

WELLINGTON CITY COUNCIL

Wellington Water Management Limited Half Year Report to Shareholders

For the six month period ended 31 December 2005

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Introduction

Wellington Water Management Limited is a Council Controlled Trading Organisation trading as Capacity. Capacity 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 2005 to 31 December 2005 for Wellington City Council. Financial statements and activity highlights are included in the report.

Financial Results

Operating Expenditure

Total expenditure for the six month period is \$2,127,000 against a budgeted sum of \$2,430,000. Refer to the Statement of Financial Performance for more details.

Salaries are under budget by \$257,000 due to staff vacancies. General expenditure is slightly under the budget with a variance of 3%.

Highlights

Operations and Maintenance Contracts

A new contractor (Bilfinger Berger Services) was engaged to undertake operations and maintenance work for both Wellington City Council and Hutt City Council. The new contract commenced in July 2005.

Bilfinger Berger Services (BBS) is meeting performance targets set out in the service level contract. BBS are trialling mobile field computing, enabling staff to have access to real time information. This will allow our contractor to respond more quickly to service requests.

Project Merge

Capacity is progressing to merge contract management practices between both Wellington and Hutt City Councils. The objective of Project Merge is to identify, consolidate and implement best practice in Capacity's operations.

Project Updates

Wellington Inner City Bypass Stormwater Culvert

The Wellington Inner City Bypass stormwater culvert is currently 80% complete.

Adelaide Road/Riddiford Street Water Main Renewal

The one hundred year old cast iron water main in Adelaide Road and Riddiford Street is being replaced with a larger ductile iron water main to improve the water supply to the Newtown area. Completion of this work is due at the end of March 2006.



Stormwater pipes put in place in conjunction with the Wellington Inner City Bypass project

The Crescent (Oriental Parade) Stormwater Upgrade

The Crescent has no effective stormwater system, which has lead to local flooding. A new stormwater system currently being constructed will collect stormwater from 50 houses and discharge it to the harbour at Oriental Parade. Completion of this work is scheduled for mid March 2006.

Reservoir Construction

Construction of a 3.5-mega-litre water reservoir is being built in the Mornington Golf Course next to the Mount Albert Road to improve the water supply to the southern suburbs. The Mount Albert reservoir will be buried to blend in to the local environment.



Mt Albert reservoir under construction

Reservoir Planning

The existing reservoir in Messines Road is being replaced with a larger, earthquake resistant reservoir. Resource consent has been lodged at Wellington City Council for the construction of the reservoir. The final landscaping plan is currently being established in consultation with local residents. Landscaping of the area around the proposed reservoir will involve installing bench seating and a large flat grass area on top of the reservoir suitable for recreational activities.

Western Treatment Plant Consent Renewal

The application to issue new consents enabling the continued operation of the Western Wastewater Treatment Plant will be lodged by the end of March 2006. This is three months later than originally planned. Greater Wellington Regional Council has agreed to this new timeframe to allow a new stream discharge consent to be incorporated with the renewal of the existing consents.

Performance Measures

KEY PERFORMANCE TARGETS	LEVEL OF ACHIEVEMENT		
WATER SUPPLY	Quarter 1	Quarter 2	Comment
The number of times substandard bulk water reaches customers	Achieved	Achieved	No occurrences have been reported year to date.
Water Quality – Comply with New Zealand Drinking Water Standards	100%	100%	
STORMWATER			
Percentage of residents who are satisfied with stormwater collection and services Target: 75%	This is measured annually through the Councils resident satisfaction survey. This is completed		
Percentage of days of contaminant free sampling. Target: 100%	100%	100%	Sampling is carried out 4 times a year at 39 sites. A total of 156 samples are taken per year.
WASTEWATER			
Percentage of monitored coastal sites where the median annual level of faecal coliform bacteria counts are less than 2000 per 100ml Target: 75%	86%	71%	The high faecal counts coincided with rainfall in the 48 hours prior to the sample collection. High bacteria indicator counts in marine waters are typically related to faecal matter from animals, litter, pollution, decaying vegetation and the suspension of sediments flushed into the stormwater system during rainfall events.
Percentage of monitored bathing beaches where the median annual level of enterococci coliform bacteria counts are less than 35 per 100ml Target: 100%	95%	95%	
Percentage of monitored freshwater sites where the median annual faecal coliform bacteria counts are less than 2000 per 100ml Target: 100%	75%	100%	Four sites are monitored. In quarter one, one failure was recorded (Karori Stream).
Percentage of days that the quality standards set out in the resource consent are met Target: 100%	100%	100%	

