standards.

Complete a Business Plan by 30 June 2009.



# 11

## SCHEDULE ONE – CAPACITY'S COST ALLOCATION SUMMARY

		CAPACITY				
		Direct costs				
		Strategic and asset planning	Investigation, monitoring and development	Capital project management	Operations management	Total
		\$ mil	\$ mil	\$ mil	\$ mil	\$ mil
WATER	WCC	0.16	0.61	1.06	0.40	2.23
	HCC	0.14	0.04	0.09	0.26	0.53
	UHCC	0.06	0.01	0.07	0.15	0.29
	<b>Total</b>	<b>0.36</b>	<b>0.65</b>	<b>1.22</b>	<b>0.81</b>	<b>3.04</b>
WASTEWATER	WCC	0.15	0.45	0.51	0.63	1.74
	HCC	0.22	0.01	0.14	0.25	0.61
	UHCC	0.08	0.00	0.04	0.10	0.22
	<b>Total</b>	<b>0.45</b>	<b>0.46</b>	<b>0.68</b>	<b>0.97</b>	<b>2.57</b>
STORMWATER	WCC	0.15	0.32	0.42	0.16	1.05
	HCC	0.17	0.01	0.14	0.18	0.50
	UHCC	0.08	0.00	0.04	0.10	0.22
	<b>Total</b>	<b>0.40</b>	<b>0.33</b>	<b>0.60</b>	<b>0.44</b>	<b>1.77</b>
TOTAL NETWORK	WCC	0.47	1.38	1.99	1.19	5.02
	HCC	0.52	0.06	0.37	0.69	1.64
	UHCC	0.22	0.01	0.15	0.35	0.73
	<b>Total</b>	<b>1.21</b>	<b>1.44</b>	<b>2.51</b>	<b>2.22</b>	<b>7.39</b>
				% of total costs	7.2%	
TOTAL CURRENT NETWORK ASSET VALUES		WCC	HCC	UHCC	Total	
	\$ mil	<b>2,154</b>	<b>923</b>	<b>303</b>	<b>3,379</b>	

\*Includes all administration costs of Councils and revenues

\*Excludes interest expenses and depreciations

\* Includes HCC DBO budgets

CONSULTANTS/CONTRACTOR COSTS MANAGED BY CAPACITY ON BEHALF OF RATEPAYERS (INCLUDES CAPACITY COSTS)		TOTAL COST TO RATEPAYERS
Operational programmes	Capital programmes	
\$ mil	\$ mil	\$ mil
18.65	10.76	29.42
7.39	1.52	8.90
2.64	1.17	3.81
<b>28.68</b>	<b>13.45</b>	<b>42.13</b>
22.29	7.87	30.17
7.27	3.85	11.13
3.11	0.96	4.07
<b>32.68</b>	<b>12.69</b>	<b>45.36</b>
2.61	4.99	7.60
2.69	2.99	5.68
0.71	0.74	1.44
<b>6.01</b>	<b>8.72</b>	<b>14.72</b>
43.55	23.63	67.18
17.35	8.36	25.72
6.45	2.87	9.32
<b>67.36</b>	<b>34.85</b>	<b>102.21</b>
65.9%	34.1%	100.0%
<b>Capacity annual costs as a % of asset values</b>		<b>0.22%</b>

# 12

## DIRECTORY

### DIRECTORS

Bryan Jackson (Chairman)  
Peter Allport  
Andy Foster  
Peter Leslie  
Ray Wallace  
Richard Westlake

### CHIEF EXECUTIVE

David Hill

### REGISTERED OFFICE

85 The Esplanade  
Petone  
Wellington  
New Zealand

### POSTAL ADDRESS

Private Bag 39804  
Wellington Mail Centre 5045

### TELEPHONE

64 4 910 3800

### WEB

[www.capacity.net.nz](http://www.capacity.net.nz)

### AUDITOR

Audit New Zealand on behalf of the  
Auditor-General

### BANKERS

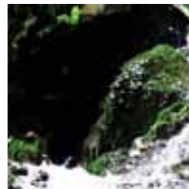
The National Bank of  
New Zealand Limited  
Wellington  
New Zealand

### SOLICITORS

DLA Phillips Fox  
50-64 Customhouse Quay  
Wellington  
New Zealand

### SHARE REGISTRY

Level 4  
Civic Administration Building  
101 Wakefield Street  
Wellington  
New Zealand





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## CONTACT

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# 1

## FOREWORD

As Capacity moves into its sixth year we look forward to taking our collective experiences and using these to build on our strengths while developing further areas of activities that are of benefit to our existing and potential clients.

