



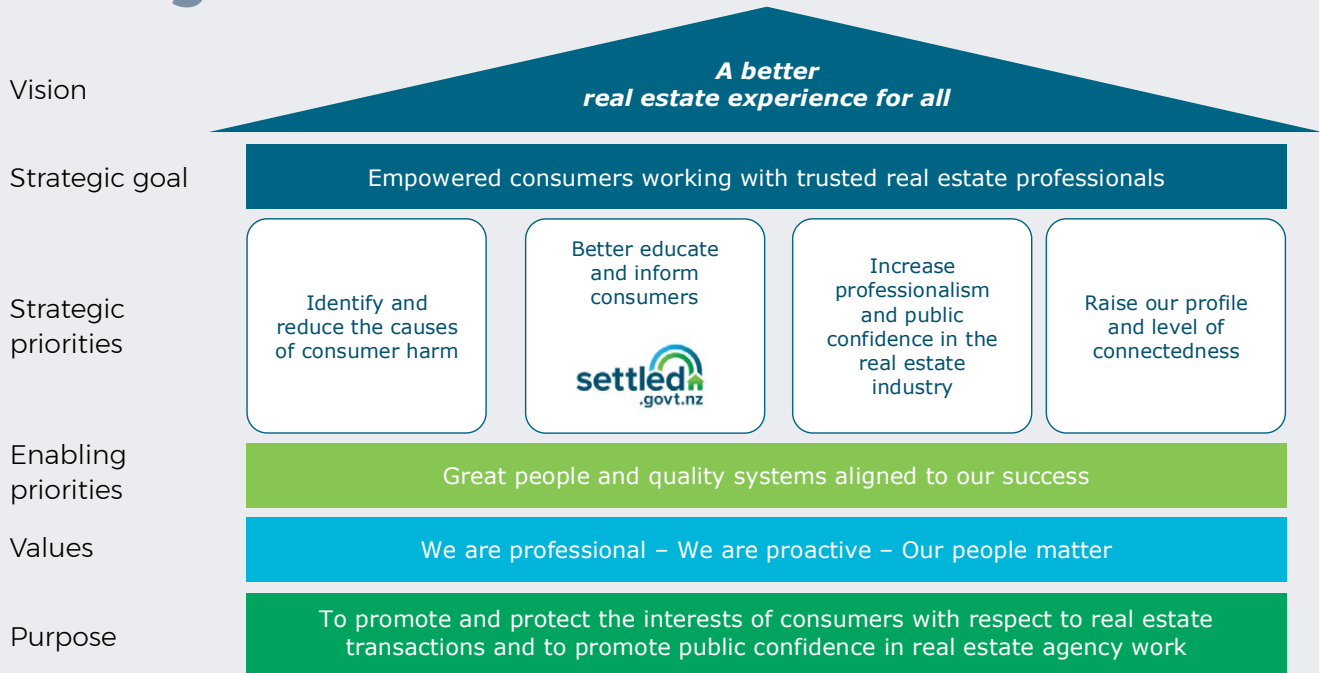
2021
Real Estate
Authority
Te Mana
Papawhenua

Annual Report
Te Pūrongo ā-Tau

For the year ended 30 June 2021

Strategic framework 2017-2021

Te anga rautaki



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

It has been a challenging year for our country as we have worked together to respond to the impact of COVID-19 on our people and our economy. Despite this, the real estate sector surpassed expectations with the property market rebounding out of lockdown in a way that was unexpected.

In this past year, property prices have soared on the back of tight supply and strong demand. This has brought high competition and placed pressure on buyers, sellers and licensed real estate professionals (licensees) all navigating significant real estate transactions.

Housing affordability and the impact of real estate transactions on the wellbeing of New Zealand communities has had particular significance in our community and economy this year.

In this environment, REA's work as the conduct regulator for licensed real estate professionals is particularly important for protecting consumers from harm and maintaining public confidence in the real estate profession. This year, our focus has been to promote and protect the interests of consumers and to support professionalism, trust, confidence and high standards by licensees in a demanding and challenging environment. We recognise the role we have to play in the wellbeing of our community, which is directly affected by significant real estate transactions.

In a challenging and uncertain year, I am proud of all that REA has achieved,

responding to increased demands on our services and delivering positive outcomes for consumers and real estate professionals. Our report this year details the impact we have had in reducing consumer harm and increasing professionalism and public confidence in the real estate sector. We have achieved this across our range of services, from the provision of clear and independent information for consumers through settled.govt.nz to issuing a record number of new licences to dealing with increased volumes of complaint enquiries and formal complaints. Our REA team has risen to the challenge, delivering strong results against the performance measures we set in our Statement of Performance Expectations.

This year is notable for a number of reasons. We have welcomed our new Chief Executive Belinda Moffat and completed our strategic review resulting in a refreshed strategy that will guide us through the next four years. We have worked with the Real Estate Institute of New Zealand (REINZ) and The Skills Organisation (Skills) to review the real estate qualification suite, resulting in a new approved qualification pathway for branch managers and agents. We expect the new qualifications to be available for enrolment in early 2022.

We have seen a 54% increase in new licences issued by REA this year and a 38% and 13% increase on complaint enquiries and formal complaints respectively.

In the intense real estate environment, we have increased our media and stakeholder engagement activities to provide guidance and commentary for licensees and consumers navigating the difficult market environment. We provided guidance to support licensees and consumers to safely navigate real estate transactions through shifting pandemic alert levels. All of this work has contributed to a 10% increase in awareness of REA and continuing high levels of satisfaction by consumers and licensees with the information provided by REA.

The increased work volumes and COVID-19 environment impacted the timeliness of some of our complaint resolution activities. However, our team has worked hard to address the backlog, with complaint determination timelines back to previous levels. Improving the efficiency and effectiveness of our complaints process is a priority focus for the year ahead.

In 2020, we expected COVID-19 to have a significant effect on the real estate market and the way the industry operates. As a result, we took a conservative approach to our budgeting and expenditure throughout the year. In anticipation of reduced revenue and in the context of government fiscal restraint, we deferred some activities this year.

Our prudent cost management and better than expected revenue have resulted in a surplus this year, putting us in a healthy financial position for the coming year.

The change in our revenue recognition policy has also enabled us to present a financial statement that clearly states our improved public equity position.

As we look to the year ahead, our focus is on continuous improvement of our complaints and disciplinary processes, developing a fit and proper standard to support our licensing approach and embedding our refreshed strategy. We will have a particular focus on working with diverse communities that engage with real estate transactions and demonstrating our commitment to te Tiriti o Waitangi.

As I reflect on our achievements through the reported period, I am grateful for the dedication and hard work of our REA Senior Leadership Team and Staff, and for the strong governance provided by the Board. I also thank the real estate sector and our stakeholders for working with us to achieve our goal of empowered consumers working with trusted real estate professionals.

Nā reira kia ora anō tātau katoa



Denese Bates QC
Chair

Chief Executive's report Te pūrongo a te tumuaki

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

It has been my privilege to take up the role of Chief Executive of REA this year and to join a well-organised, well-functioning organisation committed to protecting the interests of consumers and supporting and encouraging high standards of conduct across the licensed real estate profession.

It has been a year of change and challenge as we have responded to a highly pressured and competitive real estate market, which has impacted the sector and consumers in significant ways.

We have worked hard to protect consumers from harm with the provision of independent and trusted guidance and information through our consumer website settled.govt.nz and our highly capable enquiries team.

We have supported licensees to meet the standards expected of them through education and training tools provided through our continuing professional development programme and our marketing and advertising facilitated training meeting pack. We adapted our resourcing to meet the pressure on our licensing system from the sharp increase in people seeking to join the licensed real estate profession and the pressure on our complaints and enquiry teams dealing with increased volumes of issues and problems brought to us by consumers and licensees.

This year, we have seen an increase in the volume and complexity of complaints brought to us. This has challenged some of our complaint and early resolution timelines but not the quality of the decisions or process, which are designed to be independent, transparent and fair. Decisions issued by Complaints Assessment Committees and the Real Estate Agents Disciplinary Tribunal this year have provided valuable guidance for the sector. Our report this year highlights some of the key learnings for the sector on issues such as disclosure and fairness, which are cornerstones of the regulatory regime we oversee.

Throughout this year, we have valued highly our relationship with stakeholders such as REINZ, the New Zealand Law Society, consumer organisations and property sector entities with whom we have worked to ensure effective regulatory stewardship of the real estate sector. Our work with REINZ and Skills to review and improve the qualifications framework to ensure that it is fit for purpose for the real estate sector has been a particular highlight and achievement.

An important feature of this year has been our engagement with the sector to understand the risks and issues arising and our responsiveness to media seeking to understand the dynamic real estate environment.

We are grateful for the time provided by members of our industry advisory groups and regulators forum and for those who

have attended our *Conversation with REA* events that enabled us to discuss important issues arising from the review of the qualifications suite and the importance of supervision in a sector that has a growing proportion of salespeople and a shrinking number of supervisors. Supervision is critically important to the regulatory regime and is a focus for supporting the new and large 2020/21 cohort of licensed real estate salespeople.

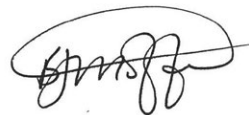
We have had an extraordinarily active year, and I am proud of our achievements, which surpass results in previous years. I am fortunate to work with a talented Senior Leadership Team who are keenly committed to the role REA has to play in supporting high standards of conduct, consumer protection and raising trust and confidence in the real estate sector. I thank each of them for their tireless work this year. I also thank our Board for their strong governance and support throughout this dynamic year.

Above all, I am proud of the way our small staff team has responded and adapted to the unpredictable events of this year. We have delivered a strong and comprehensive regulatory service in challenging circumstances.

We have had a range of changes to our staff team this year, and I acknowledge and thank all staff past and present who have contributed to our work this year. REA is known for its positive and supportive workplace culture, and it is this that has sustained us through this year.

We are looking forward to the year ahead with optimism and a strong sense of commitment to continuing to deliver value for the benefit of consumers, the real estate profession and New Zealand.

Nā reira kia ora anō tātau katoa



Belinda Moffat
Chief Executive

The Board

REA is governed by an independent Board, which has members experienced in law, real estate, investment 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 2021



Denese Bates QC
Chair
Appointed March 2014



Marion Eades
Appointed August 2015



Jo Devine
Appointed June 2018,
resigned July 2020



Latham Lockwood
Appointed November 2019



Elizabeth Nidd
Appointed August 2015



Anthony Stack
Appointed August 2015



Vern Walsh JP
Appointed November 2019

The Senior Leadership Team

The Senior Leadership Team is responsible for REA's performance and deliverables.

Members of the Senior Leadership Team

REA's Chief Executive and Registrar Belinda Moffat began her role on 8 September 2020. Phirak Appleton was Acting Chief Executive and Registrar from 13 May until September 2020.



Nadine Thomas
Head of
Engagement,
Insights and
Education
(from May 2021)

Steven Bruce
Head of
Strategy and
Insights (until
10 September
2020)

**Phirak
Appleton**
General Counsel
(and Acting
Chief Executive/
Registrar
from May to
September
2020)

Belinda Moffat
Chief Executive/
Registrar (from
September 2020)

Tanya Dunlop
Head of Human
Resources (until
20 April 2021)

Victor Eng
Head of
Corporate
Services

Josh Doherty
Head of Regulatory
Services



**HOUSE
FOR SALE**

PH: 031596765

Our highlights Ngā mea hira

REA managed
22,603
phone calls

 **up 5%**
from 21,510
last year



Total active licensees
at 30 June 2021
16,257

 **up 5%** from
15,520 last year

REA issued
2,597
new licences

 **up 54%** from
1,687 last year



REA handled
3,902
general enquiries

 **up 6%** from
3,670 last year

REA received
1,664
complaint
enquiries

 **up 38%** from
1,204 last year



REA received
320
formal
complaints

 **up 13%** from
284 last year



REA resolved
182
complaints through
the early resolution
process

 **up 39%** from
131 last year

REA Pānui newsletter
read by
9,757
licensees*

* Campaign
Monitor



Consumer
awareness of REA
increased from
**39% to
48%**



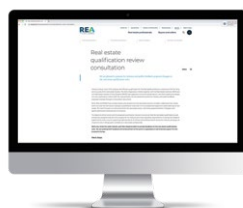
Consumer awareness of settled.govt.nz increased from

31% to 35%



1,022,602 visits to settled.govt.nz

up 11% in the last year



562,984 visits to rea.govt.nz

up 36% in the last year



Buyers and seller guides sold

145,100*

* 1,133 agency agreement guides (packs of 50) and 1,769 sale and purchase agreement guides (packs of 50) sold



LinkedIn followers

1,722*

* As at 10 August 2021



Facebook followers

23,305*

* As at 10 August 2021



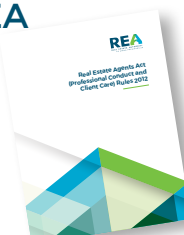
97%

of consumers found the information and guidance provided by REA useful



92%

of licensees who find REA compliance guidance useful



77%

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

Research highlights Ngā mea hira o te rangahau

Consumer survey

Awareness of REA

63%

of people who participated in a real estate transaction were aware of REA

9% from last year

87%

of consumers feel more knowledgeable after visiting settled.govt.nz to resolve a specific question

20% from last year

85%

of consumers found the Residential Property Agency Agreement Guide was useful

Source: NielsenIQ Annual Perceptions Research – p 19, 24 and 29-30

Consumer behaviour

88%

of potential buyers obtained an additional piece of information before making an offer

2% from last year

75%

of consumers consulted a lawyer or conveyancer

4% from last year

70%

obtained a valuation

5% from last year

42%

obtained a report from a building inspector

4% from last year

Source: NielsenIQ Annual Perceptions Research – p 31, 33

Licensee survey

CPD – licensee feedback

81%

of licensees agreed that CPD has improved their knowledge and understanding of the topic area

Compliance guidance – licensee feedback

94%

of licensees found REA's compliance guidance useful

Source: Undertaken by REA in 2021

Complainant survey

Early resolution process

97%

of participants agreed that the communication was clear

95%

of participants agreed that they were kept informed

Complaints Assessment Committee process

71%

of participants agreed that they were kept informed through the process

68%

of participants agreed that the communication was clear

Source: Undertaken by REA in 2021

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 a 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 and the Real Estate Agents Disciplinary Tribunal and other sources as detailed in the notes to our forecast financial statements. In the present uncertain and volatile environment, we have continued to take a conservative view of likely revenue. While the number of licensed real estate professionals is higher than forecast resulting in higher than forecast revenue, our data indicates that there can be high churn and changes to the overall annual number, which in turn impacts on our revenue.

Ongoing uncertainty of COVID-19

The ongoing impact of COVID-19 on the New Zealand economy, real estate industry and REA's operations and regulatory effectiveness remains uncertain, with the risk of regional and/or national alert level changes still high.

REA continues to monitor lead indicators to help determine the impact of COVID-19. At a macro level, REA monitors economic outlooks and data (GDP, CPI, unemployment rates, house prices, real estate listings, sales data) to gain an insight into the economic position of the real estate market. REA also tracks the operational impacts of COVID-19 (volumes of phone calls, active licences, licence applications and suspensions, complaints, enquiries, engagement surveys for industry and staff). REA is also monitoring industry and consumer behaviour through Industry Advisory Group feedback, internal enquiries and complaints data to manage key regulatory risks related to COVID-19.

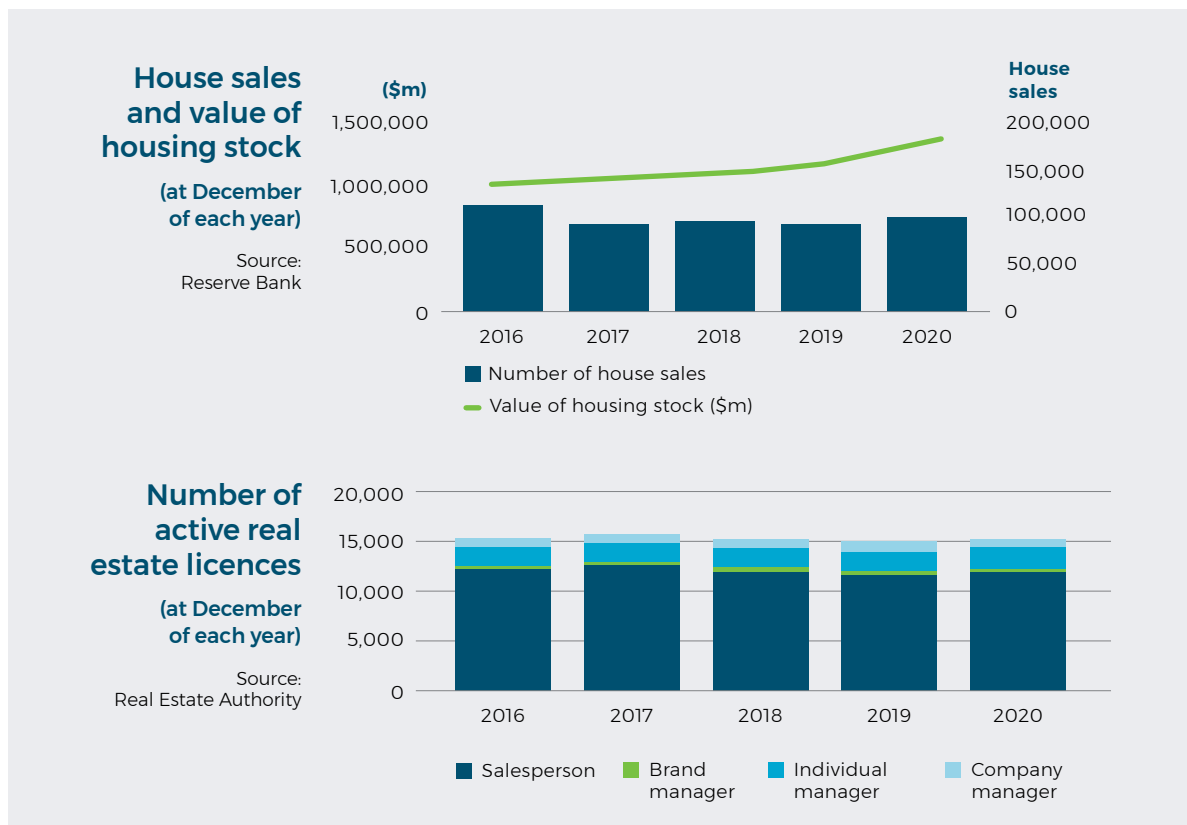
Throughout the year, we have provided guidance to licensees and consumers in shifting alert levels and adapted our processes to embrace remote working when required and to address the additional issues arising from transactions in this context. We have provided 100% of our services throughout the year.

As an agency funded almost entirely by licensee levies, REA has taken and will continue to take a prudent approach to operational expenditure and financial forecasts while the COVID-19 environment continues to be uncertain and to present a high risk to the New Zealand economy and real estate sector. In anticipation of an uncertain market and economy and a potential reduction in revenue, we deferred some non-mandatory marketing, education, engagement and awareness-raising initiatives. Despite this, we have delivered our impacts in other ways and achieved almost all of our impact measures. Our positive financial results this year reflect the conservative and prudent approach we have taken.

The high-pressure real estate market

The New Zealand real estate market bounced back from lockdown at a rate that has surpassed expectations. In our Statement of Intent and Statement of Performance Expectations, we had anticipated that the pandemic would likely negatively impact the property market, with the potential impact on sales prices, sales volumes and licensee numbers in the short term. However, while stock has remained low, sales activity and prices have been strong, resulting in high levels of competition for sales. These factors have contributed to pressure placed on consumers and licensed real estate professionals involved in real estate transactions.

REA issues four classes of licence: company licence, and licences for individual salespeople, branch managers and agents (all called licensees). This year, reflecting employment pressures in other sectors and the buoyancy of the real estate sector, we have seen a significant increase in new



salespeople joining the sector. This has placed pressure on the supervision expectations of branch managers and agents and increasing pressure on our licensing services.

Our role is to promote and protect the interests of consumers in this market by informing them about the real estate transaction and risks involved and to support licensed professionals to meet their regulatory obligations when they perform real estate agency work and hold them to account when they do not.

Reflecting this intensified real estate activity, REA has experienced increases across all of our regulatory services from increases in licensing enquiries and complaints. This year, REA has adapted its processes and approach to enable it to provide regulatory stewardship in response to these market pressures and increased demand on our services.

Housing and wellbeing

The Government has clearly stated that housing is a key priority, and housing policy settings have been introduced to improve the affordability of housing. While we do not have a statutory mandate to influence house prices or availability of stock, we play an important role in the wider property system as the conduct regulator of licensed real estate professionals who must operate in this environment.

When considering the issue of housing affordability, it is not just the price paid – it is also the ongoing financial and maintenance costs incurred in home ownership. Disclosure of information and fairness in the sales process are critical to enabling consumers to make good decisions that will have downstream effects on the livelihood and wellbeing of them and their families. Educating and protecting consumers and supporting high standards of conduct in these significant transactions is how we make a difference to the wellbeing of our community.

Increase in issues brought to REA

In the previous financial year, formal complaints to REA reached an all-time low, whilst access of our consumer information and use of our enquiry and early resolution services increased. Licensing numbers held steady. However, in the wake of the COVID-19 response and a pressured housing market in the reported period, licensing numbers have increased with a 54% increase in new licences issued in the period 1 July 2020 to 30 June 2021. Complaints and enquiries have also increased, putting greater demand on our regulatory services. In this context, it is important that REA has a clear focus on its regulatory responsibilities to ensure that it identifies and responds to risks, supports licensees to meet their obligations and provides an effective complaints and disciplinary process. This work is complemented by the work we do to deliver information to consumers to enable them to confidently engage in real estate transactions.

Regulatory stewardship and stakeholder engagement

REA is part of the wider property system in New Zealand and is responsible for ensuring that the regulatory system for which we are responsible is robust and responsive. A key focus to effective stewardship is working with other government and non-government entities to promote the wellbeing of consumers navigating the real estate environment and working with entities to ensure a strong and robust real estate environment. This requires us to work closely with those who manage the legal, regulatory and performance safeguards within the property system. Through the year, we have worked with a range of associations, people and entities who have a role to play in the real estate sector and protecting the interests of consumers, including the New Zealand Law Society, building inspectors and valuers, Heritage New Zealand, Ministry of Housing and Urban Development, Consumer Protection

(MBIE), Tenancy Services, Consumer NZ, Department of Internal Affairs, Ministry of Health (regarding guidelines for operating in real estate under alert levels), REINZ (real estate industry membership body) and NZ Realtors Network.

These and other relationships are critical to our ability to have the impact we aim to achieve.

Strategic review

In the 2020/21 financial year, REA conducted a review of its strategic direction and developed a new four-year plan. REA's new 2021-2025 strategic framework is focused on supporting consumers and licensed real estate professionals to navigate the pressured real estate environment. At the core of the four-year plan is a focus on REA's role as a conduct regulator and our commitment to consumer protection through promoting high standards of conduct across the real estate profession and ensuring that our services are accessible to New Zealand's diverse communities.

REA must continue to be an effective full-service regulator committed to protecting

consumers from harm and supporting licensees to fulfil their obligations as capable, trusted professionals. As the industry conduct regulator, we will use all the tools in our regulatory toolbox to ensure the industry acts with professionalism and integrity.

We are committed to working with the sector to ensure that any barriers to accessing the benefits and services in the regulatory system due to age, ethnicity, gender identification and level of education are removed. REA wants to nurture an environment where all consumers across New Zealand's diverse communities can access information and support so that they confidently engage in real estate transactions. Connected to this, our forward-looking strategy recognises the ongoing work required to demonstrate our commitment to te Tiriti o Waitangi.

The new strategic framework is outlined in our Statement of Performance Expectations 2021/22 and our Statement of Intent 2021-2025 and will be reported on in next year's annual report. This Annual Report 2020/21 reports against our previous strategic framework and plan.



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 performance

Ā mātau mahinga

This section of our report sets out our achievements against the impacts we aimed to achieve this year through our two output areas.

Through case studies, 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 2020-2024. 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 2020/21.

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 industry capability and professionalism and helping to protect and promote the interests of consumers. In 2017, we developed a strategic framework (see below) that outlines our vision, overarching strategic goal and strategic priorities, which we worked to achieve in the 2020/21 financial year. This strategic framework is published in our Statement of Intent 2020-2024 and Statement of Performance Expectations 2020/21.



This year, our strategic goal has been to see empowered consumers working with trusted real estate professionals.

To deliver this goal, we have worked to enable everyone involved in real estate transactions to be well informed and feel empowered to make the right decision based on their situation. We have delivered on this through our two websites (settled.govt.nz and rea.govt.nz), which provide clear and useful information for consumers and licensees and all those working with the real estate sector and communication through a range of channels. We have also focused on working collaboratively with industry to increase professionalism and trust and reduce levels of dissatisfaction, harm or loss for those involved. Our stakeholder engagement activities and high-quality

complaints service all deliver to this aim. As well as increasing professionalism through REA’s continuing professional development programme, independent Complaint Assessment Committees overseen by REA have addressed cases of misconduct and helped set clear guidelines for high standards of professionalism. Our success against this overarching outcome is measured through our annual research programme.

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



Impact 1

Reduced consumer harm



Impact 2

Better educated and informed consumers



Impact 3

Increased professionalism and public confidence



Impact 4

Increased awareness and understanding of REA

Our outputs



Output 1

Informing and educating consumers, licensees and other stakeholders



Output 2

Licensing, enforcing and monitoring of the real estate industry



Output 1

Informing and educating consumers, licensees and other stakeholders

Putanga 1

Te tuku mōhio me te tohutohu i ngā kiritaki, ngā kaupupuri raihana me ētahi hunga whai pānga

► This output primarily contributes towards the following impacts:



Impact 1

Reduced consumer harm



Impact 2

Better educated and informed consumers



Impact 4

Increased awareness and understanding of REA

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 by providing consumers with independent and accessible information to help them navigate the significant and complex real estate transactions.

This year, we have supported an effective education framework in a number of ways through the continuing professional development programme and a review of qualifications.

We also use research and insights, business analysis and data obtained through complaints and enquiries to identify the most important issues that present the greatest risk of harm and focus our education and engagement activities on these risks and threats.

Our analysis of this data has enabled us to better understand what drives industry behaviour, and we intend to progress this work further in the year ahead.

In the reported period, we have delivered effective consumer information about the real estate transaction process and associated risks through our settled.govt.nz website and Facebook account (and various buyer campaigns), produced a regular consumer-focused column on Stuff and provided information for consumers through print and broadcast media. Through these, we have promoted awareness and use of settled.govt.nz for consumer information and guidance and delivered targeted social media campaigns to educate and inform vulnerable consumer groups. We have also worked to raise awareness of REA as the real estate conduct regulator through our media and stakeholder engagement activities. Awareness of REA has increased by 10% this year. With greater awareness of REA, more consumers will be able to access our services, and with knowledge of an effective regulatory system, trust and confidence in the real estate profession will be increased.

We have worked with the sector to develop and deliver education materials and guidance to licensees through the continuing professional development programme, a special facilitated meeting

pack and electronic and in-person meetings and seminars and our regular REA Pānui (newsletter) that focus on the issues of harm.

We have collaborated with a range of government and non-government individuals and entities involved in the real estate sector to strengthen the regulatory system and to address risks of harm. This year, through increased media and stakeholder engagement, we have had a particular focus on raising awareness of REA to strengthen trust and confidence in the real estate sector.

Through this, we aim to see increased standards of conduct by licensees and increased consumer confidence and increased awareness of REA as the real estate conduct regulator. As a result, the outcome of our performance measures reflects increased trust and confidence in the real estate sector.

Highlights from our informing and educating work this year are described below.

Consumer information and settled.govt.nz

REA created settled.govt.nz in 2018 to provide consumers with an independent and trusted source of information to support them to understand and navigate the complex real estate transaction process without harm.

This year, there were over 1 million visits to settled.govt.nz, with visitors rating the information on average 4.5 stars out of 5.¹

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. Focused buyer research campaigns were run on social media directing buyers to settled.govt.nz, educating consumers on what they need to know before buying a property.

REA research found that prompted awareness of settled.govt.nz has grown, with 35% of participants in our annual consumer perceptions research aware of the website.²

The research also identified that the most common time settled.govt.nz was visited was before a person made an offer on a property, indicating that it is being used to help people in the transaction process. The research found 87% of respondents said they felt more knowledgeable after visiting the site.³ Over 80% found settled.govt.nz to be trustworthy and independent with expert and accurate information.⁴

Migrant and first-home buyers have the lowest levels of awareness of settled.govt.nz, which shows there is still significant work to do to reach these groups that are potentially at high risk of harm due to inexperience and potential language and cultural barriers than more experienced buyers and sellers.

The consumer information provided by REA has contributed to awareness by consumers of the need to undertake due diligence and seek information when purchasing. The results of our Nielsen survey identified that the number of consumers surveyed who had consulted a lawyer or obtained a valuation had increased since last year. The number of consumers who have obtained additional information before making an offer has remained high at 88%.

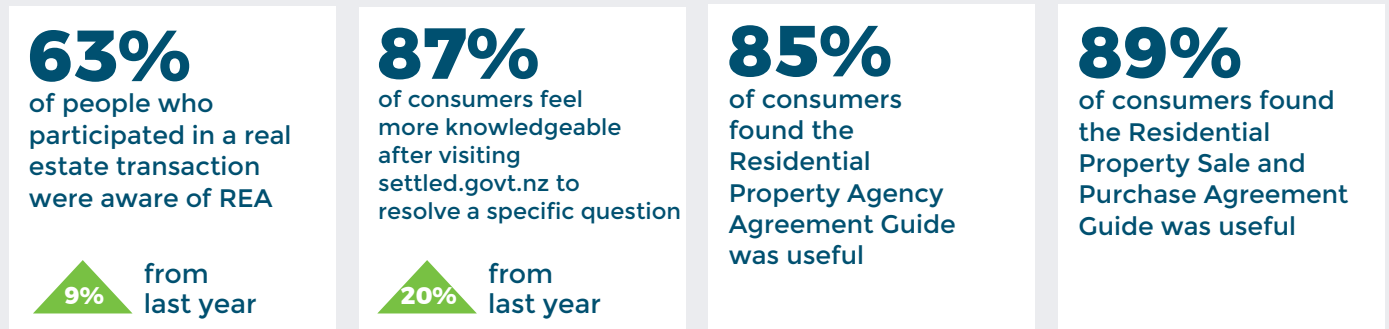
1 Nielsen IQ Annual Perceptions Research 2021 - p23

2 Nielsen IQ Annual Perceptions Research 2021 - p21

3 Nielsen IQ Annual Perceptions Research 2021 - p24

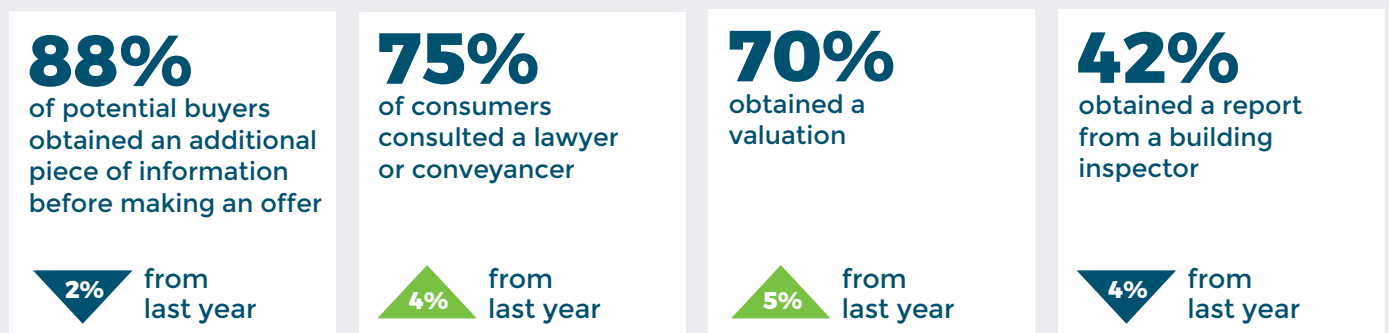
4 Nielsen IQ Annual Perceptions Research 2021 - p25

Awareness of REA



Source: Nielsen IQ Annual Perceptions Research 2021 – p19, 24, 29-30

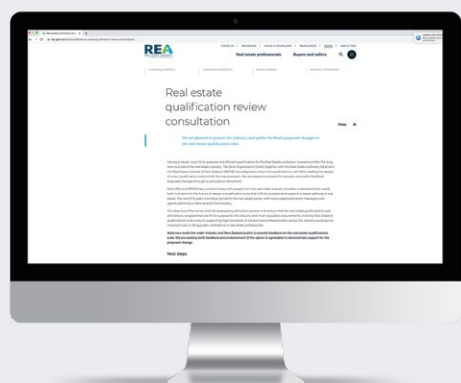
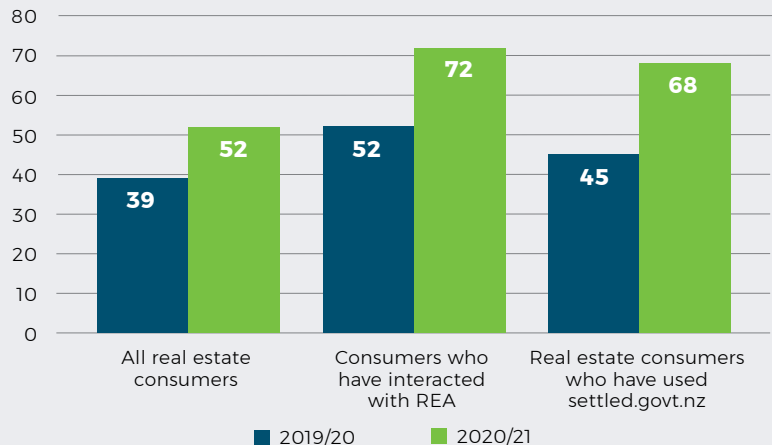
Consumer behaviour



Source: Nielsen IQ Annual Perceptions Research 2021 – p31, 33

% of consumers who consider they have high levels of knowledge about the real estate transaction process

Source: Nielsen IQ Annual Perceptions Research 2021 – p55-56



I think the information provided is absolutely helpful, specifically if you are a first-time buyer.

Great read and advice, well worth it if buying a property. Especially need to fully understand what's involved in cross-lease.

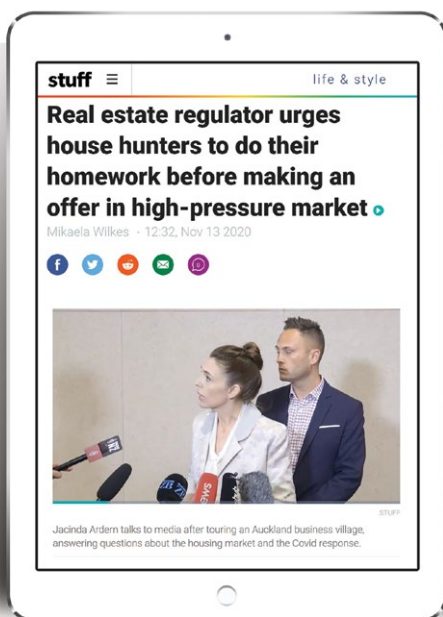
This stuff is great, plain English explanations up to date and focused on the needs of everyday folk like us. Awesome!

Feedback from [settled.govt.nz](https://www.facebook.com/settled.govt.nz)'s Facebook page

Engaging with media on real estate issues

This year, REA increased its active engagement in a range of print, broadcast and social media activities to contribute to public and licensee understanding of the risks and issues arising in real estate. REA appeared in or was quoted in 171 print and broadcast media items and provided commentary on a range of issues including the importance of disclosure of sensitive issues, offers, auctions, commission, increase in people joining the real estate profession and buying in a pressured market. Throughout the year, REA has contributed a regular consumer-focused article to Stuff to provide guidance to consumers on common risks and issues arising in the real estate transaction process.⁵

In the pressured real estate environment, REA has emphasised the importance for consumers to carry out due diligence and seek legal advice before listing a property or making an offer. REA has reminded licensees of the need to treat consumers fairly and not to place them under undue pressure as they navigate real estate transactions.⁶



Stuff, November 2020

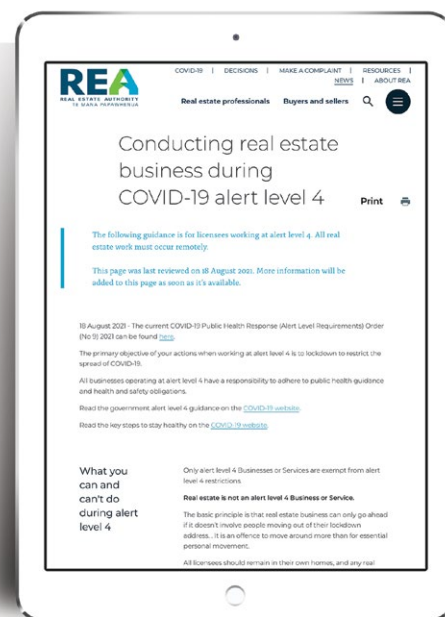
Providing guidance on operating at COVID-19 alert levels

As alert levels changed in different regions through the year in response to COVID-19 threats, REA worked closely with key stakeholders including the Ministry of Justice, Ministry of Health, Ministry of Housing and Urban Development, REINZ and New Zealand Law Society to provide guidance to the industry and consumers about keeping themselves safe from COVID-19 during real estate transactions. Information was produced and updated throughout the year and was official guidance, going through the government approval process.

Updates provided on REA's website and through several REA Pānui proved highly popular with real estate professionals and consumers. On average, REA COVID-19 alert level Pānui updates were opened by more than 60% of licensees.⁷

Guidance for each alert level is also available on rea.govt.nz and via settled.govt.nz.

COVID-19 guidance for consumers on settled.govt.nz received 26,102 page views.⁸



⁵ Ask Belinda, Stuff.co.nz March 2021

⁶ Ask Belinda, Stuff.co.nz October 2020

⁷ Campaign Monitor June 2021

⁸ Google Analytics COVID-19 page title and screen class

Review of qualifications programme

In late 2020, REA, REINZ and Skills commenced a review of the real estate qualifications framework.

Following consultation with the sector and wider public, a new qualifications suite has been designed, which has been approved by NZQA. The new suite recognises that the next 5-10 years are a critical period for the real estate sector, with many seasoned branch managers and agents planning to retire and exit the industry.

In recent years, there has been a reduction in the number of licensees signing up for the branch manager and agent programmes. The industry expressed concern that the existing framework took too long to complete and did not recognise existing knowledge and experience.

There has also been a growing trend of real estate professionals bypassing the New Zealand qualifications requirements by obtaining an agent qualification and licence in Australia and then applying for a licence through the Trans-Tasman Mutual Recognition Act 1997. This poses increased risk for licensees and consumers because the training did not reflect New Zealand's unique legislative requirements and cultural environment.

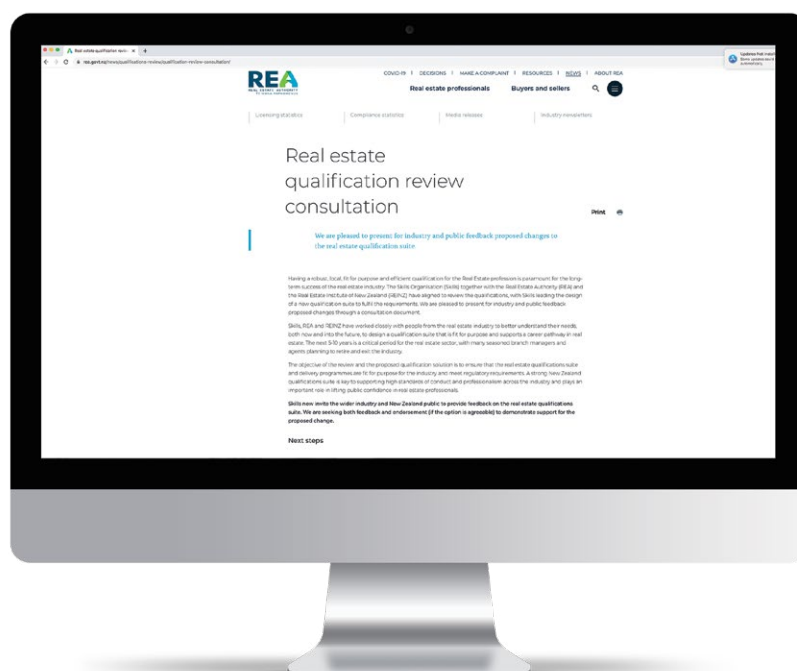
Over the last year, REA has worked closely with REINZ to support Skills with the review, redesign and consultation on the development of a refreshed qualifications suite. Industry and sector advisory groups were also consulted and provided input on the new framework.

During the co-design phase, licensees said they'd like qualifications that built on each other, focused on the core skills and requirements at each level and supported career progression in the industry. They also acknowledged that consumers must have confidence that the New Zealand qualifications suite sets a robust minimum standard for training and expertise.

The review found that new level 5 and level 6 qualifications were required to better meet the needs of all stakeholders.

The new qualifications suite will provide a clear pathway for real estate professionals to progress from salesperson through to agent. It will provide stepped learning that allows licensees to build on their knowledge at each qualification level.

Training providers are now working with industry stakeholders to produce new training programmes that meet the real estate industry's high educational standards and expectations. The full suite of qualifications is expected to be available for enrolment in early 2022.



Continuing professional development

Continuing professional development (CPD) contributes directly to increasing industry professionalism by helping to ensure licensees understand and address topical issues and important legislation, regulation or rule changes.

REA's annual CPD programme assists 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. For the 2021 programme, the two mandatory topics are issues and complaints and common issues and best practice for sale and purchase agreements.

Licensees could choose from 16 elective topics including four newly developed topics covering land information memoranda (LIMs), subdivisions, commercial ethics and business appraisals.

During this financial year, topics have been selected based on complaint data and consumer research and REA's assessment of those areas where the greatest risk of harm and non-compliance may arise.⁹

The 2020 Nielsen consumer research found that 19% of consumers had an issue with a real estate transaction in the previous 12 months, with 16% of consumers saying the sale and purchase agreement was not completed in the way they thought it should be.

Questions or concerns about sale and purchase agreements were also the focus of 6% of our enquiries from licensees and 12% from consumers in 2020. Issues relating to the sale and purchase agreement made up 5% of the 237 complaints we received between 1 January and 31 December 2020, based on REA data.

REA used this data and insights¹⁰ to develop the sale and purchase agreements CPD module. It includes information about all the issues to consider when developing a sale and purchase agreement including vendor warranties and clauses, special conditions and solicitors' duties.

Each year, REA asks licensees to assess the effectiveness of CPD. In 2021, 82% of licensees agreed that the CPD programme improved their knowledge and understanding. REA was encouraged that licensees also indicated they have made changes to how they engage with consumers due to the lessons they have learned from completing CPD.

⁹ Nielsen IQ Annual Perceptions Research 2021 - p36

¹⁰ Nielsen IQ Annual Perceptions Research 2021 - p36



Facilitated meeting packs

Facilitated meeting packs are a learning resource created by REA to assist licensees to meet their obligations and raise professional standards in the real estate industry.

The materials are designed to enable agencies to run their own training sessions with their team while contributing towards their non-verifiable CPD hours.

From the complaints and complaint enquiries raised with us in 2020, over 30% of people said they had an issue with a licensee giving misleading or incorrect information about a property. Misleading and incorrect information is likely to breach the Code of Conduct and can result in harm to customers and clients.

A marketing and advertising facilitated meeting pack was produced for licensees to use as a compliance resource for use in internal training sessions. This was developed with input from REA's residential Industry Advisory Group.

REA received positive feedback from the industry in response to previous meeting packs. This was the third facilitated meeting resource created by REA and has generated positive feedback from the sector.

Pānui

REA issues a regular pānui (newsletter) for licensees and stakeholders providing information about issues affecting the sector and complaint decisions that provide guidance to licensees on the standards expected from them. In the 2020/21 financial year, REA issued six pānui along with additional special pānui providing updates on COVID-19 alert level changes.

This year, we have increased coverage of recent cases, and licensees have provided examples where they have changed a policy or procedure because of what they have learned from a Complaints Assessment Committee/Real Estate Agents Disciplinary Tribunal decision, or information provided by REA.

This year, a section providing news from across government was also added to the REA Pānui, which keeps licensees up to date on policy and regulatory changes that impact their business.¹¹

Recent examples include a Department of Internal Affairs report on anti-money laundering compliance in real estate, the Residential Tenancies Amendment Act updates and information about EQC claims.



“The facilitated meeting packs are very useful. As a smaller business, we don't have an inhouse trainer and the packs help good sessions and discussion with the team.”

“The marketing and advertising meeting pack facilitated some great discussion and just tidied up our thinking on puffery v misleading.”

REA Annual Licensee Survey 2021



“We have implemented some best-practice ideas, such as the multiple offer situation, we get vendors to initial all multiple offer forms, so that if ever we are questioned if all the offers were presented, we can show that they were.”

REA Annual Licensee Survey 2021

¹¹ Campaign Monitor

Engagement with licensees and stakeholders

Licenseses

Throughout the year, we have engaged with licensees and stakeholders through our various channels. We have hosted Industry Advisory Group meetings with representatives from the rural, residential, commercial and business sectors to seek feedback on the qualifications review, new strategy, and risks and threats arising in the sector. We have held a Regulators' Forum with senior representatives from across the industry to provide updates on our work including reporting on the harms arising in complaints, the increase in licensed salespeople and the importance of supervision and to seek feedback on sector priorities to inform our strategy refresh and the qualifications review. Through this engagement, we have been able to work with the sector to promote and protect consumer interests and to 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, industry and property sector events highlighting themes from complaints and areas where industry can focus to continuously ensure high standards of conduct.

As part of this programme of work, in November 2020, REA held its first Conversation with REA event in Dunedin. This was an opportunity for local licensees to meet with REA Chief Executive, senior leaders and an REA Board member to discuss the opportunities and challenges facing the industry and consumers.

The event received positive feedback from the Dunedin real estate community, and several more Conversation with REA events will be held in regional New Zealand in the 2021/22 financial year.

Stakeholders

REA works closely with the wider property sector including other government agencies, REINZ and other professional bodies operating in the property sector. Examples include engagement with Consumer NZ to provide information from settled.govt.nz to consumers, supporting the Consumer Protection team at MBIE in their consumer research and leveraging connections across New Zealand's diverse communities and meeting with the Building Officials Institute of New Zealand and New Zealand Institute of Building Inspectors to discuss our common interest in ensuring that consumers have access to registered valuations and building reports to help them make good purchasing decisions. Our relationship with the New Zealand Law Society is important for providing advice and input on legal requirements for real estate transactions.

Lastly, REA has provided advice and support to the Ministry of Housing and Urban Development as it develops policy to support the government's proposal to introduce property management regulation. REA has expressed its willingness to provide the regulatory framework for the new regulator if required.

We share a commitment with these entities to ensuring high standards of conduct that protect consumers from harm. Our work this year has contributed to our ability to support consumer interests and ensure a robust regulatory framework for the real estate sector.

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

A key part of REA's refreshed strategy is a commitment to empower buyers and sellers from diverse communities to confidently engage in real estate transactions. Through the reported period, we have considered the interests of different consumer groups, including migrant consumers, through our consumer harms work. Through our 2021 consumer perceptions research, we have identified that awareness of REA and settled.govt.nz in migrant groups is low (currently at 39% and 24% respectively¹²) and that we need to better understand the risks and issues they face when engaging in real estate transactions. We intend to build on this work in the year ahead.

REA seeks to demonstrate its commitment to te Tiriti o Waitangi. This year, our focus has been on building internal cultural capability, including promotion of the use of te reo Maori and tikanga in our internal and external correspondence and engagement.

Increasing REA's cultural capability and strengthening our relationships with Māori communities to understand the needs of consumers and licensees from a Māori perspective is a key strategic priority in our refreshed strategy.



¹² Nielsen IQ Annual Perceptions Research 2021 - p27





Output 2

**Licensing, enforcing and monitoring
the real estate industry**

Putanga 2

**Te raihana, te whakaū me te arouturuki
i te ahumahi hoko whare**



This output primarily contributes
towards the following impacts:



Impact 1

Reduced consumer
harm



Impact 3

Better educated and
informed consumers

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 and holding poor conduct to account and raising professional standards through the use of our full range of regulatory tools. These services are all focused on responding to and reducing consumer harm and supporting increased professionalism and public confidence in the real estate profession.

This year has seen a significant increase in licensing, enquiries and complaints activity, reflecting the increased intensity of activity and pressure arising in the real estate sector. It is in this environment that our services are critical for protecting consumer interests and responding to harm. Given

the substantial 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 both licensees and consumers operating in this market.

Our impact this year has been delivered through our handling of an increased number of complaints, enquiries, Complaints Assessment Committee (CAC) decisions and Real Estate Agents Disciplinary Tribunal outcomes processed through the year. Our early resolution services and these decisions hold poor conduct to account and also provide guidance to others in the sector as to the standards expected.

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

Licensing, complaints and disciplinary action

16,257 active licensees as at 30 June 2021

2,597 new licences issued

1,664 complaint enquiries received

320 formal complaints received

4 cases found to be outside jurisdiction

182 complaints resolved through early resolution process, 104 resolved by Registrar determinations under section 74(3)

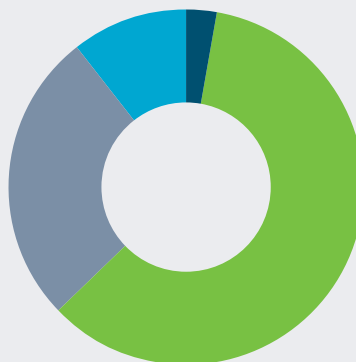
34 decisions issued by the Tribunal,* of which 5 decisions issued by the Tribunal reported misconduct findings against a licensee

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

105 decisions issued by a CAC as follows:

CAC decisions

- **3** decisions not to inquire into the complaint
- **63** decisions resulted in no further action
- **28** decisions resulted in a finding of unsatisfactory conduct against a licensee
- **11** decisions to lay charges in the Real Estate Agents Disciplinary Tribunal



Top five themes raised in formal complaints

1 Misrepresentations

2 Not acting in the best interests of the vendor

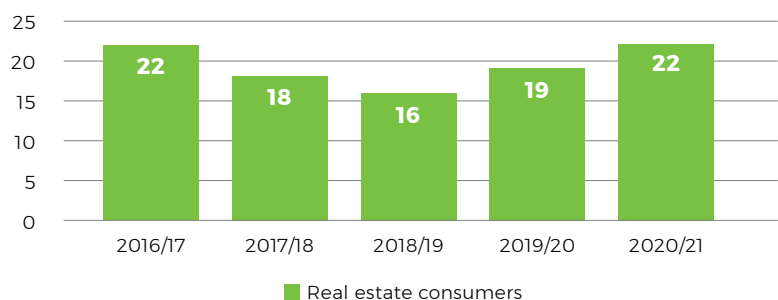
3 Misleading advertising

4 Licensees not acting with skill and care

5 Disclosure: Rule 6.4 of Code of Conduct

% of consumers who experience issues or problems during their real estate transactions

Source: Nielsen IQ Annual Perceptions Research – p35



Licensing

Record levels of real estate professionals

Real estate licence numbers continued to grow in the 2020/21 financial year reflecting the highly active real estate market and COVID-19 economic environment. REA issued a record 2,597 new licences during the year with 16,257 active real estate licensees in New Zealand as at 30 June 2021.

This is the highest level of licences since the establishment of REA. We conduct assessments on every new and renewing licence including qualification checks and reviewing any criminal convictions and past conduct to ensure each licensee meets the fit and proper standard.

The growth in active licences over the last year is entirely in salesperson licences. Active numbers of branch manager, individual agent and company agent licences have all decreased. REA is monitoring the regulatory risk for the industry as supervision, which is provided by branch managers and agents, is a critical aspect of the regulatory framework.

To build the pipeline of supervisors and ensure the supervision model remains robust, the qualifications review has been a priority for REA. Our aim is that the

new qualifications framework will attract more branch manager and agent licence applications, which will help to address this shortage in the medium term. In the meantime, REA will work with agencies to ensure adequate supervision is in place for licensed salespeople.

Ensuring licensees are fit and proper

A key prerequisite for holding a real estate licence is the requirement that the applicant is and remains a fit and proper person. We carefully assess all new and renewal applications with regards to the fit and proper person test, and applicants with any criminal history or other concerns are individually assessed. We are concerned that the application of the legislative framework may not align with public expectations of what constitutes a fit and proper person, and so we have been developing and testing guidelines for a fit and proper standard. This year, an appeal to the High Court against a licensing decision has assisted to provide further judicial guidance on the application of the fit and proper test and will be taken into account as we develop a fit and proper standard in the coming year.

Active licences	June 2019	June 2020	June 2021	Year change
Salesperson	11,825	12,046	12,919	873
Branch manager	360	374	343	-31
Individual agent	2,049	2,165	2,097	-68
Company agent	919	935	898	-37
Active licences	15,153	15,520	16,257	737

Enforcing and monitoring the real estate industry

A key part of the regulatory regime is the complaint 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 Tribunal also provide guidance to the sector of the standards expected.

Overview

In the 2020/21 financial year, REA received 1,664 complaint enquiries (compared to 1,204 in 2020) and 320 formal complaints (288 in 2020). Four of the formal complaints about licensees were determined to fall outside of the scope of REA. In the 2020/21 financial year, 100 complaints (31% of the 320 complaints received) were referred to a CAC.

In the 2020/21 year, REA addressed 281 complaints, of which 182 (65%) 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, vexacious or raising inconsequential matters or supporting a resolution between the parties.

Of the cases addressed through early resolution, the Registrar decided not to enquire further in 31 cases because the subject matter of the complaint was inconsequential, raising only low-level or minor and technical breaches.

In the year, 105 decisions were issued by a CAC. The CAC decided not to inquire further in three decisions, and 63 decisions were made to take no further action. A no further action decision is often only made once detailed evidence on the issues in the complaint have been gathered and considered by the CAC 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. Findings of unsatisfactory conduct were made in

Licensing

Case study: Assessing fitness and propriety to hold a licence

An individual application for a salesperson licence by a person who had been convicted of a \$13 million mortgage fraud 13 years earlier was declined by the Registrar in January 2020. The Registrar determined that, on the evidence provided, they could not be satisfied the individual was a fit and proper person in light of the prior serious offending.

The applicant then appealed the Registrar's decision to the Real Estate Agents Disciplinary Tribunal, which heard further evidence and allowed the appeal and granted the individual a salesperson's licence.

REA appealed the Tribunal decision to the High Court to seek clarity on how the fit and proper principle should be applied under the Act.

The High Court dismissed the appeal upholding the licence and provided guidance on the application of the fit and proper test:

- The onus is on the applicant to satisfy the Registrar that they are entitled to hold a licence, including that they are a fit and proper person to hold a licence.
- The Registrar must look at the facts of the case 'in the round', and not just have regard to the fact of a previous conviction or convictions.
- The Registrar must take a forward-looking approach and assess if there is a material risk, in the applicant's present character, of breaching the trust and responsibility that comes with being a licensed real estate professional.

28 decisions issued in the reported period, and 11 decisions were made to lay charges in the Tribunal.

Complaint themes

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

These were the five key issues raised in complaints received by REA in 2020/21:

1. Misrepresentations

For the second year in a row, licensees giving out incorrect or misleading information was the top issue raised in REA complaints, with 11% of complaints highlighting this as an issue.

Examples of complaints that fall under this heading are:

- licensees giving misleading information about the process – for example, telling a prospective buyer that there are no other offers coming in to join their offer when there are
- licensees giving misleading information about a property – for example, telling a buyer that the septic tank has been recently emptied when it has not.

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

Complaints that fall into this category commonly come from the vendor. They usually involve an allegation that the licensee's actions have jeopardised a sale or impacted on the vendor getting the best price for the property – for example, giving the vendor inaccurate information about the value of their property or telling buyers the vendor will accept a lower price for a property than the vendor is actually willing to accept.

3. Misleading advertising

This issue is closely linked with the issue of misrepresentations. These complaints involve the licensee putting inaccurate or misleading information in written advertising about the property – for

example, advertising that a property has four bedrooms when it only has consent for two bedrooms.

4. Licensees not acting with skill and care

Complaints in this category tend to be ones that don't fall under any of the specific licensee obligations and are about general licensee obligations to act professionally and carefully when doing real estate work – for example, poor communication with a buyer or vendor or taking a long time to send property information to an interested buyer.

5. Disclosure: Rule 6.4 of the Code of Conduct

Rule 6.4 is about information that, by law or in fairness, should have been given to a customer or client.

6.4 A licensee must not mislead a customer or client, nor provide false information, nor withhold information that should by law or in fairness be provided to a customer or client.

These complaints are usually about issues with a property that are not physical problems (which tend to fall under rule 10.7). Examples are not telling a potential buyer that a large supermarket is about to be built next door or helping the buyer hide their identity from the vendor.

Early resolution

REA's Early Resolution team 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, one of REA's experienced dispute resolution professionals 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.

The substantial increase in complaint enquiries this year, coupled with higher levels of concern raised by consumers and complexity of issues, put pressure on the timelines that our Early Resolution team ordinarily works to. This resulted in a backlog and delays beyond our usual target service levels. Additional resources and prioritisation processes have been implemented, and we expect the backlog to be resolved by the end of August 2021.

Two examples of successful resolution outcomes in the early resolution process in the previous year are described in our case studies.

Complaints Assessment Committees

The complaints and disciplinary process involves a complaint being referred to an independent Complaints Assessment Committee (CAC) for determination or the laying of disciplinary charges in the Real Estate Agents Disciplinary Tribunal. The Compliance, Investigations and Legal teams work together to support the process. The decisions and findings that arise are a key output in REA's regulatory services, holding poor conduct to account and, through the decisions, providing guidance to the sector of the standards expected.

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 into the complaint. If an inquiry is warranted, an investigator will be appointed to investigate the issue.

Licensee conduct that shows a breach of the Act, rules or regulations can be at the level of unsatisfactory or misconduct. For matters that are potentially at the unsatisfactory level, the CAC will make an independent decision. For the most serious matters such as where licence cancellation or suspension are a potential outcome, the CAC can lay charges before the Tribunal.

Early resolution case studies

Case study: Connection issue

The complainant was interested in buying a section that was advertised as "power and phone is at the gate". After settlement of the transaction, they discovered the electricity connection wasn't available at the boundary and there wasn't enough capacity in the local transformer to take a new connection. The initial estimate to get their section connected to electricity was costly. The buyer was unable to contact the licensee to discuss the issue and subsequently asked REA to help. REA worked with the parties to understand the issue and what action they wanted to rectify the problem. The agent apologised for their poor communication and said their relationship with the complainant (in their small rural community) was important. The agent agreed to liaise with the local electricity network company and offered to pay for the cost of getting an electricity connection to the section, which the complainant accepted.

Case study: Plumbing and pests

The complainant purchased a property that was tenanted. The licensee acting for the vendor worked for the same company as the property manager who looked after the property for the vendor.

At the pre-settlement inspection the buyer raised concerns around plumbing and pests in the property. The licensee told the buyer they would contact the property manager and arrange for the issues to get fixed prior to settlement.

The licensee did not advise the vendor about the plumbing and pest control problem and did not ask the property manager to fix the issues. After settlement of the transaction the buyer spent money to fix the plumbing, and for pest control.

Through our early resolution process, the agency acknowledged that their communication with the buyer and the vendor should have been better. The agency offered to pay the cost of invoices for plumbing and pest control. The agency also arranged training for all of their salesperson to remind them about their obligations around timely and relevant communication to all parties.

Each CAC decision provides clear guidance for the real estate sector of how the standards apply and the conduct expected. In the last year, a number of decisions were issued addressing conduct issues and provided critical guidance to the sector.

CAC case 1: Disclosure of methamphetamine¹³

In 2019, REA issued guidelines about the disclosure obligations in relation to the presence of methamphetamine residue in properties. That standard was first considered by a CAC decision in 2020.

The CAC found that the presence of very low methamphetamine residue is not a relevant defect under rule 10.7 (which requires licensees to disclose known defects) and that a licensee cannot be found to have breached their ethical obligations under rule 6.2 (which requires licensees to act in good faith with parties to a transaction) and rule 6.4 by not disclosing minimal and harmless faults in a property.

The decision was confirmed by the Tribunal following an appeal. The Tribunal also noted that REA's guidelines on methamphetamine disclosure provide a logical and balanced approach.

CAC case 2: Undue or unfair pressure¹⁴

In this case, the CAC found that the licensee's conduct was unsatisfactory by putting a couple who were interested in purchasing a property under undue or unfair pressure. The property was to be sold by auction. The couple was unable to attend but let the licensee know that they were interested in the property and that, if the property did not sell, they would like to hear back. The property did not sell at auction, so the licensee attempted to get in contact with the couple. The licensee rang the couple 48 times over four days, with many calls late at night and early in the morning, including 30 calls and messages in one evening. The CAC decided that the

excessive number of phone calls was a form of harassment designed to create an offer that would benefit the licensee (due to commission that would be earned on a successful sale).

The CAC decision was appealed to the Tribunal by the licensee. The Tribunal upheld the CAC's unsatisfactory conduct finding. Real estate transactions are often high-pressure situations, but as this case and the rules demonstrate, licensees have an obligation not to place unfair or undue pressure on clients or customers.

Real Estate Agents Disciplinary Tribunal

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

The role of the Tribunal is to ensure industry standards are raised and maintained, accountability is provided and the interests of consumers are promoted and protected.

In the 2020/21 year, the Tribunal issued 34 decisions. In five decisions, the Tribunal made findings of misconduct against a licensee. Other decisions related to reviews of Registrar licensing decisions and appeals against CAC decisions.

A number of decisions issued by the Tribunal in the reported financial year provide important guidance to the sector.

Tribunal case 1: Disclosure of property issues¹⁵

The importance of disclosure and related obligations are frequently explored in Tribunal decisions.

In this case, the licensee was found guilty of misconduct under section 73(b) of the Act (seriously incompetent or seriously negligent real estate agency work) for failing to disclose the fact that there was a property associated with a gang next door to the property the licensee was selling.

¹³ CAC C34261, [2020] NZREADT 57 READT 07/2020

¹⁴ CAC C31379, [2021] NZREADT 31 READT 049/19

¹⁵ [2021] NZREADT 32 READT 001/2021

The licensee acknowledged that they had not disclosed this to the purchaser but maintained that it had been disclosed by the vendor. This claim was disputed by the complainant.

The Tribunal found that a gang presence next door should have been disclosed to the purchaser under rule 6.4 (a licensee must not withhold information that should by law or in fairness be provided to a customer or client). The purchaser had advised the licensee that, as an older woman living alone, her paramount concern was for her safety and the safety of her dogs.

The Tribunal found that the licensee should have made this disclosure herself in clear terms rather than relying on the vendor's alleged disclosure, which the Tribunal did not accept had occurred. The licensee's failure to make this disclosure was found to be seriously incompetent or seriously negligent real estate agency work (section 73(b)).

The decision reinforces the importance of complying with the strict disclosure requirements under rule 6.4 and reflects what should in fairness be disclosed under rule 6.4.

In this case, the purchaser was particularly conscious about security, and this was a factor the licensee ought to have considered when deciding whether disclosure was required in fairness.

Tribunal case 2: Disclosure of interests¹⁶

Ensuring vendors understand all aspects of the transaction is an important part of a licensee's obligation to their clients.

In this case, the Tribunal found the licensee guilty of misconduct under section 73(b) of the Act (seriously incompetent or seriously negligent real estate agency work) for multiple breaches of the Act and rules.

The licensee acted in a transaction for both the purchaser (a property developer) and the vendor through a conjunctional agreement with the vendor's agent.

Under the conjunctional arrangement, the licensee was entitled to a portion of the commission. The licensee's company also became the nominated purchaser, and the licensee failed to formally disclose this interest in the transaction as required under sections 134 and 135 of the Act.

The Tribunal found that the licensee's conduct amounted to a breach of rule 5.1 (exercise skill, care, competence and diligence), rule 6.1 (comply with fiduciary obligations to client) and rule 9.1 (act in the best interests of the client unless contrary to law) as well as sections 134 and 135.

The licensee was required to disclose that he was in a conflicted situation to both the vendor and the purchaser. The licensee also allowed his company to be the nominated purchaser without obtaining the vendor's informed consent (required under section 134) or providing a valuation (required under section 135).

This case study demonstrates that a licensee's interests in a real estate transaction, beyond their agency agreement, must be made clear to all parties including the vendor.

Tribunal case 3: Dishonesty and professional judgement¹⁷

In addition to disclosure, another key issue that often features in misconduct decisions is the issue of dishonesty and the importance of a licensee's own professional judgement when faced with novel situations.

In this case, the licensee was found guilty of misconduct under section 73(a) (conduct that would reasonably be regarded by agents of good standing, or reasonable members of the public, as disgraceful).

On the instructions of the vendor's lawyer, the licensee had put forward a deal to a purchaser, which he knew, if successful, would have the effect of wrongfully depriving the mortgagee of the property of the full proceeds of the sale. The deal involved the sale of a property that was subject to a mortgage.

¹⁶ [2021] NZREADT 35 READT 028/2020

¹⁷ [2021] NZREADT 09 READT 018/20

The licensee knew the deal was dishonest and proceeded to offer it anyway, which the Tribunal considered disgraceful. The licensee argued that he was only acting on the instructions of the vendor's lawyer, but the Tribunal considered that a licensee of his experience level (27 years in the industry) should have been alert to the dishonesty, despite the lawyer's instructions.

The Tribunal's decision demonstrates that licensees must always exercise their personal professional judgement and be aware of dishonesty, even when following the instructions of other professionals. The ruling reinforces the fact that proven dishonesty is treated very seriously within the REA disciplinary regime.

Trust account audit

A key part of REA's monitoring role is the annual audit of trust account, 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 their trust accounts audited, and provide the audit report to REA. REA's licensing team processes over 550 audit reports from agencies each year.

An REA cross-functional working group reviews and triages audit reports that raise a concern or red flag. In July/August 2020, the working group reviewed 135 audit reports that raised an issue. The majority of

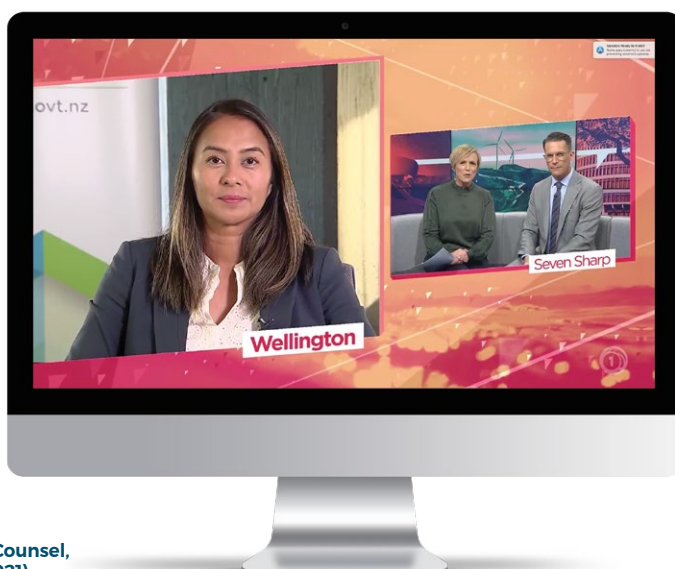
issues raised were low level. Examples of low-level issues were:

- the audit report was received later than the due date of 14 July
- a couple of times during the year, the agency didn't send their monthly information to the auditor on time
- the agency didn't notify REA that they had closed their trust account.

In 70 cases, a compliance advice letter was issued to the agency notifying them of an issue and explaining the steps the agency should take to ensure compliance with trust account obligations in future.

Seven reports raising more serious concerns were referred to a CAC to consider. In those cases, the CAC decided to either take no further action after seeing further evidence, found the agency guilty of unsatisfactory conduct or laid charges of misconduct against the agency with the Tribunal.

REA was pleased to see a high level of compliance overall with trust account obligations, with some room for improvement in agencies ensuring they meet their obligations in a timely fashion. This monitoring function is a key way in which REA reduces consumer harm and increases public confidence in the sector as a result of effective regulation.



Phirak Appleton, REA General Counsel, on Seven Sharp - TVNZ (April 2021)

Measuring our impact

Te ine i tō mātau pānga

We have identified nine key measures 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 have achieved our aim of empowered consumers working with trusted real estate professionals.

Empowered consumers

We measure how empowered consumers feel to participate effectively in the real estate transaction through an annual survey. We help empower consumers through providing useful information on settled.govt.nz, providing residential property guides for selling and buying and providing information about the complaints process on rea.govt.nz.

Trusted real estate professionals

We measure how consumers rated the real estate agent they worked with in terms of trustworthiness and professionalism

through our annual consumer survey. We seek to lift industry professionalism through continuing professional development, compliance guidance and keeping the industry informed through our pānui and communications.

We are pleased to see that all three outcome measures are progressing towards or are ahead of our 2025 targets as a result of our activities described in the previous section. REA has an important role to play in continuing to provide information to consumers involved in real estate transactions and industry guidance, training and support to lift professionalism and trust. This result is particularly positive given the highly pressured and competitive real estate market environment in which high standards can be tested. Our activities this year have contributed to this positive result.

By continuing to focus on these activities, REA can be confident that it is delivering on our purpose and making a difference to consumers in one of the most important financial transactions they make.

Measuring empowered consumers working with trusted real estate professionals¹⁸

Outcome	Performance measure	Actual 2018/19	Actual 2019/20	Actual 2020/21	Target 2025
Empowerment	Percentage of consumers who feel empowered to participate effectively in the real estate transaction	85%	83%	84%	>85%
Trust	Percentage of consumers who rate the real estate agent they worked with as being trustworthy	76%	82%	83%	>85%
Professionalism	Percentage of consumers who rate the real estate agent they worked with as being professional	82%	86%	86%	>85%

¹⁸ Nielsen IQ Annual Perceptions Research 2019, 2020, 2021. ‘Consumers’ refers to research respondents who have participated in a real estate transaction in the last 12 months. We report the combined scores of good, very good and excellent for each measure



Delivering on our strategic priorities

Our work this year has been directed towards the four direct impacts that helps contribute towards our overarching outcome:

Impact 1
Reduced consumer harm

Impact 2
Better educated and informed consumers

Impact 3
Increased professionalism and public confidence

Impact 4
Increased awareness and understanding of REA

Our performance measures for each impact help us understand if we are making a difference as the real estate conduct regulator.

In the last year, five out of six impact measure achieved target, with significant improvements in consumer awareness of REA and settled.govt.nz. This is important. To be an effective regulator, consumers 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.

The increased activity and pressure in the real estate market last year has brought an increase in the percentage of consumers who experienced issues or problems with respect to the real estate agent. We will use our annual consumer survey to develop information, training content and guidance for the industry to help focus on reducing this slight increase.



Belinda Moffat, REA Chief Executive, on Breakfast - TVNZ (April 2021)

Statement of intent

Impact	Performance measure ¹⁹	Actual 2018/19	Actual 2019/20	Actual 2020/21	Target 2020/21
Reduced consumer harm	Percentage of active licensees who don't receive decisions of unsatisfactory conduct or serious misconduct ²⁰	99%	99%	99% Achieved	>99%
	Percentage of consumers who experienced issues or problems with respect to the real estate agent ²¹	8%	13%	16% Not achieved	<10%
Better educated and informed consumers	Percentage of consumers who consider they are knowledgeable about the real estate transaction process ²²	85%	88%	90% Achieved	>85%
Increased professionalism and public confidence	Percentage of consumers who have confidence that the real estate industry is professional ²³	84%	90%	87% Achieved	>85%
Increased awareness and understanding of REA	Percentage of consumers who know what REA does ²⁴	37%	39%	48% Achieved	38%
	Percentage of consumers who are aware of settled.govt.nz	23%	31%	35% Achieved	33%

19 Nielsen IQ Annual Perceptions Research 2021

20 We report the number of decisions of unsatisfactory conduct (63) and misconduct (5) made against the number of active licences held on 30 June 2021 (16,257)

21 Nielsen IQ Annual Perceptions Research 2021

22 We report the combined scores of 'some knowledge', 'reasonable knowledge' and 'a lot of knowledge' with respect to the real estate transaction process

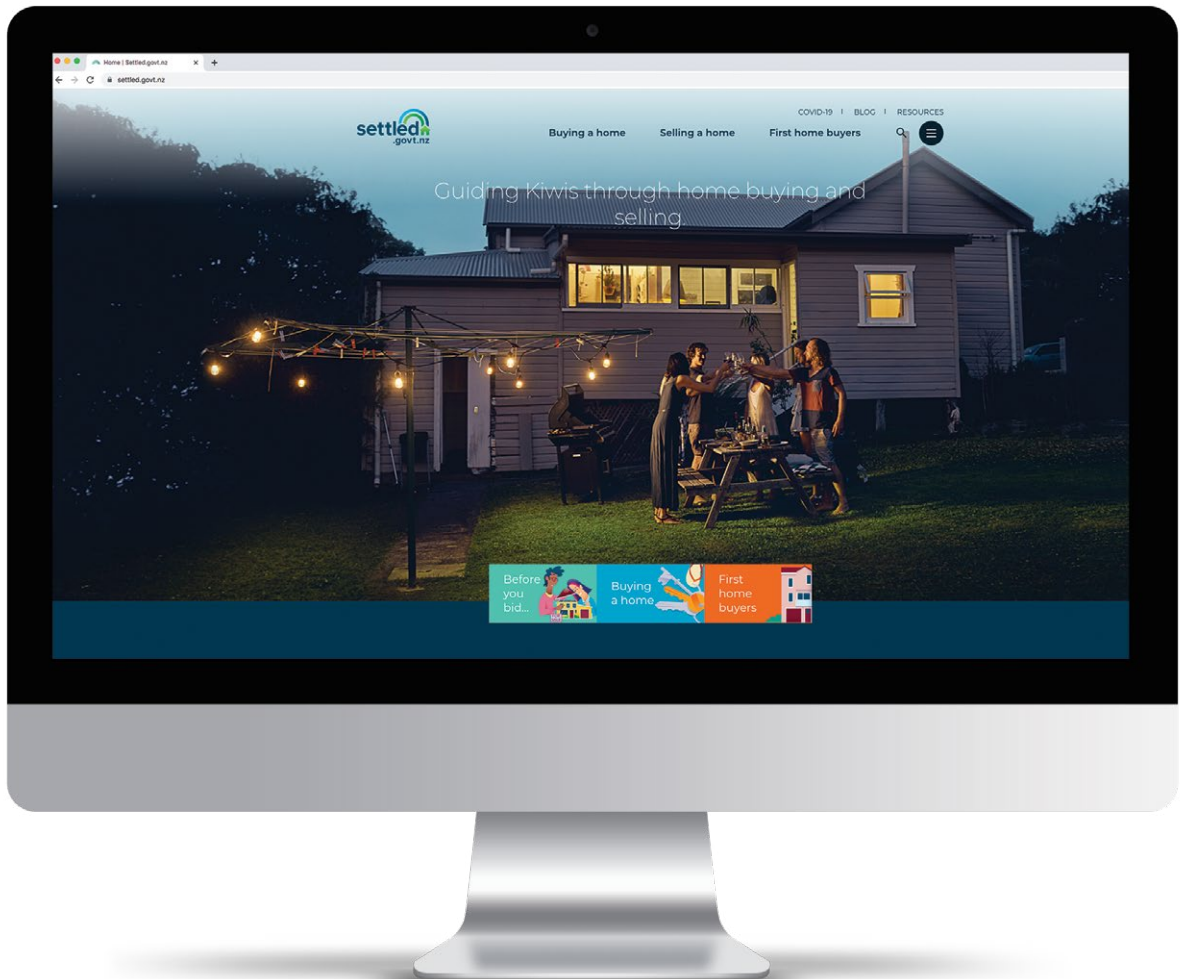
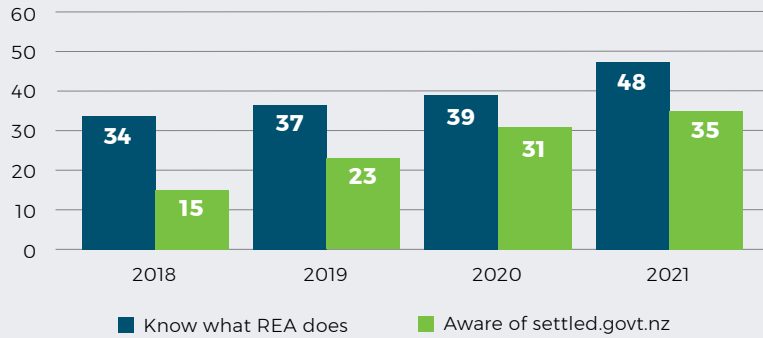
23 We report the combined scores of 'some confidence', 'reasonable confidence' and 'a lot of confidence' with respect to the real estate industry being professional

24 Respondents who answered 'know a little' or 'a reasonable amount' about what REA does

Awareness of REA and settled.govt.nz

% of consumers aware of REA and settled.govt.nz

Source: Nielsen IQ Annual Perceptions Research - p19-21



Operations

Ngā mahi whakahaere

Efficient and cost-effective operations are critical to our overall operational performance. We are a small agency with a broad regulatory remit across the real estate industry, 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 as part of an overall plan to reduce cash holdings to a more prudent level. This also reflected 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. To ensure delivery of core services and operations, REA deferred a number of initiatives in Q1, including marketing campaigns, website updates, research and some information programmes. During the year, REA commenced two efficiency and effectiveness reviews to assess whether additional capacity could be generated through more efficient and effective operations.

While licensee numbers and associated revenue this year have exceeded expectations, it is not known whether the high numbers will be sustained in future years. REA's data indicates that up to 20% of new licensees are no longer active after one year and that percentage increases in year two. If the property market slows, this may also have an impact

on licensee numbers and REA revenue. We will continue to operate prudently and to monitor the impact of COVID-19 and the market on our revenue 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 to achieve. In the past year and the environment of change, uncertainty and increased workload, 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 the Board and management. Staff are directly involved in overseeing health and safety risks. Our business continuity plan responded well to COVID-19 and the ongoing alert level changes. 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, ageing IT systems and changes in Board and staff personnel. These risks are managed by monitoring of licensee applications and revenue, careful oversight and review of our information systems strategic plan and robust 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"> • We have supported the transition to a new Chief Executive and new members of the Senior Leadership Team through interactive team meetings and staff meetings off site and a focus on internal communication. • We have developed guidelines for working under different alert levels to ensure our staff know what is expected from them and the support available. • We have embraced our journey to increase our cultural capability with increased use of te reo Māori and tikanga in our internal and external communications. • We implemented a flexible working policy to support staff wellbeing and work-life balance. • We have updated our conflicts of interest policy and bullying and harassment policy and provided training to staff on these. • We have embedded the rewards and recognition programme and revised our employee value proposition. • We have supported the ongoing professional development of staff through investigator accreditation, mediation accreditation, G-REG certification and coaching programmes. • Through REA's staff-led Culture Club, we have promoted health and safety and wellbeing initiatives including an employee assistance programme, resilience training and Mental Health Awareness Week. • We have supported a robust recruitment strategy to attract capable and committed staff in response to personnel changes. • We have engaged our people in the strategy refresh to ensure that our future direction reflects the views of the people in our organisation. • We have engaged additional resource to support our increased workload across our regulatory services. • Our Board has adopted the new Public Service Commission Code of Conduct.
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 the roll-out of our new workflow and document management system, including release of a knowledge base tool for CAC members. • We have continued to prioritise and highlight cybersecurity process and protocols, including completing a penetration test. • We have undertaken a series of effectiveness and efficiency workshops to identify areas for improvement in our complaints and disciplinary system. • We have completed a review of our Strategy and Insights team, resulting in the establishment of the Education, Insights and Engagement team. • We have revised a number of our policies including the conflicts of interest policy and revenue recognition policy and commenced the review of our leave policy to ensure that our systems and processes reflect best practice.

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 emission 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

We are a small entity, and our people have diverse backgrounds, skills, experience and knowledge. This is critical to ensuring our continued success and progress towards our goals.

While we have seen a number of changes in personnel this year, reflecting the change environment 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 2021, we had a permanent and fixed-term staff of 45.5 FTE. 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 and to support staff in any way that we can. Our work profile as at 30 June 2021 is set out below. 44 staff employed at 30 June 2021 completed the workplace survey.²⁵

²⁵ REA staff survey July 2021



Gender	
Female	64%
Male	36%
Ethnicity	
Pākehā/NZ European	68%
Other European	14%
Māori	5%
Asian	11%
Middle Eastern/Latin American/African	2%
Prefer not to answer	2%
Age Profile	
60+	5%
50-59	18%
40-49	23%
30-39	36%
29 and younger	14%
Prefer not to answer	5%
Disability profile	
No	98%
Prefer not to answer	2%
Pay gap information	
<p>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.</p>	

Health and safety

We take a proactive approach to health and safety. Providing a healthy working environment for staff is a priority. Our office building has a good seismic rating and is well maintained. 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.

COVID-19 response

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

Maihi Karauna

We are committed to Maihi Karauna and increasing our own te 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 are developing an internal te reo Māori language 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

2020/21 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.
- We issued a staff pulse survey to seek confidential views from staff on their levels of wellbeing, connectedness and engagement and facilitated discussions at an all-staff meeting off site.
- 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.

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.

Flexibility and work design

- We introduced a new flexible-by-default policy in May 2020.
- 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 tauāki haepapa

Statement of responsibility

Pursuant to the Crown Entities Act 2004, the Real Estate Authority²⁶ 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 2021 fairly reflects the financial position, result of operations and cash flows of the Real Estate Authority.

Signed on behalf of the Board.



Denese Bates QC
Chair
Real Estate Authority
14 September 2021



Marion Eades
Chair
Audit and Risk Committee
14 September 2021

²⁶ 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 2021.

The Auditor-General is the auditor of Real Estate Agents 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 58 to 83 that comprise the statement of financial position as at 30 June 2021, 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 55 to 57.

In our opinion:

- the financial statements of the Authority on pages 58 to 83:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; 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 55 to 57:
 - presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2021, 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 14 September 2021. 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 51, 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.



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 2021 as set out in our Statement of Performance Expectations 2020/21.

REA provides outputs in two result areas:



Output 1

Informing and educating consumers, licensees and other stakeholders



Output 2

Licensing, enforcing and monitoring of the real estate industry

Statement of Performance

for the year ended 30 June 2021

	Actual 2021 \$000	Budget 2021 \$000 Restated*	Actual 2020 \$000 Restated*
Total revenue	11,348	9,989	9,765
Output expenditure			
Informing and educating consumers, licensees and other stakeholders	2,888	3,931	3,478
Licensing, enforcing and monitoring of the real estate industry	7,688	8,206	8,374
Total expenditure	10,576	12,137	11,852
Total comprehensive revenue and expense	772	(2,148)	(2,087)

* See Note 14

Output 1

Informing and educating consumers, licensees and other stakeholders



One of our core activities is to provide useful information and guidance to buyers, sellers, licensees and other stakeholders. Our continuing professional development programme is an important tool to help improve industry professionalism, and our websites need to be both accessible and useful. This year, we have performed well in many of these areas, with high results in

relation to useful information and guidance and very high numbers of visits to both rea.govt.nz and settled.govt.nz websites. Where measures have not been achieved, this is by a marginal degree and reflects ongoing strong performance by REA. This increase in visits to our websites reflects the increased awareness levels of both REA and settled.govt.nz over the last year.

Performance measure	Actual 2018/19	Actual 2019/20	Actual 2020/21	Target 2020/21
Percentage of consumers who found the information and guidance provided by REA useful ²⁷	94%	94%	97% Achieved	>90%
Percentage of licensees who find REA's compliance guidance useful ²⁸	93%	91%	92% Achieved	>90%
Percentage of licensees who agree the continuing professional development programme has improved their knowledge and understanding of the topic area ²⁹	85%	82%	82% Not achieved	>85%
Number of rea.govt.nz website sessions ³⁰	288,958	414,697	562,984 Achieved	300,000
Number of settled.govt.nz website sessions ³¹	691,704	924,434	1,022,602 Achieved	>750,000
Usefulness of rea.govt.nz content ³²	4.13	4.20	4.14 Not achieved	>4.25
Usefulness of settled.govt.nz content ³³	4.41	4.41	4.50 Achieved	>4.25

27 Nielsen IQ Annual Perceptions Research 2021. Respondents to the survey who have participated in a real estate transaction in the last 12 months. This result is expressed as a combined percentage of positive responses where respondents rated REA information and guidance as 'somewhat useful' to 'very useful' and excludes 'don't know' responses

28 Licensee Survey July 2021. This result is expressed as a combined percentage of positive responses where respondents rated REA compliance guidance as 'useful' to 'very useful'

29 Licensee Survey July 2021

30 Google Analytics Report July 2021

31 Google Analytics Report July 2021

32 Webpage feedback rating. Average scores on a 1 to 5 scale

33 Webpage feedback rating. Average scores on a 1 to 5 scale

Output 2

Licensing, enforcing and monitoring of the real estate industry



One of our core functions is to manage the licensing regime to ensure that all active licensees are fit and proper. We receive, assess, manage and investigate complaints and non-compliance and support the Complaints Assessment Committees, Tribunal and court activities.

This year, we have experienced significant increases in licensing and increases in complaint enquiries reflecting the highly active real estate market. We have managed to maintain our service levels

in most areas. Although the timeliness of our early resolution processes have been impacted by these high volumes, the team has maintained high quality (reflected in the improved result where people consider the complaints process to be independent, fair and transparent). The increase in work for the Early Resolution team over the past year has resulted in some cases taking longer to resolve. Work to clear the backlog is under way, and we expect to meet service level targets in the year ahead.

Performance measure	Actual 2018/19	Actual 2019/20	Actual 2020/21	Target 2020/21
Percentage of applications approved where licensees at the time of approval are 'fit and proper' and meet the required professional standards ³⁴	100%	100%	100% Achieved	100%
Percentage of complainants and respondents who consider the complaints process independent, fair and transparent ³⁵	66%	69%	77% Achieved	60%
Percentage of new applications processed within three weeks ³⁶	89%	87%	91% Achieved	85%
Percentage of renewal applications processed within two weeks ³⁷	98%	97%	96% Not achieved	98%
Percentage of complaint enquiries resolved through early resolution within one month ³⁸	99%	99%	99% Achieved	95%
Percentage of complaints completed through early resolution within three months ³⁹	95%	88%	62% Not achieved	95%
Percentage of complaints completed within one year ⁴⁰	88%	90%	90% Achieved	90%

³⁴ This result is obtained through an internal ongoing quality review of all approved applications. Professional standards consider any previous criminal convictions, relevant education qualifications and character of licensees

³⁵ Complainants and Respondents Survey

³⁶ REA data management system

³⁷ REA data management system

³⁸ REA data management system. Data extracted on 9 August 2021

³⁹ REA data management system. Data extracted on 9 August 2021

⁴⁰ REA data management system

Financial statements

Ngā tauāki pūtea

Explanations of significant variances against budget are detailed in Note 23 on page 83. 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 2021

	Note	Actual 2021 \$000	Budget 2021 \$000 Restated*	Actual 2020 \$000 Restated*
Revenue				
Operating levy received	1	9,996	9,253	8,628
Application and suspension fees	2	1,007	437	713
Other revenue	3	345	299	424
Total revenue		11,348	9,989	9,765
Expenditure				
Audit fee		58	60	57
Personnel costs	4	5,682	5,908	5,624
Depreciation	10	144	156	152
Amortisation	11	392	615	866
Specialist services	5	1,473	2,230	2,016
Legal fees		610	672	841
Board fees	4, 19	133	149	147
Complaints Assessment Committee fees		310	355	330
Miscellaneous expenses		15	30	36
Computer and telecommunications		1,117	1,264	1,152
Printing, stationery and postage		88	43	77
Travel, meetings and entertainment		123	199	137
Occupancy		431	456	417
Total expenditure		10,576	12,137	11,852
Total comprehensive revenue and expense		772	(2,148)	(2,087)

* See Note 14

Statement of Financial Position

as at 30 June 2021

	Note	Actual 2021 \$000	Budget 2021 \$000 Restated*	Actual 2020 \$000 Restated*
Current assets				
Cash and cash equivalents		7,753	1,445	6,513
Investments – short-term deposits		1,211	4,562	1,192
Debtors and other receivables	7	11	57	29
Prepayments	8	151	135	163
Approved guide stock	9	14	16	10
Total current assets		9,140	6,215	7,907
Non-current assets				
Property, plant and equipment	10	245	277	390
Intangible assets	11	74	552	573
Total non-current assets		319	829	963
Total assets		9,459	7,044	8,870
Current liabilities				
GST payable		103	(17)	38
Trade creditors and accruals	12	770	1,510	1,090
Employee entitlements	13	186	204	199
Income in advance		363	-	278
Total current liabilities		1,422	1,697	1,605
Total liabilities		1,422	1,697	1,605
Net assets		8,037	5,347	7,265
Public equity				
Retained earnings		7,787	5,097	7,015
Litigation reserve		250	250	250
Total public equity		8,037	5,347	7,265

* See Note 14

Statement of Changes in Equity

for the year ended 30 June 2021

	Actual 2021 \$000	Budget 2021 \$000 Restated*	Actual 2020 \$000 Restated*
Public equity as at 1 July	7,265	7,495	9,352
Total comprehensive revenue and expense	772	(2,148)	(2,087)
Total public equity as at 30 June	8,037	5,347	7,265
Comprised of the following funds:			
Retained earnings as at 1 July	7,015	7,245	9,102
Total comprehensive revenue and expense	772	(2,148)	(2,087)
Total retained earnings as at 30 June	7,787	5,097	7,015
Litigation reserve as at 1 July	250	250	250
Movement in litigation reserve	-	-	-
Total litigation reserve as at 30 June	250	250	250

* See Note 14

Statement of Cash Flows

for the year ended 30 June 2021

	Actual 2021 \$000	Budget 2021 \$000	Actual 2020 \$000
Cash flows from operating activities			
Cash was provided from:			
Receipts from licensees	10,178	10,048	9,044
Receipts from sale of publications	159	139	129
Interest income	50	60	103
Receipts from suspension fees	499	74	368
Receipts from fines	109	100	163
Receipts from other revenue	48	-	-
Cash was applied to:			
Payments to suppliers	(4,348)	(5,820)	(5,093)
Payments to employees	(5,471)	(5,370)	(5,431)
Net GST received/(paid)	34	50	58
Net cash flows from operating activities	1,258	(719)	(659)
Cash flows from investing activities			
Cash was provided from:			
Receipt/(investment) in short-term deposits	(18)	1,000	1,088
Cash was applied to:			
Purchase of property, plant and equipment	-	(38)	(24)
Purchase of intangible assets	-	(463)	(44)
Net cash flows from investing activities	(18)	499	1,020
Net increase/(decrease) in cash and cash equivalents	1,240	(220)	361
Opening cash and cash equivalents	6,513	1,665	6,152
Closing cash and cash equivalents	7,753	1,445	6,513

Statement of Cash Flows (continued)

for the year ended 30 June 2021

	Actual 2021 \$000	Actual 2020 \$000 Restated*
Reconciliation of statement of comprehensive revenue and expense surplus/(deficit) to net cash flow from operating activities		
Net surplus/(deficit)	772	(2,087)
Non-cash items		
Depreciation	144	152
Amortisation	392	866
Provision for doubtful debts	(7)	(14)
Disposal of intangible assets	107	107
Movements in working capital items		
Trade debtors, other receivables and prepayments	37	(18)
Movements in inventory	(4)	5
GST receivable	65	37
Trade creditors, other payables and provisions	(235)	284
Employee entitlements	(13)	9
Net cash flows from operating activities	1,258	(659)

* See Note 14

Statement of accounting policies

for the year ended 30 June 2021

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 2021 and were approved on 14 September 2021 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 guide stock

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 – 3–4 years, 25–33% 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) 2020/21 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

Other than as disclosed below, 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.

The below change in accounting policy is reflected in the financial statements, and the 2019/20 actual and 2020/21 budget results have been restated using the changed policy.

Revenue recognition policy

REA has determined the services provided for the operational levy are accounted for as non-exchange revenue and PBE IPSAS 23 applies.

In prior years, the operational levy was accounted for as exchange revenue and PBE IPSAS 9 applied. In making this judgement, REA considered this was a direct exchange of economic benefits or services to licensees and the levy approximated a fair value of this exchange.

REA reviewed the revenue recognition accounting policy for the operational levy following the completion of REA's refreshed strategy and concluded that REA's role as a 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, should be considered as non-exchange in nature as the benefits of REA's work are wider than just for licensees.

The financial statements have been prepared using the updated revenue recognition policy with 2019/20 actual and 2020/21 budget results restated applying the updated policy (see Note 14).

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 2021

1. Operating levy received

	Actual 2021 \$000	Actual 2020 \$000
New applications	1,547	1,052
Renewals	8,449	7,576
Total operating levy received	9,996	8,628

Total active licences as at 30 June 2021 were 16,257 (2020: 15,520). This is an overall increase of 737 licences from the previous year.

2. Application and suspension fees

	Actual 2021 \$000	Actual 2020 \$000
New application fees	487	332
Suspension fees	499	368
Manual processing fees	21	13
Total application and suspension fees	1,007	713

During the year to 30 June 2021, REA processed 2,597 (2020: 1,687) new licence applications and 3,351 (2020: 3,354) voluntary suspensions.

3. Other revenue

	Actual 2021 \$000	Actual 2020 \$000
Interest	40	140
Sale of publications	159	129
Fines imposed by Complaints Assessment Committee/Tribunal	98	155
Other revenue	48	-
Total other revenue	345	424

4. Personnel costs

	Actual 2021 \$000	Actual 2020 \$000
Salaries and wages	4,774	4,670
Other personnel costs	780	813
Employer contributions to KiwiSaver	131	120
Compensation and other benefits	10	13
Employee entitlements	(13)	8
Total personnel costs	5,682	5,624

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 2021, one employee (2020: two employees) received compensation and other benefits in relation to cessation. Employee entitlements represent the movement in annual leave balances between 30 June 2021 and 30 June 2020.

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 2021 \$000	Actual 2020 \$000
\$100,000-\$109,999	3	3
\$110,000-\$119,999	5	3
\$120,000-\$129,999	3	1
\$130,000-\$139,999	2	4
\$140,000-\$149,999	1	1
\$160,000-\$169,999	1	1
\$180,000-\$189,999	-	1
\$190,000-\$199,999	2	1
\$200,000-\$209,999	1	1
\$290,000-\$299,999	-	1
Total employees	18	17

Board remuneration

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

	Actual 2021 \$000 Board fees	Actual 2020 \$000 Board fees
John Auld (Chair)	-	16
Denese Bates QC (Chair)	36	31
Marion Eades	19	19
Elizabeth Nidd	19	19
Anthony Stack	19	19
Jo Devine	2	19
Latham Lockwood	19	12
Vern Walsh JP	19	12
Total Board remuneration	133	147

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. Jo Devine resigned from the Board in August 2020. Denese Bates QC was appointed Board Chair in November 2019 when John Auld completed his term as Board Chair. Latham Lockwood and Vern Walsh JP were appointed in November 2019.

5. Specialist services

	Actual 2021 \$000	Actual 2020 \$000
Investigations support	6	6
Bank, merchant service and payroll processing fees	41	38
Advertising and publicity	498	692
Approved guide management	75	63
Media and communications	80	126
Identification validation	148	121
Other specialist services	625	970
Total specialist services	1,473	2,016

6. Operating lease commitments

	Actual 2021 \$000	Actual 2020 \$000
Less than one year	358	351
Later than one year and not later than five years	911	1,241
Later than five years	-	-
Total operating lease commitments	1,269	1,592

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 2021 \$000	Actual 2020 \$000
Trade debtors	81	95
Accrued revenue	3	14
Provision for doubtful debts	(73)	(80)
Total debtors and other receivables	11	29

Trade debtors represent the value of unpaid fines. The carrying value of receivables approximates their fair value. As at 30 June 2021, all overdue receivables have been assessed for impairment, and \$73,214 (2020: \$80,000) were assessed as impaired.

8. Prepayments

	Actual 2021 \$000	Actual 2020 \$000
Prepaid salaries	5	8
Prepaid insurance	19	17
Prepaid software licences	116	90
Prepaid other	11	48
Total prepayments	151	163

9. Approved guide stock

	Actual 2021 \$000	Actual 2020 \$000
Approved guide stock at beginning of the year	10	15
Plus: Guide stock purchased during the year	52	33
Less: Guide stock cost of sales	(48)	(38)
Total approved guide stock	14	10

REA produces three types of guides 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 guide production, distribution and management are recovered directly from licensees at the point of sale. Approved guide stock held at year end is recorded in the Statement of Financial Position as a current asset, with the cost of goods sold charged against the revenue in the Statement of Comprehensive Revenue and Expense.

10. Property, plant and equipment

	Computer Equipment \$000	Furniture and Fittings \$000	Leasehold Improvements \$000	Total \$000
Cost or valuation				
Balance at 1 July 2019	164	164	383	711
Additions	21	3	-	24
Disposals	(13)	-	-	(13)
Balance at 30 June 2020	172	167	383	722
Additions	-	-	-	-
Disposals	(10)	(1)	-	(11)
Balance at 30 June 2021	162	166	383	711
Accumulated depreciation				
Balance at 1 July 2019	122	55	16	193
Depreciation expense	24	32	96	152
Disposals	(13)	-	-	(13)
Balance at 30 June 2020	133	87	112	332
Depreciation expense	20	28	96	144
Disposals	(9)	(1)	-	(10)
Balance at 30 June 2021	144	114	208	466
Net carrying amounts				
At 1 July 2019	42	109	367	518
At 30 June 2020	39	80	271	390
At 30 June 2021	18	52	175	245

Capital commitments

There are no capital commitments at 30 June 2021 (2020: nil).

11. Intangible assets

	Actual 2021 \$000	Actual 2020 \$000
Cost or valuation		
Opening balance	5,102	5,270
Additions	-	44
Disposals	(107)	(212)
Closing balance	4,995	5,102
Accumulated amortisation		
Opening balance	4,529	3,768
Amortisation expense	392	866
Impairment loss	-	-
Disposals	-	(105)
Closing balance	4,921	4,529
Net carrying amount		
At 1 July	573	1,502
At 30 June	74	573

Included within intangible assets is REA's core business systems upgrade, which as at 30 June 2021 had a carrying amount of nil (2020: \$222,000). Intangible assets also include website costs, which as at 30 June 2021 had a carrying value of \$74,000 (2020: \$208,000) and a remaining amortisation period between <1.0 and 2 years (2020: between <1.0 and 3 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 (2020: nil).

12. Trade creditors and accruals

	Actual 2021 \$000	Actual 2020 \$000
Accrued expenses	423	373
Trade creditors	342	631
Other payables	5	86
Total trade creditors and accruals	770	1,090

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 2021 \$000	Actual 2020 \$000
Annual leave (current portion)	186	199
Total employee entitlements	186	199

14. Change in accounting policy

As a result of the change to the revenue recognition policy from PBE IPSAS 9 where operating levy revenue was accounted for as exchange revenue to PBE IPSAS 23 where operating levy revenue is now accounted for as non-exchange revenue, budget and prior year financial statements have had to be restated.

The following tables show the adjustments recognised for each individual line item.

Impact on financial statements

	Budget 2021 as originally presented in SPE \$000	PBE IPSAS 23 \$000	Budget 2021 Restated \$000	Actual 2020 as originally presented \$000	PBE IPSAS 23 \$000	Actual 2020 Restated \$000
Statement of Performance (extract)						
Total revenue	10,207	(218)	9,989	10,183	(418)	9,765
Total expenditure	12,137	-	12,137	11,852	-	11,852
Total comprehensive revenue and expense	(1,930)	(218)	(2,148)	(1,669)	(418)	(2,087)

	Budget 2021 as originally presented in SPE \$000	PBE IPSAS 23 \$000	Budget 2021 Restated \$000	Actual 2020 as originally presented \$000	PBE IPSAS 23 \$000	Actual 2020 Restated \$000
Statement of Comprehensive Revenue and Expenditure (extract)						
Revenue						
Operating levy received	8,874	379	9,253	9,046	(418)	8,628
Application and suspension fees	437		437	713		713
Other revenue	896	(597)	299	424		424
Total revenue	10,207	(218)	9,989	10,183	(418)	9,765
Total expenditure	12,137	-	12,137	11,852	-	11,852
Total comprehensive revenue and expense	(1,930)	(218)	(2,148)	(1,669)	(418)	(2,087)
Statement of Financial Position (extract)						
Current assets						
Cash and cash equivalents	1,445		1,445	6,513		6,513
Investments - short-term deposits	4,562		4,562	1,192		1,192
Debtors and other receivables	57		57	77	(48)	29
Prepayments	135		135	163		163
Approved guide stock	16		16	10		10
Total current assets	6,215	-	6,215	7,955	(48)	7,907
Total non-current assets	829	-	829	963	-	963
Total assets	7,044	-	7,044	8,918	(48)	8,870
Current liabilities						
GST payable	(17)		(17)	38		38
Trade creditors and accruals	1,481		1,481	1,090		1,090
Employee entitlements	204		204	199		199
Income in advance*	-		-	-	278	278
Deferred operating levy	4,941	(4,941)	-	5,010	(5,010)	-
Disciplinary levy payable	29		29	-	-	-
Total current liabilities	6,638	(4,941)	1,697	6,337	(4,732)	1,605
Total liabilities	6,638	(4,941)	1,697	6,337	(4,732)	1,605
Net assets	406	4,941	5,347	2,581	4,684	7,265

	Budget 2021 as originally presented in SPE \$000	PBE IPSAS 23 \$000	Budget 2021 Restated \$000	Actual 2020 as originally presented \$000	PBE IPSAS 23 \$000	Actual 2020 Restated \$000
Public equity						
Retained earnings	156	4,941	5,097	2,331	4,684	7,015
Litigation reserve	250		250	250		250
Total public equity	406	4,941	5,347	2,581	4,684	7,265
Statement of Changes in Equity (extract)						
Public equity as at 1 July	2,335	5,159	7,495	4,250	5,102	9,352
Total comprehensive revenue and expense	(1,929)	(218)	(2,148)	(1,669)	(418)	(2,087)
Total public equity as at 30 June	406	4,941	5,347	2,581	4,684	7,265
Comprised of the following funds:						
Retained earnings as at 1 July	2,085	5,159	7,245	4,000	5,102	9,102
Total comprehensive revenue and expense	(1,929)	(218)	(2,148)	(1,669)	(418)	(2,087)
Total retained earnings as at 30 June	156	4,941	5,097	2,331	4,684	7,015

* Represents the operational levy revenue received in advance of licence renewal date. The 30 June 2022 Statement of Performance Expectations 2019/20 restated actuals do not reflect this treatment

15. 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 2021 \$000	Actual 2020 \$000 Restated
Cash and cash equivalents	7,753	6,513
Investments - short-term deposits	1,211	1,192
Debtors and other receivables	11	29
Total	8,975	7,734

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
2021				
Creditors and other payables	770	770	770	-
Total	770	770	770	-
2020				
Creditors and other payables	1,090	1,090	1,090	-
Total	1,090	1,090	1,090	-

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.

16. 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.

17. 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 \$558,525 (2020: \$478,896) 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.

18. Categories of financial assets and liabilities

	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
2020 Restated				
Current financial assets				
Cash and cash equivalents	6,513	-	6,513	6,513
Investments – short-term deposits	1,192	-	1,192	1,192
Debtors and other receivables	29	-	29	29
Total current financial assets	7,734	-	7,734	7,734
Total financial assets	7,734	-	7,734	7,734
Current financial liabilities				
Trade creditors and accruals	-	1,090	1,090	1,090
Total current financial liabilities	-	1,090	1,090	1,090
Total term financial liabilities	-	-	-	-
Total financial liabilities	-	1,090	1,090	1,090

19. Key management personnel compensation

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

	Actual 2021 \$000	Actual 2020 \$000
Fees, salaries and annual leave	404	469
Total key management personnel compensation	404	469

20. Contingent liabilities

There are no contingent liabilities at reporting date (2020: nil).

21. 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 which 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.

22. 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 2021.

23. Significant budget variances

Budget values are sourced from the forecast financial statements shown in REA's 2020/21 Statement of Performance Expectations. Explanations of significant budget variances are provided on page 83.

Explanation of significant variances

Statement of Comprehensive Revenue and Expense

Revenue

Operating levy received and application and suspension fees

Licensee revenue is above budget – this is primarily due to current higher volumes from the licensing renewals and suspensions fees.

Expenditure

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

Personnel costs

Personnel costs are lower than budget reflecting vacant positions not filled during parts of the year.

Amortisation

The budget has assumed a different timeframe for when some intangible assets would be fully amortised.

Specialist services

Specialist services are lower than budget as a number of planned activities were cancelled or deferred as part of a programme of fiscal restraint during the uncertainty presented by the COVID-19 operating environment.

Computer and telecommunications

Computer and telecommunications are lower than budget as some enhancement initiatives were delayed and the need for ad hoc support was at a much lower level than planned.

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.

Intangible assets

Intangible assets are lower than budget due to a change in approach of planned information technology projects with a move to software as a service model rather than an ownership model.

Trade creditors and accruals

Trade creditors and accruals are lower than budget due to lower overall expenditure.

Statement of Cash Flows

Net cash flow 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.

Net cash flow from investing activities

Net cash flow from investing activities has improved due to maintaining a similar level of term investments and lower than expected levels of intangible asset expenditure.





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