

2003-2004



OFFICE OF **FAIR TRADING**

*NSW Consumer Protection Agency*

**Department of Commerce**

# Rental Bond Board

*Annual Report 2003-2004*



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

# Contents:

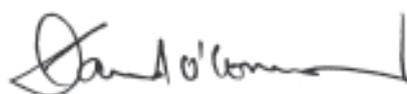
Chairperson's Report	1
Service arrangements	2
Highlights	3
Board membership	3
Planning framework	4
Legislative developments	5
Objective 1: Community access to independent bond custodial service	6
Objective 2: Community access to tenancy information and help	14
Financial statements	20
Annual reporting compliance	34
Index	35

## To Parliament

The Hon Reba Meagher, MP  
Minister for Fair Trading  
Parliament House Sydney

Dear Ms Meagher

I am pleased to present the Annual Report of the Rental Bond Board for the year ending 30 June 2004. 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*.



D.B.O'Connor  
Commissioner for Fair Trading  
Chairperson, Rental Bond Board  
27 October 2004

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October 2004

# Chairperson's Report

*Welcome to the first separate annual report of the Rental Bond Board since the 1994-1995 financial year. From 1995-1996 to 2001-2002 the Board's statutory reporting was discharged through annual reports of the former Department of Fair Trading. In 2002-2003 the Board's material was included in the Department of Commerce's annual report. This separate report now provides an opportunity for more detailed reporting. It should be of particular interest to community and industry tenancy professionals as well as private landlords and individual tenants.*

Given the time elapsed since its last separate report, it is worthwhile recapping the Board's role and background.

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 Consumer, Trader and Tenancy Tribunal. Meanwhile the Board retains custody 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

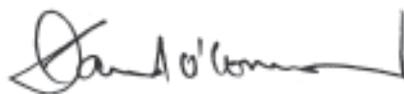
the Board has subsequently been used as the model for the establishment of rental bond authorities in all States of Australia, the ACT and New Zealand.

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 for the past eight years - undertaking the rental bond custody, lodgement and refund functions, as well as providing tenancy and bond information to customers. The Office also provides policy and legislative support while 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 bonds held in custody, their cumulative value and the number of customer enquiries were once again at record levels. I congratulate and thank all the Office of Fair Trading and Department of Commerce staff who have once again assisted the Board to effectively and efficiently deliver this vital service to the people of New South Wales.



**D.B.O'Connor**  
Commissioner for Fair Trading  
Chairperson, Rental Bond Board

## About this Report

In 2002 - 2003, the Department of Commerce was established by the New South Wales Government.

