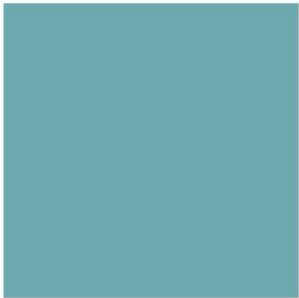
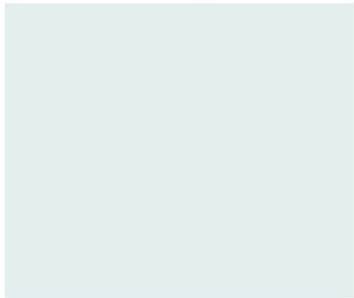




# Capacity Infrastructure Services Ltd

## Statement of Intent and Business Plan 2012/13

31 May 2012



[PLANNING]

[CONSULTATION]

[MANAGING]

[MONITORING]

[DELIVERY]

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# 1. Purpose

The purpose of this statement of intent is to:

- state publicly the activities and intentions of Capacity Infrastructure Services (Capacity) for the year, and the objectives to which those activities will contribute
- provide an opportunity for Capacity's shareholders to influence the direction of the organisation
- provide a basis for the accountability of Capacity's directors to their shareholders for the performance of the organisation.

This statement of intent covers the year 1 July 2012 to 30 June 2013, and the following two financial years.

## 2. Introduction

Capacity is a council-controlled trading organisation operating under the Local Government Act 2002 to manage the delivery of the three waters: water supply, wastewater and stormwater infrastructure services.

Our current shareholders, Hutt City Council and Wellington City Council, together with Upper Hutt City Council for whom Capacity currently provides water services management on a contracted basis, have all resolved to amend Capacity's operating model and governance arrangements. The proposals are to commence as early as practicable to 1 July 2012.

The governance changes enable Upper Hutt City Council and Porirua City Council to join Capacity as joint venture equity partners and in the case of Porirua City Council to also have its water services management undertaken on its behalf by Capacity. Porirua City Council's timetable for seeking council approval and undertaking public consultation suggests that formalisation of its position may not be achieved until late in the 2012 calendar year.

It is intended to undertake alterations to the business model and the equity arrangements for the existing shareholder and client councils early in the new financial year. Rearrangement of existing director appointment arrangements with consequential changes to Capacity's constitution will also be undertaken at the same time.

The proposed changes will involve a material change to our method of our operation, governance and draft financial forecasts included in this statement. We anticipate at least one further revised version of this document following confirmation of Porirua City Council's intention and timing.

We are mindful of the financial implications for councils and communities when undertaking the management of infrastructure for the three waters. Our staff are committed to finding better and more efficient ways of providing water, stormwater and wastewater management services. We actively work with our client councils to identify and develop regionally based water services activities.

Water services constitute a vital activity in normal times; they are even more critical in times of emergency. We emphasise resilience in infrastructure management and work closely with other regional and national organisations on emergency preparedness.

Capacity ensures all activities under its control are undertaken in an environmentally sensitive and safe manner.

We look forward to delivering and continually improving water services for our clients and applying our expertise across the wider Wellington region.

### 3. Capacity's contribution to council and community outcomes

Councils identify and monitor community outcomes through long term plans, strategic plans and reports. These outcomes relate to all aspects of community living, including the environment, the economy, infrastructure, and social and cultural wellbeing.

Capacity contributes to its shareholding councils' visions and community outcomes through high quality, value-for-money management of water supply, stormwater and wastewater infrastructure. Each of these services is essential to resilient communities seeking sustainable growth within a healthy and safe environment, and to that extent all of Capacity's activities contribute to community outcomes.

Outcomes currently expressed by councils are:

#### Hutt City

1. A safe community
2. A strong and diverse economy
3. An accessible and connected city
4. Healthy people
5. A healthy natural environment
6. Actively engaged in community activities
7. Strong and inclusive communities
8. A healthy built environment
9. A well-governed city

#### Porirua

1. Well connected & on the move
2. Multicultural & creative
3. Strong families & people, young & old
4. Active & healthy
5. Learning for life
6. Prosperous
7. A safe city
8. Sustainably designed & built
9. A valued natural environment

#### Upper Hutt City

1. We're a scenic playground
2. We're family
3. We're a gateway to the great outdoors
4. We're ready to grow
5. We're an easy access destination

#### Wellington City

1. People-centred city
2. Eco-city
3. Connected city
4. Dynamic central city

It is our intention to support each of our client councils in working towards their outcomes.

Although there are differences in the focus and articulation of each city's vision, the outcomes of well managed water supply, wastewater and stormwater networks are essential to all of them:

- clean water, rivers, streams and seas
- roads and property that are safe from flooding in the event of heavy rains and rising sea levels
- the efficient and effective transportation, treatment and disposal of wastewater.

Capacity's mission is to support our client councils in delivering the outcomes valued by their communities through delivering value-for-money, high quality water infrastructure management. We do this by developing and maintaining the capability to manage network activities on a daily basis and in emergency situations, as described in our business strategies, objectives and activities.

Client council long term plan measures are included in Appendix 1.

## 4. Capacity's strategic directions

Capacity's Strategic Plan for the period 2010–2014 consists of four principal strategies. These are listed below, with commentary on progress and intentions for the coming year:

**1 Stakeholder intimacy** - Capacity will ascertain stakeholder needs and be fanatical about delivering reliable and quality services. We will be more proactive and relationship-based as we manage the assets of more clients and deal directly with thousands of customers. We will also improve customer feedback mechanisms.

*Commentary:* During 2011 several programmes including training courses helped staff to work in a more encouraging and cooperative manner within the organisation. Recent organisational culture survey results show Capacity is making good progress towards a constructive and customer-focused organisational culture.

Initiatives to improve external customer communications, such as the use of Twitter and customer feedback cards, will be continued, with Capacity emphasising customer service standards in the coming year. The focus of a two year customer focus programme initiated after the inaugural organisational culture survey undertaken in 2010 has been improving internal customer service. An organisation-wide training programme on developing customer intimacy and providing excellent service to all stakeholders is taking place during June – August 2012. A further organisational culture survey undertaken in later this 2012/13 year will provide results of the programme. We surveyed staff with an interim survey in November 2011 which shows that Capacity staff are working in more constructive ways.

Capacity is committed to maintaining and developing its relationship with its shareholders and a 'no surprises' policy of open and transparent communication and accountable reporting.

**2 Empowering our people** - Capacity's people will be empowered to meet all stakeholder needs. The company will have the right people with the right skills, knowledge and attitude. This includes staff and our business partners (contractors, consultants and other suppliers).

*Commentary:* During 2011/12, the emphasis has been on improving internal communications, recognising staff effort and achievements through monthly awards. Our last engagement survey results done in August 2011 indicate improving levels of staff engagement, and staff turnover continues to be well below the national average.

Training programmes are helping develop individual workplace and personal skills, including improved communications between and teams, and sharing workloads and achievements. This activity continues into 2012/13 year in conjunction with customer service excellence training mentioned above.

Results from our 'empowering our people' training will be measured from both the further culture survey mentioned above and our regular staff engagement survey to be done this year.

**3 Integrating information management** - In order to achieve the full benefits available from the regional integration of water services, Capacity is working with client councils and external parties to identify the most effective merger of information systems. An independent consultant has been appointed to prepare a business case with an intended reporting date of July 2012.

*Commentary:* Upon finalisation the Business Case will be presented to shareholder and client councils to seek financial support for the establishment of an in-house asset management system.

**4 Wellington regional water services network enhanced integration** - This strategy supports our shareholders in attaining resilient and integrated water services networks across the greater Wellington region to improve the region's competitive advantage through the efficiency and quality of its water services.

*Commentary:*

The business case for regional water services has been sent to existing shareholder councils and potential shareholder councils that estimate combined direct savings for shareholders on a medium term basis. Wellington City, Hutt City, Upper Hutt City and Porirua City Councils have resolved to alter Capacity's equity structure, governance arrangement and business model. Porirua City Council will seek councillor approval to similar resolutions in July 2012 to be followed by public consultation.

The proposed changes will involve a material change to our method of our operation, governance and draft financial forecasts included in this statement. We anticipate at least one further revised version of this document following confirmation of Porirua City Council's intention and timing.

Providing we receive the information required from councils on time, we expect to have our new model in place by 1 July 2012 or as near as practical. We will then work with Wellington City, Hutt City, Upper Hutt City and Porirua City councils on implementing the new structure for Capacity that incorporates Upper Hutt and Porirua city as shareholders and clients.



## 5. Our business objectives

Capacity's principal objectives are:

1. the long term planning, management and delivery of water, stormwater and wastewater assets and services for its clients and across the wider Wellington region
2. to support developing and implementing an integrated system for managing the information Capacity needs to effectively carry out its objectives
3. to support integrated water services network across the Wellington region and improve the region's competitive advantage through the quality of its water services
4. to operate as a successful business, returning benefits to shareholders
5. to exhibit a sense of social and environmental responsibility by having regard to the interests of the community and to conduct its affairs in accordance with sound business practice.

Section 59 of the Local Government Act 2002 also provides that the principal objectives of a council-controlled trading organisation include the objectives of its shareholders.

Our staff are highly skilled and experienced in water and drainage activities. They have extensive institutional knowledge of clients' infrastructure and a thorough understanding of working in the local government environment. We are proud of our strengths and recognise that the recruitment and retention of skilled personnel with water industry knowledge is essential to the sustainable success of our business.

In order to meet our objectives we focus our work activity on asset planning and development, capital project management, operations management, risk management, staff development and corporate governance.

We continue to seek standardised asset management plans and 'advanced asset management status' across client councils. To achieve this we will complete in the current year a review of our asset management plans and practices against three recognised standards. Action plans implementing improvements will commence from later in the 2012 financial year.

Capacity has commissioned a further study into the requirements for a regional asset management system to best meet the needs of its current and potential future clients across the Wellington region. A regionally-based procurement process is anticipated for the first half of the 2012/13 year.

