



Annual Report

Including Financial Statements
For the Year Ended 30 June 2020



Council
Collaboration
Into Action

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Entity Information

Regional Software Holdings Limited (RSHL) was incorporated in October 2012. This report covers the 12 months from 1 July 2019 to 30 June 2020 as required by Section 66 of the Local Government Act 2002. RSHL has no subsidiaries or joint ventures.

Type of Entity 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 the Local Government Act 2002.

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

Main sources of RSHL's Cash and Resources

Funds for IRIS development and operation of the company are received by way of levies from each member Council. These levies are set annually in the Statement of Intent. These are the primary source of funding to RSHL. Additional funding for ReCoCo projects is collected from all 16 regional and unitary councils as required.

Nature and Scope of Activities to be Undertaken

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

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

RSHL seeks to reduce costs to the existing shareholders and increase its influence in regional council sector information systems by increasing the user base for IRIS and by expanding the common product suite.

Whilst the current flagship of RSHL is the Integrated Regional Information System (IRIS), the scope of activities for RSHL is not limited to the IRIS application suite. Future activities will be identified by shareholder councils. New opportunities will be identified, and priorities set in the Business Plan, other opportunities may arise and be investigated on a case by case basis. New activities will require explicit Board approval.

Vision

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

Mission

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

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

Values

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

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

Guiding Principles

- The 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 objectives of its Shareholders, both commercial and non-commercial as specified in this 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

On behalf of Regional Software Holdings Ltd (RSHL), and the six regional council shareholders, it is our pleasure to present the Company's 2019/2020 Annual Report.

RSHL is a major shared service undertaking by the Northland, Waikato, Taranaki, Horizons, West Coast and Southland regional councils. Hawke's Bay Regional Council is a customer of RSHL as a user of the IRIS software product. All sixteen Regional Councils/Unitary Authorities in New Zealand are stakeholders and customers of RSHL via the ReCoCo programme.

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 by those councils. The development project has been a remarkable success.

RSHL also operates the Regional Council Collaboration (ReCoCo) collaboration programme on behalf of the regional sector. ReCoCo provides resources to support the Sector Special Interest Group Network in delivering projects.

This was a year of accelerated growth and development for Regional Software Holdings Ltd.

For the IRIS product, the focus was on consolidation. Four releases of new functionality were delivered over the year with a total of six major enhancements and 16 minor enhancements. The focus during 2019/20 was on rolling out a new and improved mapping interface, along with technical changes that have resulted in significant performance improvements for users.

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.

RSHL has identified development of the roadmap for the next generation of IRIS (IRIS Next Generation) as a key strategic priority. Significant steps towards this goal were taken in 2019/2020.

This initiative is called IRIS Next Generation. The scope of the work includes selection of a software vendor and partner to deliver the software solution. In conjunction with this, RSHL intends to lead the development of consistent good practice processes for the regional council sector. 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.

The intention is that IRIS NextGen will be cloud based with better online and mobile features. IRIS NextGen will be more efficient for staff and customers.

In 2019/2020 RSHL worked with 10 councils to short-list potential partners to help us deliver IRIS NextGen. RSHL has commenced a formal Request for Proposal process to identify a future partner and solution. Twelve councils are participating in this process. We intend for IRIS NextGen to be a sector-wide initiative.

RSHL's strategic priorities for IRIS NextGen are:

- To complete the RFP to find a 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.

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

the need to create a transition plan for existing IRIS councils from IRIS to IRIS NextGen. 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.

We have previously noted that Regional Software Holdings Ltd is working with the regional council sector to roll out the ReCoCo initiative.

There is a focus in the sector on collaboration, development of shared services and more use of Council Controlled Organisations. RSHL and its shareholding councils are aligned with this direction.

ReCoCo facilitates unitary and regional councils entering collaborative 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.

The ReCoCo programme became fully operational from 1st July 2018.

RSHL receives funding from across the regional council sector to deliver collaborative projects that are put forward by the Regional Council Special Interest Groups (SIGs).

