

Annual Report

2017/18



Welcome

We are pleased to present to the House of Representatives the Annual Report of the Real Estate Authority, pursuant to the provisions of the Crown Entities Act 2004. This report covers the period 1 July 2017 to 30 June 2018.



John Auld
Chair
Real Estate Authority
1 October 2018



Marion Cowden
Chair
Audit and Risk Subcommittee
1 October 2018

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Highlights

A better real estate experience for all

We have implemented the first year of our vision, strategy and business plan

to be a more proactive, connected and consumer-focused organisation, enabling a better real estate experience for all.



We changed our operating name to the Real Estate Authority (REA) –

reinforcing our position of independence with consumers and licensees, increasing awareness and lifting our level of connectedness with private and public organisations.



We refreshed our REA website design and content,

moving to the NZ Government common web platform.



We developed and launched settled.govt.nz –

a consumer – focused brand dedicated to providing independent, comprehensive information and trusted guidance to Kiwis buying and selling homes.



We initiated a social media approach

that engages directly with consumers and aims to educate and inform people before the real estate transaction begins.



We handled more than

20,000

phone calls, including 4,766 complaint enquiries.



We issued **1,873**

new licences and there are now

15,547

active real estate licences in New Zealand.



We received

337

new complaints and closed

184

through early resolution methods resulting in a time and cost reduction for all parties to the complaint who agreed with this style of response.

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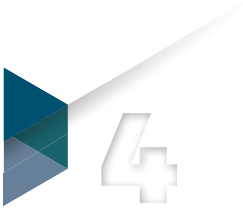
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The Real Estate Authority

This Annual Report covers our achievements against the objectives from our 2017-2021 Statement of Intent and the performance measures and budget set out in our Statement of Performance Expectations 2017/18.





About the Real Estate Authority

The Real Estate Authority is the operating name of the Real Estate Agents Authority, a Crown entity established under the Real Estate Agents Act 2008.

We are the independent, government regulatory body of the real estate industry in New Zealand.

Our purpose is to promote and protect the interests of consumers buying and selling real estate and to promote public confidence in the performance of real estate agency work.



Our strategy

From our beginnings in late 2009, we have evolved from a new entity to a well-established and responsive regulator that is making a positive difference with respect to licensing operations and complaint handling. In 2017, we implemented our new

strategy and made the decision to be a more proactive, connected and consumer-focused organisation. This shift will enable us to achieve better outcomes for consumers and the industry over the four-year period of our Statement of Intent.

The following strategic framework outlines our new vision, overarching strategic goal and strategic priorities.



Our vision is a better real estate experience for all

Our vision statement is a powerful aspiration. It refers to a better real estate experience for New Zealanders buying or selling property and for licensees and

other professionals involved in real estate transactions. It also includes the experience these groups have when they interact with us.

Our strategic goal and outcome is empowered consumers working with trusted real estate professionals

We will measure success by seeing an increase in the percentage of consumers who feel empowered to participate in real estate transactions and an increase in consumers who feel their real estate agent was trustworthy and professional.

Delivering on this goal is about ensuring that participants in real estate transactions are well informed and feel empowered to make the right decisions based

on their personal situation. It is also about working collaboratively with the industry to increase professionalism and trust.

We are focusing on industry engagement and consumer communication to achieve our strategic goal and prevent or reduce the problems, issues and complaints associated with the real estate experience.



Report from the Chair

Tēnā koutou kātoa

The last year has been marked by a number of significant advances for the Real Estate Authority.

This has been the first year of implementing our new strategy and vision of a better real estate experience for vendors and purchasers of real estate. One of the most significant aspects was the decision to change our operating name from the Real Estate Agents Authority (REAA) to the Real Estate Authority (REA). Extensive consumer and industry research found that the word 'agents' in Real Estate Agents Authority created confusion about our role and a consumer perception that REAA was not independent from businesses involved in the real estate industry.

The change in name was part of a broader change in direction for REA becoming a more consumer-focused, proactive and connected organisation to help enable us to better achieve our purpose of promoting and protecting the interests of consumers and public confidence in real estate agency work.

Our new operating name change became official in February 2018. Along with the name change came a rebrand and relaunch of our corporate website, rea.govt.nz. Minister Aupito William Sio, the Associate Minister for Courts and Justice, officially launched the settled.govt.nz brand and mobile-friendly website at an event at Parliament on 14 February 2018. By 30 June 2018, the settled.govt.nz website had 118,429 visitors, and we are now reaching four times as many home buyers and sellers with information and guidance than previously accessed through our old website.

In combination with the new website, we launched a

settled.govt.nz Facebook page to enable New Zealanders to share useful information with their friends and family. At 30 June 2018, we had already gathered over 6,000 followers, and it has been encouraging to see so many licensees also sharing content with their customers. With digital marketing, we are able to provide our educational videos to thousands of New Zealanders at the touch of a button - more than 175,000 people watched our videos in the first 4 months.

We are proud in the knowledge that we are helping to fill a vital gap by providing independent, authoritative and comprehensive guidance on home buying and selling for consumers as they embark on one of the biggest financial decisions of their lives. During the development and implementation of these major projects, we have also managed to maintain our core business activities and have received more than 20,000 phone calls and processed more than 1,800 new licences. This included the added challenge of having to move a second time into temporary office space due to flow-on effects on our accommodation following the November 2016 Kaikōura earthquake.

During the year, we have continued to see a decrease in the number of complaints and the percentage of licensees who have decisions against them, now less than 1%. I wish to acknowledge the excellent work of the panel members who serve on our Complaints Assessment Committees. Their experience and commitment to ensuring well-reasoned decisions has established a transparent, independent and robust disciplinary process.

Continual improvement of our systems has led us to upgrade

our technology platform, which has made our systems more robust, future proofed and resilient against cyber threats. Improvements are also in progress to provide us with greater flexibility and security and better responsiveness in a disaster recovery situation.

On the people side, we have continued to invest in our leadership capability through supporting a new cohort of staff to undertake a comprehensive leadership development programme. Mediation accreditation has also continued for staff involved in assisting consumers and licensees to resolve low-level matters themselves, and a new induction and talent development process has been initiated. I am confident that the team we have and the investment we are making in development places us in an excellent position to deliver on our strategy.

On behalf of the REA Board, I thank Kevin Lampen-Smith, his leadership team and staff for making solid advances in achieving the purpose set out in the Real Estate Agents Act 2008. I also wish to thank the Board for their sound governance and their willingness to support innovation and change, with the ultimate goal of having empowered consumers and trusted real estate professionals.

Nāku noa, nā



John Auld
Board Chair

The Board

REA is governed by an independent Board with members experienced in law, real estate, investment and risk management. The Board reports to the Associate Minister of Justice, and its members are appointed by the Associate Minister. The Board has an established Audit and Risk Subcommittee.

Members of the Real Estate Authority Board as at 30 June 2018



John Auld (Chair)
Appointed July 2009



Denese Bates, QC
Appointed March 2014



Marion Cowden
Appointed August 2015



Jo Devine
Appointed June 2018



Elizabeth Nidd
Appointed August 2015



Anthony Stack
Appointed August 2015

Two Board members resigned during the financial year, Karin Thomas (July 2017) and Aaron Bhatnager (March 2018).

The Senior Leadership Team

Leadership and advice are provided by our Senior Leadership Team. The team is responsible for our performance and deliverables.

The Senior Leadership Team as at 30 June 2018

Theo Baker
Head of
Regulatory Services

Steven Bruce
Head of Strategy
and Insights

Anna Fenton
General Counsel
(acting)

Kevin Lampen-Smith
Chief Executive/
Registrar

Tanya Dunlop
Head of Human
Resources

Victor Eng
Corporate Services
Manager





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Measuring the difference we make

This part of the Annual Report explains the differences we are making to promote and protect the interests of consumers buying and selling real estate and to promote public confidence in the performance of real estate agency work.

What we are aiming to achieve

Our purpose

Our purpose is to promote and protect the interests of consumers with respect to real estate transactions and to promote public confidence in real estate agency work.

Alignment to Justice Sector outcome and government priorities

Our outcome (strategic goal)

We support the outcomes of the government by working to enable the outcome of *empowered consumers working with trusted real estate professionals*.

Justice Sector outcome

Along with other Justice Sector agencies, we aim to ensure New Zealanders can live in a safe and just society.

