

NSW OFFICE OF

**Fair Trading**

DEPARTMENT OF COMMERCE

for consumers  
& traders

# Rental Bond Board Annual Report 2006 – 2007

2006-2007

[www.fairtrading.nsw.gov.au](http://www.fairtrading.nsw.gov.au)

## To Parliament

The Hon Linda Burney, MP  
Minister for Fair Trading  
Minister for Youth, and  
Minister for Volunteering  
Parliament House Sydney

Dear Ms Burney

I am pleased to present the Annual Report of the Rental Bond Board for the year ending 30 June 2007. The Report has been prepared for presentation to the Parliament of NSW in accordance with the requirements of the *Annual Reports (Statutory Bodies) Act 1984* and fulfils the statutory reporting requirements set out in the *Landlord and Tenant (Rental Bonds) Act 1977*.



**Lyn Baker**  
Commissioner for Fair Trading  
Chairperson, Rental Bond Board  
29 October 2007

# Contents

Chairperson's Report	2
Highlights	3
The Board	3
Service arrangements	4
Planning framework	5
Rental bond custodial service	6
Funded programs	15
Financial statements	20
Annual reporting compliance	37
Index	38

# Chairperson's Report

The Rental Bond Board is a statutory body established in 1977 to act as an independent and impartial custodian of rental bonds on private residential tenancies in New South Wales. The powers and functions of the Board are set out in the *Landlord and Tenant (Rental Bonds) Act 1977* and its associated regulation.

Prior to the establishment of the Board, landlords in New South Wales held rental bonds in trust. The Act was introduced to address concerns that tenants often had difficulties in contesting the refund of their bond at the end of the tenancy. The Board provides a fair and equitable system in which tenants and landlords have equal access to claiming the bond. Any dispute over the payment of bond money can be resolved effectively and cheaply through the NSW Consumer, Trader and Tenancy Tribunal. Meanwhile the Board retains custody of the funds pending resolution of the matter.

The NSW Rental Bond Board is believed to have been the first government agency in the world to undertake this custodial function and the Board has subsequently been used as the model for the establishment of rental bond authorities in most other state and territory jurisdictions in Australia and in New Zealand.

In performing its role, the Board is subject to the control and direction of the Minister for Fair Trading.

The Board is a self-funding corporation - deriving its income from the investment of rental bond trust funds and from retained earnings prior to distribution.

Although the Board is a statutory authority in its own right, the Act allows it to employ the facilities or services of any government authority to perform its functions. The Office of Fair Trading has performed this role over the past decade - undertaking the rental bond lodgement, custody and refund functions, as well as providing tenancy and bond information to customers. The Office also provides policy and legislative support while the broader umbrella organisation of the Department of Commerce provides financial administration, corporate and general business support.

Statistics concerning the Board's activities are closely linked to population growth. It should come as no surprise that the number of rental bonds held in custody and their cumulative value were once again at record levels this year.

A vital secondary role for the Board is the financial support it provides to other programs which encourage a fair tenancy marketplace in NSW. Funding for the community-based Tenants' Advice & Advocacy Program (TAAP); for the Government's own tenancy information services; and for the tenancy functions of the independent Consumer, Trader and Tenancy Tribunal, was also at a record level this year.

In compliance with Treasury Circular 06/17, the Board and the Department of Commerce (incorporating the Office of Fair Trading) have executed a Memorandum of Understanding (MOU) setting out their formal relationship. The MOU specifies the terms and the basis upon which staffing and administrative functions are provided and how administrative assistance charges are calculated and applied.

I close by thanking all of the Office of Fair Trading and Department of Commerce staff who have ably assisted the Rental Bond Board over the past year to deliver an effective rental bond custodial service and support a fair tenancy marketplace for the people of New South Wales.



**Lyn Baker**  
Commissioner for Fair Trading  
Chairperson, Rental Bond Board

# Highlights

- Record number and value of rental bonds held in custody by the Board at 30 June 2007 - 628,153 rental bonds valued at \$692.9 million.
- \$4.0 million in core service funds provided for the Tenants Advice and Advocacy Program (TAAP), which is jointly funded by the Board and Fair Trading.
- 13% growth in claims for refund of rental bonds submitted via the Rental Bond Internet Service (RBIS) - the online rental bond self-service channel for real estate property managers - and 16% increase in RBIS rental bond inquiries.

# The Board

The Board is comprised of the Commissioner for Fair Trading as Chairperson, representatives of the Director-General of the Department of Housing and the Secretary of the Treasury, and two persons with experience in real estate or tenancy matters appointed by the Minister for Fair Trading.

The Board is responsible for providing advice to the Minister, defining policy, considering applications for funding and monitoring and reviewing the performance of the custodial services, investments and funded programs. The Board is required to meet at least once each quarter.

Rental Bond Board Members	Term of appointment	Meetings attended
<ul style="list-style-type: none"> <li>• Lyn Baker, Commissioner for Fair Trading - Chairperson                             <ul style="list-style-type: none"> <li>• Deputy: Mr Michael Silk Executive Director, Fair Trading Services</li> </ul> </li> </ul>	Ex officio	5 meetings  1 meeting
<ul style="list-style-type: none"> <li>• Director-General Department of Housing                             <ul style="list-style-type: none"> <li>• Deputy: Mr Andrew Larkin (to 27/10/06) Director, Centre for Affordable Housing</li> <li>• Deputy: Ms Helen O'Loughlin (from 27/10/06) Acting Director, Centre for Affordable Housing</li> </ul> </li> </ul>	Ex officio	1 meeting  5 meetings
<ul style="list-style-type: none"> <li>• Secretary, NSW Treasury                             <ul style="list-style-type: none"> <li>• Deputy: Mr Brian Waddington Principal Financial Analyst</li> </ul> </li> </ul>	Ex officio	6 meetings
<ul style="list-style-type: none"> <li>• Ms Michelle Jones Tenants' Union of NSW</li> </ul>	Ministerial appointment (15/08/06 - 30/06/07)	6 meetings
<ul style="list-style-type: none"> <li>• Ms Sandra McGee Real Estate Institute of NSW</li> </ul>	Ministerial appointment (15/08/06 - 30/06/07)	5 meetings

# Service arrangements with the Office of Fair Trading

A realignment of NSW Government services in 2002-2003 led to the establishment of the Department of Commerce. Fair Trading was renamed as the Office of Fair Trading and was incorporated within that broader agency, while retaining its original role and responsibilities to the people of NSW.

As a part of the Department, the Office of Fair Trading does not produce a separate annual report.

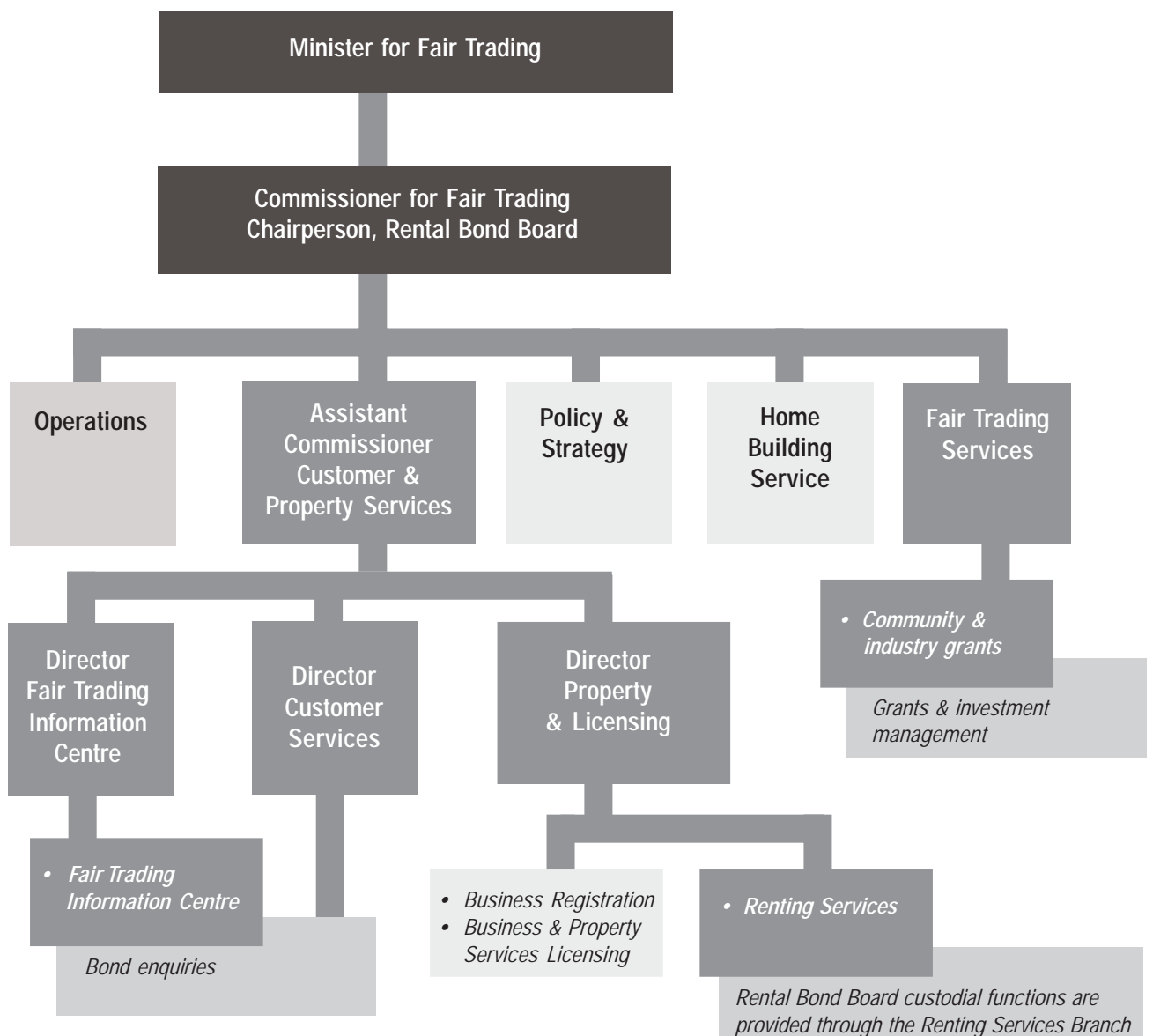
A review of the Rental Bond Board's constitution, rental bond custodial operations, funded activities and the financial statements is provided in this Rental Bond Board Annual Report 2006-2007.

