

Annual Report Pūrongo ā-Tau

Including Financial Statements

For the period ending 30 June 2023



Council
Collaboration
Into Action

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Directors Report | Te Pūrongo a ngā Kaiwhakahaere Matua

Regional Software Holdings Limited For the year ended 30 June 2023

Tēnā koutou katoa

On behalf of Regional Software Holdings Ltd (RSHL), and the nine regional sector shareholders, it is our pleasure to present the 2022/2023 Annual Report.

RSHL is the Shared Services organisation of Te Uru Kahika. All 16 Regional and Unitary Councils in New Zealand are customers of RSHL.

RSHL delivers a wide range of Digital, Operational and Financial programmes, on behalf of Te Uru Kahika and participating councils.

Over the 2023 financial year RSHL has taken a leap forward towards our vision of *providing high-quality shared services for Te Uru Kahika (and associated agencies) that delivers value to customers, shareholders and the sector.*

In November 2022, RSHL completed the process started in 2021 when the RCEOs Group approved the business case for the creation of a Regional Sector Shared Services organization based on RSHL.

The restructure of RSHL into the Te Uru Kahika Shared Services organisation is complete. RSHL has a new constitution and shareholders agreement. The new share structure makes it simple, low risk and low cost for additional councils to join.

Along with the original 6 founding shareholders, we welcome Bay of Plenty Regional Council, Gisborne District Council and Hawkes Bay Regional Council as shareholders. We anticipate more councils becoming shareholders in the next year.

As part of the new constitution, RSHL directors are elected and retire by rotation. The process to elect an inaugural board of eight for the new entity concluded at a special general meeting on 23 February 2023.

As part of the transformation of the company, our staff establishment has grown from 2 to 8 staff, including the Regional Sector Office staff and the EMAR/LAWA Project Manager.

Financially the company is in a healthy position, with an end of year surplus before tax of \$3,311k against a budgeted loss of \$651k. The favourable position is largely due to timing differences in planned expenditure for work programmes.

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

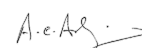
As the IRIS system reaches the end of its useful life, RSHL has made the strategic decision to prioritise planning for the next generation of IRIS (IRIS Next Generation).

Overall, we expect that the IRIS Activity will continue to operate slightly favourable to budget and with reduced member contributions as the product is managing into retirement.

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.

In September, the IRIS NextGen Partnership agreement was signed by RSHL and 9 councils. IRIS NextGen will provide the replacement for the IRIS product but has a bigger goal of delivering game-changing productivity improvements to the sector, achieved through alignment around consistent good practice processes, supported by fit for purpose software. The development of good-practice processes and build of the underpinning software product are progressing to plan and preparations are underway for the pilot implementation at Otago Regional Council starting July 2024.

The scope of IRIS Next Generation includes development of good practice processes for the regional sector, as well as selection of a vendor and partner to deliver the software solution. This approach builds on a key lesson learnt from the IRIS programme,

that having councils agree on consistent good practice processes significantly reduces the cost of developing and operating software.

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

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

The IRIS NextGen Activity is markedly different to budget because the costs and expenditure for that programme was not confirmed until September 2022. Revenue and expenditure are in line with the budget agreed with the 9 participating councils.

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

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

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

The Sector Financial Management System is also favourable to budget with a surplus of \$3,450k versus budget of \$nil. This difference is purely driven by the timing of SFMS expenditure. It should be noted that any uncommitted surplus remaining at the end of the financial year will be refunded to councils or allocated to FY24 programmes at the discretion of the RCEOs Group.

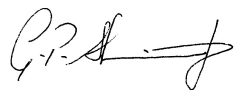
Notably 59% of the revenue collected for the SFMS in FY23 came from central government. This funding was provided in support of work in the Essential Freshwater Programme, EMAR, LiDAR, iwi capability building and spatial projects. This investment from central government is an endorsement of the work of Te Uru Kahika, as well as the operating model that RSHL provides.

Te Uru Kahika is a local government success story that will continue to evolve and grow. RSHL and the shareholding councils can be proud of the role that we are playing in enabling this success.

In this period Malcolm Nicolson, Jane Carroll, John Crane, Heather Mabin and Amy Kubrycht resigned as board members. We thank them for their service to the organisation. We particularly note John Crane's contribution to RSHL, first as the General Manager and more recently as a director for a period of four years.

We also acknowledge former director Malcolm Nicolson who was made a Member of the New Zealand Order of Merit in the Kings Birthday honours for his services to local government and the community.

Signed on behalf of the Board of Directors:



G Shirley - Director

Date: 31 January 2024



A Aakjaer - Director

Date: 31 January 2024



Statement of Responsibility | Tauākī o te Kawenga

Regional Software Holdings Limited

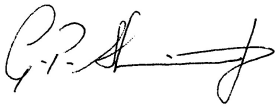
For the year ended 30 June 2023

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 2023 and confirm that all the statutory requirements in relation to the Performance Report were complied with, as outlined in the Local Government Act 2002 and the Companies Act 1993.

Signed on behalf of the Board of Directors:



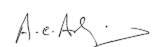
G Shirley - Director

Date: 31 January 2024



A Aakjaer - Director

Date: 31 January 2024






Statement of Service Performance | Hei Ine i te Mahi

Regional Software Holdings Limited For the year ended 30 June 2023

Who are we and why do we exist?

Vision

To provide high-quality shared services for Te Uru Kahika (and associated agencies) that delivers value to customers, shareholders and the sector.

Mission

Deliver shared solutions to Te Uru Kahika along with collaborative outcomes through sector special interest groups to achieve:

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

Values

In all RSHL decisions and interactions the Board and staff, together with sector 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 regional sector 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.

What did we do?

Activities

RSHL provides a framework for collaboration between shareholders and across the regional sector. It supports the procurement or development of shared solutions in a manner that provides greater consistency in how we operate. 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.

In the 2023 Financial year RSHL activities were grouped as follows:

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.</p> <p>The 7 councils actively collaborate on the use of IRIS and the future development roadmap.</p>
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A.e.A.S.
G.P.D.

	<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</p>	<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 (IRIS NextGen) will be a cloud-based Software as a Service solution (SaaS) with better online and mobile features. IRIS NextGen will be more efficient for staff and customers.</p> <p>Along with the SaaS, we will implement consistent “good practice” processes for the sector.</p> <p>Over the next two years, RSHL will confirm:</p> <ul style="list-style-type: none"> • The IRIS NextGen solution • A transition plan for existing users • A growth plan to attract new councils to the programme.
<p>Environmental Monitoring and Reporting (EMAR)</p>	<p>The objective of EMAR is to improve the collection, accessibility and presentation of environmental data in New Zealand. The EMAR Programme has three projects.</p> <ul style="list-style-type: none"> • National Environmental Monitoring Standards (NEMS) – Aims to ensure consistency in the way environmental monitoring data is collected and handled throughout New Zealand. • Environmental Data Management System (EDMS) – Aims to provide a single access point to environmental data from multiple sources in a consistent format. • Land, Air Water Aotearoa (LAWA) – Shares data and information to tell the story of our environment. <p>EMAR is an all-of-sector programme, and includes partner agencies from central government (MfE, Stats NZ and DoC) and the Cawthron Institute (and others).</p> <p>The EMAR programme is managed by RSHL and governed by the EMAR Steering Group. Each project has its own Steering Group who oversee operational activities.</p> <p>The EMAR/LAWA Programme Manager is employed by RSHL and is part of the Regional Sector Programme office. EMAR/LAWA project administration (financial and contractual) is managed by RSHL on behalf of project partners.</p> <p>The NEMS project is managed by Horizons on behalf of the project partners.</p>
<p>Regional Sector Office</p>	<p>The Regional Sector Office supports the activities of Te Uru Kahika and the Regional Sector Special Interest Groups (SIG) network.</p> <p>The Regional Sector Office supports the activities of Te Uru Kahika including the Te Uru Kahika Network (formerly the SIG Network).</p>

A.e.A.S.
P.R.D.