Government priorities

We are focused on working with our stakeholders and other government agencies to:

- put the wellbeing of people and the environment at the centre of what we do
- introduce policies that allow the economy to work smarter and make better use of our resources
- ensure that the benefits of growth are spread more evenly across society.

Our impacts (strategic priorities)



Impact 1

Reduced consumer harm



Impact 2

Better educated and informed consumers



Impact 3

Increased professionalism and public confidence



Impact 4

Increased awareness and understanding of REA

Our outputs



Output 1

Informing and educating consumers, licensees and other stakeholders



Output 2

Licensing, enforcing and monitoring of the real estate industry

Outcome

We monitor the progress we are making towards the desired outcome by tracking the percentage of consumers who feel empowered when participating in a real estate transaction. We look at their level of trust in and perceived professionalism of the real estate agent they worked with.

Empowered consumers¹ working with trusted real estate professionals

Each year, we complete a programme of research to understand perceptions of the real estate industry among the general public and consumers who have recently been involved in a real estate transaction.

Our latest research, completed in June 2018 shows that 2 in 10 consumers experienced a problem or issue with their real

estate transaction in the last 12 months. Feeling pressured to make decisions, difficulty understanding the price or value of property and communication are the biggest issues consumers faced.

Our research also shows only 42% of consumers feel empowered when participating in real estate transactions. By better educating and informing consumers, we aim to improve the real estate experience and reduce the risk of consumer harm.

The research also shows that satisfaction with real estate agents' professionalism, knowledge and trustworthiness has also remained stable over time.

Our four year strategy has aspirational targets for improving the real estate experience. Our initiatives and activities are focused on achieving significant improvements in these important outcomes.

Measuring empowered consumers...

Outcome measure	Percentage of consumers who feel empowered or very empowered and able to participate effectively in the real estate transaction
Actual 2016/17	43%
Result 2017/18	42%
Target 2020/21	56%
How we measure it	By researching how empowered consumers are to be able to participate effectively in the real estate transaction ²

1 Consumers refers to respondents who have participated in a real estate transaction in the last 12 months.

2 Source: REA (2018). *Annual Perceptions Research (June 2018)* prepared by Nielsen.

...working with trusted...

Outcome measure	Percentage of consumers who rate the real estate agent's trustworthiness as very good or excellent
Actual 2016/17	53%
Result 2017/18	52%
Target 2020/21	67%
How we measure it	By researching how trustworthy consumers considered the real estate agent was during the real estate transaction ³

...real estate professionals.

Outcome measure	Percentage of consumers who rate the real estate agent's professionalism as very good or excellent
Actual 2016/17	56%
Result 2017/18	55%
Target 2020/21	67%
How we measure it	By researching how professional consumers considered the real estate agent was during the real estate transaction ³

³ Source: REA (2018). *Annual Perceptions Research (June 2018)* prepared by Nielsen.

Impacts

Our work has four direct impacts that contribute towards our outcome



Impact 1

Reduced consumer harm



Impact 2

Better educated and informed consumers



Impact 3

Increased professionalism and public confidence



Impact 4

Increased awareness and understanding of REA



Impact 1

Reduced consumer harm

A deeper understanding of issues with the real estate experience

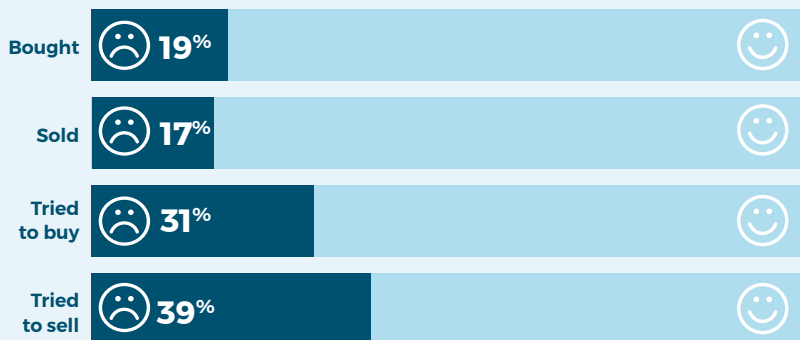
During 2017/18, we completed consumer research into the problems and issues that consumers have with their real estate experience.

The research was carried out in October and November 2017 and found that 22% of consumers have a problem or issue with their

real estate experience. People who tried but failed to either buy or sell, migrant buyers, first-home buyers and first-home sellers are the most impacted.

The key problems and issues relate to communication from the agent, the agent's approach and manner, difficulty understanding the price or value of a property, feeling under pressure and information not being provided about the property condition and history.

This research has provided good insights into the causes of problems and issues and the impact these issues have on home buyers and sellers. We will use the problems and issues research to inform our harm-prevention strategies and our initiatives to continue to reduce consumer harm and improve the real estate experience.



Designing and implementing a voice of the customer programme

In the past year, we have begun developing a voice of the customer programme to provide regular customer feedback. We have implemented real-time feedback on each page of our new websites to collect ratings

and improvement suggestions from consumers and licensees.

We have increased the frequency of our complaints survey to improve the timeliness of information collected from complainants and respondents and improved the survey questions to provide more robust results and feedback. We have expanded the scale of our licensee survey to include more feedback on our service

and support for the real estate industry.

The voice of the customer programme provides valuable insights and perceptions of the real estate experience. As we continue to expand our programme to include more touchpoints, we will increase our knowledge of what needs to change to deliver a better real estate experience for all of our customers.

Delivering targeted campaigns to help improve the real estate experience

We have introduced several targeted campaigns over the past year with the aim of reducing causes of consumer harm.

We have established new consumer and industry segmentation models to help identify consumers who are more vulnerable to harm and industry

participants that may have higher risks or needs.

We have built a data warehouse and are analysing both internal

and external market data to inform campaigns, conduct targeted interventions and develop our consumer harm-prevention strategy.

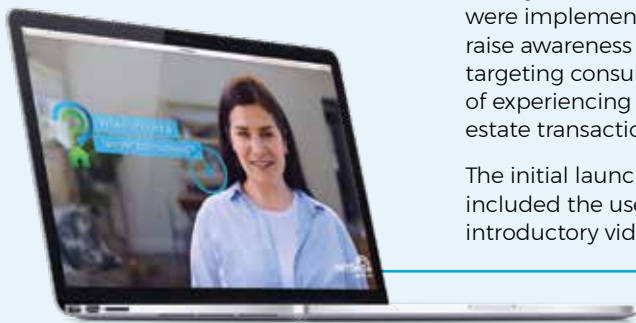
Consumer awareness

In late February 2018, a number of targeted awareness campaigns were implemented primarily to raise awareness of settled.govt.nz, targeting consumers most at-risk of experiencing harm in a real estate transaction.

The initial launch campaign included the use of our introductory video and was

promoted to target consumer audiences via Facebook and other digital channels.

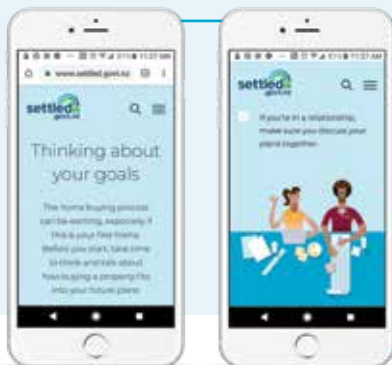
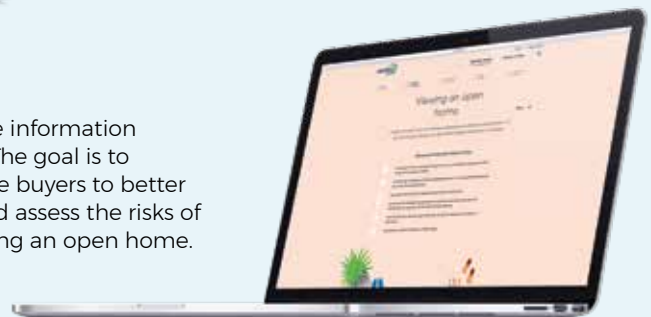
Further awareness campaigns have used radio advertising, search engine optimisation and digital display advertising across a number of popular New Zealand websites.



