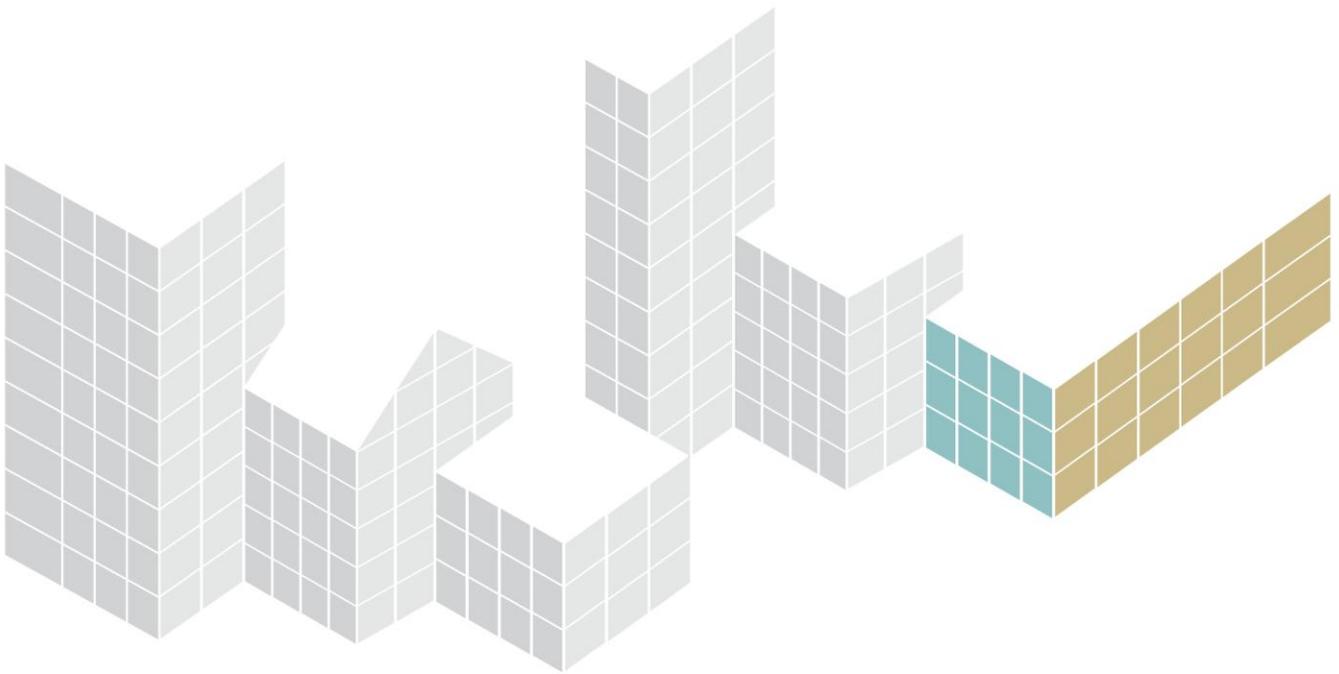


# Statement of Intent

## 2010 - 2013





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## Foreword - Chair of the Real Estate Agents Authority

I am pleased to present this Statement of Intent on behalf of the Real Estate Agents Authority for 2010 – 2013. The Real Estate Agents Authority (the Authority) is still very much in its infancy, with a rapidly growing work programme and an increasing acceptance of its role in the real estate industry.

The enactment of the Real Estate Agents Act 2008 has brought about opportunities to embark upon an industry-wide transformation with the sector, Government and consumers throughout New Zealand. On 17 November 2009, the Authority commenced its work as the newest occupational regulatory body in New Zealand, tasked with bringing about increased consumer protection, and public confidence in real estate agency work.

The Authority's governing legislation seeks to promote greater transparency, independent compliance, monitoring and enforcement, and enhanced professionalism in one of the most important sectors of the New Zealand economy.

Looking back at where we started only a few months ago gives us a strong sense of where our priorities will need to be for the next year and beyond.

Since its commencement last year, the Authority has been extremely busy with re-licensing and enforcement activities. All licensees who were deemed to hold a licence as at 17 November 2009 were required to renew those licences by 31 March 2010. By that date around 15,000 licensees had applied to renew their deemed licence and an additional 1,200 licensees elected to suspend their licences. By 24 June 2010, over 1,600 new licence applications had been received.

As at 24 June 2010, the Authority had received 438 complaints since its launch on 17 November 2009. This is a significant volume of work for the Authority to process and is the greatest area of financial risk for the Authority given the unknown quantity of complaints and allegations we are likely to receive. However, the current volume of complaints and allegations reflects the public and the industry's awareness of new expectations placed on all participants in the real estate industry. The large volume of complaints indicates that the public know of the Authority and trust in its purpose.

A major challenge the Authority faces as a result of the high number of complaints is the resourcing of its Complaints Assessment Committees. This is due partly to the requirement for an Authority Board member to sit on each Committee. The Authority has highlighted this as a major concern and will continue to work with the Ministry of Justice to find a solution to this problem, particularly during the second half of 2010.



The Authority has restructured itself to reflect, and better manage, significantly higher than forecast volumes of complaints and allegations. Improved capture of information and reporting information such as the Complaints Assessment Committee determinations will drive long-term benefits to the industry and consumers.

Over time, the Authority will develop into a leading Crown entity – responsive to the needs of the sector, Government and the New Zealand public.

The industry is well-engaged with the Authority and the new regime. We look forward to bringing about further opportunities to enhance skills, professionalism and transparency in the coming months and years.

The changes we are making, in consultation with the industry, reflect our shared desire for transformation of the real estate industry into a trusted, high quality and professional industry.

**Kristy McDonald QC**  
**Chair**



## Authority Board's Statement of Responsibility

Real Estate Agents Authority Board

### **Authority Board's Statement of Responsibility**

This Statement of Intent represents the intentions and objectives of the Real Estate Agents Authority for the period to 30 June 2011. It is presented in accordance with sections 138 to 148 of the Crown Entities Act 2004.

Kristy McDonald QC  
Chair



## From the Chief Executive/Registrar

The Real Estate Agents Authority exists to promote public confidence in the real estate industry and to protect consumers in their dealings with real estate licensees. The Authority administers the Real Estate Agents Act 2008 (the Act) and the associated regulations and rules, including the Professional Conduct and Client Care Rules 2009.

As a newly established Crown entity, the Authority is eager to make a positive impact in the real estate industry and to provide services valued by both consumers and licensees. In the years 2010-2013, the Authority will focus its efforts on increasing the professionalism of licensees and on ensuring that the complaints and discipline process is as streamlined, transparent and as effective as possible. The Authority will also continue to update and improve the information it makes available to consumers about buying or selling property.

In its first six months of operation, the Authority has already faced a number of challenges, particularly in the complaints and discipline area. The volume and complexity of complaints received has forced the Authority to closely scrutinise its processes and procedures, which will be monitored and improved upon as appropriate, as the Authority is committed to maximising the efficiency and effectiveness of its resources.

I am particularly excited that we have commenced work on the development of our continuing education framework. There is much interest in this work. We all recognise how this will continue to drive excellence and high performance in the industry and, ultimately, lead to positive outcomes where the public has a high level of trust in licensees and the work they do.

The investigation and resolution of such a high volume of complaints brings with it cost implications for the Authority, and ultimately the industry. The Authority is funded by fees and levies charged to licensees to cover operational costs and the costs of the complaints and disciplinary process, including the work of the Complaints Assessment Committees and the Real Estate Agents Disciplinary Tribunal. The Authority is committed to keeping the fees and levies imposed on the industry sustainably low, but is forecasting an increase in financial year 2011 to cover the additional resources necessary to deal with the anticipated complaints volumes.

The cost implications of resourcing the complaints and investigations area is exacerbated by a lower than anticipated number of licence renewals for the period to 31 March 2011.

The Authority is beginning to develop an understanding of the anticipated volume of work across all areas of its operation. However, at this stage of life, it is very difficult to forecast the level of enquiries, complaints and investigations for 2010-2013. This is reflected in the financial forecast in this Statement of Intent.



How behavioural change will occur as a result of the new Act and operations of the Authority is at this stage difficult to predict.

The Authority has positively engaged with the real estate sector by conducting nationwide briefings in the first quarter of 2010. With the industry operating within the framework of the new Code of Professional Conduct and Client Care, and with consumers in receipt of more information to assist their decision making process, there should be less reason for the consumers to make complaints to the Authority. On the other hand, the introduction of a transparent and open complaints process could encourage consumers to more readily seek redress when a problem arises. Licensees are also required to report matters as defined by the Code of Professional Conduct and Client Care, specifically on misconduct or unlicensed trading.