ReCoCo is now well established with more than 10 projects in progress, and an established funding model in place. In the 2020 financial year, more than \$160,000 has been invested into collaborative projects for the sector. Notably, the sector implementation plan adopted by the Chief Executive Forum includes several projects which are tagged specifically for ReCoCo.

In addition to this RSHL has an agreement with the sector to assist with the management of sector work programmes, including:

- Funding management,
- Procurement and payment, and
- Outcome tracking.

The sector recognises the benefits of collaboration between councils. As a result, the number and size of collaborative projects is growing each year. As the volume of shared initiatives increases, councils face administrative challenges with paying invoices and recouping costs from other councils. It is also increasingly important that the sector can demonstrate the outcomes achieved from collaboration. Extending the ReCoCo model to support sector-wide work programmes helps to address these issues and opportunities.

To support accelerated growth and development RSHL has continued with 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.

In 2019 RSHL transitioned its financial services from Horizons Regional Council to West Coast Regional Council. However, as the activities of the company continue to expand, it is no longer sustainable for a council to provide financial services in a part time capacity. Accordingly, in June 2020 ONLA were engaged to deliver financial services for RSHL. ONLA are based in Palmerston North and have previous experience supporting Council Controlled Organisations.

RSHL has completed a branding project to create a brand and supporting collateral for RSHL. The results of this can be seen in this report. As we seek to increase our engagement and involvement in the sector it is essential that we have a recognisable and engaging brand.

Financially, the company continues to be 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 financial result is a deficit of \$361,545. This reflects the depreciating value of the investment in the IRIS product. Reinvestment in the IRIS project is not continuing at sufficient levels to cover this

depreciation as the product nears the end of its life and the company looks to reinvest in IRIS NextGen. The cash balances are healthy as the losses are resulting from depreciation rather than trading activities.

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 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.

MJ Nield
Chairperson

Financial Statements

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

Audit of the Annual Report

Parliament passed legislation on 5 August to extend the statutory reporting time frames by up to two months for organisations with 30 June 2020 balance dates that report under the Crown Entities Act 2004, Crown Research Institutes Act 1992, Local Government Act 2002, Public Finance Act 1989, and State-Owned Enterprises Act 1986. Some other types of organisations, like ports, have had reporting dates amended without the need to change legislation.

The legislation extends the reporting time frames for audited annual reports by up to two months, as set out in the table below.

Type of organisation	Current deadline	New deadline
Departments and departmental agencies	30 September 2020	30 November 2020
State-owned enterprises	30 September 2020	30 November 2020
Crown research institutes	30 September 2020	30 November 2020
Crown entities	31 October 2020	18 December 2020
Local authorities	31 October 2020	31 December 2020
Council-controlled organisations	30 September 2020	30 November 2020

The statutory time frames have been extended to ensure that there is no reduction in the quality of financial and performance reporting or of audits because of the impact of Covid-19.

The company's auditor (Audit New Zealand) scheduled the RSHL audit for November 2020.

As a result, in September this annual report was provided to shareholders unaudited. This audited and updated version of the annual report contains minor changes suggested by the auditor.

Registered Office

RSHL
PO Box 1007
Palmerston North

Auditors

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

Directors

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

	2019-20		2018-19	
	Remuneration	Benefits	Remuneration	Benefits
Mike Nield (Chairperson)	-	-	-	-
Malcolm Nicolson	-	-	-	-
Ged Shirley	-	-	-	-
Les Gibbs	-	-	-	-
Neil Selman	-	-	-	-
John Crane	-	-	-	-
A Aakjaer (Independent Director)	30,000	-	30,000	-
Total Remuneration	30,000	-	30,000	-

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

Director	Organisation	Interest
MC Nicolson	Hawk Hill Estates Limited The Masters Group Holdings Limited	Director Director
MJ Nield	Taranaki Stadium Trust	Trustee
L Gibbs	-	-
N Selman	Market South Limited Mount Cook Alpine Salmon Limited Real Estate Financial Services Limited	Shareholder Shareholder Director & Shareholder
G Shirley	-	-
A Aakjaer	Negotiate Limited Aakjaer 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
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 and their remuneration was over \$150,000. The audit fee for the period is unconfirmed at the time of writing, 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 2020.