	<ul style="list-style-type: none"> • The Sector Office is made up of four roles: • Executive Policy Advisers – Regional CEOs Group • Chief Science Advisor • Resource Management Reform Director • Regional Sector SIG Network Administrator <p>Sector Office staff are employed by RSHL.</p>
Sector Financial Management System	<p>In 2020 the Regional Council Collaboration (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"> • Sector Business Plan • River Managers Programme • ReCoCo Technology Projects • Bio Managers Programme • Bio Control Programme. <p>The sector has a budget of over \$2M 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>

Ngā Mahi e Rapua Nei Te Utu Paremata | Activities for Which Compensation Is Sought

Funds for the operation of the Sector Office, The Sector Financial Management System, EMAR/LAWA, IRIS and IRIS NextGen are received by way of levies from the councils participating in each programme. Each programme pays a share of the overhead costs of the company proportional to the size of the programme.

These levies are set annually in the Statement of Intent.

For some projects additional funding is collected from central government entities.

Payment of annual fees will be sought for the following activities:

Activity	Description
Sector Financial Management System	<p>Payment of annual contributions will be sought from all Te Uru Kahika councils for the operation of the Programmes in the Sector Financial Management System.</p> <p>For some programmes, additional contributions may be sought from other local government organisations and government ministries.</p> <p>Contributions will be according to the agreed models. This activity includes:</p> <ul style="list-style-type: none"> • Sector Business Plan • River Managers Business Plan • River Managers Climate Resilience

- ReCoCo Technology Projects
- EMaR
- Bio Managers
- Bio Control
- Science Programme
- Sector Office Special Projects
- Regional Sector Office

The funding contributions for the Sector Office, EMAR and the most of the SFMS programmes is based on the size of the Council. The total amounts to be collected vary year to year based on the work programmes.

Tier 1 – 9.4% each	Tier 2 – 6.2% each	Tier 3 – 3.2% each
Auckland Council	Horizons RC	Tasman DC
Environment Canterbury	Otago RC	Nelson City Council
Greater Wellington RC	Hawkes Bay RC	Gisborne DC
Waikato RC	Northland RC	Marlborough DC
Bay of Plenty RC	Taranaki RC	West Coast RC
	Environment Southland	
Total 47%	Total 37%	Total 16%

BioControl, Climate Change Resilience and the Science Programme have custom funding models based on the value of the programmes to the region.

The budget and funding arrangements for the SFMS are documented in the SFMS Briefing Paper which is approved with the Te Uru Kahika Business Plan before the start of each financial year.

In FY23 RSHL collected \$8.9M in support of Te Uru Kahika, of which \$5.3M came from central government.


IRIS

Payment of an Annual Fee for IRIS will be sought from all councils that use the Software for annual support and development fees, as set out in the License Agreement.

Proportion of Contributions to the IRIS Programme

Contributions for IRIS will be collected in the following proportions.

Shareholder	Percentage
Waikato Regional Council	32.39%
Northland Regional Council	11.93%
Horizons Regional Council	16.00%
Taranaki Regional Council	11.93%
Southland Regional Council	11.93%
West Coast Regional Council	3.87%
Hawkes Bay Regional Council	11.93%

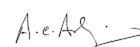




	<p>Total</p> <p>100%</p> <p>In FY23 RSHL collected \$1.4M of funding from participating councils.</p>															
IRIS Next Generation	<p>The IRIS NextGen Partnership agreement sets out the funding to be collected from each participating council and the activities that the funds will be used for. The 9 Participating Councils share the programme costs of the IRIS NextGen programme according to the following contribution model:</p> <table border="1"> <thead> <tr> <th>Large Councils</th> <th>Medium Councils</th> <th>Small Councils</th> </tr> </thead> <tbody> <tr> <td>17.93% per council (Total 35.87%)</td> <td>10.87% per council (Total 43.48%)</td> <td>4.35% per council (Total 4.35%)</td> </tr> <tr> <td>Waikato Regional Council Bay of Plenty Regional Council</td> <td>Horizons Regional Council Otago Regional Council Northland Regional Council Hawke's Bay Regional Council</td> <td>Nelson City Council</td> </tr> <tr> <td></td> <td>8.15% per council (Total 16.30%)</td> <td></td> </tr> <tr> <td></td> <td>Taranaki Regional Council Environment Southland</td> <td></td> </tr> </tbody> </table> <p>Over the 10-year term of the Partnership Agreement, the programme costs are expected to total ~\$26 million.</p> <p>Programme costs are budgeted and approved by the IRIS NextGen Steering Group annually.</p> <p>In FY23 RSHL collected \$3.7M from participating councils for IRIS NextGen.</p>	Large Councils	Medium Councils	Small Councils	17.93% per council (Total 35.87%)	10.87% per council (Total 43.48%)	4.35% per council (Total 4.35%)	Waikato Regional Council Bay of Plenty Regional Council	Horizons Regional Council Otago Regional Council Northland Regional Council Hawke's Bay Regional Council	Nelson City Council		8.15% per council (Total 16.30%)			Taranaki Regional Council Environment Southland	
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	Taranaki Regional Council Environment Southland															
RSHL Overhead Costs	<p>Overhead costs are costs that cannot be allocated to a specific work programme.</p> <p>All work programmes contribute to overhead costs of RSHL, with the proportion of the contribution based on actual revenue in that financial year.</p> <p>In the 2023 Financial year the proportion of overheads to each programme is as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>IRIS</td> <td>11%</td> </tr> <tr> <td>IRIS NextGen</td> <td>34%</td> </tr> <tr> <td>SFMS</td> <td>55%</td> </tr> </tbody> </table>		2023	IRIS	11%	IRIS NextGen	34%	SFMS	55%							
	2023															
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SFMS	55%															

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G. P. J. →

How did we perform?

IRIS	<p>As the focus shifts to the future and IRIS NextGen, we reduced the frequency of IRIS releases. The 4.06 release was provided to councils in November 2022. This was the last functional release to include minor enhancements.</p> <p>Future releases will focus on data cleansing and data migration tools. Functional enhancements will only be developed if there is an approved business case or to support legislative changes.</p> <p>In this period, we completed the IRIS Data Migration Project Definition Phase to provide guidance to councils on how to approach data migration, scope the data to be migrated from IRIS to Datascape and determine what tools will be used export, cleanse and transform data.</p> <p>The councils agreed that Microsoft SQL Master Data Services will be used to validate and transform data to prepare it for loading into Datascape. Work has been completed to develop the tools to identify data issues and cleanse, export and transform the data.</p> <p>Councils now require baseline templates to collect and structure data within the newly created IRIS Master Data Platform. During this year, work has commenced to:</p> <ul style="list-style-type: none"> • Structure data so councils can access agreed subsets of data for each of the IRIS modules, • Support identification of data issues such as redundant data, • Support development business rules to cater for customisations and council specific quality requirements, and • Support the fixing of reported data errors.
IRIS Next Generation	<p>In this period, 9 councils signed a Partnership Agreement to participate in the IRIS NextGen Programme, signalling a 10-year commitment to develop good-practice processes for the Regional Sector and implement the IRIS NextGen solution.</p> <p>The Datascape design and build phase commenced in October 2022. This is a fixed price development and will take 21 months. The initial focus was on enhancements to the Datascape platform to allow delivery of the functional requirements specific to the regional sector.</p> <p>The good practice workstream began in March 2023 with a workshop during the official launch. The workshop was designed to align key stakeholders with the good practice approach. This was followed by individual council assessments (using a mix of surveys and in-person workshops) in May.</p> <p>In the financial statements the IRIS Next Generation Activity revenue and expenditure is markedly different to budget because the costs and expenditure for that programme were not confirmed until September 2022. Revenue and expenditure are in line with the budget agreed with the 9 participating councils.</p>
Sector Shared Services	<p>On 3 August 2021, the RCEOs forum approved the business case for the creation of a Regional Sector Shared Services organization based on RSHL.</p> <p>The restructure of RSHL into the Te Uru Kahika Shared Services organisation is complete. RSHL now has 9 shareholders, with 2 additional councils completing their internal processes to join.</p> <p>Along with the original 6 founding shareholders, we welcome Bay of Plenty Regional Council, Gisborne District Council and Hawkes Bay Regional Council as shareholders.</p> <p>As part of the new constitution RSHL directors are elected and retire by rotation. The process to elect an inaugural board for the new entity concluded at a special general meeting on 23 February 2023.</p>

