

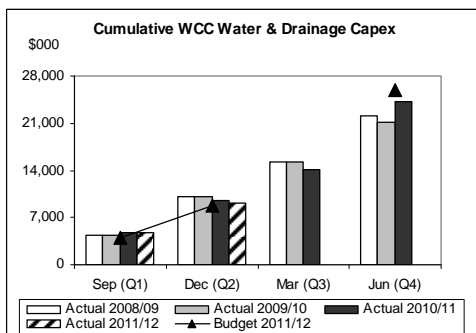
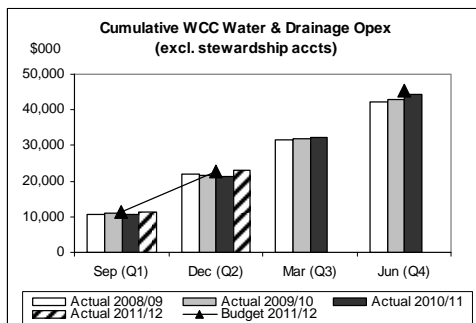
Quarterly Review – Capacity Infrastructure Services Limited

Capacity has presented its report for the quarter ended 31 December 2011 for review. A summary of key findings is presented below and the full report is attached.

Highlights / Summary

- The Messines Road Reservoir upgrade continues with tank 2 commissioned in December. Construction work on the Tacy St stormwater pump station is complete. Commissioning of the pumps will now occur in March. The final cost on this project is expected to be above budget due to unanticipated underground services and higher than budgeted costs for traffic management, pump discharge pipes and control equipment and road reinstatement costs.
- CityCare's performance review was completed in November 2011 and has resulted in a further 1-year contract extension with a 1.4% reduction in contract costs (performance penalty).
- Work was undertaken on a proposal to provide a formal offer for Capacity to undertake water services for PCC. The Company proposes that Capacity's existing client councils consider a governance model change to incorporate this. A report will go to SPC on 22 March.

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	0.7	1.38	0.23
Wastewater incidents/km of reticulated pipeline	1.2 per km	0.35	0.52	0.22
Responsiveness to service request within 1 hour				
- water supply	97%	100%	100%	97%
- stormwater	97%	97%*	100%	100%
- wastewater	97%	96%*	100%	100%
Capex - YTD actual \$m				
- YTD budget \$m		9.057	2.596	1.786
- YTD variance \$m		8.742	6.189	2.125
		-0.315	3.593	0.339
Opex - YTD actual \$m				
- YTD budget \$m		19.202	8.827	2.452
- YTD variance \$m		18.654	9.543	2.508
		-0.548**	0.716	0.056

* See Activities discussion

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

Activities During the Quarter

- The Carmichael Reservoir is being tested for water-tightness prior to the contract to replace the roof being awarded. Work to replace the roof is likely to start in late January.
- The 'response to service request' KPI for Wellington City Council is currently tracking at 100% (water), 97% (stormwater) and 96% (wastewater), relative to an overall target of 97%. This is unchanged from Q1. The contractor is continuing to trial portable devices to improve reporting of this metric.
- The emergency management project team met in November to review progress and the action plan is on track. Capacity also held an emergency management exercise in December, which resulted in some minor improvements being identified. The report 'Plan for the Supply of Water Following a Major Earthquake' was prepared and distributed to the region's Councils.

Underlying Financial Commentary

- Capacity's YTD income was \$204k below budget and costs were \$187k below budget. The YTD deficit is (\$4k), compared to a breakeven budget and a surplus of \$35k last year, due to timing differences.
- The Council's internal reports show that WCC capex is slightly over budget YTD (\$315k or 4%) due to the early commencement of a number of projects offsetting delays in Carmichael Reservoir and the Moa Point upgrade work. The Company is currently forecasting a minimal year end variance.
- Excluding stewardship accounts, which the Company does not control, Capacity has overspent the Council's opex budget by \$524k YTD. This reflects higher than planned costs for reactive budgets and the higher than budgeted costs incurred for the Waring Taylor culvert cleaning work. There is an overspend of \$247k currently forecast for year end.

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 2011

\$000	Q2 Actual	Q2 Budget	YTD Actual	YTD Budget	FY Budget
Income	1,886	1,964	3,723	3,927	7,880
Expenditure	1,900	1,964	3,726	3,914	7,880
Net surplus / (loss)	(14)	-	(4)	13	-

Statement of Financial Position

As at 31 December 2011

\$000	YTD Actual	FY Budget	FY 2010/11 Actual
Current assets	1,828	1,203	1,198
Non-current assets	144	12	94
Current liabilities	1,700	902	1,016
Non-current liabilities	-	-	-
Equity	272	313	276
Current ratio	1.1	1.3	1.2
Equity ratio	14%	26%	21%

Statement of Cash Flows

For the quarter ended 31 December 2011

\$000	YTD Actual	FY Budget	FY 2010/11 Actual
Operating	960	(147)	(320)
Investing	(68)	(16)	(27)
Financing	-	-	-
Net	892	(163)	(348)
Closing balance	1,041	327	149

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)	