



Annual Report

Including Financial Statements

For the period ending 30 June 2022



Council
Collaboration
Into Action

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Entity Information

Regional Software Holdings Limited For the year ended 30 June 2022

Regional Software Holdings Limited (RSHL) was incorporated in October 2012. This report covers the 12 months from 1 July 2021 to 30 June 2022 as required by Section 66 of the Local Government Act 2002. RSHL has no subsidiaries or joint ventures.

Entity Type and Legal Basis

RSHL is a public limited liability company incorporated and registered under the Companies Act 1993 and is a council-controlled organisation as defined in Section 6 of Local Government Act 2002

Entity Structure

The Company comprises of a Board of seven directors. The Board oversee the governance of RSHL. In addition for the period of this report there was a general manager who is responsible for the day-to-day operations of RSHL and reporting to the Board. The general manager's role has been replaced by a Chief Executive role effective 1 July 2022.

Each of the six shareholder entities are entitled to appoint one director each, with one independent director appointed by the Board.

Main Sources of Entity's Cash and Resources

Funds for the IRIS Programme, as well as management and administration are received by way of levies from each member council. These levies are set annually in the Statement of Intent. These are the primary source of funding to RSHL. In addition, funds for the Sector Financial Management System (including ReCoCo) are collected from all 16 Regional Councils and Unitary Authorities.

Nature and Scope of Activities to be Undertaken

RSHL provides a framework for collaboration between the shareholders and across the sector. It supports the procurement or development of shared solutions and products in a manner that provides greater consistency in how we operate our core processes. RSHL provides a more cost effective alternative than individual councils can achieve on their own.

The company operates by facilitating collaborative initiatives between councils and through managed contractual arrangements. Some councils are both customers of RSHL and providers of service to RSHL.

RSHL activities are currently grouped into three key programmes of work:

IRIS	<p>The IRIS Programme delivers the IRIS software platform to shareholder and customer councils. The IRIS software has been in use for 8 years and is currently used at 7 councils. The 7 councils actively collaborate on the use of IRIS and the future development roadmap.</p> <p>With the IRIS NextGen Programme underway, the IRIS platform is now in its sunset phase. (Being managed to retirement/replacement.)</p>
IRIS Next Generation	<p>RSHL and the member councils have determined that the IRIS software platform will need to be replaced within the next 2-4 years. IRIS Next Generation (NextGen) will be cloud based with better online and mobile features. IRIS NextGen will be more efficient for staff and customers.</p> <p>Along with the software solution, we will implement consistent “good practice” processes for the sector.</p> <p>Over the next two years, RSHL will identify:</p> <ul style="list-style-type: none"> • The IRIS NextGen solution. • A transition plan for existing users. • A growth plan to attract new councils to the program. <p>The IRIS NextGen program will require changes to the shareholding and membership arrangements of RSHL. RSHL will implement these changes over the next two years.</p>
Sector Shared Services	<p>In 2020 the ReCoCo Programme was superseded by the Sector Financial Management System (SFMS). As part of the SFMS RSHL is responsible for the management of the funding for regional sector collaborative programmes:</p> <ul style="list-style-type: none"> • Regional Sector Office • Sector Business Plan • River Managers Programme • ReCoCo Technology Projects • EMaR Programme • Bio Managers Programme • Bio Control Programme <p>The sector has a budget of over \$2.5M for these initiatives. RSHL collects this funding from councils and engages suppliers to deliver services to achieve the outcomes from each of the programmes.</p> <p>ReCoCo is one of the programmes within the SFMS. Under the ReCoCo banner RSHL delivers collaborative technology projects for groups of regional councils under the ReCoCo Programme. The ReCoCo programme is led by the Corporate and Finance Special Interest Group.</p>

Vision

To provide a high-quality shared service for the regional council sector (and associated agencies) that delivers value to customers, shareholders and the sector.

Mission

Deliver shared solutions to the regional council sector along with collaborative outcomes through sector special interest groups to achieve:

- Consistent, good-practice regional council specific processes and functions
- Value through economies of scale
- Greater influence for the sector with central government through cohesion and collaboration
- Reduced risk through ensuring continuity of supply and control of the destiny of regional council sector specific software

Values

In all RSHL decisions and interactions the Board and staff together with council participants who may be working within the RSHL framework will observe the following values and ethos:

- We are forward thinking and innovative
- We are responsive and deliver value
- We are professional and accountable
- We are flexible and open

Guiding Principles

- The right decision is that which provides the best outcomes for participating councils and the communities they serve.
- Our solutions will be practical, appropriate to the scale of the problem and affordable.
- Where appropriate we will utilise codes of practice and standards produced by industry groups.
- All parties to any decision or interaction will be treated with respect, dignity, integrity and honesty.

Objectives

The principal objective of RSHL is to deliver on the vision, mission and values.

The secondary objective of RSHL is to:

- Achieve the objectives of its shareholders, both commercial and non-commercial as specified in the Statement of Intent
- Be a good employer
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which the Company operates and by endeavouring to accommodate or encourage these when able to do so.

Directors Report

Regional Software Holdings Limited

For the year ended 30 June 2022

Tēnā koutou katoa

On behalf of Regional Software Holdings Ltd (RSHL), and the six regional council shareholders, it is our pleasure to present the 2021/2022 Annual Report.

RSHL is a major shared service undertaking by the Northland, Waikato, Taranaki, Horizons, West Coast and Southland regional councils. All sixteen Regional Councils/Unitary Authorities in New Zealand are stakeholders and customers of RSHL.

RSHL operates a range of collaboration and shared services on behalf of Te Uru Kahika [1]

RSHL is at an exciting and challenging juncture in its journey, evolution and growth. A number of opportunities exist, that if they come to fruition, have the ability to significantly enhance the productivity of the regional and unitary sectors.