	<p>As at 30 June 2023 RSHL employs or engages 7 permanent, 1 seconded and 7 contracted resources that support sector work programmes.</p> <p>RSHL has enabled the continued growth of Te Uru Kahika, providing a vehicle for sustainable growth by employing sector staff, managing the sectors finances and providing a structure for sector implementation programmes.</p>
Regional Sector Office	<p>The Regional Sector Office supports the activities of Te Uru Kahika including the Te Uru Kahika Network (formerly the SIG Network).</p> <p>The Sector Office is made up of four roles:</p> <ul style="list-style-type: none"> • Executive Policy Advisers – Regional CEOs Group • Chief Science Advisor • Resource Management Reform Director • Regional Sector SIG Network Administrator <p>In September 2022, we welcomed these roles as employees of RSHL.</p> <p>Over the first part of the year the Executive Policy Advisers focussed on coordinating sector submissions to a raft of central government proposals including:</p> <ul style="list-style-type: none"> • RM Reform Legislation • The Future for Local Government Review • Freshwater Farm Plan Regulations • Water Services Legislation • LGOIMA Act Amendments. <p>The policy advisors also coordinated the preparation of induction material for incoming Elected Members.</p> <p>The Regional Sector SIG Network Administrator has been extremely active in the first part of this year. Along with normal duties the role has taken responsibility for coordinating the RCEOs meetings along with the induction sessions for incoming mayors and chairs.</p> <p>The Resource Management Reform Director role was filled in June 2023. The purpose of this role is to work across the sector to coordinate, communicate and advise councils and develop shared projects, where possible, to ensure resource management reform is delivered efficiently and effectively.</p> <p>The Chief Science Advisor role has been in place for 12 months. The role is a part-time secondment from NIWA to RSHL, on behalf of Te Uru Kahika. While there are more opportunities ahead, progress in the first year has been positive and several important results have been delivered or are in train, including:</p> <ul style="list-style-type: none"> • Implementation of several initiatives that enhance the coordinated vision for regional sector science, build relationships with key internal and external parties, and champion the regional sector’s science capability and capacity; • Establishment of channels for sector science input into Resource Management reform; • Embedding of science input into the regional sector’s newly established Climate Group; • Promoting the role and interests of the regional sector in current reform of the New Zealand science system.
Environmental Monitoring and Reporting (EMAR)	<p>In August 2022, we welcomed the National EMAR/LAWA Project Manager as an employee of RSHL.</p> <p>EMAR Programme</p> <p>The EMAR Steering Group have started discussions on the long-term strategy for EMAR.</p>

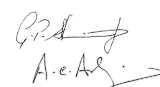


	<p>LAWA project</p> <p>Outcome: Trusted, accessible, high quality, up-to-date environmental data and information from Te Uru Kahika on LAWA.</p> <p>LAWA is now 10-years old, and is a well-known platform for authoritative environmental data and information. Since launch in 2014, we have had over 1.3 million users and 6.4 million page views. Visits to the LAWA website continue to grow, which means LAWA is continuing to further the reach and value of the information from the Te Uru Kahika and securing our place as a strategic asset for authoritative environmental information for New Zealand.</p> <p>LAWA contains data and information for eight topics covering surface and groundwater quality, water quantity, air quality, estuary health and land cover.</p> <p>Much of the data in the topics are updated in ‘real-time’ or annually, enabling us to provide annual summary snapshots on the State of our Environment, and to support National Environmental Reporting by Stats NZ and MfE.</p> <p>In addition to ensuring the environmental monitoring data and information is kept up-to-date so New Zealanders have the latest information to track the State of our Environment, LAWA is expanding in a new direction to start to capture on the ground actions from catchment groups, with a view to linking these to improved water health outcomes over time. A new topic ‘Actions for Healthy Water’ was initiated in the past year.</p>
<p>Sector Financial Management System</p>	<p>In 2020, the Regional Council Collaboration (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 Te Uru Kahika collaborative programmes.</p> <p>The sector recognises the benefits of collaboration between councils and acting as one. The number and size of collaborative projects is growing each year.</p> <p>It is important that sector has efficient processes for collection of funding and the payment of suppliers. It is also increasingly important that the sector can demonstrate the outcomes achieved from collaboration.</p> <p>The Te Uru Kahika network was extremely active in FY23. As a result of this the SFMS experienced a high level of activity.</p> <p>RSHL held 30 service contracts on behalf of Te Uru Kahika over this financial year.</p> <p>\$8.9M dollars of funding was collected for sector work programmes including \$5.3M from central government. The support from central government highlights the value of the SFMS as a focus point for funding.</p>

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Key Judgements

IRIS	<p>When assessing the performance of the IRIS Programme we consider whether RSHL has appropriately managed the programme. This includes budget, vendor management, product roadmap and communications with councils.</p> <p>We place an emphasis on predictability, delivery and consistency.</p> <p>Performance against budget, delivery of releases, customer and user feedback are used.</p>
IRIS Next Generation	<p>When assessing the performance of the IRIS NextGen Programme we consider whether RSHL has appropriately managed the programme. This includes budget, vendor management, product roadmap and communications with councils.</p> <p>We place an emphasis on predictability, delivery and consistency.</p> <p>Performance against budget, delivery against milestones, and customer feedback are used.</p>
Sector Shared Services	<p>When assessing the performance of the Sector Shared Services Activity we consider whether RSHL has achieved the objectives of that programme, primarily the creation of a regional sector shared services organisation.</p> <p>Performance against activity outcomes is used to form an assessment.</p> <p>The emphasis is on achieving the necessary change to the structure of RSHL.</p>
Regional Sector Office	<p>When assessing the performance of the Regional Sector Office we consider the extent to which the Sector Office has effectively supported the smooth operation of Te Uru Kahika and enabled the sector to respond to issues and opportunities as they arise.</p> <p>Feedback from stakeholders and achievement of targeted outcomes is used to form an assessment.</p> <p>We place an emphasis on enabling the work of council staff undertaking work within the Te Uru Kahika framework.</p>
EMAR	<p>When assessing the performance of the EMAR we consider whether RSHL has appropriately managed the programme. This includes budget, vendor management, product roadmap and communications with councils.</p> <p>An emphasis is placed on predictability, delivery and consistency.</p> <p>Performance against budget, delivery of releases, customer and user feedback are used to form an assessment.</p>
Sector Financial Management System	<p>When assessing the performance of the Sector Financial Management System we assess whether the SFMS is meeting its objectives:</p> <ul style="list-style-type: none"> • Removal and minimising duplication of effort across councils • Greater innovation through a collaborative partnership model • More efficient management of existing sector shared services • Better communication and stakeholder engagement • Better control/consistency of information being provided • Demonstrate new “ways of working” to drive better outputs • Demonstrate to central government that councils are collaborating on areas of national importance for which they have responsibility for and for which a national picture is required • More efficient management of sector shared funding:



- Efficient collection of funds from councils
- Timely payment of providers, following a clear and appropriate approval pathway.
- Clear and transparent reporting on funds applied to programmes, linking to outcomes achieved

Feedback from stakeholders and achievement of targeted outcomes is used to form an assessment.

A.e.A.S. →
P.S.A.



Performance Measures | Hei Ine i te Mahi

Regional Software Holdings Limited For the year ended 30 June 2023

The following performance measures were incorporated into the Statement of Intent for the 2022-23 financial year.

