



2022
Real Estate
Authority
Te Mana
Papawhenua

Annual Report
Te Pūrongo-ā-Tau

For the year ended 30 June 2022

Strategic framework 2021-2025

Te anga rautaki

Government priorities

To improve the wellbeing and living standards of New Zealanders

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

Our purpose

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

OUR IMPACTS OVER TIME



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



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



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



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

OUR STRATEGIC PRIORITIES

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

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

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

Demonstrate our commitment to te Tiriti o Waitangi

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

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

OUR ACTIVITIES AND SERVICES WORK TOGETHER TO DELIVER OUR STRATEGIC PRIORITIES

Engagement, information, insights and education

Licensing and enquiries

Complaint determination and disciplinary action

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

Oversight and development of the real estate agency regulatory system

Supervision and compliance

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

Our values Ko mātou

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



We are professional

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



We are proactive

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



Our people matter

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

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Chair's report

Te pūrongo a te heamana

Tēnā koutou katoa

This past year has brought a range of new challenges to the real estate sector, our community and REA. The first half of the year saw a hot housing market with high prices and high competition for limited stock. Omicron had not yet reached our community, and while supply chain challenges remained, the issues in Europe had not yet emerged. From January, a significant shift began, impacting the real estate sector with rising interest rates, rising inflation, increasing construction costs, continuing supply chain issues and unrest in Europe. COVID-19 moved through our communities, and the labour market continued to tighten.

Within the real estate sector, in the second half of the year, residential house prices began to soften as more stock reached the market. A shift from buyers motivated by a fear of missing out to buyers taking time to buy due to a fear of overpaying took hold in the residential sector. In these conditions, the expectations on real estate professionals and on REA as the conduct regulator have remained high.

I am proud of REA's achievements this year in these challenging and changing conditions and the impact we have had on the wellbeing of New Zealanders in the first year of delivery of our new four-year strategy.

Strategic focus

We set an ambitious plan for the year with a focus on increasing awareness of REA across New Zealand's diverse communities, increasing our understanding of the needs and interests of Māori and all communities who seek to engage in real estate transactions and supporting licensees to meet the high standards of conduct expected.

We aimed to balance our information, education and guidance harm prevention focus with providing an effective regulatory licensing and complaints system. Importantly, we aimed to support the wellbeing of our people in navigating a pressured market, high work volumes and a challenging pandemic context.

Strategic impact

As this report demonstrates, despite the challenges of a shifting market, COVID-19 and a tight labour market impacting our workforce, our work has resulted in a marked increase in awareness of REA as the real estate sector regulator, sustained consumer confidence in the profession and a reduction of complaints. These are indicators of improved conduct by real estate professionals and effective consumer protection.

We delivered several key projects to enhance the regulatory system and to support licensees to understand and meet their obligations. This included delivery of a robust continuing professional development education programme, draft guidelines on the assessment of the fit and proper licensing condition and implementation of the outcome of the qualifications review through amended regulations. Our work to improve the timeliness of our complaints system is continuing.

We supported consumers and the sector to navigate real estate transactions without harm in changing COVID-19 and market conditions by the provision of information and guidance through a range of communication channels. We remained responsive and accessible to media. Our work to translate three consumer guides to seven languages is a key step in our work to support New Zealand's culturally diverse community.

This year saw REA license and support the highest ever number of real estate professionals, with care taken to ensure the licensing criteria were met. The complaints and disciplinary process managed steady volumes with new and complex issues raised, adding to the guidance available to the sector on how to meet the standards expected. Our research results demonstrate that consumer levels of empowerment, confidence and trust in the sector have remained high, indicating that we are moving positively towards our vision where people confidently engage in fair transactions with trusted real estate professionals.

We are proud of our results, yet we recognise there is more work to do. We want to see all licensees meet the high standards expected and, through this, to see wider public confidence in the real estate sector lifted.

Managing risk in a shifting market

As an entity fully funded by non-government revenue, we have continued to take a conservative cost management approach. We carefully monitor and respond to risks. Resourcing pressure arising from the tight labour market and fiscal restraint has impacted delivery of some aspects of our ambitious plan, with some initiatives deferred for completion

in the coming year. However, our higher than forecast levy revenue this year puts us in a healthy financial position to complete delivery of that work and to withstand any potential financial shock if there is a sudden reduction in levy revenue.

Working together

As I reflect on the past year, I remain grateful for the commitment and dedication of our Chief Executive, Senior Leadership Team and staff who have again demonstrated resilience, working tirelessly together throughout a demanding year. They deserve to be proud of our achievements highlighted in this report.

I acknowledge the strong governance provided by the REA Board who bring a wide range of experience, knowledge and perspectives. In particular, I acknowledge the seven years of service of Marion Eades, who retired from the Board in November, and welcome Mele Wendt, who brings strong governance, education and consumer perspectives and is REA's first Pacific peoples Board member.

Our effectiveness this year is the product of our work across the property system, and I acknowledge the work of sector leaders and entities to work with us to promote and protect the interests of consumers and promote public confidence in real estate agency work.

Nā reira kia ora anō tātau katoa



Denese Bates KC
Chair

A message from the Chief Executive Te pūrongo a te tumuaki

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

In a year of continuing change and uncertainty, REA has demonstrated its ability to adapt and deliver positive impact for the real estate sector, consumers and New Zealand in our role as the independent conduct regulator.

We have supported our highest ever number of licensees, responded to a wide range of complex complaints and enquiries, overseen delivery of effective education, guidance and information to licensees and consumers and worked hard to raise awareness of REA and support licensees to meet their obligations.

I am proud of what we have achieved in the first year of our ambitious four-year strategy and the impact this work has had on raising standards, preventing harm and supporting integrity in the real estate sector. Key to this work has been our engagement with sector representatives through our industry advisory groups and Regulator's Forum and our discussions at the Conversations with REA events in South Auckland and Palmerston North. Understanding the risks and issues occurring in the real estate sector is critical to our ability to effectively respond to and prevent harm, and I thank those from the sector who have willingly engaged with us to ensure that we are an evidence and insights-led regulator.

Our work this year to provide timely guidance and information on operating within the COVID-19 settings and to identify issues of importance to high standards has been supported by key stakeholders. By working with stakeholders such as the Department of Internal Affairs, Ministry of Justice, Ministry of Housing and Urban Development, Real Estate Institute of New Zealand (REINZ), New Zealand Law Society, Ministry of Business, Innovation and Employment and Department of the Prime Minister and Cabinet, we have been able to provide advice and guidance on policy settings that are important to the strength of the property sector and the wellbeing of New Zealanders now and in the future. This engagement is key to promoting high standards and ensuring that we are an effective regulator.

I am particularly proud of our work to extend our understanding and span of influence and impact across the diverse communities in New Zealand. Our translated guides and our extended research programme are all evidence of our commitment to supporting all licensees and consumers to navigate real estate transactions without harm.

The ongoing development of our internal cultural capability through an ao Māori and reo Māori education programme for staff and the development of our Māori engagement framework are highlights. This provides a critical platform from which we can continue to demonstrate our commitment to te Tiriti o Waitangi.

Operational effectiveness

This year, we have implemented a new financial management system, completed a refresh of our mobile devices for staff and made good progress on our review of the effectiveness of our complaints system. We have taken substantial steps to ensure that our operational foundations are resilient and fit for purpose.

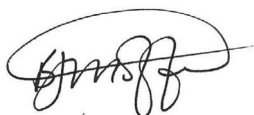
COVID-19 has highlighted the need for all organisations to be adaptable. I thank the REA staff team for their resilience and willingness to deliver tirelessly through the demands of high work volumes and changing workplace settings.

We have had another extraordinarily active year, with strong results that demonstrate the important role REA plays in supporting high standards of conduct, consumer protection and promoting trust and confidence in the real estate sector.

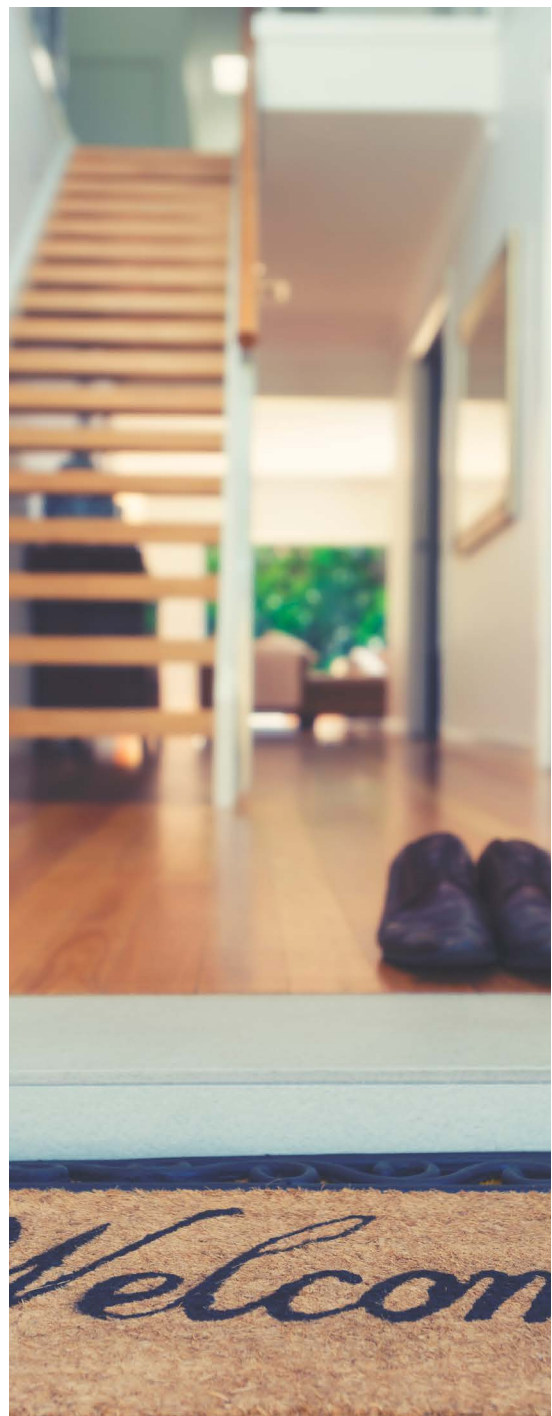
I thank the Senior Leadership Team and all staff who have contributed to our work this year for the perspective they bring. Our positive and supportive workplace culture continues to be key to our ability to deliver effective regulatory services and to ensure that REA is a great place to work.

Lastly, my thanks to our Board for their strong governance and leadership throughout the year.

Nā reira kia ora anō tātau katoa



Belinda Moffat
Chief Executive



The Board

REA is governed by an independent Board, which has members experienced in law, real estate, investment, education, governance and risk management. The Board reports to the Associate Minister of Justice, and its members are appointed by the Associate Minister. The Board has an Audit and Risk Committee and a People and Capability Committee.

Members of the Real Estate Authority Board as at 30 June 2022



Denese Bates KC
Chair
Appointed March 2014



Elizabeth Nidd
Appointed August 2015



Anthony Stack
Appointed August 2015



Latham Lockwood
Appointed November 2019



Vern Walsh JP
Appointed November 2019



Mele Wendt
Appointed September 2021

The Senior Leadership Team

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

Members of the Senior Leadership Team



Belinda Moffat
Chief Executive/Registrar



Phirak Appleton
General Counsel



Andrew Bulled
Head of People and Capability
(joined August 2021)



Josh Doherty
Head of Regulatory Services



Victor Eng
Head of Corporate Services



Marie Snell
Programme Manager
(joined January 2022)



Nadine Thomas
Head of Engagement,
Insights and Education



Our highlights

Ngā mea hira

REA managed

14,947

phone calls



33%

from
last year

Total active licensees
at 30 June 2022

16,866

3.7%

from
last year

REA issued

2,628

new licences



1%

from
last year

REA handled

4,135

general enquiries

5.9%

from
last year

REA received

1,108

complaint
enquiries



26%

from
last year

REA received

271

formal
complaints



15%

from
last year

REA resolved

168

complaints through
the early resolution
process

8%

from
last year

85%

of consumers have
confidence in the
real estate industry

6%

from
last year

Consumer¹
awareness of REA

69%

6%

from
last year



256,122

views of pages with COVID-19 information across settled.govt.nz and rea.govt.nz

86%

of consumers feel empowered to participate effectively in a real estate transaction

84% from last year

87%

of licensees agreed REA's COVID-19 guidance helped them to understand how to safely conduct real estate transactions in changing COVID-19 restrictions



Consumer awareness of settled.govt.nz

39%

4% from last year



743,098

visits to settled.govt.nz

from last year

27%



684,986

visits to rea.govt.nz

from last year

22%



71%

of licensees rate REA resources as useful/very useful

26% from last year



LinkedIn followers increased from

1,722 to 3,162²



Facebook followers increased from

23,305 to 24,200³



92%

of consumers found the information and guidance provided by REA useful

5% from last year



97%

of licensees find REA compliance guidance useful

5% from last year



87%

of participants in the complaints process agreed the process was independent, fair and transparent

10% from last year

1 Consumer: members of the public who participated in a real estate transaction within the preceding 12 months.

2 As at 27 July 2022.

3 As at 27 July 2022.

Research highlights Ngā mea hira o te rangahau

Consumer survey

Awareness of REA⁴

51%

of the public are aware of REA

8% from last year

56%

of consumers know what REA does

8% from last year

79%

agree that REA provides clear and independent information

(New question this year)

84%

of consumers who are aware of settled.govt.nz consider it a trustworthy website

(New question this year)

Consumer behaviour

94%

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

6% from last year

77%

of consumers consulted a lawyer or conveyancer

2% from last year

72%

obtained a valuation

2% from last year

46%

obtained a report from a building inspector

4% from last year

Licensee survey⁵

COVID-19 guidance – licensee feedback

71%

of licensees used REA websites for guidance on how to conduct real estate transactions under COVID-19 restrictions

Compliance guidance – licensee feedback

97%

of licensees found REA's compliance guidance useful in understanding their regulatory obligations

3% from last year

Complainant survey⁶

Early resolution process

88%

of participants agreed that the communication was clear (down from 97%), and 91% agreed that they were kept informed (down from 95%)

4 NielsenIQ Annual Perceptions Research – pages 21, 22, 27.

5 Undertaken by REA in 2022.

6 Undertaken by REA in 2022.

Our strategic context

Tō mātau horopaki rautaki

REA's role and function

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

We are the 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. Our scope includes residential, commercial, business and rural real estate transactions and licensees.