The Integrated Regional Information System (IRIS) programme is RSHL's longest running programme. The six member councils developed a software solution (IRIS) for regional council specific functions. Hawkes Bay Regional Council also uses IRIS. The programme has been in place for nearly 10 years and has been a remarkable success.

As the IRIS system reaches the end of its useful life, RSHL has made the strategic decision to prioritise planning for the next generation of IRIS (IRIS Next Generation). Significant steps towards this goal were taken in 2021/2022.

RSHL also operates the Sector Financial Management System (SFMS) on behalf of Te Uru Kahika. Under this agreement, RSHL supports a range of sector work programmes and projects. RSHL manages funding collected from the sector to support shared sector activities, as well as providing project management support.

The Sector Financial Management System allows RSHL to further achieve its vision “To provide a high-quality shared service for the regional council sector (and associated agencies) that delivers value to customers, shareholders and the sector.”

RSHL continues to extend the services and value it provides to Te Uru Kahika.

In August 2021, the Regional Chief Executives Group approved the business case for the implementation of a Regional Sector Shared Services Organisation based on RSHL.

This initiative is the next significant step towards RSHL achieving its potential as a shared services vehicle for the regional sector.

The business case set out that the next evolutionary step for Te Uru Kahika is to consolidate existing collaboration programmes and to put in place a fit-for-purpose structure that will enable the sector to respond quickly to shared issues and opportunities, while reducing individual council cost and resource use. Ultimately, **doing more with less**.

Te Uru Kahika will benefit from the creation of the shared services organisation through:

- Being better prepared to respond to future issues and opportunities.
- Achieving a better return on investment with a focus on quality of outcome and realising the value proposition for the sector.
- Increased credibility of the sector as a trusted deliverer with a unified and consistent sector profile.
- Improved key staff attraction and retention.
- Consistent good practise process across the sector and within councils.

[1] Te Uru Kahika is the collective of the 16 regional councils and unitary authorities that make up the regional sector.

These structural changes also make it simpler to accommodate participants in the IRIS Next Generation Programme.

Much of the work required to restructure RSHL occurred in 2021/22, with the final necessary legal steps to be completed by the end of September 2022.

For the legacy IRIS product, the priority is on consolidation and cost minimisation. Two releases of new functionality were delivered over the year. The focus for the legacy IRIS product is ensuring it remains fit for purpose for the remainder of its useful life by improving the performance of the application and making changes to enhance usability.

Pleasingly, the IRIS user survey completed in September 2021 showed ongoing improvement over previous years.

As noted in previous annual reports, there is a need to undertake a reinvestment in the IRIS solution to ensure the underlying technology remains current and fit for purpose. This is the IRIS NextGen Programme.

The scope of IRIS Next Generation includes development of good practice processes for the regional sector, as well as selection of a vendor and partner to deliver the software solution. This approach builds on a key lesson learnt from the IRIS programme, that having councils agree on consistent good practice processes significantly reduces the cost of developing and operating software.

IRIS Next Generation will be cloud based and be more efficient for staff and customers. Basing the solution on sector agreed best practice processes will enable sharing of resources, training, along with continuous improvement.

Datacom have been selected as our partner for the implementation of IRIS NextGen, with an offering based on their ERP platform “Datascape” and professional services to support the development of good practice process.

Over the last 12 months, we worked with Datacom and eleven councils to further refine the details of the IRIS NextGen Programme. We expect to have final approval from councils to proceed with the programme in August 2022.

IRIS Next Generation will be a sector-wide initiative, which is why we have made every effort to involve experts from as many councils as possible, along with leaders from the Te Uru Kahika Network.

The sector has responded to the challenges of the Covid-19 pandemic, and local government reform by placing a greater emphasis on collaboration, development of shared services and more use of Council Controlled Organisations. RSHL and its shareholding councils are aligned with this direction.

The purpose of the Sector Financial Management System is to remove barriers to shared initiatives within the sector. As part of the SFMS, RSHL is responsible for the management of the funding for sector collaborative programmes including:

- Regional Sector Office
- Sector Business Plan
- River Managers Programme
- ReCoCo Technology Projects
- EMaR Programme
- Bio Managers Programme
- Bio Control Programme
- Science Programme

Along with funding management, RSHL also supports the collaborative programmes through project, procurement and contract management. Where appropriate RSHL also provides IT systems for programmes to use.

In 2020/21, RSHL oversaw programmes with a total value of \$2.1M, with \$0.4M of this funding secured from central government to support Te Uru Kahika.

In 2021/22, the total value of the programme increased to \$3.6M, including \$0.5M from central government.

ReCoCo is one of the programmes within the SFMS. Under the ReCoCo banner RSHL delivers collaborative technology projects for groups of councils.

To support accelerated growth and development RSHL has completed the establishment of independent business infrastructure.

- In 2019, the Board appointed a full-time General Manager. The benefits of having a full-time general manager can clearly be seen in the accelerated progress of the company. In June 2022, the General Manager position was re-titled Chief Executive reflecting the growth of RSHL and the increasing complexity of the role.
- IT Systems have been transitioned from Waikato Regional Council to a cloud-based Microsoft 365 environment.
- Financial services have been transitioned to ONLA (O'Fee & Associates Ltd), based in Palmerston North.
- RSHL has completed a branding project to create a brand and supporting collateral for RSHL.
- RSHL now has a website www.rshl.co.nz to further increase the visibility of the organisation.

Financially, the company continues to be in a sound position.

RSHL's revenue comes from:

- Licence fees from councils that use IRIS. These fees are used for the maintenance and development of the IRIS product.
- Funding contributions for sector work programmes. This funding is used to pay service providers delivering services to Te Uru Kahika.