		July 1 2022- June 30 2023																																													
Non-Financial	With participating councils, define and agree milestones for the IRIS NextGen Programme.	<p>Achieved - The Partnership Agreement for IRIS NextGen was executed in September. This sets the overarching structure of the programme.</p> <p>The milestones for the programme were endorsed by the Steering Group in November 2022 and are documented in the Programme Plan.</p>																																													
	<p>Undertake an annual survey of IRIS users and shareholder/customer Councils in relation to product performance, Datacom support and RSHL support.</p> <p>Provide a summary of the survey results in the annual report, including performance against the baseline.</p> <p>Survey results to be the same or better than the previous year.</p>	<p>Achieved – This survey was completed in June 2023 to ensure that all councils were on the latest version of the IRIS Software.</p> <p>4 councils completed the customer survey. Results were markedly better across all categories for RSHL and Datacom service performance.</p> <div style="text-align: center;"> <p>Rating RSHL Performance</p> <table border="1"> <thead> <tr> <th>Category</th> <th>2019</th> <th>2020</th> <th>2021</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Communication</td> <td>3.83</td> <td>3.83</td> <td>4</td> <td>4.5</td> </tr> <tr> <td>Vendor Management</td> <td>3.4</td> <td>3.83</td> <td>4.17</td> <td>4.5</td> </tr> <tr> <td>Facilitating collaboration around product development</td> <td>3.83</td> <td>3.67</td> <td>3.86</td> <td>4.25</td> </tr> <tr> <td>Facilitating knowledge sharing around the IRIS product</td> <td>3.5</td> <td>3.17</td> <td>3.5</td> <td>3.75</td> </tr> </tbody> </table> </div> <div style="text-align: center; margin-top: 20px;"> <p>Rating Datacom Performance</p> <table border="1"> <thead> <tr> <th>Category</th> <th>2019</th> <th>2020</th> <th>2021</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Quality of software developed</td> <td>2.9</td> <td>3.7</td> <td>3.7</td> <td>3.75</td> </tr> <tr> <td>Quality of user support</td> <td>3</td> <td>3.3</td> <td>4.3</td> <td>4.5</td> </tr> <tr> <td>Leadership around the IRIS programme</td> <td>2.7</td> <td>3.8</td> <td>3.9</td> <td>4.25</td> </tr> </tbody> </table> </div> <p>In these results the scale is 1-Very Poor, 2- Poor, 3- Neutral, 4-Good, 5-Outstanding.</p> <p>83 Continuous or Frequent users of IRIS responded to the user surveys. Compared to previous years, results</p>	Category	2019	2020	2021	2023	Communication	3.83	3.83	4	4.5	Vendor Management	3.4	3.83	4.17	4.5	Facilitating collaboration around product development	3.83	3.67	3.86	4.25	Facilitating knowledge sharing around the IRIS product	3.5	3.17	3.5	3.75	Category	2019	2020	2021	2023	Quality of software developed	2.9	3.7	3.7	3.75	Quality of user support	3	3.3	4.3	4.5	Leadership around the IRIS programme	2.7	3.8	3.9	4.25
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A.e.A.S.

G.P.H.

Statement of Service Performance | Hei Ine i te Mahi
Performance Measures continued

		July 1 2022- June 30 2023									
		were mixed (within the margin of error) but still generally favourable. For “IRIS provides me the information I need” and “IRIS supports me to do my job”. Results for “Speed of the IRIS application” were well down, but this issue was limited to one council, with users at other councils reporting speed improvements.									
	Prepare and adopt the annual IRIS development roadmap by 30 June for delivery in the subsequent year.	Achieved - The roadmap is constantly reviewed by the IRIS Advisory Group. It was last presented to the board in June 2023.									
	Major IRIS 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>Achieved</p> <p>The MAJ058 IRIS data migration project definition phase was completed under budget - the budget for the project was \$69K, with the total invoiced \$65K.</p> <p>On track</p> <p>As at 30 June 2023 the following projects are on track:</p> <ul style="list-style-type: none"> • MAJ059 IRIS Data Migration Base Platform • MAJ060 IRIS Data Migration Base Templates • MAJ061 IRIS Data Migration – Loading Data <p>The outputs of this work will be a platform for migration of data from IRIS to Datascope (IRIS NextGen) and tools to identify data issues and cleanse, export and transform the data.</p>									
	Budgets for IRIS support and minor enhancements are approved by the Board by 30 June each year and delivery within these budgets is effectively managed by the Advisory Group and the General Manager.	<p>Achieved- Budgets were approved via the Statement of Intent Process in June 2023.</p> <p>Both support and development were under budget at year end.</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Expenditure \$000s</th> <th>Budget \$000s</th> </tr> </thead> <tbody> <tr> <td>Develop</td> <td>\$100</td> <td>\$140</td> </tr> <tr> <td>Support</td> <td>\$211</td> <td>\$222</td> </tr> </tbody> </table>	Category	Expenditure \$000s	Budget \$000s	Develop	\$100	\$140	Support	\$211	\$222
Category	Expenditure \$000s	Budget \$000s									
Develop	\$100	\$140									
Support	\$211	\$222									
	Be an effective service delivery vehicle for regional council sector shared programmes under the Sector Financial Management System.	<p>Achieved– RSHL has effectively managed the SFMS.</p> <p>Revenue is well ahead of plan, due to significant funding provided by central government. Expenditure is consistent with the amounts documented in the SFMS Briefing Paper.</p> <p>RSHL held 30 service contracts on behalf of Te Uru Kahika over this financial year.</p> <p>\$8.9M dollars of funding was collected for sector work programmes including \$5.3M from central government. The support from central government highlights the value of the SFMS as a focus point for funding.</p>									

A.e.Ag. →
G.R.D. →

Statement of Service Performance | Hei Ine i te Mahi
Performance Measures continued

		July 1 2022- June 30 2023
	Effectively support the activities of the Regional Sector through the Regional Sector Office	<p>Achieved - Over the first part of the year the Executive Policy Advisors focussed on coordinating sector submissions to a raft of central government proposals including:</p> <ul style="list-style-type: none"> • Resource management reform legislation • The Future for Local Government Review • Freshwater farm plan regulations • Water services legislation • LGOIMA amendments <p>The policy advisors also coordinated the preparation of induction material for incoming Elected Members.</p> <p>With the election of new Chairs and Mayors in October 2022 the Office also undertook a review of the Sector's priorities and work programmes for the 23/24 year and beyond.</p> <p>The Regional Sector SIG Network Administrator has taken responsibility for coordinating the RCEOs meetings along with the induction sessions for incoming mayors and chairs, this is in addition to normal duties.</p> <p>The Chief Science Advisor has focussed on:</p> <ul style="list-style-type: none"> • Implementation of several initiatives that enhance the coordinated vision for regional sector science, build relationships with key internal and external parties, and champion the regional sector's science capability and capacity; • Establishment of channels for sector science input into Resource Management reform; • Embedding of science input into the regional sector's newly established Climate Group; • Promoting the role and interests of the regional sector in current reform of the New Zealand science system.
	Budgets for EMAR are approved by the EMAR Steering Group by 30 June each year, and delivery within these budgets is effectively managed by the EMAR Project Manager	<p>Achieved – The Workplan and Budget for this year was endorsed by the EMAR SG in late 2021/22 FY and formally signed off on the 8th of July 2023 EOFY status - work has been delivered within available budget.</p> <p><u>Workstream activities:</u></p> <p>Ongoing – EMAR and LAWA Strategies to inform longer-term direction.</p> <p>Complete - All planned updates and upgrades to existing topics</p> <p>In train – development of a new topic 'Actions for Healthy Waterways'</p>
	Be a service delivery vehicle for wider regional council sector and related bodies information management programmes and related shared services. Projects to be delivered on time and on	<p>Achieved - Under the SFMS and ReCoCo programmes, RSHL supports the delivery of the following projects:</p> <ul style="list-style-type: none"> • Environmental Data Programme • Sector Reference Model Engagement Project • N-Cap Implementation • INFDP Programme

A.e.A.S. →
P.S.A. →

Statement of Service Performance | Hei Ine i te Mahi
Performance Measures continued

		July 1 2022- June 30 2023
	budget as agreed in each of the Statements of Work between RSHL and the relevant regional sector group.	<ul style="list-style-type: none"> • Essential Freshwater Implementation • Freshwater Farm Plans Implementation. <p>RSHL ensured appropriate project management controls were in place for each project.</p> <p>RSHL also managed the funding for the follow sector programmes:</p> <ul style="list-style-type: none"> • LIDAR PGF Programme Manager • WellsNZ • Retrolens.

		July 1 2022- June 30 2023
Financial	RSHL will operate within approved budget, with any material variations approved by the Board.	<p>Achieved – RSHL is operating within approved operating budgets for all programmes.</p> <p>In November, the Board approved a variation to the budget approved in the SOI, to reflect the additional revenue and expenditure from the IRIS NextGen Implementation Programme, which started in September 2022. The budget for this programme was not confirmed when the SOI was approved.</p>
	Annual charges for shareholders and customers to be at the level approved by the Board and councils based upon the approved operating budget and budgets	Achieved- All charges have been the same or less that approved by the respective programmes.

		July 1 2022- June 30 2023
Growth	Monitor the regional council sector market and explore/respond to opportunities to expand the customer and/or shareholder base of RSHL.	<p>Achieved – In November, RSHL welcomed Bay of Plenty Regional Council, Gisborne District Council and Hawkes Bay Regional Council as shareholders.</p> <p>Additional councils will join when and if they are able, including Otago Regional Council which signed a deed of accession in July 2023.</p>
	Work with the Regional Sector SIG Network to develop shared service opportunities.	<p>Achieved - The Partnership agreement for IRIS NextGen was executed in September.</p> <p>In addition, RSHL is supporting the Essential Freshwater Programme to deliver the Integrated National Farm Data Platform.</p> <p>RSHL is supporting the Environmental Data Group and Digital Solutions Group to deliver the Environmental Data Management System.</p>
	Engage with councils in the regional sector to increase the scope of the usage of IRIS NextGen.	Achieved - The Partnership Agreement for IRIS NextGen was executed in September with 9 councils committing to the programme (two more that use IRIS).