As our operating environment changes with a growing emphasis on integration, local government accountability and fiscal responsibility it is important that we identify and grasp opportunities to both grow our business and reduce operating costs.

The current economic climate, its effects and tenure are yet to be fully felt within the infrastructure sector. It would seem certain that the outcome will see an approach to infrastructure management focused on greater efficiencies and the utilisation of advanced technologies to increase savings in the use of scarce resources.

We will continue to focus on delivering operational and capital projects for our three client councils. The focus will be to deliver activities to time, quality and under budget through innovation and high quality management. Innovation will be applied to strategic management, project management and design.

As part of Capacity's growth and development the company is moving to larger and more cost effective premises. This will ensure our clients have equal access to our services, while increasing our ability to accommodate the resources required to become '*the first choice in infrastructure services*'.

### David Hill

Chief Executive



# 2

## NATURE AND SCOPE

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### Our vision

Capacity's vision is to be *the first choice in infrastructure services*.

### Our mission

Capacity's mission is:

- the long term management of the water, stormwater and wastewater assets of our clients
- to operate as a successful business, returning all benefits to our shareholders
- to contribute to achieving integrated water services in the Wellington area and elsewhere
- to develop a satisfying culture and work environment where empowered staff feel motivated and rewarded for excellence.

### Our values

For our people to be effective, we expect and encourage our staff to exemplify the following values.

- **Honesty** – Capacity operates in an open and honest environment where all transactions and relationships with people are transparent.
- **Trust** – Capacity staff can be trusted to act in the best interests of clients, colleagues and shareholders and carry out their duties in a fair and equitable way.
- **Flexibility** – Capacity is flexible and can respond quickly to requests for service and to change initiatives.
- **Friendliness** – Capacity has a strong customer service approach where everyone deals with each other in a friendly manner.
- **Timeliness** – Capacity ensures that all deliverables are completed on time and to the highest standard.
- **Efficiency** – Capacity undertakes tasks ensuring clients receive value for the costs of services.

# 3

## OUR ACTIVITIES

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Capacity is a water service and facilities management company. Under its operating model Capacity does not own the network assets with ownership retained by the Councils. We are engaged by the City Councils of Wellington, Hutt and Upper Hutt to ensure ratepayers receive reliable, high quality, sustainable and good value water services through management and provision of the following activities: -

- The planning, procurement and contract management of annual operations and maintenance expenditures of over \$67 million in 2009/10.
- The planning, procurement and management of capital expenditure programmes agreed with the three client councils totalling \$35 million in the 2009/10 year.
- The provision of long range strategic advice on the three water services aimed at “future-proofing” the networks and providing sustainable best-value water services to the ratepayers.

The networks for which Capacity has management responsibility, using external consultants and contractors where appropriate, consists of reservoirs, pump stations, treatment stations, pipe reticulation, valve systems and performance and flow monitoring. The combined networks of the three Councils have a value of \$3.38 billion.

Capacity provides the above management activities at a cost of 7.2% of combined water services operational and capital costs budgeted by the three client Councils and at 0.22% of the combined network asset values. For further details refer to the appendices.

# 4

## OUR SERVICES

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In providing a comprehensive range of water services management activities we offer a range of services outlined below.

- **Preparing Asset Management Plans**  
Capacity prepares Asset Management Plans that meet the requirements of the Local Government Act 2002 as well as the needs of the various parties involved in infrastructure asset management.
- **Preparing Activity Risk Management Plans**  
Capacity prepares structured Activity Risk Management Plans for each of the three water activities (water supply, wastewater and stormwater) as part of good business practice. These plans include more specific approaches that enable us to plan for high risk events such as earthquakes and floods and are combined with contingency plans to ensure an effective response to significant risks.



- **Implementing capital works programmes**

Capacity undertakes capital works programmes committed to within the Asset Management Plans. A capital works prioritisation framework supports the management of these programmes with the incorporation of design, resource consent, tendering, contract administration and financial management aspects.

- **Undertaking customer and public relations activities**

We ensure water services' related requests for service are responded to in accordance with our client's requirements ensuring that policies, practices and target response times are achieved.