Open homes

This campaign focused on educating home buyers on what to look for at an open home with video and illustrated advertisements promoting

our open home information and checklist. The goal is to empower home buyers to better understand and assess the risks of a property during an open home.



First-home buyers

First-home buyers are one of our most vulnerable consumer segments. The messaging and promotion has been designed

to appeal specifically to first-home buyers and promotes settled.govt.nz for independent and trusted guidance on the home buying process.



Impact 2

Better educated and informed consumers

Developing and promoting a new consumer brand – settled.govt.nz

Buying or selling a home is one of the biggest financial decisions Kiwis make. It's a complex and sometimes stressful process with potentially significant emotional and financial impacts if things go wrong. Our role as the regulator of New Zealand's real estate industry is to protect the interests of consumers involved in real estate transactions. A crucial part of protecting the interests of consumers is ensuring they are as informed as they can be before they begin the real estate transaction.

What consumers told us

Consumers told us that the home buying and selling process was sometimes stressful, they wanted to feel empowered to make the best decisions they could. They also told us that there was a gap that needed to be filled providing independent, comprehensive and trusted online information. They wanted a one-stop shop.



The creation of the settled.govt.nz brand

We used focus groups and consumer and industry testing to help design and create a friendly and accessible yet authoritative sub-brand called settled.govt.nz.

Developing and launching a new consumer-focused website

The settled.govt.nz brand and website were officially launched on 14 February 2018 at Parliament by Hon Aupito William Sio, Associate Minister for Courts and of Justice.

The settled.govt.nz website is a mobile device-friendly site that provides comprehensive independent information and guidance for property buyers and sellers.

The site is divided into two five step journeys – a buyer's

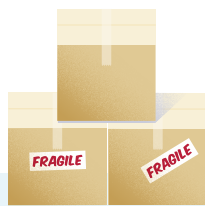
journey and a seller's journey. Within each step, buyers and sellers will find information about the risks and how the risks can impact them and get useful tips on how to avoid some of the major potential problems.

They'll also find valuable information, checklists, quizzes, videos and tools. From understanding LIMs, to sale and purchase agreements, to when to contact a lawyer, settled.govt.nz explains what buyers and sellers need to know in clear friendly language.

Key features of settled.govt.nz

- Every page provides a summary. The site puts the consumer first and respects that they are likely to be in a hurry to get the information they need.
- Guidance is provided in plain English. Bullet points and easy-to-read text helps readers to understand what they need to know.
- A simple mortgage calculator helps buyers work out their potential repayments.
- Checklists help buyers and sellers work through their due diligence or some of the important processes of the real estate transaction. There are editable pdfs that can be completed on a device or printed and filled in by hand.
- Short and engaging educational videos are available on a variety of important buying and selling topics.





- Engaging quizzes help to build knowledge and provide handy tips along the way.
- There are useful links to other independent sources of information.

We have received more than 700 pieces of visitor feedback on our website content – overwhelmingly, the feedback has been positive.

A sample of the positive comments received:

“Simple and easy to understand, thank you.”

“OMG this is just the info I've been looking for.”

“It is awesome that this resource exists.”

“Definitely relevant information and good to have a heads up on it. Thank you.”

Delivering targeted campaigns to educate consumers through social media

Settled.govt.nz was launched on Facebook at the same time as the website. Facebook was identified as another channel to reach consumers on the social media platform itself and also as a way to direct consumers to the settled.govt.nz website to find out more.

Since the launch on 14 February 2018, four times more people are visiting settled.govt.nz than our old consumer content.

As at 30 June 2018

Over **175,000** views of settled.govt.nz videos

118,429 website users

Over **11,000** views of blog pages

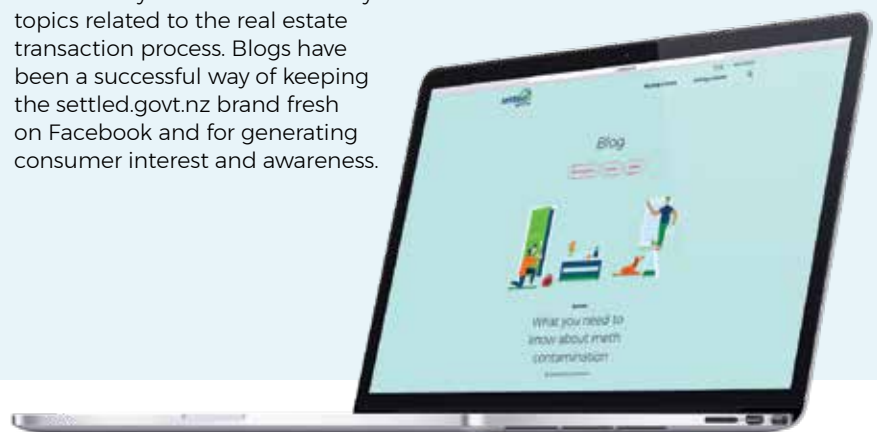
6,065 Facebook followers



The use of short 'acquisition' videos and promotion from New Zealand social media influencers has helped to raise awareness, generate interest and drive more visitors to settled.govt.nz.

Blogs

We produce regular blogs to help educate buyers and sellers on key topics related to the real estate transaction process. Blogs have been a successful way of keeping the settled.govt.nz brand fresh on Facebook and for generating consumer interest and awareness.





Impact 3

Increased professionalism and public confidence

Evolving the continuing education programme

We have completed a review of the Continuing Education (CE) design for 2019. The review built on findings from previous research, feedback from continuing education providers and industry advisory group members, and analysis of real estate training frameworks in Australia and other regulated professions in New Zealand.

The main changes for 2019 include:

- introducing a mix of mandatory and elected topics for verifiable training to enable a more flexible approach
- a name change and repositioning of CE to Continuing Professional Development
- repurposing previously delivered training, which will be made available online.

What happens when I make a complaint to the Real Estate Authority?

We are the independent government agency that regulates New Zealand's real estate industry. Part of our job is to deal with complaints about real estate agents. This information sheet is a quick guide to what happens when you make a complaint to us.



If you have concerns about an agent's behaviour, call us. We'll help you decide the best way to deal with your concerns. If we can't help we'll direct you to someone else who can.



If appropriate, we'll ask you to send us a written complaint, along with supporting information.



When we receive your written complaint we'll contact you to clarify the issues and explain the next steps. We might ask you for more supporting information.

THE NEXT STEPS MAY INCLUDE:



Working with you and the agent/agency to help resolve your complaint. We aim to resolve these complaints within 30 days.



Referring your complaint to a Complaints Assessment Committee (CAC). The investigation and decision-making process may take six months or more. We keep you updated along the way.

A CAC is an independent committee which investigates complaints about real estate agents or not an agent has met the standards of conduct and in the interests of the public.

REA complaints process guidance.

Developing a new professional standards framework and launching a professional standard

Our Supervision Standard became effective on 1 July 2017 and has been well received by the industry. We have not released a new professional standard in the last year, focusing instead on supporting the development of the new Anti-Money Laundering

and Countering Financing of Terrorism (AML-CFT) Act guidance and regulations, which will come into effect for the real estate industry on 1 January 2019.

We are documenting the process for developing and implementing an industry guidance framework, which will include professional standards. Further work is needed to design and develop the industry consultation, approval and communication approach.

We will continue to engage with the real estate industry through our Industry Advisory Groups and forums to help continue to develop and support industry professionalism and share feedback on issues or changes impacting the real estate experience.



REA supervision standard – effective from 1 July 2017.



Impact 4

Increased awareness and understanding of REA



Launching and promoting the refreshed REA brand

We have refreshed our REA brand to raise our profile, reflect our independence and improve our ability to connect with key stakeholders.

The need for change

On 13 February 2018, we changed our name from Real Estate Agents Authority (REAA) to Real Estate Authority (REA), following a review of REAA's strategy and the role we have under the Act to promote and protect the interests of consumers.

Research showed that many consumers take risks when selling and buying property because they don't understand real estate processes. Consumers knew very little about REAA, especially as a source of information and guidance, and we needed a higher profile to reach, educate and inform consumers.

Consumer and industry research found that the word 'agents' in Real Estate Agents Authority created confusion about our role. It created a consumer perception that REAA isn't an independent organisation.

To make our role clearer, we changed our operating name to

the Real Estate Authority or REA. We also took the opportunity to rebrand and further develop the REA website.

