

CAPACITY ANNUAL REPORT 2005/06 REVIEW

1. Introduction

The directors of Capacity (Wellington Water Management Limited) have submitted their audited annual report for the year to 30 June 2006. This is the second full year of reporting for Capacity.

2. Performance

a) *Financial results*

Statement of Financial Performance

\$'000	FY Actual	FY Budget	2004/0 5 Actual
Income	4,613	4,825	4,496
Expenditure	4,703	4,825	4,613
Operating surplus	(90)	-	(117)
Operating margin	-	-	-
Return on equity	-	-	-

This statement does not include project expenditure incurred, as this is paid directly by the respective Councils.

Statement of Financial Position

\$'000	FY Actual	2004/05 Actual
Current assets	1,075	940
Non-current assets	92	100
Current liabilities	790	560
Non-current liabilities	-	9
Equity	377	471
Current ratio	1.36	1.68
Equity ratio	32%	45%

Statement of Cash Flows

\$'000	FY Actual	2004/0 5 Actual
Operating	(13)	208
Investing	(9)	(65)
Financing	(12)	(11)
Net	(34)	133
Closing balance	403	437

No trends are reported since the company is in its second year of operations.

b) KPI's

Measure	2005/06 Target	2005/06 Actual
Work with the approved budget and business plan	To be achieved	Achieved
Comply with Financial, technical and regulatory standards	To be achieved	Achieved
Establish a strategic business plan by 30 June 2005	To be achieved	Achieved
Develop asset management plans as required that reflect best practice or meet specific requirements for approval by the appropriate organisation	To be achieved	Achieved
Ensure infrastructure asset maintenance is carried out in accordance with asset management plans and to the best applicable trade standards and practice	To be achieved	Achieved
Budget savings	\$4.175 million in 5 years and \$1.6m p.a. thereafter	Savings model is under review by shareholders
Meet the performance measures set out by shareholders in service contracts or SLA's including managing emergencies	To be achieved	16 of 21 performance measures were achieved.

(ii) Trends

There are no significant trends to report.

c) Significant changes

(i) In activities

There have not been any changes in the activities undertaken by Capacity.

(ii) Other – governance

Keith Sutton resigned as director on 30 June 2006 respectively and Richard Westlake was appointed as director on 1 July 2006.

3. Discussion

a) Key items from the year

Capacity continued to manage and deliver the water operating and capital programmes for the Council in 2005/06, including completing two new reservoirs to enable future water demands to be met.

Capacity integrated risk management frameworks into operating practices, implemented new operations and maintenance contracts with the aim of delivering savings, and installed a SCADA telemetry control room to monitor water services and identify problems and efficiencies in real time.

b) Issues for consideration

The customer relationship with the Council has been tested during the year. Capacity needs to be able to demonstrate to the Council that it has the strategic management and planning in place for water assets to meet Council requirements. The audit opinion on the LTCCP expressed a view that the asset plans were in need of improvement.

The company has to balance achievement of savings targets with the need to maintain agreed levels of service. The long term nature of infrastructure assets results in the effect of inappropriate investment and maintenance is only shown up in the medium term.

4. Conclusion

a) Summary of analysis

Capacity has had a further year of consolidating operating systems across the shareholding Councils, completing asset management plans, while managing the delivery of operating and capital programmes.

b) Looking forward

The company will seek to optimise its capital expenditure by appropriate bundling and tendering of contracts, and from this fully identify what savings can and will be delivered.

From a customer perspective, the two shareholding councils will expect to see consolidation in the service delivery performance over the next 12 to 24 months.

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