The company does not trade to make a profit. Rather, it charges to cover its planned level of expenditure. Unspent revenue is reallocated to programmes in the new financial year or redistributed back to councils.

The financial result is a deficit of \$1,215,263. This reflects the depreciating value of the investment in the IRIS product.

Expenditure on the IRIS solution is no longer being treated as a capital investment. As a result, the book value of the asset is depreciating rapidly. This is appropriate as the product nears the end of its life and the company looks to reinvest in IRIS NextGen. Cash balances remain healthy as the losses are resulting from depreciation rather than trading activities.

The success of IRIS and RSHL is due to the collaborative approach of Te Uru Kahika.

The success and richness of IRIS and IRIS NextGen product reflects the contribution, expertise, and commitment of a team of well over 100 people from all the participating councils, in a variety of roles.

The outlook for Regional Software Holdings Ltd is bright and there are significant opportunities to support the activities and achievements of Te Uru Kahika into the future.

I wish to acknowledge the hard work, effort and contributions of the Chief Executive, staff and contractors of RSHL and the Board. Thank you. You are making invaluable contributions to the future success of Aotearoa New Zealand's regional sector.

Ngā mihi

Signed on behalf of the Board of Directors:



M J Nield

Chairman

Financial Statements

Regional Software Holdings Limited For the year ended 30 June 2022

The financial statements required by section 67 of the Local Government Act 2002 (LGA (2002)) are attached.

Unaudited Annual Report

Audit New Zealand has not been able to schedule the audit of the RSHL 2022 Annual Report.

Auditors are experiencing extended high workloads due to the impact of Covid-19 and travel restrictions which prevent the sourcing of qualified auditors from overseas.

Audit New Zealand have informed RSHL that we are considered low risk and low priority. As at 1 August 2022 Audit NZ has not completed the FY2021 audit for RSHL.

As a result, this annual report is provided to shareholders unaudited.

Registered Office

RSHL

PO Box 1007

Palmerston North

Auditors

Audit New Zealand on behalf of the Controller and Auditor-General.

Directors

The following directors were in office at the end of the year:

	2021-22		2020-21	
	Remuneration	Benefits	Remuneration	Benefits
Mike Nield (Chairperson)	-	-	-	-
Malcolm Nicolson	-	-	-	-
Ged Shirley	-	-	-	-
Jane Carroll	-	-	-	-
John Crane	-	-	-	-
Heather Mabin	-	-	-	-
A Aakjaer (Independent Director)	34,000	-	34,000	-
Total Remuneration	34,000	-	34,000	-

Interest Register

All directors listed their interests in the register on being appointed to the company and interests are reviewed at each board meeting. The following interests are registered:

Director	Organisation	Interest
MC Nicolson	Hawk Hill Estates Limited	Director
	The Masters Group Holdings Limited	Director
MJ Nield	Taranaki Stadium Trust	Trustee
Heather Mabin	-	
J Carroll (Interim)	JCom Limited	Director & Shareholder
	JC's Properties Limited	Director & Shareholder
	Voicecom Technologies Limited	Shareholder
G Shirley	-	
A Aakjaer	Negotiate Limited	Director & Shareholder
	Aakjaer Trustee Company Limited	Director & Shareholder
	Ice Bear Holdings Limited	Director & Shareholder
	One Sheep at a Time Limited	Director & Shareholder
	Note: Negotiate Consulting may from time to time provide advisory services to Northland Regional Council and Waikato Regional Council	
J Crane	-	

The following directors received the following payments throughout the year:

A Aakjaer - \$33,647 (Last Year: \$34,429) for independent director services.

Statement of Compliance and Responsibility

In terms of the Local Government Act 2002, the Board of Directors is responsible for the preparation of RSHL financial statements and to assist the company to meet its objectives and any other requirements in its Statement of Intent (SOI).

The Board of Directors of RSHL has the responsibility for establishing, and has established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board of Director's opinion, these financial statements fairly reflect the financial position and operations of RSHL for the twelve months ended 30 June 2022.

Signed on behalf of the Board of Directors:



MJ Nield - Chairperson



JE Crane - Director

Date: 25 August 2022

Statement of Comprehensive Revenue and Expense

Regional Software Holdings Limited For the year ended 30 June 2022

	NOTES	2021-22	2021-22 SOI	2020-21
Revenue				
Interest		3,254	600	631
Member Contributions	1	1,211,619	1,214,881	1,196,928
Regional Sector Shared Services	4	3,709,542	2,551,392	2,132,784
Other revenue	2	538,713	357,997	275,660
Total Revenue		5,463,128	4,124,870	3,606,002
Expenses				
Administration Costs	3	61,760	41,865	55,746
Audit and Legal Fees		122,647	86,534	32,765
Datacom Support Services		225,397	260,000	210,427
Environmental Charges		20,480	22,444	20,455
External Contractors		595,447	300,040	268,074
External Directors Fees	5	33,647	33,000	14,804
Finance Costs		-	20,000	-
Management Fees		143,578	145,000	180,416
Other Direct Software Expenses		472,182	472,066	610,372
Personnel costs		302,370	176,610	144,601
Promotional costs		506	8,000	7,836
Regional Sector Shared Services	4	3,709,542	2,551,392	2,132,784
Travel and Meeting Costs		13,563	18,750	7,061
Depreciation	9	977,272	920,438	943,520
Total Expenses		6,678,391	5,056,139	4,628,860
Surplus/(deficit) before tax		(1,215,263)	(931,269)	(1,022,858)
Tax expense		-	-	-
Surplus/(deficit) after tax		(1,215,263)	(931,269)	(1,022,858)
Surplus/(deficit) attributable to RSHL		(1,215,263)	(931,269)	(1,022,858)
Total comprehensive revenue and expense		(1,215,263)	(931,269)	(1,022,858)

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated. Explanations of major variances against budget are provided in note 17.

