

Regional Software Holdings Limited
Annual Report Including Financial
Statements

For the Year Ended 30 June 2019

Regional Software Holdings Limited
For the Year Ended 30 June 2019

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Regional Software Holdings Limited

Entity Information for the Year Ended 30 June 2019

Legal Name

Regional Software Holdings Limited (RSHL)

Type of Entity and Legal Basis

RSHL is a Limited Liability Company incorporated and registered under the Companies Act 1993 and is a council-controlled organisation as defined in section 6 of the Local Government Act 2002.

The Company's purpose or mission

The primary objective is to provide a framework for collaboration between the shareholders. It supports the procurement or development of shared software resource products and services in a manner that provides a more cost effective alternative than individual councils can achieve on their own.

Structure of the Company

The Company comprises of a Board of seven directors. The Board oversee the governance of RSHL. In addition there is a general manager who is responsible for the day-to-day operations of RSHL and reporting to the Board. Each Shareholder is entitled to separately appoint one director each.

Main sources of RSHL's cash and resources

Funds are received by way of levies from each Council. These levies are set annually in the Statement of Intent. These are the primary source of funding to RSHL.

Outputs

Outputs are described in the statement of performance and reported upon as part of the Annual Report.

Regional Software Holdings Limited Directors' Report For the Year Ended 30 June 2019

Regional Software Holdings Limited's Director's Report

On behalf of Regional Software Holdings Ltd, and the six regional council shareholders, it is our pleasure to present the Company's 2018/2019 Annual Report.

Regional Software Holdings Ltd is a major shared service undertaking by the Northland, Waikato, Taranaki, Horizons, West Coast and Southland regional councils. Hawke's Bay Regional Council is also a customer of Regional Software Holdings Ltd.

Regional Software Holdings Ltd is responsible for the long-term maintenance and development of the Integrated Regional Information System (IRIS) product as developed for and by the shareholding councils. Over the last few years, the six regional councils have developed a software solution (IRIS) for the regional council specific functions undertaken by those councils. The development project has been a remarkable success.

2018/2019 was a year of growth and development for Regional Software Holdings Ltd.

For the flagship IRIS product, the year was one of consolidation of the existing product and preparation for the next generation of IRIS development. Two releases of new functionality were delivered over the year with a total of four major enhancements and 29 minor enhancements. The focus during 2018/2019 was addressing design flaws affecting performance in the long term removing the dependency on Silverlight (mapping component).

As noted in last year's Annual Report, there is a need to undertake a reinvestment in the IRIS product to ensure the underlying technology remains current and fit for purpose. Regional Software Holdings Ltd has identified development of the roadmap for the next generation of IRIS (IRIS NG) as a key strategic priority. The objectives of this process are:

- To have selected a solution or solutions that meet the needs of Regional Software Holdings Ltd shareholders and customers for the long-term. Regional Software Holdings Ltd's philosophy is to develop only that software which is necessary deliver a complete solution for regional councils. With IRIS NG it is expected that commercial software will be a greater proportion of the solution than is the case with IRIS.
- Create a transition plan for existing IRIS councils from IRIS to IRIS NG.
- Develop long-term financial projections for Regional Software Holdings Ltd, shareholders and customers for the implementation of the next generation platform.

Regional Software Holdings Ltd has a number of opportunities going forward. In particular, the Company continues to look to grow the number of IRIS users in other regional councils. Regional Software Holdings Ltd has continued to work with other regional councils to attract them as either shareholders or customers. This year Regional Software Holdings Ltd has worked very closely and intensively with Hawke's Bay Regional Council (HBRC) in their implementation of IRIS. IRIS is now live and working well at HBRC. Regional Software Holdings Ltd has presented a proposal to one other regional council to bring them on as a customer and user of IRIS.

This time last year we noted that Regional Software Holdings Ltd was starting to work with the regional council sector to establish how the company vehicle can be used for the betterment of the regional council community. This has resulted in the Regional Council Collaboration (ReCoCo) initiative. ReCoCo facilitates unitary and regional councils entering into collaboration initiatives where there are overlapping or shared objectives, covering areas of common interest or joint responsibility. Regional Software Holdings Ltd is the delivery vehicle used to facilitate and administer ReCoCo. This year saw the implementation of ReCoCo commence with the first projects delivered to the benefit of the wider regional council community.

