



# Annual Report

2019/20





## Welcome

We are pleased to present the Annual Report of the Real Estate Authority to the House of Representatives in accordance with the Crown Entities Act 2004. This report covers the period 1 July 2019 to 30 June 2020.

**Denese Bates QC**  
Chair  
Real Estate Authority  
13 October 2020

**Marion Eades**  
Chair  
Audit and Risk  
Subcommittee  
13 October 2020

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# Highlights

REA's vision is for a better real estate experience for all. We're working towards empowered consumers working with trusted real estate professionals. Our strategic priorities help us deliver on our vision and goal.

## REDUCED CONSUMER HARM

Our consumer harm prevention strategy addresses major problems and issues experienced by buyers and sellers. The number of complaints continues to fall.

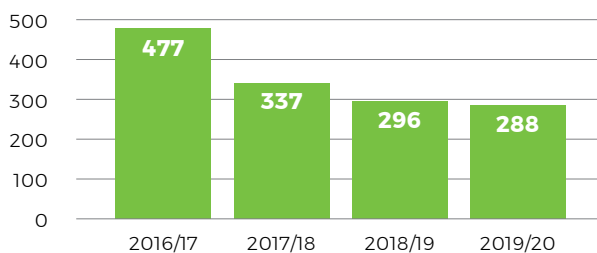


In 2019/20,  
we received

**288**

complaints about  
real estate licensees  
– the lowest number  
since REA was  
established in 2009.

Number of complaints received



# COVID-19

REA responded well to the significant impacts of the COVID-19 lockdown and the subsequent alert levels. During a time of considerable upheaval for real estate licensees, REA's staff continued working.

We responded to more than 1,000 phone calls during April when staff were working from their homes.

We worked with Ministries, WorkSafe, the New Zealand Law Society and REINZ to deliver guidance to both licensees and consumers at each COVID-19 alert level.

REA gave a three-month extension to licensees whose licences were due to be renewed in March, April and May.

We waived the usual suspension fee so licensees could suspend their licences at no cost from March until 30 June.

The COVID-19 guidance on our websites [settled.govt.nz](https://settled.govt.nz) and [rea.govt.nz](https://rea.govt.nz) had more than 92,000 page views between March and June.

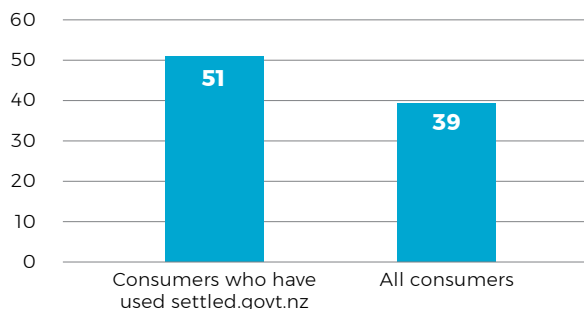
REA activated its business continuity plan before the COVID-19 lockdown so staff could work from home and effectively continue day-to-day operations.

## BETTER EDUCATED AND INFORMED CONSUMERS

Our settled.govt.nz website continues to inform consumers through the real estate transaction process and to raise awareness of risks and issues.

Our COVID-19 guidance on settled.govt.nz received over  
**48,000**  
 page views

% of real estate consumers who feel empowered



We have distributed almost  
**155,000**  
 printed buyer journey guides for licensees to hand out at open homes

“Great to send to first-home buyers to guide them through the process and reinforce what we are saying.”  
**Licensee**

“The guide had so much information for us to read. Was easy to carry around and reference things when we needed to.”  
**Buyer**

## INCREASED PROFESSIONALISM AND PUBLIC CONFIDENCE



Confidence in the real estate sector's professionalism is at its highest level ever

Confidence that the real estate industry is well monitored, fair and transparent is at its highest levels ever

Consumers have confidence when they consider real estate licensees and the sector to be professional, fair and transparent.

**91%**  
 of real estate licensees find REA's compliance guidance useful

“He was always polite, professional, and probably represented the vendors' interests well. He also complied with the COVID-19 lockdown rules, ensuring we sanitised our hands and that only he touched surfaces in the house (which we viewed during alert level 3).”  
**Buyer**

“We use the same real estate agent wherever possible. She knows her stuff.”  
**Seller**

“Professionalism and human courtesy – she felt like she actually cared about us as people, not just customers.”  
**Buyer**



**94%** of real estate consumers said they **find REA's information and guidance useful**



Consumers who have visited settled.govt.nz are more likely to **feel empowered about the real estate transaction**

We managed more than **21,500** phone calls



We issued **1,687** new licences, and there are now **15,520** active real estate licences in New Zealand



## INCREASED AWARENESS AND UNDERSTANDING OF REA

We are reaching more consumers with information about buying and selling real estate.

We have **20,320** followers across Facebook and YouTube, up from 14,186 last year



Half of the consumers who had a real estate transaction in the last 12 months have **heard of REA**



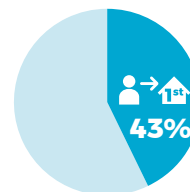
**REA celebrated turning 10 years old** in November 2019

## settled.govt.nz



Just over two years after its launch, **31%** of real estate consumers are aware of settled.govt.nz

Two especially vulnerable consumer groups, first-home buyers and migrants, are increasingly aware of settled.govt.nz, with 43% and 49% awareness respectively



**81%** of consumers who have visited settled.govt.nz **agree that the website is trustworthy**

**72%** of residential licensees who have visited settled.govt.nz **have recommended or shared the website**

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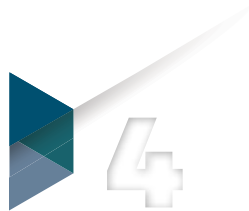
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# 1

## The Real Estate Authority

This Annual Report covers our achievements against the objectives from our Statement of Intent 2017-2021 and the performance measures and budget set out in our Statement of Performance Expectations 2019/20.





# About the **Real Estate Authority**

**The Real Estate Authority (REA) is a Crown entity established under the Real Estate Agents Act 2008. It is the operating name of the Real Estate Agents Authority.**

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.

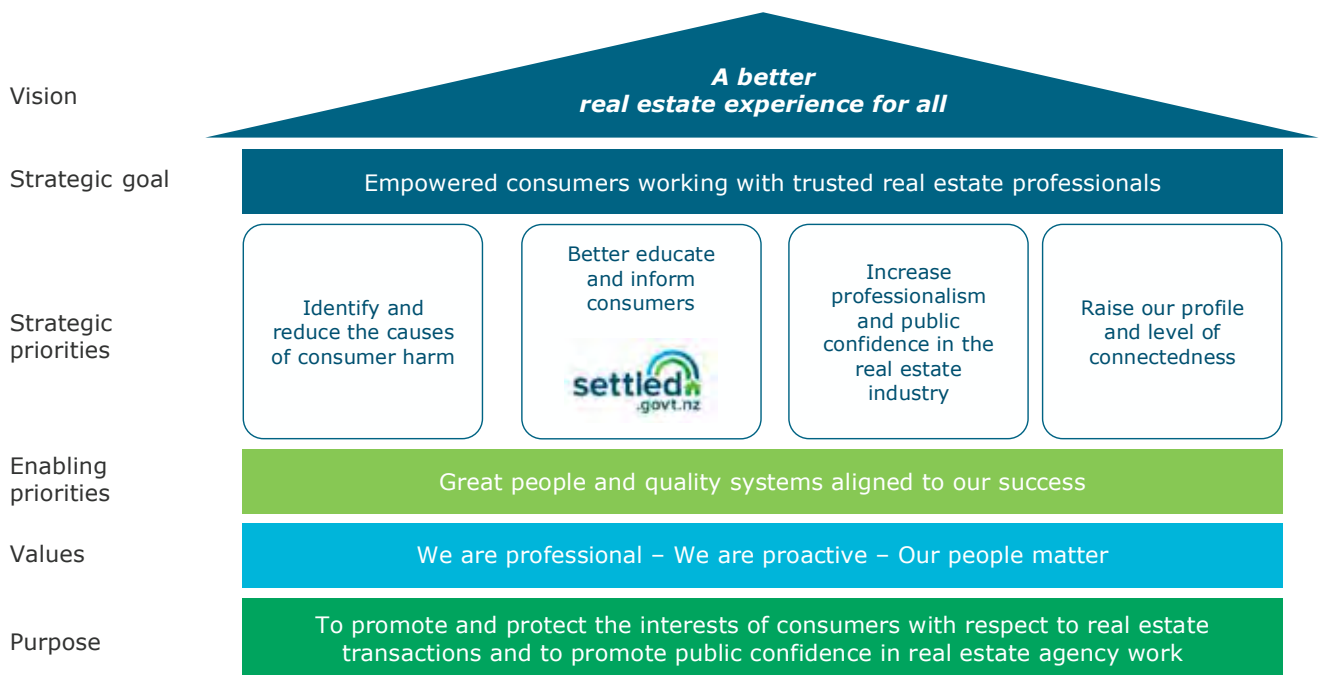




## Our strategy

Since REA's establishment in 2009, we have evolved to become a well-established regulator that is making a positive difference by building industry capability and professionalism and helping to protect and promote the interests of consumers.