Signed on behalf of the Board of Directors:



MJ Nield – Chairperson
Date: 27 August 2020



JE Crane – Director
Date: 27 August 2020

Statement of Financial Performance

For the Year Ended 30 June 2020

	Note	Actual 2019-20	Budget 2019-20	Actual 2018-19
Revenue				
Members Contribution	1	1,197,678	1,139,931	1,210,458
Interest Income		308	600	391
Regional Sector Share Services		258,702	210,000	51,059
Other Income	2	205,398	217,337	218,064
Total Revenue		1,662,086	1,567,868	1,479,972
Expenses				
Administration Costs	3	34,262	37,620	32,329
Audit and Legal Fees		5,589	5,900	5,250
Datacom Support Services		255,013	208,260	172,653
Environmental Charges		22,248	20,000	14,258
External Contractors		157,521	150,000	-
Implementation Costs		-	-	6,551
Promotional Costs		17,681	2,500	-
Travel and Meeting Costs		11,480	9,000	8,897
Management Fees		106,395	45,400	125,926
Personnel Costs		120,732	155,000	24,046
External Director Fees		25,167	30,600	30,000
Regional Sector Shared Services		314,456	110,000	41,595
Other Direct Software Expenses		72,479	77,905	207,097
Depreciation	7	880,608	827,855	817,721
Total Expenses		2,023,631	1,680,040	1,486,323
Surplus/(Deficit) Before Tax		(361,545)	(112,172)	(6,351)
Income Tax Expense	4			-
Surplus/(Deficit) After Tax		(361,545)	(112,172)	(6,351)

Explanations of major variances against budget are provided in note 16. The accompanying notes form part of these financial statements

Statement of Financial Position

For the Year Ended 30 June 2020

	Note	Actual 2019-20	Budget 2019-20	Actual 2018-19
Assets				
Current Assets				
Bank Accounts and Cash	5	601,965	302,241	282,355
Debtors and Prepayments	6	203,778	-	383,469
GST Receivable		-	-	-
Withholding Tax Paid		188	-	115
Total Current Assets		805,931	302,241	665,939
Non Current Assets				
Property, Plant & Equipment (PPE)	7	4,453,052	4,686,374	4,885,346
Total Non Current Assets		4,453,052	4,686,374	4,885,346
Total Assets		5,258,983	4,988,615	5,551,285
Liabilities				
Current Liabilities				
Creditors and Accrued Expenses	8	230,290	-	182,054
Income Received in Advance	9	19,924	-	-
Revenue in Advance - ReCoCo		172,274	-	161,441
GST Payable		(646)	-	9,106
Total Current Liabilities		421,843	-	352,601
Total Liabilities		421,843	-	352,601
Net Assets	10	4,837,140	4,988,615	5,198,684
Represented by:				
Contributed Capital	10	5,149,150	5,149,150	5,149,150
Accumulated Surpluses	10	(312,010)	(160,536)	49,534
Total Equity		4,837,140	4,988,614	5,198,684

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

Statement of Financial Cashflows

For the Year Ended 30 June 2020

	Note	Actual 2019-20	Budget 2019-20	Actual 2018-19
Cashflows from Operating Activities				
Cash was received from:				
Receipts from Members		1,507,855	1,205,836	919,615
Interest		308	600	391
ReCoCo Income		231,750	361,432	212,500
Other Income		141,233	-	180,948
Tax Refunds Received		-	-	-
Total Operating Receipts		1,881,146	1,567,868	1,313,454
Cash was applied to:				
Payments to Suppliers		(1,115,211)	(852,185)	(589,313)
Interest Paid		(3)	-	-
Net GST Movement		27,141	-	(7,346)
Total Operating Payments		(1,088,073)	(852,185)	(596,659)
Net Cash from Operating		793,073	715,683	716,795
Cashflow from Investing Activities				
Cash was applied to:				
Purchase of PPE/Intangible Assets		(473,464)	(600,000)	(740,133)
Term Deposits		-	-	-
Total Investment Payments		(473,464)	(600,000)	(740,133)
Net Cash from Investing		(473,464)	(600,000)	(740,133)
Net Cash increase (decrease) in cashflows from the year		319,609	115,683	(23,338)
Opening Cash Balance		282,356	402,865	305,693
Closing Cash Balance		601,965	518,548	282,355
Made up of:				
Westpac Current Account	5	521,832	25,000	102,261
Westpac Online Saver Account		80,133	493,548	180,095
		601,965	518,548	282,356