All of these initiatives put considerable pressure on the time commitments of our part time General Manager John Crane. Consequently, the Board decided to appoint and employ its first full time General Manager. The Board wishes to acknowledge and thank John for his contribution as General Manager. The work of John has placed Regional Software Holdings Ltd in an excellent position to move forward. The Board also welcomes Mark Donnelly as the new full-time General Manager. The ability to deliver the initiatives outlined above would not be possible without a full-time General Manager.

John's expertise and experience will not be lost to Regional Software Holdings Ltd as he has been appointed to represent Waikato Regional Council on the board. Mr Mike Garrett was Waikato's representative since the company's inception but has now retired. The Board wishes him well in his future endeavours and thanks him for his contribution to the successes of Regional Software Holdings Ltd.

We also farewell Regional Software Holdings Ltd.'s Company Secretary (Leanne MacDonald) and Accountant (Amanda Calman) as they advance their careers. Again we acknowledge and thank Leanne and Amanda for their contributions.

Financially, the company is in a sound position as planned. Regional Software Holdings Ltd.'s revenue comes from licence charges and fees from the shareholding councils. This funding is used for the maintenance and development of the IRIS product. Therefore, the company does not trade to make a profit. Rather, it charges to cover its planned level of expenditure. The continuing investment in the development and enhancement of IRIS ensures that the product maintains its value within the Company's balance sheet. The growth in the user base of IRIS allows the company to reduce the licence charges and fees. This is a real tangible financial benefit to the regional councils involved in IRIS.

The success of IRIS and Regional Software Holdings Ltd is due to the collaborative approach of the six regional councils. The success and richness of the IRIS product is a reflection of the contribution, expertise, and commitment of a team of well over 100 people from all the shareholding councils, in a variety of roles.

The outlook for Regional Software Holdings Ltd and the IRIS product is bright and there are significant opportunities to support the activities and achievements of New Zealand regional councils and unitary authorities.

Financial Statements

The financial statements required by section 67 of the Local Government Act 2002 (LGA (2002)), together with the audit report required by section 69 of the LGA (2002), are attached.

Registered Office

C/o Horizons Regional Council
11-15 Victoria Avenue
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:

	2018-19		2017-18	
	Remuneration	Benefits	Remuneration	Benefits
Mike Neild (Chairman)	-	-	-	-
Malcolm Nicolson	-	-	-	-
Ged Shirley	-	-	-	-
Les Gibbs	-	-	-	-
Neil Selman	-	-	-	-
Mike Garrett (Retired Dec 2018)	-	-	-	-
John Crane (Appointed Dec 2018)	-	-	-	-
A Aakjaer (Independent Director)	30,000	-	17,500	-
Total Remuneration	30,000	-	17,500	-

Replacement Deputy Chair (position vacated by Mike Garrett) is yet to be appointed.

Interest Register

All Directors listed their interests in the register on being appointed to the company. The following interests were registered:

Director	Organisation	Interest
MC Nicolson	Hawk Hill Estates Limited	Director
	The Masters Group Holdings Limited	Director
MJ Nield L Gibbs	Taranaki Stadium Trust	Trustee
N Selman	Mount Cook Alpine Salmon Limited	Shareholder
	Real estate financial Services Limited	Director & Shareholder
G Shirley	Left Brain Creations Limited	
A Aakjaer	Negotiate Limited	Director & Shareholder
	Aakjaer Trustee Company Ltd	Director & Shareholder
	Ice Bear Holdings Ltd	Director & Shareholder
	One Sheep at a Time Limited	Shareholder
	<i>Note: Negotiate Consulting may from time to time provide advisory services to Northland Regional Council and Waikato Regional Council</i>	
	J Crane	

Additional Disclosure

The Companies Act 1993 requires disclosure of the amount of 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, one employee was employed by RSHL however the remuneration was not over \$100,000. The audit fee for the period is expected to be \$5,289 (GST exclusive) paid to Audit New Zealand.

