

Appendix 1: Statement of Performance Expectations 2017/18

Presented to the House of Representatives
Pursuant to section 149 of the Crown Entities Act 2004

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Introduction

This statement of performance expectations has been prepared in accordance with the requirements of section 149 of the Crown Entities Act 2004. It reflects and is intended to be read with REAA's Statement of Intent 2017/18 to 2020/21.

This document specifies how REAA will contribute over the next year towards achieving the strategic goal and outcome of having *empowered consumers working with trusted real estate professionals*.



John Auld
Board Chair
13 June 2017



Marion Cowden
Board Member
13 June 2017

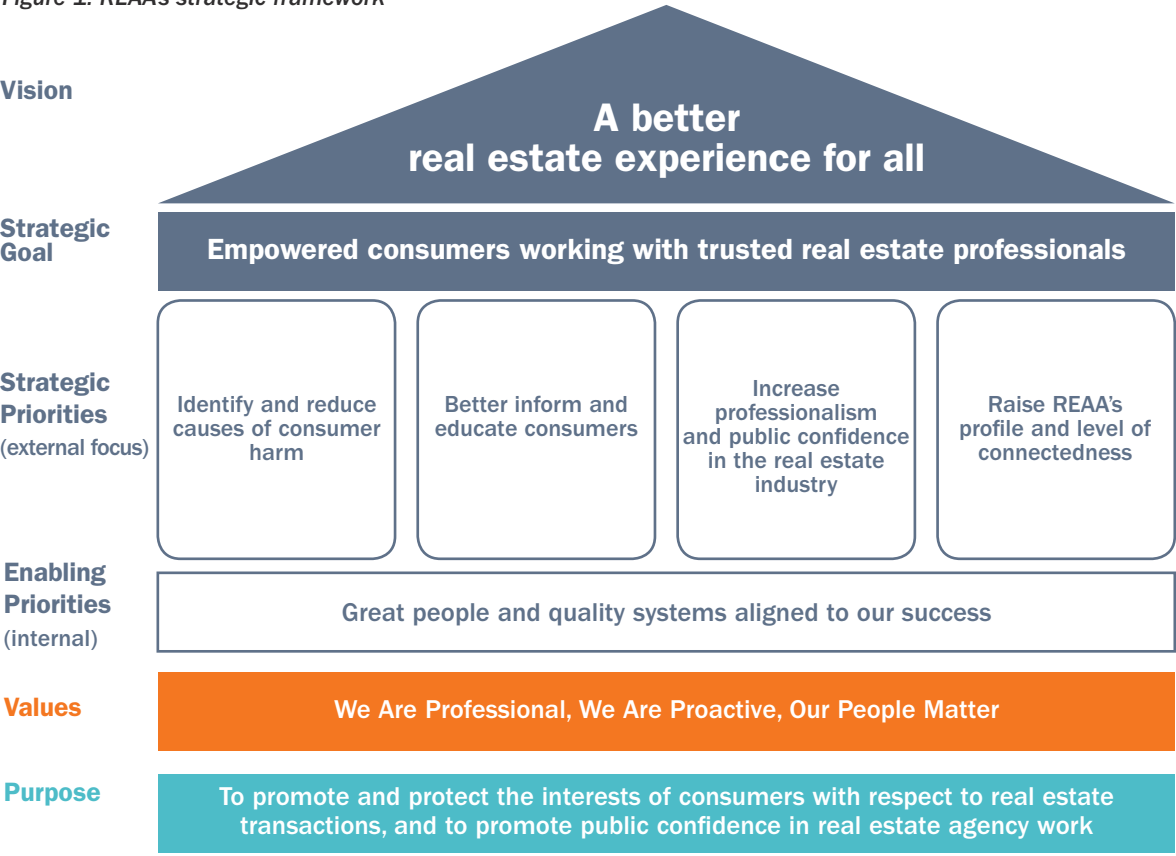
Strategic intentions

Strategic goal and outcome

The Justice Sector has an aspirational outcome that all New Zealanders should expect to live in a safe and just society. REAA's contribution towards this outcome is to help ensure that New Zealanders feel empowered to make informed decisions based on their personal situation so they can participate with confidence in real estate transactions and that they are working with trusted real estate professionals.

The strategic framework (Figure 1 below) outlines REAA's vision, overarching strategic goal and strategic priorities for the next four years. REAA's purpose is the foundation of the strategic framework and the vision and strategic goal statements outline what REAA aims to achieve. The strategic priorities outline how REAA will align resources and activities to deliver the vision and strategic goal.

Figure 1: REAA's strategic framework



The four strategic priorities align to four impacts that REAA is seeking to achieve.

REAA's strategic priorities and impacts

Strategic priorities	Impacts
Identify and reduce causes of consumer harm	1. Reduced consumer harm
Better inform and educate consumers	2. Better informed and educated consumers
Increase professionalism and public confidence in the real estate industry	3. Increased professionalism and public confidence
Raise REAA's profile and level of connectedness	4. Increased awareness and understanding of REAA

The impacts we are seeking

During 2017/18, REAA will work towards the outcome of empowered consumers working with trusted real estate professionals by seeking to advance the following impacts:

- ▶ **Impact 1:** Reduced consumer harm
- ▶ **Impact 2:** Better informed and educated consumers
- ▶ **Impact 3:** Increased professionalism and public confidence
- ▶ **Impact 4:** Increased awareness and understanding of REAA

Measuring impact performance

REAA will use the following indicators to measure performance for each impact.

Impact 1: Reduced consumer harm

Indicator	Actual 2015/16	Forecast 2016/17	Expectation 2017/18
Percentage of active licensees during the financial year that receive decisions of unsatisfactory conduct or serious misconduct	1.1%	1.0%	1.0%
Percentage of consumers ¹¹ who experienced issues or problems with the real estate agent during their most recent transaction	Not measured	20%*	Establish benchmark

*Based on Colmar Brunton research in 2015.

Impact 2: Better informed and educated consumers

Indicator	Actual 2015/16	Forecast 2016/17	Expectation 2017/18
Percentage of New Zealanders ¹² who consider they have high levels of knowledge of their rights and obligations with respect to real estate transactions	15%	15%	15%
Percentage of consumers who consider they have high levels of knowledge of their rights and obligations with respect to real estate transactions	Not measured	New measure	Establish benchmark
Percentage of consumers who consider they have high levels of knowledge about the real estate transaction process	Not measured	New measure	Establish benchmark

Impact 3: Increased professionalism and public confidence

Indicator	Actual 2015/16	Forecast 2016/17	Expectation 2017/18
Percentage of New Zealanders who have confidence in the real estate industry	68%	68%	70%
Percentage of consumers who have high levels of confidence that the real estate industry is professional	Not measured	New measure	Establish benchmark

Impact 4: Increased awareness and understanding of REAA

Indicator	Actual 2015/16	Estimate 2016/17	Forecast 2017/18
Percentage of New Zealanders who know what REAA does	43%	43%	45%
A measure of awareness for the new REAA consumer brand – to be included after the new brand is developed and launched in 2017	Not measured	New measure	Establish benchmark

¹¹Consumers' refers to respondents to the annual survey who have participated in a real estate transaction in the last 12 months.

¹²New Zealanders' refers to respondents to the annual survey who reflect the New Zealand population.

Advancing our impacts

Impact 1: Reduced consumer harm

What do we want to achieve?

- Use data analysis, business intelligence, research and insights to identify and understand the causes of consumer harm
- Work both independently and collaboratively with the sector to reduce or prevent occurrences of consumer harm.

We will contribute to this impact through the following output:

- ▶ **Output 1: Informing and educating consumers, licensees and other stakeholders**

Key programmes of work during 2017/18:

- Conduct research to gain a deeper understanding of issues with the real estate experience
- Design and implement a voice of the customer programme
- Deliver targeted campaigns to improve the real estate experience.

Impact 2: Better informed and educated consumers

What do we want to achieve?

- Invest in digital channels to provide content, resources and tools to educate and inform consumers
- Deliver targeted campaigns and initiatives focusing on at-risk segments.

We will contribute to this priority through the following output:

- ▶ **Output 1: Informing and educating consumers, licensees and other stakeholders**

Key programmes of work during 2017/18:

- Develop and promote a new consumer-focused brand
- Develop and launch a new consumer-focused website
- Deliver targeted campaigns to inform and educate consumers.

Impact 3: Increased professionalism and public confidence

What do we want to achieve?

- Build real estate industry capability, enhance continuous education and promote best practices
- Manage licensing and complaints, increase consumer trust and the public's perception of industry professionalism
- Continuously improve the efficiency and effectiveness of REAA's services, processes and systems.

We will contribute to this priority through the following output:

- ▶ **Output 2: Licensing, enforcing and monitoring of the real estate industry**

Key programmes of work during 2017/18:

- Conduct current state analysis into agency complaint handling
- Develop and implement a professional standards framework
- Develop and launch new professional standards.

Impact 4: Increased awareness and understanding of REAA

What do we want to achieve?

- Position REAA as the independent, trusted and authoritative source of information and guidance for consumers and licensees
- Engage, collaborate and partner with the industry, Government and private sector to leverage capability and build support to enable REAA to more effectively promote and protect consumer interests.

We will contribute to this priority through the following outputs:

- ▶ **Output 1: Informing and educating consumers, licensees and other stakeholders**
- ▶ **Output 2: Licensing, enforcing and monitoring of the real estate industry**

Key programmes of work during 2017/18:

- Launch and promote the refreshed REAA brand
- Develop and launch the new REAA website.

Alignment of initiatives to impacts and strategy

During 2017/18, REAA initiatives will benefit multiple strategic priorities.

REAA's initiatives aligned to strategy

Key initiatives Key: ✦ Primary benefit from initiative ✓ Secondary benefits	Identify and reduce causes of consumer harm	Better inform and educate consumers	Increase professionalism and public confidence in the real estate industry	Raise REAA's profile and level of connectedness
Conduct research to gain a deeper understanding of issues with the real estate experience	✦	✓	✓	
Design and implement a voice of the customer programme	✦	✓	✓	
Deliver targeted campaigns to help improve the real estate experience	✦	✓	✓	
Develop and promote a new consumer-focused brand	✓	✦	✓	✓
Develop and launch a new consumer-focused website	✓	✦	✓	✓
Deliver targeted campaigns to inform and educate consumers	✓	✦	✓	
Conduct current state analysis into agency complaint handling	✓	✓	✦	✓
Develop and implement a professional standards framework	✓	✓	✦	✓
Develop and launch a new professional standard	✓	✓	✦	✓
Launch and promote the refreshed REAA brand	✓	✓	✓	✦
Develop and launch the new REAA website	✓	✓	✓	✦

Output class: Operate the Real Estate Agents Authority

REAA has one output class through Vote Justice: Operate the Real Estate Agents Authority.

REAA's outputs are grouped into two results areas:

- ▶ **Output 1: Informing and educating consumers, licensees and other stakeholders**
- ▶ **Output 2: Licensing, enforcing and monitoring of the real estate industry**

Output revenue and expenditure:

	2017/18 \$000
Output Revenue and Expenditure	
Total revenue	11,114
Output expenditure	
Informing and educating consumers, licensees and other stakeholders	3,529
Licensing, enforcing and monitoring of the real estate industry	9,080
Total expenditure	12,609
Total Comprehensive revenue and expense	(1,495)

The following pages outline the aims we are trying to achieve in the delivery of our outputs and how our performance will be measured.

Output 1: Informing and educating consumers, licensees and other stakeholders

This output includes the identification and understanding of the causes of consumer harm, the development of targeted campaigns to reduce or prevent the occurrence of consumer harm and the provision of relevant and accessible information to help educate consumers as well as the development of strategic partnerships with stakeholders.

This output primarily contributes towards the following impacts:

- ▶ **Impact 1:** Reduced consumer harm
- ▶ **Impact 2:** Better informed and educated consumers
- ▶ **Impact 4:** Increased awareness and understanding of REAA

Cost: The total cost allocation to this output area for 2017/18 is \$3,529,000.

Assessing output performance

Measure	Actual 2015/16	Forecast 2016/17	Expectation 2017/18	How it will be measured
Quality				
Percentage of consumers who consider the residential property guides (Agency Agreement Guide and Sale and Purchase Agreement Guide) useful	88%	85%	85%	Annual consumer perception survey
Percentage of consumers who found information and guidance provided by REAA useful	96%	97%	97%	Annual consumer perception survey
Percentage of consumers who know what REAA does*	59%	59%	59%	Annual consumer perception survey
Percentage of licensees who find REAA's compliance guidance useful	86%	80%	80%	Licensee survey
Percentage of licensees who agree the continuing education programme has improved their knowledge and understanding of the topic area	86%	87%	87%	Licensee survey
Percentage of licensees who plan to make changes to their practice as a result of continuing education	74%	80%	80%	Licensee survey
Number of targeted campaigns to consumers and licensees [^]	-	2	5	Internal reporting
Number of website sessions [^]	451,866	650,000	600,000	Website analytics

* Refined measures

[^] New measures

Output 2: Licensing, enforcing and monitoring of the real estate industry

This output includes the managing and administering of the licensing regime, monitoring the industry, raising professional standards, taking action following non-compliance and supporting the Complaints Assessment Committees, Tribunals and court activities.

This output primarily contributes towards the following impacts:

- ▶ **Impact 1:** Reduced consumer harm
- ▶ **Impact 3:** Increased professionalism and public confidence

Cost: The total cost allocation to this output area for 2017/18 is \$9,080,000.

Assessing output performance

Measure	Actual 2015/16	Forecast 2016/17	Expectation 2017/18	How it will be measured
Quality				
Percentage of applications approved where licensees at the time of approval are 'fit and proper' and meet the required professional standards	100%	100%	100%	Internal review of applications
Percentage of complainants and respondents that consider the complaints process independent, fair and transparent	52%	60%	60%	Complainants' and respondents' surveys
Percentage of Complaints Assessment Committee decisions that meet quality standards ¹³	90%	100%	100%	External review of decisions
Number of judicial criticisms on the Complaints Assessment Committee decision process ¹⁴	0	1	0	Internal review of decisions
Timeliness				
Percentage of new applications for licences processed within three weeks	87%	85%	87%	Report from data management system
Percentage of renewal applications for licences processed within two weeks	98%	96%	98%	Report from data management system
Percentage of complaints completed within one month	27%	15%	45%	Report from data management system
Percentage of complaints completed within six months	61%	70%	75%	Report from data management system
Percentage of complaints completed within one year	85%	90%	95%	Report from data management system

¹³This result is obtained through an annual external review of a sample of Complaints Assessment Committee (CAC) decisions. Each CAC decision is scored against four set criteria: knowledge of the legislation and Tribunal decisions; analysis – identifying the issues and evidence and applying the legal knowledge to them; procedural compliance – whether the process follows prescribed statutory process, other procedural guidelines and requirements of natural justice; form – compliance with REAA's Committee style guides.

¹⁴Judicial criticism is assessed through a comprehensive review of each Tribunal decision, most particularly Tribunal decisions that overturn CAC decisions. In each case, the reason for the overturn is assessed as to whether there is any judicial criticism of the original CAC decision.

Forecast financial statements

REAA has made a number of assumptions to develop these forecast 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.

Specific assumptions

The number of licences significantly affects projected revenue. For forecasting purposes, it has been assumed that 15,800 active licensees will be registered with REAA for each year of the period 2017/18 to 2020/21. Currently, there are 15,645 active licensees registered.

Revenue

REAA reviewed the licence fees structure, and amendments became effective on 1 February 2017. The forecast statement of comprehensive revenue and expense is based on the annual licence fee 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 forecast statement of comprehensive revenue and expense assumes no change to the licence fee over the periods presented.

Additional information

Equity

At the end of 2017/18, REAA forecasts a positive equity position of \$3.976 million.

Capital expenditure

REAA has completed the Licensing Management System project enabling an online portal for licensees and also improved internal systems.

The focus has now turned to upgrading and improving other systems (such as telephony, document management and the finance system). It is expected that there will be approximately \$1.5 million incurred across the year.

Revenue and licensee volumes

Total active licensees at 30 June 2018 are expected to be 15,800. The revenue recognised in 2017/18 from these licensees is estimated to be \$4.237 million inclusive of application levies for new licensees and the annual licence fee, which is deferred over a 12-month period.

Personnel costs

Personnel costs of \$5.401 million include health and welfare, training and development, ACC levies, recruitment, superannuation, and salaries and wages.

Forecast Statement of Comprehensive Revenue and Expense

for the years ended 30 June

	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000
Revenue				
Operating levy received	9,527	9,433	9,433	9,433
Approved guide sales	250	250	250	250
Application and suspension fees	877	877	877	877
Other revenue	460	460	460	460
Total revenue	11,114	11,020	11,020	11,020
Expenditure				
Audit fee	60	60	60	60
Personnel costs	5,401	5,386	5,452	5,566
Depreciation	95	94	93	69
Amortisation	1,169	1,312	1,148	771
Specialist services	2,272	1,830	1,810	1,810
Legal fees	1,316	1,336	1,336	1,336
Board fees	160	163	166	170
Complaints Assessment Committee fees	380	387	395	403
Computer and telecommunications	840	851	851	851
Printing, stationery and postage	141	141	141	141
Travel, meetings and entertainment	327	327	327	327
Occupancy	417	417	417	417
Miscellaneous expenses	31	31	31	31
Total expenditure	12,609	12,335	12,227	11,952
Total Comprehensive revenue and expense	\$ (1,495)	\$ (1,315)	\$ (1,207)	\$ (932)

Forecast Statement of Financial Position

as at 30 June

	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000
Current Assets				
Cash and cash equivalents	1,129	1,462	1,224	1,122
Investments	5,184	4,684	4,684	4,684
Debtors and other receivables	162	162	162	162
Prepayments	19	20	20	20
GST receivable/(payable)	(3)	36	96	144
Approved guide stock	40	40	41	42
Total current assets	6,531	6,404	6,227	6,174
Non-Current Assets				
Property, plant and equipment	277	208	140	96
Intangible assets	3,825	2,764	1,866	1,101
Total non-current assets	4,102	2,972	2,006	1,197
Total assets	10,633	9,376	8,233	7,371
Liabilities				
Trade creditors and accruals	892	947	1,007	1,073
Employee entitlements	172	175	179	183
Deferred operating levy	5,569	5,569	5,569	5,569
Disciplinary levy payable	24	24	24	24
Total current liabilities	6,657	6,715	6,779	6,849
Total liabilities	6,657	6,715	6,779	6,849
Net assets/equity	3,976	2,661	1,454	522
Public Equity				
Retained earnings	5,221	3,726	2,411	1,204
Litigation reserve	250	250	250	250
Current year surplus/(deficit)	(1,495)	(1,315)	(1,207)	(932)
Total public equity	\$ 3,976	\$ 2,661	\$ 1,454	\$ 522

Forecast Statement of Cash Flows

for the years ended 30 June

	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000
Cash Flows from Operating Activities				
Cash was provided from:				
Receipts from licensees	9,983	9,807	9,807	9,807
Receipts from sale of publications	250	250	250	250
Interest received	180	180	180	180
Receipts from suspension fees	503	503	503	503
Receipts from fines	280	280	280	280
Cash was applied to:				
Payments to suppliers	(6,495)	(5,723)	(5,715)	(5,726)
Payments to employees	(5,019)	(5,156)	(5,217)	(5,326)
Net GST received/(paid)	(49)	(33)	(51)	(40)
Net cash flows from operating activities	(367)	108	37	(72)
Cash Flows from Investing Activities				
Cash was provided from:				
Receipts from investments in term deposits	1,000	500	-	-
Cash was applied to:				
Purchase of property, plant and equipment	(96)	(25)	(25)	(25)
Purchase of intangible assets	(1415)	(250)	(250)	(5)
Net cash flows from investing activities	(511)	225	(275)	(30)
Cash Flows from Financing Activities				
Net cash flows from financing activities	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	(878)	333	(238)	(102)
Opening cash and cash equivalents	2,007	1,129	1,462	1,224
Closing cash and cash equivalents	\$ 1,129	\$ 1,462	\$ 1,224	\$ 1,122

Forecast Statement of Changes in Equity

for the years ended 30 June

	2017/18 \$000	2018/19 \$000	2019/20 \$000	2020/21 \$000
Public equity as at 1 July	5,471	3,976	2,661	1,454
Total comprehensive revenue and expense	(1,495)	(1,315)	(1,207)	(932)
Total public equity as at 30 June	3,976	2,661	1,454	522
Comprised of the following funds:				
Retained earnings as at 1 July	5,221	3,726	2,411	1,204
Total comprehensive revenue and expense	(1,495)	(1,315)	(1,207)	(932)
Total retained earnings	3,726	2,411	1,204	272
Litigation reserve as at 1 July	250	250	250	250
Total comprehensive revenue and expense	-	-	-	-
Total litigation reserve	\$ 250	\$ 250	\$ 250	\$ 250

Statement of accounting policies

Reporting entity

These are the forecast financial statements of the Real Estate Agents Authority (REAA), a Crown entity as defined by the Crown Entities Act 2004. REAA is domiciled in New Zealand. REAA's functions are defined in the Real Estate Agents Act 2008 and are described on page 4 of the Statement of Intent 2017/18 to 2020/21. REAA 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.

REAA qualifies as a Tier 2 reporting entity as 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 except for the establishment funding from the Crown, which has been measured at fair value on inception.

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 REAA 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

REAA 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 REAA, 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. REAA also charges a fee for suspending a licence.

Under PBE IPSAS 9, REAA considers the revenue generated from operating levies to be exchange in nature as it is

consideration for goods and services that REAA provides to licensed members and approximates the fair value of those transactions.

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

Application fees and suspension fees are recognised when due and received.

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

Fines

Section 75 and section 100 of the Real Estate Agents Act 2008 allow the establishment of Complaints Assessment Committees and the Real Estate Disciplinary Tribunal. The Committees and Tribunal make decisions on complaints, which can result in an order to pay a fine. Fines are 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 REAA. Revenue from the sale of publications goods 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 REAA 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 REAA 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 REAA 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

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 REAA 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 REAA 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 basis

Computer equipment

3 years 33% straight-line basis

Furniture and office equipment

5 years 20% straight-line basis

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 REAA are recognised as an intangible asset. Direct costs include the software development and consultants' costs. Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

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

Acquired and developed software

3–5 years 20–33% straight-line basis

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 comprehensive revenue and expense as incurred.

Establishment funding

The Crown provided establishment funding to be repaid over a period of five years ending April 2016. Any interest expense has been recognised in the statement of comprehensive revenue and expense in accordance with the associated effective interest rate.

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

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

Financial instruments

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

Statement of cash flows

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

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 and other transactions relating to changes in equity of REAA.

Equity

Equity for REAA 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, and the policies are consistent with those used in the past year. The accounting policies have been consistently applied throughout the periods of the financial statements.

Critical judgements in applying REAA's accounting policies

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised:

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

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

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