Statement of Service Performance | Hei Ine i te Mahi
 Performance Measures continued

	<p>The objective is to increase the number of councils using the solution, and the breadth of the solution in use.</p>	<p>For the remainder of this year the focus will be on fully establishing the programme and planning the implementation schedule for the 9 participating councils.</p>
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GR...

Financial Statements | Ngā Tauākī Pūtea

Regional Software Holdings Limited For the year ended 30 June 2023

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

Audit of the Performance Report

In the prior year, Parliament 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 was to allow audits to be completed without compromising audit quality.

The previous extension of timeframes does not apply to this Annual Report.

Registered Office

C/- O'Fee Next Level Accounting

PO Box 1007, Palmerston North

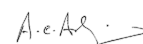
Auditors

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

Directors

The directors appointed for the period that this Performance Report covers were:

Mike Nield (Chairperson)	Taranaki Regional Council
John Crane	Waikato Regional Council (until 23 February 2023)
Janine Becker	Waikato Regional Council (from 23 February 2023)
Malcolm Nicolson	Northland Regional Council (until 24 August 2022)
Bruce Howse	Northland Regional Council (from 24 August 2022)
Ged Shirley	Horizons Regional Council
Jane Carroll	Southland Regional Council (until 24 August 2022)
Amy Kubrycht	Southland Regional Council (from 24 August 2022 until 23 February 2023)
Wilma Falconer	Southland Regional Council (from 23 February 2023)
Heather Mabin	West Coast Regional Council (until 23 February 2023)
Fiona McTavish	Bay of Plenty Regional Council (from 23 February 2023)
Asbjorn Aakjaer	Independent Director
Bruce Robertson	Independent Director (From 23 February 2023)




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
Bruce Howse	Northland Regional Council	Group Manager, Corporate Services of Shareholding Council
Fiona McTavish	Bay of Plenty Regional Council BOPLASS Limited McTavish-Huriwai Investments Limited Quayside Holdings Limited Quayside Securities Limited Quayside Properties Limited	Chief Executive of Shareholding Council Director Director & Shareholder Director Director Director
Janine Becker	Waikato Regional Council	Director, Finance & Business Services of Shareholding Council
Mike Nield	Taranaki Regional Council Taranaki Stadium Trust	Director, Corporate Services of Shareholding Council Trustee
Ged Shirley	Horizons Regional Council	General Manager, Regional Services & Information of Shareholding Council
Wilma Falconer	Southland Regional Council Project Partners Limited	Chief Executive of Shareholding Council Director of Project Partners Limited (jointly owned company with husband)
Asbjorn Aakjaer	Negotiate Limited Aakjaer Trustee Company 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 Director & Shareholder Director & Shareholder Director & Shareholder
Bruce Robertson	R Bruce Robertson Limited <u>Local Authorities:</u> Auckland Council Hamilton City Council Thames-Coromandel District Council Waipa District Council Waitomo District Council	Director and Shareholder (consulting and advisory services). Through this business have a range of local authority and central government clients providing generally one off support and services, although sometimes over an extended time period. Audit & Risk Committee Chair (retiring October 2023) Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair Audit & Risk Committee Chair



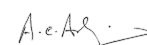
Taupo District Council	Audit & Risk Committee Chair (commenced 2023)
Bay of Plenty Regional Council	Audit & Risk Committee Deputy Chair
Tauranga City Council	Member of Strategy, Finance & Risk Committee
Gisborne District Council	Audit & Risk Committee Chair
Napier City Council	Audit & Risk Committee Chair
South Wairarapa District Council	Audit & Risk Committee Chair (commenced 2023)
Wellington City Council	Audit & Risk Committee Chair
Timaru District Council	Audit & Risk Committee Chair
Invercargill City Council	Audit & Risk Committee Chair
Southland District Council	Audit & Risk Committee Chair
Ministry of Primary Industries (MPI)	Audit & Risk Committee Chair

The following directors received the following payments throughout the year:

A Aakjaer - \$33,000 (Last Year: \$33,000) for independent director services.

B Robertson - \$9,208 (Last Year: Nil) for independent director services.

The other directors are paid through their respective Councils.




Statement of Comprehensive Revenue and Expense | Te Tauākī Matawhānui mō te Moniwhiwhi me ngā Whakapaunga

Regional Software Holdings Limited
For the year ended 30 June 2023

	NOTES	2022-23	2022-23 SOI	2021-22
Revenue				
Regional Sector Shared Services	2	8,904,518	2,800,656	3,635,230
Member Contributions	2	4,902,541	1,646,289	1,271,390
Other revenue	2	298,331	128,715	478,942
Interest	2	38,626	600	3,254
Total Revenue		14,144,016	4,576,260	5,388,817
Expenses				
Administration Costs	3	105,248	101,970	66,222
Audit and Legal Fees	1	93,683	85,000	116,722
Datacom Support Services		193,129	275,340	225,397
Environmental Charges		23,316	63,768	20,480
External Contractors		3,039,453	170,000	595,447
External Directors Fees		42,728	37,000	33,647
Management Fees		-	-	143,578
Other Direct Software Expenses		424,203	490,682	472,182
Personnel costs		843,340	778,000	302,370
Promotional costs		3,933	84,000	506
Regional Sector Shared Services		4,953,973	2,128,000	3,715,467
Travel and Meeting Costs		120,022	34,500	13,563
Depreciation Expense	6	1,132	-	-
Amortisation Expense	7	989,043	979,556	977,272
Total Expenses		10,833,202	5,227,816	6,682,854
Surplus/(Deficit) before Tax		3,310,814	(651,556)	(1,294,037)
Income Tax				
Tax Expense	10	725,888	-	(118,839)
Total Income Tax		725,888	-	(118,839)
Total Comprehensive Revenue and Expense		2,584,925	(651,556)	(1,175,198)

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 the notes.

A. e. A. >

G. P. >

Statement of Financial Position | Te Tauākī mō te Āhua o te Pūtea

Regional Software Holdings Limited As at 30 June 2023

	NOTES	2022-23	2022-23 SOI	2021-22
Assets				
Current Assets				
Cash and Cash Equivalents		5,851,788	899,799	1,560,358
Receivables and Prepayments	5	2,180,386	-	1,378,096
Goods and Services tax		-	-	79,896
Income Tax Receivable		11,971	-	1,156
Total Current Assets		8,044,146	899,799	3,019,506
Non-Current Assets				
Property, Plant & Equipment	6	7,826	2,111,430	-
Intangible Assets	7	1,601,459	-	2,581,597
Total Non-Current Assets		1,609,285	2,111,430	2,581,597
Total Assets		9,653,431	3,011,229	5,601,103
Liabilities				
Current Liabilities				
Payables and Deferred Revenue	8	1,838,018	-	1,411,215
Employee Entitlements	9	51,977	-	20,088
Goods and Services Tax		282,823	-	-
Total Current Liabilities		2,172,818	-	1,431,304
Non-Current Liabilities				
Loans		-	-	-
Deferred Tax Liability		725,888	-	-
Total Non-Current Liabilities		725,888	-	-
Total Liabilities		2,898,706	-	1,431,304
Net Assets		6,754,725	3,011,229	4,169,800
Equity				
Contributed Capital		5,149,150	5,149,150	5,149,150
Accumulated Funds		1,605,575	(2,137,922)	(979,350)
Total Equity		6,754,725	3,011,229	4,169,800

A. e. A. G. →

G. P. D. →

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated

Statement of Changes in Equity/Net Assets | Te Tauākī mō ngā Panonitanga o te Whai Tūtanga/ngā Huarawa More

Regional Software Holdings Limited For the year ended 30 June 2023

	2022-23	2022-23 SOI	2021-22
Equity			
Opening Balance	4,169,800	3,662,784	5,344,998
Total Comprehensive Revenue and Expense for the year	2,584,925	(651,556)	(1,175,198)
Balance at 30 June	6,754,725	3,011,229	4,169,800
Total Comprehensive Revenue and Expense Attributable to			
Regional Software Holdings Ltd	2,584,925	(651,556)	(1,175,198)