Capacity will continue to implement and monitor water conservation and environmental protection activities across the Wellington region. Such activities include consulting on water by-laws and resource consents where appropriate.

We will also participate in and lead emergency planning and resilience activities. This includes training and emergency response exercises, as well as planning for and installing earthquake resilient network components and construction. Seismic upgrades

to reservoirs, pump stations and critical pipelines will continue in the coming years, to ensure supplies of drinking water are available in an emergency event. We are writing an emergency water supply plan that sets out for each client council their potential alternative supply sources and the programme and funding requirements to develop these.

Resilience in construction for seismic events is incorporated in the new regional code of practice for water infrastructure development, signed off by Wellington, Hutt, and Upper Hutt city councils for implementation. The code sets out new minimum requirements for infrastructure development. New regional specifications will now be developed to ensure resilience in infrastructure construction and maintenance is standardised across the region.

## 6. Our activities

This table summarises the nature and scope of our activities. The business objectives (as on page 9) are referred to by number as they align to the activities.

Activity	Nature	Scope	Business Objectives
Consultation	<p>Capacity specialises in infrastructure-based management services including resource consent consultations.</p> <p>Consultation with our communities ranges from discussions on water conservation to formal submissions on major capital projects.</p>	<ul style="list-style-type: none"> <li>• Resource consent applications</li> <li>• Strategic planning and direction</li> <li>• Policy advice and development</li> <li>• Improvement opportunities</li> <li>• Water conservation planning</li> </ul>	<p>2 - Integrated IT 5 - community responsibility</p>
Planning	<p>Our planning covers everything from asset management to catchment management plans and flood hazard maps.</p>	<ul style="list-style-type: none"> <li>• Asset management planning</li> <li>• Resource consent applications</li> <li>• Risk management plans</li> <li>• Level-of-service development</li> <li>• Strategic planning</li> <li>• Policy advice</li> <li>• Improvement opportunities</li> </ul>	<p>1 – delivery services 2 – integrated IT 5 - community</p>
Managing	<p>Managing water, wastewater and stormwater services for our clients requires reviews, investigations and assessments of the assets to ensure the best outcomes for both our clients and their residents and ratepayers are achieved.</p> <p>We manage maintenance and operations contracts; prepare new contracts and manage the tendering processes for our clients.</p>	<ul style="list-style-type: none"> <li>• Programme management</li> <li>• Project management</li> <li>• Demand management</li> <li>• Maintenance and operations</li> <li>• Improvement opportunities</li> <li>• Customer Service</li> </ul>	<p>1 - delivery 3 – integrated regional services 4 – effective business 5 - community</p>
Delivery	<p>To ensure timely and efficient delivery of services to our clients we prepare draft capital works programmes consistent with asset management plans. We have collaborative management agreements with these contractors which enable us to achieve efficiencies in service activities and costs that benefit our clients.</p>	<ul style="list-style-type: none"> <li>• Project management</li> <li>• Service delivery</li> <li>• Improvement opportunities</li> </ul>	<p>1 – delivery 2 – integrated IT 3 – integrated regional services 4 – effective business 5 - community</p>

Monitoring	Monitoring our clients' assets for managing water, stormwater and wastewater services to continuously improve the networks.	<ul style="list-style-type: none"> <li>• Water quality</li> <li>• Environmental effects</li> <li>• Service delivery</li> <li>• Contract performance</li> <li>• Improvement opportunities</li> </ul>	1 – delivery services 5 - community
Coordination	Support the achievement of an integrated water services network across the Wellington region to improve the region's competitive advantage through the quality of its water services.	<ul style="list-style-type: none"> <li>• Emergency management and preparedness</li> <li>• Codes of practice</li> <li>• Design standards</li> <li>• Regionalisation of water services delivery</li> </ul>	1 – delivery 2 – integrated IT 3 – integrated regional services

The following section highlights specific projects within these activity areas.

### **Water conservation planning**

Water supply demand management in Wellington, Hutt, Upper Hutt and Porirua remains critical to meeting community outcomes and strategic goals of the individual councils. Population growth, the changing built environment and climate change have the potential to affect the region's ability to meet the needs and resilience of residents and businesses.

Capacity worked with Wellington City Council to develop its "Water Conservation and Efficiency Plan" now in effect. In the coming year, we'll continue in our communications with the Council's customers that represent the highest consumption and produce a plan for increasing retailers' ability to advance water efficient technology and, before year-end report to Wellington City Council on activities in the plan that have already been implemented or completed. Overall commercial water consumption from 2010/11 will be analysed to establish if information on seasonal differences will allow informed conversations to be had with specific customers (Te Papa or Victoria University for example) about how changes in consumption could contribute to water conservation and financial savings.

The introduction of 'water audits' for council and commercial users is planned for 2013 with the development of an information and action plan pack for the city's businesses.

The impacts of water patrols will be analysed against water consumption within patrolled areas. This will help steer how education messages are directed during the summer of 2012/13, when once again water storage capacity will be limited by an upgrade to storage lakes.

Water conservation and efficiency measures will continue across the region. We will again work with all four city councils and the Greater Wellington Regional Council to jointly communicate conservation messages, particularly over the summer months when the impacts of dry spells are more immediate.

We will also continue our efforts to extract as much potential as possible out of active leak detection. This is designed to minimise impacts on residential and commercial customers while councils pursue gains in improving the public network. These and other activities such as pressure reduction and district metering have contributed to reducing water usage to their lowest levels in 15 years.

In the coming year, we will work with Hutt City Council towards taking a formal approach to water conservation and efficiency through a plan specific to Hutt Valley requirements. Upper Hutt City Council will continue with its established approach of water patrols and community water surveys.

### **Wellington City stormwater discharge consents**

Resource consents granted for discharging stormwater into the coastal marine and harbour areas are leading towards an integrated approach to stormwater management and its associated objectives.

Activities for 2012/13 include investigating a cultural health monitoring approach to augment existing monitoring programmes, and increased community involvement through a consultative committee.

The information gathered from both monitoring and community engagement will contribute to network modelling and developing an integrated catchment management plan as Capacity works towards the milestones within the consents.

### **Flow monitoring**

Long term wastewater flow monitoring and rainfall gauging will continue in Hutt, Upper Hutt and Wellington cities. This data is used to document trends in wastewater networks, helping to identify network problems and calibrate hydraulic models. Area-specific flow monitoring will continue in Wellington and Hutt City to help narrow down areas with high levels of inflow and infiltration. This work is part of our strategy to reduce overflows from the system.

Stormwater flow monitoring will also continue in Upper Hutt. This year will be the third in a four-year project to provide flow information to calibrate the stormwater model and to revise flood hazard mapping.

### **Inflow and infiltration reduction**

In 2011/12 an investigation began in Miramar to identify areas of inflow and infiltration which contribute to network overflows. This sub-catchment is being used as a test to gauge the effectiveness of our overflow reduction activity. Investigations help identify capital works required to reduce the extent and effect of inflow and infiltration, and similar investigations will be carried out in Island Bay, Houghton Bay and Owhiro Bay.

Inflow and infiltration identification work done in Wainuiomata over the past two years resulted in a capital works programme which is continuing.

## **Regionalisation**

An integrated water services network will improve the region's competitive advantage through the efficiency and quality of water services. The amalgamation of Porirua City Council's three water activities into the Capacity framework will see programmes designed to ensure regional consistency in policy advice, asset planning, service delivery, maintenance and operations.

## **Flood hazard mapping**

Flood hazard mapping is an on-going task for Capacity and the councils. Information from the Ministry for the Environment on climate change and sea-level rise has been included in updated flood hazard maps.

In 2012/2013 Upper Hutt will continue to collect data to update flood hazard maps for the area.

Stormwater model development in Wellington will re-start this year, part of a long-term project to produce stormwater models including flood hazard mapping for key areas of the city. Information from this exercise will be used in integrated catchment management plans required to be developed as part of the global stormwater consents.

## **Emergency Planning**

Capacity has been working on improving emergency planning and preparedness for client councils since its inception. The Christchurch earthquakes increased concerns relating to emergency management, resulting in a greater focus in this area that will continue over the coming years.

Planning activities, including network upgrades and modifications to key facilities, are aimed at improving network resilience, emergency preparedness and post-event recovery of the client councils' three waters infrastructure.

The general objectives of the activities are to:

- reduce the level of damage the infrastructure is exposed to, and the risk to the community through planning, policy and network upgrades;
- improve emergency readiness through training, feedback, education, communication with other utilities and maintaining the emergency management plans and procedures;
- improve immediate post-event response mechanisms with suitable equipment and documentation; and

- have a clear, co-ordinated plan for the recovery of the networks to facilitate the cities' long-term economic and social recovery.

These objectives are aligned with the National Civil Defence Emergency Management Strategy which is built around the concept of the four "R"s; Reduction, Readiness, Response and Recovery.

Preparedness is managed through participation in several emergency groups, including the Wellington Lifelines Group (WeLG), regional emergency management offices and the Water Services Emergency Preparedness Group (WSEPG), a group formed by Capacity in 2008.

WeLG includes representatives from other utilities and works towards closer co-ordination and preparedness at a high level.

WSEPG considers the emergency planning and post-event response and recovery of the water services at a much more detailed level than WeLG. It includes representatives from Wellington, Upper Hutt, Hutt, and Porirua city councils, the Hutt Valley Emergency Management Office, Wellington Emergency Management Office, Porirua Emergency Management Office and Greater Wellington Regional Council, and is chaired by Capacity. Its main focus is improvements in:

- maintaining emergency management plans for water supply, wastewater and stormwater infrastructure;
- supply of water post event by:
  - preserving existing water in each city's reservoirs
  - distributing available water to the public and emergency centres
  - procuring alternative supplies of water until bulk water supply is functioning
  - repairing damaged infrastructure (emergency materials and mitigation works).
- disposal of wastewater and stormwater.

