

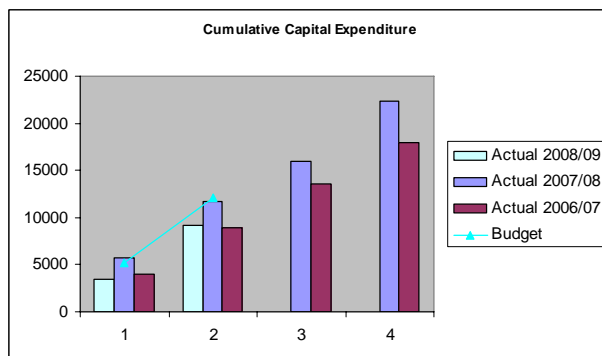
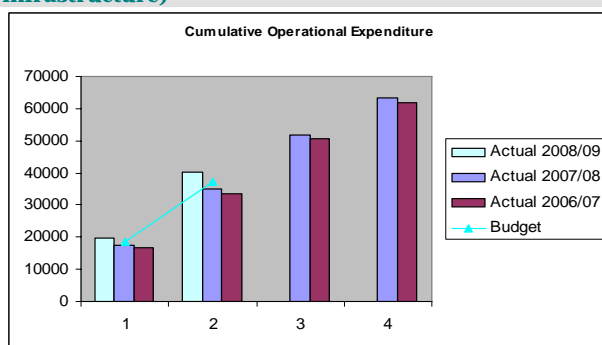
Quarterly Review – Capacity (Wellington Water Management Limited)

Capacity has presented its report for the quarter ended 31 December 2008 for review. A summary of key findings is presented below and the full report is attached.

Highlights: achievements

- During the quarter, Capacity and Council agreed a position on the Savings Model, showing a saving of \$700k to Wellington City Council for the four years to 30 June 2008, against a target of \$1.545 million.

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 notes that it has completed 2008/09 asset management plans for WCC and HCC, and that the WCC 2009/10 AMP has also been completed
 - Capacity asserts that revenue for the half year is 2% above budget and expenditure is 2.8% above budget but forecast to be within 1% of budget at year end
 - Capacity reports a 75% rolling average for chargeable hours, against a target of 80%; WCC Infrastructure has the figure at 67%
 - The Company reports that the Savings Model has been agreed by both shareholders, and that the total savings achieved from 1 July 2004 to 30 June 2008 are \$1.726 million - \$1.024 million to HCC and \$0.702 million to WCC

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 \$75 million 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 \$3.2 million (4%) is currently forecast
- The main variance to Council's \$27 million capex budget is a \$3.3 million positive variance due to the later than anticipated start of construction on the Messines Road reservoir
- The Q2 financial performance figures have not been included below due to there still being uncertainty over the September quarter results; Capacity has stated that these errors have now been corrected
- Capacity has undertaken to reduce the annual leave liability which has increased significantly due to the transfer of Upper Hutt staff but was already high due to existing staff having over 5 weeks leave per annum.

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 31 December 2008

\$'000	Q2		YTD		2008/09 FY Budget
	Actual	Budget	Actual	Budget	
Income			3,188	3,148	6,264
Expenditure			3,178	3,116	6,264
Operating surplus / (loss)			11	32	-

Statement of Financial Position

As at 31 December 2008

\$'000	YTD	2007/08	2008/09
	Actual	FY Actual	FY Budget
Current assets	1,055	1,036	1,045
Non-current assets	65	59	39
Current liabilities	822	808	707
Non-current liabilities	-	-	-
Equity	297	287	376
Current ratio	1.3 : 1	1.3 : 1	1.5 : 1
Equity ratio	27%	26%	35%

Statement of Cash Flows

As at 31 December 2008

\$'000	YTD	2007/08	2008/09
	Actual	FY Actual	FY Budget
Operating	(115)	(85)	110
Investing	(15)	(5)	-
Financing	-	-	-
Net	(130)	(90)	110
Closing balance	295	286	274

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

Contact officer:

Ian Clements

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	