Statement of Financial Position

Regional Software Holdings Limited

As at 30 June 2022

	NOTES	2021-22	2021-22 SOI	2020-21
Assets				
Current Assets				
Cash and cash equivalents	7	1,560,358	899,799	685,927
Accounts Receivable and Accruals	8	1,378,096	-	2,321,647
Goods and Services tax		79,227	-	-
Income Tax Receivable	6	1,156	-	351
Total Current Assets		3,018,837	899,799	3,007,926
Non-Current Assets				
Property, Plant & Equipment (PPE)	9	2,581,597	3,318,471	3,485,875
Total Non-Current Assets		2,581,597	3,318,471	3,485,875
Total Assets		5,600,434	4,218,271	6,493,801
Liabilities				
Current Liabilities				
Payables and Accruals	10	1,401,218	-	881,228
Income Received in Advance	11	1,600,198	-	1,673,513
Goods and services tax		-	-	124,778
Total Current Liabilities		3,001,416	-	2,679,520
Non-Current Liabilities				
Borrowings		-	1,000,000	-
Total Non-Current Liabilities		-	1,000,000	-
Total Liabilities		3,001,416	1,000,000	2,679,520
Net Assets		2,599,018	3,218,271	3,814,281
Equity				
Contributed Capital	12	5,149,150	5,149,150	5,149,150
Accumulated Funds	12	(2,550,132)	(1,930,879)	(1,334,869)
Total Equity		2,599,018	3,218,271	3,814,281

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated. Explanations of major variances against budget are provided in note 17.

Statement of Changes in Equity/Net Assets

Regional Software Holdings Limited For the year ended 30 June 2022

	NOTES	2021-22	2021-22 SOI	2020-21
Equity				
Opening Balance				
Retained Earnings		(1,334,869)	(999,611)	(312,010)
Share Capital		5,149,150	5,149,150	5,149,150
Total Opening Balance		3,814,281	4,149,539	4,837,140
Total Comprehensive Revenue and Expense for the year	12	(1,215,263)	(931,269)	(1,022,858)
Balance at 30 June		2,599,018	3,218,271	3,814,281
Total Comprehensive Revenue and Expense Attributable to				
Regional Software Holdings Ltd		(1,215,263)	(931,269)	(1,022,858)

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated. Explanations of major variances against budget are provided in note 17.

Statement of Cash Flows

Regional Software Holdings Limited For the year ended 30 June 2022

	2021-22	2021-22 SOI	2020-21
Cash Flows from Operating Activities			
Receipts from Members	1,494,645	2,783,323	1,534,935
Interest Received	3,254	600	631
ReCoCo Income	4,467,814	1,340,948	1,710,126
Other Income	146,979	-	-
Income tax received/(paid)	(805)	-	(163)
Payments to suppliers and employees	(5,160,529)	(4,135,702)	(2,908,251)
GST	(3,933)	-	(77,617)
Total Cash Flows from Operating Activities	947,425	(10,831)	259,660
Cash Flows from Investing and Financing Activities			
Proceeds from loans borrowed from other parties	-	1,000,000	-
Payments to acquire property, plant and equipment	(72,994)	(720,000)	(175,698)
Total Cash Flows from Investing and Financing Activities	(72,994)	280,000	(175,698)
Net Increase/ (Decrease) in Cash	874,431	269,169	83,962
Cash Balances			
Cash and cash equivalents at beginning of period	685,927	630,630	601,965
Cash and cash equivalents at end of period	1,560,358	899,799	685,927
Net change in cash for period	874,431	269,169	83,962

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated. Explanations of major variances against budget are provided in note 17.

Statement of Accounting Policies

Regional Software Holdings Limited For the year ended 30 June 2022

Regional Software Holdings Limited (RSHL) is a Council Controlled Organisation (CCO), owned by:

Council	Ownership
Waikato Regional Council	32.75%
Northland Regional Council	16.75%
Horizons Regional Council	15.50%
Taranaki Regional Council	15.50%
Southland Regional Council	15.50%
West Coast Regional Council	4.00%

RSHL was incorporated on 17 October 2012. RSHL was primarily incorporated for the purposes of managing the investment and development of IRIS software, and had incorporated, and has designated itself a Public Benefit Entity (PBE), in keeping with the designation of the shareholders.

The financial statements are those of RSHL, for the 12 months ended 30 June 2022, and were authorised for issue by the Board of Directors on 25 August 2022.

Public Benefit Entity Simple Format Reporting

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 2 entity (previously reporting under Tier 3). RSHL is not publicly accountable and expenditure is not higher than \$30 million. These financial statements comply with PBE standards.

Basis of Preparation of the Financial Statements

The Financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period. The financial statements have been prepared on a historical costs basis. All transactions are reported using the accrual basis of accounting.

Statement of Compliance

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 2 entity. RSHL is not publicly accountable and expenditure is not higher than \$30 million. These financial statements comply with PBE standards.

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

Changes in Accounting Policies

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

Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of consideration received or receivable.

- a) Members Contributions and other forms of revenue (excluding investment revenue), including fees, charges, and other revenues are recognised on an accrual basis.
- b) Interest revenue is recorded as it is earned.

Expenditure

Expenditure is recognised on an accrual basis when the service was provided, or the goods received. Costs associated with maintaining the IRIS software suite are recognised as an expense when incurred.