The Authority is motivated and embraces its role as the regulator of the real estate industry. We look forward to providing excellent service to consumers and licensees over the next year and beyond.

**Margaret Steel**  
**Acting Chief Executive/Registrar**  
**Real Estate Agents Authority**



## Nature and Scope of Functions

The Authority is a regulatory body responsible for providing independent oversight of the real estate industry. For the purpose of the Crown Entities Act 2004, the Authority is a Crown Agent and was established by the Real Estate Agents Act 2008 (the Act).

The purpose of the Act is to promote the interests of consumers in respect to transactions relating to real estate, and to promote public confidence in the work of the real estate agency industry.

The Act sets out the Authority's functions and related responsibilities, which include:

- administering the licensing regime for real estate agents, branch managers, and salespersons, including the granting and renewal of licence applications
- ensuring that a register of licensees is established, kept and maintained, and available for public viewing
- developing and maintaining practice rules for licensees, including ethical responsibilities
- setting and collecting fees and levies from licensees
- providing consumer information on matters relating to real estate transactions, including approved guides on agency agreements and sale and purchase agreements, and information on the provision of real estate services and how to make a complaint about a licensee
- setting professional standards for licensees, including the development of a Professional Code of Conduct and Client Care that sets a benchmark for professional behaviour and discipline
- ensuring agents' trust accounts are audited and irregularities reported
- operating a complaints and disciplinary regime which involves investigations into unsatisfactory conduct or misconduct on the part of a licensee.



## Government Priorities

The Authority aligns its work with the Government's priorities. The driving goal for the Government is to grow the New Zealand economy in order to deliver greater prosperity, security and opportunities to all New Zealanders. Within a tighter fiscal environment the Government recognises the need for financial prudence. For the Authority this means there is a need to ensure:

- levies imposed upon the industry are kept sustainably low
- cost drivers for the business are prioritised
- a prudent budget and a sustainable business management model.



# Operating Environment

## Establishment of the Authority

Consultation and research undertaken by the Ministry of Justice (the Ministry) before the Real Estate Agents Act 2008 was introduced indicated a need for independent oversight of the real estate industry. At that time, the Real Estate Institute of New Zealand (REINZ) operated a self-regulatory regime, established under the 1976 Act.

In particular, public feedback indicated that consumers needed more information to enable them to make informed decisions when buying or selling property, along with an independent and transparent complaints process, accessible to all.

Consultation prior to the passing of the Bill identified the need to raise standards to promote confidence in the industry.

As a Crown entity the Authority provides a licensing and disciplinary regime independent from the real estate industry. The focus is on raising industry standards to enhance consumer protection in real estate transactions.

## Setting Fees and Levies

The Authority and the Real Estate Agents Disciplinary Tribunal are fully funded by the real estate industry through fees and levies paid to the Authority annually. Levies can be adjusted each year to reflect the actual operational costs<sup>1</sup>. For example, if the number of complaints about licensees increases over a year, the operational levy can be increased to fund the higher cost of operating the complaints and disciplinary process. The Authority is mindful of the need to keep levies sustainably low but should an abnormal increase in complaints or the costs of dealing with those complaints occur the Authority has the power to impose a special levy.

In financial year 2010/11 the Authority considers it necessary to increase the operational levy and review the repayments schedule of the establishment funding. The Authority will consult with all stakeholders in relation to the proposed increase. The potential magnitude of the increase is from the current \$555.75, to \$700 - \$1,000 per licensee.

## Strategic Direction

The Authority's strategic direction is driven by the purpose of the Act – to promote and protect the interests of consumers in respect of transactions that relate to real estate, and to promote public confidence in the work of the real estate industry.

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<sup>1</sup> The Authority, through the Ministry of Justice, received \$6.307 million establishment and \$2.078 million capital from the government to cover the cost of setting up; the Authority, the Complaints Assessment Committee panel and the Disciplinary Tribunal. Over time, this funding assistance for the establishment will be fully repaid to the Government by way of an industry levy.



## **Purpose**

The Authority's purpose is to achieve increased consumer protection and increased confidence in the real estate industry.

The Authority aims to reach its purpose through the enhanced practice and culture of the real estate industry.

## **Managing for shared outcomes**

The Authority recognises that a number of factors will impact its outcomes, particularly the Ministry of Justice's Real Estate Agents Disciplinary Tribunal. Ultimately this Tribunal works towards the same high-level outcomes of the Authority.

In a reciprocal way, the Authority also contributes to outcomes in the Justice sector particularly to the outcome 'access to justice', by providing a free complaints service to consumers.

In order to achieve the purpose of the Act, the Authority will focus on the following key strategies during the period 2010-2013:

## **Improving the standards, professionalism and competence of licensees**

The Authority believes that its Code of Professional Conduct and Client Care for licensees improves standards of professionalism for the real estate industry. For the period 2010 - 2013 the Authority intends to monitor the industry's adherence to the Code and will make improvements if required.

As part of this monitoring exercise the Authority will regularly review the nature of complaints from consumers or licensees. This will inform whether there is a misunderstanding of the requirements that the Code places on licensees, or whether there are any gaps in terms of what the Code covers. A review of the trends in complaints and allegations may also highlight any gaps or misunderstandings in relation to the Act itself and the associated regulations.

Another major focus for the Authority in relation to improving the standards, professionalism and competence of licensees is the development of practice rules for continuing education. The Authority has commenced research in this area and depending on what is required, will introduce new continuing education standards for licensees.

## **Enabling consumers to make more informed decisions when buying or selling property**

A key function of the Authority is to provide consumer information, written in plain English, on matters related to real estate transactions. The Authority has published a range of consumer information material, including Approved Guides about agency agreements and sale and purchase agreements relating to residential property, fact sheets on various real estate topics and other general information on its website. Much of this information was published in advance of the Authority's official launch and the Authority will need to review its published information on an on-going basis to ensure it best meets its purpose.

The monitoring of trends in the complaints and discipline area may disclose information about consumer misunderstandings that could be resolved through the provision of more detailed consumer information. Equally, trends relating to consumer enquiries may also aid the Authority in developing new information as well as updating existing published material.



## **Running a streamlined and transparent complaints process**

The Authority will strive to process complaints and allegations about licensees in a timely manner and will provide efficient administrative and investigative support to Complaints Assessment Committees. In doing this the Authority hopes to instil confidence in consumers, the industry and the Government, that complaints are being dealt with fairly and efficiently.

The Authority continues to closely scrutinise and evaluate its processes and procedures in the complaints and investigations area and will continue to monitor its overall effectiveness on a regular basis.

# Operating Intentions

This section outlines how the Authority will achieve its purpose and measure its success using the outcomes model (the model). The model enables the Authority to present a “big picture” view of its overall performance and how the Authority’s outputs are aligned to its outcomes.

## An Overview of the Outcomes Model

The figure below provides an overview of the model, which is split into the perspectives of the consumer and the industry. To reach its purpose, the Authority aims to work through consumers and the industry and a model for each of these perspectives is outlined in addition to the summary outcomes model presented below.

### Real Estate Regulatory Regime

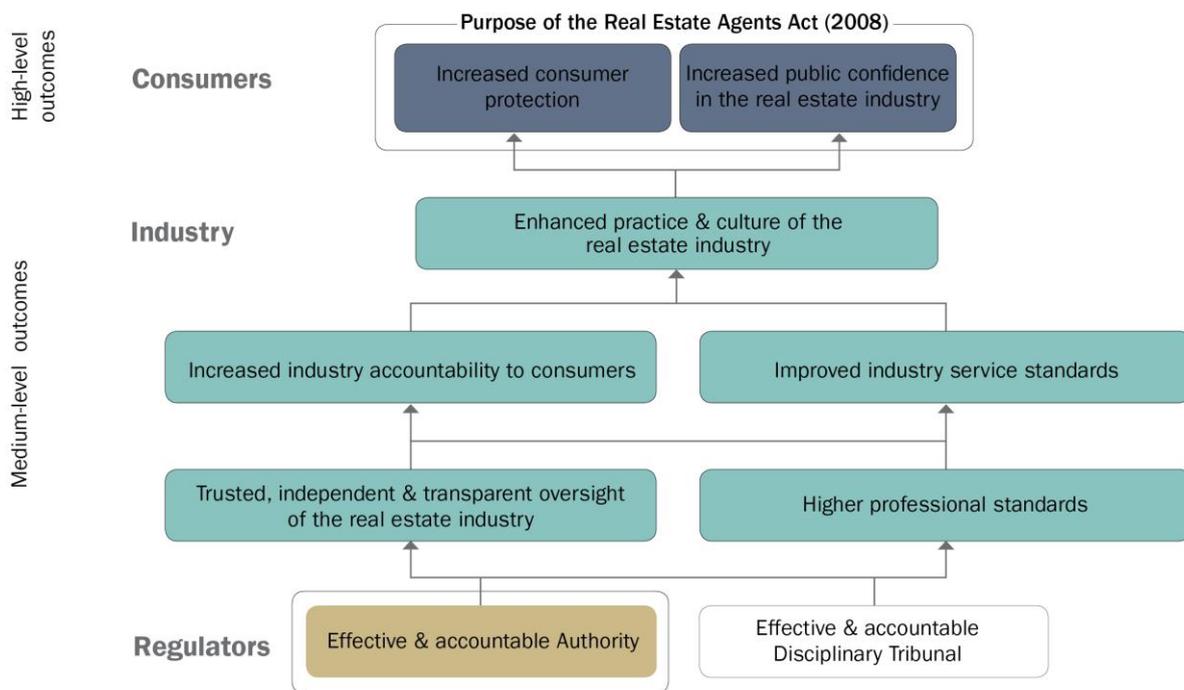


Figure 1: Overview of Authority's Outcomes Model

To provide a comprehensive explanation of consumers and the Industry as shown in Figure 1, the following headings are used:

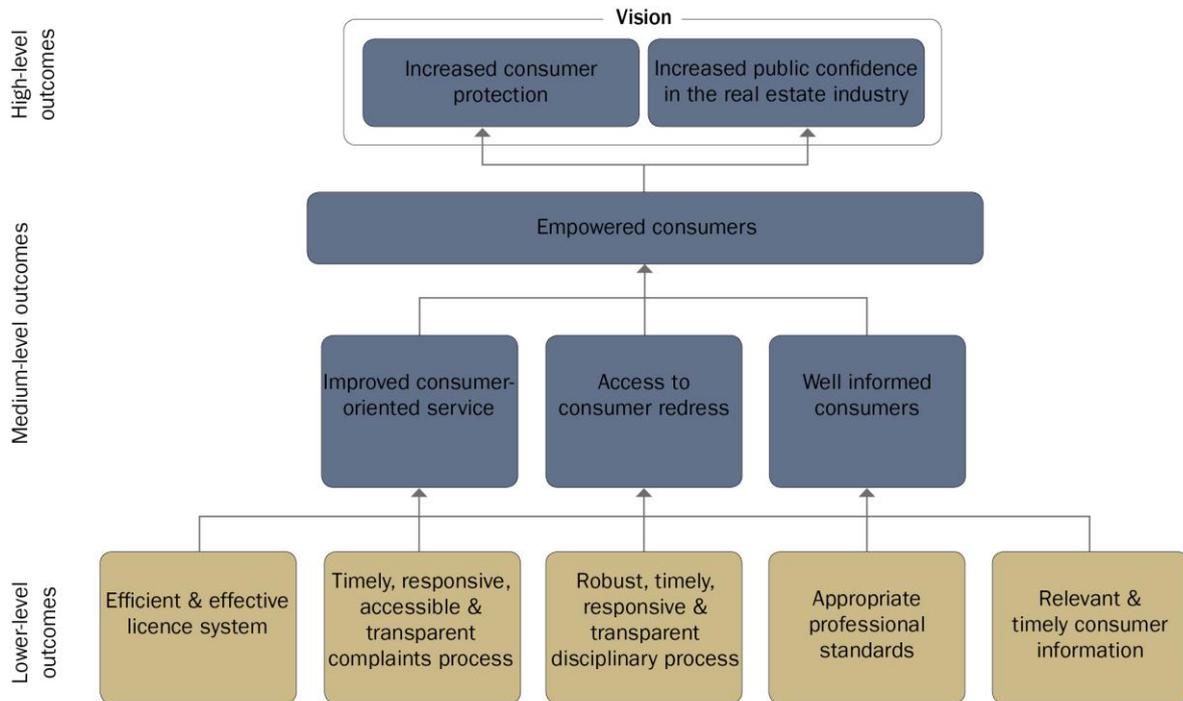
- What we are trying to achieve
- How we will measure progress
- How our outputs are linked to the outcomes
- How we evaluate our impact



## The Consumer

The figure below provides an overview of the consumer perspective of the outcomes model.

### Consumer



*Figure 2: Consumer perspective of Authority's Outcomes Model*

### What we are trying to achieve - consumers

The Authority has the following three medium-level outcomes for consumers:

- improved consumer-oriented service by the industry
- access to consumer redress
- well-informed consumers.

The Authority aims to address these outcomes by linking its outputs towards the lower-level outcomes:

- an efficient and effective licensing system
- a timely, responsive, accessible and transparent complaints process
- a robust, timely, responsive and transparent disciplinary process
- appropriate professional standards
- relevant and timely consumer information.



## How we will measure progress - consumers

The Authority has highlighted key indicators to monitor and measure progress (Table 1). Some of the systems required to collect the information for these indicators have been developed while others will be developed over the period of this Statement of Intent. As each system is established, the Authority is able to collect previously unavailable baseline data. The collection of this data is important for the Authority to assess how outcomes change over time, and in particular how, if at all, the outcomes have changed since the Authority's establishment.

Over time the Authority wants to see these indicators improve, particularly those linked to the statements –'increased consumer protection' and 'increased confidence in the real estate industry'. While it may be difficult to attribute changes in the linked indicators to the Authority's outputs, it will still be important to monitor how these indicators change, particularly to inform the management of resource, as well as the design of the Authority's future outputs.

*Table 1 details the indicators considered a priority to monitor changes in consumer outcomes.*

*Table 1: Indicators linked to consumer outcomes*

Outcomes (including intermediate outcomes)	Indicators (number / type)
<b>High-level (More than 5 years)</b>	
Increased consumer protection	- complaints (as at 24 June 2010, the Authority had received 438 complaints) - determinations (as at 24 June 2010, the Authority had determined 57 complaints)
Increased public confidence in the real estate industry	- comparative survey of professions
<b>Intermediate / medium-level (3-5 years)</b>	
Empowered consumers	- complaints
<b>Intermediate / lower-level (1-3 years)</b>	
Improved industry consumer oriented service	- enquiries responded to - complaints segmented by demographic data <b>Note:</b> These indicators will be developed over the period of this SOI.
Access to consumer redress	- complaints enquired into
Well-informed consumers	- enquiries responded to <b>Note:</b> This indicator will be developed over the period of this SOI.



## How our outputs are linked to the outcomes - consumers

The Authority has a number of key outputs that contribute towards consumer outcomes (described more fully in the Statement of Forecast Service Performance). These include:

- Output 1 - Managing the work of the Complaints Assessment Committees
- Output 2 - Managing complaints and allegations
- Output 3 - Investigating complaints and allegations, and prosecuting offences
- Output 4 - Providing consumer information on CAC determinations, real estate transactions and how to make a complaint

These outputs link directly to the lower level outcomes displayed in the consumer perspective of the outcomes model, outlined in Figure 3.

## How we evaluate our impact - consumers

The Authority will base its impact on consumer outcomes using cost-effectiveness / cost-efficiency analysis.

**Cost-effectiveness analysis:** For the Authority to meet its purpose, consumers need to be aware of their rights with respect to the sale and purchase of land. An increased awareness of the complaints process is part of this.

Within the period of this SOI, the Authority aims to monitor changes in consumer behaviour and evaluate its effect on raising consumers' awareness of their rights. Armed with such information the Authority may then be able to determine and present in future SOIs this output's 'value for money' or 'cost-effectiveness'.

**Cost-efficiency analysis:** The Authority operates with a philosophy of continuous improvement. Part of this includes a need to develop appropriate processes and policies to ensure best practice and to develop solutions for any areas of operating deficiency. For the period of this SOI, the Authority recognises the need to fully understand and continually improve its processes for handling complaints (a key aspect of the Authority's business). Work is underway to streamline the complaints process and to develop systems to categorise types of complaints. Eventually this categorisation could increase the CAC's speed of determining complaints.

Over the medium term the Authority aims to develop a system to model and cost the delivery of its core functions of licensing, complaints and discipline. The development of such a model for the complaints process will require significant work, anticipated to be delivered in the period of this SOI. In contrast, within the shorter-term the Authority aims to develop such a model for the cost of licensing, which will enable the Authority to improve its overall efficiency and service delivery with respect to licensing.

## The Industry

The figure below provides an overview of the industry perspective of the outcomes model.

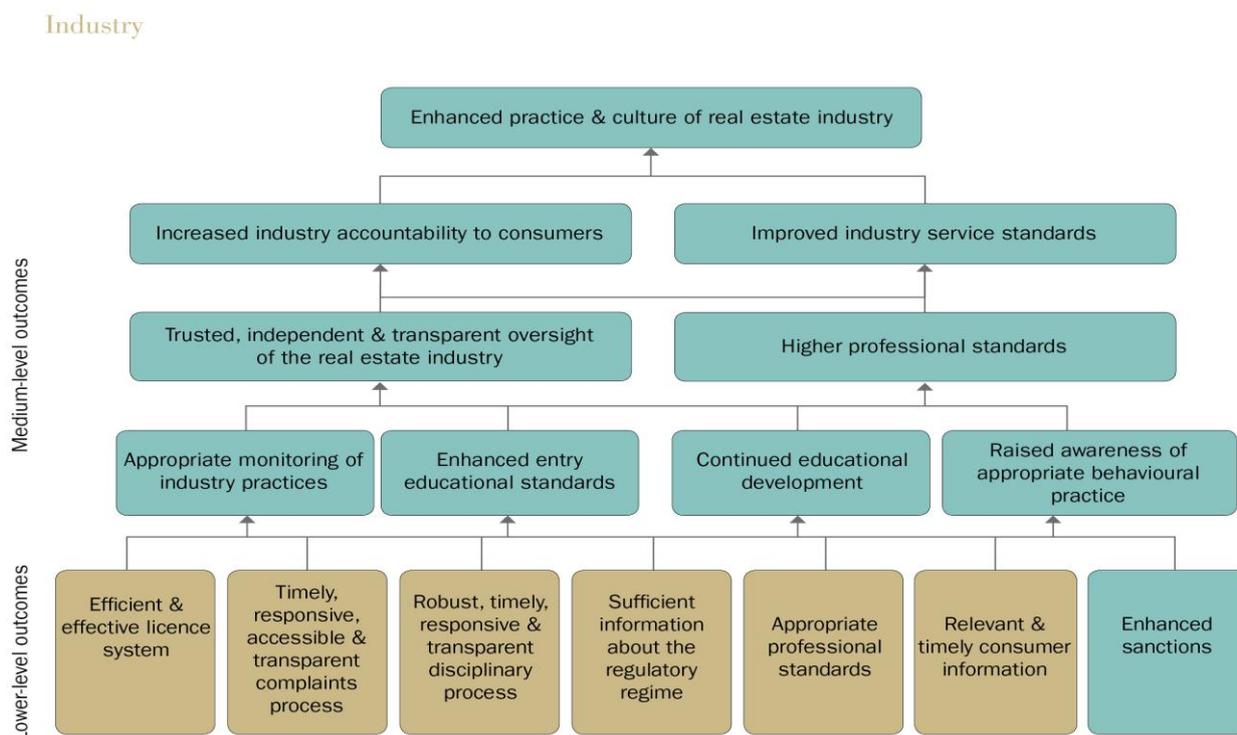


Figure 3: Industry perspective of Authority's Outcomes Model

### What we are trying to achieve - Industry

Ultimately it is through the enhanced practice and culture of the real estate industry that the high-level consumer outcomes – the Authority's purpose statement, will be achieved. The connection between this industry outcome and the purpose is presented in Figure 1 at the beginning of the Operating Intentions section.

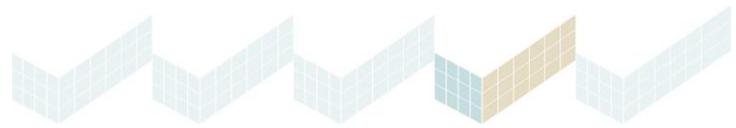
To achieve enhanced practice and culture of the real estate industry a number of other intermediate outcomes (presented in Figure 3) must be achieved, including:

- increased industry accountability to consumers
- improved industry service standards.

In turn these are affected by trusted independent and transparent oversight of the real estate industry and higher professional standards, which in turn are affected by relatively lower-level outcomes:

- raised awareness of appropriate behavioural practice
- continued educational development
- enhanced entry educational standards<sup>2</sup>
- appropriate monitoring of industry practices.

<sup>2</sup> From 1 July 2010 new salespersons entering the industry or salespersons whose licences have lapsed will need to gain 47 credits instead of 28, to gain a salespersons licence. While the Authority is not undertaking any work to target this outcome it is still an intermediate outcome that will affect the professional standards of licensees and is important to ultimately achieve the Authority's purpose.



## How we will measure progress - industry

Table 2 outlines the indicators used to measure progress against industry outcomes. As with the indicators linked to consumer outcomes, the baseline data for the industry indicators did not exist prior to the Authority's inception and these indicators are not necessarily attributable to the Authority. However, the Authority has created some processes to collect data on some of these indicators, while others require further development of systems and processes.

The Authority considers Table 2 to contain the most important indicators for monitoring industry perspective outcomes. The Authority also recognises that some intermediate outcomes (at a medium-level and relatively lower-level) will not be monitored via indicators, at least in the period of this SOI. These gaps simply reflect the fact that the Authority must prioritise carefully its expenditure on the development of indicators.

*Table 2: Indicators linked to industry outcomes*

Outcomes (including intermediate Outcomes)	Indicators (number / type)
<b>High-level (More than 5 years)</b>	
Enhanced practice & culture of real estate industry	- complaints - complaints as a percentage of transactions
<b>Medium-level (3-5 years)</b>	
Increased industry accountability to consumers	- complaints from consumers
Improved industry service standards	- licensees who make a complaint about other licensees <b>Note:</b> This indicator will be developed over the period of this SOI.
Higher professional standards	- declined applications
Trusted independent & transparent oversight of the real estate industry	<b>Note:</b> The Authority will consider how to evaluate its impact on this outcome
<b>More immediate-level (1-3 years)</b>	
Appropriate monitoring of industry practices	<b>Note:</b> The Authority will consider how to evaluate its impact on this outcome
Enhanced entry educational standards	<b>Note:</b> The Authority will consider how to evaluate its impact on this outcome
Continued educational development	- approved applications under new criteria - licensees that undertake further educational requirements
Raised awareness of appropriate behavioural practice	<b>Note:</b> The Authority will consider how to evaluate its impact on this outcome



### How our outputs are linked to the outcomes - industry

The Authority has a number of key outputs (described more fully in the Statement of Forecast Service Performance) that contribute towards industry outcomes. These include:

- Output 5 - Administering the licensing regime
- Output 6 - Monitoring Trust Account Audits
- Output 7 - Delivering practice rules for licensees

These outputs link directly to the lower level outcomes displayed in the industry perspective of the outcomes model outlined in Figure 2.

### How we evaluate our impact - industry

For the Authority to evaluate the impact on short or medium-term outcomes, it needs to capture baseline data on a variety of indicators outlined in Table 2. The Authority acknowledges the need to establish systems to capture data for future evaluative activity as well as the need to, within the period of this SOI, address how, if at all, it will evaluate impact upon the outcome of 'enhanced practice and culture of the real estate industry'.



## Statement of Forecast Service Performance

The following section outlines measures the Authority will use to assess its performance. These measures are linked to the Authority's outputs, which are the final goods and services the Authority delivers. The outputs are linked to the Authority's outcomes model described in the previous section.

Every four months the Authority reports to the Associate Minister of Justice on progress against the measures outlined in the Statement of Forecast Service Performance.

### Output Class: Operate the Real Estate Agents Authority (the Authority)

The Authority has one output class through Vote Justice. This output class pools the cost of the Authority's and the Complaints Assessment Committee's delivery of services (outlined in Table 3). Ultimately the outputs the Authority produces are linked entirely to this output class.

*Table 3: Income and Expenses – Running the Real Estate Agents Authority*

Income and Expenses	Forecast FY 2011 (\$000)
Income	\$8,476
Operating Expenses	\$9,983
Net Surplus/(Loss)	(\$1,507)

The Authority aligns all its activities to the following outputs:

*Table 4: Output Costs<sup>3</sup>*

Outputs	Forecast FY 2011 (\$000)
<b>Output 1</b> Managing the work of the Complaints Assessment Committees	\$3,468
<b>Output 2</b> Managing complaints and allegations	\$298
<b>Output 3</b> Investigating complaints and allegations, and prosecuting offences	\$2,530
<b>Output 4</b> Providing consumer information on CAC determinations, real estate transactions and how to make a complaint	\$449
<b>Output 5</b> Administering the licensing regime	\$3,639
<b>Output 6</b> Monitoring Trust Account Audits	\$373
<b>Output 7</b> Delivering practice rules for licensees	\$236
<b>Output Expense</b>	<b>\$10,994</b>

<sup>3</sup> The associated costs of outputs 1 and 3 may change depending on the number of complaints the Authority receives.



A reconciliation of output costs to operating expenditure is presented in the table below:

*Table 5: Reconciliation*

Item	Forecast FY 2011 (\$000)
Output expense	\$10,994
Less - Capital investment	(\$1,544)
Plus - Disciplinary Tribunal levies	\$533
Total operating expenses	\$9,983

For each of these outputs the Authority linked indicators of cost, quantity, quality and time. The indicators of each output presented below are designed with key criteria in mind, including whether the indicators:

- relate to the outputs
- provide useful business information
- can feasibly be measured.

For some outputs, time, quality, and quantity measures have not been identified.



## The Consumer

The Authority's outputs aligned more towards the consumer are presented below in Tables 6 – 12.

### Output 1 - Managing the work of the Complaints Assessment Committees

The Complaints Assessment Committees (CAC) are the independent judicial panels that make decisions on each complaint received by the Authority. The CACs must contain at least one member from the Authority's Board, as well as a lawyer with at least seven years' experience.

This output covers the costs of managing the CACs, coordinating their meetings, and ultimately the delivery of determinations and provision of reports on any complaints investigated.

It is important to note that the CACs are independent from the Authority, but are supported and administered by the Authority.

*Table 6: Output 1 indicators*

	Performance Measures	Forecast FY 2011
1.1	<b>Quantity &amp; Timeliness</b> Percentage of accepted complaints determined within 160 working days <sup>4</sup> . <i>Demand driven – The forecast volume of complaints is 1,040 for FY 2011</i>	95%
1.2	<b>Quality</b> Percentage of appeals upheld by the Disciplinary Tribunal. As at 24 June 2010, no appeals had been upheld by the Disciplinary Tribunal.	Less than 10%
1.3	<b>Cost</b>	\$3,468k

<sup>4</sup> A complaint is accepted when it meets all the requirements of Regulation 4 of the Real Estate Complaints and Discipline Regulations 2009.



## Output 2 - Managing complaints and allegations

The Authority processes every complaint or allegation received from the public and this requires an appropriate system to manage the vast inflow of information. The Enforcement Unit processes all written complaints, confirms receipt of these complaints and then refers them to a CAC.

This output covers the cost to the Authority to manage complaints and allegations and represents the final service the Authority provides.

*Table 7: Output 2 indicators*

	Performance Measures	Forecast FY 2011
2.1	<p><b>Quantity &amp; Timeliness</b>            Percentage of complaints from consumers actioned within five working days.<sup>5</sup>  <b>Note:</b> To be developed over the period of this SOI.</p>	95%
2.2	<p><b>Quantity &amp; Timeliness</b>            Percentage of all complaints that are considered at an initial CAC meeting within 25 working days of the Authority accepting the complaint.  <b>Note:</b> To be developed over the period of this SOI.  <i>Demand driven - The forecast volume of complaints is 1,040, for FY 2011.</i></p>	90%
2.3	<p><b>Quality</b>            Percentage positive response from surveyed complainants about the process for dealing with a complaint.<sup>6</sup>  <b>Note:</b> To be developed in financial year 2010/11.</p>	
2.4	<b>Cost</b>	\$298k

<sup>5</sup> An acknowledgement letter is sent to a complainant within five working days.

<sup>6</sup> The Authority aims to develop survey tools leveraging from the State Services Commission's Common Measurement Framework.



### Output 3 - Investigating complaints and allegations, and prosecuting offences

The Authority must refer every complaint to a CAC and when directed by the CAC it must carry out further investigations. This output includes all costs associated with investigations of any complaints and any prosecutorial costs.

*Table 8: Output 3 indicators*

	Performance Measures	Forecast FY 2011
3.1	Cost	\$2,530k

### Output 4 - Providing consumer information on CAC determinations, real estate transactions and how to make a complaint

The Authority provides consumer information to those thinking of buying or selling a property. This includes information on topics such as agency agreements, sale and purchase agreements, licensing, commission, sales options and advertising. The Authority also provides information on how to make a complaint for consumers unhappy with the real estate services received, or who have experienced problems with a real estate transaction.

Some of the products that the Authority develops to support this include fact sheets and the Authority's Approved Guides. In financial year 2010/11 the Authority will review the Approved Guides to ensure they remain up to date and relevant. In addition, new fact sheets will be developed in accordance with consumer feedback. This output includes all the associated costs of the provision of consumer information.

*Table 9: Output 4 indicators*

	Performance Measures	Forecast FY 2011
4.1	Cost	\$449k



## The Industry

The Authority's outputs aligned more towards the industry are listed below in Tables 9 through 11.

### Output 5 - Administering the licensing regime

The Authority's work in administering and managing the licensing regime includes considering whether licensees are 'fit and proper' to ensure that high-quality licensees operate in the real estate industry. This output covers the associated administrative costs of the licensing regime.

*Table 10: Output 5 indicators*

	Performance Measures	Forecast FY 2011
5.1	<p><b>Quantity &amp; Timeliness</b> Percentage of completed applications processed within six weeks.</p> <p>As at 24 June 2010, 100% of completed applications had been processed within six weeks.</p> <p><i>Demand driven - The forecast number of new applications is 1,800 for FY 2011.</i> <i>Demand driven - The forecast number of renewal applications is 16,000 for FY 2011.</i></p>	90%
5.2	<p><b>Quantity &amp; Timeliness</b> Percentage of enquiries from licensees actioned within five working days.</p> <p>As at 24 June 2010, 100% of enquiries from licensees had been actioned within five working days.</p>	80%
5.3	<p><b>Quantity &amp; Timeliness</b> The notification of change requests actioned within five working days.</p> <p><b>Note:</b> To be developed in financial year 2010/11.</p>	
5.4	<p><b>Quality</b> Percentage of applications considered (by an independent auditor) to have been well-processed.</p> <p><b>Note:</b> To be developed in financial year 2010/11.</p>	100%
5.5	<b>Cost</b>	\$3,639k



## Output 6 - Monitoring trust account audits

The Real Estate Agents (Audit) Regulations (2009) requires every real estate trust account to be audited three times each financial year. The Authority plays a role in further investigating those trust accounts that receive a qualified audit opinion (opinions produced by independent auditors), or for those that exhibit defaults or irregularities. This output covers the Authority's administrative costs of monitoring trust account audits and investigating defaults or irregularities.

*Table 11: Output 6 indicators*

	Performance Measures	Forecast FY 2011
6.1	<p><b>Quantity &amp; Timeliness</b> Percentage of trust account audits acknowledged within 10 working days.</p> <p><i>Number of licensee trust accounts is 600, for FY 2011.</i></p>	100%
6.2	<p><b>Quantity</b> Percentage of default or irregularity notifications from auditors investigated.</p>	100%
6.3	<p><b>Quality</b> Positive opinion of the Authority's trust account audit process from independent expert.</p> <p><b>Note:</b> To be developed in financial year 2010/11.</p>	
6.4	<b>Cost</b>	\$373k

## Output 7 – Delivering practice rules for licensees

A key part of the Authority's work includes the review and update of practice rules for licensees. This output covers the costs of any policy work, including general legislative costs. In financial year 2010/11 the Authority anticipates undertaking a number of policy projects, including:

- developing a practice rule for continuing education
- reviewing the Code of Professional Conduct and Client Care by 30 June 2011.

*Table 12: Output 7 indicators*

	Performance Measures	Forecast FY 2011
7.1	<b>Cost</b>	\$236k



# Assessing Organisational Health and Capability

## Key Objectives

The model below (figure 4) details the key objectives for the Authority to achieve its purpose.

This model identifies many of the internal considerations to be an effective and accountable Authority. The following sections outline in more detail some of the key focus areas for the period of this SOI.

### Authority

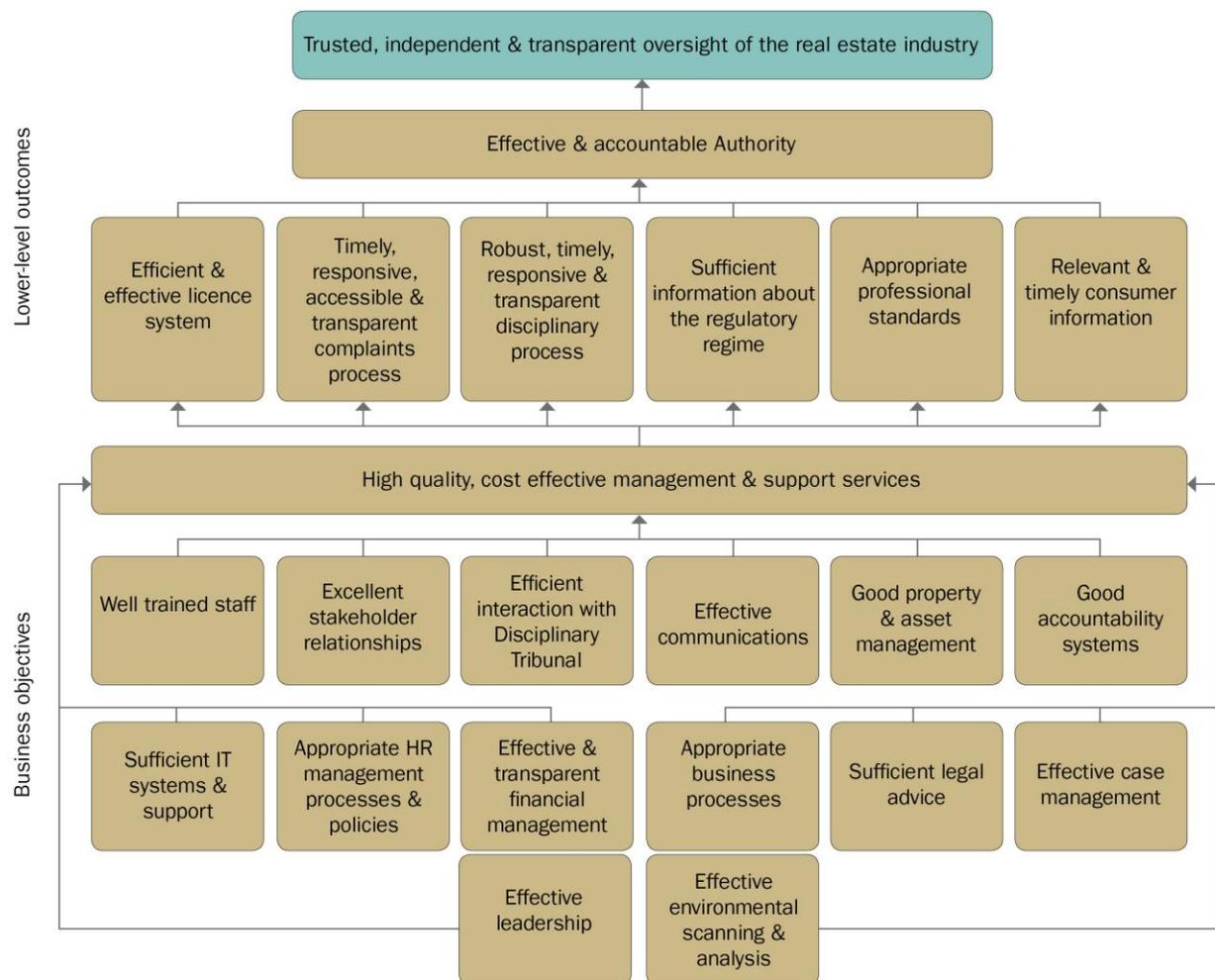


Figure 4: Authority perspective of the Outcomes Model

## Systems & Processes

Much of the Authority's work relies on efficient systems to process its key work of complaints management and licensing. Within its brief period of operating, the Authority has already placed considerable emphasis on reviewing and documenting its processes, in addition to developing policies.



## Technology road map

As a new organisation the Authority recognises the need to develop an appropriate technology roadmap to meet future business needs. This roadmap will ensure that the Authority's expenditure on key technology is cost-effective and will meet the business' needs in both the short and long-term.

## Human resource management

At the beginning of this Statement of Intent's reporting period, the Authority has approximately 36 full time equivalent positions. In addition to the permanent staff who undertake 'business as usual' work, the Authority was designed to 'flex' and 'scale' as required. Consequently the Authority engages expert advice for short periods to help with the implementation of key work at peak periods. Over the short-term the Authority anticipates a continued need to employ expert services to help with finalising the Authority's establishment as well as and complaints investigations.

The Authority will monitor staff turnover levels, length of service and staff performance linked to agreed performance plans. In addition, the Authority will assess employee engagement through an appropriate survey during the period of this Statement of Intent.



## Risk

The Board's Audit and Risk Committee oversees the management of risks for the Authority, with support from the Authority's Senior Leadership Team. While the Board is responsible for monitoring risk, the day-to-day risks are identified and monitored by Authority staff and recorded in a risk register. The Senior Leadership Team updates the Board regularly on key risks and the management of them.

Key organisational risks for the Authority and the management of these are detailed below:

*Table 12: Key Authority Risks*

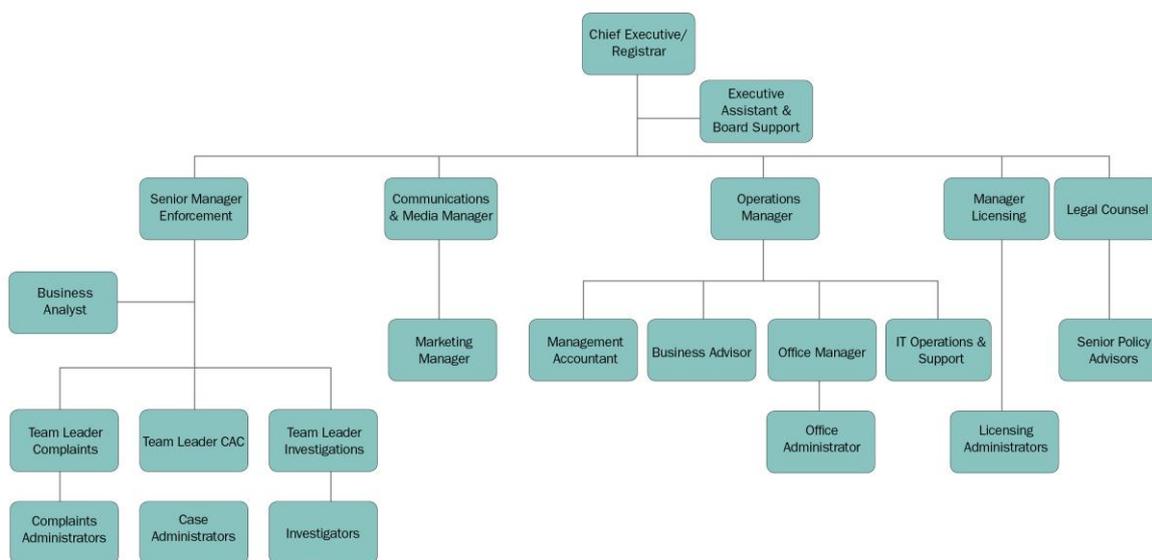
Risk description	Risk management
<p><b>Increased backlog of complaints and allegations</b></p> <p>A backlog of complaints and allegations could pose a risk to the Authority achieving its purpose.</p>	<p>In addition to the enhancement of business practices, the Authority intends to contract for investigatory services as needed.</p>
<p><b>Insufficient resource in a currently changing environment</b></p> <p>The processing, investigating and determining of complaints is the largest variable cost of the Authority's business. Without sufficient income generated from the levy on the industry, the Authority's operating model may be constrained by an unanticipated increase in receipt of complaints.</p>	<p>Each year the Authority assesses the need to adjust the licensees' levy. This assessment considers the costs from the internal budget process as well as forecast income generated from the levy. The difference between the figures determines the Authority's potential need to adjust the levy.</p>
<p><b>Running the Complaints Assessment Committee</b></p> <p>A major challenge the Authority faces as a result of the high number of complaints is the resourcing of its Complaints Assessment Committees (CACs). This is due in part to the requirement of an Authority Board member to sit on each Committee and the availability of Board members for CAC work. This may constrain the Authority's ability to process complaints, and compromise good governance.</p>	<p>The Authority has highlighted this risk as a major concern and will continue to work with the Ministry of Justice to find a solution to this problem.</p>
<p><b>Reduced consumer protection &amp; decreased public confidence in the real estate industry</b></p> <p>Ultimately the Authority's purpose is to ensure both an increase in consumer protection and public confidence in the real estate industry.</p>	<p>The Authority will monitor the number and type of; complaints, enquiries, and decisions as a means to assess how consumer protection changes over time. In addition the Authority will monitor changes in public confidence, via the comparative survey of professions.</p> <p>Over time the Authority may need to evaluate more closely its impact on its purpose statements and review whether the Authority's outputs need to change in response to changes in these indicators.</p>



# Organisational Chart

The diagram below illustrates the Authority's organisational chart.

Organisation Chart



# Forecast Financial Statements

## Forecast Statement of Financial Performance

Income	17 Nov – 30 Jun 2010 Forecast Actuals (\$000)	2011 Business Plan (\$000)	2012 Forecast (\$000)	2013 Forecast (\$000)
<b>Renewal Income</b>				
12 Months Operating Levy	4,394	11,200	11,200	11,200
Deferred Operating Levy	-3,295	-8,400	-8,400	-8,400
Application Fees	1,431			
<b>Net Renewal Income</b>	<b>2,530</b>	<b>2,800</b>	<b>2,800</b>	<b>2,800</b>
<b>New Application Income</b>				
Operating Levy	500	1,260	1,260	1,260
Deferred Operating Levy - New Applications	-364	-630	-630	-630
Application Fees	167	171	171	171
<b>Net New Application Income</b>	<b>303</b>	<b>801</b>	<b>801</b>	<b>801</b>
<b>Income Adjustments</b>				
Deferred Renewal Income from Previous FY		3,295	8,400	8,400
Deferred New Application Income from Previous FY		364	630	630
Refunded Operating Levy for Surrendered Licenses	-7	-630	-630	-630
<b>Net Income Adjustments</b>	<b>-7</b>	<b>3,029</b>	<b>8,400</b>	<b>8,400</b>
<b>Net Income from Operating Levies &amp; Applications</b>	<b>2,825</b>	<b>6,630</b>	<b>12,001</b>	<b>12,001</b>
<b>Other Income</b>				
Establishment Levies Received	1,241	1,316	1,316	1,316
- Refunds for Surrendered Licenses	-2	-133	-133	-133
Disciplinary Levies Received	558	593	593	593
- Refunds for Surrendered Licenses	-1	-60	-60	-60
Sale of Publications	81	100	100	100
Other Income	47	30	30	30
<b>Other Income</b>	<b>1,924</b>	<b>1,846</b>	<b>1,846</b>	<b>1,846</b>
<b>Total Income</b>	<b>4,749</b>	<b>8,476</b>	<b>13,847</b>	<b>13,847</b>
<b>Expenditure</b>				
<b>Personnel Costs</b>				
Remuneration	1,772	2,593	2,723	2,859
Other Personnel Costs	537	463	487	511
<b>Personnel Costs</b>	<b>2,309</b>	<b>3,057</b>	<b>3,210</b>	<b>3,370</b>
<b>Specialist Services</b>				
Legal Fees	399	1,654	1,736	1,823
Advertising and Publicity	185	50	52	55
Auditors - Other Services	54	40	40	40
Other Specialist Services	1,553	1,179	1,238	1,299
<b>Specialist Services</b>	<b>2,192</b>	<b>2,922</b>	<b>3,066</b>	<b>3,217</b>
<b>Other Operating Costs</b>				
Computer and Telecommunications	306	451	473	497
Travel, Meetings and Entertainment	181	230	241	254
Printing, Stationery and Postage	210	414	434	456
Miscellaneous Expenses	323	41	43	45
Premises	89	372	391	410
Depreciation & Amortisation	241	712	690	675
Capital Charge	75	156	156	156
Board Fees	128	246	258	271
CAC Fees	64	851	893	938
Net Disciplinary Levies Payable to Crown	558	533	533	533
<b>Total Other Operating Costs</b>	<b>2,175</b>	<b>4,004</b>	<b>4,113</b>	<b>4,234</b>
<b>Total Operating Costs</b>	<b>4,368</b>	<b>6,926</b>	<b>7,179</b>	<b>7,451</b>
<b>Total Personnel Costs</b>	<b>2,309</b>	<b>3,057</b>	<b>3,210</b>	<b>3,370</b>
<b>Total Expenditure</b>	<b>6,676</b>	<b>9,983</b>	<b>10,388</b>	<b>10,821</b>
<b>Net Surplus/Deficit</b>	<b>-1,927</b>	<b>-1,507</b>	<b>3,459<sup>7</sup></b>	<b>3,026</b>

<sup>7</sup> Refer to page 34 for the assumptions of the establishment levies.



## Forecast Statement of Financial Position

	June 2010 (\$000)	June 2011 (\$000)	June 2012 (\$000)	June 2013 (\$000)
<b>Current Assets</b>				
Cash	3,605	8,253	10,489	12,278
Short-term Investments	3,000			
Debtors	75			
<b>Total Current Assets</b>	<b>6,681</b>	<b>8,253</b>	<b>10,489</b>	<b>12,278</b>
<b>Fixed Assets</b>				
Computer Equipment (Acquisition on Cost)	322	466	566	666
- Accumulated Depreciation (Net Book Value)	-47	-185	-311	-428
Computer Equipment	275	281	255	238
Furniture & Fittings	125	140	170	200
- Accumulated Depreciation (Net Book Value)	-15	-40	-66	-93
Furniture & Fittings	111	101	104	108
Intangible Assets	1,535	2,920	3,420	3,920
- Accumulated Amortisation	-179	-727	-1,266	-1,796
Intangible Assets	1,356	2,193	2,154	2,123
<b>Total Fixed Assets</b>	<b>1,741</b>	<b>2,574</b>	<b>2,514</b>	<b>2,469</b>
<b>Total Assets</b>	<b>8,422</b>	<b>10,828</b>	<b>13,003</b>	<b>14,747</b>
<b>Long Term Liabilities</b>				
Establishment Funding from Crown	5,066	3,750	2,433	1,117
<b>Total Long Term Liabilities</b>	<b>5,066</b>	<b>3,750</b>	<b>2,433</b>	<b>1,117</b>
<b>Current Liabilities</b>				
Renewal Income in Advance	3,295	8,400	8,400	8,400
New Application Revenue in advance	364	630	630	630
Establishment Levy Payable	1,242	1,316	1,316	1,316
Disciplinary Levy Payable	558	533	533	533
Accounts Payable/Accruals	462	79	69	69
Holiday Pay Accrual	25	52	54	57
Capital Charge Accrued		156	156	156
Accrued ACC Levies	6	18	19	19
Withholding Tax Payable	4	10	10	10
Staff Social Club Deductions	2	3	3	3
GST Payable	70	61	101	132
<b>Total Current Liabilities</b>	<b>6,028</b>	<b>11,257</b>	<b>11,291</b>	<b>11,325</b>
<b>Total Liabilities</b>	<b>11,095</b>	<b>15,007</b>	<b>13,724</b>	<b>12,442</b>
<b>Net Assets</b>	<b>-2,673</b>	<b>-4,180</b>	<b>-722</b>	<b>2,305</b>
<b>Equity</b>				
Crown Capital Funding	2,078	2,078	2,078	2,078
Retained Earnings		-4,751	-6,258	-2,799
Current Year Surplus/Deficit	-1,927	-1,507	3,459	3,026
Pre Establishment Costs <sup>8</sup>	-2,824			
<b>Total Equity</b>	<b>-2,673</b>	<b>-4,180</b>	<b>-721</b>	<b>2,304</b>

<sup>8</sup> Refer to page 34 for the assumptions of the establishment levies.



## Forecast Statement of Cash Flows

	June 2010 (\$000)	June 2011 (\$000)	June 2012 (\$000)	June 2013 (\$000)
<b>Cash Flows from Operating Activities</b>				
Receipts from new Applications		1,868	1,868	1,868
Refunds for Cancelled or Withdrawn Applications		-940	-947	-947
Receipts from Renewals	9,381	14,853	14,853	14,853
Receipts from Sale of Publications		114	115	115
Interest Income		30	30	30
Payments to employees	-1,368	-3,013	-3,164	-3,322
Payments to suppliers	-6,242	-6,309	-6,670	-7,001
Payments for capital charge		-75	-156	-156
Payment of Disciplinary Levy to the Crown		-627	-613	-613
Goods and services tax (net)	-912	-1,185	-913	-869
<b>Net cash from operating activities</b>	<b>4,777</b>	<b>4,717</b>	<b>4,405</b>	<b>3,959</b>
<b>Cash Flows from Investing Activities</b>				
Receipts from sale of property plant and equipment				
Purchase of property plant and equipment	-100	-162	-81	-81
Purchase of intangible assets	-150	-1,581	-575	-575
<b>Net cash from investing activities</b>	<b>-250</b>	<b>-1,743</b>	<b>-656</b>	<b>-656</b>
<b>Cash Flows from Financing Activities</b>				
Capital injections from the Crown	2,078			
Repayment of establishment Levy to the Crown		-1,326	-1,514	-1,514
Repayment of capital to the Crown				
Payments of finance leases				
<b>Net cash from financing activities</b>	<b>2,078</b>	<b>-1,326</b>	<b>-1,514</b>	<b>-1,514</b>
<b>Net increase (decrease) in cash</b>		<b>1,648</b>	<b>2,235</b>	<b>1,789</b>
Cash at the beginning of period		6,605	8,253	10,489
<b>Cash at the end of period</b>	<b>6,605</b>	<b>8,253</b>	<b>10,489</b>	<b>12,278</b>



## Statement of Underlying Assumptions

The Authority has made a number of assumptions in developing its financial statements for the year ending 30th June 2011. These assumptions, detailed in the sections below, impact the Authority's financial statements.

### Specific assumptions

The key variable costs for the Authority arise out of the legislative need to respond to every complaint made about the conduct of licensees. This requirement leads to significant cost. Over time, the Authority expects to better understand these costs and thereby develop more accurate forecasts. For now, the Authority is relatively clear about the costs to receive, manage and send complaints through to a CAC.

In contrast, the Authority has less understanding of the costs to manage a complaint from receipt through to determination from a CAC. This is because of the relatively smaller number of cases determined compared with the total number of complaints received to date.

### Forecast workload

The Authority forecasts the receipt of 1,040 complaints up to 30th of June 2011. This forecast is based on the assumption that current trends in the number of complaints received will continue through the 2011 financial year and beyond.

### Case complexity

A complaint made to the Authority triggers internal processes, which may include an investigation. The amount of work required to investigate depends on the complaint's complexity. For example, the time required to investigate may range from hours, through to days or even weeks, each generating different levels of cost.

### Legal work

Throughout financial year 2011 the Authority anticipates an increasing requirement for legal support, as a result of an increase in the number of complaints received by the Authority. This may lead to an increase in the Authority's costs to greater levels than forecast. In contrast, fewer numbers of complaints would reduce the amount of forecast expenditure required for investigative and legal work.

### 2012 forecast

A draft forecast of revenue and expenditure for the 2012 FY indicates an expected operating surplus of \$3.4m.

### Establishment levies

The Crown has given the Authority an interest free loan of \$6.307m, repayable over five years, to cover the establishment costs of the Authority and the Disciplinary Tribunal.

The establishment loan comprises costs incurred prior to and following establishment. These include pre-establishment costs of \$2.824m, shown as a reduction in equity as they were incurred prior to the Authority's commencement, and post establishment costs of \$3.483m incurred in the period 17 November 2009 to 30 June 2010, shown as expenses in the first period of operation.

To repay the loan the Authority charges an annual levy of \$73.96 per licence. This is recorded as revenue each year and the payment as a reduction in the long-term liability.



## Changes to the Levy

The Forecast Statement of Financial Performance is based on the assumption that the levy will need to increase. The potential magnitude of the increase is from the current \$555.75, to \$700 - \$1,000 per licensee. Before any recommendation is made to the Minister on any change to the levy, the Authority will consult appropriately with all stakeholders.



## Statement of Accounting Policies

### Reporting entity

These are the forecast financial statements of the Real Estate Agents Authority (the Authority) for the year ended 30 June 2011, a Crown entity as defined by the Crown Entities Act 2004.

The Authority's functions are defined in the Real Estate Agents Act (2008) and include administering the licencing regime for real estate agents, setting professional standards and providing services in relation to complaints investigation.

For the purposes of the New Zealand International Financial Reporting Standards (NZ IFRS) the Authority is a public benefit entity domiciled in New Zealand.

### Basis of preparation

#### *Statement of Compliance*

The financial statements of the Authority have been prepared in accordance with requirements of the Crown Entities Act (2004), which includes the requirement to comply with New Zealand generally accepted accounting practice.

The financial statements comply with the NZ IFRS.

#### *Measurement system*

The financial statements have been prepared on an 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). The functional currency of the Authority is New Zealand dollars.

### Significant accounting policies

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

#### Revenue

The Real Estate Agents Authority derives revenue through an annual charge to real estate agents, the sale of publications and interest on investments. The annual charge has three components;

- an operational levy to cover the on-going service provision of the authority
- an establishment levy to recover the establishment costs of the authority and the Disciplinary Tribunal, which are repayable to the Crown
- a disciplinary levy, which is transferred to the Ministry of Justice to provide funding for the Disciplinary Tribunal.

In addition, a fee is charged on application to recover the additional costs of processing new licensing applications (as opposed to the renewal of a license).

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



## Levies

### *Operational Levies*

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

### *Establishment and Disciplinary Levies*

Levies are recognised when due and receivable.

## Sale of publications

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

## Interest

Interest is recognised when earned and reported in the period to which it relates.

## Capital charge

The capital charge of 7.5% is recognised as an expense in the period to which the charge relates.

## Leases

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

## Cash and cash equivalents

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

## Property, plant and equipment

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

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

### *Additions*

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

### *Disposals*

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

### *Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Costs of day to day servicing of property, plant and equipment are recognised in the Income Statement as they are incurred.



### Depreciation

Fixed assets 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:

Table 13: Depreciation

Items	Years	Depreciation Rate	Depreciation Method
Furniture and Office Equipment	5 years	20%	Straight line
Computer Equipment	3 years	33%	Straight line
Leasehold Improvements	4 years	25%	Straight line

### Intangible assets

#### Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for the internal use of the Authority are recognised as an intangible asset. Direct costs include the software development and consultant's costs. Costs associated with maintaining computer software are recognised as an expense when incurred.

#### Amortisation

The carrying value of software is amortised on a straight-line basis over its useful life. Amortisation commences when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Income Statement.

The useful life and associated rate is estimated as follows:

Table 14: Amortisation

Items	Years	Depreciation Rate	Depreciation Method
Acquired and Developed Software	5 years	20%	Straight line

### 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 that 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 higher of an asset's fair value less costs to sell and value in use. The value in use is depreciated replacement cost.

### Investments

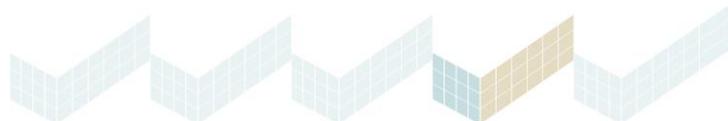
At each balance date the Authority assesses whether there is any objective evidence that an investment is impaired. Investments in bank deposits are measured at fair value.

### Creditors and other payables

Creditors and other payables are measured at fair value.

### Employee entitlements

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



### **Establishment loan**

The Crown has extended the Authority a long term interest free loan. The loan was made to cover the establishment costs of the Authority and is to be repaid over five years. The loan is recognised at fair value.

### **Goods and services tax**

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

The net amount of GST payable to the Inland Revenue is included as payables in the Balance Sheet.

### **Taxation**

The Authority is a public authority in terms of the Income Tax Act 1994 and consequently is exempt from income tax.

### **Financial instruments**

The Real Estate Agents Authority is party to a variety of financial instruments as part of its normal operations. A financial instrument is any contract that gives rise to both a (recognised or unrecognised) financial asset of one entity and a (recognised or unrecognised) financial liability of another entity, or is any contract that has a residual interest in the assets of an entity after deducting all its liabilities. These financial instruments include bank accounts, short-term deposits, and accounts payable and receivable. All financial instruments are recognised in the Balance Sheet and all revenues and expenses in relation to financial instruments are recognised in the Income Statement.

### **Statement of cash flows**

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Income Statement.

Cash flows are classified into three activities:

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

### **Equity**

The Equity is the Crown's investment in the Authority plus any surpluses/ less any deficits incurred over time through its operations.

### **Changes in accounting policy**

All accounting policies have been applied on bases consistent with previous years.



## Glossary of Terms

This Statement of Intent contains a number of technical terms throughout the text. The following Glossary is for the reader's benefit.

*Table 15: Glossary of Terms*

Terms	Description of terms
Outcome	A state or condition of society, the economy or the environment and includes a change in that state or condition [s2 (1) of the Public Finance Act].
Outcomes Model	Another name for an intervention logic model. The model helps to demonstrate how an output can affect many outcomes, as well as how other partner agencies manage towards the same outcomes as the Authority [ <a href="http://www.easyoutcomes.org">www.easyoutcomes.org</a> ].
Outputs	Outputs are final goods or services – that is, they are supplied to someone outside the entity. They should not be confused with goods and services produced entirely for consumption within the Crown entity group. Outputs classes are groups of similar outputs.
Objectives	These are not defined in the Public Finance Act, but for this Statement of Intent the objectives for the Authority are framed in terms of an outcome statement.
Impact	The contribution made to an outcome by a specified set of outputs, or actions, or both [s2 (1) of the Public Finance Act].
Attribution	Evidence that a particular piece of work is proven to have affected an outcome [ <a href="http://www.easyoutcomes.org">www.easyoutcomes.org</a> ].
Measure	An alternative name for an indicator, these indicators may not necessarily be proven to have changed because of the Authority.
Outcome evaluation	A type of evaluation, which can prove that a particular activity causes an outcome to change. An outcome evaluation is necessary to demonstrate impact or attribution.



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