Client councils are to receive detailed action plans early in the 2012/13 year starting with Wellington City Council in July 2012.

Subsequent to the Christchurch earthquakes we convened an internal emergency management committee to oversee all emergency management activities and planning within Capacity. Chaired by the chief executive, the committee consists of key personnel to ensure all emergency management requirements for both Capacity and our client councils are delivered to the required standards. The committee also oversees the management of emergency incidents relating to infrastructure performance and damage to third parties including communications, welfare and restitution.

### **Capital project management**

We prepare draft capital works programmes consistent with asset management plans for our client councils. We manage the capital works programmes through to completion including the design, obtaining necessary consents, tendering, contract administration,

construction administration and financial management using approved consultants and our in-house engineering design and project management resource. A list of planned Capital works is included in Schedule 2.

In the 2012/13 year we will manage the pipeline and utility renewal programmes for the client councils and major asset upgrade/improvement works including:

- Messines Road reservoir renewal
- Hospital Prince of Wales reservoir and pipelines design
- Davis Street culvert upgrade
- Seismic strengthening of reservoirs
- Awamutu stream flood protection works

### **Asset Management Planning**

Cost profiles for the renewal of underground pipelines are forecast to increase over the next two to three decades. Analysis to validate the renewal cost profiles will continue, including the use of condition modelling, hydraulic modelling and pipe sampling.

Analysing risks associated with the timing of renewal works will also be carried out to ensure informed decisions are made for investing in the networks in future Long Term Plan planning cycles.

The major components of the work to validate long term renewal forecasts and the timing of renewal works in 2012/13 include:

- continue developing a condition model for underground pipeline assets to help establish realistic remaining lives of these assets
- review and implement an improved approach to identifying and managing critical assets
- gather condition data by sampling targeted critical assets and representative (non-critical assets) in Wellington
- carry out wastewater hydraulic modelling in Owhiro Bay, Island Bay and Houghton Bay catchments to identify the extent of inflow and infiltration
- continue to develop Wellington water supply models, focusing on demand allocation and model calibration
- review the strategy for stormwater hydraulic modelling for Wellington City Council and update stormwater hydraulic models and flood hazard maps for Island Bay and Miramar.

These works will be carried out in collaboration with councils.



## **Councils' Long Term Plans**

Councils are currently engaged in public consultation prior to formulating their Long Term Plans (LTP). Hutt City and Upper Hutt City draft LTPs align with Capacity's inputs in respect to resources and project delivery timetables. Wellington City Council has incorporated amendments from the inputs provided from Capacity with a reduction in labour compensated by increased consultancy expenditure. Capacity will have sufficient resources to deliver the defined work programmes from the allocated resources.

## 7. Key performance indicators

Levels of service provision relating to our activities are captured in key performance indicators agreed with each council. Achievements are reported to individual councils, and areas where targets have not been met (or as requested by shareholders) are specifically addressed in those reports. Annual achievements are summarised in Capacity's annual report.

<b>Service category</b>	<b>Service aspect</b>	<b>Service objective</b>	<b>Performance targets 2012/13; 2013/14; 2014/15</b>
Service quality	Service reliability	To provide a reliable water supply, stormwater and wastewater service	Fewer than four unplanned supply cuts (pipe burst) per 1000 connections
			Fewer than 1.2 wastewater incidents reported per kilometre of wastewater reticulation pipeline
			Number of dwelling flood notifications received as a result of a 1:50 year flooding event (or less)
			Compliance with NZ drinking water quality standards.
Customer focus	Responsiveness to service requests	To respond promptly to service requests	Respond to at least 97 per cent of all requests for service within one hour of notification
	Timeliness and quality of asset management plan for Councils	Timeliness and quality of asset management plan	Completion of approved asset management plan within agreed timeframes.
Cost effectiveness	Operating efficiency	To provide a cost-effective service	Trend of the operating cost of delivering water supply, wastewater and stormwater services relative to a national average.*
Financial, project and network management	Project and network management performance	To manage operating and capital projects within budgets and timeframes	Deliver operating projects within budget and timeframes
			Deliver capital projects within budget and timeframes

<b>Service category</b>	<b>Service aspect</b>	<b>Service objective</b>	<b>Performance targets 2012/13; 2013/14; 2014/15</b>
		To manage Capacity within budget	Manage Capacity within budget
Legislative, financial, technical, compliance	Compliance	To comply with relevant standards, legislation and resource consents.	Full compliance with relevant standards and legislation. No infringements of resource consents.

#### **\* Benchmarking and Comparative Analysis**

Capacity is committed to delivering high levels of service to its customers. To ensure our customers receive the levels of service they deserve, we participate in and monitor a number of benchmarking activities.

Each year, on behalf of Wellington and Hutt City Councils, we participate in the Water New Zealand Annual Benchmarking Survey. We also run our own operating cost per property efficiency survey.

In 2011/12, as part of our commitment to continuous improvement in benchmarking and comparative analysis, Capacity participated in the PwC and GHD benchmarking survey and contributed to Treasury's review of the water sector. Information from these activities, along with the WSSA (Australian), OFWAT (United Kingdom) and Watercare (Auckland) surveys, will be used in developing improved reporting indicators for client councils.

The aim is to ensure KPIs remain relevant, measurable and achievable within the constraints of client resources.

These key performance indicators are currently under review and will be updated to meet the new outcomes model for 2012/2013. Discussions are being held with councils to agree on a consistent set of KPIs to be incorporated in new Service Level Agreements and / or the proposed Shareholders Agreement.

## 8. Risk Management

Including health and safety management, insurance, business continuity planning and emergency preparedness

### Risk

Subject to our shareholder approval, on 1 July 2012 we will move to an outcome focused business model. Under this model we change from being a risk 'manager' (i.e. managing risks that are ultimately our clients') to a risk 'owner' and manager.

A project has been developed to build a risk and KPI framework to align, manage, measure and communicate our strategic and organisational risks, as well as our and clients' operation and activity risks.

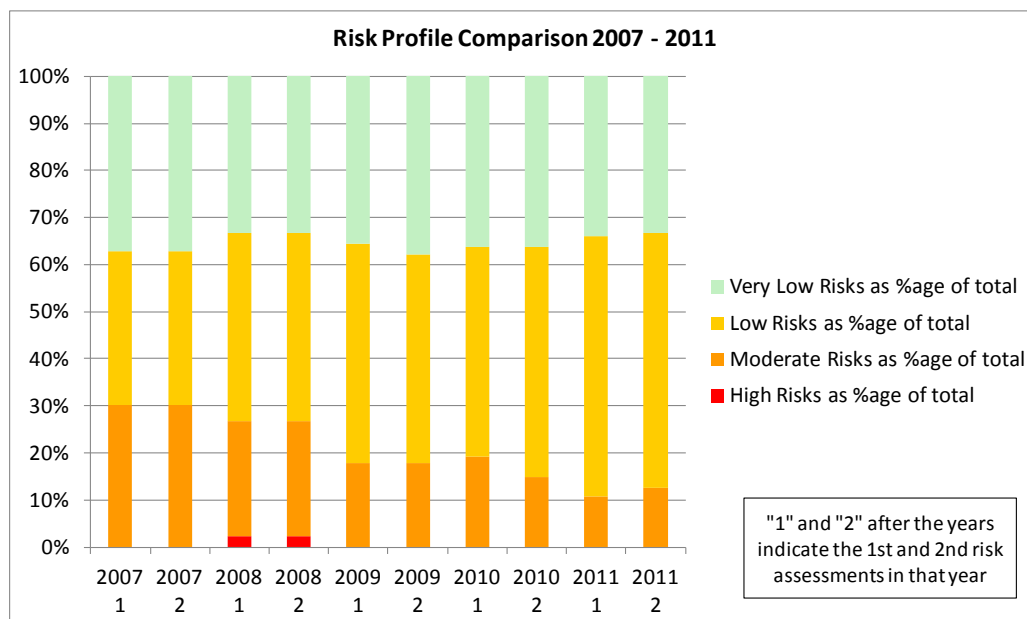
The project will result in a framework and a small suite of tools and techniques that enable us to monitor and report on corporate performance, and our clients to understand how their risks are being managed.

Our current approach to risk management is set out below.

We manage risk at the corporate (or organisational) risk and operational activity risk levels. Our corporate risk management framework complies with AS/NZS ISO 31000:2009.

Corporate risks are identified in terms of our key business objectives. The risk management framework identifies risk management strategies for all risks and these are reassessed every six months by our Audit and Risk Committee.

The change in Capacity's risk profile over time is shown in the following graph.