Statement of Compliance

The Board of Directors hereby confirm that all statutory requirements in relation to the annual report, as outlines in the Local Government Act 2002, have been complied with.

Statement of Responsibility


In terms of the Local Government Act 2002 and the Companies Act 1993, the Board of Directors is responsible for the preparation of Regional Software Holdings Limited's financial statements and to assist the company meet its objectives and any other requirements in its Statement of Intent (SOI).

The Board of Directors of Regional Software Holdings Limited 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 Regional Software Holdings Limited for the year ended 30 June 2019.

Signed on behalf of the Board of Directors:


MJ Nield – Chairman
Date: 29 August 2019


Ged Shirley - Director
Date: 30/8/19

Regional Software Holdings Limited
Statement of Financial Performance
For the Year Ended 30 June 2019

	Note	Actual 2018-19	Budget 2018-19	Actual 2017-18
Revenue				
Members Contributions	1	1,210,458	1,117,579	1,151,350
Interest Income		391	600	277
Regional Sector Share Services		51,059	500,000	-
Other Income	2	218,064	211,213	77,255
Total Revenue		1,479,971	1,829,392	1,228,882
Expenses				
Administration Costs	3	32,329	26,120	42,870
Audit and Legal Fees		5,250	11,100	5,250
Datacom Support Services		172,653	178,000	278,468
Technical Services		-	50,000	-
Environmental Charges		14,258	10,500	9,476
Implementation Costs		6,551	-	19,505
Promotional Costs			10,000	-
Travel and Meeting Costs		8,897	7,000	-
Management Fees		125,926	157,500	148,773
Personnel Costs		24,046	-	-
External Director Fees		30,000	30,000	18,627
Regional Sector Shared Services		41,595	500,000	-
Other Direct Software Expenses		207,097	62,750	68,041
Depreciation	7	817,721	786,423	740,460
Total Expenses		1,486,323	1,829,392	1,331,470
Surplus/(Deficit) Before Tax		(6,351)	-	(102,588)
Income Tax Expense	4	-	-	-
Surplus/(Deficit) After Tax		(6,351)	-	(102,588)

Explanations of major variances against budget are provided in note 14
The accompanying notes form part of these financial statements

Regional Software Holdings Limited
Statement of Financial Position
As at 30 June 2019

	Note	Actual 2018-19	Budget 2018-19	Actual 2017-18
Assets				
Current Assets				
Bank Accounts and Cash	5	282,355	137,932	305,693
Debtors and Prepayments	6	383,469	-	6,317
GST Receivable		-	-	33,237
Withholding Tax Paid		115	-	94
Total Current Assets		665,939	137,932	345,341
Non Current Assets				
Property, Plant and Equipment(PPE)	7	4,885,346	5,202,007	5,025,893
Total Non Current Assets		4,885,346	5,202,007	5,025,893
Total Assets		5,551,286	5,339,939	5,371,234
Liabilities				
Current Liabilities				
Creditors and Accrued Expenses	8	182,054	-	166,199
Revenue in Advance – ReCoco		161,441	-	-
GST Payable		9,106	-	-
Total Current Liabilities		352,601	-	166,199
Total Liabilities		352,602	-	166,199
Net Assets	9	5,198,684	5,339,939	5,205,035
Represented By:				
Equity				
Contributed Capital	9	5,149,150	5,149,150	5,149,150
Accumulated Surpluses	9	49,534	190,790	55,885
Total Equity		5,198,684	5,339,939	5,205,035

Explanations of major variances against budget are provided in note 14
The accompanying notes form part of these financial statements

Regional Software Holdings Limited
Statement of Cashflows for the year
Ended 30 June 2019