- **Managing operations and maintenance contracts**

We manage maintenance and operations contracts; prepare new contracts to replace expiring ones and manage the tendering processes. During the new tender process recommendations are made that encourage the introduction of efficiencies into the maintenance and operations areas.

- **Measuring and monitoring**

Capacity establishes, maintains and reports on performance criteria consisting of client networks, external service providers and on its own performance – where practical comparing results against established benchmarks and standards.

- **Undertaking policy development**

We advise councils on areas where water services policy requires development or where the changing landscape might lead to changes in the client's approach to managing water services infrastructure.

- **Utilising Asset Management Systems (AMS, GIS and SCADA)**

We use a variety of recognised systems to assist with the management of the assets incorporating data input, system development, reporting and quality assurance.

Alongside the Asset Management System (AMS) we utilise GIS (Geographic Information System) principles and operate a telemetry tool known as SCADA (Supervisory Control and Data Acquisition).

This allows for an ability to undertake management tasks covering system management, system operation and maintenance, monitoring, network modelling, data management and report generation.

- **Undertaking asset valuations**

Capacity works alongside Councils to produce an annual or triennial valuation of the water services' infrastructure to meet financial reporting, asset management and statutory requirements.

- **Reviewing standards and specifications**

We review standards and specifications relating to water services at agreed intervals, making recommendations for changes to our clients and implementing agreed changes.

- **Managing resource consent applications**

We manage the entire resource consent process from preparation and consultation through to lodging an application and any subsequent proceedings. Monitoring and reporting obligations are also carried out in accordance with the requirements of the Resource Management Act 1991

# 5

## OUR PEOPLE

Our staff have substantial experience in all aspects of managing the provision of public water services from the strategic to the operational level and includes staff that are recognised nationally for expertise in their fields. Staff have a mix of public and private sector backgrounds. They have a good understanding of the issues facing local authorities.

Specifically Capacity has the ability to offer proven skills in:

- Asset management
- Water services engineering and technology
- Financial management
- Customer relations
- Contracts management
- Strategic planning
- Policy development
- Quality assurance processes
- Project management
- Information technology systems
- Infrastructure design
- Resource consent processes
- Risk management planning



# 6

## OUR OPERATING ENVIRONMENT

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The provision of infrastructure services providing for the supply of water, wastewater treatment and the disposal of stormwater are predominantly seen as a function of local government. Far from the models of privatisation seen overseas it is generally accepted by New Zealanders that the three water activities should remain in public ownership.

Provision of new capital works is largely by independent contractors. Similarly provision of professional advice and design services is now often undertaken through private consultants.

The New Zealand water industry will undoubtedly be affected by the introduction of the 'super-city' concept with an amalgamation of water services in Auckland providing a possible template for other regions. This raises the question of how the Wellington region with multiple cities can be made to fit the model. It is likely that during the next twelve months further clarity to these issues will be obtained.

This said the message from central government is one of efficiencies; ratepayer value for money in service delivery, efficient outcomes and definition of core activities. These are all matters which will need to be addressed within the infrastructure sector over the near future.

The message from industry observers is that "when it comes to structure and governance, the current arrangements should be reviewed to ensure such issues as economies of scale, commercial drivers, integrated management of drinking water, wastewater, stormwater, and the pricing of water and wastewater are addressed as effectively as possible".

Solutions to the current problem of meeting higher management standards within a varying landscape with limited resources and budgets appear to involve either political amalgamations between councils or co-operative arrangements between councils for the management of infrastructure based services.

We have maintained a close watch on water industry developments within the Auckland super city recommendations. The amalgamation of Auckland region wide water services within one Council Controlled Trading Organisation provides support to Capacity's drive to assist the merging of water service delivery within the greater Wellington region.

Capacity will maintain an active involvement with national and regional discussions seeking to rationalise water services.



## CAPACITY'S ORGANISATIONAL CAPABILITY

Capacity has 60 staff operating from our location in Petone. Staff numbers are planned to increase to 67 during 2009/10 due to the commencement of in-house design activities.

Field staff use mobile technology to access real time information about the network and are vehicle based which offers real time benefits in service delivery and incident response.