Bank Accounts and Cash

Cash and cash equivalents includes cash on hand, on demand or call deposits, other short-term deposits with original maturities of three months or less, and bank overdrafts. Bank overdrafts are presented as a current liability in the Statement of Financial Position.

Receivables

Short-term receivables are recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recognised as a bad debt expense.

Inventories

Inventory is initially recorded at cost. Goods held for sale are subsequently measured at the lower of cost and their selling process. Goods for use or distribution are subsequently measured at cost and written down if they become obsolete.

Goods and Services Tax (GST)

Items in the financial statements are stated exclusive of GST, except for receivables and payables which are presented on a GST-inclusive basis. Where GST paid is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or recovered from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Income tax expense includes components relating to current tax and deferred tax, and is calculated using tax rates and tax laws that have been enacted or substantively enacted at balance date.

Current tax is the 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.

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 or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Payables

Short term creditors and other payables are recorded at the amount owed.

Property, Plant and Equipment

Software acquisition and development

Costs that are directly associated with the development of the IRIS software suite are recognised as property, plant and equipment.

From the 2020-21 year all IRIS development was treated as operating expenses (previously recognised as property, plant and equipment). All determined IRIS development that will not enhance the asset that was previously recognised as property, plant and equipment has now been expensed in the year.

Depreciation

Depreciation begins when the asset is available for use and ceases at the date that the asset is derecognised. The depreciation charge for each period is recognised through the Statement of Financial Performance.

The carrying value is depreciated on a straight-line basis over its useful life. The useful life and associated depreciation rate for the IRIS software suite is 10 years and 10%.

Where software in this category is replaced, upgraded or determined by RSHL to be of no further operational benefit, a change in value will be recognised through the Statement of Financial Performance. This change in value will be the difference between the carrying value of the original item and its fair value.

From the 2021-22 year all impaired assets will be depreciated on a straight-line basis at variable rates to have no residual value by 30 June 2027 (From the 2020-21 year: to have no residual value by 30 June 2028).

Impairment

Under International Public Sector Accounting Standards (IPSAS) 31 and 21 the management of RSHL is required to consider whether there is an impairment to the suite of intangible assets.

RSHL has considered the external and internal sources of information under IPSAS 21 and considers it likely that on or about 30 June 2027 the current IRIS software platform and attendant e-learning software will be discontinued with no residual value. On this consideration the current IRIS asset and attendant e-learning software has been impaired in 2021 and then further impaired in 2022.

Therefore all software assets will be depreciated so as to have a nil residual value on 30 June 2027. (From the 2020-21 year: to have no residual value by 30 June 2028).

All assets that will not be impacted by impairment will continue to be depreciated on a straight-line basis at 10% and have no residual value on 30 June 2027.

Impaired assets are depreciated on a straight-line basis at variable rates to have no residual value on 30 June 2027.

The impairment adjustments from the 2022 and the 2021 years will form part of the depreciation expense until 30 June 2027.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumption have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Additional Disclosure

The Companies Act 1993 requires disclosure of the amount of the donations, audit fees, fees for other services from the auditor, and the number of employees of the company who received remuneration and other benefits above \$100,000 per annum, in brackets of \$10,000.

For this financial year two staff members were employed by RSHL.

Remuneration Bracket	Staff
100,000 - 110,000	0
110,000 - 120,000	0
120,000 - 130,000	0
130,000 - 140,000	0
140,000 -150,000	1
150,000 - 160,000	0
160,000 - 170,000	0
170,000 +	1

The audit fee for the twelve month period is expected to be \$11,880 (GST exclusive) paid to Audit New Zealand.

Notes to the Performance Report

Regional Software Holdings Limited For the year ended 30 June 2022

	2021-22	2020-21
1. Members Contributions		
Member Contributions as per SOI	1,211,619	1,196,928
Total Members Contributions	1,211,619	1,196,928

	2021-22	2020-21
2. Other Income		
Consulting Services	155,223	-
Recovery of other direct software expenses	66,589	61,277
User Funding - Hawkes Bay Regional Council	156,931	154,612
Shared Licence Funding	59,771	59,771
Recoco Contribution to Overheads	100,199	-
Total Other Income	538,713	275,660

	2021-22	2020-21
3. Administration Expenses		
Accounting & Technical Support	54,917	51,210
Administration Costs	4,121	3,435
Bank Fees	371	138
Insurance	2,350	963
Total Administration Expenses	61,760	55,746

	2021-22	2020-21
4. Regional Sector Shared Services		
Regional Sector Shared Services Income		
Regional Sector Shared Services Income	5,288,820	3,786,373
Unspent Funds Transferred to Revenue in Advance	(1,579,278)	(1,653,590)
Total Regional Sector Shared Services Income	3,709,542	2,132,784
Regional Sector Shared Services Expenses	3,709,542	2,132,784
Regional Sector Shared Services	-	-

5. External Directors Fees

Part of RSHL's overhead expenditure have been allocated to Regional Sector Shared Services Expenses to equate for the expenditure incurred to operate Regional Sector Shared Services.

External Directors Fees expenditure for the year was \$33,647 of which \$17,507 has been allocated to Regional Sector Shared Services Expense.

2021-22

2020-21

6. Income Tax

Components of tax expense

Current tax	-	-
Deferred tax	-	-
Tax expense	-	-

Relationship between tax expense and accounting surplus/(deficit)

Net surplus/ (deficit) before tax	-	(1,022,808)
Tax at 28%	-	(286,386)

Plus / (less) tax effects of:

Non-deductible expenditure	-	16,226
Effect of changes in recognised tax losses	-	270,160
Fixed asset adjustment	-	-
Tax credits received subject to tax	-	-

Unused tax losses of \$5,086,838 (2021: \$3,871,575) are available to carry forward and offset against future taxable income.

