

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

2025–2026

Contents – Ngā ihirangi

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

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

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

This SPE sets out our proposed performance targets and financial budget for the financial year 1 July 2025 to 30 June 2026. It is produced in accordance with section 149(E) of the Crown Entities Act 2004 and should be read together with our Statement of Intent 2024–2028.

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

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



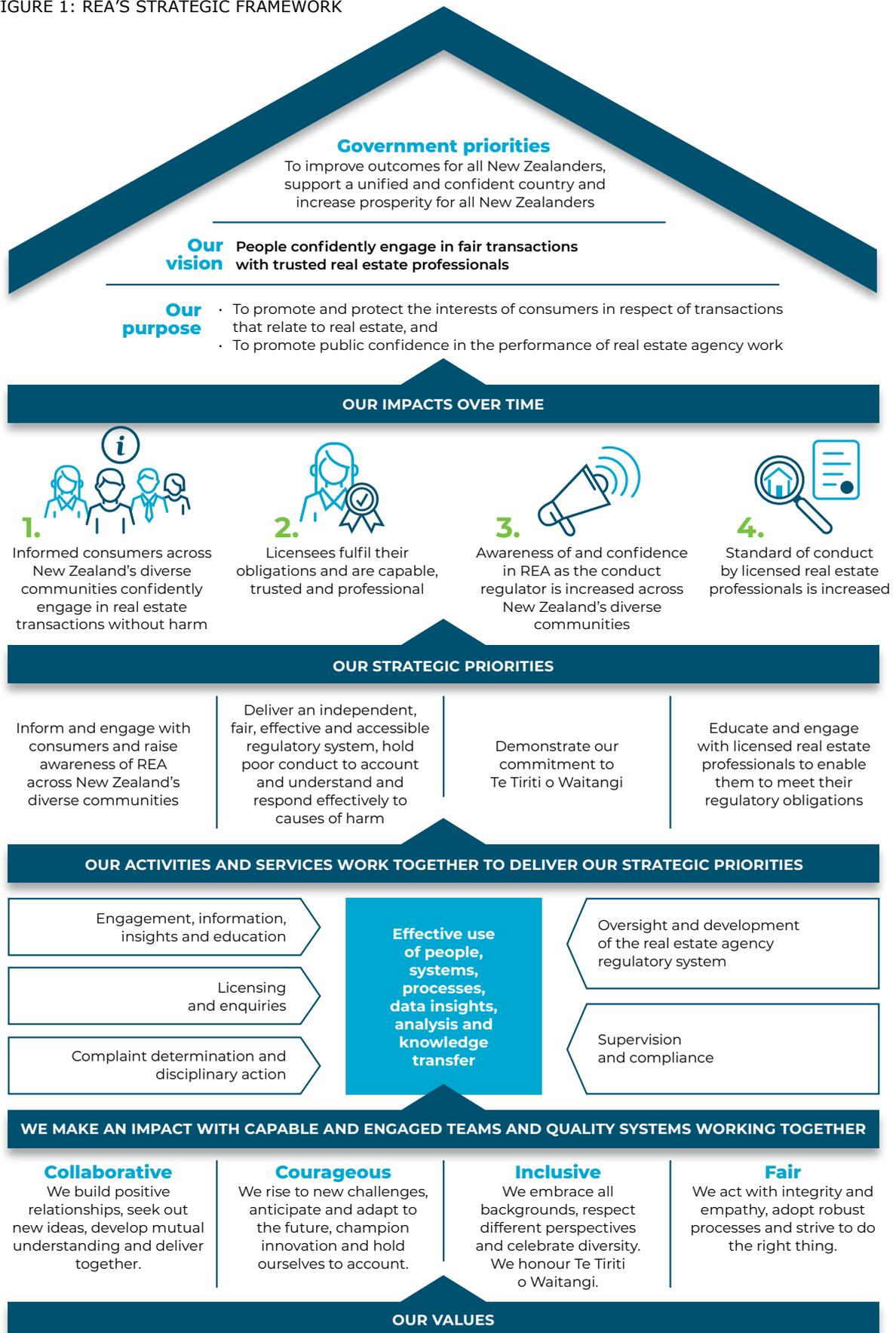
Denese Bates KC
Chair
Real Estate Authority
18 June 2025



Vern Walsh
Chair
Audit and Risk Committee
18 June 2025

2. Strategic framework – Te anga rautaki

FIGURE 1: REA'S STRATEGIC FRAMEWORK



3. Introduction – Tīmatanga kōrero

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

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

We will report on how we have performed against these targets in the 2025/26 Annual Report.

REA's role and function

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

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

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

Contribution to Government priorities

REA supports the Government priorities to deliver positive outcomes for all New Zealanders, support a unified and confident country, and to increase prosperity for all New Zealanders. In particular, REA supports the Government priorities to deliver efficient, effective and responsive public services, and is committed to demonstrating financial responsibility and understanding how our performance contributes to outcomes for the sector, consumers and New Zealand.

REA contributes to the Government's priorities through supporting integrity and public trust in the real estate sector. We have a strong focus on continuing to improve the efficiency of our complaints process, in the context of higher than ever complaints volumes. This includes working with the real estate sector to ensure in-house complaints processes are also effective and responsive.