### **Our strengths are:**

- A commitment to quality and value and staff who are highly skilled and experienced in the engineering and water fields.
- Extensive institutional knowledge of the water networks and infrastructure.
- An understanding of working in the local government environment.
- ISO9001: 2000 accreditation that enables quality assurance processes to be applied in a recognisable and audited fashion across our activities.
- Asset management planning processes that are of a high quality and are continuously improving.
- A fully developed and implemented Risk Management System governing identification, registration, measurement and management of Capacity's corporate risks.
- An Internal Audit process that identifies and prioritises areas for review on an annual basis and reports to the Board Audit and Risk Committee on performance and adherence to policy and procedures.
- Operational response to emergencies and customer requests remains as a standard of performance.
- A firm commitment to entering and developing partnering relationships with service providers.
- The development of a fully serviced project office to undertake capital works from inception through to completion and close out.
- A company-wide focus on ensuring the highest level of safety for the public, staff and contractors.

### **We are proud of the strengths in capability but recognise that we must continue our development in the following areas:**

- The recruitment and retention of skilled engineers and project managers.  
The current economic environment has eased recent concerns where a very competitive labour market for both engineers and contractors created pressures on remuneration and benefits. However sourcing and retaining high quality staff will require new responses as Capacity moves into the future.
- The transition and implementation of a new operation and maintenance contractor from 1 July 2009 on behalf of our clients.  
Capacity has tendered a performance based contract seeking to implement processes and performance measurement that use established best practice while setting new standards through innovation and partnering.
- Continued development of timely, innovative and least-cost initiatives for the delivery of operational and capital projects for our client councils.





## OUR OBJECTIVES

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Capacity's strategic objectives include service excellence underpinned by a commitment to quality in everything we do, gaining industry recognition as a leader in our field, continuing to grow our business and developing our people. Capacity will continue to work towards these objectives in the period 2009-2012.

### Service excellence

Capacity will focus on service delivery aiming to exceed service level agreements so that clients are highly satisfied. Capacity recognises that through continuous development of people and processes, services can be delivered more effectively and efficiently. This will be achieved by incorporating performance excellence at every level of the organisation.

### Quality

A commitment to providing excellent quality in all that we do underpins all our other objectives. This commitment means we will deliver services on time, cost effectively and to the required standard. We strive to continuously improve the management of the asset systems for which we are responsible.

Internally our commitment to quality sees us focused on achieving a high level of staff satisfaction.

### Leadership and industry recognition

We strive to become a leader in asset management planning and will drive policy changes at all levels. Capacity's management team and staff will strive to lead innovation and development in policy, planning and service delivery within the industry.

The sheer numbers of assets together with the operational and capital expenditure managed by Capacity reinforce its position as a leader within the water services industry. The total assets managed by Capacity amount to more than \$2.8 billion. Capacity will control more than \$61.3 million budgeted operational expenditure and \$32.9 million budgeted capital expenditure for the year 2009/10. See Appendix for details of significant operational and capital projects for 2009/10.

Capacity will promote achievements and pursue opportunities to be recognised as a successful business in the water industry and in local government.

### Growth

We plan to expand operations by actively pursuing business development opportunities. This will reduce costs to our clients by spreading costs over a broader base.

The delivery of services to Upper Hutt City Council (UHCC) during the establishment year has been an unqualified success. Staff transferred from UHCC have provided network knowledge and expertise to Capacity. Service delivery has met and exceeded measured performance indicators across all activities.

Capacity has sufficient resources to seek and implement further growth with the completion of the UHCC integration project.

## People development

Capacity will build organisational capability through succession planning and ensuring our staff have appropriate skills and knowledge to meet current and future business demands.



## MAJOR KEY AREAS OF FOCUS FOR 2009/2010

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Capacity will focus energy and resources on three key areas during 2009/2010 that will support the objectives mentioned above. They are:

- Our relationship objective – to improve relationships with our clients by providing quality responses in order to meet service level agreements.
- Our growth objective – develop the business and pursue opportunities that enable industry recognition of Capacity as a leader in infrastructure services.
- Our partnering objective – to continue our drive to establish and maintain partnering relationships with service providers such as consultants and contractors.

### Our focus on relationships

We recognise that our relationships with our clients and shareholders are vital to continued growth and development of Capacity.

We are committed to strengthening these relationships. We aim to do this by providing quality responses to service level undertakings and advancing opportunities to develop and implement service delivery improvements. Capacity considers relationship strength is best supported by excellent service and management. Accordingly we commit to timeliness, quality and cost effective delivery of strategic and Asset Management Plans.

Capacity will identify areas of community involvement for active management. Community engagement will be undertaken to support resource consent applications and to assist in understanding and resolving local community concerns.