A. e. A. g. →
P. d. f.

Statement of Cash Flows | Te Tauākī mō ngā Kapewhiti

Regional Software Holdings Limited For the year ended 30 June 2023

	2022-23	2022-23 SOI	2021-22
Cash Flows from Operating Activities			
Receipts from Members and Non-Members	5,015,316	4,575,660	1,494,645
Interest Received	38,626	600	3,254
ReCoCo Income	8,290,390	-	4,467,814
Other Income	173,962	-	146,979
Income tax received/(paid)	(10,815)	-	(805)
Payments to suppliers and employees	(9,508,806)	(4,248,260)	(5,160,529)
GST	309,251	-	(3,933)
Total Cash Flows from Operating Activities	4,307,923	328,000	947,425
Cash Flows from Investing and Financing Activities			
Proceeds from loans borrowed from other parties	-	-	-
Payments to acquire property, plant and equipment	(7,589)	(328,000)	-
Payments to purchase intangibles	(8,905)	-	(72,994)
Total Cash Flows from Investing and Financing Activities	(16,494)	(328,000)	(72,994)
Net Increase/ (Decrease) in Cash	4,291,430	-	874,431
Cash Balances			
Cash and cash equivalents at beginning of period	1,560,358	899,799	685,927
Cash and cash equivalents at end of period	5,851,788	899,799	1,560,358
Net change in cash for period	4,291,430	-	874,431

A. e. A. g. >

P. D. >

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated

Notes to the Financial Statements | Tuhinga Āpiti ki Te Ngā Tauākī Pūtea

Regional Software Holdings Limited For the year ended 30 June 2023

1. Statement of Accounting Policies | Te Tauākī mō ngā Kaupapa Here Mahi Kaute

Reporting Entity

Regional Software Holdings Limited (RSHL) was incorporated 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.

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.

RSHL has no subsidiaries or joint ventures.

Entity Structure

In November 2022 the company was restructured. A new constitution and shareholders agreement were adopted.

At the beginning of the period the Company comprised of a Board of seven Directors. The Board oversees the governance of RSHL. The Board is accountable to its shareholders for the financial and non-financial performance of the company. In addition, there is a Chief Executive who is responsible for the day-to-day operations of RSHL and reports to the Board.

Each of the six shareholder entities were entitled to separately appoint one director each, and one independent director was appointed by the Board.

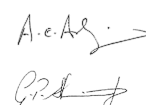
Following the restructure of RSHL into the Te Uru Kahika Shared Services organisation the company has a board of 8 directors, comprised of 6 council representatives and two independent directors.

RSHL directors are elected and retire by rotation. The process to elect an inaugural board for the new entity concluded at a special general meeting on 23 February 2023.

At the time of formation, the company issued 10,000 shares to its shareholders based on a previously agreed sizing formula.

As part of the restructure of the Company and adoption of a new shareholders' agreement and constitution the Company:

- Issued a single Class A "Controlling" Share to each existing shareholder of the Company.
- Created a Class B shareholding which will hold the ownership rights over IRIS classic asset. All Ordinary Shares in the Company were converted to Class B Shares. This enabled the founding shareholders to retain their rights and ownership of the IRIS asset and to reduce the impact of the transition to the new shareholding.
- Issued a single Class A share to Bay of Plenty Regional Council, Gisborne District Council and Hawkes Bay Regional Council on completion of the necessary processes and documents.



The shareholding of the Company as at 30 June 2023 is as follows:

Organisation	Class A (Control) Shares	Class B (IRIS) Shares
Waikato Regional Council	1	3,275
Northland Regional Council	1	1,675
Horizons Regional Council	1	1,550
Taranaki Regional Council	1	1,550
Southland Regional Council	1	1,550
West Coast Regional Council	1	400
Bay of Plenty Regional Council	1	-
Gisborne District Council	1	-
Hawkes Bay Regional Council	1	-

The shareholdings changed during the year in line with the Company Constitution November 2022 and the Shareholders Agreement November 2022. The opening 10,000 shares (fully paid up) were re-designated Class B Shares representing the original Shareholders' funding contribution towards the development of the IRIS Software. 9 new Class A Shares were issued during the year for fair value of \$1 per share. The total number of shares at 30 June 2023 is 10,009 (2022: 10,000).

The financial statements are those of RSHL, for the twelve months ended 30 June 2023, and were authorised for issue by the Board of Directors on 31 January 2024.

Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

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 (NZ GAAP).

These financial statements and service performance information have been prepared in accordance with and comply with PBE Standards RDR. RSHL is eligible and has elected to apply the PBE Standards RDR because its expenses are less than \$30 million and it does not have public accountability as defined by XRB A1 Application of the Accounting Standards Framework.

RSHL transitioned to PBE Standards RDR in the year ended 30 June 2022, as stipulated in XRB A1, because total annual expenditure exceeded \$2,000,000 in 2019/20 and 2020/21. RSHL had previously elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) up to 30 June 2021.

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars (NZ 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

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Foreign Currency Transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ\$ (the functional currency) using the spot exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

Goods and Services Tax

Items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST-inclusive basis. Where GST 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 received 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.

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 eight staff members were employed by RSHL (last year there were two).

Remuneration Bracket	2022-23	2021-22
Up to 100,000	5	0
100,000 - 110,000	0	0
110,000 - 120,000	0	0
120,000 - 130,000	1	0
130,000 - 140,000	0	0
140,000 - 150,000	1	1
150,000 - 160,000	0	0
160,000 - 170,000	0	0
170,000 - 180,000	0	0
180,000 - 190,000	1	1

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	2022-23	2021-22
Fees to Auditors		
Fees to Audit NZ for audit of the financial statements and performance information	44,267	11,380
Fees to Audit NZ for other services	-	-
Total Fees to Auditors	44,267	11,380

Donations made in the period: none (last year: none).

2. Revenue

Accounting Policy

The specific accounting policies for significant revenue items are explained below:

Revenue is recognised depending on whether the revenue is from exchange or non-exchange transactions.

Exchange Revenue

Exchange revenue from the rendering of services is recognised by reference to the stage of completion of the services.

Other Revenue

Other Revenue includes Consulting Services, and Council Specific Funding (for software and Subscriptions). RSHL recognises revenue from these services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on the work performed or the stage of completion of the subscription period.

Investment Revenue

Interest revenue is recorded as it is earned.

Non-Exchange Revenue

Non-exchange revenue is recognised when it becomes receivable, unless there is a substantive use or return condition attached to the funding for non-performance. If there is a substantive use or return condition, revenue is deferred and recognised as revenue only upon satisfying the condition of the funding.

Non-exchange transactions are those where RSHL receives value from another entity (e.g. cash or other assets) without giving approximately equal value in exchange. Inflows of resources from non-exchange transactions, other than services in-kind, that meet the definition of an asset are recognised as an asset only when:

- It is probable that RSHL will receive an inflow of economic benefits or service potential; and
- The fair value of can be measured reliably.

Inflows of resources from non-exchange transactions that are recognised as assets are recognised as non-exchange revenue, to the extent that a liability is not recognised in respect to the same inflow.

Liabilities are recognised in relation to inflows of resources from non-exchange transactions when there is a resulting present obligation as a result of the non-exchange transactions, where both:

- It is probable that an outflow of resources embodying future economic benefit or service potential will be required to settle the obligation, and
- The amount of the obligation can be estimated reliably.

Members Contributions and Regional Sector Shared Services

The revenue from Members Contributions and Regional Sector Shared Services is all regarded as non-exchange revenue and recognised when it becomes receivable as there is no economic consequences of delivery outlined in the agreements.

Refer Statement of Service Performance (page 5) for further details of all revenue-generating Activities.

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	2022-23	2021-22
Members Contributions		
Members Contributions as per SOI	4,902,541	1,211,619
Shared Licence Funding	-	59,771
Total Members Contributions	4,902,541	1,271,390

Members contributions include \$4,332,237 income from the shareholder councils as described in note 13. Members contributions from non-shareholder councils total \$570,304.

	2022-23	2021-22
Other Income		
Consulting Services	188,293	155,223
Recovery of Other Direct Software Expenses	110,038	66,589
User Funding - Hawkes Bay Regional Council	-	156,931
Recoco Contribution to Overheads	-	100,199
Total Other Income	298,331	478,942

3. Expenses

Accounting Policy

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.