Information on the management, human resources, business systems and financial administration of the Office of Fair Trading which supports this custodial role is found in the NSW Department of Commerce Annual Report 2006-2007.

The Rental Bond Board utilises the services of the Office of Fair Trading to manage its legislative program.

### Our legislation

- *Landlord and Tenant (Rental Bonds) Act 1977*
- Landlord and Tenant (Rental Bonds) Regulation 2003



# Planning Framework

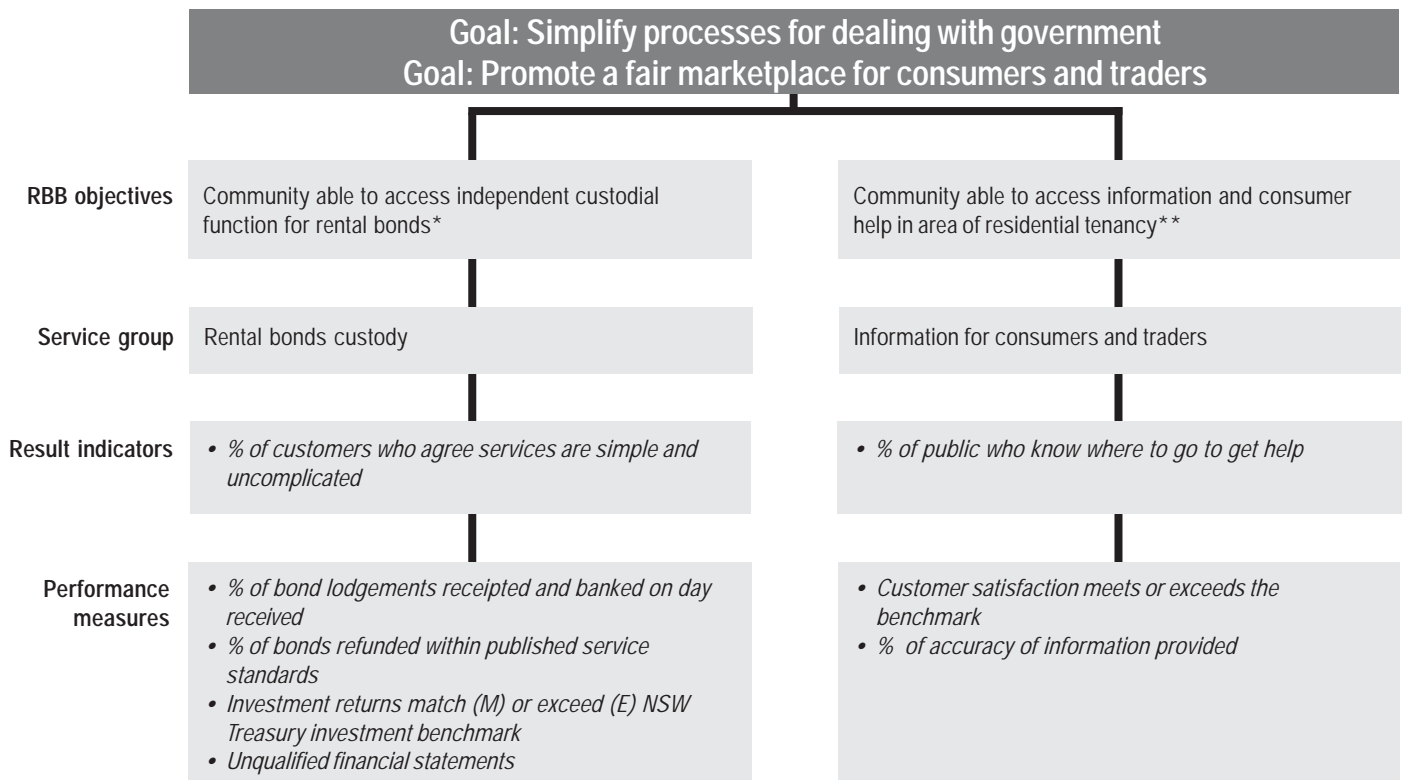
Functioning within the Office of Fair Trading, the Rental Bond Board derives its operational objectives from the Department of Commerce Corporate Plan 2006-2010, which for Fair Trading establishes two high level goals to support the State Plan activities of Delivering Better Services and Growing Prosperity across NSW:

- Simplify processes for dealing with government
- Promote a fair marketplace for consumers and traders

Within this framework, Rental Bond Board activities work towards two specific objectives:

- Community able to access independent custodial function for rental bonds
- Community able to access information and consumer help in area of residential tenancy

To address the first of these objectives the Board funds the Office of Fair Trading (OFT) to provide the administrative arrangements to operate an independent bond lodgement, custodial and refund service, along with an investment function to manage rental bond trust funds and retained earnings. The Board's strategy to address the second objective is twofold. It funds the Office of Fair Trading to provide residential tenancy customers with accurate tenancy information. With the Office of Fair Trading, the Board also jointly funds community based advice and advocacy services for disadvantaged tenants as well as tenancy dispute resolution services provided through the Consumer, Trader and Tenancy Tribunal (CTTT). The CTTT is an independent statutory body and performance data relevant to its operations appears in its own separate annual report. Results for each of the indicators and performance measures are shown on pages 6, 7 and 15.



\* Function and manner of delivery is an explicit statutory requirement

\*\* Relevant services provided as a part of OFT's overall services. Results are monitored for services as a whole. Bond and tenancy services comprise approximately 20% of the survey sample

# Rental bond custodial service

Objective: Community able to access independent custodial function for rental bonds

This is the first of the Board's two objectives that contribute to a fair and equitable marketplace in the area of residential tenancy. A rental bond is money paid by the tenant as security for the landlord against breaches of the tenancy agreement, and is intended to be refunded to the tenant at the end of the tenancy unless there is rent owing or damage to the property. The existence of arrangements to hold bond monies at arm's length from both parties ensures tenants can be certain their bond is available for refund, while allowing landlords to recover funds where appropriate.

## Result indicator

	02-03	03-04	04-05	05-06	06-07	Target
<i>% of customers who agree services are simple and uncomplicated*</i>	-	-	-	-	87%	85%

*\* Results are monitored by survey for OFT services as a whole. Survey results valid to ± 5% @ 95% level of confidence*

### Comment/interpretation

This indicator, which through a customer survey measures Fair Trading services as a whole, is directly relevant to Rental Bond Board service provision. It is not a measure of how services are delivered - but the contribution that regulatory requirements make to the complexity or otherwise of the services provided. A high level of agreement would indicate customers are generally not troubled by what they may need to do to obtain the service and that regulatory requirements are

reasonable and appropriate. A low level of agreement would suggest a need for increased reform efforts - within the context of the regulatory objectives. Its value therefore is as a general indicator that in combination with customer satisfaction and information accuracy survey results allows Fair Trading to gauge its response to the State Plan goal of customer friendly services with increased customer satisfaction.



## Performance measures

	02-03	03-04	04-05	05-06	06-07	Target
% of rental bond lodgements received and banked on day received	96%	98%	98%	96%	97%	95%
% of rental bonds refunded within published service standards	98%	98%	98%	99%	98%	98%
RBB investment returns match (M) or exceed (E) industry benchmark	M	E	M	E	*	≥M
Financial Statements unqualified (U) qualified (Q)	U	U	U	U	U	U

\* The investment return for 2006-2007 was 3.90%. This was slightly lower than the benchmark of 3.99% that resulted from the sale of bonds in the wider market that delivered higher yields for comparable bonds prior to the maturation of the bonds purchased for RBB.

### Comment/interpretation

The independent custodial function requires arrangements to accept and invest bond monies paid by tenants, and refund them at the end of a tenancy. The lodgement/refund service is provided by the Office of Fair Trading. Rental bonds are invested primarily in fixed interest securities with a proportion in cash. The Board has discretion on investment management and currently outsources this function to the NSW Treasury Corporation

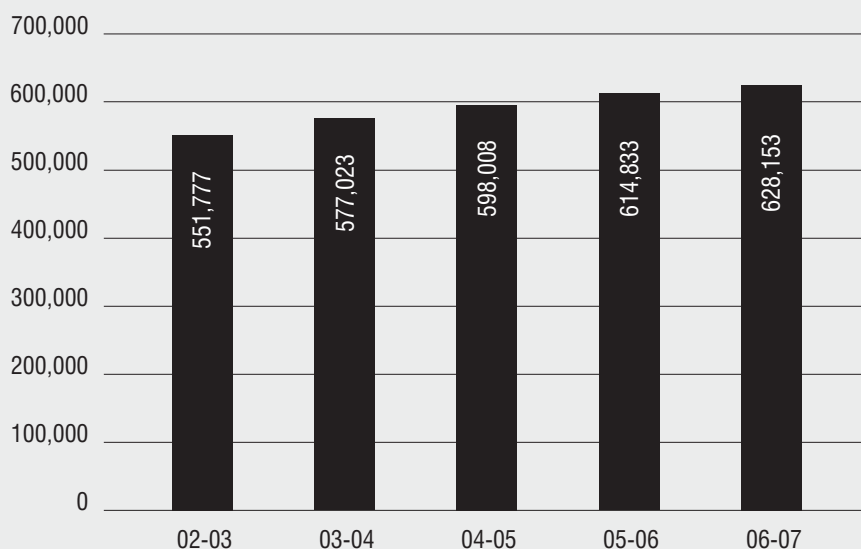
(TCorp), where the majority of funds are directly managed in a fixed interest portfolio (the Rental Bond Board Facility). The balance is held in TCorp's Cash Facility. The performance measures relate to: prompt refunds (an important aspect of quality customer service), prompt banking (this affects the interest earned, impacting both customers and funds management), return on investment and the achievement of unqualified financial statements.