### Our focus on growth

The company's growth strategy will continue to focus in two principal directions. The Wellington metropolitan area covered by the Wellington Water Board Act consists of five council entities. Capacity currently provides water services to three of the councils. Wherever possible we will look to achieve a consolidation of activities to achieve increases in efficiency and reduce costs to councils and ratepayers.

We will actively seek opportunities to provide services to other councils within the greater Wellington region. The likely benefits to these councils include a higher level of service provision at a better cost than could be achieved through growing further in-house resources.



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## Our focus on Partnering

During its first five years of operation Capacity has actively instituted partnering arrangements in selected contracts. We remain strongly committed to seeking such partnerships during the 2009/12 period. Management and staff understand the time commitment and structures that need to be implemented to enable an open and supportive environment to flourish in an uncompromising commercial environment.

A particular focus during the 2009/10 year has been identified in relation to the establishment of a new 5 – 10 year operation and maintenance contract for our client councils. This contract has been established with a strong focus on the process whereby the contractor and Capacity can resolve issues at all levels throughout the contract period. We commit to the implementation, transition and delivery of optimal performance of contractor services of our new operations and maintenance contractor.

Capacity will devote appropriate resources to all partnering contracts to ensure our partners understand the respect we hold for our partners.

# 10

## PRODUCTS

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The following products and services have been identified as potential areas where our market advantage can offer solutions to customers and offer us further opportunities for growth and development.

- **Asset management planning**  
Capacity has produced Asset Management Plans for HCC and WCC as well as working to develop a similar approach to produce these plans for UHCC.
- **Activity risk management**  
We have the ability to produce activity risk management plans that allow the identification of water activity risk and planning for appropriate mitigation measures.
- **Public Health Risk Management Plan**  
Documents that are born from legislative requirements such as the Public Health Risk Management Plans (required by the Health (Drinking Water) Amendment Act 2008) can form a basis for us to approach potential customer anywhere in New Zealand.
- **Strategic capabilities**  
Developing an integrated strategic approach to the managing of water activities and assets allows for greater potential for reduction in costs and increased benefits. Addressing issues such as climate change and sustainability in an integrated manner also increases our ability to develop long-term efficient solutions.

# 11

## FORECAST FINANCIAL STATEMENTS

### Forecast Statement of Financial Performance

FOR THE FINANCIAL YEARS ENDING 30 JUNE 2010, 30 JUNE 2011, 30 JUNE 2012

	Quarter 1 July 09 – Sept 09	Quarter 2 Oct 09 – Dec 09	Quarter 3 Jan 10 – Mar 10	Quarter 4 Apr 10 – Jun 10	Budget 2009/2010 000's	Budget 2010/2011 000's	Budget 2011/2012 000's
<b>INCOME</b>	1,844	1,844	1,844	1,844	7,378	7,652	7,885
<b>EXPENDITURE</b>							
General expenditure	391	391	391	426	1,597	1,657	1,707
Personnel expenditure	1,432	1,432	1,432	1,432	5,729	5,941	6,122
Depreciation	13	13	13	13	50	52	53
Interest on finance leases	1	1	1	1	2	2	2
<b>TOTAL EXPENDITURE</b>	1,836	1,836	1,836	1,871	7,378	7,652	7,885
<b>NET SURPLUS/(DEFICIT)</b>	9	9	9	(26)	–	–	–