	2022-23	2021-22
Administration Expenses		
Accounting & Technical Support	90,542	59,379
Administration Costs	11,455	4,121
Bank Fees	383	372
Insurance	2,868	2,350
Total Administration Expenses	105,248	66,222

4. Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents include cash on hand, on demand or call deposits, and other short-term investments with original maturities of three months or less, and bank overdrafts.

	2022-23	2021-22
Cash and cash equivalents		
Business Online Saver	283,807	280,577
Credit Card - Mark Donnelly	(1,191)	(290)
Current Account	5,569,171	1,280,071
Total Cash and cash equivalents	5,851,788	1,560,358

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5. Receivables

Accounting Policy

Short-term receivables are recorded at the amount owed, less an allowance for credit losses. RSHL applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectations of recovery. Indicators that there is no reasonable expectations of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

	2022-23	2021-22
Receivables and Prepayments		
Accounts Receivable	2,103,265	1,315,336
Prepayments	77,121	62,760
Total Receivables and Prepayments	2,180,386	1,378,096

6. Property, Plant and Equipment

Accounting Policy

Property, plant, and equipment consists of the following asset classes: Computer Hardware.

All asset classes are measured at cost, less accumulated depreciation, and impairment losses.

Individual assets, or group of assets, are capitalised if their cost is greater than \$5,000.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment, other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

The useful life and associated depreciation rate for computer hardware is between 50% and 67%.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

Impairment and Impairment Reversals (Cash-Generating Assets)

Property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to its recoverable amount. For revalued assets, the impairment loss is recognised in other comprehensive revenue and expense and decreases the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in depreciation and amortisation expense in the statement of comprehensive revenue and expense.

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The reversal of an impairment loss on a revalued asset is recognised in other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of an impairment loss is also recognised in surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in depreciation and amortisation expense in the statement of comprehensive revenue and expense.

	Computer Hardware	Total
Balance as at 1 July 2021	-	-
Additions	-	-
Disposals (net accumulated depreciation)	-	-
Depreciation Expense	-	-
Balance as at 30 June 2022	-	-
Balance as at 1 July 2022	-	-
Additions	8,958	8,958
Disposals (net of accumulated depreciation)	-	-
Depreciation Expense	(1,132)	(1,132)
Balance as at 30 June 2023	7,826	7,826

7. Intangible Assets

Accounting Policy

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the costs of services, software development employee costs, and an appropriate portion of relevant overheads.

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.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs of software updates or upgrades are capitalised only when they increase the usefulness or value of the software. Costs associated with development and maintenance of the RSHL website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

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Acquired computer software 10 years 10%

Internally developed computer software 10 years 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 Comprehensive Revenue and Expense. This change in value will be the difference between the carrying value of the original item and its fair value.

Cash-generating assets and non-cash generating assets are distinguished by whether or not the primary objective of holding the assets is to generate a commercial return. RSHL has assessed that it has no non-cash-generating assets.

Impairment and Impairment Reversals (Cash-Generating Assets)

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, irrespective of whether there is any indicator of impairment.

For further details, refer to the policy for impairment of property, plant, and equipment in Note 6. The same approach applies to the impairment of intangible assets.

Under International Public Sector Accounting Standards (IPSAS) 31 and 26 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 26 and considers it likely that on or about 30 June 2027 the current IRIS software platform and attendant e-learning software will be discontinued with no residual value. On this consideration the current IRIS asset and attendant e-learning software has been impaired in 2021 and then further impaired in 2022, but with no further impairment identified in 2023.

Therefore all impaired software assets will be amortised on a straight-line basis at variable rates so as to have a nil residual value on 30 June 2027 (no change since last year).

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

The impairment adjustment from the 2021 and the 2022 years will form part of the amortisation expense until 30 June 2027 in the statement of comprehensive revenue and expense.

	E-Learning Software	IRIS Software Intellectual Property	Total
Balance as at 1 July 2021	26,933	3,458,942	3,485,875
Additions	-	72,994	72,994
Disposals (net accumulated amortisation)	-	-	-
Amortisation Expense	(4,491)	(972,781)	(977,272)
Balance as at 30 June 2022	22,442	2,559,155	2,581,597
Balance as at 1 July 2022	22,442	2,559,155	2,581,597
Additions	-	-	-
Disposals (net of accumulated amortisation)	-	-	-
Amortisation Expense	(4,491)	(984,552)	(989,043)
Balance as at 30 June 2023	17,951	1,574,603	1,592,554

At 30 June 2023 the work in progress value of the IRIS Asset is \$Nil. The work in progress written off has been included in other direct software expenses.(30 June 2022: \$Nil with \$72,94 capitalised during the year and \$Nil written off during the year).

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

8. Payables and Deferred Revenue

Short term payables are measured at the amount payable.

	2022-23	2021-22
Payables and Deferred Revenue		
Accounts Payable	1,712,558	1,361,903
Accrued Expenses	40,410	28,392
Income Received in Advance	85,050	20,920
Total Payables and Deferred Revenue	1,838,018	1,411,215

9. Employee Entitlements

Accounting Policy

Employee entitlements that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees provide the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, and annual leave earned to but not yet taken at balance date.

Annual leave expected to be settled within 12 months of balance date are classified as a current liability.

	2022-23	2021-22
Employee Entitlements		
Wages Payable	19,319	6,046
Leave Liability	32,657	14,042
Total Employee Entitlements	51,977	20,088

10. Income Tax

Accounting Policy

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

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

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

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

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



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

	2022-23	2021-22
Income Tax		
Components of Tax Expense		
Current Tax	-	-
Deferred Tax	725,888	(118,839)
Tax Expense	725,888	(118,839)
Net surplus/ (deficit) before tax	3,310,814	(1,294,037)
Tax at 28%	927,028	(362,330)
Plus / (less) tax effect of:		
Non-Deductible Expenditure	9,874	32,477
Effect of changes in recognised tax losses	(211,014)	211,014
Tax Expense	725,888	(118,839)

Deferred tax assets/(liabilities)	Tax losses	Property, plant and equipment	Deferred revenue	Other temporary differences	Total
Balance at 1 July 2021	1,187,061	(848,155)	(463,005)	5,260	(118,839)
Charged to surplus or deficit	(83,545)	178,060	22,466	1,858	118,839
Charged to other comprehensive revenue and expense	-	-	-	-	-
Balance at 30 June 2022	1,103,516	(670,095)	(440,539)	7,118	-
Charged to surplus or deficit	56,528	240,829	(1,035,640)	12,395	(725,888)
Charged to other comprehensive revenue and expense	-	-	-	-	-
Balance at 30 June 2023	1,160,044	(429,266)	(1,476,179)	19,513	(725,888)

The Company has gross tax losses available to carry forward of \$4,143,014 (2022: \$4,694,750). Tax losses have been recognised to the extent they are offset by deferred tax liabilities \$4,143,014 (2022: \$3,941,129). A deferred tax asset has not been recognised in relation to tax losses in 2022: \$753,617.

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11. Equity

Accounting Policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as contributed capital and accumulated surplus.

	2022-23	2021-22
Equity		
Contributed Capital		
Balance at 1 July	5,149,150	5,149,150
Capital Contribution	-	-
Balance at end of period	5,149,150	5,149,150
Accumulated Surplus		
Balance at 1 July	(979,350)	195,848
Surplus/(deficit) for the year	2,584,925	(1,175,198)
Balance at end of period	1,605,575	(979,350)
Total Equity	6,754,725	4,169,800

12. Contingent Liabilities and Guarantees

There are no contingent liabilities or guarantees as at 30 June 2023 (Last year - nil).