(No risks have been ranked high since 2008)

Some of the principal risks facing Capacity and mitigation measures adopted are as follows:

<b>Risk</b>	<b>Consequence</b>	<b>Likelihood</b>	<b>Mitigation Measures</b>
Significant earthquake or other natural disaster	Catastrophic	Rare	<ul style="list-style-type: none"> <li>• Capacity emergency management plan</li> <li>• Activity (water supply, wastewater and stormwater) risk management plans</li> <li>• Capacity business continuity plan</li> <li>• Contingency plans</li> <li>• Increased emphasis on earthquake resilience in design of infrastructure</li> </ul>
Inadequate management of risks associated with key activities (water supply, wastewater, stormwater)	Very high	Unlikely	<ul style="list-style-type: none"> <li>• Activity risk management plans</li> <li>• Use of approved contractors</li> <li>• Specifications for physical works</li> <li>• Emergency management planning</li> <li>• Health and safety management plans</li> <li>• Contract audits</li> </ul>
Contamination of water mains (water supply)	Catastrophic	Moderate	<ul style="list-style-type: none"> <li>• Approved public health risk management plan for water supply</li> <li>• Free available chlorine residual in reticulation</li> <li>• Testing of water supply in reticulation</li> <li>• Backflow prevention programme</li> <li>• Use of approved contractors</li> <li>• Specifications for construction and repairs includes requirements for flushing and disinfection</li> </ul>
Excessive entry of stormwater to the wastewater system (Wastewater)	Major	Likely	<ul style="list-style-type: none"> <li>• Infiltration/inflow programme</li> <li>• Asset renewal programme</li> <li>• Asset development programme</li> </ul>
Blockage of intakes (Stormwater)	Catastrophic	Possible	<ul style="list-style-type: none"> <li>• Preventive maintenance programmes</li> </ul>

<b>Risk</b>	<b>Consequence</b>	<b>Likelihood</b>	<b>Mitigation Measures</b>
			<ul style="list-style-type: none"> <li>• Target standards for response</li> <li>• Inspection programme for critical assets</li> </ul>
Inability to manage efficiently due to use of different asset management software systems (Corporate)	High/Very High	Moderate	<ul style="list-style-type: none"> <li>• Definition of business needs/current problem</li> <li>• Consultation with client councils</li> <li>• Issues identification (technical and non-technical)</li> <li>• Business process analysis to preferred solution</li> </ul>
Inability to attract and retain quality staff (Corporate)	High/Very High	Minimal	<ul style="list-style-type: none"> <li>• Have a clear vision for Capacity</li> <li>• Define values and behaviours</li> <li>• Provide training and development opportunities</li> <li>• Provide competitive remuneration</li> </ul>

A comprehensive internal programme of planned audits in addition to random spot audits is carried out in conjunction with Capacity's ISO 9001:2008 certification requirements. External audits are carried out six-monthly as part of Capacity's quality certification

Activity risk is risk associated with the delivery of water supply, wastewater and stormwater services and is addressed in our asset management plans.

We have prepared activity risk management plans for Hutt and Wellington cities, complementing their asset management plans, to cover risk at a greater level of detail. Preparing activity risk management plans is a risk mitigation strategy identified in the Capacity corporate risk management framework.

## **Health and safety**

We are committed to ensuring all work managed on behalf of our clients, accords with the highest standards of health and safety for those involved in the work and for the general public.

Health and safety management is one of 15 key business processes that form the basis of the Capacity Quality System. Health and safety management is subject to internal and external audit as required by the ISO 9001:2008 standard.

The principal health and safety documents in the Capacity Quality System are:

- The Capacity Health and Safety Policy. This is signed off by the CEO, all senior managers and the chairman.
- The Capacity Health and Safety Manual. This sets out Capacity's health and safety system including
  - health and safety objectives and strategies
  - responsibilities for health and safety
  - hazard identification and management
  - staff health and safety training and supervision
  - incident and injury investigation and management
  - staff participation in health and safety management including the Capacity Health and Safety Committee
  - health and safety in design
  - health and safety management for physical works contracts
  - site-specific health and safety management
- Capacity offices
- Capacity vehicles
- External worksites
  - emergency planning and readiness
  - health and safety audits
  - health and safety performance monitoring
  - managing health and safety records and documentation
- Specific procedures and forms covering
  - confined space entry (including management of potentially hazardous atmospheres)
  - hazard management
  - incident investigation and management
  - contracts management (health and safety)
  - health and safety induction (staff)
  - health and safety induction (contracts)

We identify and manage health and safety risk in operations, maintenance and capital works activities through procurement and contractor engagement processes. Contractor management includes site induction, periodic audits through construction, and post contract reviews.

Health and safety management at Capacity is overseen by the Capacity Health and Safety Committee. Individual managers are responsible for managing health and safety within their area of responsibility.

The Health and Safety Committee, which meets monthly, comprises staff representatives and at least one senior manager. Meetings are “open door” with staff encouraged to attend.

Additional training in health and safety management is provided for members of the health and safety committee.

## **Insurance**

Capacity’s insurance programme has the full range of liability insurances, including general liability, professional indemnity, directors’ and officers’ liability, fidelity guarantee, employer’s liability and statutory liability, motor vehicle insurance for Capacity-leased vehicles, and material damage and business interruption insurances.

As the water network assets managed by Capacity are owned by the respective councils, councils insure them separately.

AON New Zealand has been our insurance broker since 2010 and current premiums are less than the previous year.

The liability package and material damage and business interruption insurances are renewed with Vero. NZI insures the motor vehicles. The policy limit for general liability is \$20 million for any one loss. Other policy limits vary from \$500,000 for any one claim for fidelity guarantee, to statutory liability at \$2 million for any one claim.

The deductible amounts range from \$500 for motor vehicles to \$50,000 for each and every professional indemnity claim.

In light of the recent Steigrad judgment (15 September 2011, Lang J) Capacity will be investigating separating directors and officers liability insurance policies (currently with Vero) to include separate set limits for liabilities and defence costs at the time of renewal. Pre-renewal meetings commence in February, since the renewal date is 2 April.

## **Business continuity**

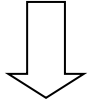
The Capacity Business Continuity Plan was reviewed and updated in late 2011.

The purpose of this plan is to support the prompt and efficient restoration of Capacity’s key business processes and supporting procedures that may be interrupted following a significant disaster or emergency. This will provide for the on-going delivery or efficient restoration of essential water supply, wastewater and stormwater services in Wellington, Hutt, Upper Hutt and Porirua cities in the event of an emergency.

The business continuity plan is closely related to the Capacity Emergency Management Plan and forms part of Capacity’s risk management capability. The relationship between risk management, emergency response and business continuity is as follows:

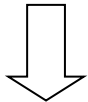


## Risk management



- Minimising the risk of problems occurring
- Corporate risk management
- Activity risk management plans
- Public health risk management plan
- Quality procedures
- Asset renewal programmes in asset management plans
- Asset development programmes in asset management plans
- Asset maintenance programmes

## Emergency response



- Responding effectively in the event of problems occurring
- Emergency management plan

## Business continuity

- Managing exposure to threats and supporting an efficient recovery.
- Business continuity plan
- Contingency plans

### **Emergency preparedness**

Capacity responds to civil emergencies in conjunction with our clients' emergency requirements.

Our emergency management plan covers actions relating to emergency management (reduction, readiness, response and recovery) and the three water activities' assets for all client councils. The plan covers retro-fitting facilities, network reinforcement, redundancy improvements, emergency exercises and training, and providing direction for long-term recovery.

The physical works will take many years to implement, but long term planning will provide guidance to ensure works are undertaken in a strategic manner.

As noted above, our emergency management planning and activity takes place with representatives of our client councils, Porirua City and Greater Wellington Regional Council, as well as internally.

## 9. Corporate governance

Capacity is a council-controlled trading organisation as defined by Section 6 of the Local Government Act 2002. Capacity is also covered by the Companies Act 1993 and governed by law and best practice.

This statement provides an overview of our main corporate governance policies, practices and processes adopted by the Board.

Upon shareholders approving the paper on new options and recommendations for the share structure, share capital and board of directors for a regional water business, this section will be updated.

### The board of directors

The board of directors consists of six members, with each shareholder separately appointing up to two directors and jointly appointing up to two independent directors. Directors serve three-year terms. To ensure we have continuity of relevant knowledge, skills and experience, the expiry dates of terms of office are different for each director. Each director can serve a maximum of two terms, or six years.

Board Chair Peter Allport's and Peter Leslie's second three-year term expire on 31 December 2013. Wellington City Council Councillor Andy Foster completes his second term on 31 October 2013. The first three year term of John Strahl expires on 31 December 2012 and Ian Hutchings expires 30 June 2012. Hutt City Council is represented by Councillor David Bassett, who completes his first term in December 2013.

Board performance reviews have been undertaken in the 2011/12 year and will be undertaken annually, using the Institute of Directors' Board evaluation service.

The Board is responsible for the proper direction and control of Capacity.

Unanimous approval of the Board is required for:

- 1.1 significant changes to the company's structure
- 1.2 extraordinary transactions (entering into any contract or transaction except in the ordinary course of business)
- 1.3 delegation of Directors' powers to any person
- 1.4 any decision to diversify business into a business not forming part of or being naturally ancillary to the core business of managing water services
- 1.5 major transactions including establishing and renewing contracts for service delivery
- 1.6 disputes (commencing or settling any litigation, arbitration or other proceedings that are significant or material to the company's business)
- 1.7 borrowings in a manner that materially alters the company's banking arrangements, advancing credit (other than normal trade credit) exceeding \$5,000 to any person except for making deposits with bankers, or giving guarantees or indemnities to secure any person's liabilities or obligations
- 1.8 sale of assets (selling or disposing of fixed assets for a total price per

transaction exceeding \$100,000 or a series of aggregated transactions exceeding \$200,000)

- 1.9 capital expenditure (other than in the ordinary course of doing business) at a total cost to the company, per transaction, exceeding \$100,000 or a series of aggregated transactions exceeding \$200,000.

The agreement of the shareholders is required for:

- 1.10 any changes to the constitution
- 1.11 any increases in capital and the issue of further securities, share buybacks and financial assistance
- 1.12 any alteration of rights attaching to shares
- 1.13 any arrangement, dissolution, reorganisation, liquidation, merger or amalgamation of the company
- 1.14 any “major transactions” as that term is defined in the Companies Act 1993.

### **Ratio of consolidated shareholders’ funds to total assets**

Ownership of infrastructural assets is retained by the shareholders (or other clients). As a business that returns all benefits to shareholders, a statement of the ratio of shareholders’ funds to assets is not considered appropriate.

### **Accumulated profits and capital reserves**

The current structure of the company does not enable Capacity to pay a dividend in the 2012/13 financial year or succeeding years.

### **Information to be provided to shareholders**

In each year Capacity shall comply with the reporting requirements under the Local Government Act 2002 and the Companies Act 1993 and regulations.

In particular Capacity will provide:

1. A statement of intent detailing all matters required under the Local Government Act 2002, including financial information for the next three years.
2. Within two months after the end of the first half of each financial year, the Company shall provide a report on the operations of Capacity to enable an informed assessment of its performance, including financial statements (in accordance with section 66 of the LGA 2002).
3. Within three months after the end of each financial year, Capacity will provide an annual report which provides a comparison of its performance with the statement of intent, with an explanation of any material variances, audited consolidated financial statements for that financial year, and an auditor’s report (in accordance with sections 67, 68 and 69 of the LGA 2002).