## Rental bond custody

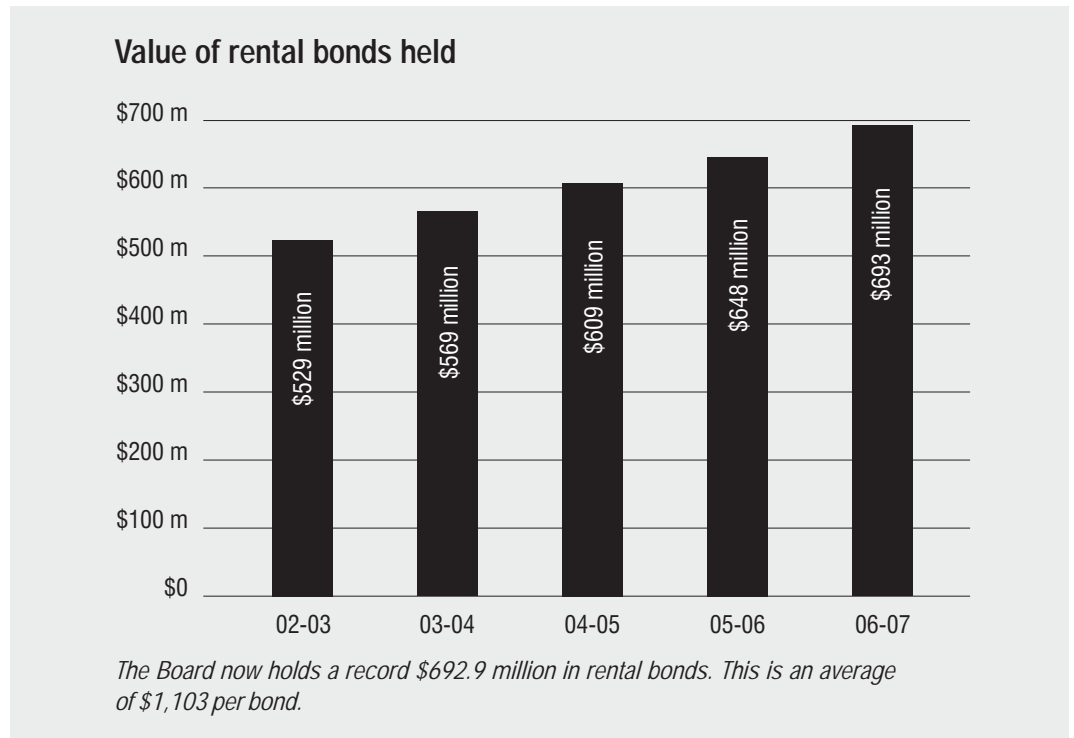
At 30 June 2007 the Board held 628,153 rental bonds in trust. These were valued at \$692.9 million which, on average, amounted to \$1,103 for each rental bond.

During the year 279,798 new rental bonds were lodged with the Board - a decrease of 2.9% from the previous financial year. This continued the downward trend in the volume of new lodgements which has been evident since 2003-2004.

### Numbers of rental bonds held



The Board held 628,153 rental bonds on private residential tenancies at 30 June 2007. The last four years have seen a considerable slowing in the rate of growth of bonds held in custody.



The number of bonds refunded also decreased this year by 1.8% to 266,478. The combination of these two factors, a considerable decrease in lodgements and a lesser decrease in claims, resulted in a slowing in the rate of growth of bonds held in trust. Nevertheless, as lodgements for the year still outnumbered refunds by 13,320, the total number of bonds held increased by 2.2% over the number held at 30 June 2006. This compared with annual increases of 2.8% in the previous year, 3.6% in 2004-2005 and 4.6% in 2003-2004.

Interest accrues on bonds held by the Board and is paid to customers with their bond refund. Interest is credited to the bond amount each month - based on the minimum balance held during the month. The interest is compounded each June and December. The rate of interest payable on rental bonds is prescribed in clause 10 of the Landlord and Tenant (Rental Bonds) Regulation, 2003 and is equivalent to the rate payable by the Commonwealth Bank of Australia on a Streamline Account balance of \$1,000.

## Rental statistical information

Of the 2.47 million occupied private dwellings counted in New South Wales at the 2006 Census approximately 590,000 dwellings, or nearly 24% of the total, served as private rental accommodation (*Australian Bureau of Statistics: 2006 Census QuickStats: New South Wales 27/6/2007*).

The requirement for landlords in NSW to lodge all residential rental bonds with the Board presents an

excellent opportunity for the collection of accurate statistical information on the private rental market.

This has the advantage of providing the real estate industry and the public with comprehensive rental information to replace any anecdotal opinion which may circulate regarding the market.

The Rental Bond Lodgement form includes a statistical section requesting information on:

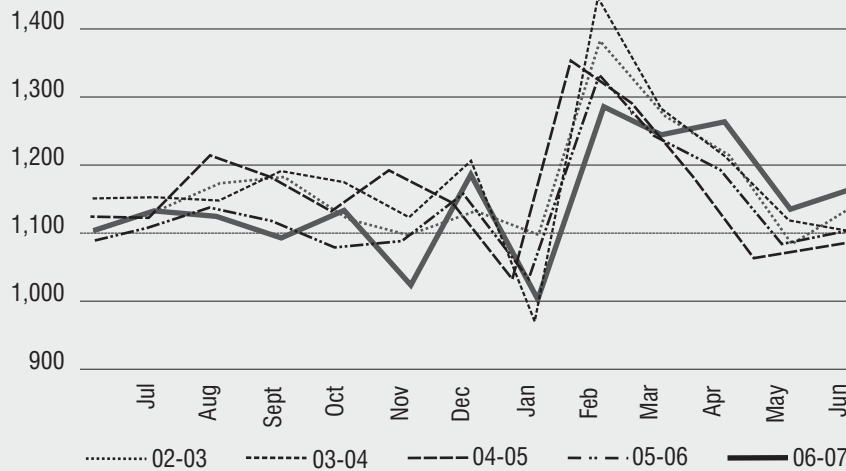
- dwelling type
- number of bedrooms
- weekly rent
- date the tenancy commenced
- date the previous tenancy of the dwelling ended.

Although the statistical information is voluntary, there is a high rate of completion. The question on weekly rent is answered by landlords or their agents in about 95% of lodgements. The collected rental data is collated and analysed, under agreement, by the Housing Analysis and Research unit of the NSW Department of Housing. This information is available to the public in summary form in the *Rent and Sales Report* on the Housing website: [www.housing.nsw.gov.au](http://www.housing.nsw.gov.au)

Summary tables of Bonds Held and Median Rentals are included in this Report on pages 18 and 19.

It should be noted that, in accordance with NSW privacy legislation, no information on individual rental bonds or tenancies or individual rented premises is released to members of the public who are not a party to the rental bond.

### Daily average rental bond lodgements per month



The sharp peak in February represents the high turnover of tenancies at the beginning of the academic year.

The Board's statistics indicate that in the 2006-2007 financial year 88% of metropolitan bonds and 87% of outer metropolitan and regional bonds were lodged by professional real estate agents or self-managing landlords owning 10 or more rental properties. This level of professional management has remained fairly constant, varying by only 2-3% over the years of the Board's operation.

### Rental bond lodgements

During the year, 279,798 new rental bond lodgements and 10,577 additional bonds (where a bond is paid by instalments) were received by the Board.

This represented an average of 1,157 lodgement forms processed by staff each working day. As in previous years, the vast majority of bond lodgements, together with their accompanying cheque or money order, were received by post. The total value of bonds received was \$353.1 million. 97% of all bond lodgements were received and banked the day they were received.

The Board received only 18 enquiries regarding non-lodgement of rental bonds in 2006-2007. This represented just 0.006% of the total number of bonds lodged during the year, demonstrating a very high level of compliance with rental bond legislation by NSW landlords.

### Rental bond refunds

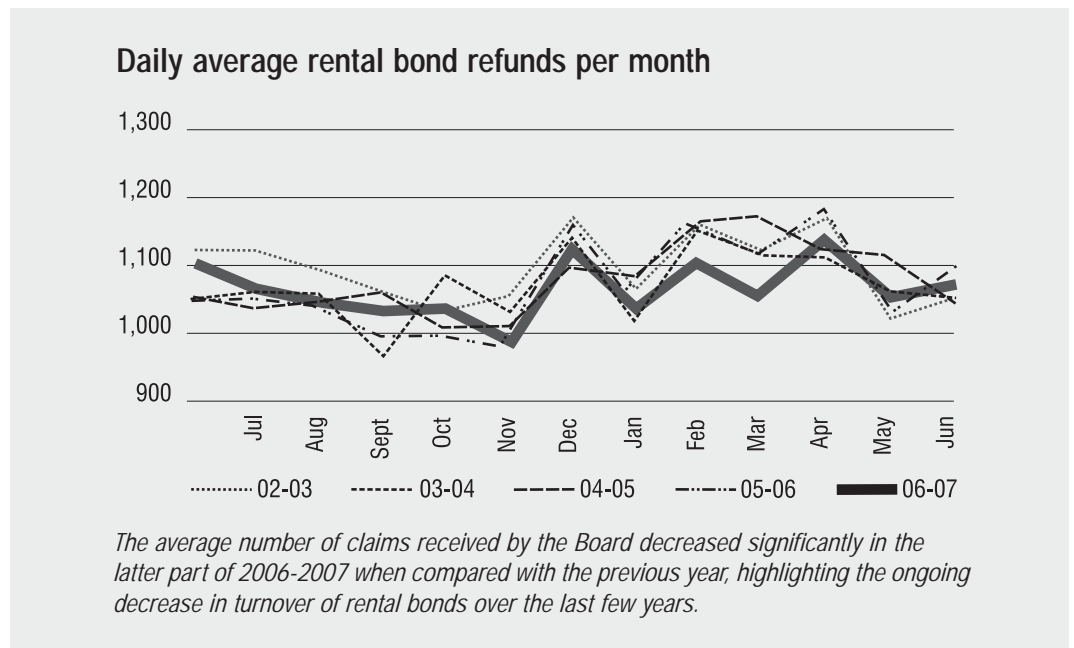
266,478 rental bonds were refunded in 2006-2007 through 382,204 individual payments. This represented an average of 1,062 claims processed by staff each working day.

The year saw a continuation of the long term trend toward the use of electronic services by our customers in preference to the traditional mail and face-to-face services. About 80% of bond refund claims from real estate agents, landlords and tenants were received by facsimile, compared with just over 10% by mail.

The Rental Bond Internet Service (RBIS) continued to grow in popularity with 25,020 claims submitted by real estate property managers in 2006-2007. As a percentage of all refunds, RBIS claims have increased from 6.5% in 2004-2005 to 9.4% in 2006-2007. Of these, 87% were refunded automatically (i.e. without any additional back-office data entry). The remaining 13% were paid after a subsequent claim for refund form was signed by the tenant, agreeing to the landlord's requested deduction.

