

WELLINGTON CITY COUNCIL

Wellington Water Management Limited
Report to Shareholders
Quarter 3

For the period ended 31 March 2006

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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 January 2006 to 31 March 2006 for Wellington City Council. Financial statements and project updates are included in the report.

Financial Results

Operating Expenditure

Total expenditure for the quarter is \$1,124,000 against a budgeted sum of \$1,135,000. Year to date expenditure is below budget by \$314,000. This is due to staff vacancies during the year. Refer to the Statement of Financial Performance for more details.

Highlights

Incident Reporting System

An incident reporting system is currently under development. Once completed, it will provide Capacity with a centralised database to enable us to manage all incident reporting and incident investigations. We are also in the development stage of enabling the incident reporting system to have web capability so that our contractors can access the system on-line.

www.capacity.net.nz

Capacity's website was successfully launched on 1 March 2006. During March, 214 different people visited the website and those people viewed a total of 14,000 pages.

Customer calling cards

Customer calling cards have been developed to help Capacity gauge customer satisfaction of the work done by our contractors.

Our contractors started delivering calling cards in January 2006. To promote customers to provide feedback through the calling cards, Capacity is running a feature article in the June edition of APW.

Project Updates

Wellington Inner City Bypass Stormwater Culvert

The Wellington Inner City Bypass stormwater culvert is currently 90% complete.



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

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. All pipes have been laid except for the final out-in pipe into Rugby Street. This project will be fully complete by May 2006.

The Crescent (Oriental Parade) Stormwater Upgrade

The Crescent stormwater system has been upgraded to reduce local flooding. A new stormwater system has been constructed that collects stormwater from 50 houses and discharges it to the harbour at Oriental Parade. The project was completed in March 2006.

Reservoir Construction

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. Reservoir construction has been completed and it is currently being tested for water tightness.



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 (WCC) for the construction of the reservoir. WCC requires more information on the noise level during construction. An acoustic engineers report has been completed and will be submitted to the Council for review. The construction of the reservoir is over a two-year period.

Western Treatment Plant Consent Renewal

Applications to issue new consents enabling the continued operation of the Western Wastewater Treatment Plant at South Karori were lodged in March 2006. The consent applications have been publicly notified with submissions due by 10 May 2006.

Performance Measures

KEY PERFORMANCE TARGETS	LEVEL OF ACHIEVEMENT			
WATER SUPPLY	Quarter 1	Quarter 2	Quarter 3	Comment
The number of times substandard bulk water reaches customers	Achieved	Achieved	Achieved	No occurrences have been reported year to date.
Water Quality – Comply with New Zealand Drinking Water Standards	100%	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.			
Percentage of days of contaminant free sampling. Target: 100%	100%	100%	94%	During quarter 3, a total of 6 observations showing signs of floating suspended material, scum, foams or colour were observed.
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%	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%	100%	
Percentage of monitored freshwater sites where the median annual faecal coliform bacteria counts are less than 2000 per 100ml Target: 100%	75%	100%	100%	Four sites are monitored. In quarter one, one failure was recorded at Karori Stream.
Percentage of days that the quality standards set out in the resource consent are met	100%	100%	100%	

Target: 100%

FINANCIAL STATEMENTS

Statement of Financial Performance

FOR THE NINE MONTH PERIOD ENDED 31 March 2006

		9 Months to 31 March 2006 Actual \$000	9 Months to 31 March 2006 Budget \$000	Variance \$000
REVENUE	Note 1	3,213	3,565	(352)
EXPENDITURE				
Contracts, services & material		9	9	0
Vehicle and plant costs		115	122	7
Utility costs		136	133	(3)
IT costs		185	216	31
Telecommunication costs		49	61	12
Professional costs		146	129	(17)
Travel and accommodation		10	11	1
Administration costs		162	164	2
Employee remuneration		2,244	2,502	258
Other employee costs		109	126	17
Staff motor vehicle costs		0	-	(0)
Staff recruitment		23	16	(7)
Directors' fees		48	53	5
Depreciation		14	18	4
Interest expense		1	5	4
TOTAL EXPENDITURE		<u>3,251</u>	<u>3,565</u>	<u>314</u>
NET SURPLUS/(DEFICIT) BEFORE TAXATION		<u>(38)</u>	<u>-</u>	<u>(38)</u>
Tax Expense		-	-	-
NET SURPLUS/(DEFICIT) AFTER TAXATION	2	<u>(38)</u>	<u>-</u>	<u>(38)</u>

Note 1: Revenue is below budget because Capacity's revenue is determined by the total year to date expenditure which is below budget.

Note 2: The unaudited management accounts show a loss arising from the non-invoicing of increases in accrued leave. Note 12 of the Capacity 2004/2005 annual report projected a loss of \$50,000 in 2005/2006.

Statement of Movements in Equity

FOR THE NINE MONTH PERIOD ENDED 31 MARCH 2006

	9 Months to 31 March 2006 \$000	Full Year 2004/2005 \$000
NET SURPLUS/(DEFICIT) FOR THE YEAR	-	(115)
MOVEMENTS IN EQUITY FOR THE PERIOD	<u>-</u>	<u>(115)</u>
EQUITY AT BEGINNING OF YEAR	471	586
EQUITY AT END OF YEAR	<u>471</u>	<u>471</u>

Statement of Cash Flows

FOR THE NINE MONTH PERIOD ENDED 31 MARCH 2006

	9 Months to 31 March 2006 \$000
Cash flows from operating activities	
Cash was provided from:	
Operating Receipts	3,176
GST	(26)
Cash was disbursed to:	
Payments to Suppliers	(3,206)
Net cash outflow from operating activities	<u><u>(55)</u></u>
Cash flows from investing activities	
Cash was applied to:	
Purchase of Property, Plant & Equipment	(9)
Net cash outflow from investing activities	<u><u>(9)</u></u>
Cash flows from financing activities	
Cash was applied to:	
Finance lease repayments	(9)
Net cash inflow from financing activities	<u><u>(9)</u></u>
Net Increase in Cash held	(73)
Opening Cash Balance	437
Closing Cash Balance	<u><u>364</u></u>
Made up of:	
Cash	364
Closing Cash Balance	<u><u>364</u></u>

Statement of Financial Position

FOR THE NINE MONTH PERIOD ENDED 31 MARCH 2006

	9 Months to 31 March 2006 \$000	Full year 2004/2005 \$000
CURRENT ASSETS		
Bank	364	304
Accounts Receivable	508	1,408
	<u>872</u>	<u>1,712</u>
NON CURRENT ASSETS		
Property, Plant & Equipment	95	51
	<u>95</u>	<u>51</u>
TOTAL ASSETS	<u>967</u>	<u>1,763</u>
CURRENT LIABILITIES		
Accounts Payable	272	921
Finance Leases	3	11
Provision for Taxation	(13)	14
Annual Leave	225	211
	<u>488</u>	<u>1,157</u>
NON CURRENT LIABILITIES		
Finance Leases	9	20
	<u>9</u>	<u>20</u>
TOTAL LIABILITIES	<u>496</u>	<u>1,177</u>
NET WORKING CAPITAL	<u>471</u>	<u>586</u>
EQUITY		
Share Capital	600	600
Retained Earnings	(129)	(14)
	<u>471</u>	<u>586</u>