Note: Depending on the new shareholding arrangements the reporting requirements may change.

Due to the extensive reporting requirements undertaken in accordance with the service level agreements with client councils, the reliance on six monthly reports fully meets the LGA's requirements and is appropriate in the circumstances.

### **Share acquisition**

There is no intention to subscribe for shares in any other company or invest in any other organisation.

### **Compensation from local authority**

It is not anticipated that the company will seek compensation from any local authority other than in the context of normal commercial contractual relationships.

### **Equity value of the shareholders' investment**

The net value of the shareholders' investment in the company is estimated to be valued at \$309,000 as at 31 December 2011. This value will be assessed by the directors on completion of the annual accounts or at any other time determined by the directors. The method of assessment will use the value of shareholders' funds as determined in the annual accounts as a guide.

**10.**

## **Financial Forecasts**

## Forecast Statement of Comprehensive Income

FOR THE FINANCIAL YEARS ENDING 30 JUNE 2013, 30 JUNE 2014, 30 JUNE 2015

	Forecast	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Budget	Budget	Budget
	2011/12	1-Jul - 30 Sep	1 Oct - 31 Dec	1 Jan - 31 Mar	1 Apr - 30 Jun	2012/2013	2013/2014	2014/2015
	000's	000's	000's	000's	000's	000's	000's	000's
<b>REVENUE</b>								
Operations	7,630	2,066	2,067	2,066	2,099	8,298	8,475	8,647
<b>TOTAL REVENUE</b>	<b>7,630</b>	<b>2,066</b>	<b>2,067</b>	<b>2,066</b>	<b>2,099</b>	<b>8,298</b>	<b>8,475</b>	<b>8,647</b>
<b>EXPENDITURE</b>								
General Expenditure	1,673	455	455	455	487	1,851	1,891	1,940
Personnel Expenditure	5,920	1,595	1,596	1,595	1,595	6,381	6,518	6,687
Depreciation	35	16	16	16	16	64	64	18
Interest on Finance Leases	2	1	1	0	0	2	2	2
<b>TOTAL EXPENDITURE</b>	<b>7,630</b>	<b>2,066</b>	<b>2,067</b>	<b>2,066</b>	<b>2,098</b>	<b>8,298</b>	<b>8,475</b>	<b>8,647</b>
NET SURPLUS/(DEFICIT) BEFORE TAXATION	0	0	0	0	0	0	0	0
Tax expense/(benefit)		0	0	0	0	0	0	0
<b>NET SURPLUS/(DEFICIT) AFTER TAXATION</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Forecast Statement of Financial Position

FOR THE FINANCIAL YEARS ENDING 30 JUNE 2013, 30 JUNE 2014, 30 JUNE 2015

	Forecast	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Budget	Budget	Budget
	2011/12	1-Jul - 30 Sep	1 Oct - 31 Dec	1 Jan - 31 Mar	1 Apr - 30 Jun	2012/2013	2013/2014	2014/2015
	000's	000's	000's	000's	000's	000's	000's	000's
<b>CURRENT ASSETS</b>								
Cash	583	508	468	267	388	388	472	568
Prepayments	51	62	23	134	95	95	97	99
Trade and other receivables	645	792	793	792	811	811	828	850
<b>Current Assets</b>	<b>1,279</b>	<b>1,361</b>	<b>1,284</b>	<b>1,193</b>	<b>1,294</b>	<b>1,294</b>	<b>1,397</b>	<b>1,517</b>
<b>NON CURRENT ASSETS</b>								
Property, plant and equipment	130	138	171	179	187	187	123	105
<b>Non current assets</b>	<b>130</b>	<b>138</b>	<b>171</b>	<b>179</b>	<b>187</b>	<b>187</b>	<b>123</b>	<b>105</b>
<b>TOTAL ASSETS</b>	<b>1,409</b>	<b>1,499</b>	<b>1,455</b>	<b>1,372</b>	<b>1,480</b>	<b>1,480</b>	<b>1,519</b>	<b>1,621</b>
<b>CURRENT LIABILITIES</b>								
Trade and other payables	724	852	723	739	772	772	802	892
GST payable	101	73	143	129	142	142	145	149
Annual leave	307	335	350	265	290	290	296	304
<b>TOTAL LIABILITIES</b>	<b>1,132</b>	<b>1,260</b>	<b>1,216</b>	<b>1,133</b>	<b>1,204</b>	<b>1,204</b>	<b>1,243</b>	<b>1,345</b>
<b>NET WORKING CAPITAL</b>	<b>276</b>	<b>239</b>	<b>239</b>	<b>239</b>	<b>276</b>	<b>276</b>	<b>276</b>	<b>276</b>
<b>EQUITY</b>								
Share Capital	600	600	600	600	600	600	600	600
Retained Earnings	(324)	(324)	(324)	(324)	(324)	(324)	(324)	(324)
<b>TOTAL EQUITY</b>	<b>276</b>	<b>276</b>	<b>276</b>	<b>276</b>	<b>276</b>	<b>276</b>	<b>276</b>	<b>276</b>

## Forecast Statement of Cash Flows

FOR THE FINANCIAL YEARS ENDING 30 JUNE 2012, 30 JUNE 2013, 30 JUNE 2014

	Forecast	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Budget	Budget	Budget
	2011/12	1-Jul - 30 Sep	1 Oct - 31 Dec	1 Jan - 31 Mar	1 Apr - 30 Jun	2012/2013	2013/2014	2014/2015
	000's	000's	000's	000's	000's	000's	000's	000's
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>								
Cash was provided from:								
Operating receipts	9,141	2,229	2,376	2,377	2,395	9,420	9,781	9,813
GST receivable	(629)	(246)	(144)	(413)	(267)	(1,064)	(1,087)	(1,115)
Cash was disbursed to:								
Payment to suppliers	(7,983)	(2,035)	(2,222)	(2,141)	(2,020)	(8,430)	(8,611)	(8,602)
<b>NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>529</b>	<b>(51)</b>	<b>10</b>	<b>(177)</b>	<b>108</b>	<b>(74)</b>	<b>84</b>	<b>96</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>								
Cash was disbursed to:								
Purchase of fixed assets	(96)	(24)	(49)	(24)	(24)	(121)	0	0
<b>NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>(96)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET CASH INFLOW / (OUTFLOW)</b>	<b>433</b>	<b>(75)</b>	<b>(39)</b>	<b>(201)</b>	<b>84</b>	<b>(195)</b>	<b>84</b>	<b>96</b>
<b>OPENING CASH BALANCE</b>	<b>149</b>	<b>583</b>	<b>508</b>	<b>468</b>	<b>267</b>	<b>583</b>	<b>388</b>	<b>472</b>
<b>CLOSING CASH BALANCE</b>	<b>583</b>	<b>508</b>	<b>468</b>	<b>267</b>	<b>351</b>	<b>388</b>	<b>472</b>	<b>568</b>



## **11. Statement of accounting policies**

Capacity will apply the following accounting policies consistently during the year and apply these policies to the statement of intent. In accordance with the New Zealand Institute of Chartered Accountants Financial Reporting Standard 42 (FRS 42), the following information is provided in respect of the statement of intent.

### **Cautionary note**

The statement of intent's forecast financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

### **Nature of prospective information**

The financial information presented consists of forecasts that have been prepared on the basis of best estimates and assumptions on future events that Capacity expects to take place.

### **Statement of compliance with International Financial Reporting Standard**

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for public benefit entities.

### **Reporting entity**

Capacity Infrastructure Services Limited, trading as Capacity, is a company registered under the Companies Act 1993 and a council-controlled trading organisation as defined by Section 6 of the Local Government Act 2002. Current shareholders are Wellington City Council and Hutt City Council. Capacity was incorporated in New Zealand in 2003 as Wellington Water Management Services Limited and changed its name in July 2009.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

For purposes of financial reporting, Capacity is a public benefit entity.

### **Reporting period**

The reporting period covers the 12 months from 1 July 2012 to 30 June 2013. Comparative projected figures for the year ended 30 June 2014 and 30 June 2015 are provided.

### **Specific accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The measurement basis applied is historical cost.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless otherwise stated.

### **Early adopted amendments and revisions to standards**

The following amendments and revision to standards have been early adopted:

NZ IFRS 7 Financial Instruments: Disclosures – The effect of early adopting these amendments in the following information is no longer disclosed:

- the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated; and
- the maximum exposure to credit risk by class of financial instrument if the maximum credit risk exposure is best represented by their carrying amount.

NZ IAS 24 Related Party Disclosures (Revised 2009) – The early adoption of NZ IAS 24 has had no effect on related party disclosures.

NZ IFRS 9 on financial instruments has not been adopted. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit.

### **Judgements and estimations**

Preparing financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note to the financial statements.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes.

### **a) Revenue**

Capacity derives revenue from its customers. In 2010/2011 the customers were shareholder councils Wellington City Council and Hutt City Council, as well as contracted services for Upper Hutt City Council.

Revenue is recognised when earned and is reported in the financial period to which it relates.

Revenues relating to the outcome of talks on the inclusion of Porirua City Council as a Contractual client and/or Equity partner has not yet been incorporated into this report.

### **b) Expenses**

Expenses are recognised on an accrual basis when the goods or services have been received.

Expenses relating to the outcome of talks on the inclusion of Porirua City Council as a contractual client and/or equity partner have not yet been incorporated into this report.

### **c) Taxation**

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

#### **d) Goods and Services Tax (GST)**

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

#### **e) Financial instruments**

Capacity classifies its financial assets and financial liabilities according to the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

##### **Non-derivative financial instruments**

###### *Financial assets*

Capacity classifies its investments into the following categories: financial assets at fair value through profit and loss, and loans and receivables.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable. Trade and other receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, and call deposits with up to three months maturity from the date of acquisition. These are recorded at their nominal value.