## Forecast Statement of Financial Position

FOR THE FINANCIAL YEARS ENDING 30 JUNE 2010, 30 JUNE 2011, 30 JUNE 2012

	Quarter 1 July 09 – Sept 09	Quarter 2 Oct 09 – Dec 09	Quarter 3 Jan 10 – Mar 10	Quarter 4 Apr 10 – Jun 10	Budget 2009/2010 000's	Budget 2010/2011 000's	Budget 2011/2012 000's
Bank	153	266	263	294	294	400	404
Prepayments	82	61	41	102	102	106	109
Accounts receivables	739	739	739	739	739	739	739
<b>CURRENT ASSETS</b>	<b>974</b>	<b>1,067</b>	<b>1,042</b>	<b>1,135</b>	<b>1,135</b>	<b>1,245</b>	<b>1,252</b>
Fixed assets	46	34	21	9	9	1	–
<b>NON CURRENT ASSETS</b>	<b>46</b>	<b>34</b>	<b>21</b>	<b>9</b>	<b>9</b>	<b>1</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>1,020</b>	<b>1,100</b>	<b>1,064</b>	<b>1,144</b>	<b>1,144</b>	<b>1,245</b>	<b>1,252</b>
Accounts payable	240	223	376	388	388	476	471
GST payable	59	117	48	113	113	117	120
Annual leave	337	367	237	267	267	277	285
<b>CURRENT LIABILITIES</b>	<b>635</b>	<b>707</b>	<b>661</b>	<b>768</b>	<b>768</b>	<b>870</b>	<b>876</b>
<b>NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>635</b>	<b>707</b>	<b>661</b>	<b>768</b>	<b>768</b>	<b>870</b>	<b>876</b>
<b>NET WORKING CAPITAL</b>	<b>385</b>	<b>394</b>	<b>402</b>	<b>376</b>	<b>376</b>	<b>376</b>	<b>376</b>
<b>TOTAL EQUITY</b>	<b>385</b>	<b>394</b>	<b>402</b>	<b>376</b>	<b>376</b>	<b>376</b>	<b>376</b>

## Forecast Statement of Cash Flows

FOR THE FINANCIAL YEARS ENDING 30 JUNE 2010, 30 JUNE 2011, 30 JUNE 2012

	Quarter 1 July 09 – Sept 09	Quarter 2 Oct 09 – Dec 09	Quarter 3 Jan 10 – Mar 10	Quarter 4 Apr 10 – Jun 10	Budget 2009/2010 000's	Budget 2010/2011 000's	Budget 2011/2012 000's
Cash was provided from:							
Operating receipts	1,844	2,075	2,075	2,075	8,110	8,722	8,870
GST receivable	(197)	(117)	(234)	(107)	(655)	(810)	(821)
Cash was disbursed to:							
Payment to suppliers	1,698	1,845	1,845	1,937	(7,324)	(7,807)	(8,045)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>(11)</b>	<b>113</b>	<b>(4)</b>	<b>31</b>	<b>130</b>	<b>106</b>	<b>4</b>
<b>OPENING CASH BALANCE</b>	<b>164</b>	<b>153</b>	<b>266</b>	<b>263</b>	<b>164</b>	<b>294</b>	<b>400</b>
<b>CLOSING CASH BALANCE</b>	<b>153</b>	<b>266</b>	<b>263</b>	<b>294</b>	<b>294</b>	<b>400</b>	<b>404</b>

# 12

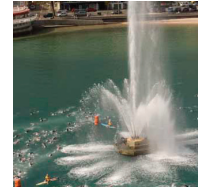
## APPENDIX ONE – CAPACITY'S COST ALLOCATION SUMMARY

		CAPACITY <i>Direct costs</i>				
		Strategic and asset planning	Investigation, monitoring and development	Capital project management	Operations management	Total
		\$ mil	\$ mil	\$ mil	\$ mil	\$ mil
WATER	WCC	0.16	0.61	1.06	0.40	2.23
	HCC	0.14	0.04	0.09	0.26	0.53
	UHCC	0.06	0.01	0.07	0.15	0.29
	<b>Total</b>	<b>0.36</b>	<b>0.65</b>	<b>1.22</b>	<b>0.81</b>	<b>3.04</b>
WASTEWATER	WCC	0.15	0.45	0.51	0.63	1.74
	HCC	0.22	0.01	0.14	0.25	0.61
	UHCC	0.08	0.00	0.04	0.10	0.22
	<b>Total</b>	<b>0.45</b>	<b>0.46</b>	<b>0.68</b>	<b>0.97</b>	<b>2.57</b>
STORMWATER	WCC	0.15	0.32	0.42	0.16	1.05
	HCC	0.17	0.01	0.14	0.18	0.50
	UHCC	0.08	0.00	0.04	0.10	0.22
	<b>Total</b>	<b>0.40</b>	<b>0.33</b>	<b>0.60</b>	<b>0.44</b>	<b>1.77</b>
TOTAL NETWORK	WCC	0.47	1.38	1.99	1.19	5.02
	HCC	0.52	0.06	0.37	0.69	1.64
	UHCC	0.22	0.01	0.15	0.35	0.73
	<b>Total</b>	<b>1.21</b>	<b>1.44</b>	<b>2.51</b>	<b>2.22</b>	<b>7.39</b>
				% of total costs	7.2%	
TOTAL CURRENT NETWORK ASSET VALUES		\$ mil	WCC <b>2,154</b>	HCC <b>923</b>	UHCC <b>303</b>	Total <b>3,379</b>