The proportion of customers requesting a direct credit of their bond refund into their bank or credit union account also continues to show a steady increase: up from 42.5% in 2003-2004; to 46.8% in 2004-2005; 50.9% in 2005-2006; and 54.8% this year. By contrast, the number of bonds refunded

2006-2007 Rental bond processing against published Guarantee of Service standards		
	Target	Result
% agreed direct deposit refunds banked within two working days:	90%	99%
% agreed mail refund cheques posted within four working days:	90%	99%
% Notices of Claim issued to one party - paid within twenty working days:	90%	98%



over the counter continues to decline. In 2006-2007, only 1.6% of customers sought a refund in person, down from 2.1% in 2005-2006.

Claims for rental bond refunds are classified in two main categories in accordance with Section 11 of the *Landlord and Tenant (Rental Bonds) Act 1977*:

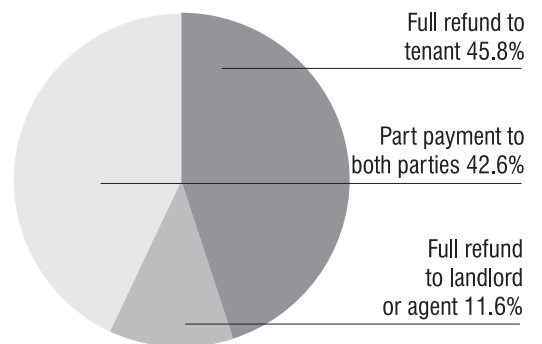
- Agreed claims where both parties have indicated their acceptance of the amount to be refunded to each party, and
- 'Notice' claims where one of the parties has not given consent to the refund and a statutory Notice of Claim is issued allowing them 14 days to apply to the Consumer, Trader and Tenancy Tribunal if they wish to dispute the claim.

During 2006-2007, 71.2% of all refunds were agreed by the parties while in 26.0% of cases a Notice was issued but no dispute pursued. 2.3% of the year's bond refunds were the result of an order by the Tribunal following a dispute over the refund with a further 0.5% refunded after a Tribunal application was withdrawn prior to hearing.

In accordance with Fair Trading's Guarantee of Service to its customers, Renting Services processed 99% of all direct credit refunds into customers' bank accounts within two days of receiving an agreed rental bond claim.

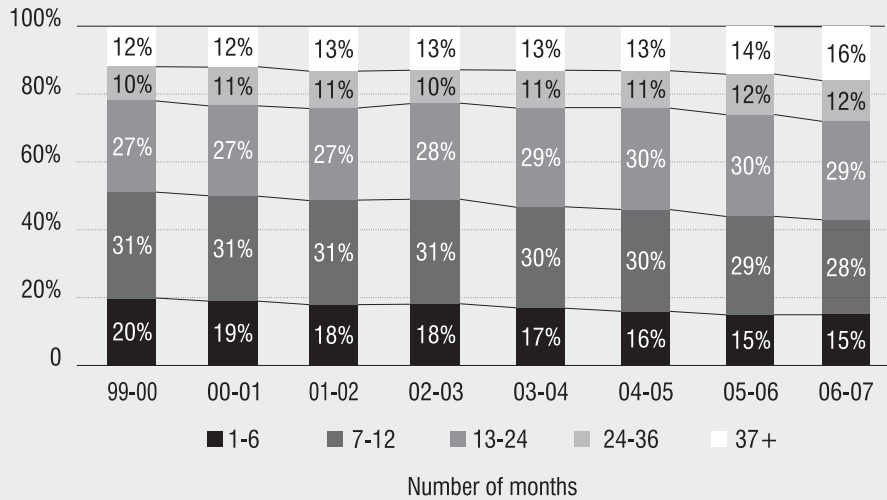
Over the year, \$18,951 was written off against income as a result of irrecoverable customer fraud and incorrect processing of refunds by staff. The amount written off represented just 0.006% of the total amount of \$308.8 million refunded during the year.

### Rental bond refunds paid to tenants and landlords in 2006-2007



*The size of the proportional split between parties - which may be expected to fluctuate slightly over time with the circumstances of individual tenancies - is less important than the fact that the split exists. In many cases, tenants and landlords are able to agree on how the bond should be distributed, but in disputed cases the CTTT resolves the matter. The independence of the custodial function ensures the money is then available to be refunded to either party, which might not be the case if monies were not held at arm's length from both.*

### Length of tenancy for refunded bonds



*This graph indicates the proportion of refunded bonds each year by length of tenancy at the time of refund. It highlights the growing trend toward longer term tenancies.*

### Length of tenancy

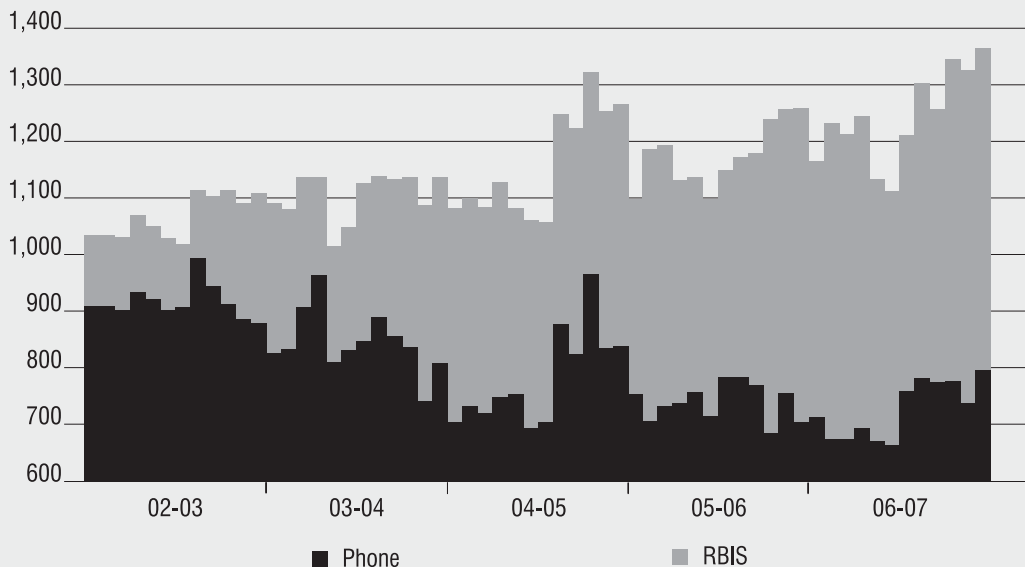
An analysis of rental bond statistical information in 2006 by Finity Consulting confirmed the increasing length of tenancies which has become apparent over the last few years.

An extension of this analysis into the current financial year indicates that 57% of all bonds refunded during 2006-2007 had been held by the Board for more than 12 months at the time of refund, with 28% of those bonds being held for

tenancies of greater than two years' duration. This compares with 1999-2000, when only 49% of bonds remained with the Board for longer than 12 months, and just 22% for longer than two years.

Over the last seven years this represents a 29% increase in the proportion of tenancies which lasted longer than three years; and a 26% decrease in the proportion of tenancies which lasted for less than six months.

### Daily average rental bond enquiries per month



*Although telephone contact remains our customers' primary method of enquiring about their rental bonds, between 35% and 50% of all enquiries were made electronically in 2006-2007 - via the Rental Bond Internet Service (RBIS).*

## Information services

Fair Trading continued to provide the Board with a responsive rental bond customer information service in 2006-2007 via the Fair Trading Information Centre (FTIC), local Fair Trading Centres located throughout NSW and the Rental Bond Internet Service (RBIS).

FTIC provides a single point of contact for customer telephone enquiries from across NSW on a broad range of fair trading issues. The technology employed by FTIC provides greater customer service flexibility and allows Fair Trading to respond quickly to issues that arise in the marketplace.

180,062 telephone inquiries on rental bonds were answered by Fair Trading staff during 2006-2007, a decrease of 4.6% from the previous year. This represented a daily average of 717 calls. 98% of all incoming calls were answered and for these callers the average waiting time was just 34 seconds.

The decrease in rental bond telephone call volumes over the last few years is almost certainly a consequence of the growing number of real estate agents choosing to access convenient information on the status of their tenants' bonds via the Rental Bond Internet Service (RBIS). During 2006-2007 customers made 131,695 individual bond enquiries via RBIS - representing 42% of total bond enquiries.

The use of this customer self-service option by the real estate industry for access to basic bond information allows Fair Trading to concentrate its staff resources on responding to the more complex rental bond and tenancy enquiries.

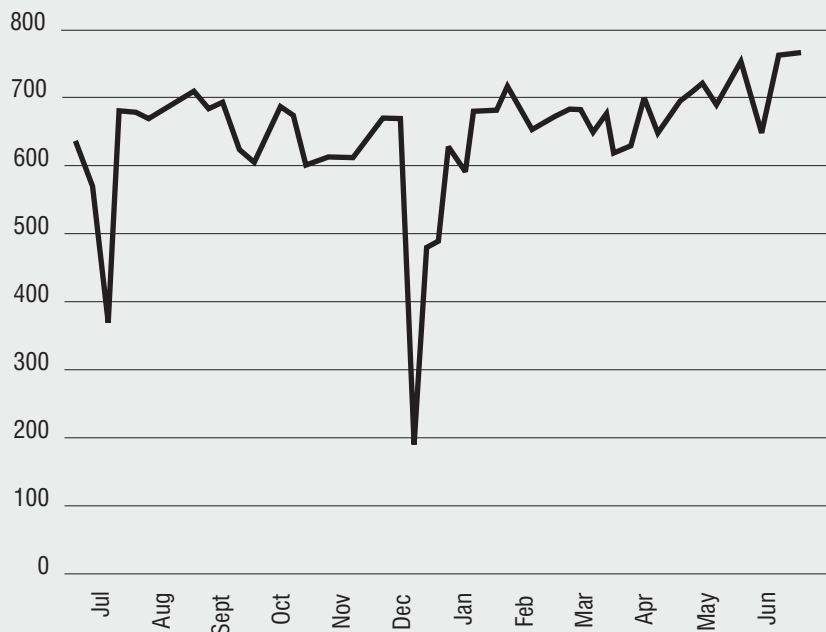
## Rental Bond Internet Service

The Rental Bond Internet Service (RBIS) was introduced by Fair Trading in July 2000, as a new service channel specifically designed to meet the changing needs and business practices of residential rental property managers.