We set and uphold high professional standards of conduct expected from licensed real estate professionals (licensees) through rules, standards and guidelines and oversee the Code of Conduct. We oversee an education programme for continuous 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, which provides independent information to help consumers navigate real estate transactions.

We do not receive government funding. Our revenue is derived from levies paid by licensees, fines ordered by the independent Complaints Assessment Committees (CACs) and the Real Estate Agents Disciplinary Tribunal and other sources as detailed in the notes to our forecast financial statements. In the current uncertain economic and real estate environment, we have continued to take a conservative view of likely revenue. The number of licensed real estate professionals is higher than forecast resulting in higher than forecast revenue. This conservative approach is appropriate given that our data indicates that there can be high churn and changes to the overall annual number year on year, which in turn impacts on our revenue.

Shifting market conditions

The high levels of housing market activity and accelerated average price growth that characterised the preceding financial year continued during Q1 and Q2. This trend peaked around the beginning of 2022, followed by a sustained cooling of the market in the second half of the financial year. Across the country, prices and sales volumes declined while stock levels and average days to sell increased.

This clear shift in the market was reflected by a change in prevailing consumer attitudes. As observed and reported by licensees and market commentators alike, FOMO (fear of missing out) was replaced by FOOP (fear of overpaying) as a driver of buyer behaviour. Other macro-economic factors included rising interest rates and inflation plus global economic uncertainty associated with the war in Ukraine and the lingering effects of COVID-19. These further exacerbated the market slowdown. While the commercial and rural segments of the market have been somewhat less volatile than the residential, they have also felt the effects of the broad economic headwinds.

The intense market activity of 2021 and the recent cooling can place continued pressure on consumers and licensees involved in real estate transactions. It is in this environment that strong skills and high standards are critical as licensees guide buyers and sellers through the real estate process.

Licensee influx

In 2021/22, licensee numbers continued to grow to an all-time high with the impact of COVID-19 on labour markets and a buoyant real estate market attracting a strong surge in salesperson licence applications. REA issued a record 2,628 new licences, surpassing the record set the preceding financial year, which was itself a 54% increase on the number of new licences issued in 2019/20. The ratio of new licences issued to total active licences, having held relatively steady at 11–12% for several years, has notably increased in each of the past two financial years to 15–16%. It is noticeable that the growth in the past two years is dominated by an influx of new salesperson licensees.

This significant influx of new licensees coincided with high demand and rising sale prices in the real estate sector (through to the peak at the end of 2021), as well as labour displacement from sectors particularly affected by COVID-19 restrictions, including hospitality and tourism.

A proportional increase of new and comparatively inexperienced licensees in the market can present a potential conduct risk. One of the key ways for this risk to be mitigated at the agency level is via proper supervision of salespeople, which is a requirement prescribed in the Real Estate Agents Act. REA has reinforced the importance of proper supervision in the current context with licensees and taken steps to support progression to the branch manager and agent licence tiers (the tiers entitled to act as supervisors) through the refreshed qualifications framework.

Similarly, REA's engagement and education programmes are critical to supporting new entrants to the industry and ensuring that the Code of Conduct remains a central source of guidance for them on proper conduct in a challenging operating context.

Stabilising complaint numbers, novel issues

The past year has seen a net decline in formal complaints from 320 in FY2020/21 to 271 in FY2021/22. However, in a year when market conditions saw lower levels of overall sales activity for much of the country in Q3 and Q4, in terms of the incidence of complaints, we would conservatively characterise this as a stabilisation rather than an outright reduction. However, the reduction in complaints is an indicator of improved conduct across the sector.

There have also been a number of notably complex and/or novel issues arising within those complaints. These have included challenges to decisions made under section 74(3) of the Real Estate Agents Act, which provides the Registrar with the authority to determine that a complaint is inconsequential and for that reason need not be progressed.

For the first time, REA applied to the Court of Appeal to intervene in a matter relating to the requirements for agency agreements. As a regulator, REA had no view on the commercial issues between an agency and a commercial client. REA intervened to assist the Court by providing a regulatory perspective on the key points of statutory interpretation and its wider effects on consumer protection. In its decision issued in July 2022, the Court confirmed REA's regulatory position with regards to the interpretation and statutory requirements for agency agreements, recognising them as a cornerstone of the regulatory regime.

Evolving COVID-19 environment

COVID-19 continued to impact the operating landscape this financial year. The shift from the national alert level system to a regionally structured protection framework required clear guidance to the sector on navigating different restrictions at different times in different parts of the country.

REA worked proactively with government stakeholders to prepare and provide timely, relevant guidance to licensees on the safe conduct of business (such as around open homes and auctions), primarily via our website, social media and online pānui (newsletters).

REA also delivered guidance to consumers via our consumer website settled.govt.nz and the media. REA worked with REINZ to ensure potential issues were identified and addressed in clear and consistent messaging.

Operational pressures

The pressure of the market and growing awareness of REA has contributed to increased numbers of people accessing REA's licensing and complaints and disciplinary services in the first half of the year. While the numbers have reduced in the second half of the year, workloads remain high. Our resources have been focused on reducing the number of aged complaints, which have been impacted by delays arising from COVID-19 restrictions, increased volumes and resourcing limitations.

REA's resourcing has been increased in response to the work volumes, and like many entities, we have adjusted to a changing workforce that has been impacted by the labour shortage and restraints on pay. Our work to improve the efficiency of our regulatory services is continuing and will be completed in the coming year.

Importantly, COVID-19 has impacted our working environment, with our single office space justifying the need for our staff to work from home at various times as part of our health and safety response. We have successfully moved all our services online.

First year of new REA strategy

This was the first full year of REA operating under its refreshed 2021–2025 strategy. This strategy sees REA continuing to provide quality information to consumers, which has been a major focus for the last few years, balanced with increasing our focus on using all our regulatory tools effectively to benefit consumers and supporting the industry to meet high standards of conduct.

The new strategy brought new systems, processes and initiatives into action across the organisation. Our refreshed strategy brings refreshed measures to assess our performance such that it underpins the impacts we are seeking to have. Overall, our vision is to see people confidently engage in fair transactions with trusted real estate professionals and the improvement of the wellbeing of all New Zealanders. This Annual Report 2021/22 reports against our new strategic framework (inside front cover) and plan.



Our performance

Ā mātau mahinga

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

In this report we demonstrate the impact we have had and the value we have delivered to the real estate sector and New Zealand. The next section reports on the impact measures we set out in our Statement of Intent 2021–2025. We then describe our operations and organisational health and capability. The report covers our achievements against the performance measures and budget set out in our Statement of Performance Expectations for the year ending 30 June 2022.

Our impact

Since our establishment in late 2009, we have evolved from a new Crown entity to a well-established regulator that is making a positive difference by building the capability, integrity and professionalism of the real estate agency sector and promoting and protecting the interests of consumers. In 2021, we refreshed our strategy. Our previous strategy focused on empowering consumers and supporting increased professionalism in the real estate sector. A large component was the establishment of our consumer website settled.govt.nz and the provision of educational tools and guidance to the sector. Our refreshed strategy continues our work to provide quality information to consumers and industry, balanced with increasing our focus on using all our regulatory tools effectively to benefit consumers by supporting the industry to meet the high standards of conduct. Equally important to this strategy is raising awareness of and confidence in REA as the conduct regulator across New Zealand's diverse

consumer and licensee communities and demonstrating our commitment to te Tiriti o Waitangi.

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

Te Anga Rautaki (our Strategic Framework 2021–2025) (inside front cover) outlines our vision, overarching strategic goal and strategic priorities that we have worked to achieve in the 2021/22 financial year. This strategic framework is published in our Statement of Intent 2021–2025 and Statement of Performance Expectations for the year ending 30 June 2022.

This year, to deliver our strategy, we have worked to provide clear rules, standards and guidelines that support licensees to understand and meet their regulatory obligations and to increase standards of conduct. Our guidelines for assessing the fit and proper licensing criteria and guidelines for undertaking real estate transactions within the COVID-19 restrictions are examples.

We have deepened our understanding of the drivers of risk and the causes of potential harm arising from real estate agency work and provided information and guidance to the sector and consumers to protect against these risks through our engagement and education activities. Through our continuing professional development programme and our media and stakeholder engagement activities, we have highlighted issues and appropriate protections against harm. We have clearly stated our regulatory expectations for the sector through frequent communications.

We have continued to deliver information to consumers through a variety of channels, including settled.govt.nz, media and stakeholders, to enable them to confidently engage in real estate transactions. Development of translated consumer guides across seven languages is an important step taken to better engage with New Zealand's diverse communities.

We have played a visible role in the real estate sector, actively providing advice and guidance and working alongside stakeholders and policy makers on regulatory issues. This has increased awareness of REA as the real estate conduct regulator, which has contributed to the maintenance of confidence and high standards of conduct in the sector despite challenging conditions.

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

We have worked collaboratively with the real estate profession to support high standards of conduct to build trust and reduce harm for those involved. Our regulatory guidance and high-quality complaints and disciplinary services all deliver to this aim. As well as increasing knowledge of the standards of conduct expected through REA's continuing professional development programme, independent CACs overseen by REA have addressed cases of unsatisfactory conduct and misconduct and helped set clear guidelines for high standards of conduct expected of licensees.

We have aimed to achieve our overarching strategic goal through delivering four strategic impacts over time. Our intended impacts are achieved through our core activities undertaken within the outputs described below. Together, these outputs deliver the impacts and outcomes we seek to achieve.

Our strategic priorities (impacts)



Impact 1

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



Impact 2

Licensees fulfil their obligations and are capable, trusted and professional



Impact 3

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



Impact 4

Standard of conduct by licensed real estate professionals is increased

Our outputs



Output 1

Informing consumers, educating and engaging with licensees



Output 2

Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes



Output 3

Oversight and development of an effective real estate agency regulatory system



Output 1

Informing consumers, educating and engaging with licensees

Putanga 1

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

▶ This output primarily contributes towards the following impacts:



Impact 1

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



Impact 2

Licensees fulfil their obligations and are capable, trusted and professional



Impact 3

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

Our 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 do this by engaging with and educating licensees to support them to meet their regulatory obligations, providing them with guidance, information and an effective and robust continuing professional development programme. We also empower consumers to confidently engage in real estate transactions by providing clear, independent, accessible information through a range of digital and non-digital channels. Our consumer website settled.govt.nz is a core service for consumers providing independent, trusted and comprehensive information for buyers and sellers.

Raising public awareness about REA and the work we do is fundamental to our impact in this area. Consumers must know that REA exists and what we do for them to have confidence in the sector and the professionalism of licensees. Consumers must also know that REA's resources and services are available to them in order to access and benefit from them. This year, our engagement and education activities through our digital and non-digital channels have directly lifted awareness and understanding of REA.

This year, we consider that our key activities within this output have helped drive increased awareness and interaction with REA, better-informed and more-confident real estate consumers and a greater appreciation among licensees for REA as an aid to their compliance rather than simply an enforcer.

Information resources

Our guides to the agency agreements and sale and purchase agreements, which we require licensees to provide to sellers and buyers before they sign them up, remain a fundamental resource for putting essential guidance and information into the hands of consumers. Printed copies were sold to licensees, with digital versions also popular during COVID-19 restrictions. Our research indicates over 90% of consumers who received one of the guides found it useful. This year, we also refreshed their content and design, changing their 'Settled' look and feel to clear REA branding, maximising their value as a tool for driving consumer awareness of our regulatory role. These refreshed guides, along with the buyer's journey guide, have also been translated and will be rolled out in six additional languages (see Output 3 for detail) in late 2022.

The websites settled.govt.nz and rea.govt.nz are our most comprehensive information resources for consumers as well as for licensees. REA raised the profile and accessibility of settled.govt.nz through a range of digital marketing techniques, including optimised search terms, blogs, advertising on core real estate websites and social media referrals and campaigns.

On social media, we took a content-led approach, increasing our reach and profile through sharing engaging and relevant information tailored to the distinct audiences and purposes of our Facebook and LinkedIn channels. Both audiences grew organically during the year, despite a deliberate reduction in Facebook advertising spend and no spend whatsoever in terms of LinkedIn, where our professional follower network has almost doubled within a year.

Licensee guidance

Licensees were educated and guided by REA to maintain their regulatory obligations and professional standards throughout the year. Most formally, this support is delivered via our oversight of the continuing professional development programme (detailed below), which contributes directly to increasing industry professionalism by helping to ensure licensees understand and address topical issues and important changes to legislation, regulations or rules.

More generally, through our regular Pānui e-newsletters we directly update licensees and stakeholders on issues affecting the sector as well as complaint decisions that can illustrate and provide guidance to licensees on the standards expected from them. This year, we made increased reference to cases and outcomes in Pānui, as this content generally has some of the highest engagement (click-through rates) of any information in the newsletters.

Engagement with licensees on a face-to-face level, aside from regulatory service interaction, was maintained throughout the year, leveraging digital meeting solutions where necessary. We delivered a programme of stakeholder events designed to focus on different angles of engagement – leader to leader, geographic and sector-based (residential, commercial and business, rural). Through this engagement, we have been able to work with the sector to promote and protect consumer interests and respond to challenges where the risk of poor conduct may arise.