Developing and launching the new rea.govt.nz website

The new rea.govt.nz website is designed specifically for real estate professionals (licensees) and buyers and sellers (consumers). The website includes information, support and guidance and also hosts our newsletters, media releases, industry statistics and public accountability documents.



Mandatory guides and code of conduct can be found on the resources page.



The rea.govt.nz homepage.



Measuring our impacts



Impact 1 Reduced consumer harm

We will measure success by seeing a reduction in the percentage of consumers who report that they experience problems during their real estate transaction and a reduction in the proportion of licensees that have either unsatisfactory conduct or misconduct decisions made against them.

Measure	Percentage of active licensees during the financial year that receive decisions of unsatisfactory conduct or serious misconduct
Actual 2016/17	0.95%
Result 2017/18	0.85%
Target 2017/18	1.0%
How we measure it	By assessing the number of decisions of unsatisfactory conduct (123) and misconduct (9) made against the number of active licences held at 30 June 2018 (15,547)

Measure	Percentage of consumers who experienced issues or problems during their real estate transactions
Actual 2016/17	22% ⁴
Result 2017/18	18%
Target 2017/18	Establish a benchmark
How we measure it	By researching the percentage of consumers who have experienced a problem or issue during their real estate transactions ⁵

4 The 2016/17 result of 22% was measured in October/November 2017 to establish a benchmark and therefore the result is for 7-8 months of the 2016/17 financial year.

5 Source: REA (2018), *Annual Perceptions Research (June 2018)* prepared by Nielsen.



Impact 2 Better educated and informed consumers

We will measure success by seeing an increase in the percentage of consumers who consider themselves informed of their rights and obligations, and an increase in consumers who consider themselves knowledgeable about the real estate transaction.

Measure	Percentage of New Zealanders ⁶ who consider they have high levels of knowledge of their rights and obligations with respect to real estate transactions
Actual 2016/17	12%
Result 2017/18	12%
Target 2017/18	15%
How we measure it	By researching the levels of knowledge New Zealanders have with respect to their rights and obligations ⁷

Measure	Percentage of consumers who consider they have high levels of knowledge of their rights and obligations with respect to real estate transactions
Actual 2016/17	42%
Result 2017/18	43%
Target 2017/18	Establish a benchmark
How we measure it	By researching the levels of knowledge consumers have with respect to their rights and obligations ⁷

Measure	Percentage of consumers who consider they have high levels of knowledge about the real estate transaction process
Actual 2016/17	45%
Result 2017/18	45%
Target 2017/18	Establish a benchmark
How we measure it	By researching the levels of knowledge consumers have with respect to the real estate transaction process ⁷

⁶ New Zealanders refers to respondents who represent the general public.

⁷ Source: REA (2018). *Annual Perceptions Research (June 2018)* prepared by Nielsen.



Impact 3 Increased professionalism and public confidence

We will measure success by seeing an increase in the percentage of consumers who have confidence in the real estate industry and an increase in consumers who consider the real estate industry to be professional.

Measure	Percentage of New Zealanders who have confidence in the real estate industry
Actual 2016/17	68%
Result 2017/18	71%
Target 2017/18	70%
How we measure it	By researching the levels of confidence New Zealanders have in the real estate industry ⁸

Measure	Percentage of consumer who have high levels of confidence in the real estate industry
Actual 2016/17	49%
Result 2017/18	54%
Target 2017/18	Establish a benchmark
How we measure it	By researching the levels of confidence consumers have in the real estate industry ⁸

8 Source: REA (2018). *Annual Perceptions Research (June 2018)* prepared by Nielsen.



Impact 4 Increased awareness and understanding of REA

We will measure success by seeing an increase in the percentage of consumers who consider REA as a source of independent information and support.

Measure	Percentage of consumers who know what REA does ⁹
Actual 2016/17	31%
Result 2017/18	34%
Target 2017/18	45%
How we measure it	By researching the awareness consumers have of REA ¹⁰

Measure	Percentage of consumers who are aware of settled.govt.nz
Actual 2016/17	Not measured
Result 2017/18	15%
Target 2017/18	Establish a benchmark
How we measure it	By researching the awareness consumers have of settled.govt.nz ¹⁰

⁹ Previously REA measured awareness of New Zealanders. REA now measures awareness of consumers who have participated in a real estate transaction in the last 12 months.

¹⁰ Source: REA (2018). *Annual Perceptions Research (June 2018)* prepared by Nielsen.

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Organisational health and capability

This part of the Annual Report provides information on how we work.



Our values

Our values remain unchanged and continue to help us determine how we act as an organisation.

Our values and expectations are at the heart of everything we do and form an important part of our culture.



We are professional

We act with integrity. We respect each other and those we interact with. We take responsibility and hold ourselves and others to account.



We are proactive

We are energetic, courageous and committed. We use innovation and expertise to improve New Zealand's real estate industry.



Our people matter

We build strong and positive relationships with the people we work with. We develop our people and share our combined expertise to create outcomes we are proud of.

Improving our capability with great people and quality systems

Maintaining and improving REA's organisational health and capability is essential to achieving the outcome and impacts we are seeking.

Providing the right environment, tools, systems, support and leadership enables our people to do their jobs effectively and grow our capability as an organisation.

This year, we have continued to focus our capability improvement around three themes: people, systems and processes and tools.

Theme	Progress for this year
People	<ul style="list-style-type: none"> Continued REA's leadership development programme to include new senior managers, key staff members and 2017 programme alumni. Continued mediation accreditation for all staff involved in dispute resolution. Developed a new employee induction process that is being phased into REA onboarding practices for new employees. Rolled out new talent development process.
Systems and processes	<ul style="list-style-type: none"> Commenced upgrade of disaster recovery solution and improvement of business continuity. Upgraded IT platforms, including the migration to Infrastructure as a Service and implementing a new hosted telephony solution, both providing increased server and system resilience, performance, scalability and flexibility. Launched REA's new websites on the NZ Government Common Web Platform to gain the cost and flexibility benefits of open-source software and a secure and robust hosting service. Implemented a cyber security strategy framework to adhere to that specifies controls to mitigate the risks and issues associated with cyber threats and focusing on continuous improvement. Implemented and enhanced our IT systems to improve operational efficiencies utilising current technology, including hardware refreshing, an upgrade to Windows 10 and Office 365 and continuous improvement and development of core business system functionalities. Successfully relocated REA's office from Level 3, 3 The Terrace to Level 10, 95 Customhouse Quay.
Tools	<ul style="list-style-type: none"> Developed a data strategy and continued to evolve our data warehouse to include external data and enable effective and ongoing analysis into the causes of real estate problems and issues.

Our people

We have many people with diverse backgrounds, skills, experiences and knowledge. This is critical to ensuring our continued success and progress towards our goals.

As at 30 June 2018, we had a permanent staff of 48, comprising 28 female and 20 male staff. We are multicultural and have origins in New Zealand, Europe, North America, Asia and Africa. No current employees have identified themselves as being disabled.

Promoting equal employment opportunities

We promote equal employment opportunities through our practices relating to recruitment and selection, leadership, workforce development, management of people and performance as well as the way we engage with our employees.

The table below outlines our achievements in 2017/18 against the seven key elements of being a good employer, as set out by the New Zealand Human Rights Commission.

Element	Activities for the year
Safe and healthy environment	<ul style="list-style-type: none"> Enhanced our health and safety policies and practices. Empowered the internal Culture Club to be responsible for organisational wellness and health and safety. Provided staff with a range of support services, including an earthquake preparedness pack, employee assistance programme, workstation assessments and free flu vaccinations.
Leadership, accountability and culture	<ul style="list-style-type: none"> Continued the leadership development programme, which focuses on growing leadership capability for people leaders and key talent. Purposely recognised the aims and aspirations of Māori, with active staff involvement in Māori Language Week and more regular use of te reo Māori in our internal and external communications. Involved Te Taura Whiri i te Reo Māori (Māori Language Commission) to work with our staff to develop our new te reo Māori name, Te Mana Papawhenua. Held regular meetings with staff to promote learning opportunities and facilitate discussion on our priorities and developments.
Recruitment, selection and induction	<ul style="list-style-type: none"> Strengthened recruitment practices by reviewing core competencies for key roles and including psychometric profiling to help select suitably qualified people. Continued peer-to-peer interviews as part of our recruitment process to help ensure impartial selection for appointments.
Employee development, promotion and exit	<ul style="list-style-type: none"> Completed personal development plans for all staff. Provided study assistance and professional development support. Offered exit interviews to all leaving employees.
Flexibility and work design	<ul style="list-style-type: none"> Maintained a flexible working practice policy. Provided tailored options to support the work/life balance of staff.
Remuneration, recognition and conditions	<ul style="list-style-type: none"> Continued transparent and equitable job evaluation processes. Offered enhanced benefits in relation to paid parental leave and sick leave.
Harassment and bullying prevention	<ul style="list-style-type: none"> Maintained anti-harassment, anti-discrimination and anti-bullying policies. Continued to have zero tolerance of harassment and bullying.