This reflects the fact that about 88% of all rental bonds lodged with the Board over the past few years have been submitted by real estate agents, or by self-managing landlords owning 10 or more rental properties.

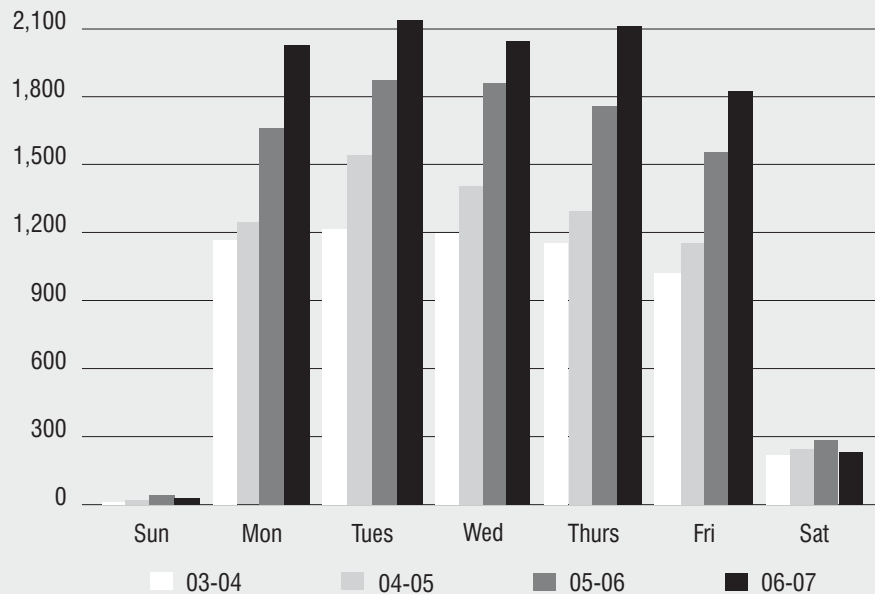
RBIS provides direct access to detailed information, claim for refund and reporting facilities on rental bonds, through the convenience of the Internet. Using RBIS, property managers can authorise the payment of rental bond monies to their tenants by interfacing directly with Fair Trading's core rental bond business systems. RBIS is a highly secure system which enables property managers to access only those rental bond records for tenancies managed by their agency.

**RBIS user trends in 2006-2007**



*The number of "unique" users of RBIS each week continues to rise. The large dip in usage coincides with the Christmas holiday period. ("Unique user" = A single user visiting multiple times each week is only counted as visiting once during the week)*

### RBIS average daily visits in 2003-2007



*RBIS makes rental bond claim, enquiry and reporting facilities available to property managers at any time of the day, any day of the week - including Saturdays and Sundays. The pattern of usage, with a mid-week peak, has remained fairly consistent over the last four years.*

The real estate industry continued to provide strong support for RBIS in 2006-2007, with a further 140 property managers joining up to the Service during the year. By 30 June 2007, 2,374 real estate property managers were connected to RBIS.

The number of RBIS rental bond claims increased by a further 13.5% this year and the number of RBIS enquiries by 16.0%, when compared to 2005-2006. Property managers also used the Service to access a range of financial reports on rental bonds managed by their agencies.

With a 22% increase in the total number of rental bonds managed by Renting Services since the inception of RBIS, the Service has proven itself a cost-effective self-service delivery channel which has enabled us to manage increasing transaction volumes without any increase in staffing levels over the past decade.

## Business systems

The specialised computer hardware and software applications of the Rental Bond System, including the rental bond financial database, document imaging database and Rental Bond Internet Service (RBIS), are supported by a dedicated Business Systems Unit within the Office of Fair Trading.

Staff monitor the systems and perform regular maintenance tasks to maximise the performance of the system and ensure high level availability of data for bond processing by our internal staff and RBIS users throughout NSW.

During the year there were no major upgrades or system changes. The rental bond computer systems were available to users for over 99% of the time.

## Business systems upgrade

During 2005-2006 the Audit Branch of the Department of Commerce undertook two high level reviews: a review of the Renting Services' business operations; and an associated review of the data centre service delivery, support, asset protection and infrastructure.

The business process audit established that: "Renting Services has established a satisfactory control environment which, in the main, is due to the diligence, responsibility, accountability and effectiveness of staff."

While the data centre audit found that the Rental Bond System was effectively managed, operating practices well-established and a good level of internal control evident, it also confirmed the

concerns of Renting Services' management that the technology was becoming outdated and "may prove difficult to sustain in the longer term".

During 2006-2007 therefore, management commenced the complex process of replacing the System, obtaining executive and funding approval for the project. The next step, to commence early in 2007-2008, involves the engagement of specialist external advice to conduct an audit of the business systems supporting rental bond processing and recommend a detailed technology upgrade strategy that will support the business into the future.

The current rental bond business systems were designed to provide appropriate performance and strong security for the significant daily volumes of financial transactions managed by the Board. The replacement system will be required to achieve equivalent stringent standards of performance and database integrity; to enable the Board to meet its customer Guarantee of Service commitments; and to protect the rental bond funds and data under its stewardship.

The challenge for the Board and the Office of Fair Trading is to leverage the strengths of the existing investment in technology, the mature business process model, and our strong customer service culture, in order to continue to improve service delivery standards and to meet future customer and stakeholder expectations.

## Internal control

The rental bond custodial service is a high volume financial operation. The Board has therefore instituted a number of systems and procedures to support the integrity of, and accountability for, its business activities.

A key feature of these systems is the segregation of duties. Rental bond lodgement forms are scanned and the accompanying remittances receipted and banked on the day of receipt from customers.

Lodgement data entry is outsourced and completed overnight, with data returned the next day and loaded onto a temporary work file on the Board's system. This data is reconciled with the corresponding receipt files before an authorised transfer to the main rental bond database. These controls ensure the integrity of the financial data and associated images for each bond lodgement.

In order to monitor the effectiveness of internal control and the quality of rental bond processing, the Business Development Unit, which supports the rental bond operational activities, undertakes an ongoing systems review program.

The Unit performed regular four weekly reviews of a random selection of rental bond refunds during 2006-2007, as well as several special reviews of related processing functions. Review findings are discussed by the Renting Services Systems Review Committee, and may result in recommendations to management, additional staff training or procedural change to meet the Board's high quality performance requirements.

During the year the operational reviews did not identify any significant issues with an impact on the Board's service to its customers or the integrity of financial operations.

## Retail tenancy bonds

In 2005, legislation was passed requiring all cash security bonds on retail tenancies to be lodged with the Director-General of the NSW Department of State and Regional Development. Rather than re-inventing the wheel, State and Regional Development took advantage of Fair Trading's proven experience in this field and entered into an outsource agreement with Fair Trading for the lodgement and refund of retail bonds.

The retail bond service is not subject to rental bond legislation nor to the jurisdiction of the Rental Bond Board. Rather, it is run in parallel with, and administered without any impact on, the residential rental bond custodial function.

5,923 retail bond lodgements and 2,281 retail bond claims were processed by Renting Services staff during 2006-2007.

The administration of retail bonds by Fair Trading represents an efficient and cost-effective sharing of Government resources, to achieve a valuable result for the retail tenants and landlords of New South Wales.



# Funded programs

**Objective:** Community able to access information and consumer help in the area of residential tenancy

This is the second of two objectives that contribute to a fair and equitable marketplace in the area of residential tenancy. The independent custody of rental bonds ensures that the rights of both tenants and landlords are protected in accessing bond monies at the end of a tenancy. A fair tenancy marketplace also requires that tenants and landlords can access information on their rights and obligations, and that tenants who are having difficulty acting on their rights should be able to get help.

## Result indicator

	03-04	04-05	05-06	06-07	Target
Percentage of public who know where to go to get help *	73%	73%	70%	66%	65-70%

\*Survey results valid to ± 5% @ 95% level of confidence

### Comment/interpretation

For an indication of results against this indicator, the Board relies on Office of Fair Trading (OFT) data. The community is unable to access services unless they know where to go. The percentage of the public who know where to go to get help is measured through an annual survey conducted for the OFT by independent contractors. It shows the

proportion of the general public who knows which government agency to approach for information about, or help with, a range of consumer issues - including bonds and tenancy matters. It would be unrealistic to expect 100% community knowledge of OFT services and the target has been set at 65-70%.

## Performance measures

	03-04	04-05	05-06	06-07	Target
Customer satisfaction meets or exceeds the benchmark *	89%	87%	90%	90%	≥90%
Percentage accuracy of information provided *	99%	83%	93%	89%	≥90%

\*Survey results valid to ± 5% @ 95% level of confidence

### Comment/interpretation

The independent custodial function for rental bonds is supported through two service-level objectives: provision of accurate information and effective consumer help. Information on residential tenancy rights and obligations is provided through the Office of Fair Trading. Advice and help for tenants is provided through the community-based Tenants Advice & Advocacy Program (jointly funded by the Board and Fair Trading). Fair Trading monitors the

quality of information services provided to customers, assessing both customer satisfaction and the accuracy of information provided, through independently conducted annual surveys. Tenancy services are included in both surveys but due to their proportion within the overall sample, the isolation of tenancy results is not appropriate - hence overall Fair Trading results appear above.

## Tenancy services

The Rental Bond Board funds the provision of government tenancy information services through the Fair Trading Information Centre (FTIC) in accordance with s.21 of the *Landlord and Tenant (Rental Bonds) Act 1977*.

Tenancy-related telephone inquiry volumes decreased by 7.7% this year compared to 2005-2006, with 117,209 calls responded to by staff. During the year officers answered 94% of all incoming tenancy calls, with an average waiting time for customers of 1.35 minutes.

This decrease in call volumes is largely attributed to the ready availability of customer information and electronic versions of our publications on the Office of Fair Trading website ([www.fairtrading.nsw.gov.au](http://www.fairtrading.nsw.gov.au)).

The Fair Trading Information Centre takes an active role in promoting the available self-service options to its customers and when required guides them in the use of these facilities for answering less complex enquiries. This allows Fair Trading to concentrate its staff resources on assisting customers with more problematic rental bond and tenancy issues.