	Note	Actual 2018-19	Budget 2018-19	Actual 2017-18
Cashflows from Operating Activities				
Cash was provided from:				
Receipts from Members		919,615	711,213	1,148,084
Interest		391	600	277
Recoco Income		212,500		
Other Income		180,948	1,117,579	94,926
Tax Refunds Received		-	-	-
Total Operating Receipts		1,313,454	1,829,392	1,243,288
Cash was applied to:				
Payments to Suppliers		(589,313)	(1,042,970)	(503,931)
Net GST Movement		(7,346)		(26,111)
Total Operating Payments		(596,659)	(1,042,970)	(530,042)
Net cash from operating		716,795	786,422	713,246
Cashflow from Investing Activities				
Cash was applied to:				
Purchase of PPE/Intangible Assets		(740,133)	(785,248)	(760,628)
Term deposits		-	-	-
Total Investment Payments		(740,133)	(785,248)	(760,628)
Net cash from investing		(740,133)	(785,248)	(760,628)
Net increase (decrease) in cashflow for the year		(23,338)	1,175	(47,382)
Opening Cash Balance		305,693	136,758	353,075
Closing Cash Balance		282,355	137,932	305,693
Made up of:				
Westpac Current Account	5	102,261	25,000	141,786
Westpac Online Saver Account		180,095	112,932	163,907
		282,355	137,932	305,693

The GST (net) component of cash flows from operating activities reflects the net GST paid to and received from the Inland Revenue Departments. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent.

Explanations of major variances against budget are provided in note 14
The accompanying notes form part of these financial statements

Regional Software Holdings Limited
Notes to the Financial Statements
For the Year Ended 30 June 2019

STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Regional Software Holdings Limited (RSHL) is a Council Controlled Organisation (CCO), owned by 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%) and 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 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 2019, and were authorised for issue by the Board of Directors on 29 August 2019.

Basis of Preparation of the Financial Statements

RSHL qualifies for Public Benefit Simple Format Reporting – Accrual (PBE-SFR-A) on the basis that the Company does not have publicly accountable (as defined) and has total annual expenses of less than \$2 million.

The financial statements have been prepared in accordance with Tier 3 Public Benefit Entity (PBE) Standards.

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 cost basis.

All transactions in the financial statements are reported using the accrual basis of accounting.

Presentation Currency and Rounding

The financial statements have been prepared in New Zealand dollars and there will be rounding in the numbers in the financial statements, as the financial model used calculates to the cent but the annual report is rounded to the nearest dollar.

The functional currency of RSHL is New Zealand dollars.

Summary of Significant Accounting Policies

Revenue

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

Members Contributions and Other forms of Revenue (excluding investment revenue), including fees, charges, and other revenues are recognised on a stage of completion basis at balance date as a percentage of total services to be provided.

Interest revenue is recorded as it is earned.

Expenditure

Expenditure is recognised on as an expense 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 include cash on hand, on demand or call deposits, other short-term deposits with original maturities of three months or less, and bank overdrafts.

Debtors

Debtors are initially 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 recorded as a bad debt expense.

Goods and Services Tax (GST)

RSHL is registered for GST; these financial statements are presented exclusive of GST, except for receivables and payables which are inclusive of GST.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Income tax expenses calculated using the taxes payable method. As a result no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

Creditors and Accrued Expenses

Creditors and accrued expenses are measured at the amount owed.

Employee-related costs

Wages, salaries, and annual leave are recognised as an expense as staff provide services and become entitled to wages, salaries, and leave entitlements.

Performance payments are recognised when the employee is notified that the payment has been granted.

Superannuation contributions are recognised as an expense as staff provide services.

Property, Plant and Equipment

Property, plant, and equipment are recorded at cost, less accumulated depreciation/amortisation and impairment losses

Software acquisition and development

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

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 following useful useful lives and associated depreciation rates apply to property, plant, and equipment

Plant, property, equipment	Useful Life	Depreciation Rate
IRIS software Intellectual property	10 years	10%
E-Learning software	10 years	10%
Computer Hardware	10 years	10%

Impairment

Where an item of property, plant, equipment asset 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.

