



Council
Collaboration
Into Action

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30 June 2022

RE : RSHL Statement of Intent 2022-23

Regional Software Holdings Limited is pleased to present its confirmed Statement of Intent 2022-23.

The Statement of Intent is required to be received by shareholder councils by 30 June 2022.

RSHL is at a transitional point in its history with two significant changes ahead. First is the transition to a regional sector shared services organisation and the second is the transition from IRIS to IRIS NextGen. Both initiatives are a work-in-progress and the outcome for each is not fully confirmed.

This situation has made the development of the Statement of Intent complex and required us to make some assumptions.

Rest assured, the Board of RSHL is committed to regular communication and engagement with shareholders as we work through the challenges ahead of us.

Last year's Statement of Intent signalled the creation of a Regional Sector shared services organisation, with a shareholding including most regional councils and unitary authorities. This Statement of Intent reflects the realisation of this vision, including a revised shareholding, and realignment of the activities of the company.

IRIS Next Generation

The draft statement of intent included budget provisions for the implementation of IRIS Next Generation. This is a significant multi-year commitment for participating councils.

For the IRIS NextGen Programme, the financial result was a loss is \$3.1M. It was intended that these costs be serviced by borrowings. The benefit of this approach is to smooth costs and provide financial consistency to councils.

The feedback from some shareholders was they were concerned about the level of debt reflected in the budget and the lack of a corresponding asset. A number of councils have also indicated that they will borrow or self-finance themselves rather than have RSHL borrow for them. The board have heard these concerns and as a result, have chosen to remove most of the costs and debt for IRIS NextGen from the SOI budget for now.

This activity is subject to the collective agreement of the councils participating in the IRIS NextGen Programme. Please note that the IRIS NextGen Programme will not proceed without the long-term financial commitment of the participating councils including how each council will fund their contribution.

The full budget for IRIS NextGen including confirmed costs, borrowing (if any), funding arrangements, and assets will be presented to the board for approval once confirmed. This will be fully communicated with shareholding and participating councils alike.

As the approach to the delivery and funding of IRIS NextGen is refined, the accounting approach will also develop. There may well be an element of capital expenditure, as opposed to the total operating expenses assumption provided for in the draft Statement of Intent. This would have a positive impact on both the operating deficit and the projected balance sheet. This will be reflected in the revised programme budget.

To give councils more clarity around the long-term financial picture for IRIS NextGen we will provide a 10-year financial projection for the programme.

IRIS

For the IRIS Programme the financial result is an operating loss of \$545K, this reflects the depreciating value of the investment in the original IRIS product. As noted in the 2020/21 annual report this is planned and not a cause for concern. Reinvestment in the legacy IRIS product is not continuing at sufficient levels to cover depreciation as the product nears the end of its life and the company looks to reinvest in IRIS NextGen. Budgeted cash balances remain healthy as the losses are resulting from depreciation rather than trading activities.

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The following drivers and principles have been applied to the SOI and budgets:

- Clear separation into activities, each with clearly defined funding streams.
- Fair allocation of overheads between activities.
- CPI increases in funding for IRIS.

RSHL is operating in a dynamic and transitional environment, while growing to reach its vision as a collaboration and shared services vehicle for the regional sector. The board of RSHL understands the need to carefully guide the organisation through this period of growth and change, while maintaining the stability of benefits and cost that shareholder have received for nearly a decade.

We thank you for your continued support.

Yours sincerely



Mike Nield
Chairperson