FINANCIAL STATEMENTS

Statement of Financial Performance

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2005

		6 Months to 31 December 2005 Actual \$000	6 Months to 31 December 2005 Budget \$000	Variance \$000
REVENUE	<i>Note</i>			
Operations		2,127	2,430	303
TOTAL REVENUE		<u>2,127</u>	<u>2,430</u>	<u>303</u>
EXPENDITURE				
Contracts, services and material		1	6	5
Vehicle & plant costs		81	82	1
Utility costs		92	89	(3)
IT costs		119	146	27
Telecommunication costs		30	41	11
Professional costs		104	85	(19)
Travel & accommodation		6	7	1
Administration costs		117	111	(6)
Employee remuneration		1,464	1,721	257
Other employee costs		75	84	9
Staff recruitment		6	8	2
Directors' fees		22	35	13
Depreciation		9	12	3
Interest expense		1	3	2
TOTAL EXPENDITURE		<u>2,127</u>	<u>2,430</u>	<u>303</u>
NET SURPLUS/(DEFICIT) BEFORE TAXATION		<u>-</u>	<u>-</u>	<u>-</u>
Tax Expense	<i>1</i>	-	-	-
NET SURPLUS/(DEFICIT) AFTER TAXATION		<u>-</u>	<u>-</u>	<u>-</u>

Note 1: The unaudited management accounts do not record the loss arising from the non-invoicing of increases in accrued leave. It is estimated that a pre-tax loss of approximately \$15,000 will have been incurred during the period ending 31 December 2005.

Statement of Movements in Equity

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2005

	6 Months to 31 December 2005 \$000	Full Year 2004/2005 \$000
NET SURPLUS/(DEFICIT) FOR THE PERIOD	-	(115)
MOVEMENTS IN EQUITY FOR THE PERIOD	<u>-</u>	<u>(115)</u>
EQUITY AT BEGINNING OF PERIOD	471	586
EQUITY AT END OF PERIOD	<u>471</u>	<u>471</u>

Statement of Cash Flows

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2005

	6 Months to 31 December 2005 \$000
CASH FLOWS FROM OPERATING ACTIVITIES	
<i>Cash was provided from:</i>	
Operating Receipts	1,786
GST	14
<i>Cash was disbursed to:</i>	
Payments to Suppliers	(2,076)
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>(276)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash was applied to:	
Purchase of Property, Plant and Equipment	(8)
NET CASH FLOW FROM INVESTING ACTIVITIES	<u>(8)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
<i>Cash was applied to:</i>	
Finance lease repayments	(6)
NET FLOW FROM FINANCING ACTIVITIES	<u>(6)</u>
Net Increase in Cash held	(290)
Opening Cash Balance 1 July 2005	437
CLOSING CASH BALANCE 31 DECEMBER 2005	<u>147</u>
<i>Made up of:</i>	
Cash	147
CLOSING CASH BALANCE	<u>147</u>

Statement of Financial Position

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2005

	6 Months to 31 December 2005 \$000	Full Year 2004/2005 \$000
CURRENT ASSETS		
Bank	147	437
Accounts Receivable	794	491
Taxation Receivable		12
TOTAL CURRENT ASSETS	<u>941</u>	<u>940</u>
NON CURRENT ASSETS		
Property, Plant and Equipment	99	100
TOTAL NON CURRENT ASSETS	<u>99</u>	<u>100</u>
TOTAL ASSETS	<u><u>1,040</u></u>	<u><u>1,040</u></u>
CURRENT LIABILITIES		
Accounts Payable	337	342
Finance Leases	6	11
Provision for Taxation	(13)	-
Annual Leave	230	207
TOTAL CURRENT LIABILITIES	<u>560</u>	<u>560</u>
NON CURRENT LIABILITIES		
Finance Leases	9	9
TOTAL NON CURRENT LIABILITIES	<u>9</u>	<u>9</u>
TOTAL LIABILITIES	<u><u>569</u></u>	<u><u>569</u></u>
NET WORKING CAPITAL	<u><u>471</u></u>	<u><u>471</u></u>
EQUITY		
Share Capital	600	600
Retained Earnings	(129)	(129)
EQUITY	<u>471</u>	<u>471</u>