## Consumer, Trader & Tenancy Tribunal - tenancy functions

The Consumer, Trader and Tenancy Tribunal (CTTT) is an independent body which resolves disputes about the supply of goods and services and issues relating to residential property. The CTTT deals with a wide range of disputes including: retail transactions up to \$25,000; motor vehicles; rental bond and tenancy issues; residential parks, retirement villages, strata or community scheme issues; finance and credit; and home building or

renovating issues. The Tribunal operates in an informal environment and uses a range of methods to assist people to resolve their disputes.

There are eight CTTT registries located in metropolitan and regional areas. Hearings are held at over 95 locations across NSW.

The Rental Bond Board provided over \$9.1 million in funding toward the tenancy, residential parks, strata and community schemes, and retirement village functions of the Tribunal during the year. These functions are jointly funded by the Office of Fair Trading and the Board.

In 2006-2007, 49,466 (77% of total) applications to the Tribunal concerned tenancy matters, with a further 3,030 (4.5%) related to residential park, strata or retirement village issues.

For more information on the CTTT and its activities visit the Tribunal's website at: [www.cttt.nsw.gov.au](http://www.cttt.nsw.gov.au)

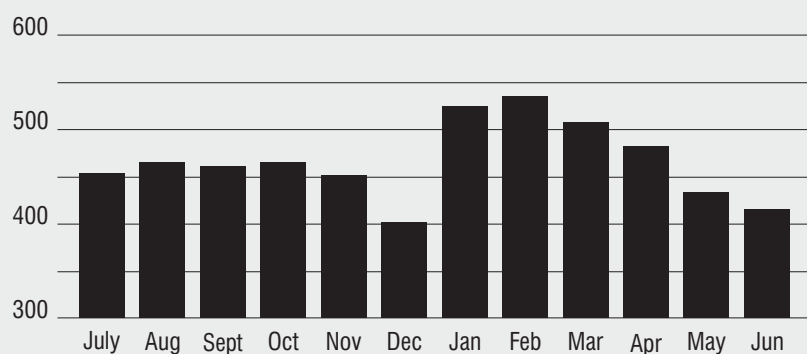
## Tenants Advice & Advocacy Program (TAAP)

The Tenants Advice and Advocacy Program (TAAP) has provided community-based information, advice and advocacy services to public and private tenants in New South Wales since 1994.

As well as individual casework, TAAP undertakes community education activities on tenants' rights and responsibilities. The Program focuses on high-risk tenant groups such as Aboriginal tenants, tenants of a non English speaking background, elderly tenants, disabled tenants, residential park residents, and those in supported accommodation.

TAAP is jointly funded by the Rental Bond Board under the *Landlord and Tenant (Rental Bonds) Act 1977* and the Office of Fair Trading under the

Daily average tenancy enquiries per month



The peak in January to March reflects the high turnover of tenancies at the beginning of the new academic year.

*Property, Stock and Business Agents Act 2002.* In 2006-2007, TAAP received \$7,697,642 in total funding from these two sources, including \$202,126 provided from TAAP Special Purpose Funds.

During the past year, the 22 community-based organisations funded under the TAAP provided assistance to nearly 30,000 tenants across New South Wales.

During this period there continued to be an increase in the number of people living in residential parks who required assistance and advice on the recourse options available to them when their park faced closure or redevelopment. This assistance represents an important community support service, as residential park living provides many low-income earners with affordable accommodation.

In addition, almost 5,000 tenants around the state received assistance with either preparing for, or representation at, a Consumer, Trader and Tenancy Tribunal hearing.

## **Affordable housing grant**

In 2007 the Board approved a grant of \$30 million to the Department of Housing for affordable housing initiatives. The grant is being applied over the next four years toward increasing the stocks of affordable rental housing. This includes two major projects to provide 70 new rental properties for low to moderate income earners at the Australian Defence Industries (Ropes Crossing) site at St Marys. Funds will also be invested in the Affordable Housing Innovations Fund which aims to increase the level of affordable housing in New South Wales through the development of partnerships with community housing providers and the private sector.

## **The Aged-Care Rights Service**

During 2006-2007 The Aged-Care Rights Service received a Rental Bond Board grant of \$361,868 to provide advice and information to older people in New South Wales who were living in supported accommodation such as nursing homes, hostels, retirement villages and boarding houses.

## **Live 'N' Learn Foundation**

In February 2007 the Board approved a grant of \$87,740 to the Live 'N' Learn Foundation for revision of two existing programs - Live 'N' Learn at Home and Live 'N' Learn to Independence - to assist disadvantaged youth make the transition to the private rental market and equip them with basic life skills.

## **Credit Counselling Program**

The Rental Bond Board effective from 1 January 2007 agreed to contribute funding of 70% of the Credit Counselling Program based on the identified need for tenants to be provided with financial counselling services.

# Bonds held

## Rental bonds held by the Board at 30 June, by postcode groupings

Postcode groupings	Postcodes	Bonds held		Change %
		30-06-06	30-06-07	
Inner Sydney	2000-2014	30,240	30,608	1.2
South Sydney	2015-2020	10,159	10,496	3.3
Eastern Suburbs	2021-2036	47,967	48,497	1.1
Inner West	2037-2059	30,797	30,931	0.4
Lower North Shore	2060-2069	23,720	23,769	0.2
Upper North Shore	2070-2087	10,895	11,146	2.3
Mosman/Cremorne	2088-2091	10,882	10,801	-0.7
Manly/Warringah	2092-2109	21,288	21,410	0.6
North Western	2110-2126	20,150	20,482	1.6
Western Suburbs	2127-2145	34,222	35,389	3.4
Parramatta/Hills	2146-2159	23,314	23,842	2.3
Fairfield/Liverpool	2160-2189	30,242	31,506	4.2
Canterbury/Bankstown	2190-2200	19,320	19,959	3.3
St George	2201-2223	33,579	34,181	1.8
Cronulla/Sutherland	2224-2249	14,280	14,453	1.8
<b>Metropolitan</b>		<b>361,055</b>	<b>367,470</b>	<b>1.8</b>
Central Coast	2250-2263	25,339	26,353	4.0
Greater Newcastle	2264-2319	31,072	31,811	2.4
Hunter Valley	2320-2339	12,942	13,431	3.8
New England	2340-2419	12,940	13,252	2.4
North Coast	2420-2499	44,763	46,233	3.3
Greater Wollongong	2500-2530	19,011	19,624	3.2
South Coast	2531-2551	12,126	12,470	2.8
Campbelltown	2552-2570	10,911	11,106	1.8
Southern Division	2571-2639	13,519	13,737	1.6
Riverina	2640-2739	17,841	18,141	1.7
Penrith/Windsor	2740-2772	27,184	27,867	2.5
Blue Mountains	2773-2786	5,271	5,340	1.3
Orange/ Bathurst	2787-2819	9,018	9,299	3.1
Dubbo & North West	2820-2842	5,694	5,834	2.5
Mudgee District	2843-2863	1,853	1,894	2.2
Western Division	2864-2880	3,032	3,208	5.8
<b>Outer metropolitan &amp; regional</b>		<b>252,516</b>	<b>259,600</b>	<b>2.8</b>
Miscellaneous*		1,262	1,083	
<b>NSW</b>		<b>614,833</b>	<b>628,153</b>	<b>2.2</b>

\*Miscellaneous includes those cases which could not be covered by any of the above postcode groupings.

# Median rentals

Weekly rents for new lettings during the June Quarter,  
by postcode groupings

Postcode groupings	Postcodes	Rent (\$ per week)		Change %
		2006	2007	
Inner Sydney	2000-2014	395	430	8.9
South Sydney	2015-2020	360	405	12.5
Eastern Suburbs	2021-2036	373	410	9.9
Inner West	2037-2059	360	380	5.6
Lower North Shore	2060-2069	380	420	10.5
Upper North Shore	2070-2087	350	380	8.6
Mosman/Cremorne	2088-2091	375	430	14.7
Manly/Warringah	2092-2109	380	400	5.3
North Western	2110-2126	310	350	12.9
Western Suburbs	2127-2145	280	300	7.1
Parramatta/Hills	2146-2159	270	300	11.1
Fairfield/Liverpool	2160-2189	240	255	6.2
Canterbury/Bankstown	2190-2200	230	260	13.0
St George	2201-2223	290	320	10.3
Cronulla/Sutherland	2224-2249	300	330	10.0
<b>Metropolitan</b>		<b>320</b>	<b>350</b>	<b>9.4</b>
Central Coast	2250-2263	230	250	8.7
Greater Newcastle	2264-2319	230	250	8.7
Hunter Valley	2320-2339	210	220	4.8
New England	2340-2419	160	170	6.2
North Coast	2420-2499	220	230	4.5
Greater Wollongong	2500-2530	230	245	6.5
South Coast	2531-2551	200	210	5.0
Campbelltown	2552-2570	230	250	8.7
Southern Division	2571-2639	200	220	10.0
Riverina	2640-2739	165	180	9.1
Penrith/Windsor	2740-2772	240	250	4.2
Blue Mountains	2773-2786	220	240	9.1
Orange/Bathurst	2787-2819	180	190	5.6
Dubbo & North West	2820-2842	160	175	9.4
Mudgee District	2843-2863	185	180	(2.7)
Western Division	2864-2880	150	155	3.3
<b>Outer metropolitan &amp; regional</b>		<b>215</b>	<b>230</b>	<b>7.0</b>
Miscellaneous*		160	200	
<b>NSW</b>		<b>260</b>	<b>280</b>	<b>7.7</b>

\*Miscellaneous includes those cases which could not be covered by any of the above postcode groupings.



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Rental Bond Board

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Rental Bond Board (the Board), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### *Auditor's Opinion*

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Board as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

#### **The Board's Responsibility for the Financial Report**

The members of the Board are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Board, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Board,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

***Independence***

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

*M P Abood*

M P Abood CPA,  
Director, Financial Audit Services

22 October 2007  
SYDNEY

## STATEMENT BY MEMBERS OF THE BOARD

Pursuant to Section 41C of the Public Finance and Audit Act 1983 we declare, on behalf of the Board, that in our opinion:-

- (1) the accompanying financial statements exhibit a true and fair view of the financial position of the Rental Bond Board as at 30 June 2007 and transactions for the year ended 30 June 2007;
- (2) the statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005 and the Treasurer's Directions.

Further, the Members of the Board are not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

On behalf of the Board.