Members of our Senior Leadership Team have also presented at a range of licensee business meetings and industry and property sector events highlighting themes from complaints and areas where industry can focus to continuously ensure high standards of conduct.

Together with our media engagement, we believe this activity has contributed significantly to the positive awareness and perceptions results that our annual surveys have recorded this year.

Public and consumer awareness of REA

In the previous three years, the percentage of the New Zealand public aware of REA and the services we provide has held steady at 41–43%. This year, public awareness of REA rose to 51%⁷ – approximately an additional 400,000 New Zealanders becoming aware of REA in 2021/22 (more than 1,000 people a day).

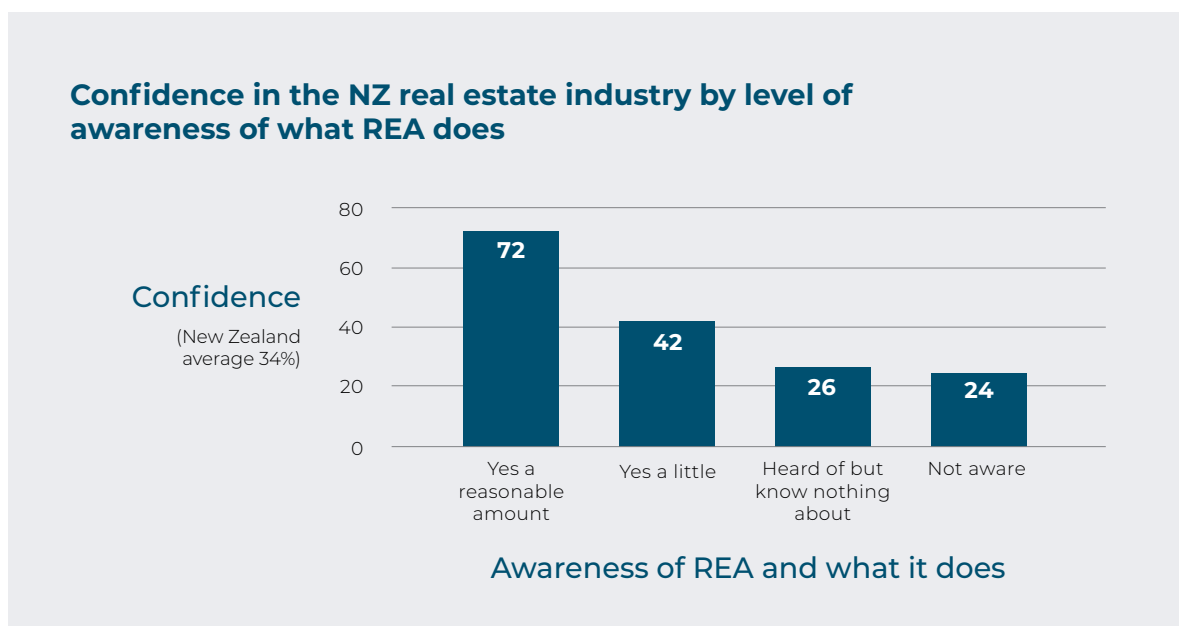
Of consumers who had a real estate transaction in the last 12 months, seven in 10 (69%) have heard of REA. This is up from 63% in our 2021 survey and continues a sustained growth in awareness from 48% just five years ago. Perceptions of the organisation are positive, with more than three-quarters of those who say they know at least a little about REA agreeing that we are trustworthy, providing independent and clear information that is accessible to everybody.

Importantly, significantly more of those who are aware of REA believe we are making a difference in terms of their consumer protection than in 2021 (50% compared to 37%). Those people were more than twice as likely to give us the highest rating – ‘a lot of difference’ – than in the previous survey (33% compared to 15%).

Among licensees, interaction with REA resources increased to 66% from 43% in 2021, while their usefulness rating of those resources also rose significantly from 45% to 71%.

While only around one in three New Zealanders (34%) in our survey said they have confidence in the real estate industry, it is significant that those who have been part of a transaction in the past year have a substantially more positive perception. All the confidence descriptors we measure (professional, well monitored, well regulated, fair and transparent) saw significant gains in this year’s survey, with 44–59% agreeing with each.

Most encouraging of all, the segment with the highest level of confidence in the industry (72%) by a significant margin are those who say they know a reasonable amount about what REA does. This correlation is an important endorsement of the positive impact this output makes and can continue to make on consumer confidence (see Figure 1 below).



COVID-19 guidance and sector leadership

In the reporting period, we continued to play a critical role in providing authoritative guidance to the industry on how to undertake real estate agency work while maintaining compliance with the government's evolving response to the ongoing COVID-19 pandemic.

Working closely with other key stakeholders, including the Ministry of Justice | Te Tāhu o te Ture, Ministry of Health | Manatū Hauora, Ministry of Housing and Urban Development | Te Tūāpapa Kura Kāinga and REINZ, we developed and distributed regular detailed REA Pānui to licensees on how to operate within the COVID-19 guidelines and to manage risk. This included guidance on, for example, delivering viewings, open homes and auctions. We engaged constructively with the sector and REINZ through this process to ensure we understood the practical implications, risks and challenges faced by the sector.

The value of this mahi is reflected in the annual licensee survey results in which seven in 10 (71%) licensees said they used REA guidance on how to conduct real estate transactions under the COVID-19 restrictions. Of those, 87% agreed that this guidance helped them understand how to safely work through the changing COVID-19 restrictions, with 80% saying it improved their confidence while doing so.

To further protect and guide the wider public, we adapted this guidance for our consumer channels and responded to numerous related media enquiries. As well as playing our part in helping to safeguard the community, this work also raised awareness of REA and our role.

Engaging with media on real estate issues

The real estate market plays a critical role in the financial and social wellbeing of New Zealand and has been under significant scrutiny during the reporting period. The conduct of licensees has a direct impact on the wellbeing of those they engage with, their families and businesses. Major shifts in the property market during this financial year resulted in high media interest in the sector. As an experienced regulator of the sector, we worked to be accessible and responsive to media throughout the year. Through this, we contributed to public understanding of the risks and issues arising in real estate.

Our Chief Executive provided a regular consumer advice column on *Stuff* addressing regulatory issues in depth and providing consumer guidance around areas of risk that arise in complaints and relate to current market conditions.

Topics of media interest included trends in licensee numbers and sales methods following market shifts, cases of public interest and the impacts of COVID-19. Key messages we promoted throughout the year have included the importance of consumers undertaking due diligence before making an offer and the importance of effective disclosure and fairness by licensees.

Through this media engagement, we raised awareness of REA's regulatory role and increased understanding of the ways we protect consumer interests.

Continuing professional development (CPD)

CPD contributes directly to increasing industry capability and standards of conduct by assisting licensees to maintain and enhance their knowledge and skills to ensure they have the tools to meet their regulatory obligations.

Licensees are required to complete 10 hours of verifiable training and 10 hours of non-verifiable training per year. Topics for the CPD programme are reviewed and, where necessary, refreshed or newly developed each calendar year. Topic selection is based on complaint data and consumer research as well as REA's assessment of those areas where the greatest risk of harm and non-compliance may arise. In the reporting period, we oversaw effective delivery of the 2021 programme and built the programme for 2022. We have received positive feedback on the 2022 programme.



“Congratulations on the ‘on point’ topics and the fantastic material and references provided. It is appreciated by all our team, many who have also conveyed their appreciation of the training material.”

**Real estate agency
general manager**

Under COVID-19 restrictions, an increasing proportion of CPD training in 2021 and early 2022 was delivered via the online learning environment. This presented some challenges for licensees and training providers and REA as the provider of the training content. This likely contributed to the lower survey outcome on satisfaction with the CPD training programme (73%). However, given these challenges, the result remains strong, and the target of 85% is high. We are working with providers to learn from the experience of users given that online learning will continue to be a channel in the future.

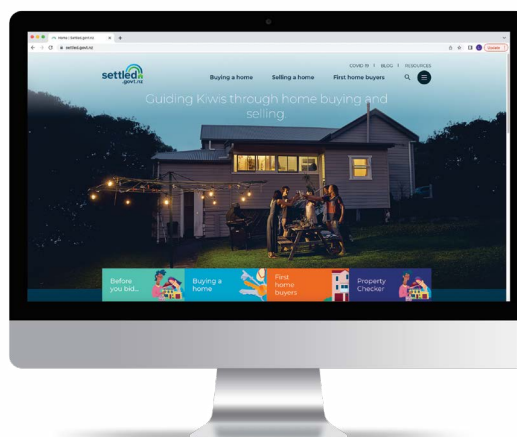
Digital communications – settled.govt.nz and rea.govt.nz

Our websites rea.govt.nz and settled.govt.nz are critical channels for providing information and guidance to support licensees and consumers to navigate the property buying and selling process. They were vital tools to convey updates during the challenging COVID-related and market conditions of the past year.

Our research indicated positive results for consumer engagement with settled.govt.nz this year, with awareness increasing year on year. Encouragingly, 99% of those who visited settled.govt.nz for general information about real estate transactions felt more knowledgeable afterwards, and 94% of those who came for help with a specific question found what they were looking for. Crucially, from a harm-prevention perspective, 92% of those who visited the site during a real estate buying process did so before they made an offer. The credibility of settled.govt.nz content was highly rated by survey respondents, with more than 80% agreeing that it was trustworthy and accurate, providing independent, expert information and advice on buying and selling property.

Social media is an increasingly important tool for REA to connect with consumers and the sector. Our Facebook page, which operates under the consumer-oriented Settled brand, had 24,200 followers by July 2022 – an increase of almost 4% in 11 months.

We also achieved an increase of more than 84% in our LinkedIn network, enabling wider distribution of key regulatory information. This is a key channel for REA to continue building public awareness and understanding of our regulatory role in a professional context.



Engagement with licensees and stakeholders

Throughout the year, we have engaged with licensees and stakeholders through our various channels.

We have hosted industry advisory group meetings in Q2 and Q4 with representatives from the rural, residential, commercial and business sectors. We provided updates on complaint themes and licensing data insights as well as on the progress against REA's refreshed strategy. We also sought input on key regulatory activities, including the development of the fit and proper guidelines, COVID-19 guidance and our analysis of drivers of risk of harm in real estate transactions.

We also held two invitation-only Regulator's Forum sessions with senior representatives from across the industry in November 2021 and May 2022, both in virtual meeting environments. We engaged on similar topics as the industry advisory groups and also sought a leadership perspective from licensees on strategic issues for REA and the sector such as diversity and inclusion and effectively managing supervision following a substantial influx of new salespeople into the industry.

Notwithstanding the logistical challenges of COVID-19, we continued our regionally focused engagement series Conversations with REA, enabling an opportunity for licensees to hear from the Chief Executive and REA experts on market pressures, regulatory issues and initiatives and to engage in discussion. An in-person event was held in South Auckland, and an online event was hosted for Palmerston North licensees.

This year, we increased the information provided about recent CAC and Disciplinary Tribunal cases, to highlight those areas where conduct improvements are required. We consider that this will have contributed to the ongoing improvement in licensee conduct and the low number of complaints relating to compliance with COVID-19 restrictions.

Supporting New Zealand's diverse communities – te Tiriti o Waitangi

A key aspect of our refreshed strategy is to extend REA's reach and engagement across New Zealand's diverse communities across age, gender, ethnicity, ability and orientation. We have reviewed and translated our three consumer guides into six additional languages, and these will be published in late 2022. We have engaged with an advisor to support the development of our framework for engaging with and understanding the needs of Māori in real estate transactions. Alongside this work, we have continued to grow our cultural capability, increasing staff confidence in te reo Māori through a 12-week language and tikanga programme.

Importantly this year, we used our research to better understand the needs of our licensees and consumers. This research indicates that awareness of REA across Māori and Pacific peoples is strong, but awareness among other migrant groups remains low. This is useful baseline information that will guide our work to engage across New Zealand's diverse communities.

This work provides the building blocks for our continuing work in this area in the coming years.



Ethnicity	Prompted awareness of REA	Prompted awareness of settled.govt.nz	Have interacted with REA and settled.govt.nz	Have interacted with REA or settled.govt.nz
Total	69%	39%	25%	49%
New Zealand European	71%	37%	23%	45%
Other European	65%	32%	19%	37%
New Zealand Māori	74%	48%	38%	67%
Pacific Peoples	81%	52%	27%	69%
Chinese	74%	64%	37%	64%
Indian	56%	40%	21%	45%
Net Asian	58%	46%	26%	50%



The consumer guide resources were translated this year into six languages



Output 2

Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes

Putanga 2

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

▶ This output primarily contributes towards the following impacts:



Impact 2

Licensees fulfil their obligations and are capable, trusted and professional



Impact 4

Standard of conduct by licensed real estate professionals is increased

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

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

This year, there was a continuing increase in licensing numbers and enquiries and a reduced volume of complaints activity over the second half of the financial year. In our view, the reduction in complaints volume is likely to be the result of the shift from a hot pressured

market to a cooler market, with less pressure on buyers and a reflection of improved standards of conduct by licensees who have been supported to meet their expectations as a result of REA's information, engagement and guidance.

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

Our impact this year has been delivered through our quality handling of enquiries, complaints, early resolution, CAC decisions and Disciplinary Tribunal outcomes processed through the year. These services and decisions to hold poor conduct to account also provide guidance to others in the sector as to the standards expected. Resourcing and COVID-19 interruptions have impacted the timeliness of our complaints and disciplinary services. Notwithstanding this, our complaints research

Licensing, complaints and disciplinary action

16,866 active licensees as at 30 June 2022

2,628 new licences issued

1,108 complaint enquiries received

271 formal complaints received

168 complaints resolved through early resolution process, 95 resolved by Registrar determinations under section 74(3)

22 decisions issued by the Disciplinary Tribunal,⁸ of which eight reported misconduct findings against a licensee

⁸ Decisions include appeals against CAC decisions, applications to review licensing decisions by the Registrar and misconduct findings by the Disciplinary Tribunal.

Top five issues raised in complaints received by REA in 2021/22

1 Misrepresentations

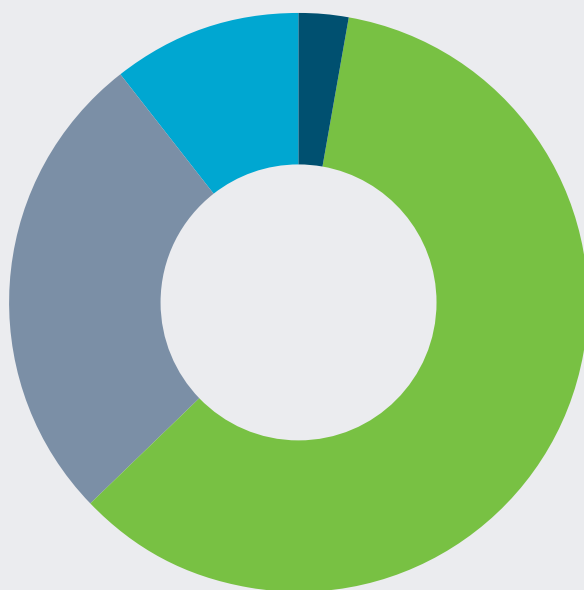
2 Licensees not acting in the best interests of the vendor

3 Non-disclosure

4 Undue pressure

5 Skill and care

107 decisions issued by a CAC:



CAC decisions

- **7** decisions not to inquire into the complaint
- **28** decisions resulted in a finding of unsatisfactory conduct against a licensee
- **62** decisions resulted in no further action
- **10** decisions to lay charges in the Disciplinary Tribunal

results demonstrate that the quality of the service provided by our teams remains strong. We are continuing our work to review the complaints and licensing process to identify ways to improve timeliness and effectiveness.

Licensing

Licensee numbers remain high

REA issued 2,628 new licences during the 2021/22 financial year, which finished with the highest number of active real estate licences since REA was established, reflecting the active real estate market and labour market shifts in response to the COVID-19 environment. June 2022 showed a slight reduction in the number of new licence applications, following the cooling market. Notwithstanding the high number of licensees we processed applications within our target timelines, which demonstrates the strength and effectiveness of our regulatory processes.

To support transparency and understanding of what is required to meet the licensing requirement to be a fit and proper person, REA finalised the regulatory guidelines on the fit and proper test. This test is applied when REA assesses new and renewing licensees. This is detailed further in Output 3.

Active licences	June 2020	June 2021	June 2022	Year change
Salesperson	12,046	12,919	13,529	+4.7%
Branch manager	374	343	381	+11%
Individual agent	2,165	2,097	2,052	-2.1%
Company agent	935	898	904	+0.6%
Active licences	15,520	16,257	16,866	+3.7%

Updated qualifications framework

The new qualifications framework launched this year aims to support the growth of our supervisor population. Section 50 of the Act requires salespersons to be supervised by a branch manager or agent.

A branch manager recognition of current competency option was released in 2022. This is an assessment process run by the qualification provider that enables people to gain the branch manager qualification if they can demonstrate to the qualification provider that they have the requisite skills and knowledge. REA is looking forward to qualification providers releasing the new agent and branch manager qualifications later in 2022.

Changes to the licensing regulations

Through the year, REA worked with policy officials to give effect to the new qualifications framework through amendments to the Real Estate Agents (Licensing) Regulations 2009. The changes came into force on 1 February 2022. These changes recognise the new agent and branch manager qualifications and also introduced a discretion for the Registrar to accept a prescribed qualification that has been completed by an applicant outside a period specified in regulation 12 if the Registrar is satisfied the applicant can demonstrate sufficient knowledge of real estate agency work.

This change eases a previous barrier to re-entry into the profession of experienced professionals who may have, for example, let their licence lapse while on parental leave and be just outside the prescribed period for their qualification to be recognised.

REA's work on these licensing initiatives all contribute to a robust, effective and future-focused licensing system.

Complaints and disciplinary process

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

Overview

In the 2021/22 financial year, REA received 1,108 complaint enquiries (compared to 1,664 in 2021) and 271 formal complaints (320 in 2021). 168 complaints were resolved through REA's early resolution process. This process provides the Registrar with the discretion to triage and resolve cases, either closing them for being trivial, vexatious or raising inconsequential matters or supporting a resolution between the parties.

Of the cases addressed through early resolution, the Registrar decided not to consider the complaint further in 16 cases because the subject matter was determined to be inconsequential in accordance with section 74(3) of the Act.

During the year, CACs issued 10 decisions not to inquire, usually because the complaint did not allege issues amounting to unsatisfactory conduct or misconduct. In 48 cases, the CAC decided to take no further action against one or all of the respondent licensees. A no further action decision is often only made once detailed evidence on the issues in the complaint have been gathered and considered and the CAC determines that either there is insufficient evidence to find a breach or the evidence does not support a finding of unsatisfactory conduct or misconduct.

In 34 instances, the CAC found a licensee (or licensees) guilty of unsatisfactory conduct. Serious disciplinary concerns were identified in five cases where a CAC decided to lay misconduct charges against a licensee (or licensees) with the Disciplinary Tribunal.

This year, the increased number of complaints in the early part of the year and complexity in complaints overall, along with COVID-19 interruptions put pressure on our timelines. We did not achieve the timeliness outcomes that we seek to achieve. However, our team provided high-quality services in all other respects, with our complaints survey reflecting strong service results, demonstrating the skill and expertise our people bring to the complaints process.

We engaged an independent review of five CAC decisions, with the review identifying four out of five decisions were well reasoned, consistent and accurate. Helpful feedback was provided in the review which has been passed back to the CAC members to assist their own continuous improvement.

Complaint themes

When REA receives a complaint, the complaint is tagged with information about the issues raised. Each complaint may have more than one tag.

The five key issues raised in complaints received by REA in 2021/22 were:

1. *Misrepresentations*

For the third consecutive year, licensees giving out incorrect or misleading information during a transaction was the top issue raised in REA complaints.

2. *Licensees not acting in the best interests of the vendor*

Vendors alleging that their licensee had not acted in their best interests came in as the second most common issue again this year.

3. *Non-disclosure*

Traditionally, REA has seen high levels of complaints about licensees not disclosing defects in property. In 2020/21, this issue dropped out of the top five completely but has reappeared as a theme this year.

4. *Undue pressure*

A new trend this year is complaints alleging undue pressure. This reflects the pressure on buyers competing for limited stock at high prices in the first half of the year.

5. *Skill and care*

The obligation to act carefully and professionally when undertaking real estate agency work includes the expectation of good communication, timely provision of information and providing accurate information about the transaction process. The prevalence of this theme is another reflection of the conduct risks arising in the real estate market, where consumers indicated that the licensee did not act carefully enough or cut corners due to the pace of competition.

Early resolution

REA triages all new complaints and determines whether they should be referred to a CAC or referred to our early resolution process. Where a complaint raises low-level disciplinary issues, it is likely to be referred to the early resolution process. In this process, REA will support the

consumer and real estate licensee to work together to resolve the complaint. The process often results in a positive outcome for the consumer and an opportunity for the agent or agency to learn, reflect and make changes to their policy and process.

After resolving a backlog of complaints in mid-2021, timelines were again affected in early 2022 by staff changes, COVID-19 impacting the availability of staff and complaint parties and an increase in challenging behaviours from complainants for staff to manage.

Occasionally during the early resolution process, it becomes apparent that there are no disciplinary or conduct issues raised in the complaint. Where this happens, the Registrar may decide not to pursue the complaint further under section 74(3)(a) of the Act. An example of this is set out below:

Case study:

The licensee's representations were accurate

The complainant purchased a property that was being sold by tender. When making their offer, they included a letter explaining they would be willing to negotiate if theirs was not the highest offer and discussed this with the licensee. The licensee told the complainant they could not guarantee negotiation with the vendor would be possible. Two other parties also submitted tenders for the property.

After the tender closed, the licensee told the complainant that the vendor wanted to sell to them but for a higher price but would negotiate with other parties if the price was not met. The vendor's desired figure was based on an unconditional offer from another party that expired the day before the tender process closed.

The complainant increased their offer to the vendor's desired price and was the successful buyer. They later felt the licensee misrepresented the situation and believed they paid more than they needed to for the property.

After reviewing the complaint, the Registrar decided the licensee's conduct did not appear inconsistent with the Act or rules and did not warrant disciplinary intervention. The Registrar decided to take no action on the complaint under section 74(3)(a) of the Act.

The Registrar wrote to the parties and outlined that it is up to the vendor what price they are willing to accept for their property. The statements made by the licensee appeared to be factually accurate, in accordance with the vendor's instructions and in the vendor's best interests.

Early resolution case studies

Other complaints that raise low-level disciplinary concerns often result in a resolution between the parties to a complaint. Here are two examples of successful resolution outcomes from the past year:

Case study 1: Representations about fences

The complainants purchased a rural lifestyle property that was part of a new development. The section was advertised as having “new post and wire boundary fences”. After settlement, the buyers noticed that one section of the boundary fence, which was on a slope and ran through some bush, was not new. They approached the developer to replace the fence but were unable to reach an agreement. The developer advised it was never their intention to replace this section of fence due to its location, as access was an issue. The buyers stated this had never been explained to them.

The buyers contacted the agency who were unable to assist as the franchise had been sold to a different company. The buyers then approached REA for help. REA was able to contact the manager of the agency who had sold the property, and through our early resolution process, the agency manager worked with the developer who subsequently agreed to replace the section of old fencing.

Case study 2: Sleepout consent

The complainant wished to buy an investment property and was introduced to a property that was presented to him as being suitable for “home and income”. The property was described as having a main dwelling and a minor dwelling, which were both tenanted.

Some time after buying the property, the buyer decided to sell and discovered that, although resource consent was sought to change a sleepout to a minor dwelling, no Code Compliance Certificate (CCC) was issued. During the transaction, the buyer was provided with a LIM report that showed the sleepout was consented and resource consent was sought to change its use but did not include any subsequent CCC.

The buyer approached the agency with his concerns, but the parties were not able to reach an agreement and the buyer complained to REA.

REA worked with the buyer and the agency to understand the information the agency had obtained from the council about the property and what the sleepout could legally be used for. It was established the council did approve for the sleepout to be a separately used and inhabited part (SUIP) of the property and it could be tenanted.

The agency acknowledged the inconvenience the confusion had caused the complainant when they came to sell the property and made a goodwill payment. The agency also agreed they would bring it to buyers' attention if there was no CCC in a LIM when you might expect one.

Complaints Assessment Committees (CACs)

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

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

Licensee conduct that shows a breach of the Act, rules or regulations can be at the level of unsatisfactory or misconduct. For matters that are potentially at the unsatisfactory level, the

CAC will make an independent decision. For the most serious matters such as where licence cancellation or suspension are a potential outcome, the CAC can lay charges before the Disciplinary Tribunal. CAC decisions provide important guidance to the sector on the standards expected.

The review of CAC decisions conducted this year confirmed that overall the decisions issued are of a high quality, being well-reasoned, consistent and accurate. As noted above, our work to improve the timeliness of the CAC process is an area of focus, and our improvement outcomes will be implemented in the next financial year.

CAC case study⁹

A complaint was made against a licensee and the agency they worked for. The complainant was the executor of an estate who had listed a property for sale with the agency. The marketing for the property was aimed at developers, included the size of the land and talked about being “ideal for possible subdivision”. The seller entered into an agreement to sell the property to a developer who, shortly after, obtained a reduction in the sale price because the size of the property had been misrepresented and part of the land at the front of the property was being taken by the council for road widening.

The licensee had identified on the record of title that a Gazette notice vested part of the land to the council and that the title was “part cancelled” and he queried this with his manager. Prior to the buyer making an offer, the licensee had sent the draft sale and purchase agreement to the seller’s lawyer for checking. He also sought further clarification from the lawyer about the title. The lawyer did not comment on the title, and the licensee did not enquire with the lawyer further.

The licensee also approached the council and was advised the property could be subdivided subject to normal conditions.

The agency said the licensee identified there was conflicting information available about the land size and had clarified this did not affect the ability to subdivide the land. The agency provided

evidence showing the policies and procedures it had in place for checking titles and sale and purchase agreements.

The CAC decided to take no further action against the agency but concluded the licensee was guilty of unsatisfactory conduct and had not met their obligations under rule 6.4 (which requires licensees to not mislead or withhold information) and rule 5.1 (which requires licensees to exercise skill, care, competence and due diligence).

The CAC explained that the licensee could have done more to investigate the practical implications of the Gazette notice and its impact on the usable area of the property. They said the licensee should not have assumed that the gross area of the land could be used in the advertising without qualification. The CAC accepted there was no intention to mislead but concluded that the failure to investigate how the Gazette notice impacted on the usable land area and the failure to qualify the advertising was unsatisfactory conduct and a breach of rules 5.1 and 6.4.

The decision reinforced the importance of verifying and documenting information that is received about a property to ensure its accuracy and including qualifying statements in advertising to alert buyers to make their own checks into the veracity of the information and ensure a property will suit their requirements.

⁹ CAC C42694.

Real Estate Agents Disciplinary Tribunal

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

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

In the 2021/22 year, the Disciplinary Tribunal found seven licensees guilty of misconduct and found one licensee guilty of unsatisfactory

conduct after conducting a hearing to consider misconduct charges. The Disciplinary Tribunal released 15 decisions relating to appeals against CAC decisions, upholding the CAC's decision in 11 cases. The Disciplinary Tribunal also heard and upheld the licensing decision of the Registrar. All decisions on appeals were analysed, with guidance from those decisions highlighted in communications to the sector in presentations and our industry Pānui.

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

Disciplinary Tribunal case studies

Case study 1: Sensitive issues – balancing client best interests with transparency and fairness to consumers¹⁰

One of the most difficult decisions a licensee can face is whether to disclose a sensitive issue that is not a physical defect affecting a property. Sensitive issues can include information about events that have occurred at a property such as a crime or sudden death. In these situations, a licensee must balance obligations to their client, the seller, with the requirement to be fair and transparent with consumers.

This case related to a suicide at the property after the sale and purchase agreement had become unconditional (approximately two weeks prior to settlement). The licensee was directed by the sellers not to disclose the event. As recognised by the CAC and Disciplinary Tribunal, the licensee faced a dilemma between disclosure obligations and obligations to the sellers. The licensee ultimately chose a middle ground. He told the complainant (the buyer) that “something big” had happened and it was for her to make her own enquiries.

The CAC had been influenced by the fact that, at the point the event had occurred, it was not satisfied that the buyer could have legitimately cancelled the agreement. The Disciplinary Tribunal accepted there was no evidence of any real prospect that the sellers would allow her to cancel the agreement and receive her deposit back. The Disciplinary Tribunal upheld the CAC's decision on this part of the complaint. It said that, like the CAC, it was not satisfied that the licensee was required to disclose more about the event to the buyer in the circumstances, referring to the leading case on the issue.¹¹

¹⁰ [2022] NZREADT 2 READT 009/2021.

¹¹ This is discussed in guidance available on REA's website – <https://www.rea.govt.nz/real-estate-professionals/disclosures/disclosures/sensitive-issues/>.

Case study 2: Advertising – the importance of accurate representations and transparency for consumers¹²

Licensees have obligations to ensure that consumers are not misled by advertising and are provided with accurate information.

In one case this year, the Disciplinary Tribunal upheld an unsatisfactory conduct finding for breach of rule 6.4 made by the CAC about an advertisement. The licensee advertised an apartment as having two carparks. The reference to two carparks was determined to have been misleading because the buyer would not have ownership of two carparks. Only one carpark was

included on the title – the second was allocated by the body corporate and only available on a “first come, first served” basis. By referring to two carparks without qualifying text, the advertisement created a misleading picture of the apartment owner’s ownership of the carparks.

The Disciplinary Tribunal considered in this case that the licensee’s actions in subsequently providing correcting information did not negate the fact that the advertising had been misleading, contrary to the requirements of the rules.

Case study 3: Fairness – providing information to help consumers make informed decisions¹³

Licensees’ disclosure obligations are based on the principle of fairness and enabling consumers to make informed decisions about what may be one of the biggest financial decisions of their lives.

In August 2021, the Disciplinary Tribunal issued its penalty decision on a fairness case, awarding the consumer compensation. The CAC laid charges with the Disciplinary Tribunal against a licensee for not disclosing to a buyer that the property she was buying neighboured a property used by a motorcycle gang. The Disciplinary Tribunal found the licensee guilty of misconduct and concluded that the gang association should have been disclosed to the complainant in person

and in clear terms under rule 6.4. The failure to disclose amounted to seriously negligent or seriously incompetent real estate agency work. The Disciplinary Tribunal found that the gang presence at the neighbouring property was a matter that, in fairness, should have been disclosed to the buyer to enable her to make an informed decision about whether the property met her safety and security needs.

The CAC sought compensation for the buyer, and the Disciplinary Tribunal ordered the licensee to pay the complainant \$15,050 compensation. The licensee was also censured, ordered to pay a fine and undergo training.

¹² [2021] NZREADT 15 READT 032/19.

¹³ [2021] NZREADT 46 READT 001/2021, [2021] NZREADT 32 READT 001/2021.

Monitoring and enforcing compliance

Trust account audit

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

Every year, real estate agencies that operate their own trust accounts are required to have them audited and provide the audit report to REA. REA processes over 550 audit reports from agencies each year.

This year, there was a 35% decrease in issues raised in audit reports, indicating that more licensees understand their obligations with respect to managing funds in real estate agency work. In the 2021 audit, 86 reports raised an issue compared to 135 identified in the 2020 audit. This high level of compliance contributes to increased public confidence in the real estate industry.

Examples of issues raised in the audit included:

- an agency put money into the trust account that should have been put into the agency's regular/office account (for example, funds to pay marketing costs)
- an agency did not send REA the correct statutory declarations
- an audit report was received later than the due date of 14 July.

In 37 cases, REA issued a compliance advice letter to the agency notifying the agency of an issue and explaining the steps the agency should take to ensure compliance with trust account obligations in future to support the agency's ability to meet expectations in future years.

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

Continuing professional development (CPD) audit

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

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

REA audits and ensures licensees have completed their training each year. This year, 54 licensees did not complete their 2021 CPD and had their licence cancelled.

In a 2022 decision,¹⁴ the Disciplinary Tribunal highlighted that the Registrar must cancel a licence if CPD is not completed.

Unlicensed trading

This year, REA received 27 reports of unlicensed trading, which is where people undertake real estate agency work without a licence in breach of section 141 of the Act. After investigation, these cases either resulted in no action or in compliance advice. This work provides evidence of public awareness about the need to hold a licence to undertake real estate agency work and the role REA plays in ensuring that the regulatory framework is upheld.

¹⁴ [2022] NZREADT 13 READT 002/2022.



Output 3

Oversight and development of an effective real estate agency regulatory system

Putanga 3

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

► This output primarily contributes towards the following impacts:



Impact 2

Licensees fulfil their obligations and are capable, trusted and professional



Impact 3

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



Impact 4

Standard of conduct by licensed real estate professionals is increased

Through this output, REA sets clear rules, standards and guidelines that respond to risks of harm and reflect the operating environment in which they apply. It includes our analysis of data and insights to drive our research activities and our engagement across the property sector to ensure the regulatory settings are fit for purpose.

Ensuring that the regulatory framework REA oversees remains effective under changing operating conditions (the market and wider economy, New Zealand's demographics and real estate business model evolution) requires us to ensure we have a solid understanding of that strategic environment. This understanding must be built on data and insights gleaned from quality research and analysis applied to a forward-looking approach to preventing consumer harm.

We recognise that REA must continuously strive for improvement and be prepared to adapt where necessary. This output provides a focus for this adaptive approach and reflects the reality that change will be a constant factor in our stewardship of the regulatory system. In this context, several key initiatives were initiated this year and will continue into 2022/23.

Guiding licensees and consumers safely through a complex and changing environment requires REA to use its expertise as a conduct regulator to provide clarity and certainty. Setting clear rules, standards and guidelines that support licensed real estate professionals in meeting their obligations and explaining to non-specialist consumers the conduct they are entitled to expect from those professionals are key aspects of our role.

An important aspect of this output is our role as part of the regulatory system and our work with others to provide stewardship of the real estate regulatory system. We will engage, collaborate and partner with the industry, government entities and the private sector to leverage capability and support an effective regulatory system that can anticipate and respond to the needs of industry while also protecting consumers from harm in the face of change over time.

Drivers of risk

Gaining a clear and informed understanding of the drivers of risk of harm in real estate agency work is fundamental to this output. Following an internal review of drivers of risk, we identified that we needed to know more about what barriers may exist that prevent or impede participation in real estate transactions across New Zealand's diverse communities. The scope of a research project has been finalised, and proposals for delivery have been provided. The research provider is being appointed, and we expect this work to be complete in early 2023.

Fit and proper guidelines

This year, we developed draft guidelines on our approach to the assessment of whether licence applicants and licensees seeking renewal meet the requirement to be a fit and proper person or proper person as required under the Act. The guidelines provide clarity and transparency for the real estate sector and the public about how this critical assessment is made by the Registrar.

We issued the draft guidelines for public consultation in May–June of this year, and the final guidelines were issued on 2 August 2022. These guidelines are an example of our work to strengthen the regulatory system that we oversee.

Complaints and licensing improvement project

We strive to be an effective regulator, ensuring that our systems and processes are high quality and timely. While our survey results confirm that complaint decisions are robust and that we provide a fair, independent and transparent service, we recognise that improvements on timeliness of the complaints process is required. A key priority has been the review of the efficiency and effectiveness of our complaints and licensing process and system to identify areas for improvement to improve the timeliness of the complaints process.

Property management regulation

Throughout the year, we have provided advice and guidance to the policy officials responsible for the government priority of progressing regulation of property managers. We will continue to provide such advice and input as may be required from us as this work progresses.

COVID-19 guidance coordination

Providing effective guidance to licensees to support them to operate safely in the context of changing alert levels and the COVID-19 Protection Framework has been a priority through the year. We have issued guidance through changing requirements, working closely with policy officials, government and non-government stakeholders and the sector to provide pragmatic and timely guidance. We appreciated the collaborative and constructive approach of stakeholders such as REINZ, the New Zealand Law Society, Consumer NZ and sector leaders as well as the Ministries of Justice, Health and Housing and Urban Development. We intend to build on these relationships to support high standards of conduct and compliance in the sector in the coming year.

Māori engagement strategy

Building our strategy and plan to guide our work to understand and engage with Māori and to demonstrate our commitment to te Tiriti o Waitangi has been a priority this year. We consider this is a key part of the continual development of an effective regulatory system, which also acknowledges that there are historical contexts and dimensions that are relevant to the conduct of land transaction in New Zealand involving Māori interests.

We have worked with an advisor to prepare our engagement framework, which we look forward to progressing in the year ahead. As a small and comparatively young government agency, REA is still at the beginning of a journey. We are proud to have taken important first steps during this financial year. Beginning with our internal cultural capability, we invested in the development of reo Māori capability among our workforce, making two tiers of language lessons available (beginner and advanced beginner). We also sought to broaden our team's understanding of te ao Māori. This included celebrating New Zealand's first Matariki public holiday to explore the associated

cultural concepts and engaging a specialist speaker to provide insight into challenges and concerns experienced by Māori when seeking to participate in the buying and selling of real estate.

We have developed a baseline understanding of Māori engagement with REA and the real estate sector (alongside that of other ethnic populations) through our research activities. Our annual survey indicated that Māori and Pacific peoples have good awareness of and access to REA services equal to or, for some aspects, above that of the general public. However, it also indicated a higher likelihood of experiencing problems when buying or selling real estate.

This valuable baseline data will help define our strategy for effective engagement with and protection of the needs of Māori. In the 2022/23 financial year, we will seek to engage further with our industry stakeholders, including the licensee population, regarding these strategic priorities. The understanding and support of the real estate profession for this work will be vital to its success as will REA's use of the tools at its disposal to support positive change on the ground.



Measuring our impact

Te ine i tō mātau pānga

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

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

We support consumer confidence through providing information on our websites, through consumer guides, media engagement, and relationships with consumer-focused organisations.

Licensees fulfil their obligations and are capable, trusted and professional

We support licensees to meet their obligations through continuing professional development, compliance guidance and guidance and information delivered through a range of communication channels.

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

Our media engagement, consumer guides, websites and digital communications, and engagement with stakeholders across the property system have all supported the increase in awareness and confidence in REA this year.

Standard of conduct by licensed real estate professionals is increased

We assess whether standards of conduct have increased as a result of our activities by calculating the percentage of licensees subject to a formal complaint who are found to breach conduct rules. This year, only 14% of those subject to a formal complaint had findings against them, which is less than our 20% target. Case studies demonstrate changes to policies or procedures following action taken through the complaints and disciplinary process.

The case studies indicate that, overall, licensees are meeting the standards expected of them and the regulatory framework is having its intended impact of lifting standards of conduct.

Delivering on our strategic priorities

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

In the last year, seven of the nine impact measure achieved target – some by a significant margin (see Table 2).

Although we did not achieve the continuing professional development target, we consider the 70% achieved to be a strong result, given the challenge of online learning in the COVID-19 environment and the intensity of the market during the year. The target for the measure regarding public confidence in the sector being well regulated was set based on an incorrectly calculated measure of 86% for 2019/20. While this figure was subsequently corrected to 76%, we retained the aspirational target for 2025 and are pleased to see this heading in the right direction.

The strong consumer awareness results for settled.govt.nz, which is a key platform for providing essential information and guidance to consumers, is positive given this was achieved with less financial investment than previous years.

The fact that 97% of licensees consider REA compliance guidance useful reflects the value placed on REA guidance on operating under COVID-19 restrictions and guidance arising from our complaints and disciplinary process outcomes and compliance advice letters and Pānui communications.

Achieving a significant lift in general public awareness of REA and our services is an important and impactful result. To be an effective regulator, New Zealanders need

to know that the industry is regulated and who is overseeing licensees to meet their obligations. They also need to know who can help them if professional standards are not met by licensees in the real estate transaction. This result reflects a deliberate focus to highlight REA's regulatory role via media relations as well as stakeholder engagement.



Table 2:

Statement of Intent: measuring our impact

Impact	Performance measure	Actual 2019/20	Actual 2020/21	Actual 2021/22	SOI target 2025
Informed consumers across New Zealand's diverse communities confidently engage in real estate transactions without harm	Percentage of consumers who are aware of settled.govt.nz is increased	31%	35%	Achieved 39%	35%
	Percentage of consumers who feel empowered to participate effectively in the real estate transaction	83%	84%	Achieved 86%	85%
Licenseses fulfil their obligations and are capable, trusted and professional	Percentage of licensees who agree REA's CPD programme has improved their knowledge and understanding of the topic area	82%	82%	Not achieved 73%	85%
	Percentage of licensees who find REA compliance guidance useful in understanding their regulatory obligations is increased	91%	92%	Achieved 97%	90%
	Percentage of consumers who have confidence that the real estate industry is professional	90%	87%	Achieved 86%	85%
Awareness of and confidence in REA as the conduct regulator is increased across New Zealand's diverse communities	Percentage of New Zealand public aware of REA and the services it provides is increased	42% New measure with comparison	43% New measure with comparison	Achieved 51%	45%
	Percentage of New Zealand public who have confidence that the real estate industry is well regulated is maintained	76% New measure with comparison	67% New measure with comparison	Achieved 70%	85% ¹⁵
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	New measure, no comparative	New measure, no comparative	Achieved 14% ¹⁶	20%
	Licensed real estate professional conduct, practices, policies and/or procedures are improved following action taken by REA or a CAC/Tribunal decision	New measure, no comparative	New measure, no comparative	Achieved 5 case studies	5 case studies

¹⁵ The Statement of Intent 2021–2025 incorrectly states 86% rather than 76% as the actual result for 2019/20. The target ought to have been set at 70%.

¹⁶ The 56 licensees that were found to have breached conduct obligations may not all relate to the complaints received in 2022, which is being used as the denominator. This is because some complaints can take longer than a year to be determined.

Operations

Ngā mahi whakahaere

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

This year, REA had a planned deficit reflecting an assumption that COVID-19 would have a significant effect on the economy, the real estate market and REA's operating environment, including lower levels of licensees, which would reduce REA's forecast levy revenue. As a result of resourcing challenges in a tight labour market, additional work responding to COVID-19 internally and with the sector, REA deferred some initiatives including marketing campaigns, website updates and some research and review activities. Steps were taken to backfill resource, with the focus on maintaining frontline regulatory activities.

While licensee numbers and associated revenue this year have exceeded expectations, it is not known whether this will be sustained in future years. REA's data indicates that, each year, 10–20% of licensees who joined in the previous year leave the market. The level of expected attrition in the current market is uncertain, particularly as COVID-19 restrictions continue to lift and border movement continues. The slowing property market may also have an impact on licensee numbers and REA revenue. We will continue to operate prudently so we can retain any reserves for future disruption. We are comfortable that our funding and operations are suitably resilient to withstand any further interruption that may be presented by the pandemic.

Maintaining and improving REA's organisational health and capability is essential to achieving the outcomes and impacts we are seeking. In the past year, the environment of change, uncertainty and high workload has meant it has been particularly important to provide the right environment, tools, systems, support and leadership to enable our people to do their jobs effectively.

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

Key risks facing REA include uncertainty arising from potential fluctuations in licensee numbers and revenue, aging IT systems and attracting and retaining talent. These risks are managed by monitoring of licensee applications and revenue, careful oversight and review of our information systems strategic plan and robust recruitment, induction and knowledge management plans.

Supporting great people and quality systems have been the primary themes this year.

Theme	Progress this year
People	<ul style="list-style-type: none"> • The Chief Executive and the Senior Leadership Team are embedded in their leadership roles and actively engage the organisation through interactive team meetings, stand-ups and staff off-sites with a focus on open and transparent communication. • We developed a COVID-19 health and safety framework comprising vaccination policies, workplace guidelines and My Vaccine Pass entry requirements for operating under different government requirements and public health frameworks to keep all people in our workplaces safe, ensure our staff know what is expected from them and extend the support required. • We have accelerated our cultural capability journey with te ao Māori, te reo Māori and te Tiriti o Waitangi training. Adoption of te reo Māori and tikanga in our internal and external communications and wider organisational wellbeing initiatives, including mental health awareness and Matariki celebrations, continues to increase. • We implemented a volunteer programme policy to support staff wellbeing and give back to our local communities. • We updated our leave policy, health and safety policy and employee assistance programme policy. • We have launched a refresh of our organisational values with input from all staff to support the delivery of our new strategic priorities. • We have supported the ongoing professional development of staff through investigator accreditation, mediation accreditation and G-REG certification. • Our staff-led Culture Club has promoted the health, safety and wellbeing of staff through a programme of initiatives including Aotearoa Bike Challenge, Movember, Pink Shirt Day, Shake Out, Mental Health Awareness Week, financial literacy training and community volunteer activities. • Staff-led internal events and activities during the year also recognised and celebrated Te Wiki o Te Reo Maori, Pacific Language weeks, as well as Matariki and its inaugural public holiday. • We have successfully implemented a robust recruitment strategy to attract talent in a challenging market. • We have reviewed our administrator and coordinator level positions to ensure the knowledge and skills required to perform these roles are accurately reflected and people are remunerated appropriately.
Systems and processes	<ul style="list-style-type: none"> • We have continued to implement our digital and technology initiatives in line with our information system strategic plan, with a focus on security and effectiveness. • We have continued to prioritise and highlight cybersecurity process and protocols. • We have upgraded our accounting software. • We have enhanced our remote working capability for staff, which included refreshing our IT device assets. • We have reviewed and updated the Information Systems Strategic Plan 2021–2025.

Directions issued by Ministers

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

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



Organisational health and capability

Te oranga me te āheinga o te whakahaere

While we have seen a number of changes in personnel this year, reflecting the labour market in which we are operating, we continue to attract and retain capable staff by providing training and development opportunities and support and ensuring that REA is a great place to work. We promote a collaborative culture that values people working together and supporting each other to achieve REA's goals. Our Board and management team work constructively together with a clear understanding of governance and management responsibilities.

On 30 June 2022, we had a permanent and fixed-term staff of 50 FTE, with a number of vacancies under recruitment. We are a multicultural organisation with staff from a range of experiences and backgrounds. We aim to celebrate these differences in a range of ways. Our work profile as at 30 June 2022 is set out below. 44 staff completed the workplace survey.¹⁷

17 REA staff survey July 2022.



Gender

Female	58%
Male	40%
Prefer not to declare	2%

Ethnicity

Pākehā/NZ European	64%
Other European	9%
Māori	11%
Pacific Peoples	2%
Asian	16%
Middle Eastern/Latin American/African	2%
Other	13%

Age profile

60+	9%
50–59	20%
40–49	29%
30–39	31%
29 and younger	11%
Prefer not to answer	0%

Disability profile

No	93%
Yes	4%
Prefer not to answer	3%

Pay gap information

Remuneration is based on ability and role size without any bias, including as to gender or ethnicity. Due to staff changes in the reporting period and the potential for any pay gap data to be misleading and/or give rise to privacy issues, we have not reported gender pay gap data. We are working to meet the Public Service Commission expectations for reporting on gender and ethnic pay in line with Kia Toipoto.

Health and safety

Providing a healthy working environment for staff is a priority. Our office building has a good seismic rating, and we work to maintain a safe office environment and to support staff working from home with appropriate equipment. We have appointed wardens and first aiders and regularly test our evacuation procedures and earthquake drills. Our health and safety risks are reviewed regularly with the Board and staff. Our Business Continuity Plan is overseen by our Chief Executive.

We provide employee assistance programme support on a confidential basis for all staff and their families and encourage use when needed. As a complaints entity, we provide preventive health and safety training and support to staff to enable them to deal with difficult conversations, risks of harm and external threats.

COVID-19 response

We have established guidelines for operating under the different public health requirements, and we have effective remote working capability. We encourage staff to take sick leave when they are unwell, and flexible working arrangements are available.

Maihi Karauna

We are committed to Maihi Karauna and increasing our own ao Māori capability. We promote use of te reo Māori in the workplace and use karakia to open and close our meetings. Our staff engaged in Te Wiki o te Reo Māori with a range of activities to promote use of te reo Māori in our work. We provided two tiers of te reo lessons (beginner and advanced beginner) to staff this financial year. We are developing an internal reo Māori plan. We acknowledge that these are small steps, but they are an important part of our journey towards greater cultural capability.

Promoting equal employment opportunities

We are focused on being a good employer and promote equal employment opportunities through recruitment and selection, leadership, workforce development, management of people and performance and the way we engage with our employees. Below we outline our achievements and areas for focus in 2021/22 against the seven key elements of being a good employer as set out by the New Zealand Human Rights Commission. We follow the good employer obligations set out in the Crown Entities Act 2004.

Leadership, accountability, and culture

- We hold regular meetings with staff to promote learning opportunities and facilitate discussion about our priorities and developments.
- The Senior Leadership Team is continuing to devolve more responsibility for decision making to tier 3 leaders.
- We ensured staff felt connected and supported during the COVID-19 alert level changes or required self-isolation periods, with frequent one-on-one meetings and by arranging regular team and all-staff meetings, quiz sessions and social events.
- We established the CE Leadership Forum as a way for senior leaders to collaborate and communicate effectively on workplace issues, priorities and achievements.
- Senior managers lead by example and foster an inclusive working environment.
- Coaching and mentoring is provided by leaders to all staff in one-on-one meetings.
- Staff are involved in decision making and are accountable for outputs relevant to their areas.
- REA policies provide guidance to staff on professional and workplace behaviours.
- Providing support to charities across our community is an important part of REA's culture, with staff-led collections and donations. Our flexible working arrangements enable staff to provide volunteer time to charities, and we have developed an REA volunteer policy.
- We have commenced an all-of-organisation review of our values, taking an inclusive and consultative approach to this review.

Recruitment, selection and induction

- We have a clear recruitment strategy and plan, empowering hiring managers to be directly involved in the recruitment of their teams.
- We include peer-to-peer interviews as part of our recruitment process.
- All permanent staff vacancies are advertised and supported by rigorous recruitment processes.
- Recruitment focus is on the best range of skills for each position.
- Reflecting the current labour market, we have seen a range of personnel changes this year. Retention of staff and sustaining diversity is a key focus.
- We are continuing to enhance our onboarding experience.

Employee development, promotion and exit

- All staff have performance and talent development plans, and these are reviewed twice a year.
- Staff have access to study assistance and professional development opportunities if required.
- All staff have access to government G-REG training.
- We offer an exit interview to any leaving employees and evaluate and respond to themes raised.

Flexibility and work design

- We operate a flexible-by-default policy and have supported hybrid working for all staff through the COVID-19 response.
- We encourage staff to take leave and support the work-life balance of staff with tailored options.
- Workstation assessments are provided as required.
- We are focused on supporting parental leave and return and working parents.

Remuneration, recognition and conditions

- Our job evaluation processes remain transparent and equitable.
- We offer enhanced paid parental leave and sick leave benefits.
- We have provided clear communication on the Public Service Commission pay guidance expectations and have exercised visible fiscal restraint in response to guidance from the Public Service Commission.

Harassment and bullying prevention

- We maintain zero-tolerance anti-harassment, anti-discrimination and anti-bullying policies.
- We have clear reporting and investigation processes and responsibilities in place.

Safe and healthy environment

- We have enhanced our health and safety policies and practices, with an increased focus on resilience and wellbeing. Health and safety reviews and reporting are encouraged and supported.
- We have empowered the staff Culture Club to be responsible for organisational wellness and health and safety.
- Staff have access to support services, including an earthquake preparedness pack and employee assistance programme.

Accountability statements Ngā tauākī haepapa

Statement of responsibility

Pursuant to the Crown Entities Act 2004, the Real Estate Authority¹⁸ Board accepts responsibility for:

- the preparation of the financial statements and the statement of performance and for the judgements made in them
- establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the Real Estate Authority's financial and non-financial reporting
- end-of-year performance information provided by the Real Estate Authority under section 19A of the Public Finance Act 1989.

In the opinion of the Board, the financial statements and the statement of performance for the year ended 30 June 2022 fairly reflect the financial position, result of operations and cash flows of the Real Estate Authority.

Signed on behalf of the Board.



Denese Bates KC
Chair
Real Estate Authority
18 October 2022



Vern Walsh
Chair
Audit and Risk Committee
18 October 2022

¹⁸ The Real Estate Authority (REA) is the operating name of the Real Estate Agents Authority.

**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF REAL ESTATE AUTHORITY'S FINANCIAL STATEMENTS, AND PERFORMANCE
INFORMATION FOR THE YEAR ENDED 30 JUNE 2022.**

The Auditor-General is the auditor of Real Estate Authority (the Authority). The Auditor-General has appointed me, Henry McClintock, using the staff and resources of BDO Wellington Audit Limited, to carry out the audit of the financial statements and the performance information of the Authority on his behalf.

Opinion

We have audited:

- the financial statements of the Authority on pages 56-77 comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information; and
- the performance information of the Authority on pages 50 to 55

In our opinion:

- the financial statements of the Authority on pages 56-77:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards Reduced Disclosure Regime; and
- the performance information on pages 50 to 55:
 - presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2022, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 18 October 2022. This is the date at which our opinion is expressed.

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

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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

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

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

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

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Authority for assessing the Authority's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Authority, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Real Estate Agents Act 2008.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Authority's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Authority's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 45, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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

BDO Wellington Audit Limited

Henry McClintock

BDO WELLINGTON AUDIT LIMITED

On behalf of the Auditor-General

Wellington, New Zealand

Statement of performance

Tauākī mahinga

The statements in this section provide detailed results against the targets, budgets and performance measures for the year ending 30 June 2022 as set out in our Statement of Performance Expectations 2021/22.

REA provides outputs in three result areas:



Output 1

Informing consumers, educating and engaging with licensees



Output 2

Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes



Output 3

Oversight and development of an effective real estate agency regulatory system

Statement of performance

for the year ended 30 June 2022

	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000 Restated ¹⁹
Total revenue	11,378	9,821	11,348
Output expenditure			
Informing consumers, educating and engaging with licensees	2,539	2,967	2,784
Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes	5,041	5,624	5,497
Oversight and development of an effective real estate agency regulatory system	2,094	2,509	2,295
Total expenditure	9,674	11,100	10,576
Total comprehensive revenue and expense	1,704	(1,279)	772

¹⁹ 2021 Actuals restated to reflect new output 3.

Output 1

Informing consumers,
educating and engaging
with licensees



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 their regulatory obligations and through this to raise standards in the industry. This includes providing licensees with guidance and information and an effective and robust continuing professional development programme that supports skilled and capable real estate professionals. 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.

This year, we completed the qualifications review and worked with the Ministry of Justice to amend the licensing regulations to reflect the new qualifications. We have worked closely with education providers to ensure the delivery of the new qualifications. We have also designed a new internal process for granting exemptions for stale qualifications in appropriate circumstances.

To be an effective regulator and to promote confidence in the real estate sector, it is critical that all people across New Zealand's diverse communities are aware that REA exists. Our public research indicates a strong correlation between high awareness of REA and its role and high trust and confidence in the real estate sector. This strongly supports the value of our objective that all people from different cultures, backgrounds and abilities are aware of and can access and benefit from the regulatory framework and the services that we provide.

Results across the performance measures for this output are generally strong, including where new measures have been implemented.

Our communications activities and websites have been critical tools to support licensees and consumers to navigate the challenging COVID-19 and market conditions during the reporting period. Website traffic has remained strong on settled.govt.nz, despite

our intentional reduction of external spend in digital marketing. [Rea.govt.nz](https://rea.govt.nz) had a particularly busy year, receiving over 684,000 visits in 2021/22 – a year-on-year increase of 21.6%. Awareness of settled.govt.nz and rea.govt.nz has continued to grow.

While the usefulness rating of rea.govt.nz content (SPE 1.2) has not met a deliberately ambitious target, this measure is susceptible to the volatility inherent in a relatively small sample of respondents providing a rating at the bottom of a webpage they are viewing. For example, the measure is vulnerable to users providing a very low usefulness rating to pages containing information they are not happy with, even if the content was objectively useful in increasing their understanding. User feedback provided via the annual Nielsen survey is more positive and indicates that users do value the content of both websites.

The high number of REA newsletters in the year (SPE 1.4) includes 20 special COVID-19 Pānui with updates on developments in the public health response and guidance to licensees on how their customer-facing operations might be adapted accordingly.

We have made a significant investment in engagement with media, which has been a critical plank in our strategy to grow awareness of REA and what we do and to be a thought leader in matters relating to the real estate sector. Our effectiveness is reflected in the awareness results outlined in the sections above and the strong results against our SPE targets reported below. Media releases (SPE 1.5) have related to market conditions, trends in complaint and licensing numbers and welcoming our new Board member who strengthens our approach to education, consumer understanding and engaging with diverse communities. In addition to the media releases, we responded to more than 60 direct media enquiries, providing data, information, comment and interviews on a range of sector-related issues and topics throughout the year.

We made a strong commitment to growing our internal cultural capability of te āo Māori and te reo Māori over the last year, and we have developed the framework that will guide our Māori engagement approach over the next three years. Our work to translate our three core consumer guides into six new languages is complete, with publication scheduled for late

2022. This initiative is a small step towards our strategic priority of enhancing our engagement and impact across diverse communities. We have begun our work to identify and understand the needs of diverse communities and look forward to developing this work in the year ahead.

Performance measure	Actual 2019/20	Actual 2020/21	Actual 2021/22	SPE target 2021/22
SPE 1.1 Percentage of consumers who find the information and guidance provided by REA useful	94%	97%	Achieved 97%	90%
SPE 1.2 Usefulness of rea.govt.nz content (rating out of 5)	4.20	4.14	Not achieved 3.8	>4.25
SPE 1.3 Usefulness of settled.govt.nz content (rating out of 5)	4.41	4.50	Achieved 4.41	>4.25
SPE 1.4 REA newsletters are published to keep stakeholders informed	7	6	Achieved 31 ²⁰	>6
SPE 1.5 Media releases are issued on matters of strategic importance (high public interest, provide guidance to consumers or licensees on regulatory issues)	4	4	Achieved 6 ²¹	>6
SPE 1.6 REA undertakes targeted initiatives to provide information and resources to New Zealand's diverse communities	New measure, no comparative	New measure, no comparative	Achieved 3 consumer guides translated into 6 languages to be published	5 or more initiatives

²⁰ This is a new measure.

²¹ This is a new measure.

Output 2

Regulatory effectiveness through licensing, interventions, disciplinary and complaints processes



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

This year, we managed the highest ever number of licensees and addressed high volumes of enquiries and complaints through most of the year. Our final complaint numbers (271 compared to 320) are down on last year as a result of a reduction in complaints in Q4. Complaint enquiries are also lower than last year. However, general enquiries are higher. While this shift may reflect the slowing market, we consider this is also an indicator of improved conduct across the sector reflecting the impact of REA's guidance and information and regulatory action.

We dealt with a range of complex cases, including a new review of the exercise of the Act's s74(3) power to determine inconsequential complaints. While the backlog of complaints and timeliness has continued to present a challenge this year, our team has worked hard through the disruptions of COVID-19 and resourcing challenges to provide a high standard of service.

While the target percentage for complaint resolution within 90 days (SPE 2.6) was not met, the average resolution time was only slightly above that at 104 days. We also put some decisions on hold while the issue of a review of the Registrar's power under s74(3) was explored in a Disciplinary Tribunal review case. In the context of the challenges outlined above as well as the impact of COVID-19 disruption on the capacity of many complainants and respondents to respond and/or participate in resolution processes in a timely manner, this result is encouraging.

The consumer/public, licensee and complaints surveys reflect high results in the professionalism and responsiveness of our staff team throughout the year. The quality of work remains strong despite the ongoing timeliness challenge.

The external review of CAC decisions was completed, with the reviewer finding all decisions were consistent and accurate. The reviewer found one decision did not adequately justify a credibility finding, and did not meet the high level of being well-reasoned found in the other four decisions. This review has identified a valuable improvement opportunity, and confirmed the generally high standard of CAC decisions. Training for CAC members to learn from the review was undertaken in August 2022.

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

Output 3

Oversight and development of an effective real estate agency regulatory system



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. Using our data and insights, undertaking research and analysis and engaging with the sector on risks of harm are key to ensuring that the regulatory settings are fit for purpose and effective in preventing harm.

Our aims for 2021/22 were ambitious, and as a result of the disruption of COVID-19, resourcing challenges and priority on frontline regulatory activity, we did not complete all intended initiatives within the year, but all initiatives were commenced with substantial progress made.

We commenced our work to develop guidance for licensees and the New Zealand public on our approach to the application of the fit and proper test under the licensing regime in 2021/22. In the reporting period, we presented draft guidelines for public consultation and received submissions from licensees, industry bodies, consumer advocates and members of the general public. These were subsequently used to refine and finalise the guidelines, which were formally issued in August 2022.

In the reporting period, we completed our internal review of drivers of risk resulting in confirmation of the research topic (barriers of entry to real estate transactions). Research topics were tested through our Industry Advisory Groups, and licensee members on the Board, identifying the topic to be of value to the sector. Scoping of the research has been undertaken and appointment of an external research provider was confirmed in August 2022.

Our research across licensees and consumers has enabled us to establish baseline results for Māori and Pacific peoples that will guide our work engaging with these important groups in the coming year.

In terms of our focus on engagement with Māori, along with the baseline research, we have invested in internal capability building in respect of te reo Māori and te āo Māori cultural understanding. We look forward to implementing our Māori engagement framework, which was approved by the Board during the year. All of this foundational work positions us well to enable future progress in this output in the years ahead.

Performance measure	Actual 2019/20	Actual 2020/21	Actual 2021/22	SPE target 2021/22
SPE 3.1 REA publishes standards in consultation with industry that help raise industry standards	New measure, no comparative	New measure, no comparative	Achieved in part	1
SPE3.2 Commission and publish research that analyses the drivers of risk in real estate agency work and is considered as thorough and valuable to development of standards and/or future regulation	New measure, no comparative	New measure, no comparative	Achieved in part	1 research project undertaken
SPE 3.3 Engagement by Māori in services offered by REA is increased	New measure, no comparative	New measure, no comparative	67%	Baseline to be set this year

Financial statements

Ngā tauāki pūtea

Explanations of significant variances against budget are detailed in Note 22 on page 78. The statement of accounting policies and notes to the financial statements form an integral part of these financial statements.

Statement of Comprehensive Revenue and Expense

for the year ended 30 June 2022

	Note	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000
Revenue				
Operating levy received	1	10,142	8,806	9,996
Application and suspension fees	2	1,022	775	1,007
Other revenue	3	214	240	345
Total revenue		11,378	9,821	11,348
Expenditure				
Audit fee		57	60	58
Personnel costs	4	5,934	6,169	5,682
Depreciation	10	153	136	144
Amortisation	11	61	61	392
Specialist services	5	1,026	1,704	1,473
Legal fees		335	432	610
Board fees	4	145	160	133
Complaints Assessment Committee fees		286	300	310
Miscellaneous expenses		22	24	15
Computer and telecommunications		1,171	1,383	1,117
Printing, stationery and postage		23	36	88
Travel, meetings and entertainment		19	165	123
Occupancy		442	470	431
Total expenditure		9,674	11,100	10,576
Total comprehensive revenue and expense		1,704	(1,279)	772

Statement of Financial Position

as at 30 June 2022

	Note	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000
Current assets				
Cash and cash equivalents		9,696	1,894	7,753
Investments – short-term deposits		1,223	4,568	1,211
Debtors and other receivables	7	34	26	11
Prepayments	8	194	138	151
Approved publications	9	8	17	14
Total current assets		11,155	6,643	9,140
Non-current assets				
Property, plant and equipment	10	209	170	245
Intangible assets	11	13	113	74
Total non-current assets		222	283	319
Total assets		11,377	6,926	9,459
Current liabilities				
GST payable		101	41	103
Trade creditors and accruals	12	878	1,230	770
Employee entitlements	13	279	154	186
Income in advance		378	–	363
Total current liabilities		1,636	1,425	1,422
Total liabilities		1,636	1,425	1,422
Net assets		9,741	5,501	8,037
Public equity				
Retained earnings		9,491	5,251	7,787
Litigation reserve		250	250	250
Total public equity		9,741	5,501	8,037

Statement of Changes in Equity

for the year ended 30 June 2022

	Note	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000
Public equity as at 1 July		8,037	6,780	7,265
Total comprehensive revenue and expense		1,704	(1,279)	772
Total public equity as at 30 June		9,741	5,501	8,037
Comprised of the following funds:				
Retained earnings as at 1 July		7,787	6,530	7,015
Total comprehensive revenue and expense		1,704	(1,279)	772
Total retained earnings as at 30 June		9,491	5,251	7,787
Litigation reserve as at 1 July		250	250	250
Movement in litigation reserve		–	–	–
Total litigation reserve as at 30 June		250	250	250

Statement of Cash Flows

for the year ended 30 June 2022

	Note	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000
Cash flows from operating activities				
Cash was provided from:				
Receipts from licensees		10,616	9,161	10,178
Receipts from sale of publications		100	142	159
Interest income		58	18	50
Receipts from suspension fees		517	447	499
Receipts from fines		103	80	109
Receipts from other revenue		–	–	48
Cash was applied to:				
Payments to suppliers		(3,688)	(5,081)	(4,348)
Payments to employees		(5,629)	(5,813)	(5,471)
Net GST received/(paid)		(4)	69	34
Net cash flows from operating activities		2,073	(977)	1,258
Cash flows from investing activities				
Cash was provided from:				
Receipt/(investment) in short-term deposits		(13)	–	(18)
Cash was applied to:				
Purchase of property, plant and equipment		(117)	(60)	–
Purchase of intangible assets		–	(100)	–
Net cash flows from investing activities		(130)	(160)	(18)
Net increase/(decrease) in cash and cash equivalents		1,943	(1,137)	1,240
Opening cash and cash equivalents		7,753	3,031	6,513
Closing cash and cash equivalents		9,696	1,894	7,753

Statement of Cash Flows (continued)

for the year ended 30 June 2022

	Actual 2022 \$000	Actual 2021 \$000
Reconciliation of statement of comprehensive revenue and expense surplus/(deficit) to net cash flow from operating activities.		
Net surplus/(deficit)	1,704	772
Non-cash items		
Depreciation	153	144
Amortisation	61	392
Provision for doubtful debts	(19)	(7)
Disposal of intangible assets	–	107
Movements in working capital items		
Trade debtors, other receivables and prepayments	(47)	37
Movements in inventory	6	(4)
GST receivable	(3)	65
Trade creditors, other payables and provisions	125	(235)
Employee entitlements	93	(13)
Net cash flows from operating activities	2,073	1,258

Statement of accounting policies

for the year ended 30 June 2022

Reporting entity

These are the financial statements of the Real Estate Agents Authority, a Crown entity as defined by the Crown Entities Act 2004. The Real Estate Authority (REA) is the operating name of the Real Estate Agents Authority. REA is domiciled in New Zealand. REA's functions are defined in the Real Estate Agents Act 2008 and include administering the licensing regime for licensees, educating, and informing consumers, setting professional standards and providing services in relation to complaint determinations. REA is a public benefit entity for the purposes of the New Zealand equivalent to the International Public Sector Accounting Standards (IPSAS).

The financial statements for REA are for the year ended 30 June 2022 and were approved on 18 October 2022 by the Board.

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) and other applicable Financial Reporting Standards, as appropriate for Tier 2 public sector public benefit entities for which all reduced disclosure regime exemptions have been adopted.

REA qualifies as a Tier 2 reporting entity as, for the two most recent reporting periods, it has between \$2 million and \$30 million operating expenditure and is not considered publicly accountable as defined by the External Reporting Board.

Measurement basis

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

Functional and presentation currency

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

Significant accounting policies

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

Revenue

REA derives revenue through an annual charge to real estate licensees, the sale of publications, interest on funds held at approved institutions and the receipt of fees and fines.

The annual charge to real estate licensees has two components: an operational levy to cover the ongoing service provision of REA, which is recognised as revenue, and a disciplinary levy that is transferred to the Ministry of Justice to provide funding for the Disciplinary Tribunal, which is not recognised as revenue. In addition, an application fee is charged to recover the additional costs for new licence applications. REA also charges a fee for suspending a licence.

Operational levy

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

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

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

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

Fines

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

Sale of publications

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

Interest

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

Leases

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

Cash and cash equivalents

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

Investments

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

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

Debtors and other receivables

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

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

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the impairment allowance account for receivables.

Inventories – approved publications

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

Property, plant and equipment

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

Additions

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

Disposals

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

Subsequent costs

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

Depreciation

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

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

Intangible assets

Capital work in progress

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

Software acquisition and development

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

Amortisation

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

- Acquired and developed software – 3 years, 33% straight line.

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

Impairment of non-financial assets

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

Creditors and other payables

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

Employee entitlements

Provision is made in respect of liability for annual leave, which is expected to be settled within 12 months of balance date and measured at undiscounted nominal values based on an actual entitlement basis at current rates of pay.

Superannuation schemes

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

Goods and services tax

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

Taxation

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

Financial instruments

REA is party to a variety of financial instruments as part of its normal operations.

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

Statement of cash flows

The statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Comprehensive Revenue and Expense.

Cash flows are classified into three activities:

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

Budget figures

The budget figures shown are derived from the Statement of Performance Expectations (SPE) 2021/22 approved by the Board. The budget figures have been prepared in accordance with IPSAS, using accounting policies consistent with those adopted by REA for the preparation of the financial statements. The budget figures have not been audited.

Equity

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

Changes in accounting policies

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

Critical judgements in applying REA's accounting policies

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

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

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

Notes to the financial statements

for the year ended 30 June 2022

1. Operating levy received

	Actual 2022 \$000	Actual 2021 \$000
New applications	1,540	1,547
Renewals	8,602	8,449
Total operating levy received	10,142	9,996

Total active licences as at 30 June 2022 were 16,866 (2021: 16,257). This is an overall increase of 609 licences from the previous year.

2. Application and suspension fees

	Actual 2022 \$000	Actual 2021 \$000
New application fees	486	487
Suspension fees	517	499
Manual processing fees	19	21
Total application and suspension fees	1,022	1,007

During the year to 30 June 2022, REA processed 2,628 (2021: 2,597) new licence applications and 3,364 (2021: 3,351) voluntary suspensions.

3. Other revenue

	Actual 2022 \$000	Actual 2021 \$000
Interest	69	40
Sale of publications	100	159
Fines imposed by Complaints Assessment Committee/Tribunal	45	98
Other revenue	–	48
Total other revenue	214	345

4. Personnel costs

	Actual 2022 \$000	Actual 2021 \$000
Salaries and wages	5,096	4,774
Other personnel costs	607	780
Employer contributions to KiwiSaver	138	131
Compensation and other benefits	–	10
Employee entitlements	93	(13)
Total personnel costs	5,934	5,682

Other personnel costs include temporary staff for permanent roles, additional resources for temporary roles, recruitment costs, employer ACC levies, allowances and training. During the year ended 30 June 2022, no employees received compensation and other benefits in relation to cessation (2021: 1 employee). Employee entitlements represent the movement in annual leave balances between 30 June 2022 and 30 June 2021.

Employee remuneration

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

Remuneration range

	Actual 2022 \$000	Actual 2021 \$000
\$100,000 – \$109,999	2	3
\$110,000 – \$119,999	2	5
\$120,000 – \$129,999	3	3
\$130,000 – \$139,999	2	2
\$140,000 – \$149,999	–	1
\$150,000 – \$159,999	1	–
\$160,000 – \$169,999	–	1
\$170,000 – \$179,999	1	–
\$180,000 – \$189,999	2	–
\$190,000 – \$199,999	1	2
\$200,000 – \$209,999	1	1
\$250,000 – \$259,999	1	–
Total employees	16	18

Board remuneration

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

	Actual 2022 \$000 Board fees	Actual 2021 \$000 Board fees
Denese Bates KC (Chair)	40	36
Marion Eades	8	19
Elizabeth Nidd	20	19
Anthony Stack	20	19
Jo Devine	–	2
Latham Lockwood	20	19
Vern Walsh JP	20	19
Mele Wendt	17	–
Total Board remuneration	145	133

No Board members received compensation or other benefits in relation to cessation. Board members receive a set fee of \$20,000 per year, with the Chair receiving \$40,000. Board members agreed to reduce fees by 20% for a six month period from May 2020 in line with public sector pay restraints. Marion Eades resigned from the Board in November 2021. Mele Wendt was appointed to the Board in September 2021.

5. Specialist services

	Actual 2022 \$000	Actual 2021 \$000
Investigations support	4	6
Bank, merchant service and payroll processing fees	42	41
Advertising and publicity	274	498
Approved guide management	51	75
Media and communications	75	80
Identification validation	141	148
Other specialist services	439	625
Total specialist services	1,026	1,473

6. Operating lease commitments

	Actual 2022 \$000	Actual 2021 \$000
Less than one year	356	358
Later than one year and not later than five years	555	911
Total operating lease commitments	911	1,269

The operating leases are largely for the lease of Level 4, Todd Building, 95 Customhouse Quay, Wellington, which REA moved to in January 2019. Lease incentives received are recognised over the lease term. The lease has an initial term of six years. REA does not have the option to purchase the leased asset at the expiry of the lease period.

7. Debtors and other receivables

	Actual 2022 \$000	Actual 2021 \$000
Trade debtors	75	81
Accrued revenue	14	3
Provision for doubtful debts	(55)	(73)
Total debtors and other receivables	34	11

Trade debtors represent the value of unpaid fines. The carrying value of receivables approximates their fair value. As at 30 June 2022, all overdue receivables have been assessed for impairment, and \$79,603 (2021: \$73,214) were assessed as impaired.

8. Prepayments

	Actual 2022 \$000	Actual 2021 \$000
Prepaid salaries	5	5
Prepaid insurance	4	19
Prepaid software licences	167	116
Prepaid other	18	11
Total prepayments	194	151

9. Approved publications

	Actual 2022 \$000	Actual 2021 \$000
Approved publications at beginning of the year	14	10
Plus: publications purchased during the year	21	52
Less: publications cost of sales	(27)	(48)
Total approved publications	8	14

REA produces three types of publications for licensees:

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

The costs of publication production, distribution and management are recovered directly from licensees at the point of sale. Approved publications held at year end are recorded in the Statement of Financial Position as a current asset, with the cost of goods sold charged against the revenue in the Statement of Comprehensive Revenue and Expense.

10. Property, plant and equipment

	Computer equipment \$000	Furniture and fittings \$000	Leasehold improvements \$000	Total \$000
Cost or valuation				
Balance at 1 July 2020	172	167	383	722
Additions	–	–	–	–
Disposals	(10)	(1)	–	(11)
Balance at 30 June 2021	162	166	383	711
Additions	110	7	–	117
Disposals	(4)	–	–	(4)
Balance at 30 June 2022	268	173	383	824
Accumulated depreciation				
Balance at 1 July 2020	133	87	112	332
Depreciation expense	20	28	96	144
Disposals	(9)	(1)	–	(10)
Balance at 30 June 2021	144	114	208	466
Depreciation expense	37	20	96	153
Disposals	(4)	–	–	(4)
Balance at 30 June 2022	177	134	304	615
Net carrying amounts				
At 1 July 2020	39	80	271	390
At 30 June 2021	18	52	175	245
At 30 June 2022	91	39	79	209

Capital commitments

There are no capital commitments at 30 June 2022 (2021: nil).

11. Intangible assets

	Actual 2022 \$000	Actual 2021 \$000
Cost or valuation		
Opening balance	4,995	5,102
Additions	–	–
Disposals	–	(107)
Closing balance	4,995	4,995
Accumulated amortisation		
Opening balance	4,921	4,529
Amortisation expense	61	392
Impairment loss	–	–
Disposals	–	–
Closing balance	4,982	4,921
Net carrying amount		
At 1 July	74	573
At 30 June	13	74

Included within intangible assets is website costs, which as at 30 June 2022 had a carrying value of \$13,000 (2021: \$74,000) and a remaining amortisation period of 1 year (2021: between <1.0 and 2 years).

In assessing the useful lives of software assets, a number of factors are considered, including the period of time the software is intended to be in use, the effect of technological change on systems and platforms and the expected timeframe for the development of replacement systems and platforms. An incorrect estimate of the useful lives of software assets will affect the amortisation expense recognised and the carrying amount.

Capital commitments

The amount of contractual commitments for the acquisition of intangible assets is nil (2021: nil).

12. Trade creditors and accruals

	Actual 2022 \$000	Actual 2021 \$000
Accrued expenses	426	423
Trade creditors	448	342
Other payables	4	5
Total trade creditors and accruals	878	770

Trade creditors and accruals are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and accruals approximates their fair value.

13. Employee entitlements

	Actual 2022 \$000	Actual 2021 \$000
Annual leave (current portion)	279	186
Total employee entitlements	279	186

14. Financial risk management objectives

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

Interest rate risk

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

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

Credit risk management

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

Maximum exposures to credit risk at reporting date are:

	Actual 2022 \$000	Actual 2021 \$000
Cash and cash equivalents	9,696	7,753
Investments – short-term deposits	1,223	1,211
Debtors and other receivables	34	11
Total	10,953	8,975

No collateral is held on the above amount. There is no maturity date on the current bank balances as these represent cash held in transactional and cash management accounts. Term deposits classed as cash and cash equivalents have a maturity date of three months or less.

Liquidity risk

Liquidity risk is the risk REA will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. REA aims to maintain flexibility in funding by keeping committed credit lines available.

All of REA's commitments owing at balance date, comprising creditors and accruals, have a contractual maturity of less than six months. REA has sufficient cash on hand to meet these commitments as they fall due. Refer to Note 12 for the liquidity risk of trade creditors and accruals.

The table below analyses financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Contractual cash flows from financial liabilities

	Carrying amount \$000	Contractual cash flows \$000	Less than 6 months \$000	6–12 months \$000
2022				
Creditors and other payables	1,257	1,257	1,257	–
Total	1,257	1,257	1,257	–
2021				
Creditors and other payables	770	770	770	–
Total	770	770	770	–

Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. REA is not subject to currency risk as it does not participate in any such financial instruments.

15. Capital management

REA's capital is its equity comprised of accumulated funds and other reserves. Equity is represented by net assets. REA is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives. REA manages its equity through prudently managing revenue, expenses, assets, liabilities, investments and general financial dealings to ensure REA effectively achieves its objectives and purpose, whilst remaining a going concern.

16. Related-party transactions

REA is a wholly owned Crown entity. REA has entered into a number of transactions with government departments, Crown agencies and state-owned entities on an arm's length basis and in the course of its normal dealings. Where those parties are acting in the course of their normal dealings with REA and the transactions are at arm's length, related-party disclosures have not been made.

During the year, REA collected \$563,211 (2021: \$558,525) of Disciplinary Tribunal levies on behalf of the Ministry of Justice. These levies are paid directly to the Ministry in the month following their collection.

17. Categories of financial assets and liabilities

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

	Loans and receivables \$000	Financial liabilities measured at amortised cost \$000	Total carrying amount \$000	Fair value \$000
2021				
Current financial assets				
Cash and cash equivalents	7,753	–	7,753	7,753
Investments – short-term deposits	1,211	–	1,211	1,211
Debtors and other receivables	11	–	11	11
Total current financial assets	8,975	–	8,975	8,975
Total financial assets	8,975	–	8,975	8,975
Current financial liabilities				
Trade creditors and accruals	–	770	770	770
Total current financial liabilities	–	770	770	770
Total term financial liabilities	–	–	–	–
Total financial liabilities	–	770	770	770

18. Key management personnel compensation

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

	Actual 2022 \$000	Actual 2021 \$000
Fees, salaries and annual leave	401	404
Total key management personnel compensation	401	404

19. Contingent liabilities

There are no contingent liabilities at reporting date (2021: nil).

20. COVID-19

On 11 March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. From this the country has been held in varying levels of lockdown, and as a result, economic uncertainties have arisen that require us to continuously consider both positive and negative implications to our operations and services.

There are potential effects on REA as a result of the COVID-19 pandemic such as a decline in revenue due to a reduction in new licence applications and renewal of licences. Due to this uncertainty, REA will continue to take a prudent approach to operational expenditure.

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

21. Subsequent events

There are no events subsequent to the reporting date REA is aware of that would have a material impact on the financial statements for the year ended 30 June 2022.

22. Significant budget variances

Budget values are sourced from the forecast financial statements shown in REA's Statement of Performance Expectations 2021/22. Explanations of significant budget variances are provided on page 78.

Explanation of significant variances

Statement of Comprehensive Revenue and Expense

Revenue

Operating levy received and application and suspension fees

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

Expenditure

Overall expenditure is down on budget as REA continues to take a prudent approach to core business expenditure and a restrained approach to discretionary expenditure to preserve cash holdings in these uncertain times. In addition, some activities have been reprioritised in light of resource limitations, and to enable COVID-19 response activities and primary front line regulatory activities and projects to take priority.

Personnel costs

Personnel costs are lower than budget reflecting the number of vacancies during the period and recruitment challenges of the current labour market, with a number of roles yet to be filled.

Specialist services

Specialist services are lower than budget as a number of planned activities were reprioritised to focus on core business activities in a pressured property market and COVID-19 operating environment.

Computer and telecommunications

Computer and telecommunications are lower than budget as some enhancement initiatives were reprioritised to support and enhance our remote working capability in a COVID-19 environment.

Statement of Financial Position

Cash and cash equivalents

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

Statement of Cash Flows

Net cash flows from operating activities

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



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

rea.govt.nz