\* Includes all administration costs of Councils and revenues

\* Excludes interest expenses and depreciations

\* Includes HCC DBO budgets



CONSULTANTS/CONTRACTOR COSTS MANAGED BY CAPACITY ON BEHALF OF RATEPAYERS (INCLUDES CAPACITY COSTS)		TOTAL COST TO RATEPAYERS
Operational programmes	Capital programmes	
\$ mil	\$ mil	\$ mil
18.65	10.76	29.42
7.39	1.52	8.90
2.64	1.17	3.81
<b>28.68</b>	<b>13.45</b>	<b>42.13</b>
22.29	7.87	30.17
7.27	3.85	11.13
3.11	0.96	4.07
<b>32.68</b>	<b>12.69</b>	<b>45.36</b>
2.61	4.99	7.60
2.69	2.99	5.68
0.71	0.74	1.44
<b>6.01</b>	<b>8.72</b>	<b>14.72</b>
43.55	23.63	67.18
17.35	8.36	25.72
6.45	2.87	9.32
<b>67.36</b>	<b>34.85</b>	<b>102.21</b>
65.9%	34.1%	100.0%
<b>Capacity annual costs as a % of asset values</b>		<b>0.22%</b>

# 13

## APPENDIX TWO – CAPACITY'S CAPITAL PROJECT DELIVERY 2009/2010

This appendix sets out the total capital projects budgeted to be managed by Capacity on behalf of its clients during the 2009/10 year. The project lists do not include Capacity management costs. The Wellington project list includes additional projects under preparation to provide cover for contractor tenders below budget.

Projects denoted with an asterisk will be completed after the 2009/2010 year.

### Projects 2009/2010

WELLINGTON CITY COUNCIL	VALUE
<b>WATER SUPPLY</b>	<b>(\$000's)</b>
W1160A Melrose watermain renewal	471
W1157 Seatoun watermain renewals	511
W1159A Kelburn and Thorndon watermain renewals	361
Wellington Central water main renewals	874
Southern and Eastern water main renewals , stage 1	888
Southern and Eastern water main renewals stage 2	778
Northern and Western water main renewals	340
Design funds for 10/11 projects	119
Funds for urgent Works	314
Henry St 375 water main renewal	680
Reservoir renewal, Messines Rd	1,793*
Seatoun Heights Reservoir investigation/design	310
Seatoun Heights Reservoir construction	1,033*
Highbury tanks construction	83
Forward planning for investigations/designs	62
Urgent works, minor works (pump stations/reservoirs)	103
Area water meter installation Eastern suburbs West	293
David Crescent water main upgrade	179
Tawa Reservoir bypass main	307
Water network maintenance renewals	1,264
<b>Total</b>	<b>10,772</b>
<b>STORMWATER</b>	
Localised flooding projects	207
Drainage works associated with Tacy St (with additional \$350k from CX151)	465
Monorgan Rd (no 28)	224
Construction of grit traps in CBD culverts	103*
Kilbirnie - area f - drainage reservoir	33
Kilbirnie-area d-Pipe Ross St	235
Kilbirnie - area c - Pit Yule St	134
Kilbirnie-area e-Salek St	202
Design funds for 10/11 projects	250
Funds for urgent works	100
Fund for BCLS related projects	100
Drainage works associated with Tacy St (with additional \$465k from CX031)	350
Karori Dam spillway projects	220
Waru St stormwater renewal	290
Miramar North Rd stormwater relay	315
Queens Dr stormwater relay	305
Hopper St wastewater and stormwater relay	172
Ngatitua stormwater relay	684
Cashmere Ave wastewater and stormwater relay	152
Lohia St no.44 wastewater relay	162
Hiropi St wastewater and stormwater relay	525
<b>Total</b>	<b>5,228</b>