The GST (net) component of cash flows from operating activities reflects the net GST paid to and received from the Inland Revenue Department. 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 16
The accompanying notes form part of these financial statements*

Notes to the Financial Statements

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 year ended 30 June 2020, and were authorised for issue by the Board of Directors on 29 August 2020.

Public Benefit Entity Simple Format Reporting

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.

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 cost 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 and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The financial statements have been prepared in accordance with Tier 3 Public Benefit Entity (PBE) Standards. RSHL adopted the PBE standards for the first time in July 2014.

These financial statements comply with PBE Standards.

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.

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.

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.

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)

RSHL is registered for GST; these financial statements are presented net of GST, except for receivables and payables which are inclusive of GST. Where GST paid is not recoverable, due to it relating to exempt items, the GST inclusive amount is recognised as part of the related asset or expense including the GST relating to investing and financing activities.

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

The net GST paid to, or recovered from, the Inland Revenue Department is recognised as an item in operating cash flow in the Statement of Cash Flows.

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.

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.

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.

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.

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 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	1
160,000-170,000	0
170,000+	0

The audit fee for the 12-month period is expected to be \$5,500 (GST exclusive) paid to Audit New Zealand.

Notes to the Financial Statements for the Year Ended 30 June 2020

1. Members Contributions

Statement of Intent set the member contributions to be \$1,139,931

	2019-2020	2018-2019
Members Contributions as per SOI	1,139,928	1,117,578
<i>Subsequently agreed contributions:</i>		
Capital Funding	-	52,435
Shared Licence Funding	57,750	40,445
E-Learning Software Purchase	-	-
Total Member Contributions	1,197,678	1,210,458

2. Other Income

	2019-2020	2018-2019
Recovery of other direct software expenses	64,160	57,750
Hawkes Bay Regional Council Reimbursement	-	5,259
Northland Regional Council Data Mapping	4,620	-
User Funding - Hawkes Bay Regional Council	136,618	155,055
Total Other Income	205,398	218,064

3. Administration Costs

	2019-2020	2018-2019
Administration Costs	3,792	448
Accounting & Technical Support	28,363	29,756
Insurance	1,871	1,866
Bank Fees	236	259
Total Administration Support	34,262	32,329

4. Income Tax

	2019-2020	2018-2019
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	(361,545)	(6,351)
Tax at 28%	(101,233)	(1,778)
<i>Plus/(less) tax effects of:</i>		
Temporary differences	133,940	55,040
Non-deductible expenses	-	-
Tax Losses not recognised	(32,707)	(53,262)
Income Tax Expense	- 32,707	- 53,262

Unused tax losses of \$3,508,437 (2019: 3,593,564) are available to carry forward and offset against future taxable income.

5. Bank Accounts and Cash

	2019-2020	2018-2019
Current Account	521,832	102,260
Savings Account	80,133	180,095
	601,965	282,355

6. Debtors and Accrued Revenue

	2019-2020	2018-2019
Debtors	144,007	383,469
Prepayments	59,771	-
Total Debtors and Prepayments	203,778	383,469

7. Property, Plant and Equipment

	E-learning Software	IRIS Software Intellectual Property	Computer Hardware	Total
Carrying amounts as at 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 at 30 June 2019	35,438	4,847,737	2,171	4,885,346
Carrying Amount as at 1 July 2019	35,438	4,847,737	2,171	4,885,346
Additions	-	448,314	-	448,314
Disposals (net of accumulated depreciation)	-	-	-	-
Depreciation Expense	(4,253)	(874,816)	(1,540)	(880,608)
Work in Progress written off/impaired	-	-	-	-
Carrying amount as at 30 June 2020	31,186	4,421,235	631	4,453,052

At balance date the working progress values of the IRIS Asset is \$244,166 (2019: \$350,375) with \$547,764 capitalised during the year (2019: \$636,050). The work in progress written off/impaired has been included in other direct software expenses.

8. Creditors and Accrued Expenses

	2019-2020	2018-2019
Creditors	199,651	156,272
PAYE Payable	3,942	3,939
Employee Entitlements	4,572	7,408
Accrued Expense- Audit New Zealand	5,500	5,250
Accrued Expense - West Coast Regional Council Accountancy	6,175	-
Accrued Expense - Waikato Regional Council - Technical Services	10,451	-
Accrued Expense - ReCoCo Shared Services	-	9,185
Total Creditors and Accrued Expenses	230,291	182,054

9. Income Received in Advance

	2019-2020	2018-2019
Environment Southland - Objective Subscription 2020/2021	19,924	-
Total Income Received in Advance	19,924	-

10. Equity

	2019-2020	2018-2019
Contributed Capital		
Balance at 1 July	5,149,150	5,149,150
Capital Contribution	-	-
Balance at 30 June	5,149,150	5,149,150
Accumulated Surplus		
Balance at 1 July	49,534	55,885
Surplus/(Deficit) for the Year	(361,545)	(6,351)
Balance at 30 June	(312,011)	49,534
Total Equity	4,837,139	5,198,684

There are 10,000 shares which have been fully called to the value of \$514,915. Share capital is currently \$5,149,150.

11. Commitments

There are the following commitments at balance date (2019: Major Enhancements \$101,261, Minor Enhancements \$Nil).

Major Enhancements Commitments	Balance Committed
WalkerScott - IRIS BI Solution Discovery and Planning	14,503
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
Total Commitments	70,370

12. Contingencies

There are no contingent liabilities at balance date and no contingent assets at balance date (2019: Nil)

13. Related Party Transactions

Related party transactions 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	2019/20	2018/19	Description of Services
Waikato Regional Council	32.75%	104,987	151,010	Management Fees
Waikato Regional Council	32.75%	96	2,643	Office Equipment Reimbursement
Waikato Regional Council	32.75%	-	5,998	IRIS Implementation Costs
Waikato Regional Council	32.75%	5,997	-	Reimbursement of Meeting Travel
Waikato Regional Council	32.75%	1,330	-	Secretarial Costs
Horizons Regional Council	15.50%	-	22,014	Accounting Support Costs
Horizons Regional Council	15.50%	-	955	Reimbursement of Meeting Travel
Taranaki Regional Council	15.50%	-	1,883	IRIS Implementation Costs
Northland Regional Council	16.75%	-	694	Reimbursement of Meeting Travel
West Coast Regional Council	4%	20,995	-	Accounting Support Costs
West Coast Regional Council	4%	791	-	Reimbursement of Meeting Travel

Total services purchased for IRIS implementation of \$Nil (Incl GST) (2019: \$7,881 (Incl GST)) were on-charged to Hawkes Bay Regional Council (non-related party).

Revenue of \$1,139,928 was received from the shareholder councils as member contributions as outlined in note 1.

Member Contributions were received as follows:

Shareholder	Share	2019/20	2018/19
Waikato Regional Council	32.75%	419,266	411,046
Horizons Regional Council	15.50%	207,125	203,064
Northland Regional Council	16.75%	154,461	151,432
Taranaki Regional Council	15.50%	154,461	151,432
Southland Regional Council	13.55%	154,461	151,432
West Coast Regional Council	4.00%	50,157	49,173

Funding for the regional shared services (ReCoCo) was received of \$258,702 from the member councils, costs of \$249,516 has been spent on ReCoCo projects as at 30 June 2020 and revenue in advance of \$9,185 Has been recognised in relation to the unspent funds to be used on ongoing ReCoCo projects.

As at 30 June 2020 \$100,470 (2019: \$383,469) was owed to RSHL by Member Councils and \$5185 (2019: \$26,213) was payable by RSHL member councils.

14. Events After Balance Date

There are no significant events after balance date.

15. Impact of COVID-19

RSHL was impacted by the COVID-19 Pandemic and national responses as follows:

Short-term financial	No Impact – RSHL received all planned member contributions, license fees and ReCoCo funding as planned.
Council Engagement	Minor impacts - Over the period February-May 2020, RSHL experienced challenges in engaging with council staff to progress work programmes.

16. Explanations on Major Variances

Explanations for major variances from RSHL's budgeted figures in the 30 June 2020 Statement of Intent are as follows:

Statement of Financial Performance	Actual	Budget	Variance	Explanation
Regional Sector Share Service	258,702	210,000	48,702	Statement of Intent was based on the funding amounts in the ReCoCo MOU. Additional income was collected for additional ReCoCo projects over and above the agreed contributions.
Datacom Support Services	255,013	208,260	46,753	Support costs were higher than budgeted this year because of unplanned support activity, diagnosing and fixing performance issues in the
Promotional Costs	17,681	2,500	15,181	The rebranding of RSHL that occurred in 2019/2020 cost \$17,681. This was largely unbudgeted.
Regional Sector Share Service	314,456	110,000	204,456	The ReCoCo expenses budget was set based on previous years activity. In fact ReCoCo activity increased substantially in 2019/2020 and as such additional costs were incurred.
Other Direct Software Costs	72,479	77,905	(5,426)	License costs for Cognise and Objective were less than budgeted due to less council users being registered on the system than intended.
Management Fees	106,395	45,400	60,995	Management Fees fund the IRIS PMO. In 19-20 there was significant additional effort undertaken in support of the IRIS Next Generation project.
Depreciation	880,608	827,855	52,753	Depreciation was recalculated to include some items not depreciated in 18-19 and capitalisation in 19-20, also more work was capitalised in 19-20 than was budgeted.
Personnel Costs	120,732	155,000	(34,268)	RSHL personnel costs were partially funded by ReCoCo. This was unbudgeted.

Statement of Financial Position	Actual	Budget	Variance	Explanation
Bank Accounts & Cash	601,965	302,241	299,724	Higher than expected cash levels due to increased revenues and carry over from ReCoCo Projects.
Debtors and Accrued Revenue	203,778	-	203,778	At the end of the year there were \$144,007 in outstanding accounts receivable, \$99,355 was current. The remaining was due to invoices where payment from councils was delayed. Accrued revenue was from ongoing ReCoCo Projects.
Revenue in Advance - ReCoCo	172,274	-	172,274	ReCoCo projects did not require as much funding as expected in 19-20. As a result there were unspent ReCoCo funds. RSHL retains these for use in the next year.

Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2019-20 financial year.

Performance Measures		For the period ending 31 July 2020
Non Financial	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.	<p>Complete</p> <p>The first annual survey was undertaken in July 2019.</p> <p>The next survey will be in August 2020.</p> <p>Shareholder/Customer survey results were used in the preparation of the business plan and statement of intent.</p> <p>User survey results were used to develop the product roadmap for 2019-2022.</p> <p>The results of the July 2019 Surveys were presented to the board in August 2019.</p>
	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.	<p>Complete</p> <p>The product roadmap for IRIS was presented, discussed and agreed in December 2019 and the roadmap for the year was approved as part of the business plan.</p>
	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.	<p>Complete</p> <p>The following Major Enhancements were carried over from 18-19 and delivered in V3.08 in 19-20:</p> <ul style="list-style-type: none"> • IRIS Tactical Technology Changes (incl PV001) • Replace Expired Consents on Regimes & RAs • IRIS Actions Menu Extend to SubClass • Regime Activity Timeline Show Single Instance of Activity <p>The following Major Enhancements were carried over from 18-19 and delivered in V4.0 in 19-20:</p> <ul style="list-style-type: none"> • IRIS Map Component Upgrade <p>The following Major Enhancements were initiated in 19-20 and delivered in V4.0:</p> <ul style="list-style-type: none"> • IRIS Chrome Browser and Map Component Readiness <p>The following Major Enhancements were initiated in 19-20 and delivered in V4.02.</p> <ul style="list-style-type: none"> • Session Management Implementation <p>The following software projects were initiated and completed in 19-20:</p> <ul style="list-style-type: none"> • IRIS Performance Testing <p>The following software projects were initiated in 19-20 and are ongoing:</p> <ul style="list-style-type: none"> • IRIS BI Solution Discovery and Planning • IRIS Entity Framework Upgrade Investigation

