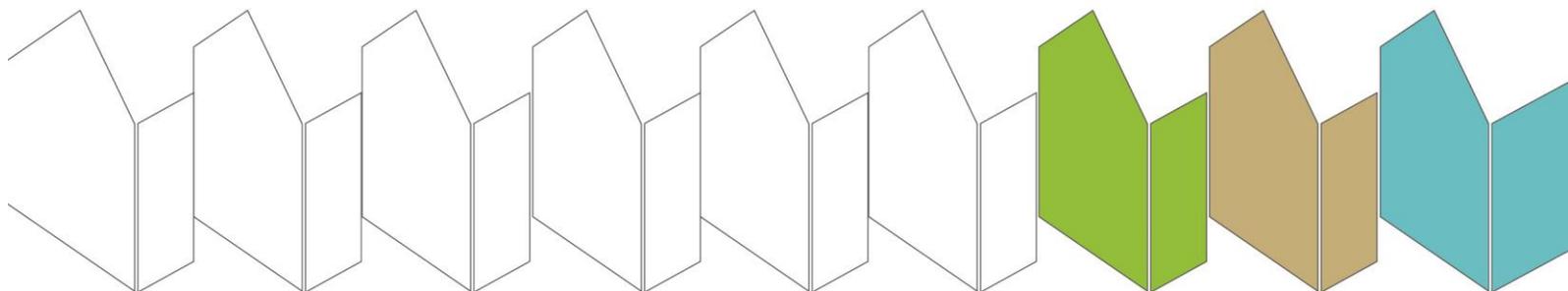


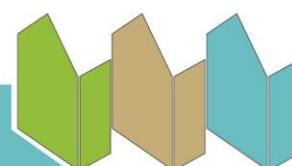
# **REAA Statement of Intent 2014/15–2017/18**



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

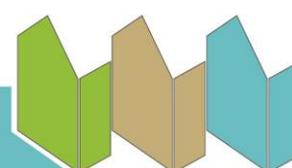
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## Introduction from the Board Chair

Buying property is one of the biggest investments consumers make. It is important that the regulatory framework governing property transactions is clear and that the system works well. For real estate transactions to function smoothly, consumers need to know exactly what they are buying or selling and what their rights and responsibilities are and to have confidence that the real estate agent they are working with adheres to appropriate standards, both ethically and professionally.

The Real Estate Agents Authority's Statement of Intent 2014/15–2017/18 outlines the direction the Authority will take over the coming four years. The strategic priorities set out in this plan reflect the Authority's aim:

- to promote and protect the interests of consumers in real estate transactions
- to promote public confidence in the performance of real estate agency work.

This Statement of Intent provides clarity about what the Authority wants to achieve and how we plan to get there. Over the next four years, we will be working hard to:

- improve consumers' understanding of the real estate industry and their own rights and responsibilities
- improve licensees' skills and knowledge and enhance the interventions we use when identifying non-compliance
- maintain a regulatory framework that protects consumers and shapes the real estate industry as a whole.

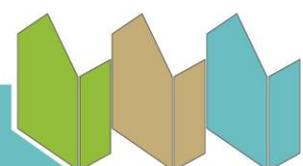
In achieving these goals, we are committed to sharpening our service delivery focus: to be more proactive, responsive and robust and deliver on the Government's priority for better public services. We are additionally committed to maintaining the industry levy at the current level through to 30 June 2015.

As a small organisation, every part of the Authority contributes to our outcome and impacts, and the capacity of the Authority as a whole is critical to our success. Over the next four years, we know that the challenges will continue and we will actively ensure we are well placed to respond successfully to them.

I am pleased to present the Real Estate Agents Authority's Statement of Intent 2014/15–2017/18.



John Auld  
Board Chair

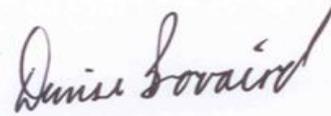


## Statement of responsibility

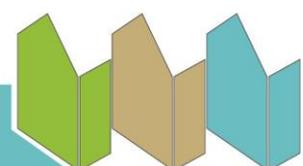
This Statement of Intent 2014/15–2017/18 represents the intentions and objectives of the Real Estate Agents Authority. It is presented in accordance with sections 138–148 of the Crown Entities Act 2004.



John Auld  
Board Chair  
24 June 2014



Denise Bovaird  
Board Member  
24 June 2014



# Nature and scope of our functions

The Real Estate Agents Authority (the Authority) is a Crown entity established under the Real Estate Agents Act 2008. We work to promote and protect the interests of consumers in real estate transactions and to promote public confidence in the performance of real estate agency work.

## Governance

We are governed by an independent Board that is appointed by the Minister of Justice. With a diverse membership that reflects experience in law, real estate, risk management, finance and consumer rights, the Board works to:

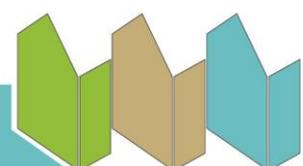
- set our strategic direction
- ensure our legislative functions are carried out effectively
- monitor our performance.