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



## Our vision

### A better real estate experience for all

We aspire 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 goal

### Empowered consumers working with trusted real estate professionals

Delivering on this goal is about ensuring that everyone involved in real estate transactions is well informed and feels empowered to make the right decisions based on their situation.

It is also about working collaboratively with the industry to increase professionalism and trust and reduce levels of dissatisfaction, harm or loss for those involved.



# Report from the Chair

## Tēnā koutou katoa

The 2019/20 financial year was notable for many reasons, planned and unplanned.

This is my first Chair's report for REA. Our previous Chair, John Auld, retired after 10 years on the Board, and was Board Chair from 2013. I thank John for his excellent governance and leadership as REA was forming and evolving. We also thank Jo Devine, who resigned as a member of the Board and our Audit and Risk Subcommittee.

This year, we celebrated our 10 year anniversary, providing us with the opportunity to reflect on REA's growth and successes. We also farewelled Kevin Lampen-Smith, Chief Executive and Registrar. The Board thanks Kevin for his leadership over the eight years that saw REA increase its focus on using data and research, engaging with the industry and educating buyers and sellers to help reduce consumer harm.

The Board welcomes Belinda Moffat as Chief Executive and Registrar, joining REA in September 2020. We are grateful to Phirak Appleton, who was Acting Chief Executive for four months before Belinda joined us.

The COVID-19 pandemic and response have challenged us in ways we could not have imagined a year ago. I am proud of the way REA operated during the COVID-19 alert level 4 lockdown period and since. Excellent business continuity planning saw a nearly seamless transition to staff working efficiently and effectively from their homes. Our Senior Leadership Team was attentive to the wellbeing of our people as we navigated alert levels, and then in our gradual return to the office.

Despite operating remotely, REA management and staff worked quickly and closely

with government agencies and other key stakeholders to deliver sound and comprehensive guidance for licensees and real estate consumers at each alert level. Additionally, recognising the uncertainty at the time of lockdown, the Registrar moved quickly to approve measures allowing licensees to delay their licence renewal or suspend their licence without charge.

The value of our ongoing efforts to engage with REINZ, the real estate industry and public sector partners was evident not just in our response to COVID-19 but across the year. Our industry advisory groups and regulator's forum remain a sound platform for discussion in a constructive environment where ideas are fostered and feedback is encouraged.

It is encouraging to see that our research showed real estate consumers and the public have more confidence that the sector is professional, well regulated, well monitored, fair and transparent.

This is seen, in part, in the continuing drop year-on-year in complaints, with a growing number of these resolved through REA's early resolution process, rather than our formal Complaints Assessment Committee (CAC) process. We continue to improve the CAC process through refreshed induction, training processes and support for our CAC members.

We continue to uphold the professionalism of licensees and particularly what it means to be fit and proper to hold a real estate licence. Despite the COVID-19 disruptions, REA's regulatory services team issued 1,687 new licences, bringing the total number of active licensees in New Zealand to 15,520; 367 more than last year.

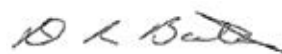
REA continues to reach consumers with independent real estate guidance. We know that the better people understand the real estate transaction and can access this guidance, the more empowered they feel. To this end, we ran a buyer research campaign, encouraging buyers to do their homework and visit [settled.govt.nz](http://settled.govt.nz) before placing an offer. This campaign achieved more positive results for us.

This year also saw new consumer redress available with complainants now able to seek compensation when things go wrong. Since October 2019, consumers can seek compensation of up to \$100,000 for loss due to unsatisfactory conduct by a real estate agent through the Real Estate Agents Disciplinary Tribunal. This was a significant change to promote and improve consumer protection.

Turning our focus to the next 12 months, the Board is looking forward to preparing for our strategic review, gaining a greater understanding of the impact of COVID-19 on the real estate sector, working with partners to develop a sound New Zealand-based agent qualification and ensuring our licensing regime continues to uphold high standards and professionalism of the sector.

On behalf of the REA Board, I congratulate and thank REA's senior leadership and staff for another year of positive results despite the significant upheaval caused by COVID-19. I also thank the Board for their strong governance in these unusual times.

Nāku noa, nā



**Denese Bates QC**  
Board Chair

## The Board

REA is governed by an independent Board which has 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 Audit and Risk Subcommittee.

### Members of the Real Estate Authority Board as at 30 June 2020

Denese Bates became Chair in November 2019. She replaced John Auld who retired as Chair after 10 years on the Board.



**Denese Bates QC**  
Chair  
Appointed March 2014



**Marion Eades**  
Chair Audit and Risk  
Subcommittee  
Appointed August 2015



**Jo Devine**  
Appointed June 2018  
Resigned July 2020



**Latham Lockwood**  
Appointed November 2019



**Elizabeth Nidd**  
Appointed August 2015



**Anthony Stack**  
Appointed August 2015



**Vern Walsh JP**  
Appointed November 2019

## The Senior Leadership Team

The Senior Leadership Team is responsible for REA's performance and deliverables.

### Members of the Senior Leadership Team

REA's Chief Executive and Registrar Belinda Moffat began her role on 7 September 2020. Kevin Lampen-Smith was Chief Executive and Registrar for 8 years until 12 May 2020. Phirak Appleton was Acting Chief Executive and Registrar from 13 May to 6 September 2020.



**Steven Bruce**  
Head of Strategy  
and Insights

**Phirak Appleton**  
General Counsel (and  
Acting Chief Executive/  
Registrar from May to  
September 2020)

**Belinda Moffat**  
Chief Executive/  
Registrar (from  
September 2020)

**Tanya Dunlop**  
Head of Human  
Resources

**Victor Eng**  
Head of Corporate  
Services

**Josh Doherty**  
Head of Regulatory  
Services

# 2

## 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 what we are doing 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 involved in real estate transactions and to promote public confidence in real estate agency work.

## The Justice Sector purpose

The Justice Sector works together for a fair and safe Aotearoa. REA contributes to this outcome by helping to ensure that consumers participate with confidence in the real estate industry.

## Alignment to Justice Sector outcome and government priorities

### Government priorities

1. An economy that is growing and working for all of us
2. Improving the wellbeing of New Zealanders and their families
3. Making New Zealand proud.

### Justice Sector purpose

Working together to support a safe and just Aotearoa.

### 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*.

### 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

## Empowered consumers<sup>1</sup> working with trusted real estate professionals

Our four-year strategy has aspirational targets for improving the real estate experience. We measure how empowered consumers feel and how trustworthy and professional they found the real estate licensee they worked with.

Our annual research programme conducted by Nielsen Research

each June asks consumers who have taken part in real estate transactions in the previous 12 months, about their experience. The results help us to understand the perceptions buyers and sellers have about the real estate sector and the real estate licensees they have worked with.

Consumers rate these attributes on a 5-point scale and we measure our progress using the top two scores<sup>2</sup>.

The consumer group also includes people who were unsuccessful in the real estate transaction, for example, buyers who made an unsuccessful offer on a property. Results are generally higher and more favourable for consumers who have successfully bought or sold.

These results remain steady. The initiatives and activities outlined in this report are focused on improving the results for these and other key measures.

## 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 2017/18	42%
Actual 2018/19	43%
Actual 2019/20	39%
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 <sup>3</sup>

It is likely that the COVID-19 response over the last three months of the 2019/20 financial year has impacted how empowered consumers feel during the real estate transaction. During COVID-19 alert levels 4 and 3, there were significant difficulties, especially for buyers and sellers in the middle of a real estate transaction. Uncertainties continued at alert levels 2 and 1, especially for consumers looking to buy or sell a tenanted property, due to the temporary protection measures for tenants.