If there is any indication that an impairment charge recorded in prior periods may no longer exist or has reduced, an impairment reversal is recognised. The reversal of impairment shall be all or part of the previous impairment charge. However, it must not result in the carrying amount of the asset (net of depreciation) being recorded at more than it would have been had the impairment not been recorded.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, RSHL has made estimates and assumptions 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.

Budget Figures

The budget figures are derived from the Statement of Intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards, using accounting policies that are consistent with those adopted by the Board in preparing the financial statements.

Changes in Accounting Policies

Other than noted below, accounting have been applied consistently to all periods presented in these financial statements.

Omnibus Amendments

The 2018 Omnibus amendments to Tier 3 and Tier 4 PBE Accounting Requirements has been early adopted in preparing this set of financial statements. The adoption of the amendments has resulted in additional disclosures in the financial statements and clarification on the treatment of impairment reversals. This has not resulted in any changes in the accounting policies applied during the financial year and no impact on the reported amounts.

Tier 2 PBE Accounting Standards applied

RSHL has not applied any Tier 2 Accounting Standards in preparing its financial statements.

Notes to the Financial Statements for the Year Ended 30 June 2019

1. Members Contributions

Statement of Intent set the member contributions to be \$1,117,579.

	2018-19	2017-18
Members Contributions as per SOI	1,117,578	1,098,534
Subsequently agreed contributions		
Capital Funding	52,435	
Shared Licence Funding	40,445	9,991
E-Learning Software Purchase		42,525
Total Member Contributions	1,210,458	1,151,350

2. Other Income

	2018-19	2017-18
Recovery of other direct software expenses	57,750	57,750
Hawkes Bay Regional Council Reimbursements	5,259	19,505
User Funding – Hawkes Bay Regional Council	155,055	-
Total Other Income	218,064	77,255

3. Administration Costs

	2018-19	2017-18
Administration Support	449	1,851
Accounting & Technical Support	29,756	35,667
Insurance	1,866	1,970
External Contractors	-	2,933
Legal Expenses	-	315
Bank Fees	259	134
Total Administration Support	32,329	42,870

4. Income Tax – to provide

	2018-19	2017-18
Current Tax	-	-
Adjustments to current tax in prior years		
Income Tax Expense	-	-
Relationship between income tax expense and accounting surplus/(deficit)		
Net surplus/(deficit) before tax	(6,351)	(102,588)
Tax at 28%	(1,778)	(28,725)
Plus/(Less) tax effects of:		
Temporary differences	55,040	36,587
Non-deductible expenses	-	-
Tax losses not recognised	(53,262)	(7,862)
Income Tax Expense	-	-

Unused tax losses of \$3,593,564 (2018; \$3,778,166) are available to carry forward and offset against future taxable income.

5. Bank Accounts and Cash

	2018-19	2017-18
Current Account	102,261	141,786
Savings Account	180,095	163,907
Total Bank Accounts and Cash	282,355	305,693

6. Debtors and Accrued Revenue

	2018-19	2017-18
Debtors	383,469	6,317
Prepayments	-	-
Total Debtors & Prepayments	383,469	6,317

7. Property, Plant and Equipment

	E-learning Software	IRIS Software Intellectual Property	Computer Hardware	Total
Carrying amount as of 1 July 2017	5,198	5,097,160	-	5,102,358
Additions	37,327	707,440	-	744,767
Disposals (net of accumulated depreciation)	-	-	-	-
Depreciation Expense	(2,835)	(737,625)	-	(740,460)
Work in Progress written off/impaired	-	(80,772)	-	(80,772)
Carrying amount as of 30 June 2018	39,690	4,986,203	-	5,025,893
Carrying amount as of 1 July 2018	39,690	4,986,203	-	5,025,893
Additions	-	744,903	2,299	747,202
Disposals (net of accumulated depreciation)	-	-	-	-
Depreciation Expense	(4,252)	(813,341)	(128)	(817,721)
Work in Progress written off/impaired	-	(70,028)	-	70,028)
Carrying amount as of June 2019	35,438	4,847,737	2,171	4,885,346

At balance date the work in progress value of the IRIS Asset is \$350,375 (2018: \$352,572) with \$636,050 capitalised during the year (\$426,430). The work in progress written off/impaired has been included in other direct software expenses.

