



## Annual Report

Including Financial Statements

For the period ending 30 June 2021



Council  
Collaboration  
Into Action

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# Entity Information

## Regional Software Holdings Limited For the year ended 30 June 2021

Regional Software Holdings Limited (RSHL) was incorporated in October 2012. This report covers the twelve months from 1 July 2020 to 30 June 2021 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 there is a General Manager who is responsible for the day-to-day operations of RSHL reporting to the Board. Each of the six shareholder entities are entitled to separately appoint one director each, with one independent director appointed by the Board.

### Main Sources of Entity's Cash and Resources

Funds for IRIS Programme, as well as management and administration are received by way of levies from each user 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 in use 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 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.</p> <p>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"> <li>• The IRIS NextGen solution.</li> <li>• A transition plan for existing users.</li> <li>• A growth plan to attract new councils to the program.</li> </ul> <p>RSHL and 11 councils from the Regional Sector are working together to complete a procurement process to select a partner and solution to deliver IRIS NextGen. The outcome of the IRIS NextGen RFP was confirmed in June 2021, with due diligence, discovery, and contract negotiation to be completed.</p> <p>Implementation is not expected to start until the end of 2023.</p> <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"> <li>• Regional Sector Office</li> <li>• Sector Business Plan</li> <li>• River Managers Programme</li> <li>• ReCoCo Technology Projects</li> <li>• EMaR Programme</li> <li>• Bio Managers Programme</li> <li>• Bio Control Programme</li> </ul> <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.

\*Including unitary authorities

## 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 best decision is that which provides the best end result, primarily for participating councils and indirectly 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 objective 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 2021

On behalf of Regional Software Holdings Ltd (RSHL), and the six regional council shareholders, it is our pleasure to present the 2020/2021 Annual Report.

RSHL is a major shared service undertaking specifically by the Northland, Waikato, Taranaki, Horizons, West Coast and Southland regional councils and generally by the regional council sector. All sixteen regional councils/unitary authorities in New Zealand are stakeholders and customers of RSHL.

RSHL 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. The six member councils have developed a software solution (IRIS) for the regional council specific functions undertaken. Hawkes Bay Regional Council also uses IRIS as a outcome.. The development project has been a remarkable success.

As the IRIS system reaches the end of its technical 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 2020/2021.

RSHL also operates the Sector Financial Management System (SFMS) on behalf of the regional sector. Under this agreement, RSHL manages funding collected from the sector to support shared sector activities.

The Sector Financial Management System is major step towards achieving our 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.”

This was a year of continued growth and development for RSHL.

For the legacy IRIS product, the focus continues to be on consolidation. Two releases of new functionality were delivered over the year with a total of 3 major enhancements and 28 minor enhancements. The focus for the legacy IRIS product is ensuring it remains fit for purpose for the remainder of it's useful life by improving the performance of the application and making changes to enhance usability.

Pleasingly, the IRIS user survey completed in September 2020 showed a marked improvement in all categories.

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.

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 IRIS software.

IRIS Next Generation will be cloud based and be efficient for staff and customers. Basing the solution on sector agreed best practice processes will enable sharing of resources and training, along with continuous improvement. RSHL has made good progress to identify the partner and solution for IRIS NextGen.

We previously reported that RSHL had worked with 10 councils to short-list potential partners to help us deliver IRIS NextGen. In 2020/21 RSHL completed a formal Request for Proposal process to identify a future partner and solution. Eleven councils participated in that process.

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 Regional Sector Special Interest Group Network.

RSHL's strategic priorities for IRIS NextGen are:

- To complete the RFP process and confirm the new solution and partner.
- To obtain the necessary buy-in from sector leaders for the development of consistent good practice process.
- To attract new councils to the IRIS Programme and engage them in the development of good practice.
- To develop consistent good practice process for the sector, including a governance framework.

RSHL's philosophy is to develop only that software which is necessary to deliver a complete solution for the regional sector. With IRIS NextGen it is expected that commercial software will be a greater proportion of the solution than is the case with IRIS.

It will also be necessary to develop long-term financial projections for Regional Software Holdings Ltd and consider the appropriate future structure for the company. This work was progressed this year and is discussed below.

We have previously noted that RSHL is working with the regional sector to roll out the ReCoCo initiative. ReCoCo was superseded by the Sector Financial Management System, which incorporates ReCoCo.