1 'Consumers' refers to research respondents who have participated in a real estate transaction in the last 12 months.  
 2 We currently measure the top two scores for each measure, but we are transitioning to measuring the top three scores. For example, consumers rate the professionalism of the real estate agent they worked with as poor, fair, good, very good or excellent. In 2021, we will report the scores for good, very good and excellent, compared with very good and excellent this year.  
 3 Source: REA Annual Perceptions Research (June each year) 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 2017/18	52%
Actual 2018/19	52%
Actual 2019/20	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 <sup>4</sup>

### ...real estate professionals.

Outcome measure	Percentage of consumers who rate the real estate agent's professionalism as very good or excellent
Actual 2017/18	55%
Actual 2018/19	58%
Actual 2019/20	58%
Target 2020/21	67%
How we measure it	By researching how professional consumers considered the real estate agent was during the real estate transaction <sup>5</sup>

4 Source: REA Annual Perceptions Research (June each year) prepared by Nielsen.

5 Source: REA Annual Perceptions Research (June each year) prepared by Nielsen.



# Impacts

Our work has four direct impacts that contribute towards our outcome



## Impact 1

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**Reduced consumer harm**



## Impact 2

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**Better educated and informed consumers**



## Impact 3

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**Increased professionalism and public confidence**



## Impact 4

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**Increased awareness and understanding of REA**



## Impact 1:

### Reduced consumer harm

Buying and selling property is one of the most significant investment decisions New Zealanders make. When issues occur with a real estate transaction, the financial and emotional impact on consumers can be significant and long-lasting.

#### Gaining insight into the real estate experience

Our research over the last year has included our annual consumer and licensee research. We also actively monitor and respond to feedback received through our complaint resolution process and our two websites.

#### What we've done to help prevent consumer harm

Our consumer harm-prevention strategy focuses our resources and activities on the most serious consumer problems and issues. Our insights and intelligence framework and forum work across the organisation to identify issues and what causes them. The forum prioritises solutions that will make the most significant differences in reducing consumer harm.

In 2019/20, we have focused on:

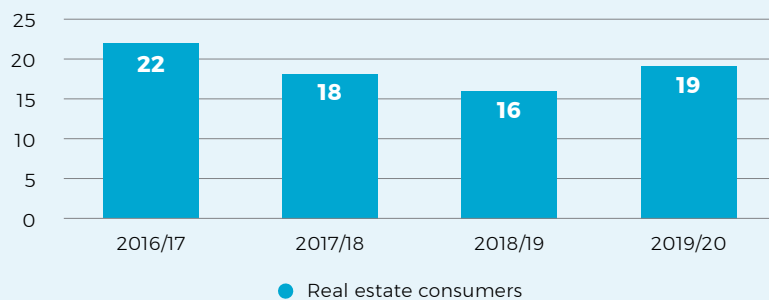
- Refining our **Risk Assessment Model**, which identifies licensees who cause the greatest problems for consumers. The model enables REA to identify high-risk licensees and agencies.
- The **consumer groups** that are the least knowledgeable and therefore the most susceptible to harm, for example, first-home buyers.
- **Resolving issues** that generate the most complaints, especially disclosure. Failure by vendors to disclose information about issues with a property to buyers is a key problem. We completed targeted research about disclosure and delivered a training pack about disclosure to agency offices throughout New Zealand.
- Encouraging **buyers to research** and carry out due diligence on a property before purchase so they are aware of any risks.

# 19%

*of consumers had an issue or problem when they bought, sold or tried to buy or sell residential property in the last 12 months.*

*Disclosure: In our annual research in 2020, 16% of sellers said there was something about their property they did not want the buyer to know.*

### % of consumers who experienced issues or problems during their real estate transactions



The COVID-19 response in the last three months of the 2019/20 financial year resulted in many issues and problems for real estate consumers, especially those in the middle of a transaction. This is likely to have led to an increase in reported issues and problems.

### REA's early resolution of complaints

The REA early resolution team aims to help consumers and real estate licensees resolve appropriate complaints through a faster and simpler process than the Complaints Assessment Committee. Early resolution provides an opportunity to learn what happened from the licensee's perspective and to help them understand the consumer's perspective and reflect on what might be done differently to prevent future complaints.





## Impact 2:

### Better educated and informed consumers

The real estate market includes many organisations that promote products and services to home buyers and sellers. Consumers need access to independent, relevant and trusted information to be better informed about the process, risks and issues related to real estate transactions.

In our annual Nielsen research, we ask consumers if they had enough knowledge and understanding of the real estate transaction process, and we report the number who scored 4 and 5 on a 5-point scale where 5 is 'a lot of knowledge'.

First-home buyers are a high-risk group of consumers and remain a focus for much of REA's consumer-focused campaign activity. First-home buyers represent 23% of home buyers.<sup>6</sup> In our 2020 Nielsen research, first-home buyers represented 38% of the buyers in the research group. This has impacted our measure for knowledge, giving a lower result.

Many consumers may have felt less knowledgeable about the transaction process during the last four months of the 2019/20 financial year when the COVID-19 response created issues, especially for buyers and sellers waiting to settle, particularly at alert level 4.

Vendors who have recently sold a property remain the most knowledgeable consumer group (52%).

Consumers who have interacted with REA or settled.govt.nz are more likely to feel empowered or very empowered in a real estate transaction.

#### Our consumer website settled.govt.nz reached 1 million users

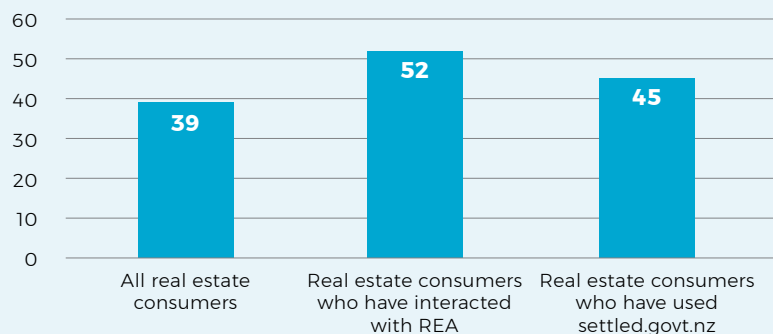
REA's marketing continues to bring high volumes of visitors to the settled.govt.nz website, which was launched in 2018 to inform consumers about the buying and selling process.

We use advertising, blogs and educational videos to promote the website to consumers and to licensees, many of whom promote it to their clients and buyers.

In the last year, over 652,500 unique users have visited the website, and there have been more than 1.6 million page views. Typically, 1,790 unique users visit the site each day generating on average more than 2,500 sessions. The website has had more than a million users.

We measure how useful the website is to users by asking them to score each page. The average score on a scale of 1 to 5 is 4.41.

#### % of consumers who consider they have high levels of knowledge about the real estate transaction process



<sup>6</sup> Source: CoreLogic July 2020.

## Guiding consumers through property transactions during the COVID-19 response

The COVID-19 situation created issues for property buyers and sellers, especially those who were due to settle a property transaction during the alert level 4 lockdown period. There were further changes to the usual real estate transaction processes at alert levels 3 and 2. People buying and selling tenanted properties were also impacted by measures put in place to protect tenants.

At each alert level, we used the [settled.govt.nz](https://settled.govt.nz) website

and Facebook page to inform consumers and guide them through the impacts.

**The COVID-19 guidance for consumers on [settled.govt.nz](https://settled.govt.nz) received over**

**48,000 page views**

**between March and June 2020.**

*“Great info – set out clearly.”*

*“Very informative – thank you.”*

*“Very good information. Our unconditional contract to sell our late parents’ house was supposed to be this Thursday. We now know why this will not be possible. But at least we know what lies ahead.”*

### Feedback about [settled.govt.nz](https://settled.govt.nz)

*“I am a new home buyer and I didn’t know some of the information. This site opened my eyes.”*

*“Very helpful and easy to follow.”*

*“Really impressed that the government has put this together.”*

*“Thank you for this. Being a first home buyer is pretty daunting. This is extremely helpful.”*

**43%**

**of first-home buyers are aware of [settled.govt.nz](https://settled.govt.nz) compared with 31% awareness among all consumer groups.**

### Campaigns

We have run several campaigns during the year to reach consumers, and especially first-home buyers to let them know about the independent guidance available on [settled.govt.nz](https://settled.govt.nz).

### Buyer journey guide

In the last year, we sent almost 155,000 free home buyer journey guides to agencies throughout New Zealand for licensees to give to buyers at open homes and agency offices. The guide has also been downloaded nearly 8,000 times.

The guide shows the stages and steps in home buying because we know from our research that consumers struggle to understand the real estate transaction process. We continue to receive positive feedback about the guide from buyers and licensees.

### Tools on [settled.govt.nz](https://settled.govt.nz)

Buyers who use our Property Checker tool can generate a report about the potential risks or issues associated with a property that they should investigate as part of their due diligence. In 2019/20, consumers generated over 14,000 reports.

The website includes several checklists and other resources to help consumers at various stages of the real estate transaction. More than 14,600 of these resources were downloaded in the last year.

### Feedback about the Property Checker tool

*“Awesome insights, many thanks.”*

*“This usefully collates a whole lot of information I’ve learned while looking for a new house – wish I’d known about it a month ago!”*

*“Great thought-provoking info for a newcomer to property.”*



## Impact 3:

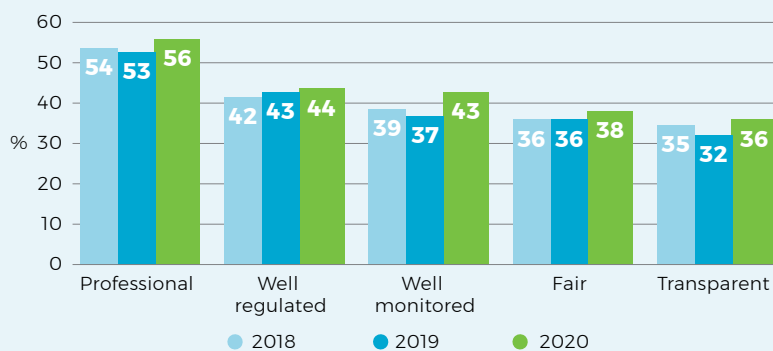
### Increased professionalism and public confidence

Public confidence in the real estate industry will be increased if the sector is made up of professional, competent licensees and if there are effective processes for redress when things go wrong. We will continue to build industry capability, promote best practice, raise professional standards, manage licensing and complaints, and monitor and enforce compliance.

#### Confidence in the real estate sector has increased

##### Consumer confidence in the real estate industry

% of consumers who rated each attribute 4 or 5 where 5 is a lot of confidence



#### CPD completions increased during the COVID-19 lockdown

Many licensees made the most of the lockdown and completed their 2020 CPD requirements over March and April using online training. CPD completions for verifiable training increased by 264% in April compared with the same month in 2019.

#### Continuing Professional Development programme

Our Continuing Professional Development (CPD) programme plays an important role in increasing industry professionalism.

Licensees must complete four hours of mandatory verifiable training in 2020, covering two topics – ethics and buyer experience. They can choose from a library of 22 topics for the remaining six hours of verifiable training. In addition to verifiable training, licensees complete 10 hours of non-verifiable training.

We survey licensees each month as they complete their verifiable training. The results and feedback help us to manage and improve the CPD material.

*“As a salesperson with less than one year’s experience, I’m very aware of what I say with customers. I worry about accidentally disclosing/misrepresenting something I shouldn’t. From the CPD training, I now write a log of conversations.”*

Verifiable training is delivered by 25 training providers approved by REA, including nine new training providers in 2020. Trainers offer online and classroom training throughout New Zealand.

#### New salespersons and CPD

From January 2020, newly licensed salespersons must complete 20 hours of CPD in the year they are licensed. Before this change, some new salespersons may not have completed CPD for up to two years after they were licensed.

### The rea.govt.nz website

The rea.govt.nz website is REA's key source of information and guidance for licensees. We have focused on improving and expanding the website content over the last year. We ask users to score the usefulness of each page using a 5-point scale, and this score is steadily increasing from 3.30 in 2018 to 4.20 this year.

There were more than 220,400 unique user visits to the site over the year, with nearly 414,700 website sessions.

#### Quotes about rea.govt.nz

*"Very good guidance on whether you can do an appraisal on a listing with a sole agency in place."*

*"Informative."*

*"Very clear. Well done."*

*"It always good to receive these refreshers, thank you."*

### Conflict of interest training material

REA delivered a training pack about conflict of interest to all agencies in February. The pack was designed for managers to run group sessions about the importance of managing conflicts of interest. The training pack initiative was based on a similar pack about disclosure that received positive feedback when it was distributed to agencies the previous year.

*"I just wanted to say thanks so much for these packs and videos. We have found these to be very useful and enjoy learning via a different innovative way so well done!"*

*"I emailed thanking for the training material and videos. We as an office really enjoyed doing them together, it was different and informative."*

*"I have yesterday taken my office through this pack. The session was taken well by the team. The questions generated good conversation and discussion from all the team. It was well balanced and thought-provoking."*

### REA licensee videos

We have produced four information videos for licensees in the last year aimed at raising knowledge and professionalism. The video resources on rea.govt.nz include guidance about marketing and advertising, supervision, the settled.govt.nz website, principles of disclosure and conflict of interest.

## Guidance for licensees during the COVID-19 lockdown

REA collaborated with government and non-government organisations to deliver urgent official guidance to licensees at each stage of the COVID-19 response.

At each COVID-19 alert level, we used rea.govt.nz and email to inform licensees about the impact on conducting business.

The COVID-19 guidance for licensees on rea.govt.nz received over 46,000 page views between March and June 2020. The pages achieved a rating score of 4.25 on a scale where 5 means very useful.

*"Excellent. Very clear. Thank you."*

*"Great update thanks! Very thorough!"*

*"Very thorough explanation and covers all relevant points."*

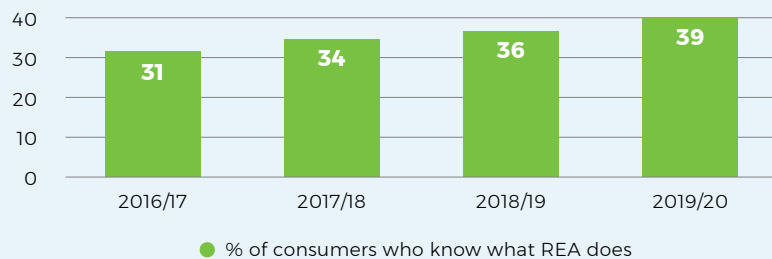


## Impact 4:

### Increased awareness and understanding of REA

We position ourselves as the independent, trusted and authoritative source of information and guidance for consumers and licensees. Consumers have a relatively low awareness and understanding of REA's brands, role and value proposition, but this is increasing. It's important to raise REA's profile so we can reach buyers and sellers to educate and inform them. It's also increasingly important to make and maintain connections with other organisations and individuals in the property sector.

% of consumers who know what REA does



#### Spirit of Service excellence awards

REA was a finalist in the service excellence category of the Spirit of Service awards for our [settled.govt.nz](http://settled.govt.nz) website in September 2019. The awards are run by the State Services Commission and are among the most prestigious on the public service calendar, attracting 84 entries last year. According to the State Services Commission, the awards celebrate outstanding public sector leadership delivering exceptional outcomes for New Zealanders.

#### Relationship building

We are proactive about sharing our research and insights on consumer issues. In the past year, we have held presentations and workshops with a range of stakeholders, from government and non-government agencies with a focus on consumer protection. Many of these organisations promote [settled.govt.nz](http://settled.govt.nz). Many of the referring websites are also [govt.nz](http://govt.nz) domains.

More than

**470**

websites have one or more links to [settled.govt.nz](http://settled.govt.nz).



Two and a half years after it was launched,

**31%**

of real estate consumers are aware of the *settled.govt.nz* website.

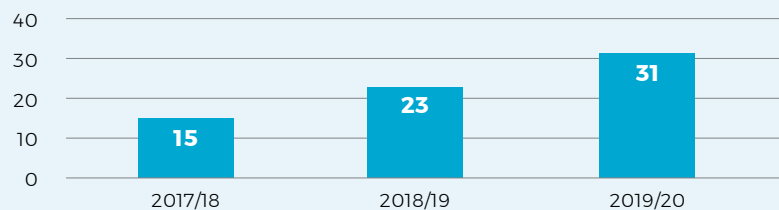
### Promoting REA and *settled.govt.nz*

We continue to promote our REA and *settled.govt.nz* websites through advertising campaigns and search engine optimisation. We also advertise on property-related sites to reach our target audiences.

### Proactive communications

We continually seek opportunities to educate consumers about the buying and selling process. We regularly write and promote blogs about topical real estate issues.

% of consumers who are aware of *settled.govt.nz*



## Connecting with other organisations to provide guidance during the COVID-19 response

REA collaborated with several government and non-government organisations to deliver urgent and important official guidance to licensees and consumers at each stage of the COVID-19 response.

We worked principally with the New Zealand Law Society, the Ministry of Justice, the Ministry of Housing and Urban Development, WorkSafe and REINZ. Senior Ministers approved the guidance at each level.



# Measuring our impacts



## Impact 1: Reduced consumer harm

We will measure success by measuring 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 2017/18	0.85%
Actual 2018/19	0.75%
Actual 2019/20	0.53%
Target 2019/20	<1.0%
How we measure it	By assessing the number of decisions of unsatisfactory conduct (73) and misconduct (9) made against the number of active licences held at 30 June 2020 (15,520)

Measure	Percentage of consumers <sup>7</sup> who experienced issues or problems
Actual 2017/18	18%
Actual 2018/19	16%
Actual 2019/20	19%
Target 2019/20	<20%
How we measure it	By researching the percentage of consumers who have experienced a problem or issue during their real estate transactions <sup>8</sup>

7 Respondents who have participated in a real estate transaction in the last 12 months.

8 Source: REA Annual Perceptions Research (June each year) 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 to be knowledgeable about the real estate transaction.

Measure	Percentage of consumers who consider they have high levels <sup>9</sup> of knowledge about the real estate transaction process
Actual 2017/18	45%
Actual 2018/19	45%
Actual 2019/20	39%
Target 2019/20	50%
How we measure it	By researching the levels of knowledge consumers have with respect to the real estate transaction process <sup>10</sup>

Although the percentage of consumers who say they are knowledgeable about the real estate transaction process remains relatively stable, knowledge is improving for some groups – especially consumers who successfully bought or sold a property and consumers who know about settled.govt.nz.

<sup>9</sup> Respondents who answered 'reasonable knowledge' or 'a lot of knowledge' with respect to the real estate transaction process.

<sup>10</sup> Source: REA Annual Perceptions Research (June each year) 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 that the real estate industry is professional. We also measure the percentage of consumers who rate the real estate agent very good or excellent in terms of being professional.

Measure	Percentage of consumers who have high levels <sup>11</sup> of confidence that the real estate industry is professional
Actual 2017/18	54%
Actual 2018/19	53%
Actual 2019/20	56%
Target 2019/20	55%
How we measure it	By researching the levels of confidence consumers have with respect to the real estate industry <sup>12</sup>

<sup>11</sup> Respondents who answered 'reasonable confidence' or 'a lot of confidence' with respect to the real estate industry being professional.

<sup>12</sup> Source: REA Annual Perceptions Research (June each year) prepared by Nielsen.



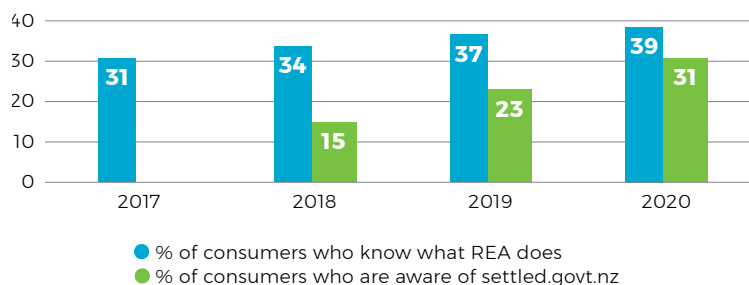
## Impact 4: Increased awareness and understanding of REA

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

Measure	Percentage of consumers who know what REA does <sup>13</sup>
Actual 2017/18	34%
Actual 2018/19	37%
Actual 2019/20	39%
Target 2019/20	37%
How we measure it	By researching the awareness consumers have of REA <sup>14</sup>

Measure	Percentage of consumers who are aware of settled.govt.nz
Actual 2017/18	15%
Actual 2018/19	23%
Actual 2019/20	31%
Target 2019/20	30%
How we measure it	By researching the awareness consumers have of settled.govt.nz <sup>14</sup>

### Awareness of REA and settled.govt.nz



<sup>13</sup> Respondents who answered 'know a little' or 'a reasonable amount' about what REA does.

<sup>14</sup> Source: REA Annual Perceptions Research (June each year) prepared by Nielsen.

# 3

## Organisational health and capability

This part of the Annual Report is about how we work.



# Our values

Our values 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.

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## We are proactive

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

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## 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 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 enable our people to do their jobs effectively and grow our capability as an organisation.

This year, we have continued to focus and review our capability improvement around two themes – people, and systems and processes.

Theme	Progress for this year
People	<ul style="list-style-type: none"><li>• We have developed an employee attraction strategy and value proposition.</li><li>• Our new reward and recognition programme is in place.</li><li>• We introduced a new flexible-by-default policy in May 2020.</li><li>• We have continued mediation accreditation for all staff involved in dispute resolution.</li><li>• REA supports staff who take part in the government G-Reg regulation training programme.</li><li>• REA continues to invest in equipping REA people with the skills to foster psychological wellbeing at work.</li><li>• We continue to increase our use of emotional intelligence profiling as part of our recruitment process.</li></ul>
Systems and processes	<ul style="list-style-type: none"><li>• We continue to implement our digital and technology initiatives in line with our information system strategic plan. Our focus is on upgrading REA's core business applications and platforms to ensure these continue to be secure and fit-for-purpose.</li><li>• We continue to improve REA's tools and technology to increase operational effectiveness and efficiency.</li><li>• In the last year, we have prioritised cybersecurity initiatives, including encouraging staff to be aware of cybersecurity. Our measures include a constant review of cybersecurity controls and processes in response to new and emerging cyber threats so we can mitigate and minimise our risk.</li><li>• REA has maintained and enhanced its ability to respond to disruptive events, including the COVID-19 lockdown, through comprehensive disaster recovery, business continuity, and remote working plans, technology and processes.</li><li>• We have developed a precedent and knowledge base system for our Complaint Assessment Committees.</li></ul>

## 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.

On 30 June 2020, we had a permanent and fixed-term staff of 48 (29 female and 19 male). We are a multicultural organisation, and our staff come from New Zealand, the UK and Europe, North America and Asia. No employees have identified themselves as being disabled.

# Promoting equal employment opportunities

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

The table below outlines our achievements in 2019/20 against the seven key elements of being a good employer, as set out by the New Zealand Human Rights Commission. We follow the 'good employer' obligations set out in the Crown Entities Act 2004.

Element	Activities for the year
<b>Leadership, accountability and culture</b>	<ul style="list-style-type: none"> <li>We hold regular meetings with staff to promote learning opportunities and facilitate discussion about our priorities and developments.</li> <li>The Senior Leadership Team is continuing to devolve more responsibility for decision making to tier 3 leaders.</li> <li>We ensured staff felt connected and supported during the COVID-19 lockdown with frequent one-on-one meetings, and by arranging regular team and all-staff meetings, quiz sessions and social events. We implemented Microsoft Teams, which took on the role of casual 'kitchen conversations'.</li> </ul>
<b>Recruitment, selection and induction</b>	<ul style="list-style-type: none"> <li>We continue to include peer-to-peer interviews as part of our recruitment process.</li> <li>We have appointed onboarding ambassadors to help new employees settle into REA.</li> </ul>
<b>Employee development, promotion and exit</b>	<ul style="list-style-type: none"> <li>We completed development plans for all staff.</li> <li>Staff have access to study assistance and professional development support if required.</li> <li>All staff have access to the government G-Reg regulation training.</li> <li>We offer an exit interview to any leaving employees.</li> </ul>
<b>Flexibility and work design</b>	<ul style="list-style-type: none"> <li>We maintained our flexible working practice policy and introduced a new, expanded flexible-by-default policy in May 2020.</li> <li>We support the work-life balance of staff with tailored options.</li> </ul>
<b>Remuneration, recognition and conditions</b>	<ul style="list-style-type: none"> <li>Our job evaluation processes remain transparent and equitable.</li> <li>We offer enhanced paid parental leave and sick leave benefits.</li> </ul>
<b>Harassment and bullying prevention</b>	<ul style="list-style-type: none"> <li>We maintain zero-tolerance anti-harassment, anti-discrimination and anti-bullying policies.</li> </ul>
<b>Safe and healthy environment</b>	<ul style="list-style-type: none"> <li>We have enhanced our health and safety policies and practices.</li> <li>We have empowered the staff Culture Club to be responsible for organisational wellness, and health and safety.</li> <li>Staff have access to support services, including an earthquake preparedness pack, employee assistance programme, office and home workstation assessments, and free flu vaccinations.</li> </ul>

## 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 to 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 2019/20.



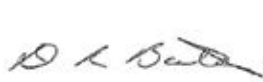
# Statement of responsibility

In the year ended 30 June 2020, the Real Estate Authority<sup>15</sup> 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 2020 fairly reflect the financial position, result of operations and cash flows of the Real Estate Authority.

Signed on behalf of the Board.



**Denese Bates QC**  
Chair  
Real Estate Authority  
13 October 2020



**Marion Eades**  
Chair  
Audit and Risk Subcommittee  
13 October 2020

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<sup>15</sup> The Real Estate Authority (REA) is the operating name of the Real Estate Agents Authority

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE READERS OF REAL ESTATE AUTHORITY'S FINANCIAL STATEMENTS, AND PERFORMANCE INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2020.**

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 Audit Limited, to carry out the audit of the financial statements and the performance information of the Authority on his behalf.

**Opinion**

We have audited:

- the financial statements of the Authority on pages 42 to 66, that comprise the statement of financial position as at 30 June 2020, 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 a summary of significant accounting policies and other explanatory information; and
- the performance information of the Authority on pages 37 to 41.

In our opinion:

- the financial statements of the Authority on pages 42 to 66:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; 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; and
- the performance information on pages 37 to 41:
  - presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2020, 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 13 October 2020. 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.

**Impact of Covid-19**

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on REA as set out in Note 21 to the financial statements.

**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 Authority for assessing the Authority'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 Authority, 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.

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 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 1 to 36, 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: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Authority.



**Henry McClintock**  
**BDO WELLINGTON AUDIT LIMITED**  
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 2019/20.

## Statement of Performance

for the year ended 30 June 2020

	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
<b>Total revenue</b>	10,183	10,483	10,879
<b>Output expenditure</b>			
Informing and educating consumers, licensees and other stakeholders	3,478	4,047	3,738
Licensing, enforcing and monitoring of the real estate industry	8,374	9,074	7,971
<b>Total expenditure</b>	<b>11,852</b>	<b>13,121</b>	<b>11,709</b>
<b>Total comprehensive revenue and expense</b>	<b>(1,669)</b>	<b>(2,638)</b>	<b>(830)</b>

# 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 about their rights
- developing targeted campaigns to reduce or prevent the occurrence of consumer harm
- providing relevant and accessible information to help educate consumers
- informing and educating licensees about their responsibilities
- providing best-practice guidance for licensees
- managing the continuing professional development programme, overseeing the development of training material, and monitoring licensee compliance with annual requirements
- developing strategic partnerships with stakeholders
- raising awareness of REA.

**This output primarily contributes towards the following 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 shows an assessment of our delivery against the performance measures set out against this output in our Statement of Performance Expectations 2019/20.

Measure	Actual 2019/20	Target 2019/20	Actual 2018/19
Percentage of consumers <sup>16</sup> who consider the residential property guides (agency agreement guide and sale and purchase agreement guide) useful. <sup>17</sup>	86%	90%	86%
Percentage of consumers who find the information and guidance provided by REA useful. <sup>18</sup>	94%	90%	94%
Percentage of licensees who find REA's compliance guidance useful. <sup>19</sup>	91%	90%	93%
Percentage of licensees who agree the continuing professional development programme has improved their knowledge and understanding of the topic area. <sup>20</sup>	82%	87%	85%
Percentage of licensees who plan to make changes to their practice as a result of continuing professional development. <sup>21</sup>	56%	80%	67%
Number of targeted initiatives for consumers.	7	4	10
Number of targeted interventions for licensees.	6	4	3
Total number of website sessions. <sup>22</sup>	1,339,131	750,000	980,662
Total number of settled.govt.nz website sessions. <sup>23</sup>	924,434	450,000	691,704
Usefulness of rea.govt.nz content. <sup>24</sup>	4.20	3.75	4.13
Usefulness of settled.govt.nz content. <sup>25</sup>	4.41	4.45	4.41

16 Respondents of the annual survey who have participated in a real estate transaction in the last 12 months.

17 Source: Annual Perceptions Research (June 2020) 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.

18 Source: Annual Perceptions Research (June 2020) 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.

19 Source: Licensee Survey (July 2020). This result is expressed as a combined percentage of positive responses where respondents rated REA compliance guidance as 'useful' to 'very useful'.

20 Source: Licensee Survey (July 2020).

21 Source: Licensee Survey (July 2020).

22 Source: Google Analytics Report (July 2020).

23 Source: Google Analytics Report (July 2020).

24 New measure in 2019/20. Source: Webpage feedback rating. Average scores on a 1 to 5 scale.

25 New measure in 2019/20. Source: Webpage feedback rating. Average scores on a 1 to 5 scale.



## Output 2:

### Licensing, enforcing and monitoring of the real estate industry

#### Scope

This output provides for managing and administering the REA 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 licensees
- managing the licensee portal
- responding to enquiries by providing information and advice
- auditing real estate agency trust accounts
- establishing and maintaining a framework for collecting, collating and analysing data
- comprehensive assessment of the key issues and risks in the real estate industry and shaping regulation, compliance and policy practices to address these risks
- receiving, assessing, managing and investigating complaints
- acting on non-compliance
- supporting the Complaints Assessment Committees, Tribunal and court activities.

This output primarily contributes towards the following impacts



Impact 1:

**Reduced consumer harm**



Impact 3:

**Increased professionalism and public confidence**

## How well we delivered this output

The following table shows an assessment of our delivery against the performance measures set out against this output in our Statement of Performance Expectations 2019/20.

Measure	Actual 2019/20	Target 2019/20	Actual 2018/19
<b>Quality</b>			
Percentage of applications approved where licensees at the time of approval are fit and proper and meet the required professional standards. <sup>26</sup>	100%	100%	100%
Percentage of complainants and respondents who consider the complaints process independent, fair and transparent. <sup>27</sup>	69%	60%	66%
Percentage of Complaints Assessment Committee decisions that meet quality standards. <sup>28</sup>	91%	85%	89%
<b>Timeliness<sup>29</sup></b>			
Percentage of new applications for licences processed within three weeks.	87%	85%	89%
Percentage of renewal applications for licences processed within two weeks.	97%	98%	98%
Percentage of complaint enquiries resolved through early resolution within one month. <sup>30</sup>	99%	95%	99%
Percentage of complaints completed through early resolution within three months. <sup>31</sup>	88%	95%	95%
Percentage of complaints completed within one year.	90%	90%	88%

26 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.

27 Source: Complainants and Respondents Survey.

28 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.

29 Source: REA's data management system.

30 New measure in 2019/20.

31 New measure in 2019/20.

# Financial statements

Explanations of significant variances against budget are detailed in Note 23 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 2020

	Note	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
<b>Revenue</b>				
Operating levy received	1	9,046	8,973	9,292
Application and suspension fees	2	713	872	866
Other revenue	3	424	638	721
<b>Total revenue</b>		<b>10,183</b>	<b>10,483</b>	<b>10,879</b>
<b>Expenditure</b>				
Audit fee		57	60	56
Personnel costs	4	5,624	5,783	5,395
Depreciation	10	152	142	76
Amortisation	11	866	994	1,045
Specialist services	5	2,016	2,390	2,027
Legal fees		841	882	914
Board fees	4, 19	147	160	140
Complaints Assessment Committee fees		330	380	351
Miscellaneous expenses		36	27	60
Computer and telecommunications		1,152	1,350	877
Printing, stationery and postage		77	135	104
Travel, meetings and entertainment		137	366	232
Occupancy		417	452	432
<b>Total expenditure</b>		<b>11,852</b>	<b>13,121</b>	<b>11,709</b>
<b>Total comprehensive revenue and expense</b>		<b>(1,669)</b>	<b>(2,638)</b>	<b>(830)</b>

## Statement of Financial Position

as at 30 June 2020

	Note	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
<b>Current assets</b>				
Cash and cash equivalents		6,513	670	6,152
Investments – short-term deposits		1,192	4,468	2,279
Debtors and other receivables	7	77	64	66
Prepayments	8	163	46	95
Approved guide stock	9	10	33	15
<b>Total current assets</b>		<b>7,955</b>	<b>5,281</b>	<b>8,607</b>
<b>Non-current assets</b>				
Property, plant and equipment	10	390	373	518
Intangible assets	11	573	2,039	1,502
<b>Total non-current assets</b>		<b>963</b>	<b>2,412</b>	<b>2,020</b>
<b>Total assets</b>		<b>8,918</b>	<b>7,693</b>	<b>10,627</b>
<b>Current liabilities</b>				
GST payable		38	11	1
Trade creditors and accruals	12	1,090	1,292	806
Employee entitlements	13	199	180	190
Deferred operating levy	14	5,010	5,210	5,380
<b>Total current liabilities</b>		<b>6,337</b>	<b>6,693</b>	<b>6,377</b>
<b>Total liabilities</b>		<b>6,337</b>	<b>6,693</b>	<b>6,377</b>
<b>Net assets</b>		<b>2,581</b>	<b>1,000</b>	<b>4,250</b>
<b>Public equity</b>				
Retained earnings		2,331	750	4,000
Litigation reserve		250	250	250
<b>Total public equity</b>		<b>2,581</b>	<b>1,000</b>	<b>4,250</b>

## Statement of Changes in Equity

for the year ended 30 June 2020

	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
Public equity as at 1 July	4,250	3,638	5,080
Total comprehensive revenue and expense	(1,669)	(2,638)	(830)
<b>Total public equity as at 30 June</b>	<b>2,581</b>	<b>1,000</b>	<b>4,250</b>
<b>Comprised of the following funds:</b>			
<b>Retained earnings</b> as at 1 July	4,000	3,388	4,830
Total comprehensive revenue and expense	(1,669)	(2,638)	(830)
<b>Total retained earnings as at 30 June</b>	<b>2,331</b>	<b>750</b>	<b>4,000</b>
<b>Litigation reserve</b> as at 1 July	250	250	250
Movement in litigation reserve	-	-	-
<b>Total litigation reserve as at 30 June</b>	<b>250</b>	<b>250</b>	<b>250</b>