###### *Financial liabilities*

Capacity classifies its financial liabilities into the following categories: financial liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities comprise trade and other payables and borrowings. Financial liabilities with duration of more than 12 months are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised in the Statement of Comprehensive

Income as is any gain or loss when the liability is derecognised. Financial liabilities entered into with duration of less than 12 months are recognised at their nominal value.

## **f) Property, plant and equipment**

### *Recognition*

Property, plant and equipment consist of operational assets. Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits over the total life of an existing asset and can be measured reliably. Costs that do not meet the criteria for capitalisation are expensed.

### *Measurement*

Items of property, plant and equipment are initially recorded at cost.

The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential and that can be measured reliably is capitalised.

### *Impairment*

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported in the Statement of Comprehensive Income.

### *Disposal*

Gains and losses arising from the disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income in the period in which the transaction occurs.

### *Depreciation*

Depreciation is provided on all property, plant and equipment, except for assets under construction (work in progress). Depreciation is calculated on a straight line basis, to allocate the cost or value of the asset (less any residual value) over its useful life. The depreciation rates of the major classes of property, plant and equipment are as follows:

Telephone system	10.75 per cent
Furniture	7.80-18.60 per cent
Plant and Equipment	7.80-48.00 per cent

The residual values and useful lives of assets are reviewed and adjusted if appropriate at each balance date.

#### *Work in progress*

The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and then depreciated.

### **g) Intangible assets**

Acquired intangible assets are initially recorded at cost.

Intangible assets with finite lives are subsequently recorded at cost, less any amortisation and impairment losses. Amortisation is charged to the Statement of Comprehensive Income on a straight-line basis over the useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

Computer Software	five years
-------------------	------------

Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Comprehensive Income in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Comprehensive Income.

### **h) Employee benefits**

A provision for employee benefits (holiday leave) is recognised as a liability when benefits are earned but not paid.

Long-service leave and retirement gratuities have been calculated on an actuarial basis based on the likely future entitlements accruing to staff, after taking into account years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and other contractual entitlements information. This entitlement is not offered to new Capacity employees. The present value of the estimated future cash flows has been calculated using an inflation factor and a discount rate. The inflation rate used is the annual Consumer Price Index to 31 March prior to year end. The discount rate used represents the company's average cost of borrowing.

Holiday leave is calculated on an actual entitlement basis at the greater of the average or current hourly earnings in accordance with sections 16(2) and 16(4) of the Holidays Act 2003.

### **i) Other liabilities and provisions**

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

## **j) Equity**

Equity is the shareholders' interest in the entity and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the entity. The components of equity are accumulated funds and retained earnings.

## **k) Leases**

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under these leases are charged as expenses in the Statement of Comprehensive Income in the period in which they are incurred. Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease payment. Leases which effectively transfer to the lessee substantially all the risks and benefits incident to ownership of the leased item are classified as finance leases.

## **l) Statement of cash flows**

The statement of cash flows has been prepared using the direct approach.

Operating activities include cash received from all income sources of the company and record the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets. Financing activities relate to activities that change the equity and debt capital structure of the company.

The GST component of operating activities reflects the net GST paid and received with the IRD. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

## **m) Related Parties**

A party is related to Capacity if:

- directly or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, Capacity
  - has an interest Capacity that gives it significant influence over the control of the company
  - has joint control over Capacity
- the party is an associate of Capacity
- the party is a member of key management personnel of Capacity
- the party is a close member of the family of any individual referred to above
- the party is an entity controlled jointly or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to above

Directors' remuneration is any money, consideration or benefit received, receivable or otherwise made available, directly or indirectly, to a director during the reporting period. Directors' remuneration does not include reimbursement of legitimate work expenses or the provision of work-related equipment such as cell phones and laptops.



## **12. Schedule 1. Cost allocation summary**

Capacity actively seeks opportunities to improve services in asset planning and contract management. We manage more than 5,000km of pipes, over 120 reservoirs and more than 175 pump stations for three councils. During 2012/2013 we will be responsible for managing \$61 million of operational expenditure and \$45 million of capital expenditure for our clients.

Schedule 1 below outlines how Capacity's costs are allocated across client councils based on planned work activities for 2012/2013.

Schedule 2 below lists the capital projects that will be managed by Capacity on behalf of its clients during the 2012/2013 year.

**Schedule 1. Cost allocation summary**

**Capacity's cost allocation summary 2012-13**

		CAPACITY DIRECT COSTS					Consultants/contractor costs managed by Capacity on behalf of ratepayers (includes Capacity costs)		Total cost to ratepayers
		Strategic and asset planning	Investigation, monitoring and development	Capital project management	Operations management	Total	Operational programmes	Capital programmes	
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Water</b>	WCC	171	731	876	760	2,538	21,157	17,205	38,361
	HCC	140	44	65	333	583	9,568	3,215	12,783
	UHCC	45	70	26	258	399	3,329	963	4,292
	<b>Total</b>	<b>356</b>	<b>845</b>	<b>968</b>	<b>1,351</b>	<b>3,520</b>	<b>34,054</b>	<b>21,383</b>	<b>55,437</b>
<b>Wastewater</b>	WCC	126	385	654	713	1,878	16,344	8,680	25,025
	HCC	112	145	70	290	616	1,753	5,379	7,132
	UHCC	75	28	31	53	187	3,113	1,809	4,922
	<b>Total</b>	<b>314</b>	<b>558</b>	<b>754</b>	<b>1,055</b>	<b>2,681</b>	<b>21,210</b>	<b>15,868</b>	<b>37,078</b>
<b>Stormwater</b>	WCC	230	447	471	257	1,404	4,336	4,630	8,966
	HCC	90	80	51	228	448	1,745	2,340	4,085
	UHCC	46	29	20	130	224	461	783	1,244
	<b>Total</b>	<b>365</b>	<b>555</b>	<b>542</b>	<b>614</b>	<b>2,076</b>	<b>6,543</b>	<b>7,753</b>	<b>14,295</b>
<b>Total network</b>	WCC	527	1,563	2,001	1,729	5,820	41,837	30,515	72,352
	HCC	342	269	186	851	1,668	13,067	10,934	24,001
	UHCC	166	127	77	441	810	6,904	3,555	10,459

\*

	Strategic and asset planning	Investigation, monitoring and development	Capital project management	Operations management	Total
<b>Total</b>	<b>1,035</b>	<b>1,958</b>	<b>2,264</b>	<b>3,020</b>	<b>8,298</b>

% of controllable costs 7.77%

%of grand total costs 4.75%

Operational programmes	Capital programmes	Total cost to ratepayers
<b>61,807</b>	<b>45,004</b>	<b>106,811</b> **
57.87%	42.13%	100.00%
<b>129,803</b>	<b>45,004</b>	<b>174,806</b>
74.26%	25.74%	100.00% ***

Total network asset values (Optimised replacement cost)	(\$000's)	WCC	HCC	UHCC	Total
		<b>2,430,701</b>	<b>1,021,413</b>	<b>356,949</b>	<b>3,809,063</b>

\* WCC figures are draft , long term plan process not complete

\*\*excludes revenue, depreciation, interest and other council-controlled costs

\*\*\*includes revenue, depreciation, interest and other council-controlled costs

## **Schedule 2. Capacity's capital project delivery 2012/2013**

These capital projects will be managed by Capacity on behalf of our clients during the 2012/2013 year. The project lists do not include Capacity's management costs.

### **Wellington City Council**

#### **WCC water supply projects**

Bell Road Reservoir  
Churton Park renewals  
Emergency water tanks  
Fire fighting mains extension  
Hataitai renewals  
Hospital / Prince of Wales Reservoir design  
Karori renewals  
Khandallah renewals  
Kilbirnie renewals  
Ladder and hatch programme  
Lyll Bay renewals  
Maupuia renewals  
Melrose renewals  
Messines renewals  
Miramar renewals  
Mount Cook renewals  
Mt Victoria renewals  
Newtown renewals  
Ngaio renewals  
Pump Station renewals  
Seismic strengthening works  
Te Aro renewals  
Water modelling  
Wellington Central renewals  
Zone valving

**Total** **\$14,163,839**

#### **WCC wastewater projects**

Aro renewals  
Hydraulic modelling  
Island Bay renewals  
Karori renewals  
Kelburn renewals  
Khandallah renewals  
Kilbirnie renewals  
Miramar renewals  
Mount Cook renewals  
Mt Victoria renewals

Newtown renewals  
Northland renewals  
Overflow reduction project  
Pressure testing  
Pump station renewals  
Thorndon renewals  
Urgent works  
Wadestown renewals  
Wellington Central renewals

**Total** **\$7,748,176**

### **WCC stormwater projects**

Davis Street Culvert Strengthening  
Hydraulic Modelling  
Johnsonville renewals  
Karori renewals  
Kelburn renewals  
Kilbirnie Grit Trap  
Kilbirnie renewals  
Mount Cook renewals  
Newlands renewals  
Northland renewals  
Strathmore renewals  
Tawa renewals  
Urgent Works  
Wadestown renewals

**Total** **\$3,766,679**

**Total Wellington City Council** **\$25,678,694**

### **Hutt City Council**

#### **HCC water supply projects**

Emergency supply point (valving)  
Horoeka Street – rain/rider/services renewal  
Kelson pump station renewal  
Kelson/Fairway Drive link main  
Knights Road emergency main - rider/services renewals  
Network minor works  
Pump station minor works  
Reservoir minor works  
Reservoir seismic upgrade - Konini reservoir  
SCADA renewals  
Stokes Valley Road - main/rider/services renewals  
Tawhai Street-main/rider/services renewals

**Total** **\$2,438,000**

### **HCC wastewater projects**

Howard road sewer renewal  
Local pumping stations  
Minor asset renewals  
Naenae sewer renewals  
SCADA  
Trunk DBO asset replacement fund  
Trunk DBO network cyclic replacement  
Trunk Non DBO minor works  
Trunk Type A asset development  
Trunk Type B network development  
Wainuiomata catchment sewer renewals