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 (SFMS) 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 regional sector collaborative programmes:

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

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

In 2020/21 the Ministry for the Environment contributed \$400,000 via the SFMS to the Essential Freshwater Implementation project.

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

In 2021/22 the Sector Financial Management System will be expanded to include the sectors Science Programme.

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

- In 2019 the Board welcomed Mark Donnelly as the full-time General Manager. The benefits of having a full-time general manager can clearly be seen in the accelerated progress of the company.
- IT Systems have been transitioned from Waikato Regional Council to a cloud based Microsoft 365 environment.
- Financial services have been transitioned to ONLA 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](http://www.rshl.co.nz) to further increase the visibility of the organisation.

Work has begun on the appropriate future structure of RSHL. This is required to ensure that new participants in the IRIS Next Generation Programme can be accommodated. At the same time, the Regional Chief Executives Group is considering the implementation of a Regional Sector Shared Services Organisation based on RSHL. A business case has been prepared and will be considered in August 2021. Should this business case be approved, then the intention is for restructuring to occur in 2021/22 with the new organisation in place by June 2022. This initiative would be a significant step forward in RSHL achieving its potential as a shared services vehicle for the regional sector.

Financially, the company continues to be in a sound position, as planned. RSHL'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 financial result is a deficit of \$1,022,808. 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 the six regional councils and the wider sector. The success and richness of the IRIS product reflects 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.

In November 2020 Neil Selman left Environment Southland, and accordingly resigned as a director of RSHL. Neil served as a director for four years. We would like to thank Neil for his contribution to RSHL.

#### **Vale Les Gibbs**

The board and staff at RSHL wish to acknowledge the passing of board member Les Gibbs. Les passed away suddenly in November 2020. Les was a well-liked, and respected member of the regional sector whanau and his loss was deeply felt. Les was part of RSHL since inception and participated on both the board and Advisory Group. Les was also extremely active in the SIG network.

Our thoughts remain with his friends and family.

Signed on behalf of the Board of Directors:



M J Nield

Chairman



# Financial Statements

## Regional Software Holdings Limited For the year ended 30 June 2021

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

### Audit of the Annual Report

Parliament has again passed an Act to extend by two months the statutory reporting time frames in the Crown Entities Act 2004 and the Local Government Act 2002. The extensions apply to Crown entities and organisations listed in Schedule 4 and 4A of the Public Finance Act 1989 and local authorities and council controlled organisations with 30 June balance dates.

Auditors are experiencing extended high workloads due to the impact of Covid-19 and the extension of timeframes is to allow audits to be completed without compromising audit quality.

The company's auditor (Audit New Zealand) have informed RSHL that we are considered low risk and low priority. Audit NZ expect to complete our audit before the deadline of 30 November 2021.

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

### Registered Office

C/- O'Fee Next Level Accounting

PO Box 1007

Palmerston North

### Auditors

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

### Directors

The directors appointed for the period that this six monthly report covers were:

Mike Nield (Chairperson)	Taranaki Regional Council
John Crane	Waikato Regional Council
Malcolm Nicolson	Northland Regional Council
Ged Shirley	Horizons Regional Council
Jane Carroll	Environment Southland (From 23 November 2020)
Neil Selman	Environment Southland (Until 30 November 2020)
Les Gibbs	West Coast Regional Council (Until 30 November 2020)
Vincent Smith	West Coast Regional Council (From 2 February 2021)
A Aakjaer (Independent Director)	

A 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 and interest are reviewed at each board meeting. The following interests are registered:

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

The following directors received the following payments throughout the year:

A Aakjaer - \$33,000 (Last Year: \$30,000) 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 2021.