Directions issued by Ministers

During the reporting period, we continued to comply with the directions previously issued by the Minister of State Services and the Minister of Finance in respect of the New Zealand Business Number, shared authentication services, procurement, ICT and property.

4

Our performance

This part of the Annual Report summarises the performance of our functions. Forecast service performance is set out in our Statement of Performance Expectations 2017/18.



Statement of responsibility

In the year ended 30 June 2018, the Real Estate Authority Board and Senior Leadership Team were responsible for:

- the preparation of the annual financial statements and the statement of performance and for the judgements made in them
- establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the Real Estate Authority's financial reporting
- end-of-year performance information provided by the Real Estate Authority under section 19A of the Public Finance Act 1989.

In the opinion of the Board and Senior Leadership Team, the financial statements and the statement of performance for the year ended 30 June 2018 fairly reflect the financial position, result of operations and cash flows of the Real Estate Authority.

Signed on behalf of the Board



John Auld
Chair
Real Estate Authority
1 October 2018



Marion Cowden
Chair
Audit and Risk Subcommittee
1 October 2018

INDEPENDENT AUDITOR'S REPORT**TO THE READERS OF REAL ESTATE AUTHORITY'S FINANCIAL STATEMENTS, AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2018.**

The Auditor-General is the auditor of Real Estate Agents Authority (the Authority). The Auditor-General has appointed me, Henry McClintock, using the staff and resources of BDO Wellington, to carry out the audit of the financial statements and the performance information of the Authority on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Authority on pages 41 to 64, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expenses, statement of changes in equity 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 Authority on pages 35 to 40.

In our opinion:

- the financial statements of the Authority on pages 41 to 64:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; 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 International Public Sector Accounting Standards Reduced Disclosure Regime
- the performance information on pages 35 to 40:
 - presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2018, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 1 October 2018. This is the date at which our opinion is expressed.

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

The Board is responsible on behalf of the Authority for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as they determine is necessary to enable them 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 is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Real Estate Agents Act 2008.

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.



BDO WELLINGTON

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 Authority's *statement of performance expectations*.

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 Authority's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Authority's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority'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 Authority 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 obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Authority audit. We remain solely responsible for our audit opinion.

We communicate with the Board 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 is responsible for the other information. The other information comprises the information included on pages 3 to 64, 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 Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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

Henry McClintock
BDO Wellington
On behalf of the Auditor-General
Wellington, New Zealand

Statement of performance

REA provides outputs in two result areas:



Output 1

Informing and educating consumers, licensees and other stakeholders



Output 2

Licensing, enforcing and monitoring of the real estate industry

The following pages outline what we have achieved against the performance measures set out in our Statement of Performance Expectations 2017/18.

Statement of Performance

for the year ended 30 June 2018

	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
Total revenue	11,142	11,114	11,888
Output expenditure			
Informing and educating consumers, licensees and other stakeholders	3,278	3,529	2,437
Licensing, enforcing and monitoring of the real estate industry	8,649	9,080	8,012
Total expenditure	11,927	12,609	10,449
Total comprehensive revenue and expense	(785)	(1,495)	1,439

Outputs



Output 1

Informing and educating consumers, licensees and other stakeholders

Scope

This output provides for the provision of information and guidance to buyers, sellers, licensees and other stakeholders. It includes:

- identification and understanding of the causes of consumer harm
- informing and advising consumers of their rights
- the development of targeted campaigns to reduce or prevent the occurrence of consumer harm
- the provision of relevant and accessible information to help educate consumers
- informing and advising licensees of their responsibilities
- providing best-practice guidance for licensees
- managing the continuing education programme, overseeing development of continuing education material, monitoring licensee compliance to annual requirements and auditing continuing education providers
- the development of strategic partnerships with stakeholders
- raising awareness of REA.

This output primarily contributes towards these impacts:



Impact 1
Reduced consumer harm



Impact 2
Better educated and informed consumers



Impact 4
Increased awareness and understanding of REA

How well we delivered this output

The following table provides an assessment of our delivery against the performance measures set out against for this output in our Statement of Performance Expectations 2017/18.

Measure	Actual 2017/18	Target 2017/18	Actual 2016/17
Quality			
Percentage of consumers who consider the residential property guides (agency agreement guide and sale and purchase agreement guide) useful ¹¹	88%	85%	90%
Percentage of consumers who found the information and guidance provided by REA useful ¹²	91%	97%	93%
Percentage of consumers who know what REA does ¹³	34%	59%	31%
Percentage of licensees who find REA's compliance guidance useful ¹⁴	92%	80%	88%
Percentage of licensees who agree the continuing education programme has improved their knowledge and understanding of the topic area ¹⁵	83%	87%	86%
Percentage of licensees who plan to make changes to their practice as a result of continuing education ¹⁶	63%	80%	77%
Number of targeted campaigns to consumers and licensees	8	5	2
Total number of website sessions ¹⁷	601,237	600,000	677,465

Awareness

In 2017, in-depth consumer brand research found that many consumers are confused about what REA is and what it does. As a result, the annual consumer survey was adjusted to provide a more accurate measure of awareness and consumer knowledge of REA. The survey now uses an unprompted awareness question to ask consumers who they think the 'main organisation responsible for being the independent regulator of the real estate industry is'. This improvement to the survey question means that the 2016/17 and 2017/18 results are not directly comparable to the target. The target was established using the old survey methodology and will be adjusted going forward.

- ¹¹ Source: REA (2018). *Annual Perceptions Research (June 2018)* prepared by Nielsen. This result is expressed as a combined percentage of positive responses where respondents rated guides as 'somewhat useful' to 'very useful' and excludes 'don't know' responses.
- ¹² Source: REA (2018). *Annual Perceptions Research (June 2018)* prepared by Nielsen. This result is expressed as a combined percentage of positive responses where respondents rated REA information and guidance as 'somewhat useful' to 'very useful' and excludes 'don't know' responses. Warning: There is a small sample size in relation to this measure.
- ¹³ Source: REA (2018). *Annual Perceptions Research (June 2018)* prepared by Nielsen. This result is expressed as a combined percentage of positive responses where respondents rated they 'know a little' to 'a reasonable amount' about what REA does.
- ¹⁴ Source: REA (2018). *Licensee Survey (July 2018)*. This result is expressed as a combined percentage of positive responses where respondents rated REA compliance guidance as 'informative' to 'very informative'.
- ¹⁵ Source: REA (2018). *Licensee Survey (July 2018)*.
- ¹⁶ Source: REA (2018). *Licensee Survey (July 2018)*. A 5-point scale (from strongly disagree to strongly agree) is used to measure this result. In 2016/17, the middle score on the scale was 'agree'. In 2017/18, the middle score on the scale was modified to 'neutral'. This means the 2017/18 result is not directly comparable to 2016/17.
- ¹⁷ Source: REA (2018). *Google Analytics Report (June 2018)*.



Output 2

Licensing, enforcing and monitoring of the real estate industry

Scope

This output provides for managing and administering REA's licensing regime, monitoring the industry and taking action against non-compliance. It 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 to work in the industry
- processing new applications, renewals and voluntary suspensions of licences
- maintaining a current register of all approved licensees
- managing the Licensee Portal
- responding to enquiries through information and advice
- auditing real estate agency trust accounts
- establishing and maintaining a framework for collecting, collating and analysing data
- undertaking comprehensive assessments of the key issues and risks that exist in the real estate industry and shaping regulation, compliance and policy practices to address these risks
- receiving, assessing, managing and investigating complaints
- taking action following non-compliance
- supporting the Complaints Assessment Committees, Tribunals and court activities.