Deferred tax assets/(liabilities)	Tax losses	Property, plant and equipment	Other temporary differences	Total
Balance at 1 July 2020	937,530	(937,530)	-	-
Charged to surplus or deficit	(93,491)	89,375	4,116	-
Charged to other comprehensive revenue and expense	-	-	-	-
Balance at 30 June 2021	844,039	(848,155)	4,116	-
Charged to surplus or deficit	-	-	-	-
Charged to other comprehensive revenue and expense	-	-	-	-
Balance at 30 June 2022				-

A deferred tax asset has not been recognised in relation to tax losses of \$343,022 (2021: \$343,022).

2021-22 2020-21

7. Cash and cash equivalents

Business Online Saver	280,577	280,271
Credit Card	(290)	(222)
Current Account	1,280,071	405,878
Total Cash and cash equivalents	1,560,358	685,927

2021-22 2020-21

8. Receivables and accruals

Accounts Receivable	1,315,336	2,261,876
Prepayments	62,760	59,771
Total Receivables and accruals	1,378,096	2,321,647

9. Property, Plant and Equipment

	E-Learning Software	IRIS Software Intellectual Property	Computer Hardware	Total
Carrying amounts as at 1 July 2020	31,186	4,421,235	631	4,453,052
Additions	-	117,394	-	117,394
Disposals (net accumulated depreciation)	-	-	-	-
Depreciation Expense	(4,253)	(938,637)	(630)	(943,520)
Work in Progress written off/impaired	-	(141,050)	-	(141,050)
Carrying amount as at 30 June 2021	26,933	3,458,942	-	3,458,942
Carrying amounts as at 1 July 2021	26,933	3,458,942	-	3,485,875
Additions	-	72,994	-	72,994
Disposals (net of accumulated depreciation)	-	-	-	-
Depreciation Expense	(4,491)	(972,781)	-	(977,272)
Work in Progress written off	-	-	-	-
Carrying amount as at 30 June 2022	22,442	2,559,155	-	2,581,597

At 30 June 2022 the working progress value of the IRIS Asset is \$Nil (Last Year: \$Nil) with \$72,994 (Last Year: \$227,268) capitalised during the year and \$Nil written off during the year (Last Year: \$141,050).

The impairment adjustment of E-Learning Software and IRIS Software Intellectual Property from the 2022 year will form part of the depreciation expense until 30 June 2027.

	2021-22	2020-21
10. Payables and accruals		
Accounts Payable	1,348,217	763,691
PAYE Payable	8,554	7,082
Employee Entitlements	20,088	10,596
Accrued Expenses		
Audit New Zealand	16,880	11,000
Global Reach Associates Ltd - June costs billed in July (River Managers' SIG)	6,000	-
R A Phillips - June costs billed in July	1,478	-
Bay of Plenty Regional Council (ReCoCo Shared Services)	-	62,609
Environment Canterbury (ReCoCo Shared Services)	-	26,250
Total Accrued Expenses	24,358	99,859
Total Payables and accruals	1,401,217	881,228

	2021-22	2020-21
11. Income Received in Advance		
Environment Southland - Objective Subscription 2021/2022	20,920	19,924
ReCoco Revenue in Advance	1,579,278	1,653,590
Total Income Received in Advance	1,600,198	1,673,513

	2021-22	2020-21
12. Equity		
Contributed Capital		
Balance at 1 July	5,149,150	5,149,150
Capital Contribution	-	-
Balance at end of period	5,149,150	5,149,150
Accumulated Funds		
Balance at 1 July	(312,011)	20,031
Surplus/(deficit) for the year	(1,022,858)	(332,041)
Balance at end of period	(1,334,869)	(312,010)
Total Equity	3,814,281	4,837,140

All accumulated funds are from the activities of RSHL and IRIS projects.

2021-22 2020-21

13. Commitments

WalkerScott - IRIS BI Solutions Discovery and Planning	-	480
WalkerScott - Shared BI Implementation for IRIS Application Module	-	70,200
Total Commitments	-	70,680

14. Contingent Liabilities and Guarantees

There are no contingent liabilities or guarantees as at 30 June 2022 (Last year - nil).

15. Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect RSHL would have adopted in dealing with the party at arm's length in the same circumstances.

Related Party Transactions Significant to RSHL requiring disclosure:

Shareholder	Share	2021/22	2020/21	Description of Services
Waikato Regional Council	32.75%	142,808	126,315	Management Services - IRIS PMO Manager
Waikato Regional Council	32.75%	7,338	5,852	Reimbursement for travel booked by WRC on behalf of RSHL.
Waikato Regional Council	32.75%	49,000	61,608	Reimbursement for staff member seconded to the sector farm platform project. Funded from the SFMS.
Horizons Regional Council	15.50%	147,751	173,596	Reimbursement of Regional Sector Office Costs, funded from the SFMS.
Taranaki Regional Council	15.50%	11,331	64,548	Reimbursement for staff member seconded to the IRIS NextGen Project.
Taranaki Regional Council	15.50%	737	2,671	Reimbursement of travel for staff member seconded to the IRIS NextGen Project.
Southland Regional Council	15.50%	-	533	Reimbursement of costs for the sector Essential Freshwater Implementation Project. Funded from the SFMS.
West Coast Regional Council	4.00%	-	6,175	Accounting Support Costs
West Coast Regional Council	4.00%	-	791	Reimbursement of Meeting Travel

Revenue of \$1,211,619 was received from the shareholder councils as member contribution as outlined in note 1.