Signed on behalf of the Board of Directors:



MJ Nield - Chairperson



JE Crane - Director

Date: 26 August 2021

# Statement of Comprehensive Revenue and Expense

## Regional Software Holdings Limited For the year ended 30 June 2021

	NOTES	2020-21	2020-21 SOI	2019-20
<b>Revenue</b>				
Interest		631	600	308
Member Contributions	1	1,196,928	1,196,928	1,139,928
Regional Sector Shared Services	4	2,132,784	220,000	258,702
Other revenue	2	275,660	279,775	263,148
<b>Total Revenue</b>		<b>3,606,002</b>	<b>1,697,303</b>	<b>1,662,086</b>
<b>Expenses</b>				
Administration Costs	3	55,746	37,586	34,262
Audit and Legal Fees		32,765	5,900	5,589
Datacom Support Services		210,427	212,815	255,013
Environmental Charges		20,455	22,000	22,248
External Contractors		268,074	160,000	157,521
External Directors Fees	5	14,804	30,630	25,167
Management Fees		180,416	190,400	106,395
Other Direct Software Expenses		610,372	489,363	137,418
Personnel costs		144,601	158,255	120,732
Promotional costs		7,836	16,000	17,681
Regional Sector Shared Services	4	2,132,784	220,000	249,517
Travel and Meeting Costs		7,061	18,750	11,480
Depreciation	9	943,520	900,438	880,608
<b>Total Expenses</b>		<b>4,628,860</b>	<b>2,462,137</b>	<b>2,023,631</b>
<b>Surplus/(deficit) before tax</b>		<b>(1,022,858)</b>	<b>(764,834)</b>	<b>(361,545)</b>
<b>Surplus/(deficit) after tax</b>		<b>(1,022,858)</b>	<b>(764,834)</b>	<b>(361,545)</b>
<b>Surplus/(deficit) attributable to RSHL</b>		<b>(1,022,858)</b>	<b>(764,834)</b>	<b>(361,545)</b>
<b>Total comprehensive revenue and expense</b>		<b>(1,022,858)</b>	<b>(764,834)</b>	<b>(361,545)</b>

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 2021

	NOTES	2020-21	2020-21 SOI	2019-20
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	7	685,927	630,630	601,965
Accounts Receivable and Accruals	8	2,321,647	-	203,778
Goods and Services tax		-	-	646
Income Tax Receivable	6	351	-	188
<b>Total Current Assets</b>		<b>3,007,926</b>	<b>630,630</b>	<b>806,577</b>
<b>Non-Current Assets</b>				
Property, Plant & Equipment (PPE)	9	3,485,875	3,518,909	4,453,053
<b>Total Non-Current Assets</b>		<b>3,485,875</b>	<b>3,518,909</b>	<b>4,453,053</b>
<b>Total Assets</b>		<b>6,493,801</b>	<b>4,149,539</b>	<b>5,259,630</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Payables and Accruals	10	881,228	-	230,293
Income Received in Advance	11	1,673,513	-	192,198
Goods and services tax		124,778	-	-
<b>Total Current Liabilities</b>		<b>2,679,520</b>	<b>-</b>	<b>422,491</b>
<b>Total Liabilities</b>		<b>2,679,520</b>	<b>-</b>	<b>422,491</b>
<b>Net Assets</b>		<b>3,814,281</b>	<b>4,149,539</b>	<b>4,837,140</b>
<b>Equity</b>				
Contributed Capital	12	5,149,150	5,149,150	5,149,150
Accumulated Funds	12	(1,334,869)	(996,611)	(312,010)
<b>Total Equity</b>		<b>3,814,281</b>	<b>4,149,539</b>	<b>4,837,140</b>

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 2021

	NOTES	2020-21	2020-21 SOI	2019-20
<b>Equity</b>				
Opening Balance	12	4,837,140	4,914,373	5,198,685
Total Comprehensive Revenue and Expense for the year	12	(1,022,858)	(764,834)	(361,545)
<b>Balance at 30 June</b>		<b>3,814,281</b>	<b>4,149,539</b>	<b>4,837,140</b>
<b>Total Comprehensive Revenue and Expense Attributable to</b>				
Regional Software Holdings Ltd		(1,022,858)	(764,834)	(361,545)