This output primarily contributes towards these impacts:



Impact 1

Reduced consumer harm



Impact 2

Better educated and informed consumers

How well we delivered this output

The following table provides an assessment of our delivery against the performance measures set out for this output in our Statement of Performance Expectations 2017/18.

Measure	Actual 2017/18	Target 2017/18	Actual 2016/17
Quality			
Percentage of applications approved where licensees at the time of approval are 'fit and proper' and meet the required professional standards ¹⁸	100%	100%	100%
Percentage of complainants and respondents that consider the complaints process independent, fair and transparent ¹⁹	46%	60%	58%
Percentage of Complaints Assessment Committee decisions that meet quality standards ²⁰	85%	100%	81%
Number of judicial criticisms on the Complaints Assessment Committee decision process ²¹	4	0	5
Timeliness²²			
Percentage of new applications for licences processed within three weeks	88%	87%	84%
Percentage of renewal applications for licences processed within two weeks	98%	98%	97%
Percentage of complaints completed within one month	16%	45%	14%
Percentage of complaints completed within six months	64%	75%	67%
Percentage of complaints completed within one year	86%	95%	84%


18 This result is obtained through an internal ongoing quality review of all approved applications. Professional standards consider any previous criminal convictions, relevant education and character of licensees.

19 Source: REA (2018). *Complainants and Respondents Survey (January 2018, July 2018)*.

20 This result is obtained through an external review of a sample of Complaints Assessment Committee decisions. Each Complaints Assessment Committee decision is scored against three criteria: knowledge of the legislation and rules, analysis and procedural compliance.

21 Judicial criticism is assessed through a comprehensive review of each Tribunal decision, particularly Tribunal decisions that overturn Complaints Assessment Committee decisions. In each case, the reason for the overturning is assessed as to whether there is any judicial criticism of the original Complaints Assessment Committee decision.

22 The timeliness results are extracted from REA's data management system.



An independent, fair and transparent complaints process

The percentage of respondents who considered the complaints process to be independent, fair and transparent decreased from 58% to 46%. This result is an average made up of results from the early resolution process (64%) and the formal Complaints Assessment Committee process (28%). As a result, in the year ahead, we will dedicate resources to focus on improving the complaints experience for all participants.

Judicial criticisms of the Complaints Assessment Committee decision-making process

There were four judicial criticisms, down on five received in the previous year but higher than the target of zero. From 2016, a change in Chair and practice at the Real Estate Agents Disciplinary Tribunal has led to an increased focus on the procedure followed by Complaints Assessment Committees. In the last year, this process identified four criticisms out of 175 Complaints Assessment Committee decisions. We have increased our training to Complaints Assessment Committees to improve future results in this area.

Timeliness of completing complaints

The percentage of complaints completed within one month was 16%, slightly up on 14% from the previous year but well down on the target of 45%. During the year, a number of factors continued to influence our ability to resolve complaints within 30 days, particularly the number of complaints being resolved during early resolution. We closed 219 complaints through our early resolution process.

Financial statements

Explanations of significant variances against budget are detailed in Note 22 on page 63. The statement of accounting policies and notes to the financial statements form an integral part of these financial statements.

Statement of Comprehensive Revenue and Expense

for the year ended 30 June 2018

	Note	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
Revenue				
Operating levy received	1	9,562	9,527	10,095
Application and suspension fees	2	858	877	983
Other revenue	3	722	710	810
Total revenue		11,142	11,114	11,888
Expenditure				
Audit fee		64	60	58
Personnel costs	4	5,239	5,401	4,544
Depreciation	10	62	95	55
Amortisation	11	972	1,169	732
Impairment loss	11	-	-	-
Specialist services	5	1,978	2,272	1,205
Legal fees		1,186	1,316	1,325
Board fees	4, 19	137	160	162
Complaints Assessment Committee fees		358	380	315
Miscellaneous expenses		37	31	104
Computer and telecommunications		1,100	840	1,089
Printing, stationery and postage		121	141	103
Travel, meetings and entertainment		241	327	215
Occupancy		432	417	542
Total expenditure		11,927	12,609	10,449
Total comprehensive revenue and expense		(785)	(1,495)	1,439

Statement of Financial Position

as at 30 June 2018

	Note	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
Current assets				
Cash and cash equivalents		3,764	1,129	1,578
Investments - short-term deposits		5,320	5,184	8,212
Debtors and other receivables	7	93	162	170
Prepayments	8	70	19	180
GST receivable		-	-	74
Approved guide stock	9	14	40	18
Total current assets		9,261	6,534	10,232
Non-current assets				
Property, plant and equipment	10	88	277	124
Intangible assets	11	2,259	3,825	2,922
Total non-current assets		2,347	4,102	3,046
Total assets		11,608	10,636	13,278
Current liabilities				
GST payable		9	3	-
Trade creditors and accruals	12	741	916	1,436
Employee entitlements	13	190	172	183
Deferred operating levy	14	5,588	5,569	5,794
Total current liabilities		6,528	6,660	7,413
Total liabilities		6,528	6,660	7,413
Net assets		5,080	3,976	5,865
Public equity				
Retained earnings		4,830	3,726	5,615
Litigation reserve		250	250	250
Total public equity		5,080	3,976	5,865

Statement of Changes in Equity

for the year ended 30 June 2018

	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
Public equity as at 1 July	5,865	5,471	4,426
Total comprehensive revenue and expense	(785)	(1,495)	1,439
Total public equity as at 30 June	5,080	3,976	5,865
Comprised of the following funds:			
Retained earnings as at 1 July	5,615	5,221	4,176
Total comprehensive revenue and expense	(785)	(1,495)	1,439
Total retained earnings as at 30 June	4,830	3,726	5,615
Litigation reserve as at 1 July	250	250	250
Movement in litigation reserve	-	-	-
Total litigation reserve as at 30 June	250	250	250

Statement of Cash Flows

for the year ended 30 June 2018

	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
Cash flows from operating activities			
Cash was provided from:			
Receipts from licensees	9,710	9,983	10,225
Receipts from sale of publications	217	250	256
Interest received	245	180	145
Receipts from suspension fees	505	503	424
Receipts from fines	315	280	304
Cash was applied to:			
Payments to suppliers	(6,389)	(6,495)	(4,851)
Payments to employees	(4,986)	(5,019)	(4,372)
Net GST received/(paid)	12	(49)	(30)
Net cash flows from operating activities	(371)	(367)	2,101
Cash flows from investing activities			
Cash was provided from:			
Receipt/(investment) in short-term deposits	2,892	1,000	(4,080)
Cash was applied to:			
Purchase of property, plant and equipment	(26)	(96)	(45)
Purchase of intangible assets	(309)	(1,415)	(1,344)
Net cash flows from investing activities	2,557	(511)	(5,469)
Net increase/(decrease) in cash and cash equivalents	2,186	(878)	(3,368)
Opening cash and cash equivalents	1,578	2,007	4,946
Closing cash and cash equivalents	3,764	1,129	1,578

Statement of Cash Flows (continued)

for the year ended 30 June 2018

	Actual 2018 \$000	Actual 2017 \$000
Reconciliation of statement of comprehensive revenue and expense surplus/(deficit) to net cash flow from operating activities.		
Net surplus/(deficit)	(785)	1,439
Non-cash items		
Depreciation	62	55
Amortisation	972	732
Provision for doubtful debts	(28)	80
Movements in working capital items		
Trade debtors, other receivables and prepayments	214	(215)
Movements in inventory	4	1
GST receivable	83	(79)
Trade creditors, other payables and provisions	(695)	519
Deferred operating revenue	(206)	(430)
Employee entitlements	8	(1)
Net cash flows from operating activities	(371)	2,101

Statement of accounting policies

for the year ended 30 June 2018

Reporting entity

These are the 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 include administering the licensing regime for licensees, educating and informing consumers, setting professional standards and providing services in relation to complaints determinations. REA is a public benefit entity for the purposes of the New Zealand equivalent to the International Public Sector Accounting Standards (IPSAS).

The financial statements for REA are for the year ended 30 June 2018 and were approved on 1 October 2018 by the Board.

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They 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 Disciplinary 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.

Under PBE IPSAS 9, REA considers the revenue generated from operating levies to be exchange in nature as it is consideration for goods and services that REA provides to licensed members and approximates the fair value of those transactions.

