

**Statement of  
Performance  
Expectations  
Tauākī o Ngā  
Kawatau  
Whakatutuki  
Mahi**

2024–2025

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Presented to the House of Representatives  
Pursuant to section 139 of the Crown Entities Act 2004

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# 1. Statement of authorisation – **Tauāki whakamana**

This Statement of Performance Expectations (SPE) is presented to the House of Representatives in accordance with the Crown Entities Act 2004.

This SPE sets out our proposed performance targets and financial budget for the financial year 1 July 2024 to 30 June 2025. It is produced in accordance with section 149(E) of the Crown Entities Act 2004 and should be read together with our Statement of Intent 2024–2028.

The prospective financial statements and underlying assumptions in this document have been authorised as appropriate for issue by our Board in accordance with its role under the Crown Entities Act 2004.

REA is responsible for the preparation of this SPE, including the prospective financial statements and the assumptions on which they are based and the non-financial performance measures.



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**Denese Bates KC**  
Chair  
Real Estate Authority  
19 June 2024

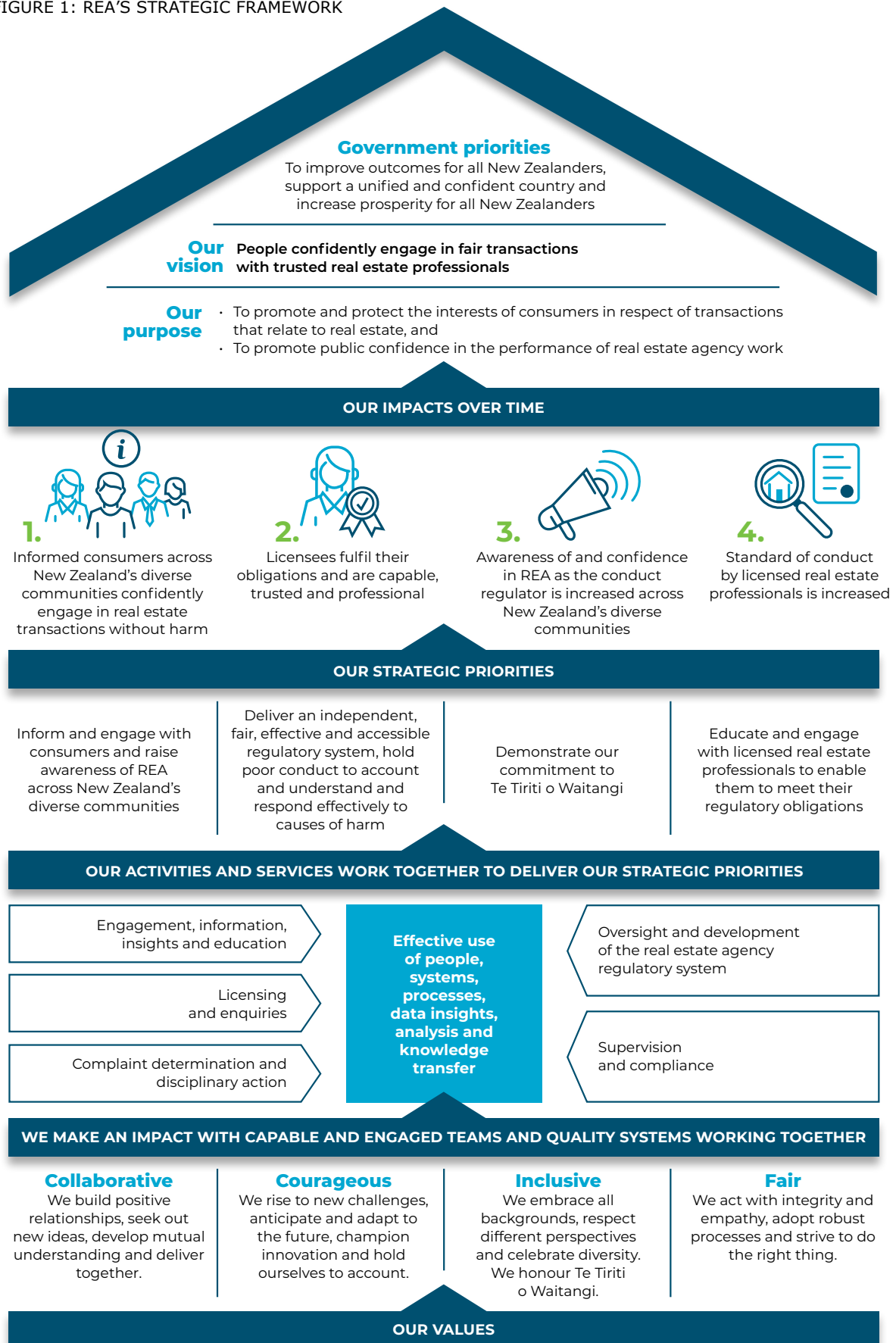


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**Vern Walsh**  
Chair  
Audit and Risk Committee  
19 June 2024

## 2. Strategic framework – Te anga rautaki

FIGURE 1: REA'S STRATEGIC FRAMEWORK



### **3. Introduction – Tīmatanga kōrero**

This Statement of Performance Expectations (SPE) is one of two documents that set out how we will measure our performance and report on the progress of that performance against our targets.

The other document is our Statement of Intent 2024–2028 (SOI), which offers a longer-term view of the progress made towards achieving our strategic priorities.

We will report on how we have performed against these targets in the 2024/25 Annual Report.

#### ***REA's role and function***

The Real Estate Agents Authority, operating as the Real Estate Authority – Te Mana Papawhenua (REA), is a Crown agent established under the Real Estate Agents Act 2008. We work to promote and protect the interests of consumers in real estate transactions and to promote public confidence in the performance of real estate agency work. We are governed by an independent Board, and our staff team is led by our Chief Executive.

We are the real estate industry conduct regulator responsible for licensing and regulating real estate salespeople, branch managers and agents, raising industry standards and providing accountability to those standards by overseeing a complaints and disciplinary process that is independent, transparent and effective. We set and uphold high professional standards of conduct expected from licensed real estate professionals (licensees) through rules, standards and guidelines and oversee a Code of Conduct. We oversee a programme for continuing professional development for all licensees to ensure they maintain the level of skill and knowledge expected from a regulated profession. We also develop consumer information on matters relating to real estate transactions and issue guides on agency agreements and sale and purchase agreements. We host the consumer information website [settled.govt.nz](http://settled.govt.nz).

REA does not receive government funding. Our revenue is derived from levies paid by licensees, fines ordered by the independent Complaints Assessment Committees (CACs) and the Real Estate Agents Disciplinary Tribunal (Tribunal), and other sources as detailed in the notes to our forecast financial statements.

#### ***Contribution to Government priorities***

REA supports the Government priorities to deliver positive outcomes for all New Zealanders, support a unified and confident country and to increase prosperity for all New Zealanders.

REA contributes to the Government's priorities through supporting integrity and public trust in the real estate sector.

We promote and protect the interests of New Zealanders who purchase and sell property by providing valuable information and guidance, by increasing professionalism and by licensing and enforcing standards in the real estate industry to help reduce consumer harm.

This means that we are focused on ensuring that consumers engaging in real estate transactions have the information they need to make sound decisions. Providing an effective regulatory system and supporting licensees to meet the standards expected of them is core to our strategic direction and outcomes. Ensuring fairness and good disclosure in real estate transactions is important for those entering the market, who need to be able to sustain and maintain the cost and obligations that come with homeownership.

## ***A renewed REA strategy***

This SPE reflects our renewed strategy through to 2028 and the direction REA intends to take to be an effective conduct regulator with a clear consumer protection focus. Our strategy builds on our work over the last four years and emphasises our commitment to ensuring we are a high-performing intelligence-led conduct regulator that is responsive to the environment in which we operate. We recognise that the challenging market conditions coupled with economic headwinds have created a demanding operating environment for the sector and consumers. We will be alert to these pressures and will have a strong focus on fiscal restraint and sustainability, ensuring we continue to operate as a prudent Crown entity.

We will provide high-quality regulatory services cognisant of the needs and interests of all New Zealanders across diverse communities. We recognise the increasing diversity in our communities. Each year, we will focus on different diversity dimensions to support the sector to understand and meet the needs of all New Zealanders across these diversity dimensions and to ensure our services are available and accessible to all. We will continue to strengthen our operating environment, enhancing our technology systems, embedding improvements to our complaints process and ensuring an effective education programme. We will extend our engagement across consumer networks and groups to ensure positive outcomes for all New Zealanders. We will continue our regulatory stewardship focus and finalise our regulatory tools framework and work with policy officials as required to strengthen the property system and improve the Real Estate Act 2008.

## ***Operating context – external***

### ***Remaining resilient in a changing environment***

We continue to operate in a changing economic and social landscape and a challenging property market. As we emerge from the COVID-19 environment, licensees and consumers continue to face economic uncertainty and higher social stress and pressure on wellbeing. The property market has navigated volatile years from a hot market in 2020-2022 to a cooling market in 2022-2024. While there are indications of increased market activity in 2024, the real estate environment remains uncertain in the current economic environment. This places pressure on licensees and consumers navigating high interest rates and inflation, increased listings and slow sales, and shifts in pricing. This influences the behaviours that arise in real estate transactions and complaints.

REA's scope includes residential, commercial, business broking and rural real estate transactions and licensees. Economic shifts that impact these markets include changes in market fundamentals (sales volumes, property values), changes to economic conditions (interest rates, unemployment, immigration) and consumer confidence.

Economic challenges have resulted in various macro-economic policy settings that impact the real estate environment, and we expect these to have repercussions for the period of this SPE.

Under these conditions, a licensee must carefully balance the duty to act in the best interests of their vendor client to secure a sale price that meets expectations, while also ensuring fairness to all parties. Meeting disclosure obligations, ensuring parties have time to complete their due diligence, and provision of up-to-date market appraisals are critical conduct requirements. It is in this environment that strong professional skills and high standards of conduct are critical to the fairness of the real estate transaction process.

The ongoing incidences of severe weather events have made buying and selling property more challenging where property has been damaged. In the long term, there may also be challenges around repairs and remediation, insurance/EQC claims, perceptions of risk and flood mapping. The requirement for both licensees and consumers to undertake comprehensive due diligence

on properties is important in every transaction and will be particularly crucial to transactions in these affected areas. Reflective of the market shift, the total number of active real estate licences, which reached a historical peak around September 2022, has gradually declined since then. The volume of new licence applications has also been gradually trending downwards since mid-2021. In this context, as an agency funded almost entirely by licensee levies, we will continue to operate prudently and with a focus on fiscal restraint.

In contrast to the overall licensing trend, we have seen a small increase in the total number of new active Branch Manager licences. This follows the implementation of changes REA initiated to the real estate Branch Manager qualification, which took effect in 2022. These changes were designed to support growth in the numbers of this licence class, as Branch Managers play a key role in maintaining the standards of professional conduct across the industry, in particular by providing the formal supervision legally required for those holding a salesperson licence.

In the year ahead, we will continue to oversee industry and consumer behaviour through analysing complaints and enquiry data and qualitative feedback through research and the Industry Advisory Groups. This will enable us to best manage key regulatory risks.

In this context, we have an important role to play to deliver benefits for consumers and the industry that promotes high standards, protects consumers from harm and delivers positive outcomes for all New Zealanders. We will continue to provide quality information to consumers across a range of channels and ensure a robust education programme for licensees. We will deepen our connections across community and property sector networks. We will balance our engagement and education work with a clear focus on using all of our regulatory tools effectively to benefit consumers by supporting the industry to meet high standards of conduct.

### *Serving all New Zealanders*

We provide our services for the benefit of all New Zealanders across New Zealand's increasingly diverse community. This includes meeting the needs of all people in the sector and consumers who may seek to engage in real estate transactions. Through our research, insights, engagement and education work, we will continue to understand the needs and interests of all people and the perspectives and backgrounds that may influence their vulnerabilities and needs.

### ***Operating context - internal***

REA is a small organisation comprised of specialist staff. While the real estate market continues to be slow, we have seen an increase in formal complaints and in the complexity of consumer complaints and enquiries. Overall, we continue to have a high level of regulatory activity to manage. Like many entities in recent years, we have adjusted to a changing workforce that has been impacted by labour shortages and restraints on pay, and retention and attraction remain a concern. Given this, we continue to have an operational and strategic focus on our remuneration, recruitment and retention approach to ensure that REA continues to attract, retain and fairly remunerate a team of capable and committed people. Our resources over the past year have focused on responding to high complaint volumes, delivering the complaints improvement project, and maintaining our work to engage, educate and inform licensees and consumers.

A further key focus for our organisation internally has been to improve the efficiency of our regulatory services while ensuring REA remains a workplace that attracts, develops and retains skilled and capable personnel. As we transitioned from an operating environment dominated by COVID-19, we retained the remote working capability that had been developed in order to ensure we remain flexible and adaptable. Our people are able to operate from home if required. Our technology has been refreshed, enabling more nimble use of office technology to support

internal and external online engagement. The health, safety and wellbeing of our people has been and continues to be a critical priority.

Our budget this year has been prepared with a strong focus on ensuring efficient and effective delivery of our services to ensure delivery of outcomes for New Zealanders through the regulatory action we have taken. It is set in the context of fiscal restraint. We forecast a deficit, largely due to the planned and critical ICT Systems Enhancement Project, and projected increase in legal fees to support our core complaints and discipline regulatory work. We are largely funded by levies from licensees and have a strong focus on ensuring value for money for the services we provide for the sector and the public good. We will continue our low use of contractors and consultants, reserving such services for those areas in which we do not carry specialist expertise. We may draw on consultants and contractors where we do not have specialist skills for essential projects such as the Systems Enhancement Project or external legal services. We also note that the reason for our planned deficit in this SPE is to fund a planned ICT project to ensure security and stability of our platforms, CRM and licensee portal.

### ***Delivering on our REA strategy***

We are entering the first year of our 2024-2028 renewed four-year strategy for delivery of our role as an effective conduct regulator with a clear consumer protection focus. We have continued to make strong progress in many areas of this strategy. In the last year, we maintained high-quality core regulatory services, licensing a high number of individuals and agencies and dealing with a high volume of complex complaints under volatile market conditions.

We launched our three-year Diversity and Inclusion series for continuing professional development to help lift the standard of conduct and professionalism of the industry in relation to dealing fairly with New Zealand's diverse communities. This has been initiated with Te Kākano (The Seed), the first topic of the series, a practical introduction to Māori culture, language (te reo), custom (tikanga) and Te Tiriti o Waitangi (the Treaty of Waitangi) in the real estate context. In 2024/25, we will complete the series with a focus on addressing the concerns raised during real estate transactions by New Zealand's diverse communities, evidenced in research we have undertaken, and complaints and enquiries brought to us.

Within Pānui (newsletters) distributed to the sector, we continue to share illustrative case decisions that effectively highlight key conduct obligations and issue important regulatory information to licensees, including in relation to listing properties affected by natural disasters.

We have maintained our research programme in publishing the Annual Consumer Perceptions Research report, which indicated significantly increased consumer confidence that the real estate industry is well regulated, well monitored, transparent, fair and professional. Awareness of REA and the role we play has continued to increase with more consumers and members of the public aware of our work and where to raise complaints.

In 2024/25, we will continue to improve and build on the progress made and complete initiatives that are under way to deliver against our four strategic priorities. This will include continuing to deliver our regulatory functions to a high standard and maintaining business services in a challenging economic and real estate market environment. We will increase our engagement with diverse communities to ensure access to our services by all who need them, continuing to raise awareness of REA and maintaining and promoting our consumer information product [settled.govt.nz](https://settled.govt.nz).



### Looking to the future

As we look to the future, we will continue to support licensees to fulfil their obligations and adapt to the pressures of the changing market. We will seek to build on the positive progress of increasing confidence in the fairness, professionalism and regulation of the real estate sector despite any market uncertainty.

We will also continue our work to assess and report on our carbon emissions, to deliver against the expectations of the Carbon Neutral Government Programme reporting framework and to meet government expectations for positive procurement practices.

We will continue to provide advice and guidance to the Ministry of Housing and Urban Development and Ministry of Justice, as required, to support an effective real estate regulatory system.

### People and culture

Importantly, we will continue to support and prioritise the health and wellbeing of our team of staff. Our intention is to help foster stronger relationships, engagement and collaboration in order to support performance and retain our capable staff team. In response to the regulatory demands on our services and to support enhancements to the delivery of our core business, our staff numbers have grown from 50 to nearly 60 FTE. This growth is reflected in our increased forecast personnel cost.

We will embed our refreshed organisational values and drive our Kia Toipoto action plan to close pay gaps and foster equality, inclusion and fairness for our people. We will ensure that REA continues to be a great place to work where people can grow, thrive and be confident they are making a positive difference to the wellbeing and living standards of New Zealanders.



This SPE is provided in two parts:

### **PERFORMANCE ASSESSMENT AND EXPECTATIONS**

This section sets out our non-financial performance measures and targets for the year ending 30 June 2025 in accordance with the Crown Entities Act 2004. This section explains how our activities and services work collectively to influence and contribute to our longer-term outcome and the impacts we intend to achieve.

As shown in our strategic framework, the activities and services we deliver work collectively. Together, they contribute to our overarching vision and what we intend to achieve.

Our performance measures provide an assessment of our progress towards our strategic priorities, which are linked to the key impacts we intend to achieve:

- Informed consumers across New Zealand's diverse communities confidently engage in real estate transactions without harm.
- Licensees fulfil their obligations and are capable, trusted and professional.
- Awareness of and confidence in REA as the conduct regulator is increased across New Zealand's diverse communities.
- Standard of conduct by licensed real estate professionals is increased.

We contribute to these impacts through the delivery of our activities and services:

- Engagement, information, insights and education.
- Licensing and enquiries.
- Complaint determination and disciplinary action.
- Oversight and development of the real estate agency regulatory system.
- Supervision and compliance.

We have grouped the delivery of our activities and services into three output areas:

- Output 1: Informing consumers, educating and engaging with licensees.
- Output 2: Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes.
- Output 3: Oversight and development of an effective real estate agency regulatory system.

### **PROSPECTIVE FINANCIAL STATEMENTS**

The prospective financial statements provide all appropriate information and explanations needed to fairly reflect the prospective financial operations and financial position of REA for the year ending 30 June 2025 in accordance with section 149(G) of the Crown Entities Act 2004.

## 4. Performance assessment and expectations – Te aromatawai whakatutuki mahi me ngā kawatau

We have identified in our 2024–2028 SOI a series of key performance measures and targets to determine progress towards achieving our impacts over time. Taken together, these measures provide a good indication of whether REA is working as efficiently and effectively as it should and whether we are progressing towards our vision and outcome. The long-term indicators sit alongside our annual performance measures set out in this SPE.

We assess our performance using a range of tools, including surveys of consumers and licensees, data and evidence of REA activities. We will report on how we are performing against these targets in our annual reports.

We are operating in an uncertain environment with challenging real estate market conditions and a range of external social, economic and legal factors impacting our operating context. We have lifted some of our targets to reflect our aspiration for continuous improvement. Other targets are already high, and our focus is to maintain the high levels achieved despite the challenges of the external environment and fiscal restraint.

### Impact performance measures (as detailed in REA’s 2024–2028 SOI)

IMPACTS	KEY PERFORMANCE MEASURE	TARGET 2028	ACTUAL 2023	ACTUAL 2022
Informed consumers <sup>1</sup> across New Zealand’s diverse communities confidently engage in real estate transactions without harm	Percentage of consumers who are aware of settled.govt.nz is increased <sup>2</sup>	50%	35%	39%
	Percentage of consumers who feel empowered to participate effectively in the real estate transaction <sup>3</sup>	85%	87%	86%
Licensees fulfil their obligations and are capable, trusted and professional	Percentage of licensees who agree REA’s CPD programme has improved their knowledge and understanding of the topic area	85%	67%	73%
	Percentage of licensees who find REA compliance guidance useful in understanding their regulatory obligations is increased	90%	92%	97%

<sup>1</sup> ‘Consumers’ refers to people who have bought or sold a home in the last 12 months or who have tried to do so but were unsuccessful.

<sup>2</sup> Survey population to be broken down into demographic segments including age, ethnicity, gender identification and ability.

<sup>3</sup> Consumers who feel somewhat to very empowered.

IMPACTS	KEY PERFORMANCE MEASURE	TARGET 2028	ACTUAL 2023	ACTUAL 2022
	Percentage of consumers who have confidence that the real estate industry is professional <sup>4</sup>	85%	91%	86%
Awareness of and confidence in REA as the conduct regulator is increased across New Zealand's diverse communities	Percentage of New Zealand public aware of REA and the services it provides is increased	60%	48%	51%
	Percentage of New Zealand public who have confidence that the real estate industry is well regulated <sup>5</sup> is maintained	85%	75%	70%
	Percentage of consumers aware of REA and the services it provides is increased	70%	New measure 64% <sup>6</sup>	New measure 69% <sup>7</sup>
	Percentage of formal complaints referred to a CAC and not referred to the Real Estate Agents Disciplinary Tribunal completed in less than 9 months are increased	50%	New measure	New measure
Standard of conduct by licensed real estate professionals is increased	Percentage of licensees subject to a formal complaint found to have breached conduct rules and requirements is decreased <sup>8</sup>	20% <sup>9</sup>	16% <sup>10</sup>	14%
	Licensed real estate professional conduct, practices, policies and/or procedures are improved following action taken by REA or a CAC/Tribunal decision	5 case studies	Achieved	Achieved

<sup>4</sup> Consumers who have some to a lot of confidence that the sector is professional.

<sup>5</sup> Public who have some to a lot of confidence that the sector is well regulated.

<sup>6</sup> REA measures consumer awareness in the annual Nielsen Consumer Perception Survey. This is the unaudited result from 2023.

<sup>7</sup> REA measures consumer awareness in the annual Nielsen Consumer Perception Survey. This is the unaudited result from 2022.

<sup>8</sup> A formal complaint is one that has been received by REA under s74(2) of the Act. The percentage is calculated according to the findings of breach by a CAC and/or the Tribunal determined in the reported period.

<sup>9</sup> Based on a baseline of findings of breach arising from formal complaints determined in 2019/20 of 28%.

<sup>10</sup> The licensees that were found to have breached conduct obligations may not all relate to the complaints received in 2022 or 2023, which is being used as the denominator. This is because some complaints may take longer than a year to be determined.

## Our annual performance expectations – Ko ā mātau kawatau whakatutuki mahi ā-tau

Our performance measures and targets for our annual expectations are aligned to our activities and services and grouped into three output classes, which are described in detail in the sections below.

- Output 1: Informing consumers, educating and engaging with licensees.
- Output 2: Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes.
- Output 3: Oversight and development of an effective real estate agency regulatory system.

Our budget revenue and expenditure for these output classes is set out in the table below.

COMPREHENSIVE REVENUE AND EXPENDITURE		BUDGET 2024/25 \$000
<b>Revenue</b>		
<b>Total revenue</b>		<b>10,215</b>
<b>Expenditure</b>		
Output 1: Informing consumers, educating and engaging with licensees		3,066
Output 2: Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes		6,728
Output 3: Oversight and development of an effective real estate agency regulatory system		2,717
<b>Total expenditure</b>		<b>12,511</b>
<b>Surplus/(Deficit)</b>		<b>(2,296)</b>
<b>Utilisation of Litigation Reserve</b>		<b>20</b>
<b>Total comprehensive revenue and expense (Deficit)</b>		<b>(2,316)</b>

## **Output 1: Informing consumers, educating and engaging with licensees**

### **Putanga mahi 1: Te whakamōhio i ngā kiritaki, te whakaako me te hono atu ki te hunga whai raihana**

We have an important role to play to prevent harm arising from real estate agency work by engaging with and educating licensees to support them to understand and fulfil their regulatory obligations and to be capable, trusted and professional and through this to raise standards in the industry. This includes providing licensees with guidance and information and an effective relevant and robust continuing professional development (CPD) programme that supports skilled, trusted and capable real estate professionals. Our focus through this output is to prevent harm to consumers, to raise industry standards and confidence in the profession and to support licensees to meet the standards expected of them.

We promote and protect the interests of consumers and empower them to confidently engage in real estate transactions by providing information that is accessible and clear through a range of digital and non-digital channels. Our consumer website [settled.govt.nz](https://settled.govt.nz) is a core service, providing independent, trusted and comprehensive information for buyers and sellers. We will continue to maintain and promote [settled.govt.nz](https://settled.govt.nz) for consumers. Our consumer guides are another key consumer resource, now translated into seven languages. This year, we have a strong focus on increasing our engagement with consumer organisations and groups to leverage our consumer resources to increase consumer access to and confidence in real estate transactions.

To be an effective regulator and to promote confidence in the real estate sector, it is critical that all people across New Zealand's diverse communities are aware that REA exists. Our aim is that all people from different cultures, backgrounds and abilities are aware of and can access and benefit from the regulatory framework and the services that we provide.

Over recent years, we have increased our understanding of the diversity within the consumer and licensee communities that we serve. We are working with sector leaders and community advocates to ensure sector-wide best practice for all New Zealanders. We will continue to contribute thought leadership and insight on issues of significance in the real estate sector through media engagement.

We will continue our work to understand and respond to the needs of Māori, Pacific Peoples and Asian consumers and licensees in the context of real estate transactions and to increase our own internal cultural capability. We will support ongoing awareness, knowledge and understanding across the sector of the needs and interests of Māori and relevance of Te Tiriti o Waitangi to real estate agency work, through our education, information and guidance channels.

We continue to improve the efficiency and effectiveness of our CPD programme to ensure that it is relevant and responsive to the learning needs of the sector in order to prevent consumer harm and grow licensee capability.

Working with the sector is key to ensuring we understand the risks and issues arising and provide regulatory stewardship. We will continue our engagement programme through our Real Estate Leaders Forum, Industry Advisory Groups and hosted *Conversations with REA* in the regions.

***This output includes:***

- informing and engaging with consumers about their rights, the real estate transaction process and associated risks
- informing and educating licensees about their responsibilities and providing them with best-practice guidance to enable them to understand and meet their regulatory obligations
- maintaining and utilising a range of digital and non-digital methods and channels to inform, educate and engage with stakeholders
- responding to enquiries by providing information and guidance
- managing the CPD programme, including high-quality training materials and programmes, skilled providers and compliance with CPD requirements
- providing information and resources to New Zealand’s diverse communities through a range of channels and methods
- raising awareness of REA as an effective conduct regulator and our role in the property system and of consumer information provided by REA through settled.govt.nz, media and targeted engagement activities.

***Output 1 primarily contributes to the following impacts:***

- Impact 1: Informed consumers across New Zealand’s diverse communities confidently engage in real estate transactions without harm.
- Impact 2: Licensees fulfil their obligations and are capable, trusted and professional.
- Impact 3: Awareness of and confidence in REA as the conduct regulator is increased across New Zealand’s diverse communities.

***Output 1 performance measures***

<b>OUTPUT 1: MEASURES</b>	<b>TARGET 2024/25</b>	<b>FORECAST 2023/24</b>	<b>ACTUAL 2022/23</b>
SPE 1.1 Percentage of consumers who find information provided by REA useful	90%	90%	95%
SPE 1.2 REA Pānui (newsletters) are published to keep stakeholders informed	>6	13 <sup>11</sup>	19
SPE 1.3 Media releases are issued on matters of strategic importance (high public interest, provide guidance to consumers or licensees on regulatory issues)	>6	6	6
SPE 1.4 Consumer awareness of REA is increased	70%	67%	New measure 64% <sup>12</sup>

<sup>11</sup> This number includes special Pānui issued with information on REA’s regulatory activities in addition to the general sector Pānui.

<sup>12</sup> REA measures consumer awareness in the annual Nielsen Consumer Perception Survey. This is the unaudited result from 2023.

## **Output 2: Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes**

### **Putanga mahi 2: Te whakaawe o ngā whakahaere ture mā te tuku raihana, mā te āta kuhu atu, mā ngā hātepe whakatikatika, amuamu hoki**

As the real estate industry's conduct regulator, our core regulatory functions include administering the licensing regime for agents, branch managers and salespeople, maintaining a register of licensees, overseeing an effective complaints process through CACs and investigating and, where appropriate, initiating proceedings in the Tribunal relating to unsatisfactory conduct or misconduct by licensees.

Through the licensing process, we ensure that all licensee applications are dealt with in a timely way and that all licensees meet the licensing requirements under the Act and Regulations. Through the complaints and disciplinary proceedings, we deliver an independent, effective, fair and accessible disciplinary process and hold poor conduct to account. We investigate and respond to actual or potential harms arising from licensee conduct.

Alongside this work, we use a range of regulatory tools to respond to actual and potential harm. We offer an enquiry service to assist licensees to understand their obligations and to navigate the regulatory requirements. We triage and, in some cases, help resolve complaints that raise low-level conduct issues.

It is important that the complaints process is effective, fair and transparent and that the decisions are fair, clear, soundly reasoned and consistent. The decisions not only respond to conduct issues but also provide guidance to the sector as to the standard of conduct expected. We will review a selection of decisions again this year to test their impact and quality. Through the complaints and disciplinary process, we aim to maintain a high level of trust and confidence in the real estate industry standards system.

We have completed a project to refresh and improve the efficiency and effectiveness of the complaints process. This year, our focus is on embedding the changes made and delivering demonstrable improvements in the time taken to determine complaints.

The Systems Enhancement Project is a priority for us and is designed to optimise an effective regulatory service in both licensing and complaint management. We will also complete our regulatory tools framework to support transparency and understanding in the regulatory interventions we may use in our work to protect consumers and raise confidence in the sector.

We have updated our measures to reflect our strong performance in previous years. The measures that remain below recent actual results are those that may be impacted by other external factors.

#### ***This output includes:***

- managing the licensing scheme to ensure that, at the time of approval, all active licensees are fit and proper and meet the required professional standards
- processing new applications, renewals and voluntary suspensions of licences
- managing the licensee portal and maintaining a current register of all licensees
- auditing real estate agency trust accounts and continuing education compliance
- delivering an improved independent, effective and accessible complaints and disciplinary process and holding poor conduct to account



- monitoring and acting on non-compliance using the full range of regulatory tools
- supporting CACs, the Tribunal and court activities
- triaging and resolving low-level complaints
- regulatory effectiveness across all of our regulatory services and responding appropriately to causes of harm.

**Output 2 primarily contributes to the following impacts:**

- Impact 2: Licensees fulfil their obligations and are capable, trusted and professional.
- Impact 4: Standard of conduct by licensed real estate professionals is increased.

**Output 2 performance measures**

OUTPUT 2: MEASURES	TARGET 2024/25	FORECAST 2023/24	ACTUAL 2022/23
SPE 2.1 External assessment of CAC decisions is conducted to assess whether decisions are well reasoned, consistent and accurate	At least 5 CAC decisions <sup>13</sup>	Achieved	Achieved
SPE 2.2 Percentage of appeals against CAC and Registrar decisions upheld decreases	90% not upheld	New measure	New measure
SPE 2.3 Percentage of new licence applications processed within three weeks	90%	90%	91%
SPE 2.4 Percentage of licence renewal applications processed within two weeks	95%	98%	99%
SPE 2.5 Percentage of complaint enquiries completed within one month	95%	97%	95%
SPE 2.6 Percentage of formal complaints resolved or determined under s74(3) within three months <sup>14</sup>	65% <sup>15</sup>	35%	31%
SPE 2.7 Percentage of formal complaints completed within one year	90%	77%	78%
SPE 2.8 Percentage of parties to a complaint agree that the complaints process is independent, fair and transparent	75%	75%	67%

<sup>13</sup> External assessor agrees that at least 5 CAC decisions are well reasoned, consistent and accurate.

<sup>14</sup> Formal complaints resolved by withdrawal of complaint, compliance advice or consumer information or determined under s74(3)(a)-(d) of the Real Estate Agents Act 2008.

<sup>15</sup> In 2021 the Tribunal determined that decisions of the Registrar under s74(3) may be subject to review by the Tribunal. REA has adjusted its procedures to take account of this process, which has increased the time spent on these cases.

## **Output 3: Oversight and development of an effective real estate agency regulatory system**

### **Putanga mahi 3: He tirohanga, he whakawhanaketanga i tētahi pūnaha whakahaere ture e whakaawe ana mō ngā pakihi hokohoko whare**

Our role overseeing and developing an effective real estate agency regulatory system requires us to ensure that we set clear rules, standards and guidelines that respond to the risks of harm and reflect the operating environment in which they apply. Using our data and insights, undertaking research and analysis and engaging with the sector on risks of harm are key to ensuring that the regulatory settings are fit for purpose and effective in preventing harm.

Our research and insights programme has helped us to identify barriers to participation that diverse communities may face when engaging in real estate transactions. We will use this to help inform our programme of work to identify ways in which the real estate sector can address these barriers from a regulatory system perspective. Each year, we will address different diversity dimensions. This year, our focus is to lift engagement and delivery of our services with Māori, Pacific Peoples and Asian communities while ensuring that we deliver positive outcomes for all New Zealanders engaging in real estate transactions.

Our Data and Insights Strategy sets the direction for improving the definition, acquisition, storage and use of data at REA. This strategy will allow us to turn our data more effectively into actionable insights, supporting our objective of ensuring an evidence-based real estate agency regulatory system. A key aspect of this output is our role as part of the broader regulatory system and our work with others to provide stewardship of the real estate regulatory system. We will engage, collaborate and partner with the industry, government entities, iwi and the private sector to leverage capability and support an effective regulatory system that can anticipate and respond to the needs of the industry while also protecting consumers from harm in the face of change over time.

We will engage with the sector to identify whether our Code of Conduct and existing Standards are responsive to the harm risks in the current environment and understood by all licensees. We will further develop our regulatory policy approach to ensure we are up to date with changes across the property system that may impact on real estate agency work, ensuring knowledge transfer to our engagement and education teams and on to the sector.

We will continue to provide advice and guidance to policy officials in their work to strengthen the property system and to improve the Real Estate Agents Act 2008.

#### ***This output includes:***

- identifying and understanding the drivers of risk that cause harm in the real estate industry
- understanding licensee and consumer behaviour and vulnerabilities across different communities - each year, we will set targets for delivery of our services across different community diversity dimensions
- shaping regulation, compliance and operational policy practices to address actual and potential risks in the real estate industry
- developing and issuing best-practice guidance, rules and standards to support high standards of conduct in the real estate industry
- developing strategic relationships with property system stakeholders

- providing advice and guidance to policy makers as required
- demonstrating our commitment to Te Tiriti o Waitangi by engaging with and understanding the needs of Māori in the real estate agency regulatory context
- working with stakeholders across the real estate system.

**Output 3 primarily contributes to the following impacts:**

- Impact 1: Informed consumers across New Zealand’s diverse communities confidently engage in real estate transactions without harm.
- Impact 2: Licensees fulfil their obligations and are capable, trusted and professional.
- Impact 3: Awareness of and confidence in REA as the conduct regulator is increased across New Zealand’s diverse communities.
- Impact 4: Standard of conduct by licensed real estate professionals is increased.

**Output 3 performance measures**

OUTPUT 3: MEASURES	TARGET 2024/25	FORECAST 2023/24	ACTUAL 2022/23
SPE 3.1 REA reviews a standard or issues guidance that is designed to support licensees to meet industry standards <sup>16</sup>	1	Achieved	Achieved New supplement ary supervision guidance released
SPE 3.2 Licensee practices, procedures or conduct are improved following issue of REA decision, research or guidelines/information, assessed by case studies	Achieved – 3 case studies	New measure	New measure
SPE 3.3 Engagement by Māori, Asian and Pacific Peoples in services offered by REA is increased	65%	40%	New measure

<sup>16</sup> This measure has been updated to remove consultation with the sector as consultation is not required in every case.

## 5. Prospective financial statements – Ngā tauākī mō te matapae pūtea

REA has made several assumptions to develop these prospective financial statements. The specific assumptions that impact the financial statements are detailed in the sections below. Items that require further explanation are also detailed in the additional information section below. Each year's budget is independent and includes forecast assumptions made at the time of preparing the 2024/25 budget.

### Specific assumptions

As the primary source of revenue is levies from licensees, the number of licences significantly affects projected revenue. In 2023/24, due to the anticipated fluctuations in licensee numbers and ongoing uncertain environment, REA operated against a conservative budget assuming that the number of active licences would reduce to 15,000 during the period 2023/24. As at March 2024, there were 15,347 active licences. Accordingly, for budget purposes, it has been assumed that the number of active licences will average 15,000 during 2024/25.

As at 30 June 2023, REA employed 54.8 full-time equivalent (FTE) employees, using temporary staff and contractors to support vacancies, effectiveness projects and increases in work volumes. REA forecasts a workforce of 58-60 FTE as reliance on contractors and consultants is minimised in line with Government guidance. The budget personnel cost line assumes that some roles will be vacant during the year in line with natural personnel movements. The budget also assumes that all seven Board roles will remain filled throughout the year and a future director will be appointed.

In line with REA's emissions reduction plan, we have provided for a reduced budget for travel meetings and entertainment compared with 2023/24. In the event revenue does not meet forecast budget, we will make reductions across our variable costs as appropriate.

REA reviewed the licence fees and levies structure, and amendments became effective on 1 February 2017. The Statement of Prospective Comprehensive Revenue and Expense is based on the annual licence levy of \$597 (exclusive of the Real Estate Agents Disciplinary Tribunal Levy of \$33, which is remitted to the Ministry of Justice) exclusive of GST. The Statement of Prospective Comprehensive Revenue and Expense assumes no change to the licence levy over the period presented.

REA is committed to operating efficiently, effectively and in a financially responsible manner. In the coming year, REA will progress an important ICT project to enhance and strengthen REA's core ICT systems and platforms. This will require the engagement of contractors with specialist ICT and project capability to supplement REA's resources on this vital project. REA will otherwise restrict the use of contractors and consultants in line with the Government's intent. Decisions on resources and use of funds will be consistent with fiscal sustainability and priority focus on demonstrating value for money in the regulatory services we provide.

## **Additional information**

### *Explanation of significant variances*

REA's forecast increased spend in specialist services is aligned with the proposed operational plan for 2024/25, with a particular exceptional cost arising from the Systems Enhancement Project as REA upgrades its case management, licensing system and licensee portal. We have identified the overall costs of this work as a specialist project in our forecast. We anticipate drawing on available total working capital to support this project if required. We will continue to manage costs prudently and to demonstrate restraint to enable us to continue to build and maintain healthy reserves.

Increased litigation matters arising from our regulatory work in the Tribunal and courts and increased use of legal resources to support the improved complaints process has increased the draw on legal advice services. We have provided for increased legal fees to support our work to improve complaint timelines and address increased litigation volumes.

### *Planned deficit*

This year, we have forecast a deficit as a result of anticipated costs arising from our planned critical ICT Systems Enhancement Project and resources required to meet our statutory obligations. We forecast an increase spend on specialist services and legal fees to support the Systems Enhancement Project and our core complaints and discipline regulatory work. We note that revenue is difficult to forecast in the face of changing licensee numbers. We expect to draw on our cash reserves, which have been built up for the purpose of supporting projects and responding to fluctuating levy income. We will continue to operate prudently and exercise fiscal restraint throughout the year to minimise the deficit where possible. Notwithstanding the deficit, we will continue to have healthy cash reserves in line with our financial management policy. Our public equity position remains strong, which is intentional given that we do not receive public funding and market forces could result in a reduction of levy revenue. Reserves will be drawn on to support any funding shortfall and to support planned work to upgrade ageing information and communication technology systems.

# Statement of Prospective Comprehensive Revenue and Expense

for the years ended 30 June

	Actual 2022/23 \$000	Budget 2023/24 \$000	Budget 2024/25 \$000
<b>Revenue</b>			
Operating levy received	9,660	8,955	8,955
Application and suspension fees	921	799	799
Other revenue	553	242	461
<b>Total revenue</b>	<b>11,134</b>	<b>9,996</b>	<b>10,215</b>
<b>Expenditure</b>			
Audit fee	61	60	65
Personnel costs	6,703	7,411	7,319
Depreciation	145	64	43
Amortisation	13	0	0
Specialist services	1,190	1,413	2,183
Legal fees	375	398	493
Board fees	148	160	187
Complaints Assessment Committee fees	297	270	300
Computer and telecommunications	1,355	1,276	1,234
Printing, stationery and postage	23	34	28
Travel, meetings and entertainment	155	177	154
Occupancy	391	491	489
Miscellaneous expenses	19	22	16
<b>Total expenditure</b>	<b>10,875</b>	<b>11,776</b>	<b>12,511</b>
<b>Surplus/ (Deficit)</b>	<b>259</b>	<b>(1,780)</b>	<b>(2,296)</b>
Utilisation of Litigation Reserve	-	-	20
<b>Total comprehensive revenue and expense</b>	<b>259</b>	<b>(1,780)</b>	<b>(2,316)</b>

## Statement of Prospective Financial Position

as at 30 June

	Actual 2022/23 \$000	Budget 2023/24 \$000	Budget 2024/25 \$000
<b>Current assets</b>			
Cash and cash equivalents	9,993	3,158	1,329
Investments - short-term deposits	1,260	6,117	6,492
Debtors and other receivables	51	13	233
Prepayments	199	202	184
GST receivable/(payable)	(59)	(39)	(18)
Approved guide stock	26	9	24
<b>Total current assets</b>	<b>11,470</b>	<b>9,460</b>	<b>8,244</b>
<b>Non-current assets</b>			
Property, plant and equipment	92	81	58
Intangible assets	-	-	-
<b>Total non-current assets</b>	<b>92</b>	<b>81</b>	<b>58</b>
<b>Total assets</b>	<b>11,562</b>	<b>9,541</b>	<b>8,302</b>
<b>Liabilities</b>			
Trade creditors and accruals	967	1,450	1,160
Employee entitlements	232	290	245
Income In Advance	363	-	-
Disciplinary levy payable	-	28	30
<b>Total current liabilities</b>	<b>1,562</b>	<b>1,768</b>	<b>1,435</b>
<b>Total liabilities</b>	<b>1,562</b>	<b>1,768</b>	<b>1,435</b>
<b>Net assets/equity</b>	<b>10,000</b>	<b>7,773</b>	<b>6,867</b>
<b>Public equity</b>			
Retained earnings	9,491	9,303	8,983
Litigation reserve	250	250	200
Current year surplus/(deficit)	259	(1,780)	(2,316)
<b>Total public equity</b>	<b>10,000</b>	<b>7,773</b>	<b>6,867</b>

## Statement of Prospective Changes in Equity

for the years ended 30 June

	Actual 2022/23 \$000	Budget 2023/24 \$000	Budget 2024/25 \$000
Public equity as at 1 July	9,741	9,553	9,183
Total comprehensive revenue and expense	259	(1,780)	(2,316)
<b>Total public equity as at 30 June</b>	<b>10,000</b>	<b>7,773</b>	<b>6,867</b>
<b>Comprised of the following funds:</b>			
Retained earnings as at 1 July	9,491	9,303	9,113
Transfers to Litigation Reserve	-	-	(130)
Total comprehensive revenue and expense	259	(1,780)	(2,316)
<b>Total retained earnings</b>	<b>9,750</b>	<b>7,523</b>	<b>6,667</b>
Litigation reserve as at 1 July	250	250	70
Transfers from Retained Earnings	-	-	130
<b>Total litigation reserve</b>	<b>250</b>	<b>250</b>	<b>200</b>



## Statement of Prospective Cash Flows

for the years ended 30 June

	Actual 2022/23 \$000	Budget 2023/24 \$000	Budget 2024/25 \$000
<b>Cash flows from operating activities</b>			
<b>Cash was provided from:</b>			
Receipts from licensees	9,911	9,238	9,237
Receipts from sale of publications	99	134	84
Interest received	280	52	320
Receipts from suspension fees	564	518	519
Receipts from fines	237	56	57
Receipts from other revenue	-	-	-
<b>Cash was applied to:</b>			
Payments to suppliers	(4,205)	(4,980)	(5,838)
Payments to employees	(6,475)	(6,971)	(6,951)
Net GST received/(paid)	(48)	37	(6)
<b>Net cash flows from operating activities</b>	<b>363</b>	<b>(1,916)</b>	<b>(2,578)</b>
<b>Cash flows from investing activities</b>			
<b>Cash was provided from:</b>			
Receipts from investments in term deposits	(37)	-	-
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment	(29)	(28)	(38)
Purchase of intangible assets	-	-	-
Investment in term deposits	-	-	-
<b>Net cash flows from investing activities</b>	<b>(66)</b>	<b>(28)</b>	<b>(38)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>297</b>	<b>(1,944)</b>	<b>(2,616)</b>
<b>Opening cash and cash equivalents</b>	<b>9,696</b>	<b>5,102</b>	<b>3,945</b>
<b>Closing cash</b>	<b>9,993</b>	<b>3,158</b>	<b>1,329</b>
<b>Investments - short-term deposits</b>	<b>1,260</b>	<b>6,117</b>	<b>6,492</b>
<b>Total cash and cash equivalents</b>	<b>11,253</b>	<b>9,275</b>	<b>7,821</b>

## Statement of accounting policies

### *Reporting entity*

These are the Prospective Financial Statements of the Real Estate Agents Authority, a Crown entity as defined by the Crown Entities Act 2004. The Real Estate Authority (REA) is the operating name of the Real Estate Agents Authority. REA is domiciled in New Zealand. REA's functions are defined in the Real Estate Agents Act 2008 and are described on pages 5-6 of the Statement of Intent for the period 1 July 2024 to 30 June 2028. REA is a public benefit entity for the purposes of New Zealand equivalents to the International Public Sector Accounting Standards (IPSAS).

### *Basis of preparation*

#### **Statement of compliance**

The financial statements have been prepared in accordance with requirements of the Crown Entities Act 2004 including the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP). The financial statements comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) and other applicable financial reporting standards, as appropriate for Tier 2 public sector public benefit entities for which all reduced disclosure regime exemptions have been adopted.

REA qualifies as a Tier 2 reporting entity as, for the two most recent reporting periods, it has between \$2 million and \$30 million operating expenditure and is not considered publicly accountable as defined by the External Reporting Board.

#### **Measurement basis**

The financial statements have been prepared on a historical cost basis.

#### **Functional and presentation currency**

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000) unless otherwise specified. The functional currency of REA is New Zealand dollars.

### *Significant accounting policies*

The following accounting policies that materially affect the measurement of comprehensive revenue and expenditure and financial position have been applied.

#### **Revenue**

REA derives revenue through an annual charge to real estate licensees, the sale of publications, interest on funds held at approved institutions and the receipt of fees and fines. The annual charge to real estate licensees has two components: an operational levy to cover the ongoing service provision of REA, which is recognised as revenue, and a disciplinary levy that is transferred to the Ministry of Justice to provide funding for the Tribunal, which is not recognised as revenue. In addition, an application fee is charged to recover the additional costs for new licence applications. REA also charges a fee for suspending a licence.

## **Operational levy**

In establishing the appropriate revenue recognition policy for the operational levy, REA has considered whether the revenue is exchange (covered by PBE IPSAS 9) or non-exchange (covered by PBE IPSAS 23) in nature, the classification of which determines when revenue from the operational levy is recognised. This decision requires significant judgement.

In making a judgement as to the appropriate policy, REA considered if there is an indirect exchange of economic benefits or services to licensed members and whether the levy itself does not result in REA directly giving approximately equal value of this exchange. Based on REA's role as a consumer protection agency and conduct regulator, which includes industry regulation, upholding standards of conduct and providing resources for licensees and consumers, a continuing professional development programme and research about real estate matters, REA has determined the services provided for the operational levy are accounted for as non-exchange revenue as the benefits of REA's work are for the public good and wider than just licensees and PBE IPSAS 23 applies.

Operational levy revenue, application fees, manual processing fees and suspension fees are recognised when the fee or levy is due and has also been received. When the operational levy revenue is received in advance of a licence renewal date, this is treated as income in advance. Revenue is measured at the fair value of consideration received or receivable.

## **Fines**

Section 75 and section 100 of the Real Estate Agents Act 2008 allow the establishment of Complaints Assessment Committees (CACs) and the Real Estate Agent's Disciplinary Tribunal (Tribunal). The CACs and Tribunal make decisions on complaints, which can result in an order to pay a fine. Fines revenue is classified as non-exchange in nature and is recognised when due and receivable.

## **Sale of publications**

Section 127 of the Real Estate Agents Act 2008 requires licensees to provide a copy of an approved guide to their clients. These guides are provided to licensees on a cost-recovery basis by REA. Revenue from the sale of publications is classified as exchange in nature and is recognised when the significant risks and rewards of ownership of the goods have passed to the licensee, usually on receipt of the funds.

## **Interest**

Interest is recognised using the effective interest rate method and recognised in the period to which it relates.

## **Leases**

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to REA are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis, over the term of the lease, in the Statement of Prospective Comprehensive Revenue and Expense.

## **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and deposits held on call with banks and other short-term, highly liquid investments with maturities of three months or less.

### ***Investments***

Investments include deposits held with banks with original maturities greater than three months but less than one year.

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest rate method, less any provision for impairment. Impairment is established when there is objective evidence REA will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, the probability the bank will enter into receivership or liquidation and default on payments are considered indicators the deposit is impaired.

### ***Debtors and other receivables***

Debtors and other receivables, comprising trade debtors and accrued interest, are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

Impairment of a receivable is established when there is objective evidence that REA will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments are considered indicators that the debt is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

The carrying amount of the asset is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the impairment allowance account for receivables.

### ***Inventories – approved publications***

Inventories are valued at the lower of cost (using the first in, first out method) and net realisable value. The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in surplus or deficit in the period of the write-down.

### ***Property, plant and equipment***

Property, plant and equipment consist of leasehold improvements, computer equipment, furniture and office equipment.

### **Additions**

The cost of an item of property, plant and equipment is recognised as an asset only when its probable future economic benefits or service potential associated with the item will flow to REA and the cost of the item can be measured reliably.

### **Disposals**

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets. Gains and losses on disposals are included in the Statement of Prospective Comprehensive Revenue and Expense.

## **Subsequent costs**

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to REA and the cost of the item can be measured reliably. Costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Prospective Comprehensive Revenue and Expense as they are incurred.

## **Depreciation**

Property, plant and equipment are depreciated at rates that will write off the cost of the assets to their estimated residual value over their useful life. The useful lives and associated depreciation rates used in the preparation of these statements are as follows:

- |                                  |         |                   |
|----------------------------------|---------|-------------------|
| • Leasehold improvements         | 4 years | 25% straight line |
| • Computer equipment             | 3 years | 33% straight line |
| • Furniture and office equipment | 5 years | 20% straight line |

## **Intangible assets**

### **Capital work in progress**

Capital work in progress consists of expenditure on assets that has not yet been completed. This expenditure will not be amortised until the asset is in a workable condition.

### **Software acquisition and development**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated directly with the development of software for the internal use of REA are recognised as an intangible asset. Direct costs include software development and consultants' costs. Costs associated with maintaining computer software are recognised as an expense when incurred.

### **Amortisation**

The carrying value of software with a finite life is amortised on a straight-line basis over its useful life. Amortisation commences when the asset is available for use and ceases when the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Prospective Comprehensive Revenue and Expense. The useful lives and associated amortisation rates used in the preparation of these statements have been estimated as follows:

- |                                   |         |                   |
|-----------------------------------|---------|-------------------|
| • Acquired and developed software | 3 years | 33% straight line |
|-----------------------------------|---------|-------------------|

The above treatment has been adopted for all items of acquired and developed software.

## **Impairment of non-financial assets**

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value, less costs to sell and value in use. The value in use is the depreciated replacement cost.

## **Creditors and other payables**

Creditors and other payables are initially recognised at fair value and subsequently measured at amortised cost.

### ***Employee entitlements***

Provision is made in respect of liability for annual leave that is expected to be settled within 12 months of balance date (or approval is gained to carry forward leave) and measured at undiscounted nominal values based on an actual entitlement basis at current rates of pay.

### ***Superannuation schemes***

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and recognised as an expense in the Statement of Prospective Comprehensive Revenue and Expense as incurred.

### ***Goods and services tax***

The financial statements are prepared on a GST-exclusive basis, except accounts receivable and accounts payable, which are prepared on a GST-inclusive basis.

### ***Taxation***

REA is a public authority in terms of the Income Tax Act 2007 and consequently is exempt from income tax.

### ***Financial instruments***

REA is party to a variety of financial instruments as part of its normal operations. A financial instrument is any contract that gives rise to both a (recognised or unrecognised) financial asset of one entity and a (recognised or unrecognised) financial liability of another entity or is any contract that demonstrates residual interest in the assets of an entity after deducting all its liabilities. These financial instruments include bank accounts, short-term deposits, accounts payable and accounts receivable. All financial instruments are recognised in the Statement of Prospective Financial Position, and all revenue and expenses in relation to financial instruments are recognised in the Statement of Prospective Comprehensive Revenue and Expense.

### ***Financial assets held at amortised cost***

The classifications of the financial assets are determined at initial recognition as measured at amortised cost, fair value through other comprehensive revenue and expense (FVOCRE) - debt investment, FVOCRE or fair value through surplus or deficit (FVTSD). Financial assets are not reclassified subsequent to their initial recognition unless there are changes to its management model for managing financial assets. Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

### ***Financial liabilities held at amortised cost***

Financial liabilities are classified as measured at amortised cost or FVTSD. Financial liabilities are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

### ***Impairment of non-derivative financial assets***

REA shall recognise loss allowances for expected credit losses on financial assets measured at amortised cost. REA measures loss allowances for receivables at an amount equal to lifetime expected credit losses. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

### ***Measurement of expected credit losses***

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. Expected credit losses are discounted at the effective interest rate of the financial asset. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

### ***Statement of Prospective Cash Flows***

The Statement of Prospective Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Prospective Comprehensive Revenue and Expense.

Cash flows are classified into three activities:

- Operating activities include cash received from all revenue sources
- Investing activities include cash received for sale and cash payments made for the purchase of investments and any other non-current assets
- Financing activities include capital contributions, other transactions relating to changes in borrowings and equity of REA.

### ***Equity***

Equity for REA is comprised of surpluses less any deficits incurred through operations and a litigation reserve for extraordinary unanticipated legal expenses.

### ***Changes in accounting policies***

There have been no changes in accounting policies during the financial year. The accounting policies have been consistently applied throughout the periods of the financial statements.

### ***Critical judgements in applying REA's accounting policies***

In the application of IPSAS, REA is required to make judgements, estimates and assumptions about carrying values of assets and liabilities not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors believed reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

REA has exercised critical judgement with respect to operating levy revenue recognition as detailed in the Statement of Accounting Policies.

Key estimates and assumptions are made in respect to the useful life of property, plant and equipment and intangible assets as detailed in the Statement of Accounting Policies.

Judgements made by REA in the application of IPSAS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the specific assumptions section on page 19 of this Statement of Performance Expectations.



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