The Board reports directly to the Associate Minister of Justice.

## Nature of our activities

Our functions are defined by the Real Estate Agents Act 2008 and in summary comprise:

- licensing real estate agents, branch managers and salespersons (referred collectively as licensees) and maintaining a public register of licensees
- informing and advising consumers so they can participate with confidence in real estate transactions
- establishing, developing and monitoring professional entry requirements for licensees, continuing education programmes and professional Code of Conduct standards for the real estate industry
- responding to enquiries and complaints, investigating problems in the real estate industry and ensuring appropriate action is taken to sanction any unsatisfactory conduct, misconduct or illegal behaviour.



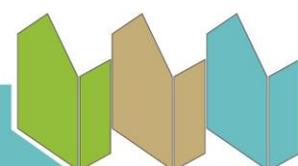
# What we want to achieve

## Outcomes framework

The Justice Sector has an aspirational outcome that all New Zealanders should expect to live in a *safe and just society*. The Authority's main contribution towards this outcome is ensuring consumers are able to participate with confidence in the real estate industry.

Our outcomes framework (Figure 1 below) summarises our services, the results or impacts they will deliver and how these will contribute towards the Government priorities for the Justice Sector. Recently, we reviewed our outcomes framework and reprioritised our work processes. In doing so, we have refined our outcome and impact statements to provide greater clarification of the difference we are aiming to make.

Figure 1: Our outcomes framework



# What we will do

We will work towards the outcome *Consumers participate with confidence in the real estate industry* by seeking to achieve three impacts:

- Better informed consumers
- Improved licensee standards
- Improved regulatory framework.

## Impact 1: Better informed consumers

Consumers need accurate and relevant information to help them through the buying and selling process so they can feel confident, empowered and informed. We recognise that a positive buying and selling experience is more likely to happen if consumers know what to expect, how the process works and what their rights and obligations are.

This impact is achieved through the activities in *Output 1: Informing and advising consumers and licensees*.

In the past few years, our focus has been on developing information and guidance material that clearly explains consumers' rights and obligations as well as communicating the process for seeking redress when things go wrong. During 2014/15–2017/18, we will continue to provide information and advice to consumers with a focus on:

- delivering targeted communications to at-risk consumers
- raising consumer awareness of the Authority's roles and responsibilities
- utilising social media channels to engage with consumers.

We will measure the success of our interventions by seeing an increase in the percentage of consumers that consider themselves informed of their rights in relation to real estate transactions.

## Impact 2: Improved licensee standards

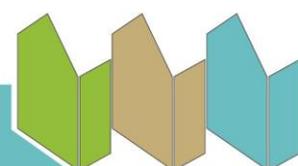
The public's confidence in the real estate industry will be enhanced if the industry is made up of professional and competent licensees and there are effective processes for redress when things go wrong. We have been working to raise licensee standards through a number of interventions including improving licensees' skills and knowledge and enhancing the interventions we use when we identify non-compliance.

We contribute to this impact through activities in:

- *Output 1: Informing and advising consumers and licensees*
- *Output 2: Licensing*
- *Output 3: Monitoring and enforcing.*

Over the next four years, our focus will increasingly be on:

- ensuring we identify the areas of greatest risk of non-compliant behaviour
- effectively monitoring and minimising that risk
- targeting our resources accordingly
- streamlining our complaints-handling processes.



We will continue to focus our efforts on raising professional standards across the industry and will:

- provide input into the review of qualifications required to undertake real estate agency work
- monitor and enhance the continuing education programme
- develop further good practice guidelines for licensees
- use intelligence-led interventions to monitor non-complaint behaviour and to target our resources.

We will measure the success of our interventions by monitoring the proportion of licensees that have either unsatisfactory conduct or misconduct decisions made against them. Our ongoing work on strengthening the standards required to enter and remain in the real estate industry means that we expect this proportion to remain low. However, where concerns are raised about a licensee's conduct, we will continue to work actively to remedy these.

### **Impact 3: Improved regulatory framework**

Consumers are better protected by a well-regulated real estate industry that has efficient and effective monitoring processes and methods for obtaining redress when things go wrong. Since the Authority's inception in 2009, our focus has been on embedding our regulatory regime through:

- setting professional standards of behaviour
- monitoring licensees' compliance against the standards we have set
- taking enforcement action where non-compliance has been identified.

While these functions are a necessary part of our compliance activities, to enable consumers to participate with confidence in the real estate industry, we need to be able to minimise, through our regulatory framework, the components of real estate transactions that create the greatest risks for consumers. The introduction of a model agency agreement is one example of a regulatory tool that could be used to address the imbalance in information available to consumers in relation to real estate transactions. Over the 2014/15–2017/18 period, we intend to explore the introduction of this tool, along with others, to improve our regulatory framework.

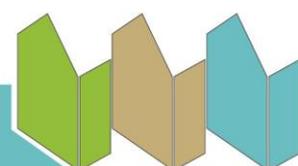
We will contribute to this impact through activities in:

- *Output 1: Informing and advising consumers and licensees,*
- *Output 2: Licensing and*
- *Output 3: Monitoring and enforcing.*

Over the next four years, we intend to:

- review our regulatory framework and identify and adopt best-practice regulatory tools
- undertake a baseline review of consumer risk in real estate transactions
- introduce standard agency agreement clauses, where appropriate
- continue discussions with the pre-purchase property inspection industry to assist increasing the quality of pre-purchase property inspection reports.

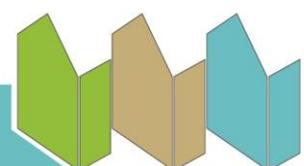
We will measure the success of our interventions by seeing a reduction in the level of risk consumers are exposed to when undertaking real estate transactions.



## Outputs

We have one output class through Vote Justice: *Operate the Real Estate Agents Authority*. Our outputs are grouped into three results areas:

- Informing and advising consumers and licensees
- Licensing
- Monitoring and enforcing.



## Assessing performance

The Authority will assess performance through outcome and impact indicators and service output measures. Consumer perception, process quality, timeliness and compliance with standards and regulations will be used to measure and track the Authority's performance. Contained within the annual Statement of Performance Expectations (Appendix 1) are detailed performance targets and measures for each service output.

Figure 2: Assessing outcome performance

Outcome	Indicator	Frequency of assessment	Actual 2012/13	Forecast 2017/18	Change being sought
Consumers participate with confidence in the real estate industry	Percentage of consumers that have confidence in the real estate industry	Annual	64%	75%	

Figure 3: Assessing impact performance

Impact	Indicator	Frequency of assessment	Actual 2012/13	Forecast 2017/18	Change being sought	Service output
Better informed consumers	Percentage of consumers that consider themselves informed of their rights in relation to real estate transactions	Annual	54%	75%		Informing and advising consumers and licensees
Improved licensee standards	Percentage of active licensees during the financial year that receive decisions of unsatisfactory conduct or serious misconduct	Annual	1.02%	<1%		Informing and advising consumers and licensees Licensing Monitoring and enforcing
Improved regulatory framework	Consumers have reduced exposure to risk in real estate transactions	Annual	Not measured	To be determined		Informing and advising consumers and licensees Licensing Monitoring and enforcing

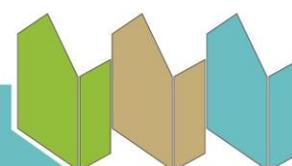
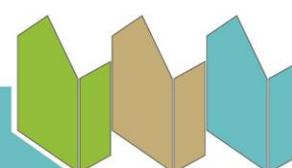


Figure 4: Assessing output performance

Service output	Performance measures	Frequency of assessment
Informing and advising consumers and licensees	<p>Percentage of stakeholder communications delivered in accordance with the stakeholder engagement plan</p> <p>Percentage of surveyed licensees who consider the newsletters informative</p> <p>Percentage of surveyed consumers who consider the guides (New Zealand Property Agency Guide and New Zealand Residential Property Agency Guide) useful</p> <p>Percentage of surveyed visitors who find information on the website informative</p>	Annual
Licensing	<p>Percentage of new and renewal applications approved where licensees at the time of approval are 'fit and proper' and meet the required professional standards</p> <p>Minimum percentage of new applications for licences processed within three weeks</p> <p>Minimum percentage of renewal applications for licences processed within two weeks</p>	Annual
Monitoring and enforcing	<p>Percentage of surveyed complainants and respondents that consider the complaints process independent, fair and transparent</p> <p>Number of judicial criticisms on the Complaints Assessment Committee decision-making process</p> <p>Percentage of sampled Complaints Assessment Committee decisions that meet quality standards</p> <p>Minimum percentage of complaints completed within one month</p> <p>Minimum percentage of complaints completed within six months</p> <p>Minimum percentage of complaints completed within one year</p>	Annual



# Organisational health and capability

To achieve everything we have committed to do, we need to ensure that we provide the right environment, the right tools and the right support to enable our people to do their jobs effectively.

## People capability and organisational culture

The Authority is committed to being a good employer. We recognise our people are our greatest asset. To ensure we have the capability to achieve our outcome and impacts, we need to attract, retain, value and develop great people. This requires:

- excellent leadership and people management
- a culture and processes that are adaptable to changing circumstances.

Accordingly, we are committed to investing in programmes and processes that help our people and our organisation as a whole to thrive. During 2014/15–2017/18, we will continue to use feedback from employee surveys to inform our development and improvement opportunities. We intend to develop and implement a People and Capability Strategy that will set out specific, actionable steps to support staff and describe the expectations we have of our people and the ways in which we can foster our culture and help our people to reach their potential.

## Improving our effectiveness

Our drive to deliver excellent services is predicated on a philosophy of continuous improvement in everything we do. During the 2014/15–2017/18, period we are committed to developing and implementing a Continuous Improvement Strategy.

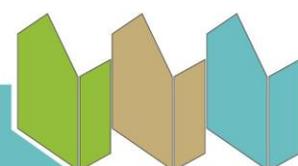
## Information Systems Plan

Well-aligned information systems are integral to achieving our outcome and impacts. Our Information Systems Plan provides clarity about what we need from our information systems to support our work. Over the next four years, we will continue to implement and deliver on the Information Systems Plan. A priority for this period is an online licensing portal for our website that will enable licensees to apply for and renew licences online.

## Capital intentions

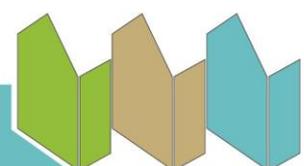
In accordance with our Information Systems Plan, we anticipate \$1.6m to be spent during the 2014/15–2017/18 period. The outcome of this expenditure will be:

- an integrated information technology system
- online licensee services
- improved systems for collecting, extracting and analysing data.

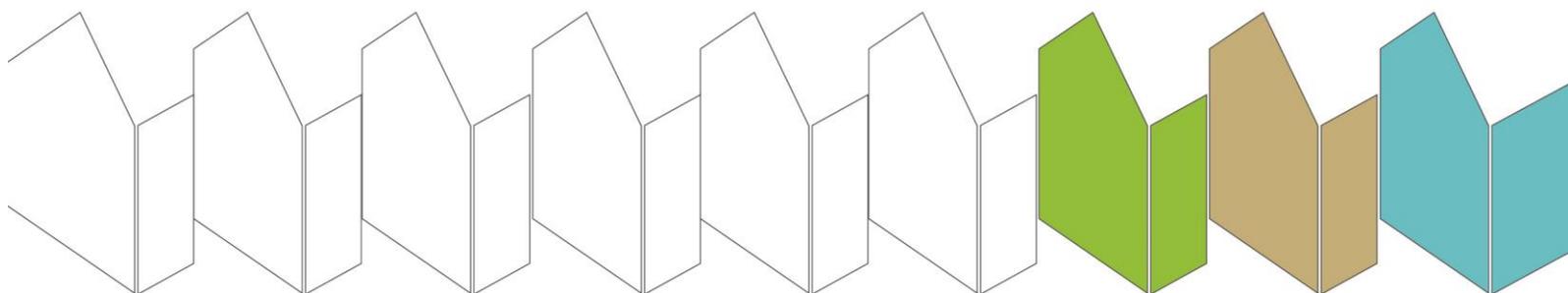


## Managing risk

Our risk management programme is designed to help manage risks that could affect our ability to achieve our outcome and impacts. Our senior leadership team will regularly identify, monitor and review the key strategic risks the Authority faces and ensure adequate mitigation strategies are in place. A key element of this programme is the Audit and Risk Subcommittee of the Board, which monitors our performance and provides assurance and risk management recommendations to the Chief Executive and Board.



**Appendix 1:  
REAA Statement of Performance  
Expectations  
2014/15**

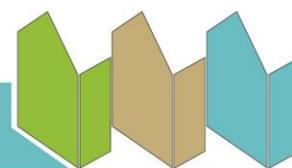


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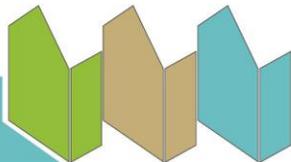
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# Introduction

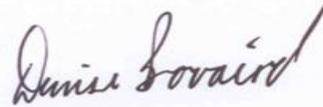
The Real Estate Agents Authority (the Authority) is a Crown entity established under the Real Estate Agents Act 2008. We work to promote and protect the interests of consumers in real estate transactions and to promote public confidence in the performance of real estate agency work.

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 the Authority's 2014/15–2017/18 Statement of Intent.

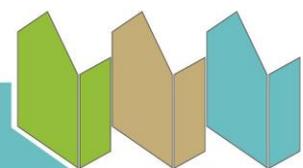
This document outlines how the Authority will contribute over the next year to achieving the following outcome for buyers and sellers: *Consumers participate with confidence in the real estate industry*. This outcome contributes to the Justice Sector outcome *A safe and just society* and the Government's broader priorities.



John Auld  
Board Chair  
24 June 2014



Denise Bovaird  
Board Member  
24 June 2014



## Output class: Operate the Real Estate Agents Authority

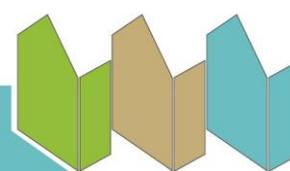
The Real Estate Agents Authority has one output class through Vote Justice: *Operate the Real Estate Agents Authority*. The Authority's outputs are grouped into three results areas:

- Informing and advising consumers and licensees
- Licensing
- Monitoring and enforcing.

Table 1: Output class: Operate the Real Estate Agents Authority

Revenue and expenditure	2014/15 (\$000)
<b>Total revenue</b>	<b>9,669</b>
<b>Output expenditure</b>	
Informing and advising consumers and licensees	878
Licensing	2,163
Monitoring and enforcing	6,458
<b>Total expenditure</b>	<b>9,500</b>
<b>Total comprehensive income</b>	<b>169</b>

The following pages describe the aims the Authority is seeking to achieve in the delivery of its outputs and how our performance will be measured.

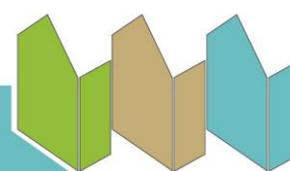


## Output 1: Informing and advising consumers and licensees

This output expense funds the provision of information and advice to consumers and licensees and includes work to:

- inform and advise consumers of their rights
- inform and advise licensees of their responsibilities
- raise awareness of the Authority
- provide best-practice guidance for licensees.

Performance measures <sup>1</sup>	Actual 2012/13	Estimated actual 2013/14	Performance standard 2014/15	Performance standard 2015/16	Performance standard 2016/17
<b>Quantity measure</b>					
Percentage of stakeholder communications delivered in accordance with the stakeholder engagement plan	Not measured	Not measured	100%	100%	<b>100%</b>
<b>Quality measures</b>					
Percentage of surveyed licensees who consider the newsletters informative <sup>2</sup>	85%	86%	87%	88%	<b>90%</b>
Percentage of surveyed consumers who consider the guides (New Zealand Property Agency Guide and New Zealand Residential Property Agency Guide) useful <sup>3</sup>	83%	83%	85%	87%	<b>90%</b>
Percentage of surveyed visitors who find information on the website informative <sup>4</sup>	Not measured	75%	80%	85%	<b>90%</b>
<p><sup>1</sup> Where available, we have established baseline data and set targets through to 2016/17. Our targets reflect our focus on continuous improvement and integrate with our strategic priorities for the period.</p> <p><sup>2</sup> This result is obtained through an annual survey of a sample of licensees.</p> <p><sup>3</sup> This result is obtained through an annual survey of consumers that have bought a house, sold a house, put an offer on a house or received an offer on a house in the 12 months preceding the survey.</p> <p><sup>4</sup> This result is obtained through an annual survey of visitors to the Authority's website.</p>					

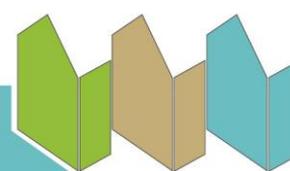


## Output 2: Licensing

This output expense funds the management and administration of the licensing regime and includes work to:

- manage the licensing scheme to ensure at the time of approval all active licensees are 'fit and proper' and meet the required professional standards to work in the industry
- process new applications, renewals and voluntary suspension of licences
- maintain a current register of all approved licensees
- manage the continuing education programme, oversee development of continuing education material and monitor licensee compliance to annual requirements.

Performance measures <sup>1</sup>	Actual 2012/13	Estimated actual 2013/14	Performance standard 2014/15	Performance standard 2015/16	Performance standard 2016/17
<b>Quality measure</b>					
Percentage of new and renewal applications approved where licensees at the time of approval are 'fit and proper' and meet the required professional standards <sup>2</sup>	100%	100%	100%	100%	<b>100%</b>
<b>Timeliness measures</b>					
Minimum percentage of new applications for licences processed within three weeks	92%	95%	95%	95%	<b>95%</b>
Minimum percentage of renewal applications for licences processed within two weeks	79%	95%	96%	97%	<b>98%</b>
<p><sup>1</sup> We have established baseline data and set targets through to 2016/17. Our targets reflect our focus on continuous improvement and integrate with our strategic priorities for the period.</p> <p><sup>2</sup> This result is obtained through an ongoing quality review of all approved applications. Professional standards consider any previous criminal convictions, relevant education and character of licensees.</p>					

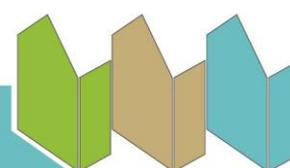


## Output 3: Monitoring and enforcing

This output expense funds the work we undertake to monitor the industry and take action against non-compliance and includes:

- receiving, assessing, managing and investigating complaints
- supporting Complaints Assessment Committee, Tribunal and court activities
- auditing real estate agency trust accounts
- introducing standard agency agreement clauses.

Performance measures <sup>1</sup>	Actual 2012/13	Estimated actual 2013/14	Performance standard 2014/15	Performance standard 2015/16	Performance standard 2016/17
<b>Quality measures</b>					
Percentage of surveyed complainants and respondents that consider the complaints process independent, fair and transparent <sup>2</sup>	43%	45%	47%	49%	<b>50%</b>
Number of judicial criticisms on the Complaints Assessment Committee decision-making process <sup>3</sup>	0	0	0	0	<b>0</b>
Percentage of sampled Complaints Assessment Committee decisions that meet quality standards <sup>4</sup>	95%	96%	97%	98%	<b>99%</b>
<b>Timeliness measures</b>					
Minimum percentage of complaints completed within one month	24%	35%	45%	45%	<b>45%</b>
Minimum percentage of complaints completed within six months	49%	55%	70%	75%	<b>80%</b>
Minimum percentage of complaints completed within one year	72%	75%	95%	95%	<b>95%</b>
<p><sup>1</sup> We have established baseline data and set targets through to 2016/17. Our targets reflect our focus on continuous improvement and integrate with our strategic priorities for the period.</p> <p><sup>2</sup> This result is obtained through an annual survey of a sample of complainants and respondents that have been party to a complaint within 12 months preceding the survey.</p> <p><sup>3</sup> Judicial criticism is assessed through a comprehensive review of each Tribunal decision, most particularly Tribunal decisions that overturn Complaints Assessment Committee (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.</p> <p><sup>4</sup> This result is obtained through an annual external review of a sample of 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 guideline and requirements of natural justice; form – compliance with the Authority’s Committee style guides.</p>					



## Forecast financial statements

We have made a number of assumptions to develop our forecast financial statements. The specific assumptions that impact the Authority's financial statements are detailed in the sections below. Items we feel require further explanation are also detailed in the additional information section below.

### **Specific assumptions**

The number of licences significantly affects projected income. For forecasting purposes, it has been assumed that the Authority will maintain 13,700 active licensees for each year of the period 2014/15–2016/17.

### **Income**

The forecast statement of comprehensive income is based on the Authority's goal to maintain the licence fee at \$690 (this includes the Real Estate Agents Disciplinary Tribunal Levy of \$33 and excludes GST) until 30 June 2015.

### **Additional information**

#### **Retained earnings**

By the end of 2014/15, the Authority forecasts a positive equity position of \$959,000.

#### **Capital expenditure**

The Authority completed Phase I of its core business systems upgrade project in December 2012 with \$600,000 capital spend incurred in 2012/13. A further \$1.2m is planned for Phase II during 2013/14 and 2014/15, which will enable a number of licensee services to be delivered online.

#### **Establishment funding**

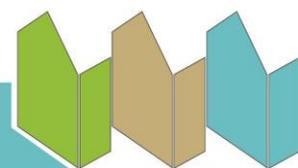
Annual repayments of \$1.2 million were made in the 2011/12, 2012/13 and 2013/14 years. Further payments are planned over the next two years, subject to significant fluctuations to income or expenditure, until the total balance of \$6.2 million is fully repaid.

#### **Revenue and licensee volumes**

Total active licensees as at 30 June 2014 are expected to reach 13,700. The deferred income recognised in 2014/15 from these licensees is estimated to be \$5.7 million.

#### **Personnel costs**

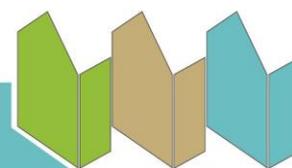
Personnel costs include health and welfare, training and development, ACC levy, recruitment and salaries and wages of \$4.2 million.



## Forecast statement of comprehensive income

For the year ended 30 June

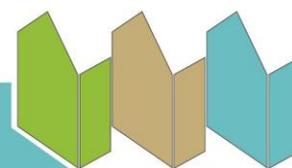
	2014/15 \$000	2015/16 \$000	2016/17 \$000
<b>Revenue</b>			
Operating levy received	8,736	8,806	8,806
Approved guide sales	180	180	180
Application and suspension fees	537	451	413
Other income	216	122	160
<b>Total revenue</b>	<b>9,669</b>	<b>9,559</b>	<b>9,560</b>
<b>Expenditure</b>			
Audit fee	55	55	55
Personnel costs	4,240	4,242	4,317
Finance costs	302	166	166
Depreciation	59	59	68
Amortisation	364	468	401
Specialist services	1,041	1,015	1,016
Legal fees	1,306	1,306	1,306
Board fees	160	160	160
Complaints Assessment Committee fees	280	280	280
Miscellaneous expenses	22	22	22
Computer and telecommunications	840	840	840
Printing, stationery and postage	197	197	197
Travel, meetings and entertainment	229	229	229
Occupancy	405	407	408
<b>Total expenditure</b>	<b>9,500</b>	<b>9,446</b>	<b>9,465</b>
<b>Total comprehensive income</b>	<b>169</b>	<b>113</b>	<b>94</b>



## Forecast statement of financial position

For the year ended 30 June

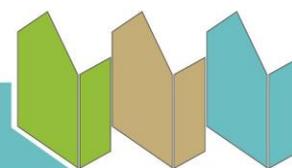
	2014/15 \$000	2015/16 \$000	2016/17 \$000
<b>Current assets</b>			
Cash and cash equivalents	2,874	2,504	3,183
Investments	4,068	4,068	4,068
Debtors and other receivables	72	72	72
Prepayments	12	17	17
GST receivable	65	64	76
Approved guide stock	16	16	16
<b>Total current assets</b>	<b>7,107</b>	<b>6,741</b>	<b>7,432</b>
<b>Non-current assets</b>			
Property, plant and equipment	193	150	94
Intangible assets	1,325	857	457
<b>Total non-current assets</b>	<b>1,518</b>	<b>1,007</b>	<b>551</b>
<b>Total assets</b>	<b>8,625</b>	<b>7,748</b>	<b>7,982</b>
<b>Current liabilities</b>			
Trade creditors and accruals	517	736	749
Employee entitlements	130	130	130
Deferred operating levy	5,763	5,790	5,790
Establishment funding from Crown at fair value	1,248	0	0
Disciplinary levy payable	8	8	7
<b>Total current liabilities</b>	<b>7,666</b>	<b>6,664</b>	<b>6,676</b>
<b>Term liabilities</b>			
Rent rebate	0	0	0
Establishment funding from Crown at fair value	0	0	0
<b>Total term liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total liabilities</b>	<b>7,666</b>	<b>6,664</b>	<b>6,676</b>
<b>Net assets</b>	<b>959</b>	<b>1,084</b>	<b>1,306</b>
<b>Public equity</b>			
Crown funding	2,078	2,078	2,078
Retained earnings	(1,538)	(1,357)	(1,116)
Litigation reserve	250	250	250
Current year surplus/(deficit)	169	113	94
<b>Total public equity</b>	<b>959</b>	<b>1,084</b>	<b>1,306</b>



## Forecast statement of cash flows

For the year ended 30 June

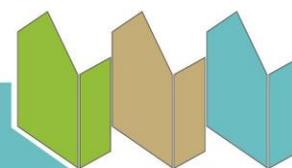
	2014/15	2015/16	2016/17
	\$000	\$000	\$000
<b>Cash flows from operating activities</b>			
<b>Cash was provided from:</b>			
Receipts from licensees	9,375	9,445	8,903
Receipts from sale of publications	180	180	180
Interest income	176	133	95
Suspension fees	124	38	63
Receipts from fines	50	50	50
	<b>9,904</b>	<b>9,847</b>	<b>9,291</b>
<b>Cash was applied to:</b>			
Payments to suppliers	(5,920)	(4,777)	(4,122)
Payments to employees	(4,028)	(4,028)	(4,301)
Interest	(166)	(166)	(166)
Net GST paid	108	110	(11)
	<b>(10,006)</b>	<b>(8,863)</b>	<b>(8,600)</b>
<b>Net cash flows from operating activities</b>	<b>(102)</b>	<b>984</b>	<b>691</b>
<b>Cash flows from investing activities</b>			
<b>Cash was provided from:</b>			
Cash received from investments	2,000	0	0
	<b>2,000</b>	<b>0</b>	<b>0</b>
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment	(215)	(25)	(10)
Purchase of intangible assets	(1,295)	(67)	
	<b>490</b>	<b>(92)</b>	<b>(10)</b>
<b>Total cash flows from investing activities</b>	<b>490</b>	<b>(92)</b>	<b>(10)</b>
<b>Cash flows from financing activities</b>			
<b>Cash was applied to:</b>			
Repayment to Crown	(1,261)	(1,261)	
<b>Total cash flows from financing activities</b>	<b>(1,261)</b>	<b>(1,261)</b>	
<b>Net change in cash and cash equivalents</b>	<b>(873)</b>	<b>(370)</b>	<b>681</b>
Opening cash and cash equivalents	<b>3,747</b>	<b>2,874</b>	<b>2,504</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,874</b>	<b>2,504</b>	<b>3,183</b>



## Forecast statement of changes in equity

For the year ended 30 June

	2014/15 \$000	2015/16 \$000	2016/17 \$000
<b>Public equity</b>			
<b>Public equity at beginning of year</b>			
Capital funding from Crown	2,078	2,078	2,078
Retained earnings	(1,182)	(1,369)	(1,244)
Litigation reserve	250	250	250
<b>Total public equity as at start of the year</b>	<b>1,146</b>	<b>959</b>	<b>1,084</b>
<b>Recognised income and expenses</b>			
Total comprehensive income	169	113	94
<b>Public equity at end of year</b>			
Capital funding from Crown	2,078	2,078	2,078
Retained earnings	(1,538)	(1,357)	(1,116)
Litigation reserve	250	250	250
<b>Total public equity at end of year</b>	<b>959</b>	<b>1,084</b>	<b>1,306</b>



## Statement of accounting policies

### Reporting entity

These are the forecast financial statements of the Real Estate Agents Authority (the Authority), a Crown entity as defined by the Crown Entities Act 2004. The Authority is domiciled in New Zealand. The Authority's functions are defined in the Real Estate Agents Act 2008 and are described on page 5 of this Statement of Intent. The Authority is a public benefit entity for the purposes of New Zealand International Financial Reporting Standards (NZ IFRS).

### Basis of preparation

#### **Statement of compliance**

The financial statements of the Authority 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. The financial statements comply with NZ IFRS and other applicable financial reporting standards, as appropriate for public benefit entities.

#### **Measurement system**

The financial statements have been prepared on a historical cost basis except for the establishment funding from the Crown, which is at fair value.

#### **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 the Authority is New Zealand dollars.

### Significant accounting policies

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

#### **Revenue**

The Authority derives revenue through an annual charge to real estate licensees, the sale of publications, interest on investments 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 the Authority and a disciplinary levy transferred to the Ministry of Justice to provide funding for the Disciplinary Tribunal. In addition, an application fee is charged to recover the additional costs of registration. The Authority also charges a fee for suspending a licence. The suspended licence is valid for 12 months, after which it is revived, resuspended or cancelled. Most licences expire on 31 March each year, and the licence renewal is payable at this time, therefore the Authority generally recognises 25% of revenue from renewed licences in the financial year the operating levy is received. The remaining 75% of the operational levy collected is deferred to the following financial year. Revenue is measured at the fair value of consideration received or receivable.

#### **Levies**

##### *Operational levies*

Operational levies are recognised when earned and are reported in the period to which they relate.

##### *Disciplinary levies*

Disciplinary levies are paid on receipt to the Ministry of Justice and are not recognised as income.

#### **Fees**

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

#### **Fines**

Fines are recognised when due and receivable.

#### **Sale of publications**

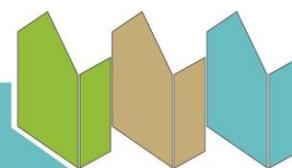
Revenue from the sale of publications is recognised when the sale is made.

#### **Interest**

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

#### **Capital charge**

A capital charge of 8.0% is applied to the \$2.08 million capital funding received from the Crown and is recognised as an expense in the period to which the charge relates.



### **Leases**

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Authority 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 income.

### **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 the Authority 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, accrued interest and resident withholding tax recoverable from the Inland Revenue Department, 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 the Authority 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 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 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 total comprehensive income 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 and capital work in progress.

#### *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 the Authority 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 income.

#### *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 the Authority 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 income 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:

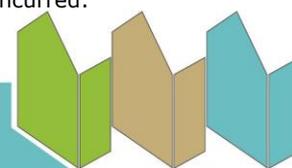
Furniture and office equipment	5 years	20%	straight-line basis
Computer equipment	3 years	33%	straight-line basis
Leasehold improvements	4 years	25%	straight-line basis

### **Intangible assets**

#### *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 the Authority 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 has a nil book value. The amortisation charge for each period is recognised in the statement of comprehensive income. The useful lives and associated rates have been estimated as follows:

Acquired and developed software	3–5 years	20–33%	straight-line basis
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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.

### **Provisions**

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **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 income as incurred.

### **Establishment funding**

The Crown provided establishment funding to be repaid over a period of five years. This is recorded as a liability at fair value in the statement of financial position and subsequently measured at amortised cost in accordance with the effective interest rate method. The Authority made its first repayment in April 2012.

### **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. The net amount of GST recoverable from or payable to the IRD is included as a receivable or payable in the statement of financial position.

### **Taxation**

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

### **Financial instruments**

The Authority 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 income.

### **Statement of cash flows**

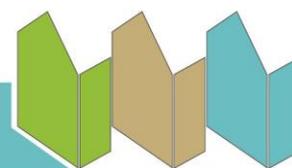
The statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the statement of comprehensive income. Cash flows are classified into three activities:

- Operating activities include cash received from all income 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 the Authority.

### **Equity**

Equity is the Crown's investment in the Authority plus any surpluses/less any deficits incurred through operations and a litigation reserve for extraordinary unanticipated legal expenses.

### **Changes in accounting policies**



The accounting policies are consistent with those used in the past year except for the adoption of amendments to the NZ IFRS. None of these amendments has materially changed the financial statements.

### **Critical judgements in applying the Authority's accounting policies**

In the application of NZ IFRS, 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 NZ IFRS 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 8 of this Statement of Performance Expectations.