Operating levy revenue is recognised over a 12-month period from the date of renewal or application. Revenue not recognised in the financial year the operating levy is received is deferred to the following financial year.

Application fees, manual processing fees and suspension fees are recognised when due and received.

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 and the Real Estate Disciplinary Tribunal. The Committees and Tribunal make decisions on complaints, which can result in an order to pay a fine. Fine 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 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 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, probability the bank will enter into receivership or liquidation and default in 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 guide stock

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 disposal are determined by comparing the proceeds with the carrying amount of the assets. Gains and losses on disposals are included in the Statement of 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 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 the 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 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 – 3–5 years, 20–33% 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, which 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 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 Financial Position, and all revenue and expenses in relation to financial instruments are recognised in the Statement of Comprehensive Revenue and Expense.

Statement of cash flows

The statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the Statement of 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.

Budget figures

The budget figures shown are derived from the Statement of Performance Expectations 2017/18 approved by the Board. The budget figures have been prepared in accordance with IPSAS, using accounting policies consistent with those adopted by REA for the preparation of the financial statements. The budget figures have not been audited.



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, management 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.

Revisions to accounting estimates are recognised:

- in the period the estimate is revised
- if the revision affects only that period or in the period of the revision and future periods
- if the revision affects both current and future periods.

Judgements made by management 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 relevant notes to the financial statements.

Notes to the financial statements

for the year ended 30 June 2018

1. Operating levy received

	Actual 2018 \$000	Actual 2017 \$000
New applications	1,222	1,463
Renewals	8,340	8,632
Total operating levy received	9,562	10,095

During the year to 30 June 2018, REA processed 13,883 licence renewals and 1,873 new licence applications. Total active licences were 15,547 (2017: 15,658). This is an overall decrease of 111 licences from the previous year.

2. Application and suspension fees

	Actual 2018 \$000	Actual 2017 \$000
New application fees	345	561
Suspension fees	505	422
Manual processing fees	8	-
Total application and suspension fees	858	983

During the year to 30 June 2018, REA processed 1,873 new licence applications and 3,380 voluntary suspensions. A fee for the manual processing of online licensing transactions became effective from 1 January 2018.

3. Other revenue

	Actual 2018 \$000	Actual 2017 \$000
Interest	222	183
Sale of publications	217	221
Fines imposed by Complaints Assessment Committee/Tribunal	283	371
Insurance proceeds from 14 November 2016 earthquake	-	35
Total other revenue	722	810

4. Personnel costs

	Actual 2018 \$000	Actual 2017 \$000
Salaries and wages	4,048	3,767
Other personnel costs	1,074	684
Employer contributions to KiwiSaver	104	88
Compensation and other benefits	-	10
Employee entitlements	13	(5)
Total personnel costs	5,239	4,544

Other personnel costs include temporary staff for permanent roles, additional resources for temporary roles, recruitment costs, employer ACC levies, allowances and training. During the year ended 30 June 2018, nil (2017: 1) employees received compensation and other benefits in relation to cessation (2017: \$10,000). Employee entitlements represent the movement in annual leave balances between 30 June 2017 and 30 June 2018.

Employee remuneration

Remuneration and other benefits of \$100,000 per annum or more (excluding payments for compensation or other benefits in respect of employment cessation) received by employees in their capacity as employees were:

Remuneration range

	Actual 2018	Actual 2017
\$100,000-109,999	3	2
\$110,000-119,999	1	2
\$120,000-129,999	3	2
\$170,000-179,999	-	3
\$180,000-189,999	1	-
\$230,000-239,999	-	1
\$240,000-249,999	1	-
Total employees	9	10

Board remuneration

The total value of remuneration paid to Board members during the year was:

	Actual 2018 \$000 Board fees	Actual 2017 \$000 Board fees
John Auld (Chair)	40	40
Denese Bates QC	20	20
Aaron Bhatnagar	15	20
Marion Cowden	20	20
Elizabeth Nidd	20	20
Anthony Stack	20	20
Karin Thomas	2	20
David Russell	-	2
Total Board remuneration	137	162

No Board members received compensation or other benefits in relation to cessation. Board members receive a set fee of \$20,000 per year, with the Chair receiving \$40,000. Karin Thomas resigned in July 2017, and Aaron Bhatnagar resigned in March 2018.

5. Specialist services

	Actual 2018 \$000	Actual 2017 \$000
Investigations support	35	88
Bank, merchant service and payroll processing fees	46	54
Advertising and publicity	703	126
Approved guide management	75	75
Accounting support services	4	12
Media and communications	192	164
Alternative dispute resolution (ADR) services	43	41
Identification validation	125	4
Other specialist services	755	641
Total specialist services	1,978	1,205

6. Operating lease commitments

	Actual 2018 \$000	Actual 2017 \$000
Less than one year	147	-
Later than one year and not later than five years	1,401	-
Later than five years	525	-
Total operating lease commitments	2,073	-

The operating leases are largely for the lease of Level 4 Todd Building, 95 Customhouse Quay, Wellington. REA has a short-term temporary lease for Level 10 Todd Building, which expires on the earlier of the commencement of the lease for Level 4 Todd Building or 31 March 2020. REA has negotiated an agreement to lease Level 4 Todd Building, which is likely to commence in November 2018 for an initial term of six years. REA does not have the option to purchase the leased asset at the expiry of the lease period. Following the 14 November 2016 Kaikōura earthquake, negotiations commenced to exit lease commitments for 10 Brandon Street. The negotiations were finalised in September 2017, accordingly there are no operating lease commitments as at 30 June 2017.

7. Debtors and other receivables

	Actual 2018 \$000	Actual 2017 \$000
Trade debtors	111	192
Accrued interest	34	58
Provision for doubtful debts	(52)	(80)
Total debtors and other receivables	93	170

Trade debtors represent the value of unpaid fines. The carrying value of receivables approximates their fair value. As at 30 June 2018, all overdue receivables have been assessed for impairment, and \$52,000 (2017: \$80,000) were assessed as impaired.

8. Prepayments

	Actual 2018 \$000	Actual 2017 \$000
Prepaid salaries	17	47
Prepaid data – sales and licences	-	79
Prepaid insurance	12	11
Prepaid continuing education materials	-	25
Prepaid other	41	18
Total prepayments	70	180

9. Approved guide stock

	Actual 2018 \$000	Actual 2017 \$000
Approved guide stock at beginning of the year	18	19
Plus: Guide stock purchased during the year	60	46
Less: Guide stock cost of sales	(64)	(47)
Total approved guide stock	14	18

REA produces three types of guides for licensees:

- Real Estate Agents Act (Professional Conduct and Client Care) Rules 2012
- New Zealand Residential Property Agency Agreement Guide
- New Zealand Residential Property Sale and Purchase Agreement Guide.

The costs of guide production, distribution and management are recovered directly from licensees at the point of sale. Approved guide stock held at year end is recorded in the Statement of Financial Position as a current asset, with the cost of goods sold recognised as an expense in the Statement of Comprehensive Revenue and Expense.

10. Property, plant and equipment

	Computer Equipment \$000	Furniture and Fittings \$000	Leasehold Improvements \$000	Total \$000
Cost or valuation				
Balance at 1 July 2016	366	217	14	597
Additions	45	-	-	45
Disposals	-	-	(14)	(14)
Balance at 30 June 2017	411	217	-	628
Additions	26	-	-	26
Disposals	(277)	(19)	-	(296)
Balance at 30 June 2018	160	198	-	358
Accumulated depreciation				
Balance at 1 July 2016	322	127	14	463
Depreciation expense	34	21	-	55
Disposals	-	-	(14)	(14)
Balance at 30 June 2017	356	148	-	504
Depreciation expense	36	26	-	62
Disposals	(277)	(19)	-	(296)
Balance at 30 June 2018	115	155	-	270
Net carrying amounts				
At 1 July 2016	44	90	-	134
At 30 June 2017	55	69	-	124
At 30 June 2018	45	43	-	88

Capital commitments

There are no capital commitments at 30 June 2018 (2017: nil).