13. 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 (excluding GST):

Shareholder	2022/23	2021/22	Description of Services
Waikato Regional Council	93,765	142,808	Management Services - IRIS PMO Manager
Waikato Regional Council	33,006	7,338	Reimbursement for travel booked by WRC on behalf of RSHL
Waikato Regional Council	1,464	-	Purchase of laptop for staff member
Waikato Regional Council	-	49,000	Reimbursement for staff member seconded to the sector farm platform project. Funded from the SFMS.
Horizons Regional Council	51,001	147,751	Reimbursement of Regional Sector Office Costs, funded from the SFMS.
Horizons Regional Council	4,177	-	Reimbursement for travel booked by HRC on behalf of RSHL
Taranaki Regional Council	-	11,331	Reimbursement for staff member seconded to the IRIS NextGen project.
Taranaki Regional Council	-	737	Reimbursement for travel for staff member seconded to the IRIS NextGen project



Taranaki Regional Council	290	-	Reimbursement for Te Uru Kahika Mayors/Chairs induction dinner cost, funded from the SFMS
Taranaki Regional Council	5,270	-	Admin costs for Biosecurity Working Group
Bay of Plenty Regional Council	507,892	-	Reimbursement for BioControl Programme
Bay of Plenty Regional Council	37,240	-	Reimbursement of costs Practices, Methodologies and Standards NZ River Managers SIG
Hawkes Bay Regional Council	78,254	-	River Managers SIG Professional Development Programme expenditure

Revenue of \$4,902,541 was received from the shareholder councils as member contribution in the year ended 30 June 2023 as outlined in note 2 (2022: \$1,211,619)

Member contributions were received as follows:

Shareholder	2022/23	2021/22
Waikato Regional Council	1,054,691	446,833
Bay of Plenty Regional Council	655,945	-
Horizons Regional Council	594,653	217,482
Hawkes Bay Regional Council	544,566	-
Northland Regional Council	544,566	164,616
Taranaki Regional Council	445,059	164,616
Southland Regional Council	445,057	164,616
West Coast Regional Council	47,702	53,455

As at 30 June 2023 \$368,074 (2022: \$317,949) was owed to RSHL by Member Councils and \$425,474 (2022: 152,998) was owed by RSHL to Member Councils.

2022-23 2021-22

Key Management Personnel Compensation

Senior Management Team, including the Chief Executive



Total full-time equivalent personnel	5	2
Remuneration	570,141	284,065

14. Events After Balance Date

There are no significant events after balance date (2022: Nil).

15. Financial Instruments

PBE IPSAS 41 replaces PBE IFRS 9 Financial Instruments and is effective for the year ending 30 June 2023. RSHL has assessed that there will be little change as a result of adopting the new standard as the requirements are similar to those contained in PBE

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IFRS 9. The carrying amounts of financial assets and liabilities in each of the PBE IPSAS 41 financial instrument categories are as follows:

	2022-23	2021-22
Financial assets measured at amortised cost		
Cash and cash equivalents	5,851,788	1,560,358
Receivables (excluding taxes receivable)	2,138,546	1,378,096
Total Financial assets measured at amortised cost	7,990,334	2,938,454
	2022-23	2021-22
Financial liabilities measured at amortised cost		
Payables (excluding income in advance and taxes payable)	1,730,243	1,381,741
Total Financial liabilities measured at amortised cost	1,730,243	1,381,741

Financial Instrument Risks

RSHL's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. RSHL has policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from recognised liabilities, which are denominated in a foreign currency. RSHL has low exposure to currency risk because it does not have significant overseas liabilities.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates. RSHL has exposure to interest rate risk because it has interest-bearing bank accounts, but is not reliant on interest income for maintaining liquidity.

Credit risk

Credit risk is the risk that a third party will default on its obligation to RSHL, causing RSHL to incur a loss. In the normal course of its business, credit risk arises from receivables, and deposits with banks.

These entities have high credit ratings. For its other financial instruments, RSHL does not have significant concentrations of credit risk.

RSHL's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, receivables, and derivative financial instrument assets. There is no collateral held as security against these financial instruments.

Although cash and cash equivalents as at 30 June 2023 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is trivial.

RSHL has deposited funds only with Westpac (Standard & Poor's credit rating of AA-), a registered bank.

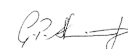
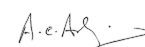
Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that RSHL will encounter difficulty raising liquid funds to meet commitments as they fall due. As part of meeting its liquidity requirements, RSHL closely monitors its forecast cash requirements. RSHL maintains the level of available cash to meet liquidity requirements and to meet liabilities as they fall due.

16. Breach of Sections 67(1) and 69 of the Local Government Act 2002

RSHL was required under section 67(1) and 69 of the Local Government Act 2002 to complete its audited financial statements and service performance information by 30 September 2023. This timeframe was not met.


17. Explanations of Major Variances Against Budget

Statement of Financial Performance	Actual	Budget	Variance	Explanation
Regional Sector Shared Services Revenue	8,904,518	2,800,656	6,103,862	Te Uru Kahika did not finalise the SFMS budget until August 2022. As such the budget figure for FY23 was based on the FY22 figure. The shared services revenue budget was set in August 2022 at \$3.3M. In fact \$3.6M was collected from councils. Additional funding was collected for Intensive Winter Grazing Analysis and other Spatial Programmes. In addition, MFE provided over \$2M in funding of the Essential Freshwater Programme and \$3m in funding for the East Coast Lidar Programme.
Member Contributions	4,902,541	1,646,289	3,256,252	Member contributions included \$3.7M for IRIS NextGen. The original budget included only \$0.4M for IRIS NextGen in FY23. This matches the variance.
Interest	38,626	600	38,026	RSHL held significant cash reserves for much of the year because of lump-sum funding received from MFE and timing variances on expenditure for major programmes. Interest was allocated to programmes using the overheads model.
Audit and Legal Fees	93,683	85,000	8,683	Budgeted figure included \$20K for HR Consultancy costs, which have been included under personnel costs. Expenditure included \$12K for review of IRIS NextGen legal documents, this was funded by the IRIS NextGen Programme.
Datacom Support Services	193,129	275,340	(82,211)	These are charges for support of the IRIS product. Less support was required than budgeted.
Environmental Charges	23,316	63,768	(40,452)	Budgeted figure included \$40K for hosting of EMAR and LAWA, which has been allocated under regional sector shared services expenses.
External Contractors	3,039,453	170,000	2,869,453	Budgeted figure did not include IRIS NextGen Programme costs as the programme was not approved until November 2022.
Other Direct Software Expenses	424,203	490,682	(66,479)	WRC cancelled it's Cognise subscription, resulting in a \$20K reduction in expenditure, while IRIS Development costs were also underspent by \$40K.
Personnel costs	843,340	778,000	65,340	Te Uru Kahika added additional hours for Sector Office Staff and staff costs were more than budgeted due to additional processing and compliance costs.
Promotional costs	3,933	84,000	(80,067)	Budgeted figure included \$68K for EMAR and LAWA which has been allocated to regional sector shared services expenses.

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Statement of Financial Performance (cont.)	Actual	Budget	Variance	Explanation
Regional Sector Shared Services Expenses	4,953,973	2,128,000	2,825,973	Te Uru Kahika did not finalise the SFMS budget until August 2022. As such the budget figure for FY23 was based on the FY22 figure. The shared services expenditure budget was set in August 2022 at \$3.3M. The additional expense in the SFMS was for the INFDP Project (funded by MfE), Essential Freshwater, Intensive Winter Grazing Analysis and Spatial Projects.
Travel and Meeting Costs	120,022	34,500	85,522	Variations. IRIS NextGen travel costs of \$14K were unbudgeted because the the programme was not approved until November. Te Uru Kahika, had travel costs of \$91K across all programmes against a budget of \$13K. This is because most Te Uru Kahika travel expenses were not explicitly budgeted for and were "rolled up" into project budgets.
Taxation Expense	725,888	-	725,888	Deferred tax was not budgeted for due to the budgeted loss.

Statement of Financial Position	Actual	Budget	Variance	Explanation
Cash and cash equivalents	5,851,788	899,799	4,951,989	At year end RSHL holds substantial cash reserves on behalf of work programmes, including \$3M for the East Coast LIDAR Programme and unspent funds for IRIS, IRIS NextGen and the SFMS.
Accounts Receivable and Accruals	2,180,386	-	2,180,386	Accounts Receivable are not provided for in the budget.
Property, Plant & Equipment and Intangible Assets	1,609,285	2,111,430	(502,145)	Budgeted Capital Expenditure for IRIS in FY22 and FY23 was expensed, following advice. Accordingly the value of the IRIS software asset is less than budgeted.
Payable and Accruals	1,838,018	-	1,838,018	Accounts Payable was not provided for in the SOI budget.


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Independent Auditor's Report

To the readers of Regional Software Holdings Limited's financial statements and performance information for the year ended 30 June 2023

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

Opinion

We have audited:

- the financial statements of the company on pages 23 to 41, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expense, statement of changes in equity/net assets and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 15 to 19.

In our opinion:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2023.

Our audit was completed on 31 January 2024. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 14 and 20 to 22, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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



Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand