



2023
Real Estate
Authority
Te Mana
Papawhenua

Annual Report
Te Pūrongo-ā-Tau

For the year ended 30 June 2023

Strategic framework 2021-2025

Te anga rautaki

Government priorities

To improve the wellbeing and living standards of New Zealanders

Our vision People confidently engage in fair transactions with trusted real estate professionals

Our purpose

- To promote and protect the interests of consumers in respect of transactions that relate to real estate, and
- To promote public confidence in the performance of real estate agency work

OUR IMPACTS OVER TIME



1. Informed consumers across New Zealand's diverse communities confidently engage in real estate transactions without harm



2. Licensees fulfil their obligations and are capable, trusted and professional



3. Awareness of and confidence in REA as the conduct regulator is increased across New Zealand's diverse communities



4. Standard of conduct by licensed real estate professionals is increased

OUR STRATEGIC PRIORITIES

Inform and engage with consumers across New Zealand's diverse communities

Deliver an independent, effective and accessible disciplinary process, and hold poor conduct to account

Educate and engage with licensed real estate professionals to enable them to meet their regulatory obligations

Demonstrate our commitment to te Tiriti o Waitangi

Raise awareness across New Zealand's diverse communities of REA as an effective conduct regulator and our role in the real estate system

Increase our regulatory effectiveness and understand and respond appropriately to causes of harm

OUR ACTIVITIES AND SERVICES WORK TOGETHER TO DELIVER OUR STRATEGIC PRIORITIES

Engagement, information, insights and education

Licensing and enquiries

Complaint determination and disciplinary action

Effective use of people, systems, processes, data insights, analysis and knowledge transfer

Oversight and development of the real estate agency regulatory system

Supervision and compliance

WE MAKE AN IMPACT WITH CAPABLE AND ENGAGED TEAMS AND QUALITY SYSTEMS WORKING TOGETHER

Our values Ko mātou

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



We are professional

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



We are proactive

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



Our people matter

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

Contents Ngā kaupapa

Chair's report	2
Chief Executive's report	4
The Board	6
The Senior Leadership Team	6
Our highlights	8
Our strategic context	11
Our performance	14
Output 1: Informing consumers, educating and engaging with licensees	16
Output 2: Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes	20
Output 3: Oversight and development of an effective real estate agency regulatory system	32
Measuring our impact	34
Operations	36
Directions issued by Ministers	37
Our carbon emissions reporting	38
Organisational health and capability	40
Accountability statements	45
Statement of responsibility	45
Independent Auditor's report	46
Statement of performance	49
Financial statements	57
Statement of accounting policies	62
Notes to the financial statements	68
Explanation of significant variances	80

Chair's report

Te pūrongo a te heamana

Tēnā koutou katoa

This Annual Report describes the second year of REA's four-year strategy. Our progress towards the objectives within that strategy has continued in the context of global challenges that have contributed to local economic pressures. These pressures have been felt by real estate consumers and licensees alike, as well as by REA itself.

Notably, the market experienced a sustained decline in property prices nationwide accompanied by overall trends towards lower sales volumes and increased days to sell. Severe weather events across parts of the country in the second half of the financial year further pressurised real estate transactions in those areas, increasing uncertainty and emphasising the importance of robust due diligence and disclosure practices.

In the context of these difficult operating conditions, the role of REA as regulator is critical to the maintenance of conduct standards within the sector and the protection of consumers as they navigate an uncertain market.

Strategic focus

This past year, REA has focused on optimising the delivery of core regulatory functions. We worked to improve our complaints and licensing systems – a project that continues into the new financial year with the objective of delivering more efficient regulatory services while maintaining high-quality and robust outcomes.

We also sought to broaden our reach and connection with consumers across New Zealand's diverse communities. Consumer awareness and understanding of REA and our regulatory role are central to increasing confidence in the fairness of the property system and the real estate sector in particular. Similarly, a greater understanding – on the part of both the sector and the regulator – of

particular needs and conduct-related barriers to participation in the real estate market for consumers from diverse and minority communities plays an important role in enabling their fair access and protection.

We also prioritised deeper engagement with the sector across a broader range of events, resources and channels this year. Our overarching objective is to support licensees to understand and meet their regulatory obligations and to be capable and trusted. REA will always use the tools and processes available to us to hold to account those who fall short, but the prevention of harm through education and engagement is naturally the best outcome for all parties.

Strategic impact

As this report demonstrates, REA continues to exert a positive influence on the conduct of real estate licensees, hold to account those who fall short of their regulatory requirements and increase the confidence and safety of consumers participating in real estate transactions.

Our research indicates that the proportion of the New Zealand public who have confidence that the real estate sector is well regulated continues to trend upwards, reaching 75% this year. More than nine out of 10 consumers (91%) now have confidence that the sector is professional, a gain of 5% this year. Consumers also appear to have a growing understanding of how they can avoid harm when buying or selling real estate. An increasing proportion of consumers are seeking out critical real estate documentation (such as property files, Land Information Memoranda and reports from qualified building inspectors) in line with advice REA consistently reiterates. More consumers are reporting that they feel empowered to participate effectively in real estate transactions, rising to 87% this year. These results are fundamental to REA's purpose and strategic

vision and are especially pleasing in the context of the challenging conditions consumers have faced over the past 12 months.

REA received fewer formal complaints this past year. To a degree, this may reflect reduced activity in the market and a decline in total active licensee numbers. However, we consider that it is also indicative of increasing standards of conduct and professionalism across the industry, supported by REA's sector guidance, continuing education and regulatory framework. In REA's 2023 Annual Licensee Survey, 92% of licensee respondents found our compliance guidance useful in understanding their regulatory obligations. Case studies in this report demonstrate how agencies have taken action to improve their conduct, procedures and policies as a result of a complaint made to REA. As intended, the complaints and disciplinary process not only addresses specific matters of concern but also helps to lift standards of practice more broadly by illustrating to the sector how regulation is applied.

We are proud of what we have achieved this year for both consumers and the sector but recognise that the need for our work is ongoing. New consumers who make their first foray into the real estate market seek information, advice and guidance. New licensees who join the sector must quickly learn a wide range of regulatory obligations and meet standards of best practice. Meanwhile, economic, social and legislative changes influence the operating conditions and areas of risk that must be navigated by all parties. Maintaining high standards of conduct and consumer protection therefore requires long-term cultivation and curation by an effective regulator striving for continuous improvement. REA is committed to remaining such a regulator.

Managing risk and challenge

REA is fully funded by non-government revenue, and we have continued to take a conservative cost management approach, carefully monitoring and responding to risks. Not all aspects of our work plan were delivered during the past year, in part due to labour market pressure on resourcing, fiscal restraint and prioritisation of critical projects. However, we have made progress across all of our strategic objectives, and some initiatives will continue

into the coming year. We remain in a healthy financial position to progress all our work and to withstand any potential financial shock if there is a significant reduction in levy revenue.

Working together

I am grateful to the REA team for their tireless work meeting the challenges of the past year and maintaining effective delivery of services that help to safeguard New Zealanders as they transact significant real estate assets. As a Board, we are well aware that, for our REA team, working together to prevent harm and support wellbeing is a key motivator and source of job satisfaction. The skill and professionalism they apply to their role is highlighted throughout this report.

I also acknowledge the operational leadership of our Chief Executive and Senior Leadership Team and the high standard of governance provided by the REA Board, which is enabled by the breadth and diversity of the members' expertise and perspectives. As well as management, education and legal experience, Board members with extensive backgrounds within the real estate profession reinforce REA's governance with a frontline understanding of the sector we regulate. We welcomed Brooke Loader this year, who brings additional strength in law and community advocacy to the REA Board table.

Lastly, I would like to acknowledge that, while REA is an independent Crown entity, we do not work in isolation. Our regulatory effectiveness this year is enabled through collaboration, coordination and aligned efforts across the property system. I particularly acknowledge the important and ongoing contribution of sector leaders and organisations towards our shared interest in delivering and maintaining an environment where people may confidently engage in fair transactions with trusted real estate professionals.

Nā reira kia ora anō tātau katoa



Denese Bates KC
Chair

Chief Executive's report

Te pūrongo a te tumuaki

Tēnā koutou e te hunga e whai pānga ki ngā mahi, ki a koutou hoki e pānui ana i ēnei kōrero, kā nui te mihi ki a koutou, ki a tātau.

The 2022/23 year has been characterised by a high degree of challenge and uncertainty for all participants in the real estate market, driven by economic, social and environmental factors. These conditions can heighten the degree of tension and uncertainty in a real estate transaction, and this has permeated the regulatory context in which REA has operated over the past year. Vendors anxiously watched property market values, and buyers remained wary of overpaying. Through this, agencies and licensees remained accountable for dealing fairly with all parties, acting in the best interests of their clients and managing their broader regulatory compliance obligations at a time when certainty around work pipelines was under pressure. Regulatory conduct requirements play a critical role in this context.

More broadly, in the past year, communities across New Zealand have faced cost of living and global economic headwinds. The shadow of the COVID-19 pandemic has mostly passed, but its effects are still felt. Severe weather events had devastating impacts on some of our regions and likely contributed to a greater sense of uncertainty and risk felt by many people.

A pressurised operating environment

This pressurised environment has potential to impact standards of professional conduct within the real estate sector, drive consumer dissatisfaction and complaints and make conflict resolution more difficult.

While REA received fewer formal complaints in total this past year, the numbers remained high relative to the reduction in overall sales activity. A high proportion of the complaints we did receive were notably complex and challenging to investigate. Parties under pressure can become less responsive to the complaints process, less willing to engage in

a resolution pathway and more inclined to appeal decisions reached. This has contributed to some slight reductions in the survey results reported for the year. This environment also placed pressure on our frontline teams who daily dealt with those navigating the complex real estate environment.

As predicted, following a recent historic boom in licensing numbers, we issued fewer new real estate licences this year and saw an increase in licensees leaving the sector.

At an operational level, the challenging labour market created difficulty in filling vacancies, impacting some of our targets and placing additional pressure on our people. This year was marked by our commitment to several efficiency projects as we refreshed our complaints process and began work to enhance our ICT environment. Despite high work volumes, project pressures and resourcing challenges, I am proud of the work we have collectively achieved to deliver against our strategic priorities as outlined in this report. Throughout the year, we worked hard to maintain a workplace culture that recognises and rewards achievement, champions inclusivity and diversity and encourages collaboration. We continue to successfully recruit highly skilled people who respond positively to this culture and who value being part of REA's overarching mission to protect consumers and prevent harm.

Preventing harm through regulatory clarity

I am proud of the achievements of the REA team in the 2022/23 year.

Managing our licensing regime this year required us to tighten certain licence compliance requirements for licensees in response to clarifying decisions issued by the Real Estate Agents Disciplinary Tribunal. This principally related to self-management of licences, including timely renewals and completion of Continuing Professional

Development (CPD) requirements prior to statutory deadlines. Supporting the sector to meet regulatory requirements required coordinated licensee communication through multiple channels – from digital and stakeholder events through to targeted reminders and engagement with frontline staff.

We also supported licensee compliance through regulatory guidance. We published transparent guidelines on our assessment of whether an applicant for a real estate licence is a fit and proper person. In addition, we issued supplementary guidance to our Professional Standard on Supervision of real estate salespeople (published 2017), which highlights key issues in the practice of statutory supervision within the sector and provides best practice guidance.

Regulatory clarity was also a key objective of our decision to intervene in a High Court proceeding regarding a commercial lease case. Our engagement provided assistance to the Court in understanding the important consumer protection role that the rules on agency agreements play in the real estate context.

Preventing harm through empowering consumers

To support New Zealand's diverse communities to engage in real estate transactions, this year we launched refreshed and updated consumer guides on buying and selling real estate in seven languages commonly used by real estate consumers. The translated guides are a valuable core resource to empower consumers who seek to engage in real estate transactions.

Alongside this, for the 2023 CPD programme, we rolled out the first in a three-year series of diversity and inclusion-related topics – Te Kākano | The Seed – which provides all licensees with a basic introduction to Māori language, concepts and historical and legal information relevant to real estate transactions. There was some concerns within the sector about this new area of CPD training. However, at time of writing, enrolments are steady and positive feedback has been received. We valued the opportunity to partner with Te Whare Wānanga o Awanuiārangi on this programme of learning for licensees.

Enhancing core regulatory operations

Improving our effectiveness and efficiency has been a priority focus this year. REA has advanced our project to improve our complaints management processes. We aim to reduce timeframes for delivering complaint outcomes while maintaining fair and robust regulatory decision making. This project has moved into the implementation phase, and the resulting process enhancements will become live before the end of the 2023 calendar year.

We also completed the discovery phase for a project to strengthen, update and optimise the internal systems and business processes that underpin REA's technology environment.

Looking ahead

As this report demonstrates, REA has come through the rigours of this year well. The few areas where we encountered challenges in achieving all we set out to do in the past year have naturally become focus points for the year ahead. We have continued to make strong progress towards the objectives we set when we put our updated strategy in place in our Statement of Intent 2021–2025.

In November 2022, the Minister of Housing announced that Cabinet had agreed to develop new legislation regulating residential property managers, and we were pleased that REA was proposed as the responsible regulatory body. This is an endorsement of REA's capability in regulating professional standards of conduct and preventing consumer harm in the property system.

Lastly, my thanks to our capable and energetic Senior Leadership Team for their hard work, leadership and commitment, to our Board for their leadership and guidance and to our staff, who consistently work as a united team to a high standard to serve New Zealand.

Nā reira kia ora anō tātau katoa



Belinda Moffat
Chief Executive

The Board

REA is governed by an independent Board, which has members experienced in law, real estate, investment, education, governance and risk management. Our members bring diverse perspectives from their backgrounds and experience. The Board is appointed by and reports to the Associate Minister of Justice. The Board has an Audit and Risk Committee and a People and Capability Committee.

Members of the Real Estate Authority Board as at 30 June 2023



Denese Bates KC
Chair
Appointed March 2014



Elizabeth Nidd
Appointed August 2015



Anthony Stack
Appointed August 2015



Latham Lockwood
Appointed November 2019



Vern Walsh JP
Appointed November 2019



Mele Wendt
Appointed September 2021



Brooke Loader
Appointed December 2022,
on leave from May 2023

The Senior Leadership Team

The Senior Leadership Team is responsible for delivery of REA's strategy, performance and deliverables.

Members of the Senior Leadership Team



Belinda Moffat
Chief Executive/Registrar



Andrew Bulled
Head of People
and Capability



Herman Visagie
General Counsel
(joined April 2023)



Nadine Thomas
Head of Engagement,
Insights and Education



Marie Snell
Programme Manager



Josh Doherty
Head of Regulatory
Services



Phirak Appleton
General Counsel
(until December 2022)



Victor Eng
Head of Corporate
Services



Our highlights

Ngā mea hira

Total active licensees
at 30 June 2023

15,973



REA issued

1,814

new licences



REA managed

15,207

phone calls



REA handled

3,694

general
enquiries



REA received

1,036

complaint
enquiries



REA received

252

formal
complaints



REA resolved

131

complaints through
the early resolution
process

84%

of consumers¹ have
confidence in the
real estate industry

Consumer
awareness of REA

64%



87%

of consumers feel empowered to participate effectively in real estate transactions

Consumer awareness of settled.govt.nz

35%



607,527

visits to settled.govt.nz



464,443

visits to rea.govt.nz



LinkedIn followers increased from

3,162 to 4,613²



Facebook followers increased from

24,200 to 24,732³



95%

of consumers found the information and guidance provided by REA useful



92%

of licensees find REA compliance guidance useful

92%

of licensees find REA website useful



89%

of licensees find REA fit and proper guidelines useful



1 Consumer: member of the public who participated in a real estate transaction within the preceding 12 months.
 2 As at 27 July 2023.
 3 As at 27 July 2023.

Research highlights

Ngā mea hira o te rangahau

Consumer survey⁴

87%

of consumers feel empowered and able to participate effectively in the real estate transaction

▲ 1% from last year

75%

of consumers have confidence that the real estate industry is well regulated

▲ 5% from last year

72%

have confidence that the real estate industry is well monitored

▲ 4% from last year

89%

of consumers felt more confident after visiting settled.govt.nz

(New question this year)

93%

of potential buyers obtained an additional piece of information about a property⁵ before making an offer

▼ 1% from last year

77%

of consumers consulted a lawyer or conveyancer during the transaction process

(No change)

- 4 2023 NielsenIQ Perceptions Survey.
- 5 Such as a building inspection report, valuation, Land Information Memorandum or property file.
- 6 2023 Annual Licensee Survey.
- 7 REA annual complaints process survey.

Licensee survey⁶

92%

of licensees find rea.govt.nz useful

▼ 4% from last year

89%

of licensees find REA fit and proper guidelines useful

(New question this year)

84%

of licensees find translated consumer guides useful

(New question this year)

79%

of licensees find REA provides clear, accessible and expert information

(No change)

Complaints process survey⁷

78%

of participants in the early resolution process agreed it was independent, fair and transparent

▼ 7% from last year

91%

of participants in the early resolution process agreed that communication was clear

▲ 3% from last year

Our strategic context

Tō mātau horopaki rautaki

REA's role and function

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

We are the independent government conduct regulator responsible for licensing and regulating real estate salespeople, branch managers, agents and agencies. We raise industry standards and provide accountability to those standards by overseeing a complaints and disciplinary process that is independent, transparent and effective. Our scope includes residential, commercial, business broking and rural real estate transactions and licensees.

We set and uphold high professional standards of conduct expected from licensed real estate professionals (licensees) through rules, standards and guidelines and oversee the Code of Conduct. We oversee an education programme for continuing professional development (CPD) for all licensees to ensure they maintain the level of skill and knowledge expected from a regulated profession.

We also develop consumer information on matters relating to real estate transactions and issue guides on agency agreements and sale and purchase agreements. We host the consumer information website settled.govt.nz, which provides independent information to help consumers navigate real estate transactions.

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



Market conditions

Through the reported period, the property market remained in a cooling and uncertain phase with declining sales volumes and prices, reduced stock and increased days to sell. This contrasted starkly with the high sales volumes and prices seen from 2020 to early 2022. Increases in inflation, interest rates, insurance premiums and cost of living contributed to an uncertain economic environment. Reflecting these market conditions, consumer activity and behaviour also shifted, with buyers taking more time to buy and exercising caution and vendors having to adjust their price expectations.

This environment placed pressure on buyers, vendors and licensees. A noticeable increase in wellbeing impacts and pressure across the sector and community has been evident during the year. This has influenced the context in which REA has operated and has highlighted the importance of strong skills and high standards as licensees guide buyers and sellers through the real estate process.

Weather events

This year, the country experienced extreme weather events with devastating impacts that further challenged our communities and the sector. The longer-term impact on these local property markets remains unclear. The sector has had to adapt to climate challenges, which has required knowledge of environmental risks, land and property damage and land classification frameworks used by local government in the recovery process. REA extended support to impacted licensees to navigate licensing processes and complaints cases. In response to this, we visited the Hawke's Bay region to share knowledge and insights through our Conversations with REA engagement programme and have included a new weather events topic in our 2024 CPD programme.

Changing licensee population

Following the reduction in COVID-19 restrictions and a changing property market, after an all-time high number of active licences in July 2022 (16,846), the number has slowly reduced through the reporting period. As at 30 June 2023, there were 15,973 active licences. The reduction is primarily driven by fewer new applications, with those already licensed continuing to maintain their licence. In response to the improved qualifications programme, we have seen an increase in branch managers through the period. This is a welcome addition to the pool of supervisors available to support the large population of salespeople through the statutory supervision framework.

COVID-19

The COVID-19 requirements continued to impact real estate activity in Q1 of the reported period. With the end of the COVID-19 Protection Framework in September 2022 and softening market conditions, licensee and consumer traffic to our website and resources slowed. This enabled our communications and engagement resources to focus on our core regulatory education and consumer protection activities, including promoting translated consumer guides. We are proud of the COVID-19 guidance provided to enable the sector to maintain real estate agency work safely. We appreciated the constructive engagement with the real estate membership body Real Estate Institute New Zealand (REINZ), and government agencies to enable pragmatic and timely guidance to be issued. We also acknowledge the work by the sector to work within the public health restrictions.

Diverse communities

An important strategic priority is ensuring that REA understands and meets the needs of real estate consumers within New Zealand's diverse communities. Our work to make an impact has included the roll-out of consumer guides in seven languages, undertaking research to understand the barriers encountered by these communities and championing their interests in our work. As part of this work, we introduced a new mandatory CPD topic, Te Kāhano, working alongside the topic provider Te Whare Wānanga o Awanuiārangi. This topic is designed to provide the sector with a practical introduction to Māori culture, language (te reo), custom (tikanga) and te Tiriti o Waitangi | Treaty of Waitangi in the context of real estate transactions. This topic was met with some resistance from a small number of licensees. We recognise the importance of ensuring that we clearly communicate the purpose and context of our diverse communities work.

Prioritising operational effectiveness

REA is committed to continuous improvement and being responsive to feedback from stakeholders. Our work to strengthen our IT infrastructure and improve our complaints system has remained a priority. This has contributed to an environment of change for our people combined with pressure on our resources resulting from the tight labour market. We have made good progress with these priorities and look forward to sharing the output of this work to support our impact as an effective and responsive regulator.

Changing operating environment

After two years of an increased number of real estate enquiries, consumer complaints and new licensees, volumes across these core activities subsided slightly in the period. However, the overall volume remains high with the complexity of complaints and reduced willingness to resolve matters being an increasing trend. Changes to regulation (such as the Registrar's stale qualification discretion), new licensing guidelines (fit and proper) and challenges to the complaints regime (a new Disciplinary Tribunal review of jurisdiction under section 74(3) of the Real Estate Agents Act 2008) have increased the complexity of issues and increased the skills required from REA to deliver our services.

The impact of COVID-19 on the New Zealand economy, real estate sector and REA's operations declined in Q3 and Q4. However, our operating environment remained challenged by a tight labour market and public sector pay restraints. While we saw a small reduction in the number of licensees and an increased need to monitor our levy revenue, our conservative forecasts and budget restraint mitigated any risk. Our priorities, planning and expenditure took into account this environment.

Our performance

Ā mātau mahinga

This section of our report sets out our achievements against the impacts we aimed to achieve this year under our refreshed strategy for 2021–2025 through our three output areas.

In this report, we demonstrate the impact we have had and the value we have delivered to the real estate sector and New Zealand. The next section reports on the impact measures we set out in our Statement of Intent 2021–2025. We then describe our operations and organisational health and capability. The report covers our achievements against the performance measures and budget set out in our Statement of Performance Expectations for the year ending 30 June 2023.

Our impact

Since our establishment in late 2009, we have evolved from a new Crown entity to a well-established regulator that is making a positive difference by building the capability, integrity and professionalism of the real estate sector and promoting and protecting the interests of consumers. Our 2021–2025 strategy embraces our work to provide quality information and guidance to consumers and licensees, balanced with increasing our focus on using all our regulatory tools effectively to benefit consumers by supporting the sector to meet the high standards of conduct. Equally important to this strategy is raising awareness of and confidence in REA as the conduct regulator across New Zealand's diverse consumer and licensee communities and demonstrating our commitment to te Tiriti o Waitangi.

Through effective engagement, education and regulatory action, we aim to see confidence in real estate agency work and consumers protected from harm. Overall, this will deliver our vision where people confidently engage in fair transactions with trusted real estate professionals.

Te Anga Rautaki (our Strategic Framework 2021–2025) (inside front cover) outlines our vision, overarching strategic goal and strategic priorities that we have worked to achieve in the 2022/23 financial year. This strategic framework is published in our Statement of Intent 2021–2025 and Statement of Performance Expectations for the year ending 30 June 2023.

This year, to deliver our strategy, we have worked to provide clear rules, standards and guidelines to support licensees to understand and meet their regulatory obligations and to be capable, trusted and professional. This has included the publication of our fit and proper guidelines, a supplemental guide to the supervision standard and guidance provided through cases determined in the complaints and disciplinary process.

We have managed the highest ever number of real estate licences, maintaining a quality education programme and an engagement approach that ensured the issue of regular communications to support licensees to meet their regulatory and compliance obligations. The impact has been reduced complaints and fewer issues arising with trust account audit compliance. Our report identifies a number of ways in which licensees improved their practices in response to REA decisions, guidance and/or information.

We have dealt with a steady volume of complaints and enquiries, with increasing complexity in the complaints. Importantly, we have made substantial progress on our complaint improvement project, which will further enhance the impact of the regulatory framework we oversee.

Our licensing and high-quality complaints service has contributed to maintaining integrity and promoting high standards of conduct and responding to conduct issues as they arise.

Despite pressure on our resources, we have maintained strong engagement with the sector through our digital and non-digital engagement channels. We have engaged proactively across government and non-government sectors, with consumer groups and with media. We have contributed to ongoing policy work on the regulation of property management, anti-money laundering and countering financing of terrorism, methamphetamine disclosure obligations

and retirement villages. All of this work has served to maintain the growing awareness of REA and our role as the conduct regulator of the real estate profession. With this awareness comes increased consumer confidence that the sector is well regulated, that there are standards that licensees must meet and that REA can address issues when these standards are not met.

Lastly, we have continued to extend our services to consumers through translated consumer guides, our website settled.govt.nz and our frontline teams who handle enquiries and complaints every day. Our sustained high website traffic and positive survey results for customer service and engagement demonstrate the impact we have had to support and protect the interests of consumers.

The case studies and data presented in this report demonstrate that, despite the challenging social, economic and legal context, we have made substantial progress in the strategic impacts we aim to achieve.

Our strategic priorities (impacts)



Impact 1

Informed consumers across New Zealand's diverse communities confidently engage in real estate transactions without harm



Impact 2

Licensees fulfil their obligations and are capable, trusted and professional



Impact 3

Awareness of and confidence in REA as the conduct regulator is increased across New Zealand's diverse communities



Impact 4

Standard of conduct by licensed real estate professionals is increased

Our outputs



Output 1

Informing consumers, educating and engaging with licensees



Output 2

Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes



Output 3

Oversight and development of an effective real estate agency regulatory system



Output 1

Informing consumers, educating and engaging with licensees

Putanga 1

Te whakamōhio i ngā kiritaki, te whakaako me te hono atu ki te hunga whai raihana

▶ This output primarily contributes towards the following impacts:



Impact 1

Informed consumers across New Zealand's diverse communities confidently engage in real estate transactions without harm



Impact 2

Licensees fulfil their obligations and are capable, trusted and professional



Impact 3

Awareness of and confidence in REA as the conduct regulator is increased across New Zealand's diverse communities

Our impact through this output is to prevent harm to consumers, to raise industry standards and confidence in the profession and to support licensees to meet the standards expected of them.

We do this by engaging with and educating licensees to support them to meet their regulatory obligations, including through an effective and robust continuing professional development programme. We also empower consumers to confidently engage in real estate transactions by providing clear, independent, accessible information through a range of channels.

Raising public awareness of REA's regulatory role is also essential. Consumers must know that REA exists and the protections we provide to have confidence in the sector and the professionalism of licensees. Consumers must also know that REA's resources and services are available to them in order to access and benefit from them.

Informing and engaging with consumers

Our websites settled.govt.nz and rea.govt.nz continue to be our most comprehensive information resources for consumers and licensees. This year, REA attracted consumers to settled.govt.nz through digital marketing techniques, including optimised search terms, advertising on core real estate websites and social media referrals and campaigns.

We maintained strong consumer engagement with our digital presence through the year, with only a moderate decline in website traffic numbers reflecting the cooling market and lower real estate activity. Our consumer survey reported that 89% of consumers felt more confident after visiting settled.govt.nz, with Pacific peoples and Māori feeling 91% and 75% more confident respectively.⁸

This year, we published our 2022 annual perceptions research, which enables us to understand consumer and public perceptions of the real estate sector and REA. Publishing the research not only gives consumers direct access to these insights, it also helps to promote awareness of REA, our regulatory role and the data that indicates the effectiveness and positive impact of our work.

Engaging with New Zealand's diverse communities

In July, we published our refreshed consumer guides to agency agreements and sale and purchase agreements in seven different languages. We promoted these guides throughout the year through specialist digital marketing campaigns, and a 'guides on the ground' programme to reach a diverse range of community hubs across the country, including Citizens Advice Bureau, Community Law, public libraries and Multicultural Councils. Our research indicates that more than 90% of consumers who received either of the guides in the past 12 months found it useful.⁹

We sought to enhance our understanding of the needs of people who engage in real estate transactions by engaging with diverse community stakeholders. The Chief Executive of Age Concern presented at REA's annual staff off-site, REA sponsored a disabled community advocate to speak at the REINZ national real estate conference and we worked with the Ministry for Pacific Peoples (MPP) to share REA's consumer information resources to MPP's regional networks and families within their Pacific Financial Capability Programme.

Educating and engaging with licensees

This year, we published guidance on our assessment of the fit and proper licensing requirement as well as supplemental guidance on the Professional Standard on Supervision. Our 2023 Annual Licensee Survey found that 62% of licensees had read the fit and proper guidance, with 89% finding it useful.¹⁰

Through our Pānui email newsletters, we updated licensees and stakeholders on issues affecting the sector, provided timely reminders of regulatory obligations and highlighted complaint decisions that illustrated and clarified key conduct requirements. The Pānui is well received with a high average open rate of over 60%¹¹ and 82% of licensees finding it useful.¹²

Overall, research shows perceptions of REA guidance and information among licensees are positive, with 83% agreeing that REA provides accessible information, clear information (79%) and expert and accurate information/guidance (75%).¹³

We held two Conversations with REA events with licensees in Porirua and Hawke's Bay region, enabling face-to-face discussions on issues of regulatory importance. Our Hawke's Bay event provided insights into the impacts of Cyclone Gabrielle on agency operations. We hosted Real Estate Leaders Forums in Auckland and Wellington, engaging with senior sector leaders, and presented at conferences and agency meetings through the year.



My knowledge and approach [to engaging with local iwi] was guided by my learning when completing the module with Te Whare Wānanga o Awanuiāraangi ... The history I have learnt about the land we are marketing has been so interesting."

Real estate agency general manager

⁸ 2023 NielsenIQ Perceptions Survey – page 46.

⁹ 2023 NielsenIQ Perceptions Survey – pages 30–31.

¹⁰ 2023 Annual Licensee Survey – page 13.

¹¹ Campaign Monitor data.

¹² 2023 Annual Licensee Survey – page 12.

¹³ 2023 Annual Licensee Survey – page 9.



I really enjoyed the topic and it's really positive hearing from people who had little knowledge of it [who] enjoyed and found it very informative. Long overdue in my opinion."

Licensee

Through this engagement, we aim to maintain a constructive relationship with the sector and influence high standards of conduct and professionalism.

Education and continuing professional development (CPD)

Following our review and refresh of the qualifications pathway with stakeholders last year, we saw an increase in Branch Manager licences issued this year. This strengthens the regulatory framework as branch managers play a critical role in supervising salespeople and preventing consumer harm.

REA curates a high-quality CPD programme designed to lift licensee capability and prevent harm. It is responsive to risks and issues identified through complaints and enquiries and informed by sector feedback. This year, REA programmed the first topic in a diversity and inclusion CPD series – Te Kākano | The Seed. This topic gave licensees an opportunity to develop or deepen their understanding of Māori culture, language and custom, particularly with respect to land, and to understand historical and legislative considerations around te Tiriti o Waitangi | Treaty of Waitangi in the real estate context.

While well established in many professions, a diversity and inclusion CPD series is a new initiative for REA, informed by consumer and sector research as well as input from our CPD Advisory Group. Accordingly, we have worked to communicate to licensees the purpose and relevance of the topic.

Three additional CPD topics were created for the 2023 CPD programme, expanding to 31 the library of CPD topics available to licensees.

Awareness of REA

Increased consumer awareness of REA drives greater confidence that the sector is well regulated and enables more people to access our services. Our 2023 NielsenIQ Perceptions Survey reports that around half (48%)¹⁴ of the public are aware of REA. This is slightly lower than 51% in 2022 but higher than 43% in 2021.

Nearly half (47%) of those who know about REA think it makes a positive difference to consumer protection in property transactions¹⁵ compared to 50% in 2022 and 37% in 2021.

Awareness of REA among those who bought or sold real estate in the last 12 months (described in our research as “consumers”) was measured at 64%,¹⁶ which is comparable to 2021 and 2022 (63% and 69% respectively).

Consumer perceptions of REA remain positive, with around three in four agreeing or strongly agreeing we provide information that is clear (78%), independent (76%), trustworthy (73%) and accessible to everyone (72%).¹⁷

Overall public confidence in the real estate industry also remains stable at 75%. It is highest among those who know about REA (86% confident).¹⁸

Engaging with media

The real estate market has remained under significant scrutiny during the reporting period. REA aims to be accessible and responsive to media, supporting public understanding of the risks and issues arising in real estate.

During the reporting period, our Chief Executive provided a regular consumer advice column on stuff.co.nz addressing regulatory issues and areas of risk.

This year, media often sought to understand impacts of market conditions on licensee numbers and conduct. REA provided data insights and contextual commentary in response to their enquiries. We also engaged on specific case enquiries where appropriate to enable greater understanding among the sector and public of regulatory protections and expectations.

Proactive media releases generated coverage of matters such as REA data insights, our translated consumer guides and the application of the fit and proper assessment for licensees. Collectively, our media work this year promoted greater understanding of REA’s regulatory role and widely conveyed important consumer information.



14 2023 NielsenIQ Perceptions Survey – page 81.

15 2023 NielsenIQ Perceptions Survey – page 87.

16 2023 NielsenIQ Perceptions Survey – page 38.

17 2023 NielsenIQ Perceptions Survey – page 41.

18 2023 NielsenIQ Perceptions Survey – page 83.



Output 2

Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes

Putanga 2

Te whakaawe o ngā whakahaere ture mā te ture raihana, mā te āta kuhu atu, mā ngā hātepe whakatikatika, amuamu hoki

▶ This output primarily contributes towards the following impacts:



Impact 2

Licensees fulfil their obligations and are capable, trusted and professional



Impact 4

Standard of conduct by licensed real estate professionals is increased

As the real estate sector conduct regulator, our core regulatory functions include administering the licensing regime for agents, branch managers and salespeople, maintaining a register of licensees, auditing real estate agency trust accounts, delivering an independent, effective and accessible complaints and disciplinary process, holding poor conduct to account and raising professional standards using our full range of regulatory tools.

These services are all focused on preventing and responding to conduct issues and consumer harm, lifting standards of conduct and promoting public trust and confidence in the real estate profession and standards system.

This year, a slower real estate market resulted in a moderate reduction in licensing numbers, enquiries and complaints activity. In our view, the reduction in volumes is highly likely to be the result of the cooler market, with less transaction activity and less pressure on buyers. It is also an indicator of improved standards of conduct by licensees who have been supported to meet their expectations as a result of REA's information, engagement and guidance, which is a key impact we aim to achieve.

In this changing environment, our services have been critical for protecting consumer interests and responding to harm. Given the challenges facing licensees, our focus has been to ensure we continue to provide a high standard of service, licensing those who are fit and proper and who meet the licence requirements, and that we continue to be responsive to the pressures on licensees and consumers operating in this market.

Licensing, complaints and disciplinary action

15,973 active licensees as at 30 June 2023

1,814 new licences issued

1,036 complaint enquiries received

252 formal complaints received

145 complaints resolved through early resolution process, 61 resolved by Registrar determinations under section 74(3)

21 decisions issued by the Disciplinary Tribunal

Top five issues raised in complaints received by REA in 2022/23

1 Misrepresentations

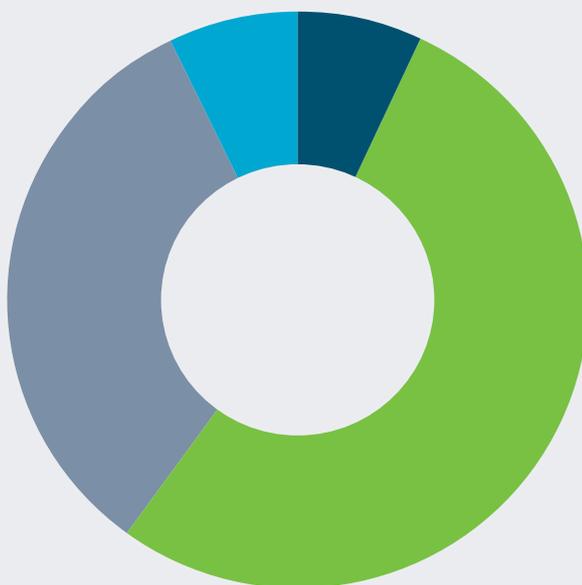
2 Licensees not acting in the best interests of the vendor

3 Licensees not disclosing issues with the property

4 Misleading advertising

5 Skill and care

100 decisions issued by a CAC:



CAC decisions

7 decisions not to inquire into the complaint

53 decisions resulted in no further action

33 decisions resulted in a finding of unsatisfactory conduct against a licensee

7 decisions to lay charges in the Disciplinary Tribunal

Our impact this year has been delivered through our quality handling of enquiries, complaints, early resolution, CAC decisions and Disciplinary Tribunal outcomes processed throughout the year. These services and decisions to hold poor conduct to account also provide guidance to others in the sector as to the standards expected. We have seen positive outcomes driven by this ongoing work, including fewer complaints, improvement in the number of issues identified in the annual trust account audit and the 2023 Annual Licensee Survey indicating that 61% of licensees said they or their agency took steps to improve their conduct as a result of a complaint made to REA.¹⁹ This indicates that guidance from the complaints and disciplinary process REA oversees is being applied more broadly in the sector than simply by the parties involved. This is a significant and valuable impact of REA's regulatory effectiveness as well as our communications to focus on decisions of relevance with the sector.

Resourcing driven by the tight labour market and ongoing COVID-19 interruptions continued to impact the timeliness of our complaints and disciplinary services in the period. Notwithstanding this, our complaints research results demonstrate that the quality of the service provided by our teams remains strong. We are continuing our work to review the complaints and licensing process to identify ways to improve timeliness and effectiveness.

Highlights from our licensing, monitoring and complaints and disciplinary processes are described on the following pages.

Licensing

Licensee numbers have reduced

REA issued 1,814 new licences during the 2022/23 financial year compared to 2,628 in 2021/22, with an overall reduction in the number of active real estate licences at 30 June 2023. This reflected the significantly slower real estate market in the period. We processed applications within our target timelines, which demonstrates the strength and effectiveness of our regulatory processes.

To support transparency and understanding of what is required to meet the licensing requirement to be a fit and proper person, REA issued regulatory guidelines on the fit and proper test. This test is applied when REA assesses new and renewing licensees.

Updated qualifications framework sees increase in Branch Managers

The refreshed qualifications framework was launched in 2021/22 to support the growth of our supervisor population. Section 50 of the Act requires salespersons to be supervised by a branch manager or agent. The increase in this licence category as noted in Output 1 is pleasing given the slower real estate market conditions and the ongoing need for supervision of real estate agency work conducted by salespersons.

Active licences	June 2021	June 2022	June 2023	Year change
Salesperson	12,919	13,529	12,649	-6.5%
Branch Manager	343	381	422	+10.8%
Individual Agent	2,097	2,052	2,001	-2.5%
Company Agent	898	904	901	-0.3%
Active licences	16,257	16,866	15,973	-5.3%

¹⁹ 2023 Annual Licensee Survey. It is noted that this is the response from all survey respondents not just those who were parties to a complaint.

Complaints and disciplinary process

A key part of the regulatory regime is the complaints and disciplinary process overseen by REA. Through this process, REA increases trust in the sector as being well regulated with expectations of high standards and a system for holding those who fail to meet the standards to account and providing redress to consumer harm. The decisions issued through the CAC and Disciplinary Tribunal also provide guidance to the sector on the standards expected, which contributes to REA's intended impact to prevent consumer harm.

Overview

In the 2022/23 financial year, REA received 1,036 complaint enquiries (compared to 1,108 in 2021/22) and 252 formal complaints (271 in 2021/22). 138 complaints were resolved through REA's early resolution process. This process provides the Registrar with the discretion to triage and determine cases, either closing them for being trivial, vexatious or raising inconsequential matters or recognising a resolution reached between the parties.

In the period, the Registrar determined not to deal with 19 complaints as they were considered to be inconsequential and one complaint that was frivolous or vexatious, in accordance with section 74(3) of the Act. An application for review of a section 74(3) Registrar decision was considered by the Disciplinary Tribunal, resulting in the Tribunal declaring its jurisdiction to review such Registrar decisions. The Tribunal ultimately declined the application for review in the particular case and allowed the Registrar's decision to stand.

During the year, CACs issued 100 decisions including seven decisions not to inquire and decided to take no further action in 53 cases. The CACs made findings of unsatisfactory conduct in 33 decisions and laid charges for misconduct in the Tribunal in seven cases.

While the number of complaints brought to REA in the period was 7% less than last year, many matters raised complex issues, and parties were less inclined to reach a resolution. This resulted in more cases referred to CACs, which already had a high workload

due to ongoing cases from the previous year. Resourcing challenges, complex cases and ongoing high work volumes placed pressure on the timeliness of complaint determination. However, as the case studies demonstrate, important cases were determined, resulting in critical guidance for the sector and establishing clear standards of conduct to be met. Responding to conduct harms through a fair process and providing guidance to the sector through decisions have all contributed to our intended impact of increased standards of conduct. This is reflected in only 16% of licensees subject to a complaint outcome in the year being found to have breached conduct rules and requirements.

The impact we have had is demonstrated by 41% of licensees confirming that they have taken steps to improve conduct, practices, policies and/or procedures as a consequence of a complaint outcome.²⁰

2023 Annual Licensee Survey

Have you or your agency taken steps to improve your conduct, practices, policies and/or procedures as a result of a complaint made to REA?

“Immediately after I became aware of a purchaser believing they were unfairly treated we used the Verifiable Training Module 'Issues Beyond the Boundary' to review what had happened and how to safeguard against this in the future.”

“We continue to learn from any poor performance that reflects on agency performance. We have regular updates from a compliance manager and as a management team share new knowledge and coach those individuals who need it.”

“Every complaint we get results in updates to our company policy and procedures to ensure the same problem can't happen again.”

“If you don't learn from your mistakes and make change, you shouldn't be in real estate. Always read the decisions of CAC and look at how we can change our training processes to ensure those matters are covered.”

²⁰ 2023 Annual Licensee Survey – page 23.

Complaint themes

REA collects data about complaint themes to support our harm prevention work. We address these themes in our CPD programme, guidance and information to raise awareness of the issues and the action licensees should take to reduce consumer harm.

These were the five most common themes raised in complaints received by REA in 2022/23:

1. Conduct – representations and failure to exercise skill and care

This year, 32% of complaints raised issues about general conduct, including licensees giving incorrect or misleading information during a transaction and failing to exercise skill and care. The obligation to act carefully and professionally when undertaking real estate agency work includes the expectation of good communication, timely provision of information and providing accurate information about the transaction process.

2. Disclosure

The obligation not to mislead or provide false information and the obligation to disclose known defects are cornerstone conduct obligations of licensees. This was the second most complained about theme this year. This continues to be a top priority for REA's education programme, with a second CPD topic on disclosure included in the 2023 CPD programme.

3. Fiduciary obligations – licensees not acting in the best interests of the vendor

Vendors alleging that their licensee had not acted in their best interests came in as the third most common complaint theme this year. This theme often arises in a changing market, with increased expectations on licensees from vendors. Effective communication, strong appraisals and managing expectations are key requirements.

4. Misleading advertising

A new theme this year was complaints alleging misleading advertising. This potentially reflect licensees under pressure to complete transactions in a slower market.

5. Customer service – professionalism complaint handling

This was a new theme for the top five this year. The prevalence of this theme is another reflection of the conduct risks arising in the challenging real estate market, where consumers indicated that the licensee did not act carefully enough or cut corners due to the pace of competition.

Early resolution

REA triages all new complaints and determines whether they should be referred to a CAC or referred to our early resolution process. Where a complaint raises low-level disciplinary issues, it is likely to be referred to the early resolution process. In this process, REA will support the consumer and real estate licensee to work together to resolve the complaint. The process often results in a positive outcome for the consumer and an opportunity for the licensee or agency to learn, reflect and make changes to their policy and process.

We expect to resolve complaints through early resolution within 90 days. Our target timelines were impacted over the year by staff changes and COVID-19 impacting the availability of staff and complaint parties. We saw a continued increase in challenging behaviours from complainants for staff to manage, reflecting the challenges felt across the community in the current economic and social environment. We also received more challenging complaints, requiring careful assessment prior to referral to a CAC. These factors impacted our ability to resolve and progress complaints within the timeframes we aim to achieve. Additional resourcing and our work to refresh our complaints process will improve our timeliness in the coming year.

To ensure REA's resources are focused on the greatest conduct issues, the Registrar may decide not to pursue the complaint further under section 74(3)(a) of the Act where it becomes apparent that there are no disciplinary or conduct issues raised in the complaint. An example of the effective use of this power is described below.

Case study: The licensee's conduct did not warrant disciplinary intervention

The complainant was interested in purchasing a property during the height of the COVID-19 pandemic and visited a property listed by the licensee. The complainant was asked about her vaccine status and was dissatisfied with the licensee's response and believed the licensee gave inconsistent information about the agency's policy for wearing face masks.

The complainant emailed the licensee to express her interest in the property and asked several questions to which the licensee said she would check with the vendor and respond. The complainant did not hear back from the licensee regarding all of the questions raised and later saw the property was no longer listed on the agency website. She later learned the property was sold to another buyer and the complainant was concerned she was not given an opportunity to buy the property. The complainant was also concerned with the agency's handling of her complaint.

After reviewing the complaint, the Registrar decided the licensee's conduct did not appear inconsistent with the Act or Rules and did not

warrant disciplinary intervention. The Registrar decided to take no action on the complaint under section 74(3)(a) of the Act.

The Registrar wrote to the parties and outlined that the vendors were aware of the complainant's interest and chose to pursue another offer. The licensee appeared to have acted in accordance with the vendor's instructions and in the vendor's best interests. The licensee also appeared to comply with the REA guidelines for operating in accordance with COVID-19 public health requirements regarding the use of face coverings and vaccination statuses, and the agency's response to the complaint was not inconsistent with any part of the Act or Rules. The Registrar determined the complaint need not be pursued further.

The complainant appealed the Registrar's decision. The Disciplinary Tribunal upheld the Registrar's decision and provided some helpful commentary on the scope and application of the Registrar's powers under section 74(3)(a) of the Act.

Other complaints that raise low-level disciplinary concerns may result in a resolution between the parties to a complaint. An example of a successful resolution outcome is provided in the case study below.

Case study: Early resolution

The complainants were selling their property by auction and moving into a retirement home. They were presented with a pre-auction offer that included a deposit of around 5%, which they questioned the licensee about. The licensee assured the complainants this did happen occasionally. Later that same day, the complainants accepted the pre-auction offer. No bids were received at the auction, and the pre-auction offer became the successful offer. The transaction did not settle, and the agency took a commission from the deposit amount. The agency offered to relist the property and advised a further commission would be payable. The complainants declined this offer.

The complainants were concerned the licensee did not act in their best interests by securing a low deposit, which had a negative impact on the complainants' projected retirement fund, and by failing to advise them to seek legal advice about accepting a lower deposit. The complainants were also concerned a further commission was payable if they chose to relist with the agency.

REA worked with the complainants and the agency to understand what had happened leading up to the acceptance of the pre-auction offer. The parties were able to reach an agreement to the satisfaction of the complainants and the matter was closed.

Complaints Assessment Committees (CACs)

A CAC is prescribed under the Act and is made up of three people appointed by REA: a lawyer, a real estate sector member and a person with experience in working with consumer interests.

When a CAC receives a complaint, it will decide whether to inquire into the complaint. If an inquiry is warranted, an investigator will be appointed to investigate the issue.

Licensee conduct that shows a breach of the Act, rules or regulations can be at the level of unsatisfactory or misconduct. For matters that are potentially at the unsatisfactory level, the CAC will make an independent decision. For the most serious conduct matters such as seriously incompetent or seriously negligent conduct, the CAC can lay charges before the Disciplinary Tribunal. CAC decisions provide important guidance to the sector on the standards of conduct to be expected.

This year, REA commissioned a review of five CAC decisions that addressed the issue of representations as to the number of bedrooms in a residential property for sale. These types of complaints engage key professional obligations relating to licensee competency, identification of property defects, disclosure and misleading advertising.

The independent review found that, overall, the CAC decisions on this issue were well reasoned, easy to follow and consistent and identified relevant evidence to support the findings. The reviewer noted that such cases generally point to potential breaches of conduct obligations relating to the need to exercise skill and care and not mislead a customer or client. Case studies of complaints related to number of bedrooms are provided below.

Licensees must exercise skill and care when making representations or advertising features of a property and must not mislead consumers. This requires a licensee to ensure that they understand the property they are selling. They must disclose known defects to consumers (including a lack of consents). A licensee must also be alert to red flags. Where it would appear likely to a reasonably competent licensee that the land may be subject to a hidden or underlying defect, the licensee must either:

- obtain information from their client, supported by evidence or expert advice, that the land in question is not subject to the defect or
- ensure that a customer is informed of any significant potential risk so that the customer can seek expert advice if they choose.



CAC case study 1²¹

A buyer at auction later discovered that a property marketed as four bedrooms had a downstairs room that did not meet the council requirement for a bedroom. While noting that licensees are not expected to routinely obtain a full council file, a licensee should be familiar with all the information they have available about a property. The licensee in this case had a copy of the council file, and had he read the entire file, it should have alerted him to query the status of the downstairs room.

The CAC accepted the licensee did not intend to misrepresent the number of legally consented bedrooms, but a breach of the rules can happen when misleading information is given because a licensee has failed to exercise skill, care, competence and diligence. The licensee was found guilty of unsatisfactory conduct.

CAC case study 2²²

This case provides an example of where red flags were obvious from the outset but overlooked by a licensee. In this situation, a property was staged by the sellers as three bedrooms and was marketed by the licensee on that basis. The buyer complained that she later discovered that two of the bedrooms were not consented but were in fact storerooms. The CAC noted that different sources identified different numbers of bedrooms for the property and the licensee accepted there was “confusion all around”.

The CAC concluded that these should have been red flags for the licensee to take further

steps to verify the situation. The failure to do so led to a breach of the licensee’s obligations to exercise skill, care, competence and diligence and resulted in misleading advertising. The licensee was fined \$2,500 and was found guilty of unsatisfactory conduct.

The CAC also found that the licensee’s supervisor failed in their supervision obligations. Had they reviewed the property file, they would have been alerted to the red flags around inconsistencies with the number of consented bedrooms. Finding unsatisfactory conduct against the licensee’s supervisor, the CAC imposed a fine of \$1,750.

These two cases highlight the risks for licensees in relying on vendor information and popular real estate information websites and failing to check local authority requirements and/or council files. It is important for licensees to be aware of room-specific legal requirements and make proper enquiries to ensure consumers are not misled about a property.

²¹ C41705.

²² C37411.

Real Estate Agents Disciplinary Tribunal

The Disciplinary Tribunal is an independent body administered by the Ministry of Justice. It is a key part of the consumer protection regulatory framework.

The Tribunal determines cases involving charges of misconduct laid by a CAC against a licensee, appeals against decisions of a CAC and reviews of Registrar licensing decisions or decisions made under section 74(3) of the Act to determine a complaint.

In the reported period, REA oversaw 60 Tribunal and court matters including:

- 17 misconduct charges cases
- 21 active or closed appeals against CAC decisions
- 15 reviews of Registrar decisions.

During the year, the Tribunal issued 21 decisions with licensees guilty of misconduct and/or unsatisfactory conduct. The Tribunal released five decisions relating to appeals against CAC decisions, upholding the CAC's decision in all cases. The Tribunal issued eight decisions on review of a Registrar decision, upholding five decisions and overturning three.

All decisions were analysed, with guidance from those decisions highlighted in communications to the sector, presentations and our sector Pānui.

Real Estate Agents Disciplinary Tribunal

1 July 22 – 30 June 2023		
Decisions issued on review of Registrar decisions	8	5 upheld, 3 overturned,
Decisions issued on appeal against CAC decisions	5	All upheld CAC decisions
Decisions issued on charges laid by REA (CAC)	8	3 decisions with more than 1 misconduct finding, 0 dismissing charges
Total decisions issued	21	19 substantive, 2 ruling/interlocutory or costs
New charges proceedings filed with the Tribunal by REA	9	–
High Court proceedings filed by or against REA	1	Patel
High Court decisions issued in respect of REA proceedings	0	–
Court of Appeal proceedings filed by or against REA	2	Nottingham, Harvey
High Court or Court of Appeal decisions ongoing	0	

The Disciplinary Tribunal issued several decisions in the reported financial year that provided important guidance to the sector on the standards expected in real estate agency work and by licensees. Examples are highlighted in the case studies below.

Disciplinary Tribunal case studies

Case study 1: Licensee competency – know the property and know your limitations²³

Licensees must provide real estate services competently and with care and skill. A failure to do so can have a significant impact on consumers. A key part of this obligation is for licensees to make every effort to know the property they are selling.

This case relates to the sale of subdivision lots by a licensee. The lots were subject to rights of way that affected the net available building area for various lots. The licensee's failure to understand the implications of this resulted in a misrepresentation of lot sizes. The Disciplinary Tribunal said that the licensee was "out of her depth and should have sought clarification from her supervisor".

In addition, the licensee failed to meet a number of other obligations, including marketing the property before an agency agreement was in place, failure to ensure purchasers were informed of the need to take professional advice, disclosure of confidential information and failing to complete parts of the Sale and Purchase Agreement before these were signed.

The Tribunal found that the licensee's conduct was a "serious departure from acceptable standards ... None of [the licensee's] errors were minor or technical and multiple breaches of the rules took place." The licensee was found guilty of misconduct under section 73 (b) of the Act for seriously negligent or seriously incompetent real estate agency work.

Taking into account the licensee's voluntarily suspended licence, difficult financial position and previously unblemished disciplinary record, the Tribunal imposed a censure, a fine of \$7,500 and costs.

Case study 2: Integrity is at the core of licensee regulatory and professional obligations²⁴

The former licensee was the director and shareholder in an Auckland property management business under franchise to a real estate agency. He collected bond money, and instead of paying it to the Ministry of Business, Innovation and Employment's Tenancy Services, funds were retained for use by the business.

Around the time that the licensee advised the agency he would be winding up the business, landlords and tenants contacted the agency about unpaid bonds. The agency began an investigation and appointed auditors. Ultimately, the agency absorbed the debts relating to unpaid bonds and reimbursed these. REA investigated the licensee's conduct and a CAC laid misconduct charges against the licensee.

The Disciplinary Tribunal concluded that "it is evident that what is effectively theft of just over \$92,000 in almost 50 transactions is a marked and serious departure from the expected standard of a professional real estate agent".

The Tribunal also observed that "honesty is essential to achieve the purposes of the Act, particularly the maintenance of public confidence in the industry ... it is axiomatic that consumers are entitled to expect licensees to act with honesty and integrity." Given the gravity of the conduct, the Tribunal said that, had the Licensee retained his licence, the Tribunal would have cancelled it. The Tribunal instead imposed the maximum fine available (\$15,000), a censure and costs.

²³ CAC 2002 v Sun [2023] NZREADT 7 and 13.

²⁴ CAC 2103 v Sharma [2022] NZREADT 24 and CAC 2103 v Sharma [2023] NZREADT 10.

Monitoring and enforcing compliance

Trust account audit

A key part of REA's monitoring role is the annual audit of trust accounts, which can hold significant consumer funds usually from buyer deposits.

Every year, real estate agencies that operate their own trust accounts are required to have them audited and provide the audit report to REA. Each year, REA provides guidance to agencies regarding improvements to be made.

This year, there was a further decrease in issues raised in audit reports, indicating that more licensees understand their obligations with respect to managing trust accounts when carrying out real estate agency work. In the 2022 audit, 69 reports raised an issue, down from 86 in 2021 and 135 in 2020. This improvement in the level of compliance contributes to increased public confidence in the real estate sector.

Examples of issues raised in the audit included:

- some transaction errors were identified through the audit such as when a vendor was overpaid tens of thousands of dollars or withdrawals were made in error
- an agency did not send REA the correct statutory declarations
- some agencies were late providing their monthly reconciliations.

REA issues compliance advice letters to agencies where only minor issues arise and provides guidance on the steps the agency should take to ensure compliance with trust account obligations in future to support the agency's ability to meet expectations in future years.

Five reports raising more serious concerns were referred to a CAC to consider.

Continuing professional development (CPD) audit

Licensees are required to complete 10 hours of verifiable training (training set by REA) and 10 hours of non-verifiable training (self-selected training related to real estate) each year. This training must be completed by 31 December each year and reported to REA.

If a licensee does not complete their CPD, section 54(d) of the Act requires that the Registrar must cancel their licence. If a licence is cancelled, the person may not apply for a licence again for five years. To support licensees to meet their CPD obligations, REA publishes regular reminders in the sector *Pānui* and sends email and text reminders to all licensees who have not reported their CPD by mid-November each year. Additional reminders were also promoted through the *REINZ Real Estate* magazine.

REA audits and ensures licensees have completed their training each year.

In a 2022 decision,²⁵ the Disciplinary Tribunal highlighted that the Registrar must cancel a licence if CPD is not completed. This year, 213 licensees did not complete their 2022 CPD requirements and had their licences cancelled (54 in 2021/22). It is possible that some of these licensees had chosen to leave the sector in response to the market slow-down or other factors.

Unlicensed trading

This year, REA received 27 reports of unlicensed trading alleging people undertaking real estate agency work without a licence in breach of section 141 of the Act (29 in 2021/22). Unlicensed trading is an offence under the Act and may result in a criminal prosecution. Investigations of these reports are ongoing.

This work provides evidence of public awareness about the need to hold a licence to undertake real estate agency work and the role REA plays in ensuring that the regulatory framework is upheld.

²⁵ Seghal v REA, 2022 NZREADT 13.

Improving the regulatory system

We continue to refine and improve our regulatory processes to ensure they remain well aligned with the interpretations of legislation and the Code of Conduct delivered by the Disciplinary Tribunal and CACs.

In the past year, a Tribunal review case provided updated guidance on the Registrar's use of powers under section 74(3) of the Act to assess a complaint as inconsequential. This is an important regulatory power that enables REA to focus time and resources on significant and serious complaints.

We also further developed our process for managing applications by licensees seeking to be exempted from or defer some or all of their CPD requirements. This follows the June 2022 Tribunal review decision²⁶ regarding the cancellation of a licence due to CPD non-completion. This decision reinforced that the Registrar must cancel a licence if CPD is not completed.

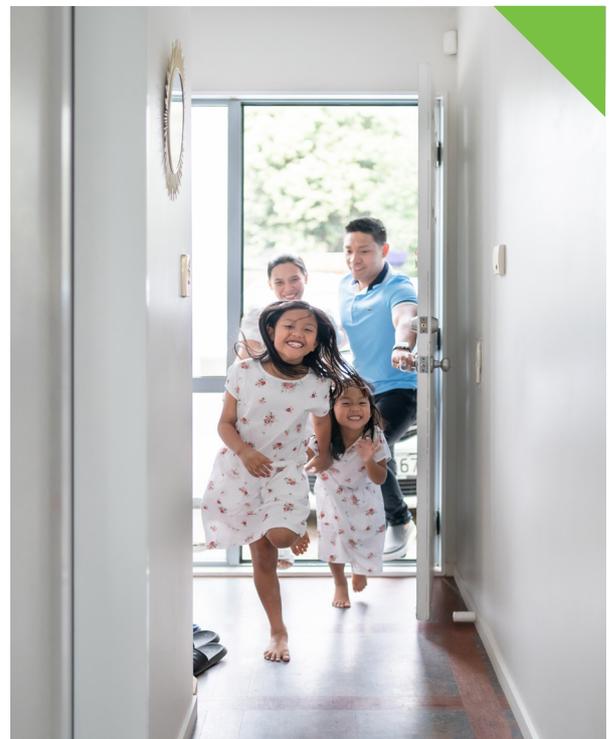
Court of Appeal intervention

In August 2022, the Court of Appeal released its decision²⁷ on a matter that focused on the use and timing of Agency Agreements. REA had successfully applied to intervene in those proceedings to assist the Court by providing our insights from the position of regulator on issues considered by the Court that could have wider legislative or regulatory implications for the real estate sector. In its decision, the Court confirmed our regulatory position that an Agency Agreement is a cornerstone of the regulatory regime overseen by REA and emphasised the importance of such agreements in promoting and protecting the interests of consumers of real estate services in New Zealand. The Court found that an Agency Agreement must be in place before real estate agency work is undertaken. In the absence of steps required under the Act being fulfilled, a licensee may not be entitled to commission.

A more timely and efficient complaints process

This year, we made substantial progress in our complaints improvement project designed to increase efficiency and impact of the complaints and disciplinary process. A refreshed process has been designed, aligned with the legislation, with clear timeframes and procedures to support more timely determinations and more effective use of the powers conferred on REA and the CACs.

We commenced work on our regulatory tools framework, and this will be completed in the coming year as we roll out the complaints improvements.



²⁶ [2022] NZREADT 13 READT 002/2022.

²⁷ [2022] NZCA 353.



Output 3

Oversight and development of an effective real estate agency regulatory system

Putanga 3

Te tirohanga, he whakawhanaketanga i tētahi pūnaha whakahaere ture e whakaawe ana mō ngā pakihī hokohoko whare

► This output primarily contributes towards the following impacts:



Impact 2

Licensees fulfil their obligations and are capable, trusted and professional



Impact 3

Awareness of and confidence in REA as the conduct regulator is increased across New Zealand's diverse communities



Impact 4

Standard of conduct by licensed real estate professionals is increased

Through this output, REA sets clear rules, standards and guidelines that respond to risks of harm and reflect the operating environment in which they apply. Using our data and insights, undertaking research and engaging across the property sector on risks of harm are key to ensuring that the regulatory settings are fit for purpose and effective in preventing harm.

An important aspect of this output is our role as part of the regulatory system and our work with others to provide stewardship of the real estate regulatory system. We engage, collaborate and partner with the sector, government entities and the private sector to leverage capability and support an effective regulatory system that can anticipate and respond to the needs of the sector while also protecting consumers from harm in the face of change over time. This year, we continued to engage with the Department of Internal Affairs and Ministry of Housing and Urban Development on matters such as amendments to Anti-Money Laundering/ Countering Financing of Terrorism legislation and methamphetamine contamination as far as they pertain to real estate agency work and consumer protection.

Fit and proper guidelines

In August 2022, following consultation with the public, sector and consumer advocates, REA published guidelines on the assessment of whether an applicant for a real estate licence meets the fit and proper person requirements.

The guidelines are applied in REA's consideration of licence applications and were published to support transparency and understanding of the regulatory framework and to provide assurance of the high standards that must be met to be a licensed real estate professional.

Supplementary Guidance: Professional Standard on Supervision

Supervision of salespeople is a statutory requirement and a key part of the regulatory consumer protection framework. Experienced branch managers and agents have the responsibility for ensuring that salespeople perform real estate agency work competently and that the work complies with the Act. To support the sector to meet the supervision obligations under the Act, REA issued a Professional Standard on Supervision in 2017. However, we continued to see issues in the understanding and practice of supervision.

To further support the sector to meet their supervision obligations, this year we developed and published supplementary guidance on the supervision standard, including guidance from Disciplinary Tribunal cases and responses to frequently asked questions. Our 2023 Annual Licensee Survey reported that 90%²⁸ of participants who had read the guidance found it useful.

Drivers of risk research

In the past year, we sought to better understand the experiences of some of New Zealand's diverse communities who faced challenges when engaging in real estate transactions as well any drivers of risk of harm in a real estate context for those communities.

We undertook a research project to engage with and capture insights from several focus groups of consumers from across New Zealand's diverse communities who had reported that they had not had a positive real estate experience. The research identified areas that the sector and REA need to address to remove barriers that may impact full and fair participation in the real estate market for some in these communities.

This research will support and inform our harm prevention activities in the year ahead, including the development of the second diversity and inclusion CPD programme topic for 2024 on dealing with customers and clients fairly.

Property management regulation

In November 2022, the Minister of Housing announced that Cabinet had agreed to develop new legislation creating a comprehensive regulatory regime for residential property managers and residential property management organisations. It is proposed that REA act as regulator and the Disciplinary Tribunal provide tribunal functions. As part of our commitment to regulatory stewardship of the property system, REA provided guidance and advice, as required, to the Ministry of Housing and Urban Development in the development of the draft Bill.

Māori engagement framework

This year, we progressed our commitment to te Tiriti o Waitangi in a number of ways. This included through further cultural capability training for staff, our research programme exploring the views and perspectives of Māori consumers and licensees and the development of a relevant CPD topic for the sector to support their understanding of te Tiriti in the context of real estate legislation and real estate agency work.

²⁸ 2023 Annual Licensee Survey – pages 13 and 16.

Measuring our impact

Te ine i tō mātau pānga

Our work this year has been directed towards the four direct impacts established within our new strategy, which contribute towards our overarching aims.

Informed consumers across New Zealand's diverse communities confidently engage in real estate transactions without harm

We support consumer confidence through providing information on our websites, consumer guides, media engagement and relationships with consumer-focused organisations. Our discussion above of our work in Output 1 illustrates our impact in this area.

Licensees fulfil their obligations and are capable, trusted and professional

We support licensees to meet their obligations through continuing professional development and compliance guidance and through guidance and information delivered through a range of communication channels. The discussion above of our work in Output 1 illustrates our impact in this area.

Awareness of and confidence in REA as the conduct regulator is increased across New Zealand's diverse communities

Our media engagement, consumer guides, websites and digital communications, and engagement with stakeholders across the property system all support awareness and confidence in REA. Our discussion above of our work in Output 1 illustrates our impact in this area.

Standard of conduct by licensed real estate professionals is increased

We assess whether standards of conduct have increased as a result of our activities by calculating the percentage of licensees subject to a formal complaint who are found to breach conduct rules. This year, only 16% of those subject to a formal complaint had findings against them. This is a small increase on 14% last year but within the cap of 25% we aim to achieve. Case studies demonstrate changes

to policies or procedures following action taken through the complaints and disciplinary process. The case studies indicate that, overall, licensees are meeting the standards expected of them and the regulatory framework is having its intended impact of lifting standards of conduct.

Delivering on our strategic priorities

We have identified and set targets for nine key measures in our Statement of Intent 2021–2025 (SOI) to assess our impact over time. They provide an indicator of whether the real estate regulatory framework that we oversee is working as effectively and efficiently as it should and whether we are achieving our vision that people confidently engage in fair transactions with trusted real estate professionals.

In 2022/23, seven of the nine impact measures met or exceeded the targets set for 2025 (see the table below). Of the two that did not reach their 2025 targets, one continued to make progress towards it and improved on last year. We consider that consumer confidence will be strongly influenced by the challenge and complexity of the market and the economic conditions in which consumers are operating. The continuing professional development (CPD) measure that was not achieved is derived from survey research into licensees' satisfaction with the CPD programme. The introduction of the diversity and inclusion topic Te Kākanō into that programme and the general challenges faced by licensees in the complex market may have affected this result. Improving this measure to achieve the 2025 target will be a focus in the year ahead.

NielsenIQ research indicates a slight reduction in awareness of REA and settled.govt.nz across both the general public and consumers. This is not surprising given the slow-down in the market and less focus in the media on our COVID-19 guidance. Overall, we have maintained improved awareness of REA since

the strategy was launched in 2021, which is important if we are to be an effective regulator.

Overall, the results indicate that REA is making strong progress to deliver an effective

regulatory regime. Despite a challenging and uncertain market, awareness and confidence in REA is growing. Consumer empowerment and confidence in the sector remains strong.

	SOI impact measures	2020/21	2021/22	2022/23	Target
Informed consumers across New Zealand's diverse communities confidently engage in real estate transactions without harm	Percentage of consumers who are aware of settled.govt.nz is increased ²⁹	35%	39%	Achieved 35%	35%
	Percentage of consumers who feel empowered to participate effectively in the real estate transaction	84%	86%	Achieved 87%	85%
Licensees fulfil their obligations and are capable, trusted and professional	Percentage of licensees who agree REA's CPD programme has improved their knowledge and understanding of the topic area	82%	73%	Not achieved 67%	85%
	Percentage of licensees who find REA compliance guidance useful in understanding their regulatory obligations is increased	92%	97%	Achieved 92%	90%
	Percentage of consumers who have confidence that the real estate industry is professional	87%	86%	Achieved 91%	85%
Awareness of and confidence in REA as the conduct regulator is increased across New Zealand's diverse communities	Percentage of New Zealand public aware of REA and the services it provides is increased	43%	51%	Achieved 48%	45%
	Percentage of New Zealand public who have confidence that the real estate industry is well regulated is maintained	67%	70%	Not achieved 75%	85%
Standard of conduct by licensed real estate professionals is increased	Percentage of licensees subject to a formal complaint found to have breached conduct rules and requirements is decreased	n/a	14%	Achieved 16%	20% ³⁰
	Licensed real estate professional conduct, practices, policies and/or procedures are improved following action taken by REA or a CAC/Tribunal decision	n/a	Achieved	Achieved	5 case studies

²⁹ The number of consumers aware of REA has also increased from 63% to 69%.

³⁰ As the desired impact for this measure is a decrease, the 20% target is a maximum percentage and achieved results are below 20%.

Operations

Ngā mahi whakahaere

Efficient and cost-effective operations are critical to our overall operational performance. We are a small agency, and we aim to deliver our services in an agile and prudent way. We have always operated within the constraints of our limited financial and human resources and have continued to do so this year. We have operated within the context of fiscal restraint with respect to expenditure and remuneration.

This year, REA had a forecast deficit reflecting an assumption that the uncertain and cooling real estate market would result in lower levels of licensees, which would reduce REA's forecast levy revenue and increase personnel costs to support the high work volumes. However, revenue was better than expected as licensee numbers remained high during the period. The tight labour market and restraints on pay impacted attraction and retention in the first half of the year, resulting in higher expenditure on backfilled resources. The high regulatory work volumes and focus on priority efficiency and effectiveness projects resulted in some activities being deferred, which along with ongoing prudent expenditure resulted in some cost savings throughout the year.

Licensee numbers have begun to ease and continue to be uncertain. We have taken a conservative approach to our revenue forecasting for the year ahead. We will continue to operate prudently so we can retain any reserves for future disruption. We are comfortable that our funding and operations are suitably resilient to withstand any further interruption that may be presented by the pandemic.

REA's organisational health and capability are essential to achieving positive outcomes for our people and those we serve. The environment of uncertainty, change and high workload has meant it has been particularly important to provide the right environment, tools, systems, support and leadership to enable our people to do their jobs effectively.

Managing risk is central to our governance and operational management approach. Our clearly articulated risk management framework and risk schedule are regularly reviewed by the Board and management. Staff are directly involved in overseeing health and safety risks. Our COVID-19 health and safety policies and guidelines coupled with our business continuity plan enabled REA to respond well to the COVID-19 environment throughout the year. We have robust systems and processes that support our operations and effectiveness.

Key risks through the year have included uncertainty arising from potential fluctuations in licensee numbers and revenue, aging IT systems, attracting and retaining talent in the context of pay restraints and supporting staff through a change environment as efficiency projects have progressed. These risks are managed by monitoring of licensee applications and revenue, careful oversight and review of our information systems strategic plan and robust recruitment, induction and knowledge management plans.

Alongside our complaints improvement project, we commenced our systems enhancement project to upgrade or replace our aging ICT infrastructure. These critical projects were supported by the establishment of a Programme Management Office and utilisation of improved planning and project management approach. Communication in a change environment has been a focus for our Board and leadership team.

We have managed a high level of compliance activities this year, including a public records audit by Archives New Zealand, development of our retention and disposal schedule, commencing our programme for carbon emissions reporting and introduction of e-invoicing and review and development of a range of operational policies. We have maintained a key focus on our integrity activities across Privacy Act and Official Information Act compliance, updating our policies and ensuring effective training and onboarding for staff. Key progress in our operations and people oversight are summarised below.

Directions issued by Ministers

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

We have developed our processes to support e-invoicing, carbon-neutral emissions reporting and progressive procurement policy. The Enduring Letter of Expectation issued in 2020 and the Government Workforce Policy Statement and supporting pay guidance issued by the Public Service Commissioner are guiding our internal policies and priorities.

Progress this year – systems and processes



We have continued to **prioritise and highlight cybersecurity processes and protocols.**



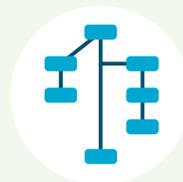
We have commenced the **development of e-invoicing capability.**



We have rolled out **multifactor authentication requirements** and an improved VPN connection.



We have continued to **implement our digital and technology initiatives** in line with our information system strategic plan, with a focus on security and effectiveness.



We have established a programme management office and **adopted clear project management methodologies.**



We have prepared and **published our Public Records Act Retention and Disposal Schedule** and completed a Public Records Act audit by Archives New Zealand.

Our carbon emissions reporting

Independent verification

REA's greenhouse gas emissions measurement (emissions data and calculations) have been independently verified by Toitū Envirocare (Enviro-Mark Solutions Limited).

We have been certified as a Toitū carbon reduce organisation. This means we are measuring, managing and reducing our emissions according to the ISO 14064-1:2018 Standard and Toitū requirements.

A copy of our Toitū carbon reduce certification disclosure can be viewed on the Toitū website.

Emissions by category

Emissions profile by scope and total annual emissions 2022/23

Category	2023 tCO ₂ e
Category 1: Direct emissions	0.00
Category 2: Indirect emissions from imported energy (location-based method)	4.81
Category 3: Indirect emissions from transportation	34.76
Category 4: Indirect emissions from products used by organisation	4.76
Category 5: Indirect emissions associated with the use of products from the organisation	0.00
Category 6: Indirect emissions from other sources	0.00
Total direct emissions	0.00
Total indirect emissions	44.33
Total gross emissions	44.33
Category 1 direct removals	0.00
Purchased emission reductions	0.00
Total net emissions	44.33

Emissions by source

The table above shows REA's measured and reported emissions sources from largest to smallest.

Activity	2022/23 tCO ₂ -e
Air travel domestic (average)	30.00
Electricity	4.81
Wastewater for treatment plants (average)	2.66
Private car average (fuel type unknown)	1.28
Waste landfilled LFGR office waste	1.17
Accommodation – New Zealand	1.17
Working from home	1.06
Electricity distributed T&D losses	0.69
Taxi (regular)	0.53
Rental car medium (petrol 1600–2000cc)	0.42
Water supply	0.24
Freight transport agencies and other supporting transport services (spend-based)	0.22
Rental car large (petrol 2000–2999cc)	0.07
Rental car small (petrol 1350–1600cc)	0.01
Rental car average (hybrid)	0.01
Rental car average (EV)	0.00
Total gross emissions	44.33

Key performance indicators (KPIs)

	2022/23
Full-time equivalent (FTE)	54.8
Expenditure \$m	10.875
Total gross emissions per FTE (tCO₂-e)	0.81
Total gross emissions per million dollars of expenditure (tCO₂-e)	4.08

2025 and 2030 gross emissions targets

REA is committed to managing and reducing its emissions.

As a participant of the Carbon Neutral Government Programme (CNGP) and a Tranche 2 organisation, we are tasked with reducing our overall emissions by 42% by 2030. This reduction pathway is aimed at limiting global temperature increases to 1.5 degrees Celsius above pre-industrial levels and is outlined in CNGP guidance around reduction target setting.

As this is our base year for reporting, our performance against our reduction targets will be further investigated in year 2 of reporting.

Organisational health and capability

Te oranga me te āheinga o te whakahaere

This has been a year of change for REA, with new people joining our team and a number of significant work programmes under way to enhance and improve our operations alongside our core regulatory services.

We are fortunate to have capable and experienced staff who contribute to a collaborative culture that values people working together and supporting each other to achieve our goals. Our Board and management team work constructively together with a clear understanding of governance and management responsibilities.

On 30 June 2023, we had a permanent and fixed-term headcount of 56 people (54.8 FTE), with a small number of vacancies under recruitment. We have a diverse workforce with a range of experiences and backgrounds. We believe that a diverse and inclusive work environment results in better experiences for our people, better delivery of our functions and obligations and better outcomes for the diverse communities of consumers and licensees we serve across New Zealand.



REA work profile as at 30 June 2023

Gender

Female	61%
Male	39%
Prefer not to declare	0%

Ethnicity³¹

Pākehā/NZ European	61%
Other European	23%
Māori	9%
Pacific Peoples	4%
Asian	16%
Middle Eastern/Latin American/African	7%
Other	0%

Age profile

60+	12% ³²
50–59	15%
40–49	31%
30–39	19%
29 and younger	23%
Prefer not to answer	0%

Disability profile

No	91%
Yes	7%
Prefer not to answer	2%

Pay gap information

We are committed to the long-term goals of reducing gender, Māori, Pacific and ethnic pay gaps and growing the diversity of the workforce at REA and in the public service. Our Kia Toipoto Action Plan 2023/24 outlines the actions we will undertake to ensure pay equity and remove unjustified pay gaps. Our size means we do not meet the threshold to produce and publish meaningful gender or ethnic pay gap statistics as per Stats NZ guidance. Small changes in the demographics of our workforce can significantly impact our pay gaps. Equally, we need to protect the personal information of our people. Our Kia Toipoto Report 2022/23 (April 2023) provides a range of diversity and pay-related information and is available on our website. In the event these factors change to enable publication, we will publish the information on our website as part of our Kia Toipoto reporting.

³¹ Some staff identify as more than one ethnicity.

³² Actual result 12.5% rounded down to 12.

Maihi Karauna

We are committed to Maihi Karauna and increasing our own ao Māori capability. We offer staff a te reo Māori learning programme every six months and continue to promote the use of te reo Māori in the workplace. We open and close our meetings with karakia. We celebrate Te Wiki o te Reo Māori with a range of activities to promote the use of te reo Māori in our work. These steps are an important part of our journey towards greater cultural capability.

Promoting equal employment opportunities

We are committed to our good employer obligations as set out in the Crown Entities Act 2004. 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. Below we outline our achievements and areas for focus in 2022/23 against the seven key elements of being a good employer as set out by the New Zealand Human Rights Commission.

Leadership, accountability, and culture

- The Senior Leadership Team (SLT) provides open communication and visible leadership to staff through team meetings, stand-ups and staff off-sites.
- The REA Leaders Forum and Tier 3 Manager meetings are a way for senior leaders to collaborate and discuss workplace issues, priorities and achievements.
- Staff culture, engagement and wellbeing are a feature of regular SLT, people leader and team meetings. The Chief Executive and People and Capability team work closely with staff networks (Culture Club, Social Club and Rainbow Network) and people leaders across REA to help build a positive and safe workplace.
- We operate and maintain a Delegated Authority Policy that provides appropriate levels of decision making at all leadership levels. Staff are regularly engaged on matters relevant to their work areas.
- We have a refreshed set of organisational values that embody the behaviour required to deliver on our strategic priorities and guide the way we wish to engage with each other and our stakeholders.
- Our policies promote fair and proper treatment of our employees in all aspects of their employment and promote professional and appropriate workplace behaviours.
- We published our Kia Toipoto Report 2022/23 and Action Plan 2023/24 and established a staff focus group to support the delivery of our diversity, equity and inclusion agenda over the next two years.
- We continued to build on our cultural capability journey with the use of te reo Māori and tikanga in our internal and external communications and organisational initiatives, including Matariki and Pacific peoples language celebrations.
- We foster an inclusive workplace encouraging diverse perspectives and empowering staff networks to promote initiatives that are important to our people. Our staff-led networks helped to promote a positive environment through a programme of initiatives such as Pink Shirt Day, Pride Week, Mental Health Awareness Week, Movember, Money Week, yoga and indoor sports.
- We draw on feedback from staff surveys and other feedback channels to gain insight into the employee experience and enhance our people-centric workforce management approach. Our annual Have Your Say staff survey surpassed recent internal and external benchmarks despite a challenging operating environment. Targeted initiatives were implemented in response to the feedback to further improve the employee experience at REA.
- Supporting community-focused organisations and charities is an important part of who we are. Staff participated in a range of initiatives under our volunteer programme that encouraged wellbeing and promoted cohesion while giving back to our local communities.

Recruitment, selection and induction

- We operate an effective recruitment strategy that ensures we attract the right skills, knowledge and experience in a tight labour market. We continue to enhance our approach by promoting our employee value proposition and prioritising the candidate experience. People leaders are directly involved in recruitment for their teams.
- Hiring managers advertise all permanent vacancies using a range of sourcing channels to attract candidates from diverse backgrounds and undertake a rigorous selection process to ensure appointments are merit based.
- Our well-established induction and onboarding process helps new starters to get up to speed with their role, make connections with others across REA and integrate into our culture. We continue to enhance the onboarding experience.

Employee development, promotion and exit

- Staff participate in performance, development and career planning at the beginning of each year, and these plans are reviewed with their managers twice a year.
- People leaders provide regular coaching and mentoring to their team members in check-ins, one-on-one meetings and twice-yearly reviews.
- Staff learning and development is actively encouraged, including the ongoing attainment of professional certification. Staff have access to a broad range of study assistance and professional development opportunities.
- Secondments and acting arrangements are utilised to develop new technical or leadership skills. We successfully made a number of internal promotions to support the career aspirations and retention of our top talent.
- We offer an exit interview to any leaving employee and evaluate and respond to themes raised.

Flexibility and work design

- We operate a flexible-by-default policy and support hybrid working for staff through technology and enabling connection and cohesion.
- We encourage staff to take leave and support their work-life balance with tailored options.
- Workstation assessments are provided as required.
- We support parental leave and return and working parents.

Remuneration, recognition and conditions

- REA operates a 'total rewards' approach including financial and non-financial rewards.
- We continue to monitor our remuneration offering to ensure it remains competitive in a tight labour market while exercising visible fiscal restraint when making remuneration decisions in line with Public Service Commission pay guidance.
- Our role evaluation processes use appropriate external market benchmarks to ensure equity and are transparent.
- We promote a rewards and recognition framework enabling staff-led recognition of exceptional behaviour and service delivery.
- We are committed to closing our gender and ethnic pay gaps. We regularly review our pay practices to ensure fairness and equity for all staff.

Harassment and bullying prevention

- We reviewed and updated our Good Employer and Equal Employment Opportunities Policy and other related people policies that support a positive and safe work environment for all employees.
- We maintain zero-tolerance anti-harassment, anti-discrimination and anti-bullying policies.
- We have clear reporting and investigation processes and responsibilities in place.

Safe and healthy environment

- Providing a healthy working environment for staff is a key priority. Our office building has a good seismic rating, and we work to maintain a safe office and remote working environment.
- We operate an effective health, safety and wellbeing system comprising a range of policies and practices that are actively maintained by management and staff.
- All incidents and accidents are reported by staff and investigated by management, with remedial action taken where appropriate to ensure risks are mitigated. Our incidents and accidents are reported to the Board each month.
- Shared health, safety and wellbeing responsibilities have been incorporated into the Culture Club terms of reference, and we have appointed health and safety representatives, floor wardens and first aiders.
- We provided effective management of COVID-19 health and safety risks in our workplaces through REA's COVID-19 vaccination policy, COVID-19 workplace guidelines and ongoing incident management of cases.
- We provide a range of health support, including flu vaccinations and eye health benefits.
- We regularly test our evacuation procedures and earthquake drills and perform an annual stocktake of our civil defence cupboard.
- We provide employee assistance programme support with confidential 24/7 access to trained professionals for all staff and their families to use when needed.
- As a complaints entity, we offer preventive health and safety training and support to staff to deal with difficult conversations, risks of harm and external threats.



Accountability statements

Ngā tauākī haepapa

Statement of responsibility

Pursuant to the Crown Entities Act 2004, the Real Estate Authority³³ Board accepts responsibility for:

- the preparation of the 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 and non-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, the financial statements and the statement of performance for the year ended 30 June 2023 fairly reflect the financial position, result of operations and cash flows of the Real Estate Authority.

Signed on behalf of the Board.



Denese Bates KC
Chair
Real Estate Authority
17 October 2023



Vern Walsh
Chair
Audit and Risk Committee
17 October 2023

³³ 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 2023

The Auditor-General is the auditor of Real Estate 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 57-80 at comprise the statement of financial position as at 30 June 2023, 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 which reports against the Authority's statement of performance expectations for the year ended 30 June 2023 on pages 49 to 56.

In our opinion:

- the financial statements of the Authority:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards Reduced Disclosure Regime; and
- the Authority's performance information for the year ended 30 June 2023:
 - presents fairly, in all material respects, 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 17 October 2023. This is the date at which our opinion is expressed.

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

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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

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

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

The Board is responsible on behalf of the Authority for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the 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 44, 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 (including International Independence Standards) (New Zealand) (PES 1) 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

Tauākī mahinga

The statements in this section provide detailed results against the targets, budgets and performance measures for the year ending 30 June 2023 as set out in our Statement of Performance Expectations 2022/23.

This report has been prepared in accordance with PBE FRS 48 Service Performance Reporting.

REA provides outputs in three result areas:



Output 1

Informing consumers, educating and engaging with licensees



Output 2

Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes



Output 3

Oversight and development of an effective real estate agency regulatory system

Statement of performance

for the year ended 30 June 2023

	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000
Total revenue	11,134	10,779	11,378
Output expenditure			
Informing consumers, educating and engaging with licensees	2,903	3,116	2,539
Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes	5,530	5,537	5,041
Oversight and development of an effective real estate agency regulatory system	2,442	2,680	2,094
Total expenditure	10,875	11,333	9,674
Total comprehensive revenue and expense	259	(554)	1,704

Output 1

Informing consumers, educating and engaging with licensees



Our role in engaging and educating licensees to support them to understand and meet their regulatory obligations and through this to support high standards of conduct in the profession is an important part of our consumer protection mandate. We achieve this impact by overseeing an effective CPD programme, providing information and guidance to licensees through a range of channels to support them to be capable, professional and trusted.

Equally important is our work to provide information to consumers through a range of digital and non-digital channels to raise confidence and empower them to navigate the complex real estate environment. Our communications activities through social and mainstream media, our translated consumer guides and settled.govt.nz and rea.govt.nz websites have been critical tools to support consumers in navigating the market conditions in the period.

Our core activities in Output 1 are described above and demonstrate the impact we have had on supporting licensees and lifting confidence in consumers with information and guidance through a range of channels. We are pleased to report we have achieved all of our 2022/23 SPE targets for Output 1 this year.

Confident and empowered consumers

Through our regular contribution to media (reactive and proactive), our website settled.govt.nz and our translated consumer guides, we have maintained our high performance in the percentage of consumers who find the information provided by REA useful (SPE 1.1) at 95%.

This year, we undertook a number of initiatives to provide our information and resources to New Zealand's diverse communities and to raise awareness of REA (SPE 1.4). This included targeted social media campaigns to leverage our consumer guides to Samoan, Māori, Hindi and Korean-speaking communities.

We strengthened our relationship with government and non-government entities who serve New Zealand's Pacific peoples and ethnic people, disabled and older communities. We commenced our 'guides on the ground' programme to ensure our translated consumer guides reached a range of community hubs across the country. The strong results for consumer confidence and empowerment against the targets set in our Statement of Intent 2021–2025 demonstrate the impact we have had.

The 2023 NielsenIQ Perceptions Survey reported that the number of consumers who feel empowered about the real estate transaction process (87%) and who have confidence that the real estate industry is professional (91%) has again exceeded our intended SOI target. Despite the dynamic real estate environment, this is a pleasing result, indicating the impact delivered through our regulatory activities.

While we have not yet reached our SOI target for the percentage of the public who consider that the real estate sector is well regulated (target 85%), we have improved on our results year on year (75% in 2022/23 compared to 70% in 2021/22). Given the challenges of the market and the shift to falling prices and high interest rates, this is still a strong result.

Informed and educated licensees

We provided information and guidance to the sector through the publication of guidelines on the fit and proper licensing requirement and the Professional Standard on Supervision and ongoing guidance on meeting COVID-19 public health requirements. We kept our website rea.govt.nz up to date.

Through our regular Pānui email newsletters, social media, email and text communications to licensees, we provided important regulatory reminders, updates and recent illustrative case examples to support them in meeting their regulatory requirements. The 19 newsletters issued in 2022/23 (SPE 1.2) included a number

of special Pānui each dedicated to a specific purpose, including to remind licensees of important upcoming requirements (such as preparing for the annual trust account audit), announce initiatives of interest to them (such as publication of REA consumer perceptions research) and issue timely sector messages (such as for those affected by Cyclone Gabrielle and associated severe weather events).

Our Chief Executive and Senior Leadership Team continued to extend their reach across the property system and stakeholders, such as REINZ, education providers, Ministry of Justice, Ministry of Business, Innovation and Employment and Department of Internal Affairs. REA also engaged with Te Taura Whiri i te Reo Māori, the Ministry for Pacific Peoples and the Ministry for Ethnic Communities on how best to reach and engage with relevant community groups, and this work is ongoing.

Our programme of direct sector engagement events and activity enables REA to speak with licensees across a range of locations, experience levels and market segment specialisations. In the reporting period, we undertook two location-based Conversations with REA breakfast events and two senior-level Real Estate Leaders Forums.

The impact of our work is reflected in the 2023 NielsenIQ Perceptions Survey results with a decrease in the percentage of consumers who experienced issues or problems with respect to a real estate agent down from 18% in 2021/22 to 10% in 2022/23.

Awareness of REA and settled.govt.nz

Following a sustained period of growth, this past year has seen a slight reduction in consumer awareness of both REA (64%, down from 69% for 2021/2022) and settled.govt.nz (35% down from 39%). These results may have been influenced by the general slow-down in market activity and are respectively above and equal to the 2020/21 results. Our plan to raise awareness utilising a range of channels

in 2023/24 will be critical to maintaining growth in awareness of REA and what we do that will continue to lift confidence in the regulatory system.

Media engagement

REA remained engaged with and accessible to media, responding to approximately five enquiries per month on average. Media topics included Disciplinary Tribunal decisions, shifting licensee numbers and REA's regulatory role. Proactive media related to REA's research reports, regulatory guidance and decisions of regulatory importance to the sector and consumers. Media coverage during the period highlighted REA's role in a regulatory framework that serves to protect the interests of real estate consumers. Media engagement remains an important channel for lifting REA's public profile and highlighting our role as well as for widely disseminating important consumer information, including via our popular fortnightly consumer advice column on stuff.co.nz.

Continuing Professional Development (CPD)

Our CPD programme is designed to prevent harm by educating licensees to support them to meet their regulatory obligations and to raise conduct standards. This year, REA rolled out the first topic in a new three-year diversity and inclusion CPD programme to support the sector to understand, engage with and deliver best-practice levels of service to real estate consumers within New Zealand's diverse communities.

Responses to the 2023 Annual Licensee Survey regarding the CPD programme saw a slight dip in perceptions that CPD improved licensees' knowledge and understanding (67% agree, down from 73% in 2021/22). This result may have been influenced by negative views held by some licensees on the first diversity and inclusion topic, which introduces considerations of Māori culture and language and legislation relating to te Tiriti o Waitangi in the real estate context.

Due to resourcing constraints and competing priorities, we did not complete a full review of the CPD programme. We have engaged extensively with our CPD Advisory Group, approved training providers, licensees and REINZ to identify improvements to our CPD approach, which we are implementing for the 2024 programme.

Te Tiriti o Waitangi

We made a strong commitment to growing our internal cultural capability of te ao Māori and te reo Māori over the last year, and we have developed the framework that will guide our Māori engagement approach over the next three years.

2023 SPE performance measures	2019/20	2020/21	2021/22	2022/23	Target 2023
SPE 1.1 Percentage of consumers who find information provided by REA useful ³⁴	94%	97%	97%	Achieved 95%	90%
SPE 1.2 REA Pānui (newsletters) are published to keep stakeholders informed	7	6	31	Achieved 19	>6
SPE 1.3 Media releases are issued on matters of strategic importance (high public interest, provide guidance to consumers or licensees on regulatory issues)	4	4	6	Achieved 6	>6
SPE 1.4 REA undertakes targeted initiatives to provide information and resources to New Zealand's diverse communities	n/a	n/a	Achieved	Achieved	5 or more initiatives

³⁴ This is measured in the annual NielsenIQ Perceptions Survey.

Output 2

Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes



Our core regulatory functions include administering the licensing regime for agents, branch managers and salespeople, maintaining a register of licensees, overseeing an effective complaints process through CACs and investigating and, where appropriate, initiating proceedings relating to unsatisfactory conduct or misconduct by licensees. We aim to provide a high-quality, efficient, fair and timely service.

This year, we managed licensing for a high number of licensees and addressed high volumes of enquiries and complaints throughout periods of the year. Our total number of formal complaints are down on last year (252 compared to 271), as were complaint enquiries (1,036 compared to 1,108). While a decrease in market activity can result in fewer complaints, we consider this is also an indicator of improved conduct across the sector and the impact of REA's guidance, information and regulatory action.

We are pleased to report that all SPE timeliness targets for licensing and complaint enquiries were met.

Complaint processing timeliness has continued to present a challenge this year. In addition to managing key role vacancies in a challenging labour market, the complexity of cases this year has impacted timeliness. Cases taken to the CACs have involved multiple licensees and complex issues, which can extend the time required for robust investigation and to work through interlocutory issues.

While the target percentage for complaint resolution within 90 days (SPE 2.6) was not met, the average resolution time was only slightly above that at 133 days. We also put some decisions on hold while the issue of the Disciplinary Tribunal's jurisdiction to review the Registrar's power under section 74(3) to determine inconsequential complaints was explored in a Tribunal review case. In the

context of the challenges outlined above as well as the impact of COVID-19 disruption on the capacity of many complainants and respondents to respond and/or participate in resolution processes in a timely manner, this result is encouraging.

Improving timeliness while retaining regulatory robustness remains a primary concern for REA and is being directly addressed through the Complaints Improvement Project.

Perceptions of the complaints process (SPE 2.8) were below target this year. This likely reflects the ongoing timeliness challenge as well as external operating conditions increasing pressure on licensees and complainants. Decreasing residential sale volumes and prices have increased financial pressures on both consumer complainants and responding licensees. It is reasonable that, where increased stress levels and higher stakes are involved, the likelihood of dissatisfaction with the process and outcome on the part of at least one of the parties may also increase. It is also likely that the complaint survey results were influenced by a lower participation rate this year. These factors notwithstanding, returning this measure to target is a priority for the coming year.

Importantly, positive external assessments of CAC decisions this year (SPE 2.1) endorse the quality of that system. The consistent high performance across core frontline licensing and complaint services (SPE 2.3, 2.4 and 2.5) further reflects the professionalism and responsiveness of our staff throughout the year.

With the appointment of a regulatory policy advisor, progress has been made in the development of the regulatory tools framework, which we aim to complete in the coming year. As reported in the sections above, the improvements resulting from our complaints improvement project will be implemented in 2023/24.

SPE performance measures	2019/20	2020/21	2021/22	2022/23	Target 2022/23
SPE 2.1 External assessment of CAC decisions is conducted to assess whether decisions are well reasoned, consistent and accurate	n/a	n/a	Achieved	Achieved	At least 5 decisions ³⁵
SPE 2.2 Percentage of judgments on appeals taken to the Tribunal are analysed to enable improvements to REA's regulatory decisions and processes	n/a	n/a	Achieved 100%	Achieved 100%	100%
SPE 2.3 Percentage of new licence applications processed within three weeks	87%	91%	Achieved 92%	Achieved 91%	85%
SPE 2.4 Percentage of licence renewal applications processed within two weeks	97%	96%	Achieved 98%	Achieved 99%	95%
SPE 2.5 Percentage of complaint enquiries completed within one month	99%	99%	Achieved 95%	Achieved 95%	95%
SPE 2.6 Percentage of formal complaints resolved or determined under s74(3) within three months ³⁶	88%	62%	Not achieved 39%	Not achieved 31%	70%
SPE 2.7 Percentage of formal complaints completed within one year	90%	90%	Not achieved 82%	Not achieved 78%	90%
SPE 2.8 Percentage of parties to a complaint agree that the complaints process is independent, fair and transparent ³⁷	69%	77%	Achieved 75%	Not achieved 67%	75%

³⁵ External assessor agreed that 5 CAC decisions are well reasoned, consistent and accurate.

³⁶ Formal complaints resolved by withdrawal of complaint, compliance advice or consumer information or determined under section 74(3)(a)-(d) of the Real Estate Agents Act 2008.

³⁷ Assessed in a survey through the year.

Output 3

Oversight and development of an effective real estate agency regulatory system



Through this output, we set clear rules, standards and guidelines that respond to risks of harm and reflect the operating environment in which they apply. Using our data and insights, undertaking research and engaging across the property sector are key to ensuring the regulatory settings we use are fit for purpose and effective for preventing harm.

In the past year, following consultation with the public, the sector and consumer advocates, we published guidelines on REA's assessment of whether an individual meets the fit and proper person licensing requirement. Publishing these guidelines increases clarity and transparency for the real estate sector and the public about how the Registrar makes licensing decisions and also provides assurance of the high standards that must be met to be a licensed real estate professional.

We also developed and released supplementary guidance on the application of the Professional Standard on Supervision (SPE 3.1). The guidance included examples from relevant Tribunal decisions addressing supervision issues and responded to common questions about supervision requirements.

We maintained strong and effective relationships across a range of key property system stakeholders, including the Ministry of Justice, Ministry of Housing and Urban Development, Real Estate Institute of New Zealand, New Zealand Law Society, Consumer NZ and the sector during the year to strengthen the regulatory system.

Notably, we provided substantial input to Ministry of Housing and Urban Development policy officials' work to develop a regulatory framework for residential property managers.

We progressed our work to understand and respond to the needs and interests of Māori through building our ongoing cultural capability and providing an education CPD topic for the sector to assist their knowledge and understanding of Māori and te Tiriti in the real estate transaction context.

We undertook research (SPE 3.2) into the barriers to participation in real estate transactions faced by diverse consumer groups. The research identifies opportunities for REA and the sector to better support those consumers.

Research across licensees and consumers has enabled us to strengthen baseline results for Māori and Pacific peoples. Our research shows that awareness of REA remains lower for Māori and Pacific peoples and that members of these communities continue to experience more challenges. While engagement by Māori in REA services (SPE 3.3) shows a nominal drop from the previous year's initial survey result, this year, a larger sample size returned data that is considered likely to be more accurate and indicative of true sentiment. This valuable data will inform our plans for effective engagement with and protection of the needs of our wider community.

SPE performance measures	2019/20	2020/21	2021/22	2022/23	Target 2023
SPE 3.1 REA publishes standards in consultation with industry that help raise industry standards	New measure	New measure	Achieved in part	Achieved New supervision supplementary guidance released	1
SPE 3.2 Commission and publish research that analyses the drivers of risk in real estate agency work and is considered as thorough and valuable to development of standards and/or future regulation	New measure	New measure	Achieved in part Research planned and appointment of researcher under way	Achieved in part Research complete and being utilised in our harm prevention activities	1 research project undertaken ³⁸
SPE 3.3 Engagement by Māori in services offered by REA is increased	n/a	n/a	67%	Not achieved 47%³⁹	67%

³⁸ Feedback from 10 stakeholders is received that the research is thorough and valuable.

³⁹ 2023 NielsenIQ Consumer Perceptions Survey, percentage of Māori respondents who engaged with REA services or resources during the year.

Financial statements

Ngā tauāki pūtea

Explanations of significant variances against budget are detailed in Note 21 on page 80. 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 2023

	Note	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000
Revenue				
Operating levy received	1	9,660	9,552	10,142
Application and suspension fees	2	921	985	1,022
Other revenue	3	553	242	214
Total revenue		11,134	10,779	11,378
Expenditure				
Audit fee		61	60	57
Personnel costs	4	6,703	6,639	5,934
Depreciation	10	145	147	153
Amortisation	11	13	13	61
Specialist services	5	1,190	1,574	1,026
Legal fees		375	394	335
Board fees	4, 18	148	160	145
Complaints Assessment Committee fees		297	258	286
Miscellaneous expenses		19	24	22
Computer and telecommunications		1,355	1,356	1,171
Printing, stationery and postage		23	34	23
Travel, meetings and entertainment		155	164	19
Occupancy		391	510	442
Total expenditure		10,875	11,333	9,674
Total comprehensive revenue and expense		259	(554)	1,704

Statement of Financial Position

as at 30 June 2023

	Note	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000
Current assets				
Cash and cash equivalents		9,993	3,938	9,696
Investments – short-term deposits		1,260	6,100	1,223
Debtors and other receivables	7	51	15	34
Prepayments	8	199	193	194
Approved publications	9	26	10	8
Total current assets		11,529	10,256	11,155
Non-current assets				
Property, plant and equipment	10	92	129	209
Intangible assets	11	–	–	13
Total non-current assets		92	129	222
Total assets		11,621	10,385	11,377
Current liabilities				
GST payable		59	41	101
Trade creditors and accruals	12	967	1,108	878
Employee entitlements	13	232	255	279
Income in Advance		363	–	378
Total current liabilities		1,621	1,404	1,636
Total liabilities		1,621	1,404	1,636
Net assets		10,000	8,981	9,741
Public equity				
Retained earnings		9,750	8,731	9,491
Litigation reserve		250	250	250
Total public equity		10,000	8,981	9,741

Statement of Changes in Equity

for the year ended 30 June 2023

	Note	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000
Public equity as at 1 July		9,741	9,535	8,037
Total comprehensive revenue and expense		259	(554)	1,704
Total public equity as at 30 June		10,000	8,981	9,741
Comprised of the following funds:				
Retained earnings as at 1 July		9,491	9,285	7,787
Total comprehensive revenue and expense		259	(554)	1,704
Total retained earnings as at 30 June		9,750	8,731	9,491
Litigation reserve as at 1 July		250	250	250
Movement in litigation reserve		–	–	–
Total litigation reserve as at 30 June		250	250	250

Statement of Cash Flows

for the year ended 30 June 2023

	Note	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000
Cash flows from operating activities				
Cash was provided from:				
Receipts from licensees		9,911	10,021	10,616
Receipts from sale of publications		99	134	100
Interest income		280	52	58
Receipts from suspension fees		564	518	517
Receipts from fines		237	56	103
Cash was applied to:				
Payments to suppliers		(4,205)	(4,905)	(3,688)
Payments to employees		(6,475)	(6,197)	(5,629)
Net GST received/(paid)		(48)	20	(4)
Net cash flows from operating activities		363	(301)	2,073
Cash flows from investing activities				
Cash was provided from:				
Receipt/(investment) in short-term deposits		(37)	–	(13)
Cash was applied to:				
Purchase of property, plant and equipment		(29)	(55)	(117)
Net cash flows from investing activities		(66)	(55)	(130)
Net increase/(decrease) in cash and cash equivalents		297	(356)	1,943
Opening cash and cash equivalents		9,696	4,294	7,753
Closing cash and cash equivalents		9,993	3,938	9,696

Statement of Cash Flows (continued)

for the year ended 30 June 2023

	Actual 2023 \$000	Actual 2022 \$000
Reconciliation of statement of comprehensive revenue and expense surplus/(deficit) to net cash flow from operating activities.		
Net surplus/(deficit)	259	1,704
Non-cash items		
Depreciation	145	153
Amortisation	13	61
Provision for doubtful debts	92	(19)
Movements in working capital items		
Trade debtors, other receivables and prepayments	(114)	(47)
Movements in inventory	(17)	6
GST receivable	(42)	(3)
Trade creditors, other payables and provisions	73	125
Employee entitlements	(46)	93
Net cash flows from operating activities	363	2,073

Statement of accounting policies

for the year ended 30 June 2023

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 2023 and were approved on 17 October 2023 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, REA has considered whether the revenue is exchange (covered by PBE IPSAS 9) or non-exchange (covered by PBE IPSAS 23) in nature, the classification of which determines when revenue from the operational levy is recognised. This decision requires significant judgement.

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

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

Revenue is measured at the fair value of consideration received or receivable.

Fines

Section 75 and section 100 of the Real Estate Agents Act 2008 allow the establishment of Complaints Assessment Committees 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 publications

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

Property, plant and equipment

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

Additions

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets. Gains and losses on disposals are included in the Statement of 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 years, 33% straight line.

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

Impairment of non-financial assets

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

Creditors and other payables

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

Employee entitlements

Provision is made in respect of liability for annual leave, which is expected to be settled within 12 months of balance date 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 has adopted PBE IPSAS 41 Financial Instruments for the year ended 30 June 2023. This new standard is effective for periods beginning on or after 1 January 2022.

PBE IPSAS 41 establishes requirements for the recognition and measurement of financial instruments by Tier 2 public benefit entities.

As a result of adopting PBE IPSAS 41, no recognition and measurement adjustments have been required.

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.

Financial assets held at amortised cost

The classifications of the financial assets are determined at initial recognition as measured at amortised cost, FVOCI – debt investment, FVOCI or FVTSD. Financial assets are not reclassified subsequent to their initial recognition unless there are changes to its management model for managing financial assets. Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Financial liabilities held at amortised cost

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

Impairment of non-derivative financial assets

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

Measurement of expected credit losses

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

Statement of 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 (SPE) 2022/23 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

Adoption of PBE IPSAS 41 Financial Instruments

REA has adopted PBE IPSAS 41 Financial Instruments for the year ended 30 June 2023. This new standard is effective for periods beginning on or after 1 January 2022. PBE IPSAS 41 establishes requirements for the recognition and measurement of financial instruments by Tier 2 public benefit entities. No recognition, classification or measurement adjustments have been required as a result of adopting the new standard.

Critical judgements in applying REA's accounting policies

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

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

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

Notes to the financial statements

for the year ended 30 June 2023

1. Operating levy received

	Actual 2023 \$000	Actual 2022 \$000
New applications	1,073	1,540
Renewals	8,587	8,602
Total operating levy received	9,660	10,142

Total active licences as at 30 June 2023 were 15,973 (2022: 16,866). This is an overall decrease of 893 licences from the previous year.

2. Application and suspension fees

	Actual 2023 \$000	Actual 2022 \$000
New application fees	339	486
Suspension fees	564	517
Manual processing fees	18	19
Total application and suspension fees	921	1,022

During the year to 30 June 2023, REA processed 1,814 (2022: 2,628) new licence applications and 3,822 (2022: 3,508) voluntary suspensions.

3. Other revenue

	Actual 2023 \$000	Actual 2022 \$000
Interest	309	69
Sale of publications	106	100
Fines imposed by Complaints Assessment Committee/Tribunal	138	45
Total other revenue	553	214

4. Personnel costs

	Actual 2023 \$000	Actual 2022 \$000
Salaries and wages	5,433	5,096
Other personnel costs	1,159	607
Employer contributions to KiwiSaver	157	138
Employee entitlements	(46)	93
Total personnel costs	6,703	5,934

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 2023, no employee (2022: nil) received compensation and other benefits in relation to cessation. Employee entitlements represent the movement in annual leave balances between 30 June 2023 and 30 June 2022.

Employee remuneration

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

Remuneration range

	Actual 2023 \$000	Actual 2022 \$000
\$100,000 – \$109,999	3	2
\$110,000 – \$119,999	2	2
\$120,000 – \$129,999	–	3
\$130,000 – \$139,999	1	2
\$140,000 – \$149,999	3	–
\$150,000 – \$159,999	1	1
\$160,000 – \$169,999	1	–
\$170,000 – \$179,999	–	1
\$180,000 – \$189,999	1	2
\$190,000 – \$199,999	2	1
\$200,000 – \$209,999	–	1
\$210,000 – \$219,999	1	–
\$250,000 – \$259,999	–	1
\$260,000 – \$269,999	1	–
Total employees	16	16

Board remuneration

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

	Actual 2023 \$000 Board fees	Actual 2022 \$000 Board fees
Denese Bates QC (Chair)	40	40
Marion Eades	–	8
Elizabeth Nidd	20	20
Anthony Stack	20	20
Brooke Loader	8	–
Latham Lockwood	20	20
Vern Walsh JP	20	20
Mele Wendt	20	17
Total Board remuneration	148	145

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. Brooke Loader was appointed to the board in December 2022 and took leave from May 2023. Marion Eades resigned from the Board in November 2021.

5. Specialist services

	Actual 2023 \$000	Actual 2022 \$000
Investigations support	2	4
Bank, merchant service and payroll processing fees	42	42
Advertising and publicity	247	274
Approved guide management	56	51
Media and communications	101	75
Identification validation	135	141
Other specialist services	607	439
Total specialist services	1,190	1,026

6. Operating lease commitments

	Actual 2023 \$000	Actual 2022 \$000
Less than one year	395	356
Later than one year and not later than five years	230	555
Total operating lease commitments	625	911

The operating leases are largely for the lease of 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.

7. Debtors and other receivables

	Actual 2023 \$000	Actual 2022 \$000
Trade debtors	155	75
Accrued revenue	43	14
Provision for doubtful debts	(147)	(55)
Total debtors and other receivables	51	34

Trade debtors represent the value of unpaid fines. The carrying value of receivables approximates their fair value. As at 30 June 2023, all overdue receivables have been assessed for impairment, and \$146,852 (2022: \$79,603) were assessed as impaired.

8. Prepayments

	Actual 2023 \$000	Actual 2022 \$000
Prepaid salaries	5	5
Prepaid insurance	29	4
Prepaid software licences	147	167
Prepaid other	18	18
Total prepayments	199	194

9. Approved publications

	Actual 2023 \$000	Actual 2022 \$000
Approved publications at beginning of the year	8	14
Plus: Publications purchased during the year	70	21
Less: Publications cost of sales	(52)	(27)
Total approved publications	26	8

REA produces three types of publications for licensees:

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

The costs of publication production, distribution and management are recovered directly from licensees at the point of sale. Approved publications 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
Cost or valuation				
Balance at 1 July 2021	162	166	383	711
Additions	110	7	–	117
Disposals	(4)	–	–	(4)
Balance at 30 June 2022	268	173	383	824
Additions	22	6	–	28
Disposals	–	–	–	–
Balance at 30 June 2023	290	179	383	852
Accumulated depreciation				
Balance at 1 July 2021	144	114	208	466
Depreciation expense	37	20	96	153
Disposals	(4)	–	–	(4)
Balance at 30 June 2022	177	134	304	615
Depreciation expense	46	20	79	145
Disposals	–	–	–	–
Balance at 30 June 2023	223	154	383	760
Net carrying amounts				
At 1 July 2021	18	52	175	245
At 30 June 2022	91	39	79	209
At 30 June 2023	67	25	–	92

Capital commitments

There are no capital commitments at 30 June 2023 (2022: nil).

11. Intangible assets

	Actual 2023 \$000	Actual 2022 \$000
Cost or valuation		
Opening balance	4,995	4,995
Additions	–	–
Disposals	–	–
Closing balance	4,995	4,995
Accumulated amortisation		
Opening balance	4,982	4,921
Amortisation expense	13	61
Impairment loss	–	–
Disposals	–	–
Closing balance	4,995	4,982
Net carrying amount		
At 1 July	13	74
At 30 June	–	13

Included within intangible assets is website costs, which as at 30 June 2023 had a nil carrying value (2022: \$13,000) and a nil remaining amortisation period (2022: 1 year).

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 (2022: nil).

12. Trade creditors and accruals

	Actual 2023 \$000	Actual 2022 \$000
Accrued expenses	515	426
Trade creditors	445	448
Other payables	7	4
Total trade creditors and accruals	967	878

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

	Actual 2023 \$000	Actual 2022 \$000
Annual leave (current portion)	232	279
Total employee entitlements	232	279

14. Financial risk management objectives

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

Interest rate risk

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

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

Credit risk management

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

Maximum exposures to credit risk at reporting date are:

	Actual 2023 \$000	Actual 2022 \$000
Cash and cash equivalents	9,993	9,696
Investments – short-term deposits	1,260	1,223
Debtors and other receivables	51	34
Total	11,304	10,953

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
2023				
Creditors and other payables	1,330	1,330	1,330	–
Total	1,330	1,330	1,330	–
2022				
Creditors and other payables	1,257	1,257	1,257	–
Total	1,257	1,257	1,257	–

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.

15. 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.

16. 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 \$534,930 (2022: \$563,211) 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.

17. Categories of financial assets and liabilities

	Financial assets measured at amortised cost \$000	Financial liabilities measured at amortised cost \$000	Total carrying amount \$000	Fair value \$000
2023				
Current financial assets				
Cash and cash equivalents	9,993	–	9,993	9,993
Investments – short-term deposits	1,260	–	1,260	1,260
Debtors and other receivables	51	–	51	51
Total current financial assets	11,304	–	11,304	11,304
Total financial assets	11,304	–	11,304	11,304
Current financial liabilities				
Trade creditors and accruals	–	1,330	1,330	1,330
Total current financial liabilities	–	1,330	1,330	1,330
Total term financial liabilities	–	–	–	–
Total financial liabilities	–	1,330	1,330	1,330
	Financial assets measured at amortised cost \$000	Financial liabilities measured at amortised cost \$000	Total carrying amount \$000	Fair value \$000
2022				
Current financial assets				
Cash and cash equivalents	9,696	–	9,696	9,696
Investments – short-term deposits	1,223	–	1,223	1,223
Debtors and other receivables	34	–	34	34
Total current financial assets	10,953	–	10,953	10,953
Total financial assets	10,953	–	10,953	10,953
Current financial liabilities				
Trade creditors and accruals	–	1,257	1,257	1,257
Total current financial liabilities	–	1,257	1,257	1,257
Total term financial liabilities	–	–	–	–
Total financial liabilities	–	1,257	1,257	1,257

18. Key management personnel compensation

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

	Actual 2023 \$000	Actual 2022 \$000
Fees, salaries and annual leave	408	401
Total key management personnel compensation	408	401

19. Contingent liabilities

There are no contingent liabilities at reporting date (2022: nil).

20. 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 2023.

21. Significant budget variances

Budget values are sourced from the forecast financial statements shown in REA's 2022/23 Statement of Performance Expectations. Explanations of significant budget variances are provided on page 80.

Explanation of significant variances

Statement of Comprehensive Revenue and Expense

Revenue

Operating levy received and application and suspension fees

Licensee revenue is above budget as the anticipated reduction in licensee numbers due to an ongoing uncertain economic environment did not materialise to the extent forecast.

Expenditure

Overall expenditure is down on budget as REA continues to take a prudent approach to core business expenditure and a restrained approach to discretionary expenditure to preserve cash holdings in these uncertain times.

Personnel costs

Personnel costs are higher than budget reflecting the recruitment challenges of the current labour market as a number of vacancies had to be covered by the use of outsourced contractors, secondment and other temporary staff.

Specialist services

Specialist services are lower than budget as a number of planned activities were reprioritised to focus on core business activities in a pressured property market and key efficiency improvement projects.

Occupancy

Occupancy is lower than budget as it reflects the positive outcome of the rent review.

Complaints Assessment Committee fees

Complaints Assessment Committee fees are higher than budget due to the increase in volume of cases being referred to the committees.

Statement of Financial Position

Cash and cash equivalents

Cash and cash equivalents are higher than budget, which reflects the higher than budget licensing volumes and the reduction in the level of expenditure overall.

Statement of Cash Flows

Net cash flows from operating activities

The net cash flow surplus from operating activities is a result of the higher than expected licensing volumes and the impact of a prudent and restrained approach to discretionary expenditure to preserve cash holdings in these uncertain times.



Real Estate Authority
NZBN 9429041917718
Level 4, 95 Customhouse Quay
PO Box 25371
Wellington 6140
New Zealand

rea.govt.nz



**Te Kāwanatanga
o Aotearoa**
New Zealand Government