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 2021

	2020-21	2020-21 SOI	2019-20
<b>Cash Flows from Operating Activities</b>			
Receipts from Members	1,534,935	1,696,703	1,507,855
Interest Received	631	600	308
ReCoCo Income	1,710,126	-	231,750
Other Income	-	-	141,233
Income tax received/(paid)	(163)	-	-
Payments to suppliers and employees	(2,908,251)	(1,561,699)	(1,115,210)
Interest Paid	-	-	(3)
GST	(77,617)	-	27,141
<b>Total Cash Flows from Operating Activities</b>	<b>259,660</b>	<b>135,604</b>	<b>793,074</b>
<b>Cash Flows from Investing and Financing Activities</b>			
Payments to acquire property, plant and equipment	(175,698)	(200,000)	(473,464)
<b>Total Cash Flows from Investing and Financing Activities</b>	<b>(175,698)</b>	<b>(200,000)</b>	<b>(473,464)</b>
<b>Net Increase/ (Decrease) in Cash</b>	<b>83,962</b>	<b>(64,396)</b>	<b>319,610</b>
<b>Cash Balances</b>			
Cash and cash equivalents at beginning of period	601,965	695,026	282,355
Cash and cash equivalents at end of period	685,927	630,630	601,965
Net change in cash for period	83,962	(64,396)	319,610

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 2021

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 twelve months ended 30 June 2021, and were authorised for issue by the Board of Directors on 26 August 2021.

### 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 standard.

### 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 (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.

### 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 may comprise both current and deferred tax and is calculated using tax rates that were enacted or substantively enacted by balance date.

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

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

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

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

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

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination or transactions recognised in other comprehensive revenue and expense, 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 is now 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 2020-21 year all impaired assets will be depreciated on a straight-line basis at variable rates 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 2028 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.

Therefore all software assets will be depreciated so as to have a nil residual value on 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 2028.

Impaired assets will be depreciated on a straight-line basis at variable rates to have no residual value on the 30 June 2028.

The impairment adjustment from the 2021 year will form part of the depreciation expense until 30 June 2028.

## 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 one staff member was 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	0
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 \$5,500 paid to Audit New Zealand.

# Notes to the Performance Report

## Regional Software Holdings Limited

For the year ended 30 June 2021

	2020-21	2019-20
<b>1. Members Contributions</b>		
Member Contributions as per SOI	1,196,928	1,139,928
<b>Total Members Contributions</b>	<b>1,196,928</b>	<b>1,139,928</b>

	2020-21	2019-20
<b>2. Other Income</b>		
Northland Regional Council Data Mapping	-	4,620
Recovery of other direct software expenses	61,277	64,160
User Funding - Hawkes Bay Regional Council	154,612	136,618
Shared Licence Funding	59,771	57,750
<b>Total Other Income</b>	<b>275,660</b>	<b>263,148</b>

	2020-21	2019-20
<b>3. Administration Expenses</b>		
Accounting & Technical Support	51,210	28,363
Administration Costs	3,435	3,792
Bank Fees	138	236
Insurance	963	1,871
<b>Total Administration Expenses</b>	<b>55,746</b>	<b>34,262</b>

	2020-21	2019-20
<b>4. Regional Sector Shared Services</b>		
<b>Regional Sector Shared Services Income</b>		
Regional Sector Shared Services Income	3,786,374	269,535
Unspent Funds Transferred to Revenue in Advance	(1,653,590)	(10,833)
<b>Total Regional Sector Shared Services Income</b>	<b>2,132,784</b>	<b>258,702</b>
Regional Sector Shared Services Expenses	2,132,784	249,517
Regional Sector Shared Services	-	9,185

### 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 \$34,429 of which \$19,624 has been allocated to Regional Sector Shared Services Expense.

2020-21

2019-20

## 6. Income Tax

### Income Tax Expense

Current Tax	-	-
Adjustments to current tax in prior years	-	-
<b>Total Income Tax Expense</b>	<b>-</b>	<b>-</b>

### Relationship between income tax expense and accounting surplus/(deficit)

Net surplus/ (deficit) before tax	(1,022,858)	(361,545)
Tax at 28%	(286,400)	(101,233)

### Plus / (less) tax effects of:

Non-deductible expenditure	16,226	43
Deferred tax on capital expenditure	192,395	98,190
Deferred tax on temporary differences	4,117	-
Effect of changes in recognised tax losses	73,648	4,176
Fixed asset adjustment	-	(1,190)
Tax credits received subject to tax	-	12
<b>Tax Expense</b>	<b>-</b>	<b>-</b>

Unused tax losses of \$3,871,575 (2020: \$3,608,545) 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 2019	-	-	-	-
Charged to surplus or deficit	4,176	98,190	-	102,366
Derecognition of deferred tax	(4,176)	(98,190)	-	(102,366)
Charged to other comprehensive revenue and expense	-	-	-	-
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Charged to surplus or deficit	73,648	192,395	4,117	270,160
Derecognition of deferred tax	(73,648)	(192,395)	(4,117)	(270,160)
Charged to other comprehensive revenue and expense	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



2020-21 2019-20

## 7. Cash and cash equivalents

Business Online Saver	280,271	80,133
Credit Card	(222)	-
Current Account	405,878	521,832
<b>Total Cash and cash equivalents</b>	<b>685,927</b>	<b>601,965</b>

Of the \$685,927 of cash on hand at 30 June 2021, \$340,345 of these funds are held for Regional Sector Shared Services.