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

REA's strategy

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

Our strategy focuses on the provision of high-quality regulatory services which is cognisant of the needs and interests of all New Zealanders across diverse communities. In the year ahead, we will continue our focus on supporting the sector to understand and better meet the needs of all New Zealanders and ensure our services are available and accessible to all. We will continue to strengthen our operating environment including effective delivery of our systems upgrade project, embedding improvements to our complaints process to address complaint volumes and timeliness of decisions, and ensuring an effective and efficient education programme. We have an emphasis on prevention, education, supervision and effective response to misconduct. We will continue engaging across stakeholder networks and consumer groups to ensure positive outcomes for all New Zealanders. We will balance our engagement and communication activities, while dealing with high volumes of complaints and ensuring effective systems. This will include using sector support to raise awareness of the complaint system, REA and our consumer website Settled.govt.nz.

We will continue our regulatory stewardship focus and work with policy officials to strengthen the property system and improve the Real Estate Act 2008. Growing awareness of REA, as a trusted conduct regulator, and supporting licensees to meet the high standards of conduct expected are key strategic priorities.

We will ensure efficiency and appropriate resourcing of regulatory functions and prepare to implement any amendments to the Real Estate Agents Act that may be passed.

Operating context – external

Resilient in a changing environment

REA regulates licensees operating across residential, commercial and industrial, business broking and rural real estate sectors.

We continue to operate in a challenging and diverse New Zealand property market landscape with ongoing economic pressures. Although some relief through decreasing interest rates is anticipated, affordability/hardship continues to impact buyers and sellers, as well as inflation, interest rates, employment uncertainty and cost of living pressures. Geopolitical tensions, including overseas conflict, and political influences have the potential to impact the local economy and New Zealanders' overall perceptions and behaviour.

Over recent years, the New Zealand real estate market has been challenging for consumers and licensees with increased stock and more days to sell, and constrained prices in contrast to the price peaks of 2021-2022. We expect this context to continue in the year ahead. Despite the buyers' market, vendor expectations also influence market activity, with licensees required to manage sale price expectations and meet conduct obligations.

Under these conditions, a licensee must carefully balance the duty to act in the best interests of their vendor client to secure a sale price that meets expectations, while also ensuring fairness to all parties. Meeting disclosure obligations, ensuring parties have time to complete their due diligence, and provision of up-to-date market appraisals are critical conduct

requirements. It is in this environment that strong professional skills and high standards of conduct are critical to the fairness of the real estate transaction process.

Changing legislative housing and economic settings may also bring ongoing changes in the market with the return of interest deductibility, and new consenting and housing policy settings. Significant legislative changes are in progress that will likely impact the sector and REA. These include the Regulatory Systems (Occupational Regulation) Amendment Bill and Statutes Amendment Bill which will seek to amend parts of the Real Estate Agents Act. Other proposed legislative changes, for example AML/CFT, will impact the sector, and licensees will need support from REA to understand any implications.

The ongoing high volume of complaints continues to place pressure on REA's resources and highlights the need for us to use innovative and efficient methods to operate within our existing fiscal baseline. The repetition of conduct issues raised in complaints is requiring increased guidance and enforcement from REA; supervision, training and oversight will be needed to achieve the desired level of professional conduct.

The increasing diversity of buyers and sellers of property in New Zealand requires evolving licensee capability, effective communication and equitable service must be provided. Unfortunately, REA continues to receive enquiries and complaints about racism, anti-LGBTQI+ sentiments and biased opinions and ideologies. Code of Conduct principles and the need for licensees to treat all people fairly are cornerstones of real estate work. REA will continue to focus on addressing these harms and being clear on expectations for licensees in the real estate sector. Changes to the complexity of sales and vendor dynamics will be a continued focus for licensees (for example, handling mortgagee sales, relationship property sales, and family trusts).

Severe weather events have made buying and selling property more challenging and the requirement for both licensees and consumers to undertake comprehensive due diligence on properties will remain crucial to transactions in these affected areas.

Reflective of the slower market conditions, the total number of active real estate licences, which reached a historical peak around September 2022, has been declining and recently plateaued at around 15,500. The volume of new licence applications has also fallen since mid-2021. In this context, as an agency funded almost entirely by licensee levies, we will continue to operate prudently.

In contrast to the overall licensing trend, growth in the total number of new active Branch Manager licences has continued. This follows the implementation of changes REA initiated to the real estate Branch Manager qualification, which took effect in 2022. Branch Managers play a key role in maintaining the standards of professional conduct across the industry, providing the formal supervision legally required for those holding a salesperson licence.

Serving all New Zealanders

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

We have an important role to play to deliver benefits for consumers and the industry that promote high standards, protect consumers from harm and deliver positive outcomes for all New Zealanders. We will continue to provide quality information to consumers across a range of channels and ensure a robust education programme for licensees that is clearly focused on the work that licensees do.

Operating context - internal

REA is a small organisation and while the real estate market remains slow, the last year has seen a significant increase in the number of consumer complaints with ongoing complexity in some cases. Addressing timeliness of determination of complaints with increased volumes, whilst also operating within the current budget baseline is challenging.

The operating environment has brought with it an increased unwillingness to resolve matters, and an increase in use of appeal and review rights afforded to parties. This has placed pressure on the complaints system, inhibiting our ability to realise all the benefits of process improvements as quickly as we had hoped.

Our focus will be on ensuring our processes and procedures are efficient, and the capability of our teams and CAC members is supported to ensure high quality and timely decisions.

While we continue to operate responsibly within the context of fiscal restraint expected by Government, we have a planned deficit as we manage increased work volumes and complexity and complete an important ICT project to ensure the security, stability, resilience and service.

Enhancing our systems

Completing REA's System Enhancement Project (SEP) will be a focus this year bringing important efficiencies to our systems that will enable us to achieve the outcomes we aim for.

REA will need to ensure our operations are right-sized, with adequate resourcing and budget to operate. We need to consider government plans and needs from the public sector and what this means for REA to enable us to deliver effectively.

We may temporarily draw on consultants and contractors where we do not have specialist skills for essential projects such as the Systems Enhancement Project or external legal services. We also note that our investment in SEP is a key contributor to our planned financial deficit.

Whilst we have seen a gradual reduction in the number of licensees, our revenue remains stable.

Our budget this year has been prepared with a strong focus on ensuring efficient and effective delivery of our services to ensure delivery of outcomes for New Zealanders through the regulatory action we have taken. We are largely funded by levies from licensees and ensure value for money for the services we provide for the sector and the public good.

Delivering on our REA strategy

We are entering the second year of our 2024-2028 four-year strategy for delivery of our role as an effective conduct regulator with a clear consumer protection focus. We have continued to make strong progress in many areas of this strategy.

In the last year, we maintained high-quality core regulatory services, licensing a high number of individuals and agencies and dealing with an even higher volume of complaints under slower market conditions.

Our three-year Diversity and Inclusion series for continuing professional development will be complete at the end of the 2025 calendar year and we hope to see a lift in the standard of conduct and professionalism of the industry in relation to dealing fairly with New Zealand's diverse communities. In the year ahead, we will focus on ensuring high quality CPD content that is relevant to the work that real estate licensees do.

Within Pānui (newsletters) distributed to the sector, we keep our sector well informed, sharing illustrative case decisions that effectively highlight key code of conduct obligations and issue important regulatory information to licensees.

We will deliver our comprehensive research programme across licensees, CPD and complaints experiences, while publishing the Annual Consumer Perceptions Research, which indicates increased consumer confidence that the real estate industry is well regulated and professional. Awareness of REA and the role we play has continued to increase with more consumers and members of the public aware of our work and where to raise complaints.

In 2025/26, we will continue to deliver our core regulatory functions to a high standard; maintain and improve our regulatory services in a challenging economic and real estate market environment; increase our engagement with key sector stakeholders and continue to raise awareness of REA with all New Zealanders and maintain and promote our consumer information product settled.govt.nz.

Looking to the future

As we look to the future, we will continue to lift our organisational capability, enhancing systems and improving our operations to enable us to support licensees to fulfil their obligations and adapt to market pressures. We will seek to build on the positive progress made increasing confidence in the fairness, professionalism and regulation of the real estate sector despite any market uncertainty.

We will also continue to deliver against the expectations of the Carbon Neutral Government Programme reporting framework and to meet government expectations for positive procurement practices.

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

People and culture

Like many entities, we have adjusted to changing employment market dynamics. We continue to have an operational and strategic focus on our remuneration, recruitment and retention approach to ensure that REA maintains a team of capable and committed people. Investing in our people through effective performance processes, and an enhanced learning and development process is a priority and will support the wellbeing of our people and will optimise the service we deliver.

Importantly, we will prioritise the health and wellbeing of our REA people and support an effective and high-performing workforce, particularly through this period of increased complaints and external scrutiny. We will foster strong relationships, engagement and collaboration to support performance and retain our capable staff. In response to the regulatory demands on our services and to support enhancements to the delivery of our core business, we do not intend to reduce our workforce but will ensure that we maximise the capability that we have. Our personnel costs reflect the substantial increase in complaint volumes, and the additional work we are undertaking to ensure stewardship of improvements to our regulatory environment.

We can support flexible working where this is needed by our staff. Our technology enables online engagement and remote working which maximise access to our services in a cost effective and environmentally sustainable way.

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




We are Collaborative

We build positive relationships, seek out new ideas, develop mutual understanding and deliver together.




We are Courageous

We rise to new challenges, anticipate and adapt to the future, champion innovation and hold ourselves to account.




We are Inclusive

We embrace all backgrounds, respect different perspectives and celebrate diversity. We honour Te Tiriti o Waitangi.




We are Fair

We act with integrity and empathy, adopt robust processes and strive to do the right thing.

This SPE is provided in two parts:

PERFORMANCE ASSESSMENT AND EXPECTATIONS

This section sets out our non-financial performance measures and targets for the year ending 30 June 2026 in accordance with the Crown Entities Act 2004. This section explains how our activities and services work collectively to influence and contribute to our longer-term outcome and the impacts we intend to achieve.

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

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

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

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

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

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

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

PROSPECTIVE FINANCIAL STATEMENTS

The prospective financial statements provide all appropriate information and explanations needed to fairly reflect the prospective financial operations and financial position of REA for the year ending 30 June 2026 in accordance with section 149(G) of the Crown Entities Act 2004.

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

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

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

Our targets reflect our aspiration for significant continuous improvement in key performance measures, such as consumer (people who have participated in real estate transactions in the past year) awareness of REA and settled.govt.nz, awareness of REA by the general public and timeliness of CAC decisions. Where our performance is already high, our focus is to maintain the high levels achieved despite the challenges of the external environment and fiscal restraint.

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

IMPACTS	KEY PERFORMANCE MEASURE	TARGET	ACTUAL 2023/24	ACTUAL 2022/23	ACTUAL 2021/22
Informed consumers ¹ 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 ²	50% ³	32%	35%	39%
	Percentage of consumers who feel empowered to participate effectively in the real estate transaction ⁴	85% ⁵	87%	87%	86%
Licensees fulfil their obligations and are	Percentage of licensees who agree REA’s CPD programme has improved their	85%	72%	67%	73%

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

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

³ REA aims to achieve this target by 2028.

⁴ Consumers who feel somewhat to very empowered.

⁵ The target, which is marginally lower than previous years, has been set at a level that allows for some volatility in the market that can impact consumers sense of empowerment and level of participation.

IMPACTS	KEY PERFORMANCE MEASURE	TARGET	ACTUAL 2023/24	ACTUAL 2022/23	ACTUAL 2021/22
capable, trusted and professional	knowledge and understanding of the topic area				
	Percentage of licensees who find REA compliance guidance useful in understanding their regulatory obligations is increased	90%	92%	92%	97%
	Percentage of consumers who have confidence that the real estate industry is professional ⁶	85% ⁷	90%	91%	86%
Awareness of and confidence in REA as the conduct regulator is increased across New Zealand's diverse communities	Percentage of New Zealand public aware of REA and the services it provides is increased	60% ⁸	46%	48%	51%
	Percentage of New Zealand public who have confidence that the real estate industry is well regulated ⁹ is maintained	85%	76%	75%	70%
	Percentage of consumers aware of REA and the services it provides is increased ¹⁰	70%	66%	64% ¹¹	69% ¹²

⁶ Consumers who have some to a lot of confidence that the sector is professional.

⁷ This target, which is marginally lower than previous years, has been set at a level that recognises in any one year, guidance issued by REA will be useful to most but not all licensees, depending on their level of participation in real estate agency work in that year. The level of participation in real estate may be impacted by market volatility in the reported period.

⁸ REA aims to achieve this target by 2028.

⁹ Public who have some to a lot of confidence that the sector is well regulated.

¹⁰ This measure was first introduced in REA's SOI in 2024.

¹¹ REA measures consumer awareness in the annual Nielsen Consumer Perception Survey. This is the unaudited result from 2023.

¹² REA measures consumer awareness in the annual Nielsen Consumer Perception Survey. This is the unaudited result from 2022.

IMPACTS	KEY PERFORMANCE MEASURE	TARGET	ACTUAL 2023/24	ACTUAL 2022/23	ACTUAL 2021/22
	Percentage of formal complaints referred to a CAC and not referred to the Real Estate Agents Disciplinary Tribunal completed in less than 9 months are increased	50% ¹³ New Measure	New measure	-	-
Standard of conduct by licensed real estate professionals is increased	Percentage of licensees subject to a formal complaint found to have breached conduct rules and requirements is decreased ¹⁴	20% ¹⁵	8%	16% ¹⁶	14%
	Licensed real estate professional conduct, practices, policies and/or procedures are improved following action taken by REA or a CAC/Tribunal decision ¹⁷	5 case studies	Achieved	Achieved	Achieved

¹³ REA aims to achieve this target by 2028.

¹⁴ A formal complaint is one that has been received by REA under s74(2) of the Act. The percentage is calculated according to the findings of breach by a CAC and/or the Tribunal determined in the reported period. REA aims for low levels of misconduct findings, as an indicator that the conduct of the sector has improved as a result of REA's effective regulation.

¹⁵ Based on a baseline of findings of breach arising from formal complaints determined in 2019/20 of 28%.

¹⁶ The licensees that were found to have breached conduct obligations may not all relate to the complaints received in 2022 or 2023, which is being used as the denominator. This is because some complaints may take longer than a year to be determined.

¹⁷ REA will seek information from licensees that have had a complaint determined in the prior 12 months whether they have improved a policy, procedure or practice, and will verify that assertion with evidence and/or with analysis that complaint numbers or upheld complaint numbers have reduced over a measurable period of time following a complaint. This may be 3, 6 or 12 months.

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

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

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

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

COMPREHENSIVE REVENUE AND EXPENDITURE		BUDGET 2025/26 \$000
Revenue		
Total revenue		10,480
Expenditure		
Output 1: Informing consumers, educating and engaging with licensees		3,187
Output 2: Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes		7,171
Output 3: Oversight and development of an effective real estate agency regulatory system		2,779
Total expenditure		13,137
Total comprehensive revenue and expense (Deficit)		(2,657)

Output 1: Informing consumers, educating and engaging with licensees

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

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

We promote and protect the interests of consumers and empower them to confidently engage in real estate transactions by providing information that is accessible and clear, and raising awareness of licensee obligations and our complaints service through media and a range of digital and non-digital channels. Our websites rea.govt.nz and settled.govt.nz, along with consumer guides on the complaint process and residential real estate transactions are core services, providing independent information for buyers and sellers.

To be an effective regulator and to promote confidence in the real estate sector, it is critical that all New Zealanders are aware of REA and can access and benefit from the regulatory framework and our services. Our 2024-2028 strategy has a focus on raising awareness of REA, the services we provide, Settled.govt.nz and our consumer resources with all New Zealanders; ensuring we reach Māori, Pacific Peoples and Asian consumers.

In previous years, we have focused on reaching and engaging with Māori and Asian communities. We will continue that work and will have a particular focus on ensuring effective reach and engagement with Pacific Peoples.

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

Reflecting the increase in complaints and complexity of the real estate environment, a priority this year is providing guidance and information to the real estate sector to support increased licensee knowledge and capability. We will continue our engagement programme through our Industry Pānui/Newsletter, Real Estate Leaders Forum, Industry Advisory Groups and *Conversations with REA* events in the regions. We will continue to contribute thought leadership and insight on issues of significance in the real estate sector through proactive and timely reactive media engagement.

This output includes:

- informing and engaging with consumers about their rights, the real estate transaction process and associated risks
- informing and educating licensees about their responsibilities and providing them with best-practice guidance to enable them to understand and meet their regulatory obligations
- maintaining and utilising a range of digital and non-digital methods and channels to inform, educate and engage with stakeholders
- responding to enquiries by providing information and guidance

- managing the CPD programme, including high-quality training materials and programmes, skilled providers and compliance with CPD requirements
- providing information and resources to New Zealand’s diverse communities through a range of channels and methods
- raising awareness of REA as an effective conduct regulator and our role in the property system and of consumer information provided by REA through settled.govt.nz, media and targeted engagement activities.

Output 1 primarily contributes to the following impacts:

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

Output 1 performance measures

OUTPUT 1: MEASURES	TARGET 2025/26	FORECAST 2024/25	ACTUAL 2023/24
SPE 1.1 Percentage of consumers ¹⁸ who find information ¹⁹ provided by REA useful	90%	90%	95%
SPE 1.2 REA Pānui (newsletters) published ²⁰	>10	12 ²¹	12
SPE 1.3 Proactive Media releases or opinion pieces issued on matters of strategic importance (e.g. high public interest, provides guidance to consumers or licensees on regulatory issues) ²²	>6	6	20

¹⁸ See above footnote 1.

¹⁹ Information is defined in the Nielsen IQ Consumer Perceptions Survey, and includes information provided on REA websites and guides.

²⁰ REA Pānui are e-newsletters issued to all licensees and other stakeholders that subscribe to REA’s e-newsletter survey. Some e-Pānui may be issued to specific groups where that is appropriate.

²¹ This number includes special Pānui issued with information on REA’s regulatory activities in addition to the general sector Pānui.

²² Qualifying items will relate to REA’s strategic priorities and outcomes, and/or will include guidance to licensees and consumers relating to the real estate transaction process, procedure, conduct or law.

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

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

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

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

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

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

In 2023/24 complaint volumes increased by 43% and have continued to increase in the 2024/25 year. This has put pressure on our ability to progress complaints in a timely way in accordance with the legislative requirements, whilst also working within our existing resourcing and funding baseline. In the year ahead we will continue to prioritise dealing with complaints, to reduce the wait time and time to complete, whilst imbedding efficiencies. We will support licensees to deal directly with low level complaints, so that our focus is on serious conduct issues. We will also prioritise issuing information and guidance to the sector on conduct issues that are commonly presented in complaints to help lift standards across the sector.

The Systems Enhancement Project is a priority for us and is designed to optimise an effective regulatory service in both licensing and complaint management. We will complete the systems upgrade component of that project, and work to implement our document management improvements in the second half of the year.

We have updated measure 2.2 to better reflect our focus on ensuring quality CAC and Registrar decisions.

This output includes:

- managing the licensing scheme to ensure that, at the time of approval, all active licensees are fit and proper and meet the required professional standards
- processing new applications, renewals and voluntary suspensions of licences
- managing the licensee portal and maintaining a current register of all licensees
- auditing real estate agency trust accounts and continuing education compliance
- delivering an improved independent, effective and accessible complaints and disciplinary process and holding poor conduct to account
- monitoring and acting on non-compliance using the full range of regulatory tools
- supporting CACs, the Tribunal and court activities
- triaging and resolving low-level complaints
- regulatory effectiveness across all of our regulatory services and responding appropriately to causes of harm through information and guidance to the sector.

Output 2 primarily contributes to the following impacts:

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

Output 2 performance measures

OUTPUT 2: MEASURES	TARGET 2025/26	FORECAST 2024/25	ACTUAL 2023/24
SPE 2.1 External assessment of at least 5 CAC decisions is conducted to assess whether decisions are well reasoned, consistent and accurate ²³	CAC decisions assessed to be well reasoned, consistent and accurate ²⁴	Achieved	Achieved
SPE 2.2 Percentage of appeals against CAC and Registrar decisions dismissed	90% dismissed	70%	New measure
SPE 2.3 Percentage of new licence applications processed within three weeks	90%	90%	90%
SPE 2.4 Percentage of licence renewal applications processed within two weeks	95% ²⁵	99%	99%

²³ Assessed decisions must have been decided in the previous 12 months, reflect a range of outcomes and relate to a regulatory standard or issue and not have been previously assessed in the past 3 years.

²⁴ External assessor agrees that at least 5 CAC decisions are well reasoned, consistent and accurate.

²⁵ The target is marginally lower than previous years to allow for changes in volumes, unexpected changes in resourcing and unusual cases that may impact timeliness outcomes. At 95% it remains a high target.

OUTPUT 2: MEASURES	TARGET 2025/26	FORECAST 2024/25	ACTUAL 2023/24
SPE 2.5 Percentage of complaint enquiries completed within one month	95% ²⁶	97%	97%
SPE 2.6 Percentage of formal complaints resolved or determined under s74(3) within three months ²⁷	65% ²⁸	40%	36%
SPE 2.7 Percentage of formal complaints completed within one year	90%	85%	81%
SPE 2.8 Percentage of parties to a complaint agree that the complaints process is independent, fair and transparent	75%	70%	65%

²⁶ The target is marginally lower than previous years to allow for changes in volumes, unexpected changes in resourcing and unusual cases that may impact timeliness outcomes. At 95% it remains a high target.

²⁷ Formal complaints resolved by withdrawal of complaint, compliance advice or consumer information or determined under s74(3)(a)-(d) of the Real Estate Agents Act 2008.

²⁸ In 2021 the Tribunal determined that decisions of the Registrar under s74(3) may be subject to review by the Tribunal. REA has adjusted its procedures to take account of this process, which has increased the time spent on these cases.

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

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

Our role overseeing and developing an effective real estate agency regulatory system requires us to ensure that we set clear rules, standards and guidelines that respond to the risks of harm and reflect the operating environment in which they apply. We do not do this in isolation. Working with the sector and other government and non-government entities involved in the property sector is key to ensuring that the regulatory settings are appropriate and that we are focused on the most important issues arising in real estate. Using our data and insights, undertaking research and analysis and engaging with the sector and other entities on risks of harm are key to ensuring that the regulatory settings are fit for purpose and effective in preventing harm.

Our research and insights programme has helped us to identify issues that diverse communities may face when engaging in real estate transactions. This year, our focus is to lift engagement and delivery of our services to Pacific Peoples alongside Māori and Asian communities while ensuring that we deliver positive outcomes for all New Zealanders engaging in real estate transactions.

A key aspect of this output is our role as part of the broader regulatory system to provide stewardship of the real estate regulatory system. This year we will continue to provide advice and guidance to policy officials on the proposed amendments to the Real Estate Agents Act 2008 (the **Act**) and prepare to implement any changes that are made to the Act. We will also contribute to the review of real estate qualifications and unit standards as these arise.

We will ensure our regulatory policy approach enables us to keep up to date with changes across the property system that may impact real estate licensees and consumers, ensuring knowledge transfer to consumers and the sector.

This output includes:

- identifying and understanding the drivers of risk that cause harm in the real estate industry
- understanding licensee and consumer behaviour and vulnerabilities across different communities - each year, we will set targets for delivery of our services across different diversity dimensions
- shaping regulation, compliance and operational policy practices to address actual and potential risks in the real estate industry
- developing and issuing best-practice guidance, rules and standards to support high standards of conduct in the real estate industry
- developing strategic relationships with property system stakeholders
- providing advice and guidance to policy makers as required
- demonstrating our commitment to Te Tiriti o Waitangi by engaging with and understanding the needs of Māori in the real estate agency regulatory context
- working with stakeholders across the real estate system.

Output 3 primarily contributes to the following impacts:

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

Output 3 performance measures

OUTPUT 3: MEASURES	TARGET 2025/26	FORECAST 2024/25	ACTUAL 2023/24
SPE 3.1 REA reviews a regulatory standard or issues regulatory guidance, that is designed to support licensees to meet industry standards	1	Achieved	Achieved
SPE 3.2 Licensee practices, procedures or conduct are improved following issue of REA decision, research or guidelines/information, assessed by survey results and illustrative case studies ²⁹	3 case studies ³⁰ 70% improve practice, procedure or conduct ³¹	Achieved	Achieved
SPE 3.3 Engagement by Māori, Asian and Pacific Peoples in services offered by REA	65%	60%	49%

²⁹ REA’s Licensee Survey seeks information from licensees to explain how the licensee or their agency has taken steps to improve their practices, procedures or conduct as a result of a decision, research or guidelines/information issued by REA. This survey result provides a statistical representation of the percentage of licensees who have made improvements due to REA’s activities. REA will also seek information from licensees that have had a complaint upheld against them in the prior 12 months as to whether they have improved a policy, procedure or practice. For those who respond, REA will seek evidence from respondents to verify the improvements made. From these responses, case studies will be selected to illustrate the variety of ways in which improvements have been made. The case studies are illustrative and will be verified.

³⁰ Case studies are intended to be illustrative of improvements made by licensees in response to REA activities, where the improvements have been capable of verification by REA. Criteria for selection as a case study for this measure is: complaint was upheld in prior 12 months, improvement was made, licensee was willing to provide evidence to REA to enable REA to verify the improvement made.

³¹ Measured through Annual Licensee Survey.

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

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

Specific assumptions

As the primary source of revenue is levies from licensees, the number of licences significantly affects projected revenue. In 2024/25, due to the anticipated fluctuations in licensee numbers and ongoing uncertain environment, REA operated against a conservative budget assuming that the number of active licences would reduce to 15,000 during the period 2024/25. As at 31 March 2025, there were 15,407 active licences. Accordingly, for budget purposes, it has been assumed that the number of active licences will average 15,400 during 2025/26. In the event revenue does not meet forecast budget, we will make reductions across our variable costs as appropriate.

As at 30 June 2024, REA employed 60.8 full-time equivalent (FTE) employees, using temporary staff and a small number of contractors to support vacancies, effectiveness projects and increases in work volumes. REA forecasts a workforce of 67 FTE as reliance on contractors and consultants is minimised in line with Government guidance. REA has improved its attrition substantially and filled previously vacant positions in order to meet the demands of increased complaints volumes and regulatory activities. Savings from vacancies are not expected to be as high as in previous years. The budget personnel cost line assumes that a smaller number of roles will be vacant during the year. The budget also assumes that all seven Board roles will remain filled throughout the year and the future director position will be maintained until December 2025.

This year the primary additional costs arise in our personnel line, reflecting occupancy of the majority of REA roles, and costs arising from our ICT project and ongoing on-premise ICT costs as we phase in our move to the cloud solution. Costs include use of contracted specialist ICT project support. REA will otherwise restrict the use of contractors and consultants in line with the Government's intent. Decisions on resources and use of funds will be consistent with fiscal sustainability and priority focus on demonstrating value for money in the regulatory services we provide.

The Statement of Prospective Comprehensive Revenue and Expense is based on the annual operational levy of \$597 (exclusive of the Real Estate Agents Disciplinary Tribunal Levy of \$33, which is remitted to the Ministry of Justice) exclusive of GST. The Statement of Prospective Comprehensive Revenue and Expense assumes no change to the operational levy over the period presented. If there is a reduction in licensee revenue during the year, we may undertake a levy review and assess what other cost savings may be available without impacting our regulatory services.

Additional information

Explanation of significant variances

REA's forecast increased spend in specialist services is aligned with the proposed operational plan for 2025/26, with a particular exceptional cost arising from the Systems Enhancement Project as REA continues its project to upgrade its case management, licensing system and licensee portal. We have identified the overall costs of this work as a specialist project in our forecast. We will draw on available total working capital to support this project if required. We will continue to manage costs prudently and to demonstrate restraint to enable us to continue to build and maintain healthy reserves.

Increased litigation matters arising from our regulatory work in the Tribunal and courts, and appeal of the judicial review High Court decision made in our favour, and increased use of legal resources to support the improved complaints process has increased the draw on legal advice services and litigation reserve.

Planned deficit

This year, we have forecast a deficit as a result of anticipated costs arising from our planned critical ICT Systems Enhancement Project and resources required to meet our statutory obligations. We forecast an increase spend on specialist services and legal fees to support the Systems Enhancement Project and our core complaints and discipline regulatory work. We note that revenue is difficult to forecast in the face of changing licensee numbers. We expect to draw on our cash reserves, which have been built up for the purpose of supporting projects and responding to fluctuating levy income.

We will continue to operate prudently and exercise fiscal restraint throughout the year to minimise the deficit where possible. Notwithstanding the deficit, we will continue to have healthy cash reserves in line with our financial management policy. Our public equity position remains strong, which is intentional given that we do not receive public funding and market forces could result in a reduction of levy revenue. Reserves will be drawn on to support any funding shortfall and to support planned work to upgrade ageing information and communication technology systems.

Statement of Prospective Comprehensive Revenue and Expense

for the years ended 30 June

	Actual 2023/24 \$000	Budget 2024/25 \$000	Budget 2025/26 \$000
Revenue			
Operating levy received	9,295	8,955	9,194
Application and suspension fees	901	799	871
Other revenue	891	461	415
Total revenue	11,087	10,215	10,480
Expenditure			
Audit fee	63	65	68
Personnel costs	6,965	7,319	7,864
Depreciation	67	43	39
Amortisation	-	-	-
Specialist services	1,188	2,183	2,037
Legal fees	611	493	525
Utilisation of Litigation Reserve	183	20	65
Board fees	150	187	182
Complaints Assessment Committee fees	292	300	300
Computer and telecommunications	1,314	1,234	1,367
Printing, stationery and postage	30	28	29
Travel, meetings and entertainment	121	154	156
Occupancy	457	489	489
Miscellaneous expenses	26	16	16
Total expenditure	11,467	12,531	13,137
Total comprehensive revenue and expense	(380)	(2,316)	(2,657)

Statement of Prospective Financial Position

as at 30 June

	Actual 2023/24 \$000	Budget 2024/25 \$000	Budget 2025/26 \$000
Current assets			
Cash and cash equivalents	6,787	1,329	678
Investments - short-term deposits	4,064	6,492	5,822
Debtors and other receivables	51	233	266
Prepayments	161	184	56
GST receivable/(payable)	(45)	(18)	(31)
Approved guide stock	17	24	16
Total current assets	11,035	8,244	6,807
Non-current assets			
Property, plant and equipment	64	58	49
Intangible assets	-	-	-
Total non-current assets	64	58	49
Total assets	11,099	8,302	6,856
Liabilities			
Trade creditors and accruals	864	1,160	1,084
Employee entitlements	293	245	271
Income In Advance	322	-	-
Disciplinary levy payable	-	30	29
Total current liabilities	1,479	1,435	1,384
Total liabilities	1,479	1,435	1,384
Net assets/equity	9,620	6,867	5,472
Public equity			
Retained earnings	9,933	8,983	7,929
Litigation reserve	67	200	200
Current year surplus/(deficit)	(380)	(2,316)	(2,657)
Total public equity	9,620	6,867	5,472

Statement of Prospective Changes in Equity

For the years ended 30 June

	Actual 2023/24 \$000	Budget 2024/25 \$000	Budget 2025/26 \$000
Public equity as at 1 July	10,000	9,183	8,002
Total comprehensive revenue and expense	(380)	(2,316)	(2,657)
Total public equity as at 30 June	9,620	6,867	5,345
Comprised of the following funds:			
Retained earnings as at 1 July	9,750	9,113	7,802
Total comprehensive revenue and expense	(380)	(2,316)	(2,657)
Transfer from the Litigation Reserve	183	(130)	(65)
Transfer to the Litigation Reserve	-	-	65
Total retained earnings	9,553	6,667	5,145
Litigation reserve as at 1 July	250	70	200
Transfer to Retained Earnings	(183)	130	(65)
Transfer From Retained Earnings	-	-	65
Total litigation reserve	67	200	200

Statement of Prospective Cash Flows

For the years ended 30 June

	Actual 2023/24 \$000	Budget 2024/25 \$000	Budget 2025/26 \$000
Cash flows from operating activities			
Cash was provided from:			
Receipts from licensees	9,619	9,237	9,549
Receipts from sale of publications	72	84	72
Interest received	505	320	268
Receipts from suspension fees	565	519	516
Receipts from fines	142	57	75
Receipts from other revenue	187	-	-
Cash was applied to:			
Payments to suppliers	(4,839)	(5,838)	(5,769)
Payments to employees	(6,607)	(6,951)	(7,544)
Interest paid	-	-	-
Net GST received/(paid)	(7)	(6)	3
Net cash flows from operating activities	(363)	(2,578)	(2,830)
Cash flows from investing activities			
Cash was provided from:			
Receipts from investments in term deposits	-	-	1,000
Cash was applied to:			
Purchase of property, plant and equipment	(40)	(38)	(36)
Purchase of intangible assets	-	-	-
Investment in term deposits	(2,804)	-	-
Net cash flows from investing activities	(2,844)	(38)	964
Net increase/(decrease) in cash and cash equivalents	(3,207)	(2,616)	(1,866)
Opening cash and cash equivalents	9,994	3,945	2,544
Closing cash and cash equivalents	6,787	1,329	678

Statement of accounting policies

Reporting entity

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

Basis of preparation

Statement of compliance

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

REA qualifies as a Tier 2 reporting entity as, for the two most recent reporting periods, it has between \$5 million and \$33 million operating expenditure and is not considered publicly accountable as defined by the External Reporting Board.

Measurement basis

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

Functional and presentation currency

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

Significant accounting policies

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

Revenue

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

Operational levy

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

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

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

Fines

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

Sale of publications

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

Interest

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

Leases

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

Cash and cash equivalents

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

Investments

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

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

Debtors and other receivables

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

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

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

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

Inventories – approved publications

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

Property, plant and equipment

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

Additions

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

Disposals

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

Subsequent costs

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

Depreciation

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

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

Intangible assets

Capital work in progress

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

Software acquisition and development

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

Amortisation

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

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

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

Impairment of non-financial assets

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

Creditors and other payables

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

Employee entitlements

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

Superannuation schemes

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

Goods and services tax

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

Taxation

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

Financial instruments

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

Financial assets held at amortised cost

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

Financial liabilities held at amortised cost

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

Impairment of non-derivative financial assets

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

Measurement of expected credit losses

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

Statement of Prospective Cash Flows

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

Cash flows are classified into three activities:

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

Equity

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

Changes in accounting policies

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

Critical judgements in applying REA's accounting policies

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

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

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

Judgements made by REA in the application of IPSAS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the specific assumptions section on page 22 of this Statement of Performance Expectations.



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