**LYN BAKER, Chairperson**



**BRIAN WADDINGTON, Member**

Dated at Sydney on *19 OCTOBER* 2007





**RENTAL BOND BOARD**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	2007 \$'000	2006 \$'000
<b>Revenue</b>			
Investment income	1(d),7	42,459	38,991
<b>Total Revenue</b>		<u>42,459</u>	<u>38,991</u>
<b>Expenses</b>			
Administrative Services	1(a),8 (a)	21,945	19,094
Grants and subsidies	8(c)	43,633	22,398
Other operating expenses	8(b)	722	697
Interest on rental bonds	1(h)	93	89
<b>Total Expenses</b>		<u>66,393</u>	<u>42,278</u>
 <b>(LOSS)/PROFIT FOR THE YEAR</b>	 10	 <u>(23,934)</u>	 <u>(3,287)</u>

**THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS**

**RENTAL BOND BOARD**

**STATEMENT OF RECOGNISED INCOME AND EXPENSE  
FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	2007 \$'000	2006 \$'000
<b>Net Income Recognised Directly in Equity</b>		-	-
(Loss)/Profit for the year	10	(23,934)	(3,287)
<b>Total Recognised Income and Expenses For the Year</b>		(23,934)	(3,287)
<b>Effect of Changes in Accounting Policy And Correction of Errors</b>		-	-

**THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS**

## RENTAL BOND BOARD

### BALANCE SHEET AS AT 30 JUNE 2007

	Notes	2007 \$'000	2006 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	7,021	16,062
Receivables	3	5,949	2,051
<b>Total Current Assets</b>		<b>12,970</b>	<b>18,113</b>
<b>Non-Current Assets</b>			
Other financial assets	4	7,259	26,091
<b>Total Non-Current Assets</b>		<b>7,259</b>	<b>26,091</b>
<b>TOTAL ASSETS</b>		<b>20,229</b>	<b>44,204</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	6	157	198
<b>Total Current Liabilities</b>		<b>157</b>	<b>198</b>
<b>TOTAL LIABILITIES</b>		<b>157</b>	<b>198</b>
<b>NET ASSETS</b>		<b>20,072</b>	<b>44,006</b>
<b>EQUITY</b>			
Retained Earnings	10	20,072	44,006
<b>TOTAL EQUITY</b>		<b>20,072</b>	<b>44,006</b>

THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS

**RENTAL BOND BOARD**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	2007 \$'000	2006 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Maturity of investments		28	180
Interest received		42,469	38,822
Other		(1,997)	(941)
<b>Total Receipts</b>		<u><b>40,500</b></u>	<u><b>38,061</b></u>
<b>Payments</b>			
Payment of interest on bonds		(93)	(89)
Trade creditors		(24,630)	(23,005)
Grants and subsidies		(43,633)	(22,779)
<b>Total Payments</b>		<u><b>(68,356)</b></u>	<u><b>(45,873)</b></u>
<b>NET CASH FLOWS (USED BY)/FROM OPERATING ACTIVITIES</b>	12	<u><u><b>(27,856)</b></u></u>	<u><u><b>(7,812)</b></u></u>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Purchase of investments		18,815	(964)
<b>Total Payments</b>		<u><b>18,815</b></u>	<u><b>(964)</b></u>
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		<u><u><b>18,815</b></u></u>	<u><u><b>(964)</b></u></u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(9,041)	(8,776)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		16,062	24,838
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	2	<u><u><b>7,021</b></u></u>	<u><u><b>16,062</b></u></u>

**THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS**

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2007**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Reporting Entity**

The Rental Bond Board as a Reporting Entity comprises all activities under its control. The Board is a not-for-profit entity. It is considered that there is only one cash generating unit. The administrative functions for the Board are performed by the Office of Fair Trading and costs associated with these functions are paid for on an operational basis in relation to activities performed (Note 8).

This financial report for the year ended 30 June 2007 has been authorised for issue by the Commissioner for Fair Trading on the 19 October 2007.

**(b) Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with:

- Applicable Australian Accounting Standards (which include Australian equivalents to International financial Reporting Standards (AEIFRS));
- the requirements of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005 and the Financial Reporting Directions issued by the Treasurer under Section 9 (2) (n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific accounting standard, other authoritative pronouncements of the Australian Accounting Standards Board, the hierarchy of other pronouncements as outlined in AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors" is considered.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets held for trading and available for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

Judgement, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

The following is a summary of the material accounting policies adopted by the Board in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2007**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**(c) Statement of Compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AEIFRS).

At the reporting date, a number of Accounting Standards adopted by the AASB had been issued but are not yet operative. NSW Treasury has mandated not to early adopt any of the new Standards / Interpretations, as per Treasury Circular TC 07/07. Therefore, these new Standards / Interpretations have not been adopted by the Rental Bond Board for the 2006/07 accounts. The following is a list of these standards:

- AASB 7 & AASB 2005-10 regarding financial instrument disclosures;
- AASB 8 & AASB 2007-3 regarding operating segments;
- AASB 101 (Oct 2006) regarding presentation of financial statements;
- AASB 123 (June 2007) and AASB 2007-6 regarding borrowing costs;
- AASB 1049 regarding the general government sector and GFS/GAAP convergence;
- AASB 2007-4 regarding Australian additions to and deletions from IFRSs;
- AASB 2007-5 regarding inventories held for distribution by not-for-profit- entities;
- Interpretation 4 (Feb 2007) regarding determining whether an arrangement contains a lease;
- Interpretation 10 regarding interim financial reporting;
- Interpretation 11 & AASB 2007-1 regarding group and Treasury share transactions;
- Interpretation 12 & AASB 2007-2 regarding service concession arrangements;
- Interpretation 129 (Feb 2007) regarding service concession disclosures.

It is considered that the implementation of these Standards will not have any impact on the Rental Bond Board's financial results.

**(d) Income Recognition**

Interest revenue is recognised to the extent that it is probable that the economic benefits will flow to the Board and the revenue can be reliably measured, and control of a right to receive consideration for the provision of, or investment in, assets has been attained.

**(e) Insurance**

A full comprehensive range of insurances covering areas such as Workers Compensation, Motor Vehicles, Fidelity Guarantee, Public Liability, and Industrial Special Risk is carried by the Office of Fair Trading with the Treasury Managed Fund. This coverage extends to the operations of the Rental Bond Board. These insurance covers are reviewed periodically to ensure they are adequate.

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2007**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**(f) Accounting for the Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

**(g) Presentation**

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

**(h) Interest Received on Investments and Interest Paid on Rental Bonds**

Interest received on investments is deposited into the Rental Bond Interest Account. This account is used to fund the Board's operations, half of the operating costs of the tenancy functions of the Consumer Trader and Tenancy Tribunal and certain tenancy support programs. The Board pays interest on rental bonds at the time the bond is refunded. The interest rate paid is linked to the rate paid on a Streamline Account balance of \$1,000 by the Commonwealth Bank of Australia. The rate is cumulative six monthly and paid from the Rental Bond Interest Account in accordance with Section 11A and Section 20(2D) of the *Landlord and Tenant (Rental Bonds) Act 1977*.

**(i) Financial Instruments**

Financial Instruments give rise to positions that are a financial asset of either the Rental Bond Board or its counterparty and a financial liability (or equity instrument) of the other party. For the Rental Bond Board these include cash, receivables, investments and payables. The specific accounting policy in respect of each class of such financial instrument is stated hereunder.

Classes of instruments recorded at cost comprise:

- . cash
- . receivables
- . payables

Classes of instruments recorded at market value comprise:

- . investments

All financial instruments including revenue, expenses or other cash flows arising from instruments are recorded on an accrual basis.

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2007**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**(j) Other Financial Assets**

“Other financial assets” are generally recognised at cost, with the exception of NSW Treasury Corporation Hour-Glass facilities and Managed Fund Investments, which are measured at market value and increases and decreases in capital value are taken to the Income Statement (See Note 4). For current “other financial assets” revaluation increments and decrements are recognised in the Income Statement.

**(k) Grant Recognition for Not-for-Profit Entities**

The Board has applied the requirements in AASB 1004 *Contributions* regarding contributions of assets (including grants) and forgiveness of liabilities.

**(l) Comparative Information**

Where necessary, previous year figures have been reclassified to facilitate comparison.

**2. CASH AND CASH EQUIVALENTS**

Cash at bank is held with the Commonwealth Bank. Interest is earned on daily bank balances and calculated each month. The average interest rate for the period was 6.0% (5.5% in 2005/2006). NSW Treasury Corporation interest for Hour-Glass Cash Facility Trust was 6.55% (5.70% in 2005/2006).

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at Bank	130	219
NSW Treasury Corporation Hour-Glass Cash Facility Trust	6,891	15,843
	7,021	16,062

For the purposes of the Cash Flow Statement, cash includes money deposited with banks, NSW Treasury Corporation Hourglass ‘Cash’ Facility Trust and cash on hand.

Cash assets recognised in the Balance Sheet are reconciled to cash at the end of financial year as shown in the Cash Flow Statement as follows:

Cash and cash equivalents (per Balance Sheet)	7,021	16,062
Closing Cash and Cash Equivalents (per Cash Flow Statement)	7,021	16,062

**3. RECEIVABLES**

Items classified as receivables are as follows:

Accrued Interest	74	95
Debtors	5,875	1,956
	5,949	2,051



**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2007**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**4. OTHER FINANCIAL ASSETS**

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Non-Current	7,259	26,091
	7,259	26,091

Funds are invested as follows:

NSW Treasury Corporation Hour-Glass Bond Market (i)	7,132	25,947
Co-operative Housing Societies (ii)	16	17
Other Housing (iii)	111	127
	7,259	26,091

**Financial Assets at Fair Value through Profit and Loss**

- (i) The Board has investments in NSW Treasury Corporation's Hour-Glass Bond Market facility. The Board's investment is represented by a number of units of a managed investment pool, with each particular pool having different investment horizons and being comprised of a mix of asset classes appropriate to that investment horizon. NSW Treasury Corporation appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines.

The value of the investments held can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the net fair value. The value of the investments represents the Board's share of the value of the underlying assets of the facility and those assets are stated at net fair value, as advised by NSW Treasury Corporation as at 30 June 2007, with an effective interest rate of 4.66% (3.86% 30 June 2006).

**Loans and Receivables**

- (ii)&(iii) Funds made available to Co-operative Housing Societies for the purpose of providing low interest housing loans to low income earners were advanced prior to June 1986. Interest rates commenced at a minimum of 5% pa and increased at a rate of 0.5% pa until the interest rate reached a level 1% pa below the Commonwealth Bank Home Lending Rate. The loan period is 31 years. The Board holds the Certificates of Registration of Charges with respect to these loans.