8. Creditors and Accrued Expenses

	2018-19	2017-18
Creditors	156,272	160,069
PAYE Payable	3,939	-
Employee Entitlements	7,408	
Accrued Expense - Audit New Zealand	5,250	5,250
Accrued Expense – Environment charge Feb 18	-	839
Accrued Expense – Xero Software subscription June 2018	-	41
Accrued Expense – ReCoCo Shared Services	9,185	-
Total Creditors and Accrued Expenses	182,054	166,199

9. Equity

	2018-19	2017-18
Contributed Capital		
Balance at 01 July	5,149,150	5,149,150
Capital Contribution	-	-
Balance at 30 June	5,149,150	5,149,150
Retained Earnings		
Balance at 01 July	55,885	158,472
Surplus/(Deficit) for the year	(6,351)	(102,588)
Balance at 30 June	49,534	55,884
Total Equity	5,198,684	5,205,035

There are 10,000 shares which have been fully called to the value of \$514.915. Share capital is currently \$5,149,150.

10. Commitments

There are the following commitments at balance date (2018: Major Enhancements \$92,931, Minor enhancements \$Nil).

	Balance Committed
Major Enhancement Commitments	
Eagle Technologies - Map Component	50,805
Datacom - MAJ043 – IRIS Tactical Technology Changes	7,614
Datacom - MAJ046 – Replace Expired Consents on Regimes	14,570
Datacom- HRC004 – IRIS Actions Menu Extension	6,572
Datacom - TRC023 – Regime Activity Timeline	12,896
Datacom - HRC005- Associate Management Site	<u>8,804</u>
Total Commitments	<u>101,261</u>

11. Contingencies

There are no contingent liabilities at balance date and no contingent assets at balance date, (previous year: Nil).

12. Related Party Transactions

Related party transaction disclosures have not been made for transactions with related parties that are within a normal supplier/client 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	2018/19 (Incl GST)	2017/18 (Incl GST)	Description of services
Waikato Regional Council	32.75%	151,010	166,317	Management fees
Waikato Regional Council	32.75%	2,643	-	Office equipment reimbursement
Waikato Regional Council	32.75%	5,998	17,850	IRIS Implementation Costs
Horizons Regional Council	15.50%	22,014	13,912	Accounting support costs
Horizons Regional Council	15.50%	955	-	Reimbursement of meeting travel
Horizons Regional Council	15.50%	-	197	IRIS Implementation Costs
Southland Regional Council	15.50%	-	42,795	Reimbursement of duplicate payment received
Taranaki Regional Council	15.50%	1,883	845	IRIS Implementation Costs
Taranaki Regional Council	15.50%	-	1,276	Reimbursement of Board Chair Travel and Parking
Northland Regional Council	16.75%	-	895	Reimbursement of Advisory Chair travel costs
Northland Regional Council	16.75%	-	3,540	IRIS Implementation Costs
Northland Regional Council	16.75%	694	-	Reimbursement of meeting travel

Total services purchased for IRIS implementation of \$7,881 (Inc GST) (2018: \$22,431 (Incl GST)) were on-charged to Hawkes Bay Regional Council (non-related party).

Revenue of \$1,210,458 was received from the shareholder councils as member contributions as outlined in note 1.

Funding for the regional shared services (Recoco) was received of \$212,500 from the member councils, costs of \$51,058.61 has been spent on Recoco projects as at 30 June 2019 and revenue in advance of \$161.441 has been recognised in relation to the unspent funds to be used on ongoing Recoco projects.

At 30 June 2019 \$ 383,469 (2018 \$6,317) was owed to RSHL by Member Councils and \$26,213 (2018 \$Nil) was payable by RSHL to member councils.

13. Events After Balance Date

There are no significant events after balance date.