## Statement of Cash Flows

for the year ended 30 June 2020

	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
<b>Cash flows from operating activities</b>			
<b>Cash was provided from:</b>			
Receipts from licensees	9,044	8,306	9,430
Receipts from sale of publications	129	199	191
Interest income	103	180	218
Receipts from suspension fees	368	507	519
Receipts from fines	163	259	294
<b>Cash was applied to:</b>			
Payments to suppliers	(5,093)	(6,824)	(5,272)
Payments to employees	(5,431)	(5,202)	(5,225)
Net GST received/(paid)	58	46	(14)
<b>Net cash flows from operating activities</b>	<b>(659)</b>	<b>(2,529)</b>	<b>141</b>
<b>Cash flows from investing activities</b>			
<b>Cash was provided from:</b>			
Receipt/(investment) in short-term deposits	1,088	3,000	3,041
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment	(24)	(35)	(506)
Purchase of intangible assets	(44)	(1,204)	(288)
<b>Net cash flows from investing activities</b>	<b>1,020</b>	<b>1,761</b>	<b>2,247</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>361</b>	<b>(768)</b>	<b>2,388</b>
<b>Opening cash and cash equivalents</b>	<b>6,152</b>	<b>1,438</b>	<b>3,764</b>
<b>Closing cash and cash equivalents</b>	<b>6,513</b>	<b>670</b>	<b>6,152</b>

## Statement of Cash Flows (continued)

for the year ended 30 June 2020

	Actual 2020 \$000	Actual 2019 \$000
<b>Reconciliation of statement of comprehensive revenue and expense surplus/(deficit) to net cash flow from operating activities.</b>		
<b>Net surplus/(deficit)</b>	(1,669)	(830)
<b>Non-cash items</b>		
Depreciation	152	76
Amortisation	866	1,045
Provision for doubtful debts	(14)	42
Disposal of intangible assets	107	-
<b>Movements in working capital items</b>		
Trade debtors, other receivables and prepayments	(66)	(40)
Movements in inventory	5	(1)
GST receivable	37	(8)
Trade creditors, other payables and provisions	284	65
Deferred operating revenue	(370)	(208)
Employee entitlements	9	-
<b>Net cash flows from operating activities</b>	<b>(659)</b>	<b>141</b>



# Statement of accounting policies

for the year ended 30 June 2020

## 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 complaint 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 2020 and were approved on 13 October 2020 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.

### Operational levy

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

In making a judgement as to the appropriate policy, management considered if there is a direct exchange of economic benefits or services to licensed members and whether the levy approximates a fair value of this exchange. Based on the benefits provided to members of REA including resources for agents, continuing education, industry regulation and research, management has determined the services provided are of approximate equal value to the operational levy charged. Therefore, the operational levy is accounted for as exchange revenue and PBE IPSAS 9 applies.

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 Agents 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 disposals are determined by comparing the proceeds with the carrying amount of the assets. Gains and losses on disposals are included in the Statement of 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 – 3–4 years, 25–33% 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 2019/20 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.

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

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

# Notes to the financial statements

for the year ended 30 June 2020

## 1. Operating levy received

	Actual 2020 \$000	Actual 2019 \$000
New applications	1,019	1,075
Renewals	8,027	8,217
<b>Total operating levy received</b>	<b>9,046</b>	<b>9,292</b>

Total active licences as at 30 June 2020 were 15,520 (2019: 15,153). This is an overall increase of 367 licences from the previous year.

## 2. Application and suspension fees

	Actual 2020 \$000	Actual 2019 \$000
New application fees	332	331
Suspension fees	368	519
Manual processing fees	13	16
<b>Total application and suspension fees</b>	<b>713</b>	<b>866</b>

During the year to 30 June 2020, REA processed 1,687 (2019: 1,772) new licence applications and 3,354 (2019: 3,516) voluntary suspensions.

## 3. Other revenue

	Actual 2020 \$000	Actual 2019 \$000
Interest	140	207
Sale of publications	129	191
Fines imposed by Complaints Assessment Committee/Tribunal	155	323
<b>Total other revenue</b>	<b>424</b>	<b>721</b>

#### 4. Personnel costs

	<b>Actual 2020 \$000</b>	<b>Actual 2019 \$000</b>
Salaries and wages	4,669	4,559
Other personnel costs	813	716
Employer contributions to KiwiSaver	121	120
Compensation and other benefits	13	-
Employee entitlements	8	-
<b>Total personnel costs</b>	<b>5,624</b>	<b>5,395</b>

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 2020, two employees (2019: nil) received compensation and other benefits in relation to cessation. Employee entitlements represent the movement in annual leave balances between 30 June 2019 and 30 June 2020.

#### 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

	<b>Actual 2020 \$000</b>	<b>Actual 2019 \$000</b>
\$100,000-\$109,999	3	3
\$110,000-\$119,999	3	2
\$120,000-\$129,999	1	2
\$130,000-\$139,999	4	1
\$140,000-\$149,999	1	-
\$150,000-\$159,999	-	1
\$160,000-\$169,999	1	1
\$180,000-\$189,999	1	-
\$190,000-\$199,999	1	1
\$200,000-\$209,999	1	-
\$240,000-\$249,999	-	1
\$290,000-\$299,999	1	-
<b>Total employees</b>	<b>17</b>	<b>12</b>

## Board remuneration

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

	<b>Actual 2020 \$000 Board fees</b>	<b>Actual 2019 \$000 Board fees</b>
John Auld (Chair)	16	40
Denese Bates QC (Chair)	31	20
Marion Eades	19	20
Elizabeth Nidd	19	20
Anthony Stack	19	20
Jo Devine	19	20
Latham Lockwood	12	-
Vern Walsh JP	12	-
<b>Total Board remuneration</b>	<b>147</b>	<b>140</b>

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. Board members have agreed to reduce their fees by 20% for a six month period from May 2020, in line with Public Sector pay restraints. John Auld completed his term as Board Chair and Denese Bates QC was appointed Board Chair in November 2019. Latham Lockwood and Vern Walsh JP were appointed in November 2019.

## 5. Specialist services

	<b>Actual 2020 \$000</b>	<b>Actual 2019 \$000</b>
Investigations support	6	4
Bank, merchant service and payroll processing fees	38	43
Advertising and publicity	692	1,178
Approved guide management	63	75
Media and communications	126	184
Identification validation	121	130
Other specialist services	970	413
<b>Total specialist services</b>	<b>2,016</b>	<b>2,027</b>



## 6. Operating lease commitments

	<b>Actual 2020 \$000</b>	<b>Actual 2019 \$000</b>
Less than one year	351	351
Later than one year and not later than five years	1,241	1,401
Later than five years	-	190
<b>Total operating lease commitments</b>	<b>1,592</b>	<b>1,942</b>

The operating lease is for Level 4 Todd Building, 95 Customhouse Quay, Wellington, which REA moved to in January 2019. Lease incentives received are recognised over the lease term. The lease has an initial term of six years. REA does not have the option to purchase the leased asset at the expiry of the lease period. Previously, REA had a short-term temporary lease for Level 10 of the Todd Building, which expired on the earlier of the commencement of the lease for Level 4 Todd Building or 31 March 2020.

## 7. Debtors and other receivables

	<b>Actual 2020 \$000</b>	<b>Actual 2019 \$000</b>
Trade debtors	96	136
Accrued interest	61	24
Provision for doubtful debts	(80)	(94)
<b>Total debtors and other receivables</b>	<b>77</b>	<b>66</b>

Trade debtors represent the value of unpaid fines. The carrying value of receivables approximates their fair value. As at 30 June 2020, all overdue receivables have been assessed for impairment, and \$80,000 (2019: \$94,000) were assessed as impaired.