The Board has also made funds available via arrangements with councils and community organisations to provide rental accommodation to low income and retired persons. All legal documents relating to these loans are held by the Department of Housing. Interest rates vary from 7.5% pa to 9.5% pa, with loan periods up to 31 years.

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2007**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**5. RENTAL BONDS**

In accordance with Section 8 of the Landlord and Tenant (Rental Bonds) Act 1977, and Regulations to the Act, bonds received by landlords or their agents must be deposited with the Board's Rental Bond Account within seven days of receipt. The Board invests funds from the Rental Bond Account in accordance with Sections 19(3) and 7E(2) of the Landlord and Tenant (Rental Bonds) Act 1977 and the Public Authorities (Financial Arrangements) Act 1987. Interest received on investments is paid into the Rental Bond Interest Account. Funds awaiting disbursement are invested on the short-term money market in accordance with the Board's legislation for periods not exceeding 180 days.

**Rental Bond Trust Funds**

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Trust Investments (i)	696,497	650,951
	696,497	650,951
<b>Less:</b> Trust Ledger Bank Account	(3,629)	(3,088)
Rental Bonds	692,868	647,863

(i) Rental Bonds are invested as follows:

NSW Treasury Corporation Hour-Glass Facility Trust	48,360	22,578
Direct Fixed Interest Portfolio(a)	646,114	626,121
Private Shared Equity Scheme (b)	2,023	2,252
	696,497	650,951

(a) Treasury Corporation restructured the Rental Bond Board Trust investments to include a direct fixed interest portfolio, which is being managed with a buy and hold strategy, so that capital losses within the portfolio are minimised. In addition to this, Treasury Corporation is managing an overlay and stock lending portfolio with the view of adding value to the 'physical' fixed interest portfolio.

(b) The Private Shared Equity Rent/Buy Scheme was established to assist low income tenants and those on the public housing waiting list, to achieve home ownership. The Board initially invested \$20 million with a yield of 4% plus the CPI per annum. For the year to 30 June 2007, the CPI movement was 1.56% (2.96% - 30 June 2006).

**Market Valuation of Rental Bond Investments**

Market valuations were obtained on the investments listed below:

NSW Treasury Corporation Hour-Glass Facility	48,612	23,474
Direct Fixed Interest Portfolio (i)	629,895	623,147
Private Shared Equity Scheme	2,039	2,286
	680,546	648,907

(i) Market values as at 30 June 2007 were based on Treasury Corporation's advice.

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2007**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**6. CURRENT LIABILITIES - PAYABLES**

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Grants	-	96
Other Accrued Charges	157	102
	157	198

**7. INVESTMENT INCOME**

Rental Bond Trust Account	40,589	38,088
Amortisation of (Premium)/Discounts on Trust Account Investments	(530)	(1,479)
	40,059	36,609
 Rental Bond Interest Account	 2,400	 2,382
	2,400	2,382
	42,459	38,991

Investment income is derived from of number of sources. These include interest on bank accounts, TCorp Hourglass Cash, Cash Plus and Bond Market Facility Trusts, Private Shared Equity Scheme and interest on loans.

**8. EXPENSES**

As mentioned in Note 1(a), the Office of Fair Trading has applied an Administrative Assistance Charge for the recovery of expenses that it has incurred on behalf of the Board, ie. associated employee related costs and other operating expenses.

**(a) Administrative Services:**

Administrative Service Charge	21,177	17,650
Capital Expenditure Service Charge	768	1,444
	21,945	19,094

**(b) Other operating expenses:**

Auditor's remuneration	54	52
Bank charges	103	106
Investment Management Fee	513	491
Other	52	48
	722	697

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2007**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**(c) Grants and Subsidies:**

		<b>2007</b>	<b>2006</b>
		<b>\$'000</b>	<b>\$'000</b>
Tenancy Services	9(a)	30,491	10,145
Tenants' Advice and Advocacy Program	9(b)	3,990	3,615
Tenancy Function of Consumer, Trader and Tenancy Tribunal	9(c)	9,152	8,638
		43,633	22,398

**9. GRANTS AND SUBSIDIES**

**(a) Tenancy Services**

Within the framework of the Residential Tenancies Act 1987 and the Retirement Villages Act 1999, the Tenancy Services provides impartial information, mediation and education services to tenants, village residents, landlords, their agents and village management about their rights and obligations under this legislation.

The Rental Bond Board funds Tenancy Services in accordance with the Landlord and Tenant (Rental Bonds) Act 1977.

An amount of \$30.0M was paid in 2006/07 by funding agreement between the RBB and the New South Wales Land and Housing Commission for Stage 2 of the Affordable Housing Initiative. Stage 1 was funded for an amount of \$9.9M in 2005/06.

**(b) Tenants' Advice and Advocacy Program**

The Tenants' Advice and Advocacy Program was implemented to provide advice, information and advocacy to public and private tenants, and where appropriate to people seeking to become tenants. The service also undertakes community education on the issues of tenants' rights.

The Program is jointly funded by the Office of Fair Trading and the Rental Bond Board in accordance with the Property, Stock and Business Agents Act 2002, and the Landlord and Tenant (Rental Bonds) Act 1977.

**(c) Tenancy Functions of the Consumer Trader and Tenancy Tribunal**

The Consumer Trader and Tenancy Tribunal has the jurisdiction to determine matters under the Residential Tenancies Act 1987 and the Retirement Villages Act 1999. These matters include requests to terminate tenancy agreements, payment of rental bonds on termination of tenancies, breaches relating to terms of the tenancy agreement and payment of compensation.

This function is jointly funded by the Office of Fair Trading and the Rental Bond Board.

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2007**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**10. CHANGES IN EQUITY**

	<b>Accumulated Funds</b>		<b>Total Equity</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of financial year	44,006	47,293	44,006	47,293
AASB 139 first-time adoption	-	-	-	-
Other changes in accounting policy	-	-	-	-
Correction of errors	-	-	-	-
Restated opening balance	44,006	47,293	44,006	47,293
Changes in equity – transactions with owners as owners	-	-	-	-
Increase/decrease in net assets from equity transfers (Note )	-	-	-	-
Total	-	-	-	-
Changes in equity – other than transactions with owners as owners	-	-	-	-
(Loss)/Profit for the year	(23,934)	(3,287)	(23,934)	(3,287)
Other (decreases)/increases	-	-	-	-
Total	(23,934)	(3,287)	(23,934)	(3,287)
Balance at the end of the financial year	20,072	44,006	20,072	44,006

**11. CONTINGENT LIABILITIES**

The Rental Bond Board is not aware of any contingent liabilities at the date of this report.

**12. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING (LOSS)/PROFIT**

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(LOSS)/PROFIT FOR THE YEAR</b>	(23,934)	(3,287)
<b>(Decrease)/Increase in Liabilities</b>		
Payables	(41)	(2,625)
<b>(Increase) Decrease in Assets</b>		
Other financial assets	18	21
Receivables	(3,899)	(1,921)
<b>Net Cash (used in)/from Operating Activities</b>	<b>(27,856)</b>	<b>(7,812)</b>

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2007**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**13. COMMITMENTS FOR EXPENDITURE**

There are no commitments for capital or other expenditure or commitments for leases at balance date (Nil – 30 June 2006).

**14. AFTER BALANCE DATE EVENTS**

The Rental Bond Board is not aware of any circumstances that occurred after balance date that would render particulars included in the financial statements to be misleading.

**END OF AUDITED FINANCIAL STATEMENTS**

# Compliance

## with annual reporting requirements

Requirement	Reference
Letter of submission	Inside front cover
Application for extension of time	n/a
Charter	2
Aims and objectives	5
Access	Back cover
Management and structure	4
Summary review of operations	6 - 19
Funds granted to non-government community organisations	15
Legal change	n/a
Economic or other factors	n/a
Research and development	n/a
Human resources	C
Consultants	n/a
Equal employment opportunity	C
Disability plans	C
Land disposal	n/a
Promotion	C
Consumer response	C
Guarantee of service	C
Payment of accounts	C
Time for payment of accounts	C
Risk management and insurance activities	C
Disclosure of controlled entities	n/a
Ethnic affairs priorities statements and any agreement	C
NSW Government action plan for women	C
Occupational health and safety	C
Waste	C
Budgets	23
Financial statements	20
Code of conduct	C
After balance events	n/a
Report production and availability	This page
Investment performance	7
Liability management performance	35
Exemptions	n/a
Performance and numbers of executive officers	C
Freedom of Information Act	C
Implementation of price determination	n/a
Privacy management plan	C
Program evaluation results	n/a
Departures from Subordinate Legislation Act	n/a
Government energy management policy	C
Electronic service delivery	C
Credit card certification	C

### Key:

- n/a - items not applying due to corporations' size and nature of operations
- C - relevant OFT items covered in the Department of Commerce Annual Report 2006-2007

### Production costs

No external costs have been incurred in the writing, preparation or printing of this annual report.

### Availability

This annual report is available electronically through the Office of Fair Trading web site.

# Index

Affordable housing grant	17
Aged-Care Rights Service	17
Agency performance	6, 15
Board members	3
Bond lodgements	9
Business systems	13
Compliance with annual reporting requirements	37
Consumer, Trader & Tenancy Tribunal	10, 16
Financial statements	20
Funded programs	15
Highlights	3
Information services	12
Internal control	14
Investments	7
Length of tenancy	11
Live 'N' Learn Foundation	17
Median rentals	19
Organisation chart	4
Planning framework	5
Rental bond custody	7
Rental bond information services	12
Rental Bond Internet Service	12, 13
Rental bond lodgements	9
Rental bond refunds	9
Rental bonds held	7, 8
Rental statistics	8, 18, 19
Retail tenancy bonds	14
Service arrangements with Office of Fair Trading	4
Tenancy Advice & Advocacy Program (TAAP)	16
Tenancy services	16
Value of bonds held	8



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**General enquiries**

**13 32 20**

**Language assistance**

13 14 50

**TTY for hearing impaired**

1300 723 404

**Aboriginal enquiry officer**

1800 500 330

**Consumer, Trader & Tenancy Tribunal**

1300 135 399

**Registry of Co-operatives & Associations**

1800 502 042

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