Performance Measures		For the period ending 31 July 2020
		All projects were managed via a project plan, with variations to time, scope and cost managed by change request. All projects were completed within budget or are tracking to budget.
	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.	Complete The budgets for support and minor enhancements are included in the Statement of Intent adopted by the board in June each year. Expenditure on support and MINs is reported to the Advisory Group on a monthly basis.
	User Groups and business representatives are engaged in the development of the Major Enhancement Annual Roadmap.	Complete Representatives from all IRIS councils have been actively involved in developing the enhancement roadmap.
Financial	RSHL will operate within 5% (plus or minus) of its shareholder approved annual budget.	Achieved Spend on capital development has been reduced in favour of operational spend to identify the eventual replacement for IRIS. ReCoCo activity continues to be unpredictable, although this does not impact on RSHL balance sheet. All variations to budget have been approved by the Board.
	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 Member contributions were at the level set in the Shareholder and Subscription Agreement, Licence fees were at the level set in the Software License Agreement.
	Monitor the regional council sector market and explore/respond to opportunities to expand the customer and/or shareholder base of RSHL. (Applies once in 3 year period)	Complete ReCoCo has helped to extend the customer base of RSHL with all 16 councils in the sector engaged in one or more projects. In addition, 11 councils are working with RSHL to identify the eventual replacement for IRIS.
	Consider, evaluate and, if appropriate, implement new service areas or areas outside of the current scope of IRIS ¹	Complete This is being achieved through the ReCoCo initiative. There are two projects that that will in due course lead to new service offerings for RSHL: <ul style="list-style-type: none"> EDMS Project – The implementation of a new sector-wide solution for the management of environmental data. It is likely that RSHL would operate this solution on behalf of the Sector. Wells Project – The implementation of a new sector-wide solution for the management of Well and Bore information. - It is likely that RSHL would operate this solution on behalf of the Sector.

¹ Consider does not mean commit to do, but to identify & evaluate one or more opportunities

Performance Measures		For the period ending 31 July 2020
	<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>	<p>Complete</p> <p>RSHL currently has 10 ReCoCo initiatives under management and several initiatives in development with the SIGs in the following areas:</p> <ul style="list-style-type: none"> • ePlanning • Wells and Bores Data Management • Environmental Monitoring Programme • LIDAR Programme Management • Shared Implementation of Financial Solution • Regional Sector Information Portal Refresh • Contaminated Land Management • Pest Control <p>RSHL has been engaged to manage the delivery of all sector shared work programmes under the Sector Shared Finance System initiative.</p>

Shareholdings & Directors

Regional Software Holdings Limited (RSHL) was formed on 17 October 2012. At the time of formation, the company issued 10,000 shares to its shareholders based on a previously agreed sizing formula. The following shareholding was agreed:

Shareholder	Percentage	# of shares
Waikato Regional Council	32.75%	3,275
Northland Regional Council	16.75%	1,675
Horizons Regional Council	15.50%	1,550
Taranaki Regional Council	15.50%	1,550
Southland Regional Council	15.50%	1,550
West Coast Regional Council	4.00%	400

The Directors appointed for the period that this report covers were:

Director Appointed By	
Mike Nield (Chairman)	Taranaki Regional Council
John Crane	Waikato Regional Council
Malcolm Nicolson	Northland Regional Council
Ged Shirley	Horizons Regional Council
Les Gibbs	West Coast Regional Council
Neil Selman	Southland Regional Council
Asbjorn Aakjaer	Independent.



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