## 8. Prepayments

	<b>Actual 2020 \$000</b>	<b>Actual 2019 \$000</b>
Prepaid salaries	8	14
Prepaid insurance	17	12
Prepaid software licences	90	42
Prepaid other	48	27
<b>Total prepayments</b>	<b>163</b>	<b>95</b>

## 9. Approved guide stock

	<b>Actual 2020 \$000</b>	<b>Actual 2019 \$000</b>
Approved guide stock at beginning of the year	15	14
Plus: Guide stock purchased during the year	33	51
Less: Guide stock cost of sales	(38)	(50)
<b>Total approved guide stock</b>	<b>10</b>	<b>15</b>

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 charged against the revenue 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
<b>Cost or valuation</b>				
Balance at 1 July 2018	160	198	-	358
Additions	30	93	383	506
Disposals	(26)	(127)	-	(153)
<b>Balance at 30 June 2019</b>	<b>164</b>	<b>164</b>	<b>383</b>	<b>711</b>
Additions	21	3	-	24
Disposals	(13)	-	-	(13)
<b>Balance at 30 June 2020</b>	<b>172</b>	<b>167</b>	<b>383</b>	<b>722</b>
<b>Accumulated depreciation</b>				
Balance at 1 July 2018	115	155	-	270
Depreciation expense	33	27	16	76
Disposals	(26)	(127)	-	(153)
<b>Balance at 30 June 2019</b>	<b>122</b>	<b>55</b>	<b>16</b>	<b>193</b>
Depreciation expense	24	32	96	152
Disposals	(13)	-	-	(13)
<b>Balance at 30 June 2020</b>	<b>133</b>	<b>87</b>	<b>112</b>	<b>332</b>
<b>Net carrying amounts</b>				
At 1 July 2018	45	43	-	88
At 30 June 2019	42	109	367	518
<b>At 30 June 2020</b>	<b>39</b>	<b>80</b>	<b>271</b>	<b>390</b>

### Capital commitments

There are no capital commitments at 30 June 2020 (2019: nil).

## 11. Intangible assets

	Actual 2020 \$000	Actual 2019 \$000
<b>Cost or valuation</b>		
Opening balance	5,270	4,982
Additions	44	288
Disposals	(212)	-
<b>Closing balance</b>	<b>5,102</b>	<b>5,270</b>
<b>Accumulated amortisation</b>		
Opening balance	3,768	2,723
Amortisation expense	866	1,045
Impairment loss	-	-
Disposals	(105)	-
<b>Closing balance</b>	<b>4,529</b>	<b>3,768</b>
<b>Net carrying amount</b>		
At 1 July	1,502	2,259
<b>At 30 June</b>	<b>573</b>	<b>1,502</b>

Included within intangible assets is REA's core business systems upgrade, which as at 30 June 2020 had a carrying amount of \$222,000 (2019: \$900,000) and a remaining amortisation period of <1.0 year (2019: 1.0 year). Intangible assets also include website costs, which as at 30 June 2020 had a carrying value of \$208,000 (2019: \$312,000) and a remaining amortisation period between <1.0 and 3 years (2019: between 1.75 and 3 years).

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 nil (2019: nil).

## 12. Trade creditors and accruals

	<b>Actual 2020 \$000</b>	<b>Actual 2019 \$000</b>
Accrued expenses	373	353
Trade creditors	583	425
Disciplinary levy payable to Ministry of Justice	48	28
Other payables	86	-
<b>Total trade creditors and accruals</b>	<b>1,090</b>	<b>806</b>

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.

## 13. Employee entitlements

	<b>Actual 2020 \$000</b>	<b>Actual 2019 \$000</b>
Annual leave (current portion)	199	190
<b>Total employee entitlements</b>	<b>199</b>	<b>190</b>

## 14. Deferred operating levy

	<b>Actual 2020 \$000</b>	<b>Actual 2019 \$000</b>
For licence renewals	4,518	4,921
For new applications	492	459
<b>Total deferred operating levy</b>	<b>5,010</b>	<b>5,380</b>

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:

	<b>Actual 2020 \$000</b>	<b>Actual 2019 \$000</b>
Cash and cash equivalents	6,513	6,152
Investments - short-term deposits	1,192	2,279
Debtors and other receivables	77	66
<b>Total</b>	<b>7,782</b>	<b>8,497</b>

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 a maturity date of three months or less.

### 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
<b>2020</b>				
Creditors and other payables	1,090	1,090	1,090	-
<b>Total</b>	<b>1,090</b>	<b>1,090</b>	<b>1,090</b>	<b>-</b>
<b>2019</b>				
Creditors and other payables	806	806	806	-
<b>Total</b>	<b>806</b>	<b>806</b>	<b>806</b>	<b>-</b>

#### 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 \$478,896 (2019: \$505,131) 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
<b>2020</b>				
<b>Current financial assets</b>				
Cash and cash equivalents	6,513	-	6,513	6,513
Investments – short-term deposits	1,192	-	1,192	1,192
Debtors and other receivables	77	-	77	77
<b>Total current financial assets</b>	<b>7,782</b>	<b>-</b>	<b>7,782</b>	<b>7,782</b>
<b>Total financial assets</b>	<b>7,782</b>	<b>-</b>	<b>7,782</b>	<b>7,782</b>
<b>Current financial liabilities</b>				
Trade creditors and accruals	-	1,090	1,090	1,090
<b>Total current financial liabilities</b>	<b>-</b>	<b>1,090</b>	<b>1,090</b>	<b>1,090</b>
<b>Total term financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>-</b>	<b>1,090</b>	<b>1,090</b>	<b>1,090</b>
<b>2019</b>				
<b>Current financial assets</b>				
Cash and cash equivalents	6,152	-	6,152	6,152
Investments – short-term deposits	2,279	-	2,279	2,279
Debtors and other receivables	66	-	66	66
<b>Total current financial assets</b>	<b>8,497</b>	<b>-</b>	<b>8,497</b>	<b>8,497</b>
<b>Total financial assets</b>	<b>8,497</b>	<b>-</b>	<b>8,497</b>	<b>8,497</b>
<b>Current financial liabilities</b>				
Trade creditors and accruals	-	806	806	806
<b>Total current financial liabilities</b>	<b>-</b>	<b>806</b>	<b>806</b>	<b>806</b>
<b>Total term financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>-</b>	<b>806</b>	<b>806</b>	<b>806</b>



## 19. Key management personnel compensation

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

	<b>Actual 2020 \$000</b>	<b>Actual 2019 \$000</b>
Fees, salaries and annual leave	469	387
<b>Total key management personnel compensation</b>	<b>469</b>	<b>387</b>

## 20. Contingent liabilities

There are no contingent liabilities at reporting date (2019: nil).

## 21. COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of a coronavirus (COVID-19) pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this the country has been held in varying levels of lockdown and as a result, economic uncertainties have arisen which require us to continuously consider both positive and negative implications to our operations and services.

We have identified the possible effects on the entity as a result of the COVID-19 pandemic and these are described below;

- a decline in revenue due to a reduction in new licence applications, renewal of licences and deferral of income
- constrained expenditure with initiatives being deferred or cancelled

The impact of these possible effects will not be known until the financial year end 30 June 2021.

The financial statements are prepared on the basis that the entity is a going concern. REA has sufficient financial resources to continue meeting its ongoing financial obligations.

## 22. 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 2020.

## 23. Significant budget variances

Budget values are sourced from the forecast financial statements shown in REA's 2019/20 Statement of Performance Expectations. Explanations of significant budget variances are provided on page 64.

# Explanation of significant variances

## Statement of Comprehensive Revenue and Expense

### Revenue

#### Application and suspension fees

Revenue is below budget due to the waiver of suspension fees during COVID-19 to provide relief for the industry.

#### Other revenue

Guide revenue is below budget due to the impact of COVID-19 and a general decline in guide sales volume. REA guides are available online and as a printed publication.

Fine revenue is below budget due to the impact of COVID-19 and a lower number of complaints received.

### Expenditure

#### Personnel costs

Personnel costs are lower than budget reflecting vacant positions not filled during parts of the year.

#### Amortisation

Amortisation is lower than budget due to the change in timing of planned information technology projects.

#### Specialist services

Specialist services are lower than budget as a number of planned activities were cancelled or deferred over the COVID-19 period.

#### Computer and telecommunications

Computer and telecommunications are lower than budget due to a number of information technology related process improvement initiatives being impacted by COVID-19.

#### Travel, meetings and entertainment

Travel, meetings and entertainment are lower than budget due to a lower than planned level of required travel in the first 9 months and the impact of COVID-19 in the last quarter.

## Statement of Financial Position

### Cash and cash equivalents and investments - short-term deposits

Cash and cash equivalents and short-term deposits are higher than budget predominantly as a result of cancellation or delays in both operating and capital expenditure.

### Intangible assets

Intangible assets are lower than budget due to change in timing of planned information technology projects.

### Trade creditors and accruals

Trade creditors and accruals are lower than budget due to the impact of COVID-19 in the last quarter on planned activities that were cancelled or deferred.

### Deferred operating levy

Deferred operating levy is lower than budget due to COVID-19 initiative relief for licensees - a three-month deferral for licence renewal.

## Statement of Cash Flows

### Net cash flow from operating activities

Net cash flow from operating activities has improved due to a lower level of payments to suppliers resulting from the impact of COVID-19 and the resulting cancelled or deferred initiatives and projects.

### Net cash flow from investing activities

Net cash flow from investing activities has improved due to maintaining a similar level of term investments and lower than expected levels of intangible asset expenditure.



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