14. Explanations on Major Variances

Explanations for major variances from RSHL's budgeted figures in the 30 June 2018 Statement of Intent are as follows:

Statement of Financial Performance				
	Actual	Budget	Variance	
Members Contributions	1,210,458	1,117,579	92,879	Contributions as per SOI on budget, additional revenue received due to agreed contributions for licencing and individual council funded capital work.
Regional Sector Shared Services	51,059	500,000	(488,941)	SOI based on estimate of agreement, actual agreement equated to \$212.5k which is \$287.5k less than budget. Revenue has been recognised for ReCoco project costs as at 30 June 2019. The balance of funding of \$161k, has been recognised as revenue in advance to fund ongoing and future ReCoco projects.
Other Income	218,064	211,213	6,851	Reimbursement of additional licence costs and implementation costs.
Administration Costs	32,329	26,120	(6,209)	Additional time incurred with reporting and ReCoco structure set up
Audit and Legal Fees	5,250	11,100	5,850	No legal costs incurred
DATAKOM Support Services	172,653	178,000	5,347	Minor variance to contract
Technical Services	-	50,000	50,000	Budget not required during the year
Environmental Charges	14,258	10,500	(3,758)	Additional environments were required to be built during the year to enable more adequate testing.
Implementation Costs	6,551	-	(6,551)	There are unbudgeted implementation costs which were subsequently offset in the "Other Revenue"
Promotional Costs	-	10,000	10,000	Not required during the year
Travel and Meeting Costs	8,897	7,000	(1,897)	Additional face to face meeting to introduce new General Manager.
Management Fees	125,926	157,500	31,574	Full time GM role budgeted to be outsourced, however role was directly recruited

	Actual	Budget	Variance	
Personnel Costs	24,046	-	(24,046)	Full time GM role budgeted to be outsourced, however role was directly recruited
Independent Director	30,000	30,000	-	This was for a independent director for RSHL.
Regional Sector Shared Services	41,595	500,000	467,590	Statement of Intent (SOI) was based on estimate of the agreement (which had not yet been established at the time the SOI had been adopted) The actual agreement was to \$212.5k. As at 30 June 2019 the revenue for this has not yet been earned and is currently stated as revenue in advance on the liability side of the balance sheet.
Other Direct Software Expenses	207,097	62,750	(144,347)	Additional write offs identified during year as enhancements that wouldn't progress, combined with cost of unexpected 'hot fix' which was related to a patch to correct a software error (or bug).
Depreciation	817,721	786,423	(31,298)	Higher level of capitalisations then expected during the year resulting in higher depreciation.
Statement of Financial Position				
Bank Accounts and Cash	282,355	137,932	144,423	ReCoCo funds unspent during the year resulting in higher cash levels
Debtors and Accrued Revenue	383,469		383,469	A contribution request was made at year end and in prior years these were made prior to 30 June.
Property, Plant and Equipment	4,885,346	5,202,007	(316,661)	As at balance date some WIP jobs were not completed and not capitalized and other WIP was considered to be operating expense.

Statement of Cash Flow	Actual	Budget	Variance	
Total Operating Receipts	1,313,454	1,829,392	(515,938)	There was anticipated income of \$500,000 from Regional Sector Share payments, the actual income from this was only \$51,059.
Total Operating Payments	\$596,165	1,042,970	446,805	Payments to suppliers were \$446,805 under budget due to Regional Shared Services costs being significantly less than budgeted.
Total Investment Payments	740,133	785,248	45,115	Purchase of PPE was lower than anticipated in the budget.