2020-21 2019-20

## 8. Receivables and accruals

Accounts Receivable	2,261,876	144,007
Prepayments	59,771	59,771
<b>Total Receivables and accruals</b>	<b>2,321,647</b>	<b>203,778</b>

## 9. Property, Plant and Equipment

	<b>E-Learning Software</b>	<b>IRIS Software Intellectual Property</b>	<b>Computer Hardware</b>	<b>Total</b>
Carrying amounts as at 1 July 2019	35,438	4,847,737	2,171	4,885,346
Additions	-	448,314	-	448,314
Disposals (net accumulated depreciation)	-	-	-	-
Depreciation Expense	(4,253)	(874,816)	(1,540)	(880,608)
Work in Progress written off/impaired	-	-	-	-
<b>Carrying amount as at 30 June 2020</b>	<b>31,186</b>	<b>4,421,235</b>	<b>631</b>	<b>4,453,052</b>
Carrying amounts as at 1 July 2020	31,186	4,421,235	631	4,453,052
Additions	-	117,394	-	117,394
Disposals (net of accumulated depreciation)	-	-	-	-
Depreciation Expense	(4,253)	(938,637)	(630)	(943,520)
Work in Progress written off	-	(141,050)	-	(141,050)
<b>Carrying amount as at 30 June 2021</b>	<b>26,933</b>	<b>3,458,942</b>	<b>-</b>	<b>3,485,875</b>

At 30 June 2021 the working progress value of the IRIS Asset is \$Nil (Last Year: \$244,166) with \$227,268 (Last Year: \$547,764) capitalised during the year and \$141,050 written off during the year. The work in progress written off has been included in other direct software expenses.

The impairment adjustment of E-Learning Software and IRIS Software Intellectual Property from the 2021 year will form part of the depreciation expense until 30 June 2028.

	2020-21	2019-20
<b>10. Payables and accruals</b>		
Accounts Payable	763,691	199,651
PAYE Payable	7,082	3,942
Employee Entitlements	10,596	4,572
<b>Accrued Expenses</b>		
Audit New Zealand	11,000	5,500
West Coast Regional Council (Accountancy)	-	6,175
Waikato Regional Council (Technical Services)	-	10,453
Bay of Plenty Regional Council (ReCoCo Shared Services)	62,609	-
Environment Canterbury (ReCoCo Shared Services)	26,250	-
<b>Total Accrued Expenses</b>	<b>99,859</b>	<b>22,128</b>
<b>Total Payables and accruals</b>	<b>881,228</b>	<b>230,293</b>

	2020-21	2019-20
<b>11. Income Received in Advance</b>		
Environment Southland - Objective Subscription 2021/2022	19,924	19,924
ReCoco Revenue in Advance	1,653,590	172,274
<b>Total Income Received in Advance</b>	<b>1,673,513</b>	<b>192,198</b>

	2020-21	2019-20
<b>12. Equity</b>		
<b>Contributed Capital</b>		
Balance at 1 July	5,149,150	5,149,150
Capital Contribution	-	-
<b>Balance at end of period</b>	<b>5,149,150</b>	<b>5,149,150</b>
<b>Accumulated Funds</b>		
Balance at 1 July	(312,011)	49,534
Surplus/(deficit) for the year	(1,022,858)	(361,545)
<b>Balance at end of period</b>	<b>(1,334,869)</b>	<b>(312,011)</b>
<b>Total Equity</b>	<b>3,814,281</b>	<b>4,837,139</b>