**Total** **\$5,379,000**

### **HCC stormwater projects**

Awamutu Stream  
Boulcott Stopbank Project - HCC contribution  
Godley Street - Bauchop Street stormwater renewals  
Jessie Street (Jackson to the Esplanade)  
Manuka Street  
Minor Works  
SCADA

**Total** **\$2,340,000**

**Total HCC** **\$10,157,000**

### **Upper Hutt City Council**

#### **UHCC water supply projects**

Ranfurlly Street renewal stage 2  
Dowling Grove renewal  
Fergusson Drive A renewal  
Wilson Street renewal  
Fergusson Drive B renewal  
Willow Grove renewal  
Field Street renewals  
Weka Grove renewal  
Prouse Grove renewal  
Reservoir seismic upgrades  
Pump station upgrades  
Telemetry upgrades  
Bulk meter purchase & installation

**Total** **\$963,000**

#### **UHCC wastewater projects**

Blenheim Street renewal  
Fraser Crescent renewal  
Sheridan crescent renewal  
Bush Grove renewal  
Jocelyn Crescent renewal  
Somme Road renewal

Casino Grove renewal	
McLeod Street renewal	
Pump station upgrades	
Blenheim Street renewal	
Trunk DBO capital project	
<b>Total</b>	<b>\$1,880,014</b>

**UHCC stormwater projects**

Hudson/Ventura/Oxford Street renewal	
Turon Crescent renewal	
Cruickshank Road upgrades	
Rata Street upgrades	
Field Street renewal	
Telemetry upgrades	
<b>Total</b>	<b>\$733,000</b>

<b>Total UHCC</b>	<b>\$3,576,014</b>
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**Appendix:** Client council expectations and long term plan measures – as expressed in council draft long term plans 2012-22

**Wellington City Council long term plan measures – water**

Purpose of measure	Measuring our performance	Targets				
		Baseline 2011	2012/13	2013/14	2014/15	2015/16–2022/23
To measure the quality of water supplied to residents	Water compliance (%) with Drinking Water Standards for NZ (2005)	100%	100%	100%	100%	100%
	Residents (%) who agree that water services provide good value for money	85%	90%	90%	90%	90%
	Number of complaints about water quality (taste and odour)	289	Fewer than 200	Fewer than 200	Fewer than 200	Fewer than 200
	Customer satisfaction (%) with water quality and network service	94%	95%	95%	95%	95%
To measure the performance of services that ensure security of supply	Properties (%) with appropriate water pressure (a minimum of 250kPa)	96%	97%	97%	97%	98%
	Fire hydrants (%) tested that meet NZFS Code of Practice fire fighting water supply requirements	95%	95%	95%	95%	95%
	Water distribution network – quality grading (assessed by the Ministry of Health)	Achieved	Graded a to b	Graded a to b	Graded a to b	Graded a to b
	Response time to service requests (%) within one hour of notification	99%	100%	100%	100%	100%
	Unaccounted for water (%) from the network	14%	14%	14%	14%	14%
	Residential water consumption (per person per day)	297L	292L	290L	287L	285L
	Total city water consumption during the year	28.4 billion L	Less than 30 billion L	Less than 30 billion L	Less than 30 billion L	Less than 30 billion L



## Wellington City Council long term plan measures – wastewater

Purpose of measure	Measuring our performance	Targets				
		Baseline 2011	2012/13	2013/14	2014/15	2015/16–2022/23
To measure the standard of the wastewater service	Customer satisfaction (%) with wastewater network service	86%	90%	90%	90%	90%
	Response time to all service requests (%) within one hour of notification	91%	95%	95%	95%	95%
	Residents (%) who agree that wastewater services provide good value for money	71%	75%	75%	75%	75%
To measure the impact of wastewater on the environment	Freshwater – sites (%) within acceptable bacteria counts (E.Coli)	100%	95%	95%	95%	95%
	Sewage network – resource consent compliance	100%	100%	100%	100%	100%

## Wellington City Council long term plan measures – stormwater

Purpose of measure	Measuring our performance	Targets				
		Baseline 2011	2012/13	2013/14	2014/15	2015/16–2022/23
To measure the standard of the stormwater service	Residents (%) who agree that stormwater services provide good value for money	71%	75%	75%	75%	75%
	Customer satisfaction (%) with stormwater network service (calling cards)	86%	85%	85%	85%	85%
	Response time to all service requests (%) within one hour of notification	91%	95%	95%	95%	95%
	Number of buildings reported to have been flooded as a result of a less than 1-in-50-year rain event.	No historical data	No properties	No properties	No properties	No properties
To understand the impact of stormwater on the environment	Bathing beaches (%) compliance with Ministry for the Environment guidelines (green status)	96%	95%	95%	95%	97%
	Stormwater network – resource consent compliance	Achieved	100%	100%	100%	100%

## Wellington City Council performance expectations of Capacity Infrastructure Services Ltd:

Structure	Objectives	Activities	Performance measures	Target 2012/13
<p>Wellington City Council and Hutt City Council are equal 50% shareholders in this Council Controlled Trading Organisation, and between them appoint all of the directors. The company is overseen by a board of directors made up of two Councillors (one from each council) and four independent directors (two are appointed jointly by the councils). Each council continues to own its respective water, storm water and waste water assets and determines the level and standard of services to be provided to its customers and ratepayers.</p> <p>As at 1 January 2012, the Councillor appointees are Andy Foster (Wellington City Council) and David Bassett (Hutt City Council). The four independent Directors are Peter Allport (Chair), Peter Leslie, Ian Hutchings and John Strahl. The Chief Executive is David Hill. Please note that Regional water services – Wellington City Council and Hutt City Council have been asked to consider requests that Porirua City Council and Upper Hutt City Council become shareholders in Capacity Infrastructure Services Ltd, our existing three-waters service management company. All shareholder customers will aim to move to a common outcomes-based business model. Under these proposals, each Council will retain ownership of its water assets, but the proposals will take a large step towards the goal of eventual full regional water services integration and provide opportunities for efficiency gains longer term. Hutt City Council approved these proposals on 13 March 2012. On 5 April 2012 we considered a Strategy and Policy Committee report on these proposals. The outcome of this was not available at the time of printing, but the full report is available on our website. The Upper Hutt City Council considered these proposals on 4 April 2012 but the outcome was not available at the time of printing. The proposal has yet to be considered by Porirua City Council.</p>	<p>The objective of Capacity is to manage the provision of water services (water supply, stormwater and wastewater) to the residents and businesses in the areas served by its customers. Capacity's current customers are Wellington City Council, Hutt City Council and Upper Hutt City Council.</p>	<p>The company's purpose is to provide high quality, safe and environmentally sustainable services to shareholding councils and other customers with a principal focus on asset management planning and contracted service delivery for the operation, maintenance and on-going development of drinking water, storm water and waste water assets and services.</p> <p>The company is committed to ensuring all work managed on behalf of customers accords with the highest standards of health and safety for those involved in the work and for the general public. The company will continually seek opportunities to integrate water, storm water and waste water activities within the Wellington region where such integration can deliver least cost, best practice outcomes to the benefit of shareholder councils and other entities.</p> <p>See also the Environment strategic area for more information on water, storm water and waste water services.</p>	<p><b>Provide a reliable water supply, wastewater and storm water service.</b></p>	<p>Fewer than 4 unplanned supply cuts (pipe bursts) per 1000 connections</p>
			<p><b>Develop and complete asset management plans</b></p>	<p>Within agreed timeframe</p>
			<p>Deliver budgeted capital expenditure projects for respective councils</p>	<p>Within agreed timeframes and budget</p>
			<p>Deliver budgeted operating and maintenance activities for respective councils</p>	<p>Within agreed timeframes and budget</p>
			<p>Manage and operate Capacity within its budget</p>	<p>Within agreed budget</p>
			<p>Comply with relevant standards, legislation and resource consents</p>	<p>Achieve full compliance</p>

## Hutt City Council long term plan measures – water

Measure	Achieved 2008-09	Achieved 2009-10	Achieved 2010-11	Target 2011-12	Target 2012-13 TO 2021-22
Residents' satisfaction with the city water supply (measured by independent survey)	95%	97%	98%	≥95% of those expressing an opinion	≥95% of those expressing an opinion
Compliance with New Zealand Drinking Water Standards	Achieved full compliance with 1587 of the 1590 tests carried out	Achieved full compliance	Achieved full compliance	Full compliance	Full compliance
Quality of water (measured by Ministry of Health) Note: 'b' grading means a satisfactory, low level of risk. Most of Hutt City water supply is unchlorinated. Chlorination of the water supply would be required to achieve an 'a'grading	Achieved a'b' grading from the Ministry of Health for the Hutt City water supply distribution	Achieved a'b' grading from the Ministry of Health for the Hutt City water supply distribution	Achieved a'b' grading from the Ministry of Health for the Hutt City water supply distribution	Achieved a'b' grading from the Ministry of Health for the Hutt City water supply	Achieved a'b' grading from the Ministry of Health for the Hutt City water supply
Provide a reliable water supply service (measured by contract reports)	Achieved 1.99 unplanned supply cuts per 1000 connections	Achieved 2.415 unplanned supply cuts per 1000 connections	Achieved 2.61 unplanned supply cuts per 1000 connections	Fewer than four unplanned supply cuts per 1000 connections	Fewer than four unplanned supply cuts per 1000 connections
Respond promptly to water supply disruptions (measured by contract reports)	98%	99%	99.53%	97% of requests responded to within one hour of notification	97% of requests responded to within one hour of notification
Maintain the average un-metered water consumption in Hutt City	Not measured	Achieved 304 litres per head per day	Achieved 308 litres per head per day	Less than 350 litres per head per day	Less than 350 litres per head per day