15. Statement of Performance Targets for 2018-19

Performance target	Level of Achievement		Comment
	2018-19	2017-18	
Undertake an annual survey of users and shareholder/customer Councils in relation to product performance, Datacom support and RSHL support. Baseline to be developed following the completion of the first survey.	In Progress	Not applicable or new measure in 2018/19	The Customer and Users Surveys are currently under way with results expected in August.
Develop, approve, communicate and refine the annual roadmap for RSHL major enhancement projects. Draft annual roadmap presented to the Board by 31 December of each year for the following year. Adoption by the Board by 30 June of each year.	Achieved	Not applicable or new measure in 2018/19	The major enhancements roadmap for 2018/19 was developed and approved by the Advisory Group, under the management of RSHL. The 2018/19 draft annual roadmap was presented to the Board at the 22 November board meeting. It was included in the General Managers report and adopted.
Major Enhancement projects identified on the Annual Roadmap are all completed within approved budget or (for items in progress) on track against their agreed timeline and budget at 30 June of each year.	Achieved	Achieved	There were 9 enhancements on the roadmap for 2018/19. Three were delivered in the 3.07 data release, and 4 will be delivered in 3.08 data release – scheduled for release in July. All are expected to come in under budget and as scheduled. One additional developments in progress for a future release, having been reprioritized by the Advisory Group, and one other was closed after further evaluation. 3.05 was released in June 2018 and capitalized at the end of warranty in August. This is normal practice as bug fixes during the warranty period as included in the cost of the release.
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 (AG).	Achieved	Achieved	The minor enhancements and support budgets were fully consumed under the direction of the AG.

Performance target	Level of Achievement		Comment
User Groups and business representatives are engaged in the development of the Major Enhancement Annual Roadmap.	Achieved	Not applicable or new measure in 2018/19	Users continue to collaborate and participate in RSHL through the User Groups. Fortnightly user group meetings have continued and been well attended. Different users from RSHL councils have participated in the development of Major initiatives on this years roadmap.
Financial	2018-19	2017-18	
RSHL will operate within 5% (plus or minus) of its overall annual budget.	Not Achieved	Not Achieved	The overall result was less than 6% variance from budget with a net deficit of \$(6,351) compared to a budgeted surplus/(deficit) of \$Nil. The balance sheet showed closing equity of \$5,198,684 compared to budget of \$5,339,939 a variance of \$(141,255) which is -2.64%.
Annual charges will be kept to a maximum of 2% increase year on year	Achieved	Achieved	The annual charges stated in the Statement of Intent has been achieved. (The Budget for 2017/18 \$1,098,534 2018/19 budget \$1,117,579 and the actual increase was 1.7%)
Monitor the regional council sector market and explore/respond to opportunities to expand the customer and/or shareholder base of RSHL.	Achieved	Not applicable or new measure in 2018/19	In the past year RSHL won a competitive process to implement IRIS at Environment Canterbury, who subsequently chose not to proceed. Information was also provided to Gisborne District Council.
Consider, evaluate and, if appropriate, implement new service areas or areas outside of the current scope of IRIS	Achieved	Not applicable or new measure in 2018/19	ReCoCo is RSHLs main focus outside of the core IRIS platform and this continues to grow. ReCoCo is established as a delivery vehicle for collaborative initiatives involving regional and unitary councils. ReCoCo has MOUs in place with the Regional CEOs Group and councils. An advisory group has been established which is supported by the Corporate Services SIG. A regular reporting cycle has been put in place.

Performance target	Level of Achievement		Comment
<p>Be a service delivery agent 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 Regional Council Corporate Services SIG.</p>	Achieved	Achieved	<p>RSHL has been established as the 'delivery vehicle' for collaborative and cross-sector projects as part of the Regional Council Collaboration initiative (ReCoCo).</p> <p>ReCoCo is established as a delivery vehicle for collaborative initiatives involving regional and unitary councils. ReCoCo has MOUs in place with the Regional CEOs Group and councils. An advisory group has been established which is supported by the Corporate Services SIG.</p> <p>Project management is in place for all projects.</p> <p>A regular reporting cycle has been put in place.</p> <p>12 Projects are in the ReCoCo portfolio. All are operating within agreed budgets and timetables.</p>

Independent Auditor's Report

To the readers of Regional Software Holdings Limited's financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of Regional Software Holdings Limited (the company). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 7 to 19, that comprise the statement of financial position as at 30 June 2019, the statement of financial performance, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 20 to 22.

In our opinion:

- the financial statements of the company on pages 7 to 19:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Simple Format Reporting –Accrual (Public sector) standard.
- the performance information of the company on pages 20 to 22 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2019.

Our audit was completed on 30 August 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 6, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.



Debbie Perera
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand