

Real Estate Agents Authority

Annual Report 2015/2016



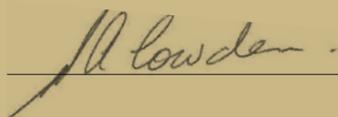
We are pleased to present to the House of Representatives the Annual Report of the Real Estate Agents Authority, pursuant to the provisions of the Crown Entities Act 2004. This report covers the period 1 July 2015 to 30 June 2016.



John Auld

Board Chair

30 September 2016



Marion Cowden

Audit and Risk Subcommittee Chair

30 September 2016



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The Authority by numbers



PART ONE: The Authority



Introduction

This Annual Report tells of the achievements of the Real Estate Agents Authority (the Authority) against the plans and objectives set out in the 2014/15–2017/18 Statement of Intent (SOI) and the performance measures and budgets set out in our Statement of Performance Expectations (SPE) 2015/16.

The vision the Authority has set is: *Safe and informed buyers and sellers working with a professional industry*. This single sentence captures what we are striving to achieve in our decision making and in our performance.

Over the last year, we have seen the level of confidence the public has in the real estate industry in New Zealand increase. This has also been supported by an upward trend in consumers who consider themselves informed of their rights in relation to real estate transactions. The following pages reflect on the progress we are making to fulfil our purpose and the impact these activities are having on consumers.

Over the last year, we have seen the level of confidence the public has in the real estate industry in New Zealand increase.

About the Authority

The Authority is the independent regulatory body for the real estate industry in New Zealand. Our purpose is 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. We do this by:

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

Directions

During the reporting period, the Authority continued to comply with the directions previously issued by the Ministers of State Services and the Ministers of Finance in respect of shared authentication services, procurement ICT and property.

Report from the Chair

I am pleased to present the 2015/16 Annual Report for the Real Estate Agents Authority.

The Authority works in a dynamic environment and has identified the need to adopt a more proactive approach in undertaking its activities. The first steps have been taken following a review at the start of the calendar year. This review identified the need for the Authority to adopt a more comprehensive risk-based approach to its activities so that it is in a stronger position to understand what is happening in the real estate market and why it is happening and to use this information to proactively assess areas of improvement for the real estate industry for the better protection of consumers.

Strategically aligning the Authority has been just one dimension of a successful year. The Authority's ongoing work programme has seen significant improvements to the way it transacts with its stakeholders. In February, the Authority successfully delivered phase one of its Licensee Management System project. The project not only upgraded the Authority's internal systems but also delivered a portal that enables licensees to review, view and update their details online. Use of the portal to renew and suspend licences is up at 90% of transactions, with positive feedback received from the industry.

Activities to raise consumer awareness of the Authority have also been a priority. During the year, a focus has been on developing online channels to ensure that the Authority is in places that buyers and sellers touch. The Authority has partnered with a range of organisations and now has a presence on over 30 external websites. Continued work has also taken place to develop and refine the information available to buyers and sellers.

During the year, over 2,000 new licences were issued, bringing the total number of active licences held at 30 June 2016 to 14,947 (2015: 14,295). Key to ensuring the public has confidence in the real estate industry is ensuring the industry is comprised of professional and competent licensees and that there are fair, impartial and effective systems for managing complaints.

Of interest is that overall ratings of real estate agents continue to be positive, with at least eight in 10 people involved in a real estate transaction in the last year rating their licensee as excellent, very good or good on the following attributes: being knowledgeable about the market, providing the information needed, clearly explaining the process, being professional, being knowledgeable about the relevant legal requirements and acting ethically and honestly.

As with past years, the Authority has continued to use a variety of mechanisms to increase licensees' knowledge of the Act, Code of Conduct, rules and regulations. Guidance has been issued on a wide range of topics including information on appraisals and provisional valuations, conjunctural arrangements and conflicts of interest. The law of agency and Professional competence and ethics were set as the 2015 and 2016 verifiable continuing education topics for licensees.

When there are complaints about a licensee's behaviour, the Authority aims to provide an independent, transparent and fair process. It understands the impact that these processes and decisions have on both licensees and the complainant. To this end, the Authority has focused on the quality and timeliness of its work and has committed to ensuring any barriers that are slowing down the efficient resolution of complaints are identified and removed and that the limited resources are properly prioritised to achieve the greatest impact. Steps have been taken to make the processes and timeframes more transparent to parties involved in a complaint.

In July 2016, we welcomed Karin Thomas to the Board. Karin replaces David Russell, who came to the end of his tenure. David has had a hugely influential role in laying the foundations for the Authority since its establishment in 2009 and has been a champion in the consumer space. His expertise has been highly valued as both a Board member and Complaints Assessment Committee panel member, and we wish him well in his retirement.

The Authority continues to work in an environment of constant change, and I believe it is well structured and adequately resourced to meet future demands. The Authority has worked hard in 2015/16 towards its goals and has managed its costs carefully.

I acknowledge the work of the dedicated staff of the Authority and thank my fellow Board members for their robust debate in relation to the strategic direction of the Authority.



John Auld
Board Chair



The Authority's Board

The Authority is a Crown entity established under the Real Estate Agents Act 2008 and has responsibilities under the Crown Entities Act 2004. The Authority is governed by an independent Board, with members experienced in law, real estate, risk management and consumer rights. The Board reports to the Associate Minister of Justice, and its members are appointed by the Associate Minister. The Board has an established Audit and Risk Subcommittee.

Members of the Real Estate Agents Authority Board as at 30 June 2016



John Auld (Chair)
Appointed July 2009



Denese Bates, QC
Appointed March 2014



Aaron Bhatnagar
Appointed April 2013



Marion Cowden
Appointed August 2015



Elizabeth Nidd
Appointed August 2015



David Russell
Appointed July 2009
(until June 2016)



Anthony Stack
Appointed August 2015

The Authority's Senior Leadership Team

Leadership and advice at the Authority are provided by the Authority's Senior Leadership Team. The team is responsible for the performance and deliverables of the Authority.

Members of the Real Estate Agents Authority Leadership Team as at 30 June 2016

- Kevin Lampen-Smith, Chief Executive/Registrar
- Aroha Beck, Legal Counsel
- Tanya Dunlop, HR Business Partner
- Simon Lloyd-Evans, Acting Corporate Services Manager
- Margaret Steel, Regulatory Services Manager

PART TWO:
**Measuring the difference
the Authority makes**



The outcomes we are seeking

The Authority contributes to the goals of the government, as well as the objectives of the Justice Sector, through its work to advance the outcome *consumers participate with confidence in the real estate industry*.



We monitor the progress we are making towards the outcome *consumers participate with confidence in the real estate industry* by tracking the percentage of consumers who have confidence in the real estate industry.

Outcome measure	Percentage of consumers that have confidence in the real estate industry
Target 2017/18	75%
Actual 2014/15	65%
Result 2015/16	68%¹
How we measure it	We assess the level of confidence the public has that the real estate industry in New Zealand is professional, well regulated, well monitored and fair

Each year, we complete a programme of research¹ to understand perceptions of the real estate industry among the general public. Our latest research, completed in June 2016, shows four-fifths of people are confident the real estate industry in New Zealand is professional (78%). Just fewer than seven in 10 believe it is well regulated (67%), well monitored (63%) and fair (64%).

Confidence in the Real Estate industry % rated 3, 4 or 5 with 5 being a lot of confidence

PROFESSIONAL



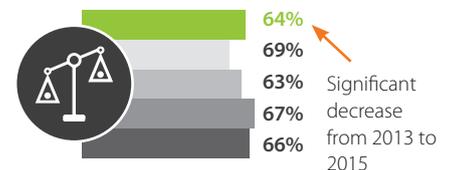
WELL REGULATED



WELL MONITORED



FAIR



¹ Source: Real Estate Agents Authority (2016). *Annual Perceptions Research (June 2016)*. Prepared by Nielsen for the Real Estate Agents Authority.

Impacts

The work of the Authority has three direct impacts that contribute to the outcome *consumers participate with confidence in the real estate industry*:

- **Impact 1:** Better informed consumers
- **Impact 2:** Improved licensee standards
- **Impact 3:** Improved regulatory framework



Impact 1: Better informed consumers

An important aspect of our work is to ensure consumers have accurate information about the buying and selling process.

Building our understanding on how informed consumers feel about undertaking property transactions

At the end of 2015, we undertook a programme of research to build our understanding about how informed consumers feel about the process of buying and selling property and, additionally, to find out where they source their information from.

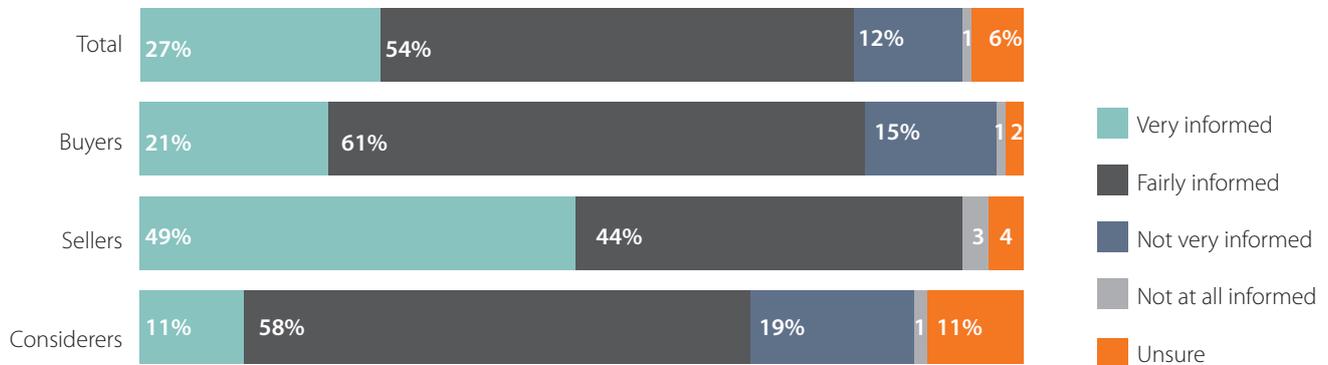
Our research showed most consumers (81%) feel informed about the process of buying/selling property. Almost all sellers feel this way (93%) compared with 82% of buyers and 69% of those considering a property transaction.²

81% of consumers feel informed about the process of buying and selling property.

² Real Estate Agents Authority (2015). *Consumer Risk: Measuring the issues and risks consumers face undertaking residential real estate transaction in New Zealand (October 2015)*. Prepared by Colmar Brunton for the Real Estate Agents Authority.



How informed consumers feel about the sale/purchase process



Those who were more likely to say they feel informed about the process are:

- those who trusted their agent (97%)
- people who see property transactions as low risk (90%)
- those experienced in the market, with at least three previous transactions behind them (89%)
- those who bought/sold by private negotiation (88%).

We also looked at the main sources of information used by consumers to find out about the process of buying/selling property, which were real estate agents themselves (63%) and speaking to friends and family (53%).

Use of information sources varied considerably by type of involvement in the market. Buyers are more likely to seek information from banks/mortgage brokers (59% compared with 40% across all groups), while sellers are more likely to turn to real estate agents (72% compared with 63% overall). Considerers are more likely to speak to friends and

Buyers are more likely to seek information from banks/mortgage brokers (59%), while sellers are more likely to turn to real estate agents (72%). Considerers are more likely to speak to friends and family (63%) or look for information online (57%).

family (63% compared with 53% overall) or to look for information online (57% compared with 47%).

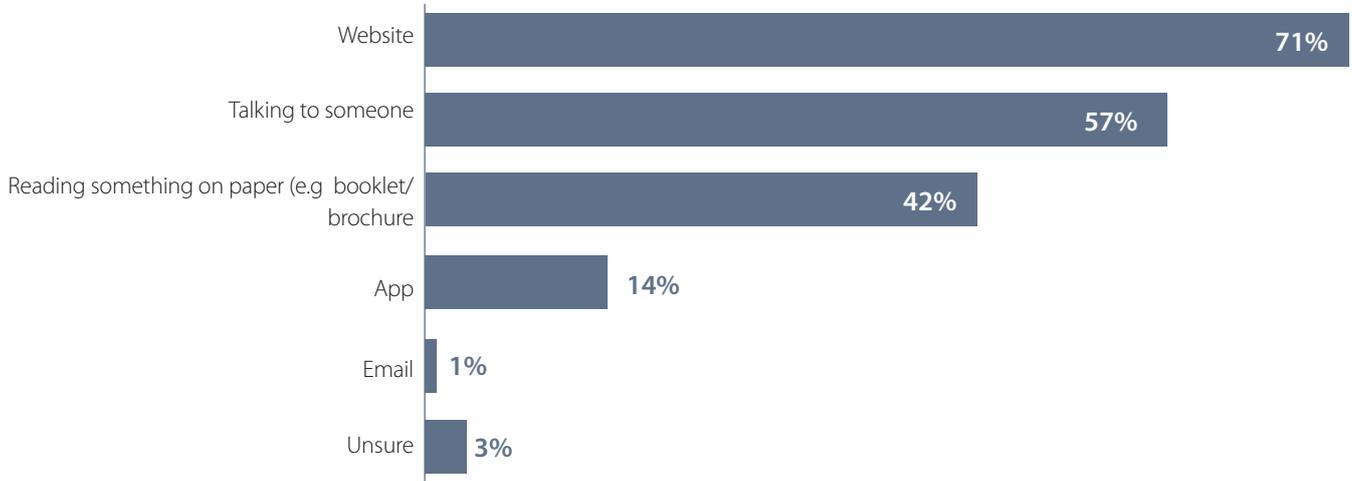
Among the 47% of consumers who look for further information about the process of buying/selling information online, Trade Me is the most commonly used website (66% use this site for information). Around half of consumers use the realestate.co.nz website or estate agent websites (52% and 49% respectively). The Authority's website is used by roughly one in eight (12%) of those who look for information online (this equates to 5% of consumers overall).

Seven in 10 (71%) consumers prefer to receive information about buying/selling property via websites. Talking to someone (57%) or reading something on paper (42%) are also popular channels for receiving information.

The results from this research allowed us to centre our work around two key strands:

1. Raising awareness amongst buyers and sellers that the Authority is an independent and useful source of information about the buying and selling process.
2. Providing targeted and useful information about the buying and selling process.

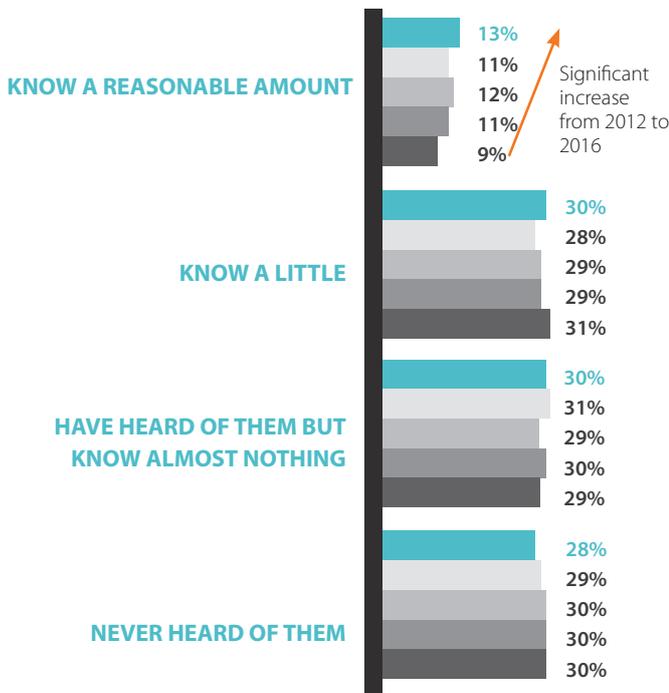
Preferences for receiving information about buying or selling residential property



Raising awareness of the Authority

Over the last five years, we have seen a small increase in the percentage of New Zealanders who know about the Authority.

Awareness of the Authority amongst New Zealanders³



Over the last five years, we have seen a small increase in the percentage of New Zealanders who know about the Authority.

³ Source: Real Estate Agents Authority (2016). Annual Perceptions Research (June 2016). Prepared by Nielsen for the Real Estate Agents Authority.



To raise consumer awareness of the Authority, during 2015/16, we focused our efforts on developing our online channels to ensure we are in the places that buyers and sellers are online. We have improved our presence on Trade Me, launched a presence on realestate.co.nz, commenced Google AdWords and developed partnerships with local councils, government agencies, insurance companies and banks – in fact, anyone that buyers and sellers may come into contact with during the property buying and selling process – with the aim of getting a presence on their websites. We now have a presence on over 30 of these organisations’ sites. A sample of the advertisements we use on Trade Me and realestate.co.nz is shown on the right.

Continuing to develop and refine these channels and establish new ones will continue to be a focus for the Authority over the coming year.



Accessible content

While it is important to be in the places that buyers and sellers are, it is just as important for our content to be informative and accessible to consumers.

We have continued to develop and refine our information for buyers and sellers on everything from how the process works to their obligations and what they can expect from a real estate agent. What we are aiming for is a great overall experience – an ad or online presence that connects (and gets click through) and leads to informative and accessible content.

This year, we have also continued to use the media as an effective way of raising awareness and informing consumers and have had consistent and positive media coverage across a range of media outlets. Coverage has ranged from outcomes of Complaints Assessment Committee decisions through to consumer pieces about the property buying process, what consumers can expect from an agent and what they can do to help the transaction go as smoothly as possible.

What we are aiming for is a great overall experience – an ad or online presence that connects (and gets click through) and leads to informative and accessible content.

Measuring our impact

We measure the effectiveness of our impact by monitoring the percentage of consumers who consider themselves informed of their rights in relation to real estate transactions.

Impact measure	Percentage of consumers that consider themselves informed of their rights in relation to real estate transactions
Target 2017/18	75%
Actual 2014/15	54%
Result 2015/16	63%⁴
How we measure it	We assess the number of consumers who consider they have enough knowledge of their rights and obligations with respect to real estate transactions

Knowledge of consumers’ rights and obligations with respect of real estate transactions has increased significantly (2015/16: 63%, 2014/15: 54%). In addition, between 2014/15 and 2015/16, there has been a notable decline in the number of New Zealander’s who have no knowledge at all of their rights and obligations

⁴Source: Real Estate Agents Authority (2016). *Annual Perceptions Research (June 2016)*. Prepared by Nielsen for the Real Estate Agents Authority.

As shown on the right, knowledge of consumers’ rights and obligations with respect to real estate transactions has increased significantly (2015/16: 63%, 2014/15: 54%). In addition, between 2014/15 and 2015/16, there has been a notable decline in the number of New Zealanders who have no knowledge of their rights and obligations.

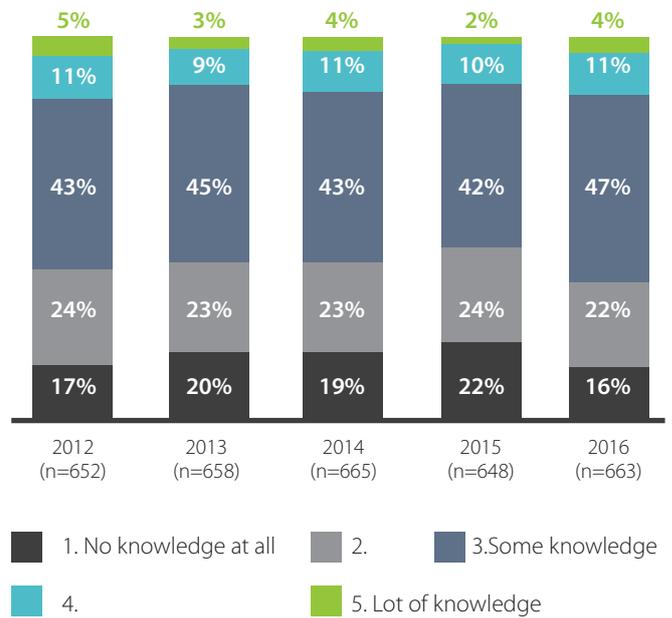
Those who are more likely to know their rights and obligations in real estate transactions are those who:

- have personal income of \$80,001 to \$100,000 (86%)
- know a reasonable amount about what the Authority does (89%)
- have a household income of \$80,001 to \$100,000 (78%)
- are aged 55 or over (75%).

In comparison, those who are less likely to know their rights and obligations in real estate transactions are those who:

- have never heard of the Authority (38%)
- are aged 15 to 24 (52%)
- have personal income of \$20,000 or less (49%)
- have a household income of \$60,001 to \$80,000 (50%).

Do New Zealanders know their rights and obligations in real estate transactions?



Impact 2: Improved licensee standards

A key driver to ensuring the public has confidence in the real estate industry is making sure the industry is made up of professional and competent licensees. During 2015/16, we have continued our work to raise the standards and behaviours of licensees.

Continuing education

Each year, we require licensees to complete 10 hours of verifiable continuing education and 10 hours of non-verifiable continuing education. The purpose of the programme is to improve licensees’ knowledge of the law, rules and regulations and enhance their skills and judgements.

We set the content for the verifiable education programme, which is often set around themes of concern we have identified within the industry.

During the 2015 calendar year, the verifiable education topic was *The law of agency*, with the 2016 verifiable education topic being *Professional competence and ethics*.

Completion rates of the continuing education programme have remained high – 99% of licensees required to complete the 2015 continuing education programme did so.

We continue to monitor licensee satisfaction with the programme, with recent results⁵ showing:

- 86% of licensees agree continuing education has improved their knowledge and understanding of the topic area
- 74% of licensees plan to make changes to their practice as a result of continuing education
- 96% of licensees are satisfied with the quality of their continuing education provider.

The purpose of the continuing education programme is to improve licensees’ knowledge of the law, rules and regulations and enhance their skills and judgements.

⁵Source: Real Estate Agents Authority (2016). *Licensing Services Survey (July 2016)*.



Admission requirements

Although continuing education is a key tool the Authority uses to raise industry standards, a core responsibility for the Authority is to ensure the admission requirements to gain entry into the industry are fit for purpose.

Over the last two years, we have worked with the Skills Organisation, alongside a number of other key stakeholders, to review the real estate qualifications on the New Zealand Qualifications Framework (as part of the targeted review of qualifications). The purpose of this work has been to ensure the real estate qualifications on the framework are relevant and useful as well as meeting the needs of learners, industry and stakeholders.

The outcome of this work has resulted in three new real estate qualifications being developed:

- New Zealand Certificate in Real Estate (Salesperson) (Level 4), which will replace the National Certificate in Real Estate (Salesperson) (Level 4) over the next few years and will be the qualification used for admission as a salesperson.
- New Zealand Certificate in Real Estate (Specialist) (Level 5) with strands in business broking, commercial and industrial, residential and rural. This qualification is new and supports

A core responsibility for the Authority is to ensure the admission requirements to gain entry into the industry are fit for purpose.

recognition of specialist knowledge in the industry. There is no licensing pathway that is related to this qualification. However, the qualification does enable licensing differentiation in the industry.

- New Zealand Diploma in Business (Level 6) with strands in accounting, administration and technology, leadership and management, Māori business and management, and real estate). This qualification with a strand in real estate will replace the National Diploma in Real Estate and will be used for admission as an agent.

A fourth qualification – the New Zealand Certificate in Real Estate (Branch Manager) – is in the process of being developed and, once approved, will replace the National Certificate in Real Estate (Branch Manager) (Level 5) and will be the prescribed qualification to be licensed as a branch manager.

Providing industry guidance

Providing best-practice guidance to licensees has continued to be a priority for the Authority during 2015/16. Where we see emerging issues or identify areas of concern, we target our efforts to inform licensees of these. We use our website, our bimonthly newsletter *The Update* and face-to-face meetings with the industry as channels for communicating this information. Key areas where the Authority has provided guidance to the industry during the year have included:

- appraisals and provisional valuations
- conjunctural arrangements
- conflicts of interest
- supervision
- selling a drug-contaminated or potentially contaminated property.

Measuring our impact

We measure the effectiveness of our impact by tracking the number of active licensees who, during the financial year, receive decisions of unsatisfactory conduct or misconduct.

Impact measure	Percentage of active licensees during the financial year who receive decisions of unsatisfactory conduct or misconduct
Target 2017/18	<1%
Actual 2014/15	1.5%
Result 2015/16	1.1%
How we measure it	By assessing the number of decisions of unsatisfactory conduct (158) and misconduct (8) made against the number of active licences held at 30 June 2016 (14,947)

Impact 3: Improved regulatory framework

The Authority strives to maintain a regulatory framework that is fit for purpose. This year, we continued our efforts to improve our risk-based regulatory practices as well as explore opportunities for non-regulatory solutions.

Building our understanding of consumer risk

In late 2015, we undertook a programme of research⁶ to build our understanding of the risks consumers face as buyers and sellers of residential property in New Zealand. It is the first time this level of analysis has been undertaken by the Authority.

The research showed that consumers' opinions are divided over the risks associated with residential property transactions.

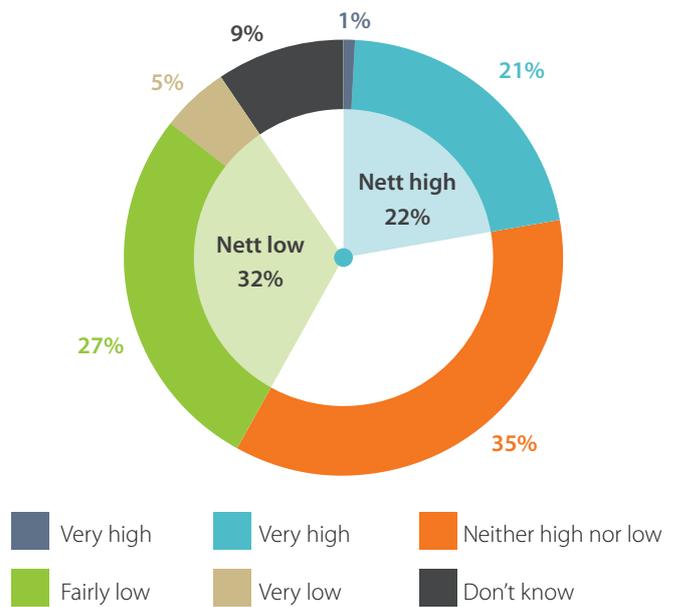
One-third view the level of risk involved as low, but one-fifth view it as high. Buyers (28%) are more likely than sellers (12%) to think the level of risk is high.

When it comes to risk, consumers are more likely to be focused on their personal financial risk in undertaking a property transaction rather than the risks posed by how the market operates.

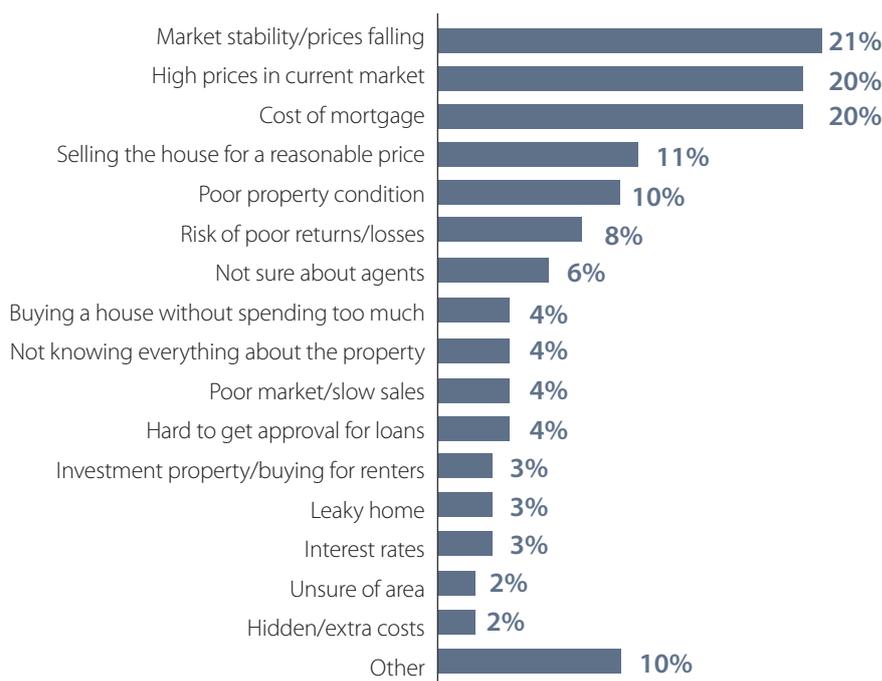
Market fluctuations (21%), the high price of residential property (20%) and the cost of servicing a mortgage (20%) are uppermost in consumers' mind when thinking about risk in property transactions and rank much higher than consumers' mistrust in agents (6%), not being fully informed (4%) or buying a leaky home (3%).

When it comes to risk, consumers are more likely to be focused on their personal financial risk in undertaking a property transaction rather than risks posed by how the market operates.

Perceptions of risk in buying or selling property



Reasons for the perception of risk



⁶ Real Estate Agents Authority (2015). *Consumer Risk: Measuring the issues and risks consumers face undertaking residential real estate transactions in New Zealand (October 2015)*. Prepared by Colmar Brunton for the Real Estate Agents Authority.

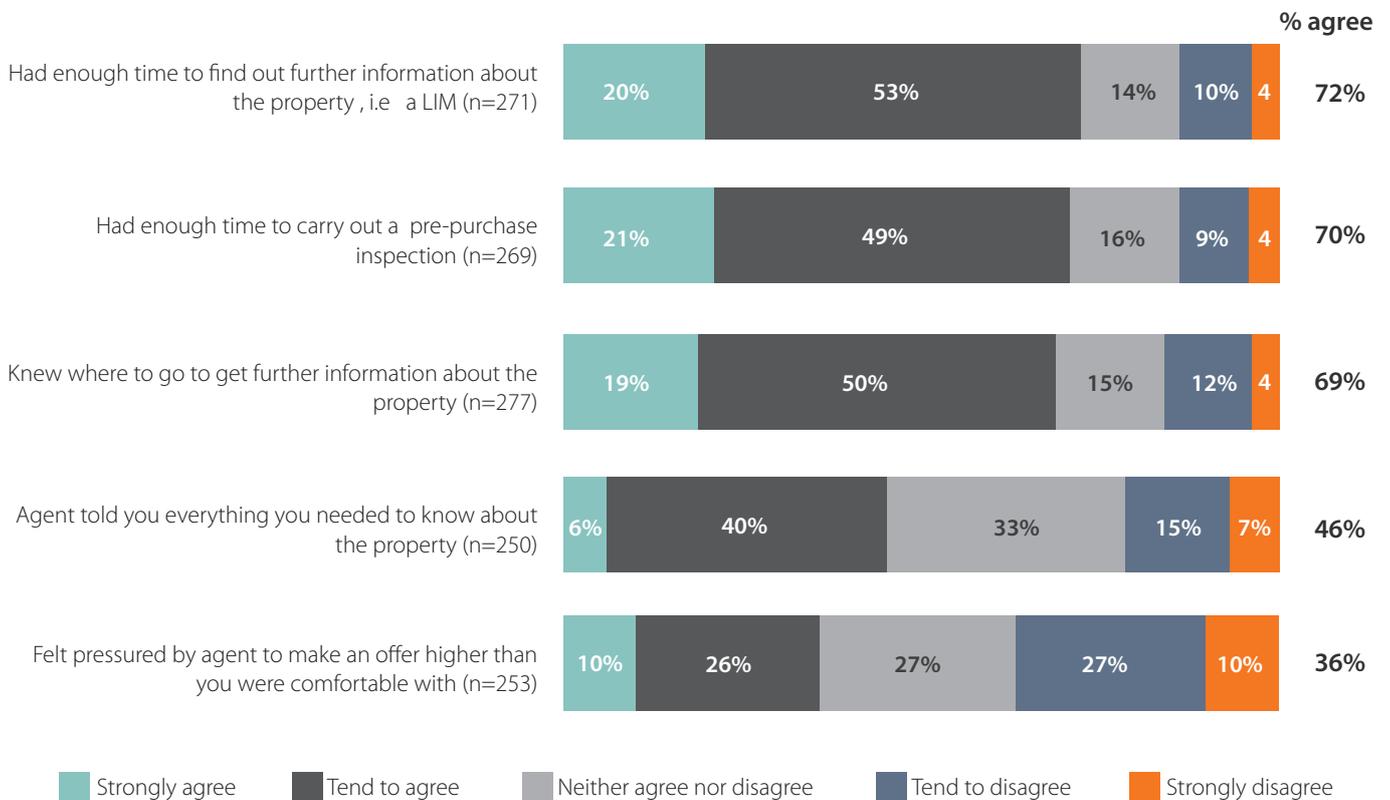


Seven in 10 buyers/potential buyers feel they had enough time to find out further information about a property, i.e. get a LIM report (72%) or carry out a pre-purchase inspection (70%). A similar proportion say they knew where to go to find out further information about the property (69%).

The majority of those who bought or sold a property in the last two years believe that their agent explained how to complete the purchase/sale (83%) and that they had enough time to seek independent legal advice about the transaction (81%). Clarity around estate agent fees is also high, with eight in 10 (80%) sellers/potential sellers saying they understood the agent’s proposed fee structure.

The majority of those who bought or sold a property in the last two years believe that their agent explained how to complete the purchase/sale and that they had enough time to seek independent legal advice about the transaction.

Impressions of the process of buying property



Using intelligence to support our decision making

In early 2016, as part of the Authority’s strategic review process, we identified the need to adopt a more comprehensive risk-based approach to our activities. It was determined that, by allocating additional resource to collecting, collating and analysing data, we would be in a stronger position to understand what is happening in the industry and why it is happening and use this information to proactively assess the risks in the real estate transaction that need addressing and target these accordingly.

Over the last six months, we have been developing our capability in this area. The Authority now has a dedicated Strategy and Insights team and has recently undertaken a scoping project to develop an intelligence framework for the Authority, size the intelligence resources required and develop an intelligence work plan to support the Authority’s decision making moving forward.

Launch of the Licensee Portal – phase one successfully delivered

As part of the government's Better Public Services Result 10, the Authority, like other agencies, has been challenged to make it easy for the public to transact with the government in a digital environment.

In February, the Authority successfully delivered phase one of our Licensee Management System project. The project upgraded and enhanced our Customer Relationship Management System (CRM)

and delivered a Licensee Portal that enables licensees to renew, view and update their details online (previously, this was a paper-based application).

So far, the portal has achieved a 90% uptake, and we are receiving very positive comments from the industry about the tool.

Taking a strategic approach to managing our litigation portfolio

Over the past year, the Authority has placed significant focus on taking a strategic approach to managing its litigation portfolio, including clarifying the proper nature and scope of statutory decisions made by the Registrar under the Act and proceedings in the Real Estate Agents Disciplinary Tribunal (the Tribunal). Examples of decisions during the year demonstrate this approach:

- The *Dyall* decision, which supports Complaints Assessment Committees in exercising their discretion not to inquire into complaints that are unmeritorious (and therefore not a good use of regulatory resource).
- The *Eichelbaum* decision, which clarifies the Tribunal's procedures on appeal and allows for more streamlined appeals where appropriate.
- The *Chapman* and *Harvey* High Court decisions, which confirm that the appropriate forum to contest disciplinary matters is the Tribunal and that challenges in the High Court

must meet a very high threshold in order to succeed. The Authority's objective is to minimise unnecessary costs in litigation wherever possible, particularly in seeking to avoid duplicative proceedings where Tribunal proceedings are challenged concurrently in the High Court.

- The *Gollins* decision, which clarifies and confirms that there are separate provisions of the Act, and separate considerations, that specifically apply in company licensee applications.
- The *Domb* Declaratory Judgment decision in the High Court, which has affirmed the Registrar's right to require applicants for licences or licence renewals to consent to the provision of information held by the New Zealand Police, contrary to an earlier decision of the Tribunal. The Authority has worked with New Zealand Police to ensure that its forms and processes comply with the terms of the High Court judgment and are able to be processed by the Police vetting unit.

Measuring our impact

We measure the effectiveness of our impact by monitoring the perceptions of risk in the New Zealand residential property market.

Impact measure	Percentage of consumers that view residential property transactions in New Zealand as high risk
Target 2017/18	<20%
Actual 2014/15	Not measured
Result 2015/16	22%
How we measure it	By assessing the perception of risk buyers and sellers of residential property are exposed to ⁷

⁷ Real Estate Agents Authority (2015). *Consumer Risk: Measuring the issues and risks consumers face undertaking residential real estate transactions in New Zealand (October 2015)*. Prepared by Colmar Brunton for the Real Estate Agents Authority.



PART THREE:

Organisational health and capability



Our vision and values

This year, we created a new vision statement for the Authority: *Safe and informed buyers and sellers working with a professional industry.* This single sentence captures what we are striving to achieve.

Every activity we undertake to achieve our vision is underpinned by a well established set of values:

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.

Improving our capability

Maintaining and improving organisational health and capability is essential to achieving our vision and, in turn, the outcome and impacts we are seeking. Providing the right environment, tools, support and leadership enables our people to do their jobs effectively and grow our capability as an organisation. This year, we have continued to focus our capability improvement around three themes:

- People
- Processes
- Tools

Key deliverables for the 2015/16 period in each of these areas are summarised on the following page.

PEOPLE	<ul style="list-style-type: none"> • Realigned our organisational structure to maximise the effectiveness of our resources. • Established a Culture Club to champion organisational wellness and health and safety. • Launched a Strong Inspirational Leadership programme.
PROCESSES	<ul style="list-style-type: none"> • Launched a project to streamline our complaints process. • Implemented a portfolio approach to our programme of work to make sure we are not only doing things right but also doing the right things. • Commenced a fees review to set the Authority's fees structure. • Undertook an internal performance improvement framework review to evaluate how fit the Authority is for the future.
TOOLS	<ul style="list-style-type: none"> • Delivered an electronic licensee management system that has removed a significant manual administration load. • Deployed an external portal for licensees to renew and suspend their licences online. This has been very well received by the industry and now has 90% of licensees using the portal to digitally manage their licences. • Created an intranet for staff.

We remain committed to building and investing in a diverse and inclusive workforce so that our people can continue to deliver high-quality services that will help 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.

We remain committed to building and investing in a diverse and inclusive workforce.



Our people

Headcount

41

Permanent and fixed-term staff

Gender Profile



30

Female



11

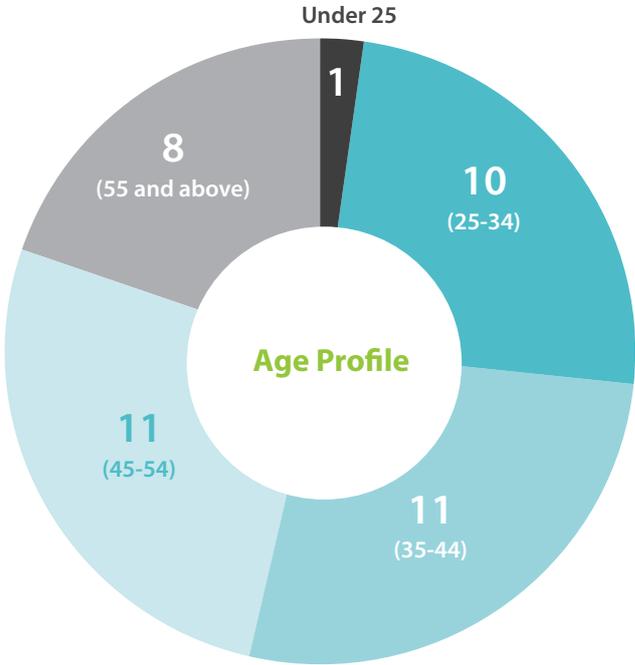
Male

Females make up the majority of our workforce with 73% of staff female compared with 27% male

Disability Profile

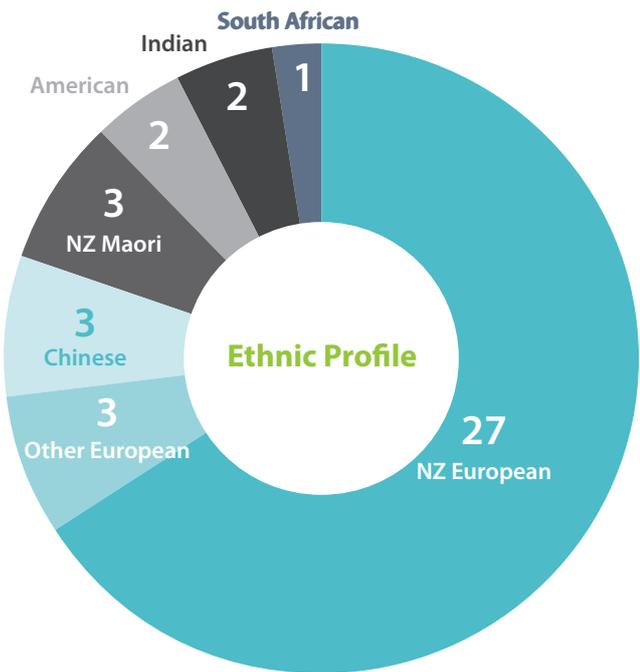
0%

of staff report as having a disability

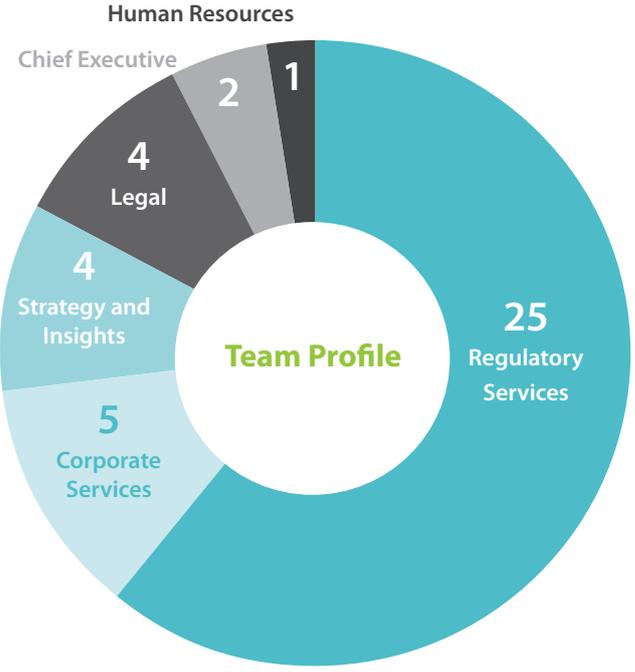


7 in 10

staff are over the age of 35



0
Pacific Peoples



61% of staff are in our Regulatory Services team

Promoting equal employment opportunities

The Authority promotes equal employment opportunities (EEO) through its practices relating to recruitment and selection, leadership, workforce development, management of people and performance as well as the way we engage with our employees. The table below

outlines our achievements in 2015/16 against the seven key elements of being a good employer, as set out by the New Zealand Human Rights Commission.

ELEMENT	Authority activity this year
SAFE AND HEALTHY ENVIRONMENT	<ul style="list-style-type: none"> • Audited and updated our health and safety policies and practices. • Established a Culture Club responsible for organisational wellness and health and safety. • Provided staff with a range of support services, including an Employee Assistance Programme, workstation assessments and adjustable desks, and also offered free flu vaccinations.
LEADERSHIP, ACCOUNTABILITY AND CULTURE	<ul style="list-style-type: none"> • Established an organisation design programme called Strong Inspirational Leadership that focuses on growing leadership capability. • Held regular meetings with staff, led by the Senior Leadership Team, to facilitate discussion on organisational priorities, changes and developments.
RECRUITMENT, SELECTION AND INDUCTION	<ul style="list-style-type: none"> • Strengthened our recruitment practices by developing competencies for new roles and setting up structured behavioural interview templates for interviews. • Implemented peer-to-peer interviews as part of our recruitment process. • Initiated a review of the Authority's induction process.
EMPLOYEE DEVELOPMENT, PROMOTION AND EXIT	<ul style="list-style-type: none"> • Completed personal development plans for all staff. • Provided study assistance and professional development support. • Offered exit interviews to all leaving employees. • Developed a 'new joiner' interview initiative.
FLEXIBILITY AND WORK DESIGN	<ul style="list-style-type: none"> • Developed a flexible working practice policy. • Provided tailored options to support the work/life balance of staff.
REMUNERATION, RECOGNITION AND CONDITIONS	<ul style="list-style-type: none"> • Continued to undertake transparent and equitable job evaluation processes.
HARASSMENT AND BULLYING PREVENTION	<ul style="list-style-type: none"> • Developed anti-harassment, anti-discrimination and anti-bullying policies. • Continued to have zero tolerance of harassment and bullying.



PART FOUR:

Our performance



Statement of responsibility

In the year ended 30 June 2016, the Board and Senior Leadership Team of the Authority were responsible for:

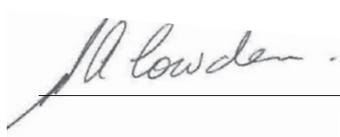
- the preparation of the annual financial statements and the statement of performance and for the judgements made in them
- establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the Authority's financial reporting
-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

In the opinion of the Board and Senior Leadership Team of the Authority, the financial statements and the statement of performance for the year ended 30 June 2016 fairly reflect the financial position, result of operations and cash flows of the Authority.

Signed on behalf of the Board



John Auld
Board Chair
30 September 2016



Marion Cowden
Audit and Risk Subcommittee Chair
30 September 2016





BDO WELLINGTON

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF REAL ESTATE AGENTS AUTHORITY'S FINANCIAL STATEMENTS, AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2016.

The Auditor-General is the auditor of Real Estate Agents Authority (the Authority). The Auditor-General has appointed me, Mark Bewley, using the staff and resources of BDO Wellington, to carry out the audit of the financial statements and the performance information of the Authority on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Authority on pages 26 to 49, that comprise the statement of financial position as at 30 June 2016, 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 accounting policies and other explanatory information; and
- the performance information of the Authority on pages 26 to 49.

In our opinion:

- the financial statements of the Authority:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity International Public Sector Accounting Standards Reduced Disclosure Regime
- the performance information:
 - presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2016, including for each class of reportable outputs:
 - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
 - 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 30 September 2016. 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, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Authority's financial statements and performance information 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.



BDO WELLINGTON

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported performance information within the Authority's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information.

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

Responsibilities of the Board

The Board is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- present fairly the Authority's financial position, financial performance and cash flows; and
- present fairly the Authority's performance.

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

The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Authority.

Mark Bewley
BDO Wellington
 On behalf of the Auditor-General
 Wellington, New Zealand



Statement of performance

The Authority provides outputs in three result areas:

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

The following pages outline what the Authority has achieved in 2015/16 against the performance measures set out in our Statement of Performance Expectations 2015/16.

Comprehensive revenue and expense	2015/16 Actual \$000	2015/16 Budget \$000	2014/15 Actual \$000
Total revenue	11,613	10,927	11,200
Output expenditure			
Output 1: Informing and advising consumers and licensees	1,011	939	840
Output 2: Licensing	2,108	2,398	1,943
Output 3: Monitoring and enforcing	6,274	6,626	6,037
Total expenditure	9,393	9,963	8,820
Total comprehensive revenue and expense	2,220	964	2,380

Outputs

Output 1: Informing and advising consumers and licensees

Scope

This output provides for the provision of information and advice to buyers, sellers and licensees and includes:

- informing and advising consumers of their rights and licensees of their responsibilities
- raising awareness of the Authority
- providing best-practice guidance for licensees.

This output supports the Authority's achievement towards the following impacts:

- **Impact 1: Better informed consumers**
- **Impact 2: Improved licensee standards**

Why it is important

Buying property can be the biggest financial transaction consumers will ever be involved in, with potentially significant emotional and financial loss if it goes wrong. To minimise this loss, the Authority puts a lot of effort into proactively informing consumers of their rights with the key message to 'Get Smart' before buying or selling a property.

The Authority puts a lot of effort into proactively informing consumers of their rights with the key message to 'Get Smart' before buying or selling property.

Providing best-practice guidance for licensees is also a priority for the Authority. Where we see emerging issues or identify areas of concern, we target our efforts to inform licensees of these. We use our website, our bimonthly newsletter *The Update* and face-to-face meetings with the industry as channels for communicating this information.

How well we delivered this output

The following table provides an assessment of our delivery against the performance measures set out against this output in the Authority's 2015/16 Statement of Performance Expectations.

Measure	2015/16 Actual	2015/16 Target	2014/15 Actual
Percentage of stakeholder communications delivered in accordance with the stakeholder engagement plan	75% ⁸	100%	100%
Percentage of consumers who consider the guides (New Zealand Property Agency Guide and New Zealand Residential Property Agency Guide) useful ⁹	88%	95%	85%
Percentage of licensees who consider the newsletters informative ¹⁰	88%	90%	79%
Visitors to the Authority's website find what they are looking for ¹¹	81%	93%	95%
Public awareness of the Authority increases ¹²	43%	45%	39%

⁸ At the beginning of the financial year, the Authority committed to producing six industry newsletters for licensees and undertaking 20 presentations at stakeholder events. During the financial year, the Authority published six industry newsletters but only undertook half (10) of the stakeholder events anticipated. Instead, the Authority visited a number of agencies directly. These visits have allowed the Authority to target our efforts as well as work through emerging issues with the industry.

⁹ Source: Real Estate Agents Authority (2016). *Annual Perceptions Research (June 2016)*. Prepared by Nielsen for the Real Estate Agents Authority. This result is expressed as a combined percentage of positive responses where respondents rated the guides as 'somewhat useful' to 'very useful' and excludes 'don't know' responses. The proportion of users who found the guides useful is lower than anticipated. Over the coming year, the content of the guides will be reviewed to ensure the documents are targeted to the needs of buyers and sellers.

¹⁰ Source: Real Estate Agents Authority (2016). *Licensing Services Survey (July 2016)*. This result is expressed as a combined percentage of licensees who find the industry newsletters 'informative' to 'very informative'. While the proportion of licensees who consider the newsletters informative has increased since 2014/15, ongoing work will be undertaken in 2016/17 to ensure content in the newsletters remains informative and useful to licensees.

¹¹ Source: Real Estate Agents Authority (2016). *Website Survey (June 2016)*. The Authority will be commencing a programme of work in 2016/17 to refresh the Authority's website.

¹² Source: Real Estate Agents Authority (2016). *Annual Perceptions Research (June 2016)*. Prepared by Nielsen for the Real Estate Agents Authority. This result is expressed as a combined percentage of positive responses where respondents rated they 'know a little' to 'a reasonable amount' about what the Authority does. While awareness of the Authority is below the target set for 2016/17, there are a number of campaigns under way that are likely to raise public awareness of the Authority.

Output 2: Licensing

Scope

This output provides for administering the Authority's licensing scheme, including:

- managing the licensing scheme to ensure that, at the time of approval, all active licensees are 'fit and proper' and meet the required professional standards to work in the industry
- processing new applications, renewals and voluntary suspensions of licences
- maintaining a current register of all approved licensees
- managing our Licensee Portal.

This output supports the Authority's achievement towards the following impacts:

- **Impact 1: Better informed consumers**
- **Impact 2: Improved licensee standards**

An important part of our work is ensuring only 'fit and proper' people enter and remain in the industry.

Why it is important

The public's confidence in the real estate industry will be enhanced if the industry is made up of professional and competent licensees. An important part of our work is ensuring only 'fit and proper' people enter and remain in the industry.

How well we delivered this output

The following table provides an assessment of our delivery against the performance measures set out against this output in the Authority's 2015/16 Statement of Performance Expectations.

Measure	2015/16 Actual	2015/16 Target	2014/15 Actual
Percentage of applications approved where licensees at the time of approval are 'fit and proper' and meet the required professional standards ¹³	100%	100%	100%
Percentage of licensees that agree the continuing education programme has improved their knowledge and understanding of the topic area ¹⁴	86%	85%	87%
Percentage of licensees who plan to make changes to their practice as a result of continuing education ¹⁴	74%	85%	72%
Percentage of new applications processed within three weeks ¹⁵	87%	95%	86%
Percentage of renewal applications processed within two weeks ¹⁵	98%	98%	98%

¹³ This result is obtained through an internal ongoing quality review of all approved applications. Professional standards consider any previous criminal convictions, relevant education and character of licensees.

¹⁴ Source: Real Estate Agents Authority (2016). *Licensing Services Survey (July 2016)*. The percentage of licensees who plan to make changes to their practice as a result of continuing education is lower than anticipated. A review of the Authority's continuing education programme will take place in 2016/17 to ensure the framework meets the needs of the industry.

¹⁵ These results are obtained through a report extracted from the Authority's data management system. The Authority did not achieve the timeliness targets set for processing new applications due to external delays in receiving Police vetting checks.

Output 3: Monitoring and enforcing

Scope

This output provides for the provision of monitoring the industry and taking action against non-compliance, including:

- receiving, assessing, managing, investigating and effecting resolution of complaints
- supporting Complainants Assessment Committee, Tribunal and Court activities
- auditing real estate agency trust accounts.

This output supports the Authority's achievement towards the following impacts:

- **Impact 1: Better informed consumers**
- **Impact 2: Improved licensee standards**
- **Impact 3: Improved regulatory framework**

Why it is important

In order to reduce the risk consumers are exposed to when entering into a real estate transaction, we collect, collate and analyse information about what is happening in the industry. Where

In instances where things go wrong, we are able to provide consumers with an independent process for seeking redress.

appropriate, we use this information to understand the risks that need to be addressed and the factors that create them and determine what action is required to mitigate these risks. In instances where things go wrong, we are able to provide consumers an independent process for seeking redress.

How well we delivered this output

The following table provides an assessment of our delivery against the performance measures set out against this output in the Authority's 2015/16 Statement of Performance Expectations.

Measure	2015/16 Actual	2015/16 Target	2014/15 Actual
Percentage of complainants and respondents that consider the complaints process independent, fair and transparent ¹⁶	52%	60%	52%
Complaints Assessment Committee decisions that meet quality standards ¹⁷	90%	97%	100%
Number of judicial criticisms on the Complaints Assessment Committee decision-making process ¹⁸	0	0	1
Percentage of complaints completed within one month ¹⁹	27%	45%	44%
Percentage of complaints completed within six months ¹⁹	61%	75%	62%
Percentage of complaints completed within one year ¹⁹	85%	95%	82%

¹⁶ Source: Real Estate Agents Authority (2016). *Complainants and Respondents Surveys (June/July 2016)*.

¹⁷ This result is obtained through an external review of a sample of Complaints Assessment Committee decisions. Each Complaints Assessment Committee decision is scored against three criteria: knowledge of the legislation and rules, analysis and procedural compliance.

¹⁸ Judicial criticism is assessed through a comprehensive review of each Tribunal decision, particularly Tribunal decisions that overturn Complaints Assessment Committee decisions. In each case, the reason for the overturn is assessed as to whether there is any judicial criticism of the original Complaints Assessment Committee decision.

¹⁹ This result is obtained through a report extracted from the Authority's data management system. The time taken to close complaints is below our annual targets. The Authority has set up an internal working group tasked with improving the effectiveness and efficiency of our complaints processes and will be closely monitoring this area moving forward.



Financial statements

Explanations of significant variances against budget are detailed in Note 27 on page 49. 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 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Revenue				
Operating levy received	1	9,775	10,050	9,352
Application and suspension fees	2	986	477	908
Other revenue	3	852	400	940
Total revenue		11,613	10,927	11,200
Expenditure				
Audit fee		61	55	58
Personnel costs	4	4,080	4,357	3,672
Finance costs	5, 18	51	51	300
Depreciation	13	44	68	29
Amortisation	14	389	748	163
Impairment loss	14	35	-	-
Specialist service	6	1,208	1,129	1,148
Legal fees		1,380	1,276	1,101
Board fees	4, 24	163	160	160
Complaints Assessment Committee fees		345	380	393
Miscellaneous expenses		24	24	34
Computer and telecommunications		828	838	1,016
Printing, stationery and postage		161	215	149
Travel, meetings and entertainment		218	257	212
Occupancy		406	405	385
Total expenditure		9,393	9,963	8,820
Total comprehensive revenue and expense		2,220	964	2,380

Statement of financial position

As at 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Current assets				
Cash and cash equivalents	8	4,946	2,070	2,841
Investments	9	4,132	4,000	6,184
Debtors and other receivables	10	141	83	140
Prepayments	11	74	13	33
GST receivable/(payable)		(5)	65	9
Approved guide stock	12	19	16	35
Total current assets		9,307	6,247	9,242
Non-current assets				
Property, plant and equipment	13	134	207	61
Intangible assets	14	2,310	2,458	926
Total non-current assets		2,444	2,665	987
Total assets		11,751	8,912	10,229
Current liabilities				
Trade creditors and accruals	15	918	526	730
Employee entitlements	16	184	130	156
Deferred operating levy	17	6,223	5,347	6,024
Establishment funding from Crown	18	-	-	1,113
Total current liabilities		7,325	6,003	8,023
Total liabilities		7,325	6,003	8,023
Net assets		4,426	2,909	2,206
Public equity				
Retained earnings		4,176	2,659	1,956
Litigation reserve		250	250	250
Total public equity	19	4,426	2,909	2,206

Statement of changes in equity

For the year ended 30 June 2016

	Note	Capital funding from Crown \$000	Retained Earnings \$000	Litigation Reserve \$000	Total Public Equity \$000
Actual 2016					
Public equity at beginning of year		-	1,956	250	2,206
Total comprehensive revenue and expense			2,220		2,220
Repayment of capital funding		-			-
Public equity at end of year	19	-	4,176	250	4,426

Budget 2016					
Public equity at beginning of year		-	1,695	250	1,945
Total comprehensive revenue and expense			964		964
Public equity at end of year		-	2,659	250	2,909

Actual 2016					
Public equity at beginning of year		2,078	(424)	250	1,904
Total comprehensive revenue and expense			2,380		2,380
Repayment of capital funding		(2,078)			(2,078)
Public equity at end of year	19	-	1,956	250	2,206

Statement of cash flows

For the year ended 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Cash flow from operating activities				
Cash was provided from:				
Receipts from licensees		10,669	10,050	10,000
Receipts from sale of publications		275	180	269
Interest received		265	176	406
Receipts from suspension fees		323	114	322
Receipts from fines		304	50	256
Cash was applied to:				
Payments to suppliers		(5,001)	(5,588)	(4,850)
Payments to employees		(3,755)	(4,210)	(3,441)
Interest paid		-	-	(166)
GST (net)		63	221	3
Net cash flow from operating activities		3,143	993	2,799
Cash flow from investing activities				
Cash was provided from:				
Receipts from investments in term deposits		2,078	3,500	6,000
Cash was applied to:				
Purchase of property, plant and equipment		(117)	(117)	(47)
Purchase of intangible assets		(1,808)	(2,913)	(608)
Investment in term deposits		(27)	-	(4,076)
Net cash flow from investing activities		126	470	1,269
Cash flow from financing activities				
Cash was applied to:				
Repayment of Crown funding		-	-	(2,078)
Repayment of establishment funding		(1,164)	(1,061)	(1,261)
Net cash flow from financing activities		(1,164)	(1,061)	(3,339)
Total net increase in cash and cash equivalents		2,105	402	729
Cash and cash equivalents at the beginning of the year		2,841	1,668	2,112
Cash and cash equivalents at the end of the year	8	4,946	2,070	2,841

Statement of cash flow (continued)

For the year ended 30 June 2016

Reconciliation of Statement of Comprehensive Revenue and Expense surplus with net cash flow from operating activities.	Actual 2016 \$000	Actual 2015 \$000
Net surplus	2,220	2,380
Non-cash items		
Depreciation	44	29
Amortisation	389	163
Impairment loss	35	-
Imputed loan interest	51	134
Total non-cash items	519	326
Movements in working capital items		
Trade debtors, other receivables and prepayments	(42)	1
Movements in inventory	16	(24)
GST receivable/(payable)	15	30
Trade creditors, other payables and provisions	188	(14)
Deferred operating revenue	199	84
Employee entitlements	28	16
Net movements in working capital items	404	93
Net cash flow from operating activities	3,143	2,799

Statement of Accounting Policies

For the year ended 30 June 2016

Reporting entity

These are the financial statements of the Real Estate Agents Authority (the Authority), a Crown entity as defined by the Crown Entities Act 2004. The Authority is domiciled in New Zealand. The Authority's functions are defined in the Real Estate Agents Act 2008 and include administering the licensing regime for licensees, setting professional standards and providing services in relation to complaints determinations. The Authority 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 the Authority are for the year ended 30 June 2016 and were approved on 30 September 2016 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.

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

Measurement basis

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

Functional and presentation currency

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

The Authority 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 operating levy to cover the ongoing service provision of the Authority, 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. The Authority also charges a fee for suspending a licence.

Under PBE IPSAS 9, the Authority considers the revenue generated from operating levies to be exchange in nature as it is consideration for goods and services that the Authority provides to licensed members and approximates the fair value of those transactions.

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

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

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

Fines

Section 75 and section 100 of the Real Estate Agents Act 2008 allow the establishment of Complaints Assessment Committees and the Real Estate Disciplinary Tribunal. The Committees and Tribunal make decisions on complaints, which can result in an order to pay a fine. Fines are recognised when due and receivable.

Sale of publications

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

Interest

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

Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Authority are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis, over the term of the lease, in the Statement of comprehensive 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 the Authority will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability the bank will enter into receivership or liquidation and default in payments are considered indicators the deposit is impaired.

Debtors and other receivables

Debtors and other receivables, comprising trade debtors 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 the Authority will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments are considered indicators that the debt is impaired.

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

Inventories

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

Property, plant and equipment

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

Additions

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

Disposals

Gains and losses on disposal 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 the Authority and the cost of the item can be measured reliably. Costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of comprehensive 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:

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

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

Amortisation

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

The useful lives and associated rates have been estimated as follows:

Acquired and developed software

3–5 years 20–33% 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 (or approval is gained to carry forward leave), and measured at undiscounted nominal values based on an actual entitlement basis at current rates of pay.

Superannuation schemes

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

Establishment funding

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

Goods and services tax

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

Taxation

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

Financial instruments

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

Budget figures

The budget figures shown are derived from the 2015/16 Statement of Performance Expectations approved by the Board. The budget figures have been prepared in accordance with IPSAS, using accounting policies consistent with those adopted by the Authority for the preparation of the financial statements. The budget figures have not been audited.

Equity

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



Changes in accounting policies

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

Critical judgements in applying the Authority's accounting policies

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

Revisions to accounting estimates are recognised:

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

Judgements made by management in the application of IPSAS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Notes to the financial statements

For the year ended 30 June 2016

1. Operating levy received	Actual 2016 \$000	Actual 2015 \$000
New applications	1,439	1,279
Renewals	8,336	8,073
Total operating levy received	9,775	9,352

During the year to 30 June 2016, the Authority processed 12,955 licence renewals, along with 2,240 new licence applications. Total active licences were 14,947 (2015: 14,295). This is an overall increase of 652 licences from the previous year.

2. Application and suspension fees	Actual 2016 \$000	Actual 2015 \$000
New application fees	663	586
Suspension fees	323	322
Total application and suspension fees	986	908

During the year to 30 June 2016, the Authority processed 2,240 new licence applications and 3,399 voluntary suspensions.

3. Other income	Actual 2016 \$000	Actual 2015 \$000
Interest	234	376
Sale of publications	275	269
Fines imposed by Complaints Assessment Committees/Tribunal	343	295
Total other revenue	852	940

4. Personnel costs	Actual 2016 \$000	Actual 2015 \$000
Salaries and wages	3,498	3,278
Other personnel costs	407	319
Employer contributions to KiwiSaver	90	49
Compensation and other benefits	56	10
Employee entitlements	29	16
Total personnel costs	4,080	3,672

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 2016, four employees (2015: one employee) received compensation and other benefits in relation to cessation totalling \$56,000 (2015: \$10,000). Employee entitlements represent the movement in annual leave balances between 30 June 2015 and 30 June 2016.



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:

	Actual 2016 \$000	Actual 2015 \$000
Remuneration range		
\$100,000–\$109,999	2	2
\$110,000–\$119,999	3	4
\$120,000–\$129,999	1	-
\$130,000–\$139,999	-	2
\$140,000–\$149,999	1	-
\$150,000–\$159,999	1	-
\$170,000–\$179,999	-	1
\$230,000–\$239,999	1	1
Total employees	9	10

Board remuneration

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

	Actual 2016 \$000	Actual 2015 \$000
	Board fees	Board fees
John Auld (Chair)	40	40
Barrie Barnes	5	20
Aaron Bhavnagar	20	20
Denese Bates QC	20	20
Denise Bovaird	5	20
Marion Cowden	16	-
Joan Harnett-Kindley	5	20
Liz Nidd	16	-
David Russell	20	20
Tony Stack	16	-
Total Board remuneration	163	160

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. Marion Cowden, Liz Nidd, and Tony Stack were appointed as Board members from August 2015, replacing Barrie Barnes, Denise Bovaird and Joan Harnett-Kindley.

5. Finance costs	Actual 2016 \$000	Actual 2015 \$000
Imputed interest expense (refer to Note 18)	51	134
Interest on capital funding from Crown	-	166
Total finance costs	51	300

6. Specialist services	Actual 2016 \$000	Actual 2015 \$000
Investigations support	216	175
Bank, merchant service and payroll processing fees	134	186
Advertising and publicity	55	52
Approved guide management	75	75
Accounting support services	21	-
Media and communications	76	51
Alternative dispute resolution (ADR) services	21	18
Other specialist services	610	591
Total specialist services	1,208	1,148

7. Operating leases	Actual 2016 \$000	Actual 2015 \$000
Less than one year	305	314
Later than one year and not later than five years	613	925
Total operating lease commitments	918	1,239

The operating leases are largely for the lease of Level 2 Deloitte House, 10 Brandon Street, Wellington. The Authority renewed its lease, which commenced 1 July 2013 and terminates 30 June 2019. The Authority does not have the option to purchase the leased asset at the expiry of the lease period.

8. Cash and cash equivalents	Actual 2016 \$000	Actual 2015 \$000
Cash at bank and on hand	631	721
Funds held on call	4,315	2,120
Total cash and cash equivalents	4,946	2,841

9. Investments	Actual 2016 \$000	Actual 2015 \$000
Term deposits	4,132	6,184
Total investments	4,132	6,184



10. Debtors and other receivables	Actual 2016 \$000	Actual 2015 \$000
Trade debtors	122	90
Accrued interest	19	50
Total debtors and other receivables	141	140

Trade debtors represent the value of unpaid fines. The carrying value of receivables approximates their fair value. As at 30 June 2016, all overdue receivables have been assessed for impairment and nil (2015: nil) were assessed as impaired.

11. Prepayments	Actual 2016 \$000	Actual 2015 \$000
Prepaid salaries	63	18
Prepaid insurance	11	15
Total prepayments	74	33

12. Approved guide stock	Actual 2016 \$000	Actual 2015 \$000
Approved guides		
Approved guide stock at beginning of year	35	12
Plus: Guide stock purchased during the year	45	69
Less: Guide stock cost of sales	(61)	(46)
Approved guide stock at end of year	19	35

The Authority 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 on the statement of financial position as a current asset, with the cost of goods sold recognised as an expense in the Statement of comprehensive revenue and expense.

13. Property, plant and equipment	Computer equipment \$000	Furniture and fittings	Leasehold improvements \$000	Total \$000
Cost or valuation				
Balance at 1 July 2014	303	131	14	448
Additions	39	8	-	47
Sales/transfers	-	-	-	-
Balance at 30 June 2015	342	139	14	495
Balance at 1 July 2015	342	139	14	495
Additions	24	93	-	117
Sales/transfers	-	(15)	-	(15)
Balance at 30 June 2016	366	217	14	597
Accumulated depreciation				
Balance at 1 July 2014	281	114	10	405
Depreciation expense	16	11	2	29
Sales/transfers	-	-	-	-
Balance at 30 June 2015	297	125	12	434
Balance at 1 July 2015	297	125	12	434
Depreciation expense	25	17	2	44
Sales/transfers	-	(15)	-	(15)
Balance at 30 June 2016	322	127	14	463
Net carrying amounts				
At 1 July 2014	22	17	4	43
At 1 July 2015	45	14	2	61
At 30 June 2016	44	90	-	134

Capital commitments

There are no capital commitments at reporting date (2015: nil).



14. Intangible assets	Intangible asset \$000	Work in Progress \$000	TOTAL \$000
Cost or valuation			
Balance at 1 July 2014	851	73	924
Additions	-	608	608
Sales/transfers	-	-	-
Balance at 30 June 2015	851	681	1,532
Balance at 1 July 2015	851	681	1,532
Additions	-	1,808	1,808
Sales/transfers	2,173	2,173	-
Balance at 30 June 2016	3,024	316	3,340
Accumulated Amortisation			
Balance at 1 July 2014	443	-	443
Amortisation expense	163	-	163
Sales/transfers	-	-	-
Balance at 30 June 2015	606	-	606
Balance at 1 July 2015	606	-	606
Amortisation expense	389	-	389
Sales/transfers	-	-	-
Impairment loss	35	-	35
Balance at 30 June 2016	1,030	-	1,030
Net carrying amounts			
At 1 July 2014	408	73	481
At 1 July 2015	245	681	926
At 30 June 2016	1,994	316	2,310

Included within intangibles is the Authority's core business systems upgrade, which at 30 June 2016 had a carrying amount of \$1,982,000 (2015: \$246,000) and a remaining amortisation period of 4.0 years (2015: 1.5 years). Other intangible assets include software licences and security access software. 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

There are no intangible capital commitments at reporting date (2015: nil).

15. Trade creditors and accruals	Actual 2016 \$000	Actual 2015 \$000
Accrued expenses	250	442
Trade creditors	627	258
Disciplinary levy payable to Ministry of Justice	25	-
Other payables	16	30
Total trade creditors and accruals	918	730

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.

16. Employee entitlements	Actual 2016 \$000	Actual 2015 \$000
Annual leave (current portion)	184	156
Total employee entitlements	184	156

17. Deferred operating levy	Actual 2016 \$000	Actual 2015 \$000
For licence renewals	5,565	5,396
For new applications	658	628
Total deferred operating levy	6,223	6,024

Operating levy revenue is recognised over a 12 month period from the date of renewal or application and has been calculated on a monthly basis. Revenue not recognised in the financial year the operating levy is received is deferred to the following financial year.

18. Establishment funding from Crown	Actual 2016 \$000	Actual 2015 \$000
Opening balance	1,113	2,240
Current year interest recognised	51	134
Less: Repayments	(1,164)	(1,261)
Closing balance	-	1,113
Represented by:		
Current portion of loan	-	1,113
Non-current portion of loan	-	-
Closing balance	-	1,113

The establishment funding was non-interest bearing. The Authority had applied the same interest rate as the 2015 Crown capital funding (8%) (2015: 8%) to calculate the imputed interest. The Crown expected the Authority to repay the full value of the Disciplinary Tribunal and the Authority's establishment funding over a five-year period. The total value of funding advanced was \$6.207 million. The Authority made a payment of \$1.164 million in April 2016 as full and final settlement of the establishment funding.

19. Public equity

The Authority has an equity balance of \$4.426 million compared with an equity balance of \$2.206 million in 2015.



20. Financial risk management objectives

The Authority does not enter into or trade financial instruments for speculative purposes. The Authority'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. The Authority is exposed to cash flow interest rate risk as it has cash on call at floating interest rates. The Authority 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.

The Authority'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 the Authority, causing the Authority to incur a loss. Financial instruments that potentially subject the entity to credit risk principally consist of bank balances. The Authority 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 2016 \$000	Actual 2015 \$000
Non-cash items		
Cash and cash equivalents	4,946	1,820
Investments – term deposits	4,132	7,205
Debtors	141	140
Total	9,219	9,165

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 less than three months.

Fair value of financial instruments

The Authority considers the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

Liquidity risk

Liquidity risk is the risk the Authority 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. The Authority aims to maintain flexibility in funding by keeping committed credit lines available.

All of the Authority's commitments owing at balance date, comprising creditors and accruals, have a contractual maturity of less than six months. The Authority has sufficient cash on hand to meet these commitments as they fall due. Refer to Note 15 for the liquidity risk of trade creditors and accruals.

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

20. Financial risk management objectives (continued)

Contractual cash flows from financial liabilities

	Carrying amount \$000	Contractual cash flows \$000	Less than 6 months \$000	6-12 months \$000
2016				
Creditors and other payables	918	918	918	
Establishment funding from Crown	-	-	-	
Total	918	918	918	
2015				
Creditors and other payables	730	730	730	
Establishment funding from Crown	1,113	1,113	-	1,113
Total	1,843	1,843	730	1,113

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. The Authority is not subject to currency risk as it does not participate in any such financial instruments.

21. Capital management

The Authority's capital is its equity comprised of accumulated funds and other reserves. Equity is represented by net assets. The Authority 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. The Authority manages its equity through prudently managing revenue, expenses, assets, liabilities, investments and general financial dealings to ensure the Authority effectively achieves its objectives and purpose whilst remaining a going concern.

22. Related-party transactions

The Authority is a wholly owned Crown entity. The Authority 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 the Authority and the transactions are at arm's length, related-party disclosures have not been made.

During the year ended 30 June 2010, the Authority received an interest-free loan of \$6.207 million from the Crown. The Authority made the final repayment of the loan in April 2016. There is no outstanding balance as at 30 June 2016. Details of the loan are included in Note 18.

The Authority repaid capital funding from the Crown in the 2015 financial year and paid no (2015: \$166,000) interest on capital funding in this financial year.

During the year, the Authority collected \$502,000 (2015: \$475,000) 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.

Intergen Ltd provides IT support and development services to the Authority. The Authority paid Intergen Ltd \$1,397,000 (2015: \$625,000) this financial year and has committed to spend \$78,000 over the next year. The Board Chair John Auld's son Christopher Auld is the CEO of Intergen North America.



23. Categories of financial assets and liabilities

	Loans and receivables \$000	Financial liabilities measured at amortised cost \$000	Financial liabilities at fair value through comprehensive revenue and expense \$000	Total carrying amount \$000	Fair value \$000
2016					
Current financial assets					
Cash and cash equivalents	4,946			4,946	4,946
Investments	4,132			4,132	4,132
Debtors and other receivables	141			141	141
Total current financial assets	9,219			9,219	9,219
Total financial assets	9,219			9,219	9,219
Current financial liabilities					
Trade creditors and accruals		918		918	918
Total current financial liabilities		918		918	918
Term financial liabilities					
Establishment funding from Crown			-	-	-
Total term financial liabilities			-	-	-
Total financial liabilities		918		918	918
2015					
Current financial assets					
Cash and cash equivalents	2,841			1,820	1,820
Investments – term deposits	6,184			7,205	7,205
Debtors and other receivables	140			140	140
Total current financial assets	9,165			9,165	9,165
Total financial assets	9,165			9,165	9,165
Current financial liabilities					
Trade creditors and accruals		730		730	730
Total current financial liabilities		730		730	730
Term financial liabilities					
Establishment funding from Crown			1,113	1,113	1,113
Total term financial liabilities			1,113	1,113	1,113
Total financial liabilities		730	1,113	1,843	1,843

24. Key management personnel compensation

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

	Actual 2016 \$000	Actual 2015 \$000
Fees, salaries and annual leave	393	390
Total key management personnel compensation	393	390

25. Contingent liabilities

There are no contingent liabilities at reporting date (2015: nil).

26. Subsequent events

There are no events subsequent to the reporting date the Authority is aware of that would have a material impact on the financial statements for the year ended 30 June 2016.

27. Significant budget variances

Budget values are sourced from the forecast financial statements shown in the Authority's 2015/16 Statement of Performance Expectations. Explanations of significant budget variances are provided on page 50.



Explanation of variances

Statement of comprehensive revenue and expense

Revenue

Operating levy received

The main reason for the Operating levy to be under budget by \$275,000 is that there were a slightly lower number of licence renewals than the budget assumption.

Application and suspension fees

The actual number of new applications and suspensions of licences processed at 30 June 2016 were 2,240 and 3,399 respectively, which is 1,040 and 2,105 more than budget. Accordingly, fee revenue from new applications and suspensions is \$509,000 more than the \$477,000 budget.

Other revenue

Sales from publications exceeded budget assumptions by \$94,000, and fines imposed exceeded budget assumptions by \$293,000 due to an increase in civil action resulting in judgements against licensees.

Expenditure

Personnel costs

During 2015/16, the Authority has been focusing and repositioning its efforts. This is partly reflected by personnel costs being \$277,000 below budget due to the time taken to find the right people to fill revised and/or vacant positions.

Amortisation

Amortisation is under budget by \$359,000 due to part only of the Licensee Management System (LMS) project having been delivered and capitalised by financial year end. The project was originally expected to be completed by June 2014 but took longer to deliver than planned. Part of the project was delivered and capitalised in February 2016 with part still in progress. The part still in progress has not yet been capitalised.

Legal fees

Legal fees were \$104,000 (8.0%) above budget due to an increase in civil action (as referred to in the revenue commentary) in the High Court and Court of Appeal, which required increased external assistance. The expected benefit of this litigation is to establish precedents that will be of future value to the Authority. The 2015/16 budget for legal fees was based on an estimated number of prosecutions, appeals and reviews as well as making an allowance for any unusually complex cases.

Statement of financial position

Cash and cash equivalents

The cash and cash equivalents variance is mainly due to increased cash inflows from new licence applications and suspensions as well as delayed spend on the Authority's new LMS project.

Intangible assets

The project to deliver the Authority's new LMS was originally expected to be complete by June 2014. The project is taking longer to deliver than planned. Part of the project was delivered and capitalised in February 2016 with part still in progress. The part still in progress has not yet been capitalised.

Trade creditors

As the new LMS project takes longer to deliver than planned, there is a direct (unbudgeted) impact on trade creditors.

Deferred operating levy

The increased volume of new licence applications has resulted in an increased deferred operating levy.

Statement of cash flows

Net cash flows from operating activities

Increased numbers of new licence applications, licence suspensions and fines collected together with higher than budgeted creditors payable has resulted in higher than budgeted operating activities cash flows.

Net cash flows from investing activities

Higher than budgeted operating activities cash flows together with delayed spend on the Authority's new LMS project has resulted in less than budgeted investing activities cash flows.





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