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

2020-21 2019-20

### 13. Commitments

WalkerScott - IRIS BI Solutions Discovery and Planning	480	14,503
WalkerScott - Shared BI Implementation for IRIS Application Module	70,200	-
Datacom - MAJ051 IRIS Entity Framework Upgrade Investigation	-	18,527
Datacom - MAJ052 Session Management Implementation	-	17,517
Datacom - MAJ049 IRIS 4.0 Deployment Assistance	-	19,823
<b>Total Commitments</b>	<b>70,680</b>	<b>70,370</b>

### 14. Contingent Liabilities and Guarantees

There are no contingent liabilities or guarantees as at 30 June 2021 (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	2020/21	2019/20	Description of Services
Waikato Regional Council	32.75%	126,315	104,987	Management Services - IRIS PMO Manager
Waikato Regional Council	32.75%	-	96	Office Equipment Reimbursement
Waikato Regional Council	32.75%	5,852	5,997	Reimbursement for travel booked by WRC on behalf of RSHL.
Waikato Regional Council	32.75%	-	1,330	Secretarial Costs
Waikato Regional Council	32.75%	61,608	-	Reimbursement for staff member seconded to the sector farm platform project. Funded from the SFMS.
Horizons Regional Council	15.50%	173,596	-	Reimbursement of Regional Sector Office Costs, funded from the SFMS.
Taranaki Regional Council	15.50%	64,548	-	Reimbursement for staff member seconded to the IRIS NextGen Project.
Taranaki Regional Council	15.50%	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	20,995	Accounting Support Costs
West Coast Regional Council	4.00%	-	791	Reimbursement of Meeting Travel

Revenue of \$1,196,928 was received from the shareholder councils as member contribution as outlined in note 1.

Member contributions were received as follows:

Shareholder	Share	2020/21	2019/20
Waikato Regional Council	32.75%	440,230	419,266
Horizons Regional Council	15.50%	217,482	207,125
Northland Regional Council	16.75%	162,184	154,461
Taranaki Regional Council	15.50%	162,184	154,461
Southland Regional Council	15.50%	162,184	154,461
West Coast Regional Council	4.00%	52,665	50,157

Funding for the Regional Shared Services (ReCoCo) was \$2,132,754 (Last Year : \$258,702) from the member councils, costs of \$2,132,784 (Last Year: \$249,516) has been spent on ReCoCo projects as at 30 June 2021 and revenue in advance of \$1,653,590 (Last Year : \$10,833) has been recognised in relation to the unspent funds to be used on ongoing ReCoCo projects.

As at 30 June 2021 \$334,945 (Last Year: \$100,470) was owed to RSHL by Member Councils and \$154,833 (Last Year: \$5,185) 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 2019-20 and 2020-21 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 - Over the period February - May 2020 , RSHL experienced challenges in engaging with council staff to progress work programmes as staff were supporting COVID-19 response in their own councils.</p> <p>Positive impacts - The financial 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	\$2,132,754	\$220,000	\$1,912,754	Funding collected for the Sector Financial Management System was not included in the budget as the system was implemented after the SOI was published.
Administration Costs	\$55,746	\$37,586	\$18,160	Additional cost is for PWC advice on debt strategy and future structure.
Audit and Legal Fees	\$32,765	\$5,900	\$28,865	Unbudgeted expenditure of \$26,705 for Audit NZ probity assurance for the IRIS NextGen project.
External Contractors	\$268,074	\$160,000	\$108,074	Additional expenditure on contract resources for the IRIS NextGen Project. Originally budgeted as CAPEX, but expenditure was reclassified as OPEX.
Other Direct Software Expenses	\$610,322	\$489,363	\$120,959	Figure includes WIP write-offs of \$147k, for historic IRIS CAPEX work not progressed.
Regional Sector Shared Services Expenses	\$2,132,754	\$220,000	\$1,912,754	Costs for the Sector Financial Management System was not included in the budget as the system was implemented after the SOI was published. All expenditure was funded from Regional Sector Shared Services Revenue.
Depreciation	\$943,520	\$900,438	\$43,082	Depreciation incurred this year includes the impairment adjustment not budgeted for due to the discontinuation of IRIS and e-learning software by 30 June 2028.

Statement of Financial Position	Actual	Budget	Variance	Explanation
Payable and Accruals	\$881,170	-	\$881,170	End of year expenditure to suppliers from SFMS Fund.
Income Received in Advance	\$1,673,513	-	\$1,673,513	RSHL holds unspent funds from the SFMS on behalf of the sector. This amount includes \$804k from ECAN for the National Wells Project.

# Performance Measures

## Regional Software Holdings Limited For the year ended 30 June 2021

### Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2020-2021 financial year.

	Performance Measures	For the period ending 30 June 2021
Non Financial	Undertake an annual survey of IRIS users and shareholder/customer Councils in relation to product performance, Datacom support and RSHL support. Provide a summary of the survey results in the annual report, including performance against the baseline. Survey results to be the same or better than the previous year.	Complete. The first annual survey was undertaken in July 2019. The second was conducted in September 2020 and showed improvements in user feedback in all categories. Results were discussed with the RSH: Advisory group and presented to the board.
Non Financial	Develop, approve, communicate and refine the product strategy for IRIS and IRIS NG. Draft strategy presented to the Board by 31 December 2020.	Complete. The product roadmap for IRIS was presented, discussed and agreed at the board meeting in November 2020. The Programme Plan for IRIS NextGen was approved in August 2020.
Non Financial	Prepare and adopt the annual IRIS major enhancement roadmap by 30 June for delivery in the subsequent year.	Complete. The IRIS Product Roadmap has a 3 year timeframe. It is regularly updated by the Advisory Group. The roadmap was updated by the AG in January 2021 and again in April 2021.
Non Financial	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>Complete. 4 Major Projects that were carried over from 2019/20 were completed:</p> <ul style="list-style-type: none"> <li>• BI Solution Discovery and Planning</li> <li>• Entity Framework Upgrade Investigation</li> <li>• Session Management Implementation</li> <li>• IRIS v4 deployment assistance</li> </ul> <p>2 new 2020/21 major projects were completed.</p> <ul style="list-style-type: none"> <li>• IRIS UX/UI refresh</li> <li>• IRIS Search Enhancement</li> </ul> <p>There is one 2020/21 Major Project that is being carried over to 2021/22</p> <ul style="list-style-type: none"> <li>• BI Implementation for IRIS Applications Module</li> </ul> <p>Projects are being managed within scope and budget. Progress reports are regularly provided to the RSHL Advisory Group and Board.</p>
Non Financial	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.	Complete. Representatives from all IRIS councils have been actively involved in developing the enhancement roadmap. Support and Minor Enhancement Costs are under budget.
Financial	RSHL will operate within approved budget, with any material variations approved by the Board.	Complete. Expenditure and Income for RSHL Management & Overhead and IRIS continue to be



		within budgets. The Sector Financial Management System Agreement has driven significant variances in income and expenditure for ReCoCo. This does not impact on the RSHL balance sheet.
Financial	Annual charges for shareholders and customers to be at level approved by the Board and Shareholder Councils based upon the approved operating budget and budgets for major and minor enhancements.	Complete. Charges to RSHL Shareholders and IRIS Customers were as agreed in the SOI. The Sector Financial Management System Agreement has driven significant variances in income and expenditure for ReCoCo.
Growth	Monitor the regional council sector market and explore/respond to opportunities to expand the customer and/or shareholders base of RSHL.	Complete. BOPRC has advised RSHL of their intention to become a shareholder of RSHL and participate fully in the IRIS Next Gen Programme. The Sector Financial Management System has markedly increased the footprint of RSHL within the sector.
Growth	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.	Complete. 11 Councils participated in the RFP process to find the eventual replacement for IRIS. These were the 7 "IRIS" councils plus Bay of Plenty RC, Otago RC, Tasman DC and Nelson CC.
Growth	Be a service delivery vehicle for wider regional council sector and related 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>Complete. The ReCoCo programme continues with 5 active high-profile projects.</p> <p>In June 2020 the RCEIs Group approves a proposal for RSHL to manage the financials for sector wide programmes:</p> <ul style="list-style-type: none"> <li>• Regional Sector Office</li> <li>• Sector Business Plan</li> <li>• River Managers Programme</li> <li>• ReCoCo Technology Projects</li> <li>• EMaR Programme</li> <li>• Bio Managers Programme</li> <li>• Bio Control Programme</li> </ul> <p>Under this agreement, RSHL is responsible for management of a budget of \$2.5M of funds collected from the 16 councils, and contract management of the suppliers providing the services to the sector.</p>



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