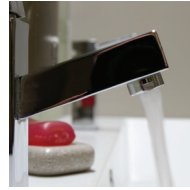


WELLINGTON CITY COUNCIL	VALUE
<b>WASTEWATER</b>	<b>(\$000's)</b>
Design funds for 10/11 projects	350
Funds for urgent works (pipes)	350
Fund for BCLS related projects	100
Lyllall Bay, West PS	155
Karaka Bay Rd PS	150
Pump station minor works/urgent works	75
Minor work/Telemetry	25
Condition assessment of pump stations	25
Resource consent projects-Western treatment plant	50
Resource consent projects - Moa Point treatment plant	50
Resource consent projects-Sludge treatment plant	50
Hopper St wastewater and stormwater relay	142
Cashmere wastewater and stormwater relay	167
Waikowhai St trunk sewer, stage 2	1,700
Hiropi St wastewater and stormwater relay	525
Reading St wastewater renewal (no 18)	30
Waikare St wastewater renewal (with stormwater)	30
Everest St (no 13-17) wastewater renewal (with stormwater)	60
Curtis St (no 86) wastewater renewal	80
Oriental Parade (no 186-202) wastewater renewal	90
Cecil Rd (no 30-34) wastewater renewal	60
Elizabeth St (no.85) wastewater renewal	65
Cheshire (no 12-18) wastewater renewal	50
Rankin St wastewater renewal	90
Khandallah Rd stormwater wastewater renewal	115
Interceptor relining (under airport) wastewater renewal	350
Edge Hill wastewater renewal	130
Standen St (no 78-96) wastewater renewal	110
Cheshire (no 42-46) wastewater renewal	65
Curtis St (no 56) wastewater renewal	80
Woburn Rd wastewater renewal	120
Standen St (no 52-66) wastewater renewal	135
Tio Tio Rd wastewater renewal	150
Wade St (no 35-65) wastewater renewal	130
Puru Cres (no 22-58) wastewater renewal	180
Chaytor St (no.57) wastewater renewal	135
Miramar Park wastewater renewal	320
Standen St (no 27-49) wastewater renewal	180
Pitt St (no 66-96) wastewater renewal	150
Cecil Rd (no 1-4) wastewater renewal	180
Endeavour St (no 79-103) wastewater renewal	230
Curtis St (no 38) wastewater renewal	180
Queens Dr (no 300-344) wastewater renewal	285
Endeavour St (no 50-74) wastewater renewal	220
Moa Point inlet pump station upgrade	517*
Moa Point pilot uv treatment plant	31
<b>Total</b>	<b>8,462</b>

<b>HUTT CITY COUNCIL</b>	<b>VALUE</b>
<b>WATER SUPPLY</b>	<b>(\$000's)</b>
Minor works	150
Main Rd watermain and services, Wainuiomata, phase 3	347*
Bledisloe Cres watermain/rider/services, Wainuiomata, stage 1	255*
Woodvale Grove, watermain/rider/services - Eastern Hutt	120
Buller Wilkie watermain, Naenae	72
PS minor works	43
Reservoir minor work	67
Scada – renewals	26
Reservoir hatch security	25
Konini Reservoir roof upgrade	260*
Pharazyn St PS renewal, stage 1	150*
<b>Total</b>	<b>1,515</b>
<b>STORMWATER</b>	
Minor works	120
Pine Tree Lane, Korokoro	110
Udy St (Richmond St to Britannia St.)	165
Waiwhetu Stream stormwater outlets	68
Scada renewals	26
Total renewals utilities	77
Awamutu Stream	431
Black Creek Stage 3	206*
Hutt River floodplain	289*
Waiwhetu Stream contribution to remediation	1,500
<b>Total</b>	<b>2,992</b>
<b>WASTEWATER</b>	
Minor asset renewals	170
Pressure testing of sewers	300
Leighton Ave sewer replacement	1,600
Waiwhetu Stream syphon crossing sewer renewal	90
Cambridge Tce sewer renewal	94
Trunk non DBO minor works	10
Local pumping stations	82
Scada renewals	27
Resource consent, Malone Rd and Hinemoa St	41
<b>Total</b>	<b>3,854</b>

UPPER HUTT CITY COUNCIL		VALUE
WATER SUPPLY		(\$000's)
Fergusson Dr decommissioning		408
Fergusson Dr 2		64
Fergusson Dr 1		207
Granville St.		115
Jocelyn Cres		118
Kelly Gr		60
Palmer Cres		166
Telemetry improvements		31
<b>Total</b>		<b>1,169</b>
STORMWATER		
Maymorn Rd		340
Mcleod St		194
Messines Ave		163
Pinehaven Rd		39
<b>Total</b>		<b>736</b>
WASTEWATER		
Norbert St, Akatarawa Rd, Speargrass Gr		515*
<b>Total</b>		<b>515</b>





## NOTES