## Hutt City Council long term plan measures – wastewater

Measure	Achieved 2008-09	Achieved 2009-10	Achieved 2010-11	Target 2011-12	Target 2012-13 TO 2021-22
Residents' satisfaction with the city wastewater service (measured by independent survey)	97%	95%	97%	≥95% of those expressing an opinion	≥95% of those expressing an opinion
No resource consent related infringement notices received from GWRC	100% compliance	100% compliance	100% compliance	100% compliance	100% compliance
Provide a reliable wastewater service (measured by contract reports)	Achieved 0.7975 incidents	Achieved 0.875 incidents	Achieved 1.01 incidents	Fewer than 1.2 wastewater incidents reported per kilometre of wastewater reticulation pipeline	Fewer than 1.2 wastewater incidents reported per kilometre of wastewater reticulation pipeline
Respond promptly to wastewater disruptions (measured by contract reports)	98%	96%	99.93%	97% of requests responded to within one hour of notification	97% of requests responded to within one hour of notification

## Hutt City long term plan measures – stormwater

Measure	Achieved 2008-09	Achieved 2009-10	Achieved 2010-11	Target 2011-12	Target 2012-13 to 2021-22
Residents' satisfaction with the city stormwater service (measured by independent survey)	81%	83%	87%	≥80% of those expressing an opinion	≥80% of those expressing an opinion
Provide a reliable stormwater service (measured by contract reports)	Achieved 0.1287 incidents	Achieved 0.169 incidents	Achieved 0.13 incidents	Fewer than 0.5 stormwater incidents reported per kilometre of stormwater pipeline	Fewer than 0.5 stormwater incidents reported per kilometre of stormwater pipeline
Achieve water quality at main recreational beaches (measured by contract reports)	Achieved Recreational Water Quality Standards	Achieved Recreational Water Quality Standards on 95% of sampling days	Achieved Recreational Water Quality Standards on 94% of sampling days	90% of sampling days when water quality meets Ministry for the Environment guidelines	90% of sampling days when water quality meets Ministry for the Environment guidelines
Respond promptly to stormwater disruptions (measured by contract reports)	99%	98%	99.75%	97% of requests responded to within one hour of notification	97% of requests responded to within one hour of notification

## Hutt City Council: Outcomes and indicators

### 4. Outcome: Healthy people

We live healthy lives, and our city's services help to protect our health and our environment

Indicator	Measure	Target	Rationale	Activity
4.2 Water quality	Water quality at main recreational beaches	90% of samples meet Ministry for the Environment guidelines	Strong fit with outcome	Stormwater
4.3 Water quality	Quality of drinking water	Maintain at least a 'b' grading ('satisfactory, very low level of risk') across all distribution zones	Strong fit with outcome.	Water Supply
4.4 Water quality	Residents' satisfaction with the city water supply	≥80%	People's perception of water quality is closely associated with perceptions about their health and the health of the natural environment.	Water Supply

### 5. Outcome: A healthy natural environment

We value and protect the natural environment and promote a sustainable city. Resources are used efficiently and there is minimal waste and pollution.

5.4 Freshwater quality	Biological health of rivers (macroinvertebrates)	Maintain at least a 'good' rating across all sampling sites	Strong link to outcome. Reliable measure that is readily understood. Report on six sample sites across three rivers (ESS reports on two rivers).	Stormwater
5.5 Water use	Total (residential and commercial) water use (per capita)	Reducing trend over five years	Strong fit with outcome and ESS. Target modified from static target of <350 litres per head (which is consistently achieved	Water Supply

## **Hutt City Council performance expectations** of Capacity Infrastructure Services Ltd:

Our objective for this company is for it to manage, for the long term, the provision of water, wastewater and stormwater services to Hutt City Council and Wellington City Council, and to operate as a successful business, managed on a non-profit basis. The company's key performance targets are:

- Measures included in the water supply, wastewater and stormwater activities.
- Number of dwelling flood notifications received as a result of a 1:50 year flooding event (or less).
- Completion of an approved asset management plan within the agreed timeframe.
- Trend of the operating cost of delivering water supply, wastewater and stormwater services relative to a national average.
- Deliver operating projects within budget and timeframes.
- Deliver capital projects within budget and timeframes.
- Manage Capacity within budget.
- Full compliance with relevant standards, resource consents and legislation.

## Upper Hutt City long term plan measures – water

### Level of service objectives and performance measures

#### Level of service

Council will maintain a high quality water supply with minimal interruptions.

#### Performance measures

##### 1. Compliance with NZ drinking water standard

2010 – 2011 actual	2011 – 2012 target	2012 – 2013 target	Years 2-3	Years 4-10
Upper Hutt's water supply has maintained an A1a grading	Maintenance of our existing A1a grading	Maintenance of our existing A1a grading	Maintain A1a grading	Maintain A1a grading

##### 2. Community satisfaction with water supply service

2010 – 2011 actual	2011 – 2012 target	2012 – 2013 target	Years 2-3	Years 4-10
96.4% of respondents rated the water supply as satisfactory or very satisfactory	95% of survey respondents are satisfied or very satisfied	95% of respondents are satisfied or very satisfied	95%	95%

##### 3. Interruptions to the water supply

2010 – 2011 actual	2011 – 2012 target	2012 – 2013 target	Years 2-3	Years 4-10
99% of the customers who experienced water disruptions had their service restored within two hours	95% of individual consumers who experience unplanned water disruptions have the service restored within two hours	97% of individual consumers who experience unplanned water disruptions have the service restored within two hours	97%	97%



## Upper Hutt City long term plan measures – wastewater

### Level of service

Our wastewater system will continue to be well maintained, safe and allow for growth.

### Performance measures

#### 1. Minimise interruptions to the ability to use the wastewater system<sup>1</sup>

2010 – 2011 actual	2011 – 2012 target	2012 – 2013 target	Years 2-3	Years 4-10
100% of properties unable to discharge sewer to the network had their service restored within six hours	95% of properties connected to the wastewater system who are unable to dispose of wastewater will have their service restored within six hours	95% of properties connected to the wastewater system who are unable to dispose of wastewater due to unplanned interruption will have their service restored within six hours	95%	95%

#### 2. Minimise number of blockages on Council mains

2010 – 2011 actual	2011 – 2012 target	2012 – 2013 target	Years 2-3	Years 4-10
New measure		Less than two blockages reported per kilometre of pipeline	Less than two blockages reported per kilometre of pipeline	Less than two blockages reported per kilometre of pipeline

## Upper Hutt City long term plan measures – stormwater

### Level of service

Council will preserve public safety and health and minimise the risk of damage to public and private property through effective stormwater management.

2010 – 2011 actual	2011 – 2012 target	2012 – 2013 target	Years 2-3	Years 4-10
New measure		Zero reports of inhabited buildings being flooded	Zero reports of inhabited buildings being flooded	Zero reports of inhabited buildings being flooded

## Porirua City Council long term plan measures – water

Level of Service	Service Delivery Performance Measures	Actual (average over last 3 years)	Target		Data source
			Years 1-3	Years 4–10	
	Reduce the number of major water reticulation breakage incidents per 100 kilometres per year	New measure	80	70	Works Operations Group records
	Maintain random tests throughout the City to ensure that the water supply is safe to drink	100%	100%	100%	Environmental Lab Services (Contractors)
	Reduce the number of maintenance requests per 1000 households relating to the water supply network <sup>40</sup>	New measure	8.0	7.0	Council database
	Reduce the % estimated <sup>42</sup> unaccountable water lost through the public network (versus bulk water produced)	New measure	18%	15%	GW Regional Council
	Improve compliance with minimum fire-fighting pressures for fire hydrants tested during the year	New measure	92%	95%	Internal management records
	<b>Programme/ Project Performance Measure</b>				
	Maintain the number of Council initiatives to secure adequate water supply into the future <sup>44</sup>	New measure	7	7	Council records

## Porirua City Council long term plan measures – stormwater

Level of Service	Service Delivery Performance Measures	Actual (average over last 3 years)	Target		Data source
			Years 1- 3	Years 4 – 10	
Stormwater is drained in a controlled manner through pipes and open watercourses to the city's streams, harbours and coastline	Reduce the number of maintenance requests per 1000 households relating to the stormwater network (excludes roading culverts, sumps and sump leads)	New measure	27.0	25.0	Council database
	No residential, commercial or public buildings affected by the entry of floodwater during storm events	New measure	Nil	Nil	Council records
<b>Programme/ Project Performance Measures</b>					
	A stormwater bylaw is introduced to control pollutants at the source	New measure	Bylaw developed	Bylaw implemented	Council records

## Porirua City Council long term plan measures – wastewater

Level of service	Service delivery performance measures	Actual (average over last 3 years)	Target		Data source
			Years 1-3	Years 4-10	
Urban wastewater is collected and treated to protect public health and the environment	Reduce the number of maintenance requests per 1000 households relating to the wastewater network <sup>34</sup>	New measure	5.0	4.0	Council database
	Reduce the amount of estimated <sup>36</sup> unaccountable wastewater lost throughout the public network	New measure	Implement accurate measurement of network flows	Reduce losses <sup>37</sup>	Council records
	Ratio of peak wet weather flow to average dry weather flow (indicating amount of stormwater entering the wastewater network)	New measure	Baseline to be set	4:1	Council records
	<b>Programme/ Project Performance Measure</b>				
	Maintain the number of Council initiatives <sup>38</sup> to preserve future capacity in the wastewater network	New measure	7	7	Council records

# Capacity Infrastructure Services Ltd

## Directory

### Directors

Peter Allport (chairman)  
David Bassett  
Andy Foster  
Ian Hutchings  
Peter Leslie  
John Strahl

### Chief Executive

David Hill

### Registered office

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New Zealand

### Postal address

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Wellington Mail Centre 5045

### Telephone

64 4 910 3800

### Web

[www.capacity.net.nz](http://www.capacity.net.nz)

### Auditor

Audit New Zealand on behalf of the Auditor-General

### Bankers

National Bank of New Zealand Limited  
Wellington  
New Zealand

### Solicitors

DLA Phillips Fox  
50-64 Customhouse Quay  
Wellington  
New Zealand