

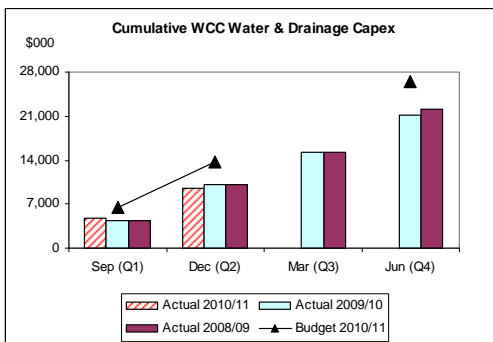
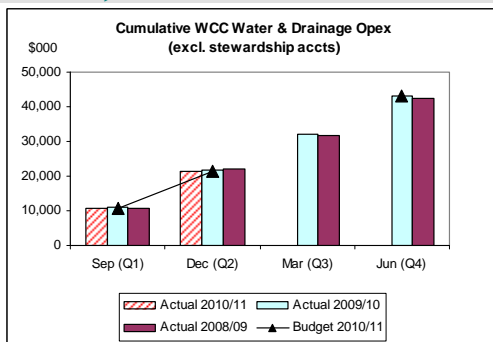
Quarterly Review – Capacity Infrastructure Services Limited

Capacity has presented its report for the quarter ended 31 December 2010 for review. A summary of key findings is presented below and the full report is attached.

Highlights / Summary

- For the year to date, Capacity's income was \$163k below budget and costs were \$198k below budget. The quarter's surplus was \$8k, bringing the YTD surplus to \$35k.
- WCC capex is under budget YTD due to timing differences in stormwater renewals and delays in sewer network renewals, the Messines Road reservoir, the Tacy St Pump Station and the upgrading of the inlet pumping station at Moa Point.
- Recommendations for the Water Conservation and Efficiency Plan will be presented to SPC on 24 March.
- The emergency management project team is continuing its work on understanding water supply risks and options.

Performance (expenditure relating to WCC infrastructure)



Key Performance Indicators

Measure	Annual Target	YTD WCC Actual	YTD HCC Actual	YTD UHCC Actual
Unplanned water supply cuts/1000 connections	4 per 1000	0.60	1.38	0.08
Wastewater incidents/km of reticulated pipeline	1.2 per km	0.32	0.54	0.19
Responsiveness to service request within 1 hour				
- water supply	97%	99%	100%	97%
- stormwater	97%	91%*	100%	100%
- wastewater	97%	90%*	100%	100%
Capex - YTD actual \$m		9.434	2.461	1.145
- YTD budget \$m		13.643	2.772	1.698
- YTD variance \$m		4.209	0.311	0.554
Opex - YTD actual \$m		17.586	10.610	2.902
- YTD budget \$m		17.715	10.710	3.223
- YTD variance \$m		0.130**	0.101	0.321

* See Activities discussion

** Capacity figures also exclude other non-controllable costs from project C087

Activities During the Quarter

- Construction work started on the Messines Road reservoir upgrade and the tenders for the Tacy St Pump Station have been evaluated.
- 2.3km of aging water mains were renewed in suburbs including Khandallah, Kelburn, Newtown, and Highbury. 1,574 metres of wastewater pipes and 150 meters of stormwater pipes were replaced.
- CitiOperations remain unable to report some service request response times. WCC's Confirm system is being upgraded in the next few months which will facilitate the use of real time mobile technology and is expected to resolve this issue.

Underlying Financial Commentary

- The Council's internal reports show \$4.2m (or 31%) underspent on capex YTD (\$2.5m for Q2). This reflects delays in the wastewater and stormwater renewal projects related to private property access and geotechnical issues. It also reflects spend to date on most projects being behind budget.
- The Company still expects that the capex work will be completed and the budget will be fully spent by the end of the year; however, this may be a challenging task to achieve.
- At first glance the Council's reports show \$455k underspent on opex for YTD. Excluding stewardship accounts, which the Company does not control, Capacity has underspent the Council's opex budget by \$134k.
- At the end of December, the opex budget (excluding stewardship accounts) for the full year was expected to be overspent by \$723k. This largely reflects reactive works and the bringing forward of some culvert cleaning work, which has the approval of WCC's Infrastructure team.

Note that individual project expenditure is reported within the shareholding councils. The performance charts list the aggregate project expenditure being managed on behalf of WCC. Financial performance figures below refer to the company's income/expenditure.

Statement of Financial Performance

For the quarter ended 31 December 2010

\$000	Q2 Actual	YTD Actual	YTD Budget	2010/11 FY Budget
Income	1,780	3,666	3,829	7,607
Expenditure	1,773	3,631	3,829	7,607
Net surplus / (loss)	8	35	-	-

Statement of Financial Position

As at 31 December 2010

\$000	YTD Actual	2009/10 FY Actual YE	2010/11 FY Budget
Current assets	939	1,266	1,144
Non-current assets	84	93	18
Current liabilities	674	1,046	887
Non-current liabilities	-	-	-
Equity	348	313	275
Current ratio	1.4	1.2	1.3
Equity ratio	34%	23%	23%

Statement of Cash Flows

For the quarter ended 31 December 2010

\$000	YTD Actual	2009/10 FY Actual	2010/11 FY Budget
Operating	(266)	197	(149)
Investing	(9)	(83)	(40)
Financing	-	-	-
Net	(276)	114	(189)
Closing balance	222	497	384

Note: FY Budgets are as approved in the Statement of Intent

Contact officer:

Maree Henwood

Profile - Capacity Infrastructure Services Limited

Capacity Infrastructure Services Limited 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. Capacity also manages the water, wastewater and stormwater assets of Upper Hutt City Council under a service agreement.



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 April 2004	
Board	Peter Allport (Chair) Ian Hutchings Peter Leslie Cr Andy Foster (WCC) John Strahl Cr David Bassett (HCC)	<i>Term expires:</i> 31 Dec 2013 30 Jun 2012 31 Dec 2013 Oct 2013 31 Dec 2012 31 Dec 2013
CEO	David Hill	
Balance date	30 June	
Number of FTE staff	65	
Website	www.capacity.net.nz	
Type of entity	Company	
LGA designation	CCTO	
By reason of	Board control: all trustees appointed by shareholding Councils	
Wellington City Council interest	\$210,000 (book value)	
Type of interest	50% Shareholding (class A shares); 63% Financial Interest (class B shares)	