11. Intangible assets

	Actual 2018 \$000	Actual 2017 \$000
Cost or valuation		
Opening balance	4,684	3,340
Additions	309	1,344
Disposals	(11)	-
Closing balance	4,982	4,684
Accumulated amortisation		
Opening balance	1,762	1,030
Amortisation expense	972	732
Impairment loss	-	-
Disposals	(11)	-
Closing balance	2,723	1,762
Net carrying amount		
At 1 July	2,922	2,310
At 30 June	2,259	2,922

Included within intangibles is REA's core business systems upgrade, which at 30 June 2018 had a carrying amount of \$1,805,000 (2017: \$2,710,000) and a remaining amortisation period of 2.0 years (2017: 3.0 years), and intangible assets include website costs, which at 30 June 2018 had a carrying value of \$231,000 (2017: nil) and a remaining amortisation period of 2.75 years (2017: nil).

In assessing the useful lives of software assets, a number of factors are considered, including the period of time the software is intended to be in use, the effect of technological change on systems and platforms, and the expected timeframe for the development of replacement systems and platforms. An incorrect estimate of the useful lives of software assets will affect the amortisation expense recognised and the carrying amount.

Capital commitments

The amount of contractual commitments for the acquisition of intangible assets is \$390,000 (2017: nil).

12. Trade creditors and accruals

	Actual 2018 \$000	Actual 2017 \$000
Accrued expenses	242	400
Trade creditors	468	1,006
Disciplinary levy payable to Ministry of Justice	29	28
Other payables	2	2
Total trade creditors and accruals	741	1,436

Trade creditors and accruals are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and accruals approximates their fair value. 2017 accrued expenses includes an accrual for exit of lease commitments for 10 Brandon Street following the 14 November 2016 Kaikōura earthquake.

13. Employee entitlements

	Actual 2018 \$000	Actual 2017 \$000
Annual leave (current portion)	190	183
Total employee entitlements	190	183

14. Deferred operating levy

	Actual 2018 \$000	Actual 2017 \$000
For licence renewals	5,107	5,192
For new applications	481	602
Total deferred operating levy	5,588	5,794

Operating levy revenue is recognised over a 12-month period from the date of renewal or application and has been calculated on a monthly basis. Revenue not recognised in the financial year the operating levy is received is deferred to the following financial year.

15. Financial risk management objectives

REA does not enter into or trade financial instruments for speculative purposes. REA's activities expose it primarily to the financial risks of interest rates.

Interest rate risk

Fair value interest rate risk is the risk the value of a financial instrument will fluctuate due to changes in market interest rates. Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates. REA is exposed to cash flow interest rate risk as it has cash on call at floating interest rates. REA manages its interest risk by investing in on-call and short-term deposits of less than one year with financial organisations in accordance with section 161 of the Crown Entities Act 2004.

REA's interest rate risk is limited as the interest rate on investments is fixed and investment terms are less than one year.

Credit risk management

Credit risk is the risk a third party will default on its obligation to REA, causing REA to incur a loss. Financial instruments that potentially subject the entity to credit risk principally consist of bank balances. REA very rarely extends credit, and it deposits its cash with Westpac, BNZ and ANZ, all of which are AA- institutions under Standard & Poor's investment grading criteria.

Maximum exposures to credit risk at reporting date are:

	Actual 2018 \$000	Actual 2017 \$000
Cash and cash equivalents	3,764	1,578
Investments - short-term deposits	5,320	8,212
Debtors and other receivables	93	170
Total	9,177	9,960

No collateral is held on the above amount. There is no maturity date on the current bank balances as these represent cash held in transactional and cash management accounts. Term deposits classed as cash and cash equivalents have an investment term of less than three months.

Liquidity risk

Liquidity risk is the risk REA will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. REA aims to maintain flexibility in funding by keeping committed credit lines available.

All of REA's commitments owing at balance date, comprising creditors and accruals, have a contractual maturity of less than six months. REA has sufficient cash on hand to meet these commitments as they fall due. Refer to Note 12 for the liquidity risk of trade creditors and accruals.

The table below analyses financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Contractual cash flows from financial liabilities

	Carrying amount \$000	Contractual cash flows \$000	Less than 6 months \$000	6-12 months \$000
2018				
Creditors and other payables	741	741	741	-
Total	741	741	741	-
2017				
Creditors and other payables	1,436	1,436	1,436	-
Total	1,436	1,436	1,436	-

Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. REA is not subject to currency risk as it does not participate in any such financial instruments.

16. Capital management

REA's capital is its equity comprised of accumulated funds and other reserves. Equity is represented by net assets. REA is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives. REA manages its equity through prudently managing revenue, expenses, assets, liabilities, investments and general financial dealings to ensure REA effectively achieves its objectives and purpose, whilst remaining a going concern.

17. Related-party transactions

REA is a wholly owned Crown entity. REA has entered into a number of transactions with government departments, Crown agencies and state-owned entities on an arm's length basis and in the course of its normal dealings. Where those parties are acting in the course of their normal dealings with REA and the transactions are at arm's length, related-party disclosures have not been made.

During the year, REA collected \$528,067 (2017: \$519,000) of Disciplinary Tribunal levies on behalf of the Ministry of Justice. These levies are paid directly to the Ministry in the month following their collection.

18. Categories of financial assets and liabilities

	Loans and receivables \$000	Financial liabilities measured at amortised cost \$000	Total carrying amount \$000	Fair value \$000
2018				
Current financial assets				
Cash and cash equivalents	3,764	-	3,764	3,764
Investments - short-term deposits	5,320	-	5,320	5,320
Debtors and other receivables	93	-	93	93
Total current financial assets	9,177	-	9,177	9,177
Total financial assets	9,177	-	9,177	9,177
Current financial liabilities				
Trade creditors and accruals	-	741	741	741
Total current financial liabilities	-	741	741	741
Total term financial liabilities	-	-	-	-
Total financial liabilities	-	741	741	741

	Loans and receivables \$000	Financial liabilities measured at amortised cost \$000	Total carrying amount \$000	Fair value \$000
2017				
Current financial assets				
Cash and cash equivalents	1,578	-	1,578	1,578
Investments – short-term deposits	8,212	-	8,212	8,212
Debtors and other receivables	170	-	170	170
Total current financial assets	9,960	-	9,960	9,960
Total financial assets	9,960	-	9,960	9,960
Current financial liabilities				
Trade creditors and accruals	-	1,436	1,436	1,436
Total current financial liabilities	-	1,436	1,436	1,436
Total term financial liabilities	-	-	-	-
Total financial liabilities	-	1,436	1,436	1,436

19. Key management personnel compensation

The compensation of the Chief Executive/Registrar and the Board members is set out below:

	Actual 2018 \$000	Actual 2017 \$000
Fees, salaries and annual leave	380	397
Total key management personnel compensation	380	397

20. Contingent liabilities

There are no contingent liabilities at reporting date (2017: nil).

21. Subsequent events

There are no events subsequent to the reporting date REA is aware of that would have a material impact on the financial statements for the year ended 30 June 2018.

22. Significant budget variances

Budget values are sourced from the forecast financial statements shown in REA's Statement of Performance Expectations 2017/18. Explanations of significant budget variances are provided on page 64.

Explanation of **significant variances**

Statement of Comprehensive Revenue and Expense

Expenditure

Personnel costs

Personnel costs are lower than budget reflecting vacant positions not filled, which has been offset by a higher spend on temporary staff to fill these roles.

Amortisation

Amortisation is lower than budget due to the timing of capital expenditure projects.

Specialist services

Specialist services are lower than budget due to the timing of initiatives with respect to branding and information technology projects.

Legal fees

Legal fees are lower than budget as the assumed level of activity has not eventuated.

Computer and telecommunications

Computer and telecommunications are higher than budget due to additional operational costs during the transition period when changing to a new information technology provider and upgrading information technology systems to support the business and future projects.

Statement of Financial Position

Cash and cash equivalents, and investments – short-term deposits

Cash and cash equivalents, and investments – short-term deposits are higher than budget as a result of both operating and capital expenditure being deferred.

Property, plant and equipment

Property, plant and equipment are lower than budget due to lower than planned capital expenditure spend during the financial year.

Intangible assets

Intangible assets are lower than budget due to deferring of information technology projects.

Trade creditors

Trade creditors are lower than budget as a result of expenditure being deferred.

Statement of Cash Flows

Net cash flow from investing activities

Net cash flow from investing activities has improved due to the delay and timing of capital expenditure projects.



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