Member contributions were received as follows:

Shareholder	Share	2021/22	2020/21
Waikato Regional Council	32.75%	446,833	440,230
Horizons Regional Council	15.50%	217,482	217,482
Northland Regional Council	16.75%	164,616	162,184
Taranaki Regional Council	15.50%	164,616	162,184
Southland Regional Council	15.50%	164,616	162,184
West Coast Regional Council	4.00%	53,455	52,665

Funding for the Regional Shared Services (ReCoCo) was \$3,709,542 (Last Year : \$2,132,754) from the member councils, costs of \$3,709,542 (Last Year: \$2,132,784) has been spent on ReCoCo projects as at 30 June 2022 and revenue in advance of \$1,579,278 (Last Year : \$1,653,590) has been recognised in relation to the unspent funds to be used on ongoing ReCoCo projects.

As at 30 June 2022 \$317,949 (Last Year: \$334,945) was owed to RSHL by Member Councils and \$152,998 (Last Year: \$154,833) was payable by RSHL member councils.

16. Events After Balance Date

There are no significant events after balance date (Last year: Nil)

17. Impact of COVID-19

Over the 2020-21 and 2021-22 financial years RSHL was impacted by the COVID-19 pandemic as follows:

Financial	Minimal impact - RSHL received all planned member contributions, license fees and ReCoCo funding as planned.
Council Engagement	<p>Minor impacts - RSHL continues to experience challenges in engaging with council staff to progress work programmes, because of capacity issues within councils caused by COVID-19.</p> <p>Operational - Moderate impacts. RSHL relies on a network of suppliers in order to deliver services for the regional sector. All suppliers reported difficulties meeting deadlines, or providing agreed deliverables because of COVID related absences.</p> <p>Positive impacts - The financial and resourcing impacts of COVID-19 on councils have led to an increased appetite for sector shared projects, with RSHL as the delivery vehicle.</p>

18. Explanations of Major Variances Against Budget

Statement of Financial Performance	Actual	Budget	Variance	Explanation
Regional Sector Shared Services Revenue	\$3,709,542	\$2,551,392	\$1,158,150	The Sector Financial Management System increased in size from FY21 and the budget was not confirmed until July 2022. Additional revenue includes additional funding collected from councils and unbudgeted contributions to the essential freshwater programme from MfE.
Other Revenue	\$538,713	\$357,997	\$180,716	RSHL received unbudgeted contributions to the IRIS NextGen Programme from two councils. Additional revenue was also collected for the provision of consulting services to TRC and NCC at cost.
Administration Costs	\$61,760	\$41,865	\$19,895	Additional cost is for restatement of tax calculations in financial statements to align with Tier-2 reporting, and additional tax advice on the impacts of the company restructure. Also additional office admin costs associated with new staff.
Audit and Legal Fees	\$122,647	\$86,534	\$36,113	Additional costs of ~\$45K relating to PWC advice on Deemed Dividend issue.
Datacom Support Services	\$225,397	\$260,000	-\$34,603	Less support was required for IRIS than budgeted.
External Contractors	\$595,447	\$300,040	\$295,407	Additional OPEX expenditure on contract resources for the IRIS NextGen Project. Consultant expenditure was more than budgeted and CAPEX was treated as OPEX.
Personnel Costs	\$302,370	\$176,610	\$125,760	Remuneration increase for General Manager was more than budgeted (was CPI only.) Creation of Product Manager role for IRIS was unbudgeted.
Regional Sector Shared Services Expenses	\$3,709,542	\$2,551,392	\$1,158,150	The Sector Financial Management System increased in size from FY21 and the budget was not confirmed until July 2022. Additional revenue expenditure includes higher than budgeted spend on the Essential Freshwater Implementation, plus the SIG Portal and N-Cap projects.

Statement of Financial Position	Actual	Budget	Variance	Explanation
Payable and Accruals	\$1,401,218	-	-	End of year expenditure to suppliers from SFMS Fund.
Income Received in Advance	\$1,600,198	-	-	RSHL holds unspent funds from the SFMS on behalf of the sector. This is treated as Income in Advance.

Performance Measures

Regional Software Holdings Limited For the year ended 30 June 2022

Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2021-22 financial year.

Non-Financial	2021-2022
<p>Undertake an annual survey of IRIS users and shareholder/customer Councils in relation to product performance, Datacom support and RSHL support.</p> <p>Provide a summary of the survey results in the annual report, including performance against the baseline.</p> <p>Survey results to be the same or better than the previous year.</p>	<p>Achieved</p> <p>The IRIS user survey was completed in November 2021.</p> <p>Results were reported to the board in February 2022 and reflected overall improvement in the performance of RSHL, Datacom and the IRIS Product.</p> <p>The report has been provided to member councils.</p>
<p>Develop, approve, and communicate the product strategy for IRIS NextGen.</p>	<p>Achieved</p> <p>The IRIS NextGen Product Strategy consists of outputs created during the Discovery phase of the programme. These outputs support the product strategy framework of Vision, Programme Goals, SWOT analysis, Product Goals and Product Initiatives.</p> <p>Through the Discovery Phase, outputs were developed that will provide a framework to guide the development and implementation of the IRIS NextGen product.</p> <ul style="list-style-type: none"> · Good Practice Operating Model Baseline · Datascape solution mapping · Prioritised requirement backlog · Requirements Gap Analysis · Datascape development backlog · Integration approach · Stakeholder success assurance report · Organisational change strategy · Risk plan and mitigations · Implementation and transition priorities

Performance Measures Ctd

Non-Financial (Ctd)	2021-2022																				
<p>Prepare and adopt the annual IRIS major enhancement roadmap by 30 June for delivery in the subsequent year.</p>	<p>Achieved</p> <p>The IRIS Development roadmap extends for 3 years. It is refined by the Advisory Group as required. The roadmap was presented to the board in November 2021.</p>																				
<p>Major Enhancement projects are completed within approved budget or (for items in progress) on track against their agreed timeline and budget at 30 June of each year.</p>	<p>Achieved</p> <p>The total budget for major enhancements to IRIS was \$460K including \$110K for enhancements to the core product, \$150K for Business Intelligence Implementation and \$200K for data migration tools.</p> <table border="1" data-bbox="722 863 1403 1094"> <thead> <tr> <th>Budget Item</th> <th>SOI Budget</th> <th>Expenditure</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td>BI Initiative</td> <td>\$150,000</td> <td>\$70,200</td> <td>\$79,800</td> </tr> <tr> <td>Data Migration</td> <td>\$200,000</td> <td>\$0</td> <td>\$200,000</td> </tr> <tr> <td>MAJs</td> <td>\$110,000</td> <td>\$61,539</td> <td>\$48,461</td> </tr> <tr> <td>TOTAL</td> <td>\$460,000</td> <td>\$131,739</td> <td>\$328,261</td> </tr> </tbody> </table>	Budget Item	SOI Budget	Expenditure	Variance	BI Initiative	\$150,000	\$70,200	\$79,800	Data Migration	\$200,000	\$0	\$200,000	MAJs	\$110,000	\$61,539	\$48,461	TOTAL	\$460,000	\$131,739	\$328,261
Budget Item	SOI Budget	Expenditure	Variance																		
BI Initiative	\$150,000	\$70,200	\$79,800																		
Data Migration	\$200,000	\$0	\$200,000																		
MAJs	\$110,000	\$61,539	\$48,461																		
TOTAL	\$460,000	\$131,739	\$328,261																		
<p>Budgets for support and minor enhancements are approved by the Board by 30 June each year and delivery within these budgets is effectively managed by the Advisory Group and the General Manager.</p>	<p>Achieved</p> <p>In FY2022 \$236,040 was allocated for minor enhancements and \$263k had been spent.</p> <p>\$260k was allocated for IRIS Support and \$225,397 was spent.</p>																				

Performance Measures Ctd

Financial	2021-2022
<p>RSHL will operate within approved budget, with any material variations approved by the Board.</p>	<p>RSHL operated within overall budget overall, with contributions from members and councils as-budgeted. The Statement of Financial Performance, and the balance sheet were impacted by the decision not to borrow to fund IRIS NextGen in FY22, and the non-capitalisation of the IRIS NextGen Discovery work.</p>
<p>Annual charges for shareholders and customers to be at the level approved by the Board and Shareholder Councils based upon the approved operating budget and budgets for major and minor enhancements.</p>	<p>Achieved</p> <p>Charges to shareholders were on budget at \$1,211,619.</p>

Performance Measures Ctd

Growth	2021-2022
<p>Monitor the regional council sector market and explore/respond to opportunities to expand the customer and/or shareholder base of RSHL.</p>	<p>Achieved</p> <p>RSHL expects that up to 4 additional councils will participate in IRIS NextGen, subject to approval of the Partnership agreement. They are BOPRC, ORC, TDC and NCC.</p> <p>Through the Sector Financial Management System all 16 regional sector organisations are customers of RSHL. MFE, MPI and LINZ also fund and receive benefit from our programmes.</p>
<p>Engage with councils in the sector to evaluate options for the eventual replacement of the current IRIS software package. The objective is to identify a solution that can be adopted by an increasing number of councils in the sector.</p>	<p>Achieved</p> <p>Datacom have been selected as our partner for the implementation of IRIS NextGen, with an offering based on their ERP platform “Datascape” and professional services to support the development of good practice process.</p> <p>Up to 11 councils are expected to participate in IRI NextGen.</p>
<p>Be a service delivery vehicle for regional council sector shared programmes under the Sector Financial Management System (or similar).</p>	<p>Achieved</p> <p>In FY2023 RSHL managed the funding for Te Uru Kahika work programmes with a total value of \$3.8M. In the same time period \$3.6M in funding was collected. The following programmes were included in the Sector Financial Management System:</p> <ul style="list-style-type: none"> · ReCoCo Technology Projects · Regional Sector Office · EMAR · Bio Managers · Bio Control · River Managers Projects · Shovel Ready Projects · Science Programme · Sector Business Plan · Essential Freshwater MFE Fund · Sector Special Projects

Performance Measures Ctd

Growth (Ctd)	2021-2022
<p>Be a service delivery vehicle for wider regional council sector and related bodies information management projects (ReCoCo) and related shared services. Projects to be delivered on time and on budget as agreed in each of the Statements of Work between RSHL and the ReCoCo Advisory Group.</p>	<p>Achieved</p> <p>Under the ReCoCo Programme RSHL supported the delivery of the following projects:</p> <ul style="list-style-type: none"> · Environmental Data Mobility Implementation · Environmental Data Programme · WellsNZ Implementation · Sector Reference Model Engagement Project · N-Cap Implementation <p>Appropriate project management controls were in place for each project.</p> <p>In addition, RSHL was responsible for the upgrade of the Sectors collaboration portal to a modern Teams environment.</p> <p>RSHL also managed the funding for the follow sector programmes:</p> <ul style="list-style-type: none"> · LIDAR PGF Programme Manager · Retrolens <p>\$543K was collected in funding to support the ReCoCo Programme.</p>
<p>Work with the RCEOs Group to develop a business case for the Regional Sector Shared Services Organisation.</p> <p>Business Case to be considered by December 2021 to allow for the development of a new Statement of Intent in early 2022.</p>	<p>Achieved</p> <p>The business case for the Regional Sector Shared Services organisation was approved by the RCEOs on 3 August 2021</p>



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