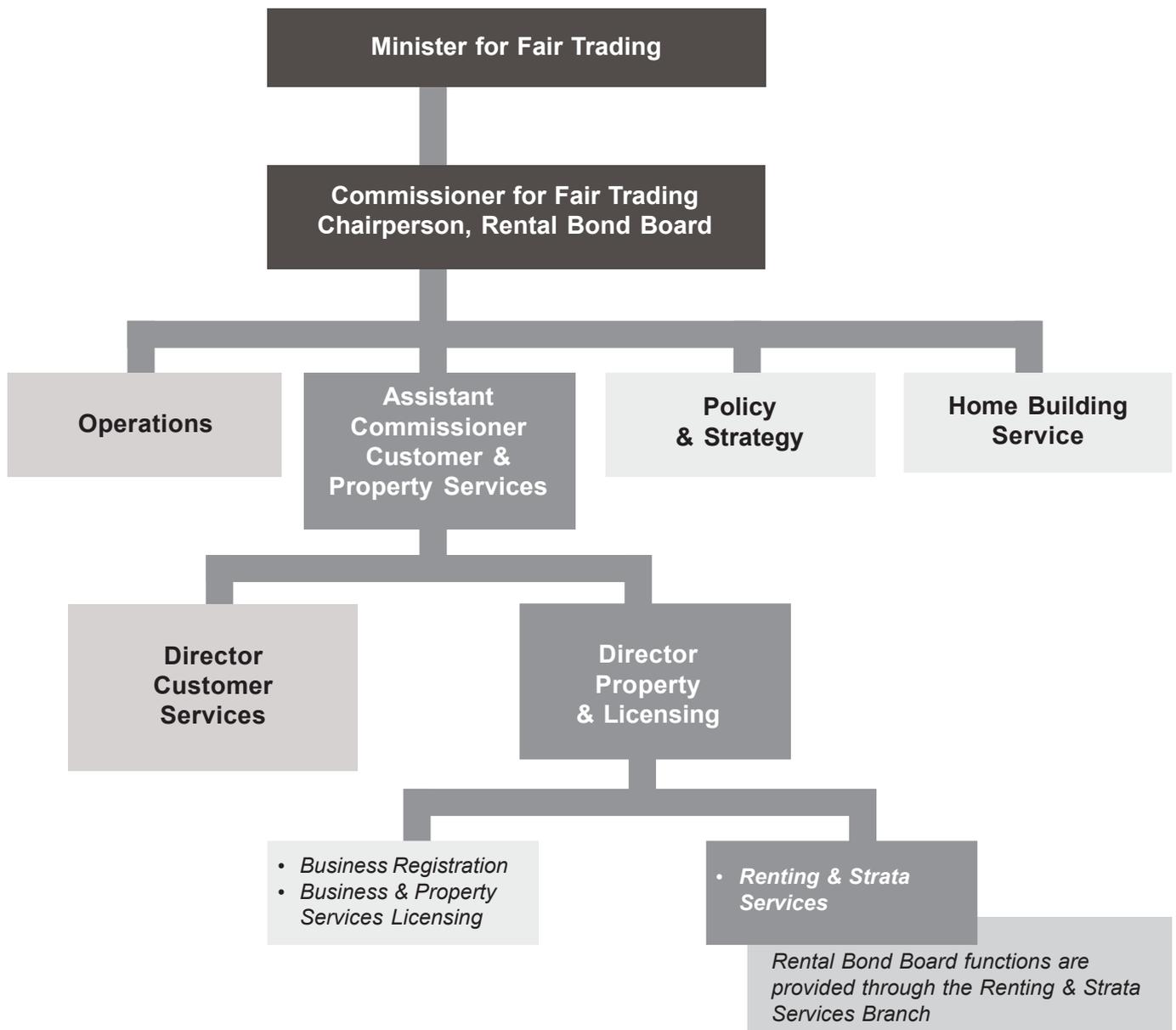
Fair Trading was renamed as the Office of Fair Trading and was incorporated within that broader agency, while retaining its original role and responsibilities to the people of NSW.

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 are provided in this Rental Bond Board Annual Report 2003-2004.

Information on the management, human resources, business support and financial administration of the Office of Fair Trading's activities is therefore found in the NSW Department of Commerce Annual Report 2003-2004.

## Service arrangements with the Office of Fair Trading



# Highlights

- Record number of customer inquiries - 475,000 rental bond, tenancy and strata inquiries - handled through telephone and electronic self-service channels by the Renting and Strata Services Branch of Fair Trading.
- Record number (577,023) and value (\$569.3 million) of rental bonds held in custody by the Board at 30 June 2004.
- 71% 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.
- \$6.8 million in core service funds provided for the Tenants Advice and Advocacy Program (TAAP), which is 50% funded by the Board. Additional grants made available through the TAAP Special Purpose Fund.

## Board membership

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 investments and funded programs. The Board is required to meet at least once each quarter.

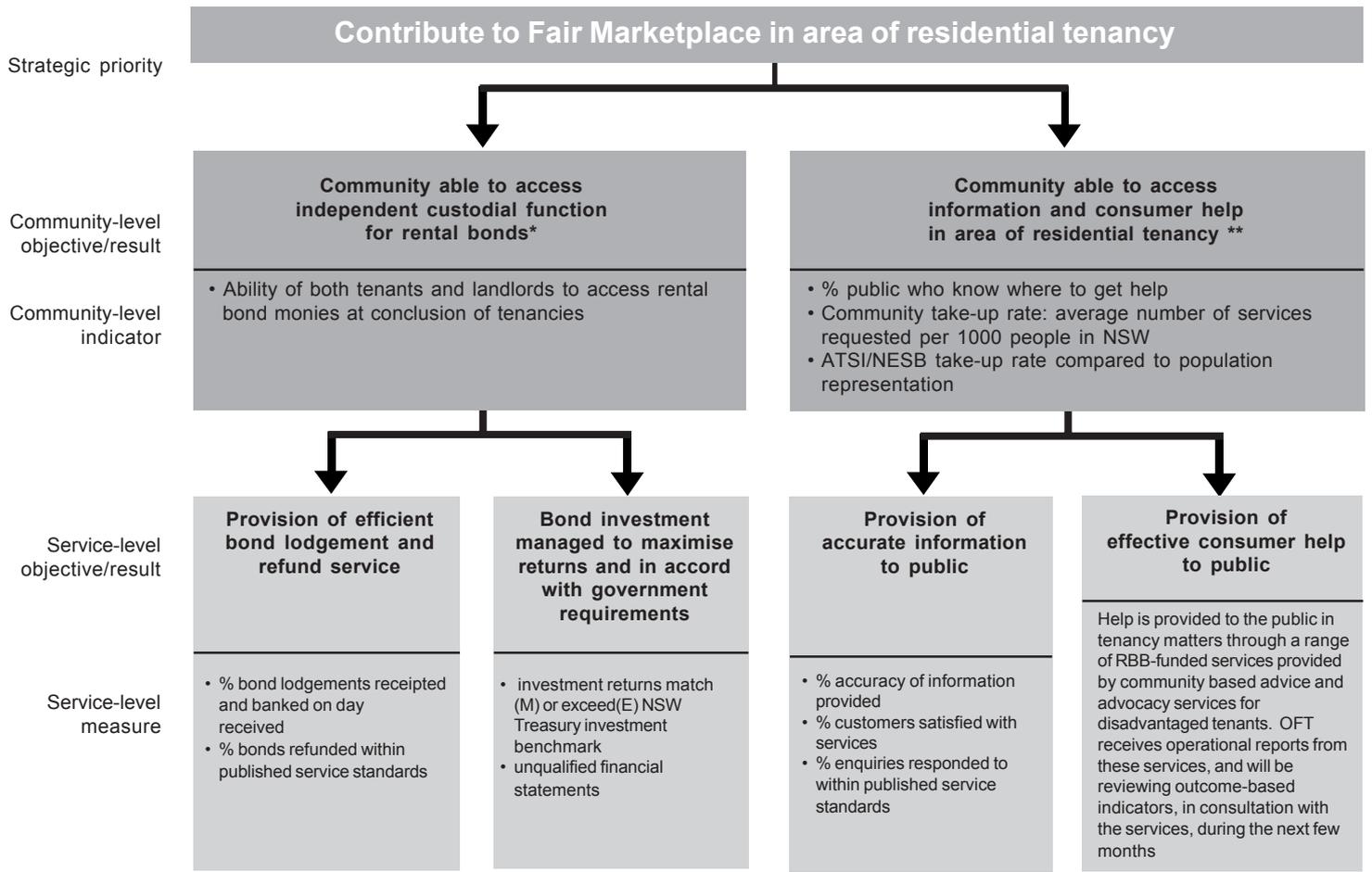
Rental Bond Board Members	Term of appointment	Meetings attended
• David O'Connor, Commissioner for Fair Trading – Chairperson	Ex officio	3 meetings
• Deputy: Ms Susan Dixon Director, Projects, Funding & Equity		2 meetings
• Director-General Department of Housing	Ex officio	
• Deputy: Ms Maura Boland Director, Centre for Affordable Housing		4 meetings
• Secretary, NSW Treasury	Ex officio	
• Deputy: Mr Brian Waddington Principal Financial Analyst		4 meetings
• Ms Katrina Harrison Tenants' Union of NSW	Ministerial appointment (03/07/03 – 30/06/04)	5 meetings
• Ms Sandra McGee Real Estate Institute of NSW	Ministerial appointment (03/07/03 – 30/06/04)	5 meetings

# Planning Framework

The Board's functions contribute to the strategic priority of a fair residential tenancy marketplace for NSW. This is supported by two high-level community-impact objectives which flow from the functions of the Board as set out under statute.

- Community access to an independent rental bond custodial service.
- Community access to residential tenancy information and consumer help

To address the first of these objectives the Board funds the Office of Fair Trading 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.)



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

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

Results not in OFT direct control  
 Results over which OFT has higher degree of control

## Legislative developments

*One of the various services provided to the Rental Bond Board by the Office of Fair Trading is legislative review and development. During the year two relevant legislative issues were progressed.*

### Remaking of the Landlord and Tenant (Rental Bonds) Regulation

The *Subordinate Legislation Act 1989* provides for the staged review and repeal of all regulations and rules every five years and requires Government agencies to consider the economic and social costs of any regulation. The *Landlord and Tenant (Rental Bonds) Regulation 2003* commenced on 1 September 2003, replacing the *Landlord and Tenant (Rental Bonds) Regulation 1993* which was repealed on the same date. The Regulation covers the following provisions:

- the exemption from the provisions of the *Landlord and Tenant (Rental Bonds) Act 1977 (the Act)* of rental bonds given in connection with short term leases of holiday houses,
- the exemption of lessors from the operation of section 9 of the Act (which requires a rental bond to be in the form of money and limits the amount of money that may be demanded by way of a rental bond) in respect of the lessor's receipt of a *tenancy guarantee* (an undertaking given to a lessor by the Department of Housing to indemnify the lessor up to a specified amount against loss or damage arising from any breach of the terms of a tenancy agreement. This form of security was introduced as a pilot scheme by the Department of Housing in 2002-2003),
- the exemption of leases for furnished premises where the rental is more than \$250 per week from the operation of section 9 (2) (b) of the Act (which limits the maximum bond for furnished premises to an amount equal to 6 weeks' rent)
- the period within which a lessor or lessee must notify the Rental Bond Board of the commencement of proceedings in order to prevent the Board paying out a rental bond

- the rate of interest payable, and the period over which the interest is to be compounded, on a rental bond lodged with the Rental Bond Board
- the form of receipt to be given for the payment of a rental bond
- penalty notice offences
- formal matters (such as the date of commencement of this Regulation).

### Tenancy Databases

While not a direct Rental Bond Board responsibility, tenancy databases are nonetheless a significant issue facing tenants, landlords and agents.

Many real estate agents, aiming to provide the best possible service to owners, are not willing to rent residential property to anyone listed on a tenant database for failing to fulfil their obligations as a tenant. Conversely, tenants may be prevented from renting a property for trivial matters or because a database is inaccurate or out of date.

To address the difficulties faced by tenants in this situation new rules are included in the *Property, Stock and Business Agents Amendment (Tenant Databases) Regulation 2004* that commenced on 15 September 2004. The new rules provide that:

- tenants be made aware of being listed on a database
- tenants have a reasonable opportunity to challenge a listing without excessive expense
- tenant database listings be accurate, complete and up to date
- tenant database listings not be for minor breaches of a tenancy agreement
- tenant database listings do not remain on databases for a period of time which is excessive given the magnitude of the breach involved.

# 1 Context:

## Community-level objective one

### Community able to access independent custodial function for rental bonds

This is the first of two high-level community-impact objectives that contribute to the strategic priority of a fair 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.

### Agency Performance

- **Provision of efficient bond lodgement and refund service**
- **Rental bond investment managed to maximise returns and in accord with government requirements**

The Rental Bond Board supports the high-level community objective of an independent custodial function with the two service-level objectives shown above. 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. Key indicators 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.

Service delivery objectives/results	00-01	01-02	02-03	03-04	Target
<b>Result:</b> <i>Provision of efficient rental bond lodgement and refund service</i>					
<b>Measures:</b> <ul style="list-style-type: none"> <li>• % rental bond lodgements receipted and banked on day received</li> <li>• % rental bonds refunded within published service standards</li> </ul>	96%	97%	96%	98%	95%
	97%	98%	98%	98%	98%
<b>Result:</b> <i>Investments managed to maximise returns and in accord with government requirements</i>					
<b>Measures:</b> <ul style="list-style-type: none"> <li>• RBB investment returns match (M) or exceed (E) industry benchmark*</li> <li>• Financial statements unqualified (U) qualified (Q)</li> </ul>	-	M	E	M	≥ M
	U	U	U	U	U
* Performance is shown for the primary Rental Bond Board Facility, which was introduced in the 2001-2002 financial year. TCorp's investment management performance is measured against the standard investment industry benchmark for returns on similar investment products. The benchmark would apply regardless of what organisation might perform this function for the Board.					

## Community level statistics

	00-01	01-02	02-03	03-04	Projection
<b>Outcome:</b> <i>Community able to access independent custodial function for rental bonds</i>					
<b>Indicator:</b> <i>Ability of tenants and landlords to access rental bond monies at conclusion of tenancies - demonstrated by:</i>					
• %full refund to tenants	40%	42%	42%	43%	40-45%
• %part refund to both parties	44%	43%	44%	44%	40-45%
• %full refund to landlord/agent	16%	15%	14%	13%	12-17%

Note: because the percentage split reflects the circumstance of individual tenancies, it is not appropriate to set a target. However full and part refunds to tenants/landlords tend to fluctuate within a narrow bandwidth, and the projections reflect this.

A rental bond is an amount of money paid by a tenant as a form of security for the landlord against any future breaches of the tenancy agreement. At the conclusion of the tenancy, tenants are entitled to a refund of the bond (with interest) unless there is unpaid rent or damage to the property. A key role of the Rental Bond Board is to provide an independent, impartial custodial function, so that both tenant and landlord can access the monies as appropriate. This indicator shows that both tenants and landlords are succeeding in accessing bond monies, with tenants historically receiving full or part refunds in

well over 80% of cases, and landlords accessing the full bond in around 15% of cases. 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.

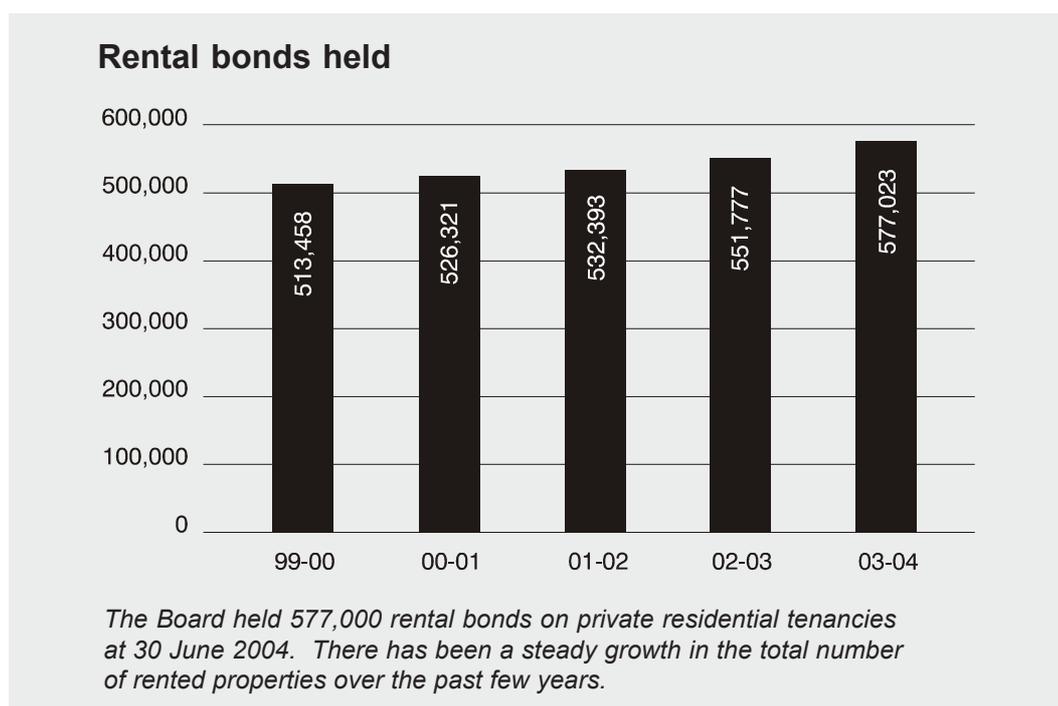
## Rental bond custody

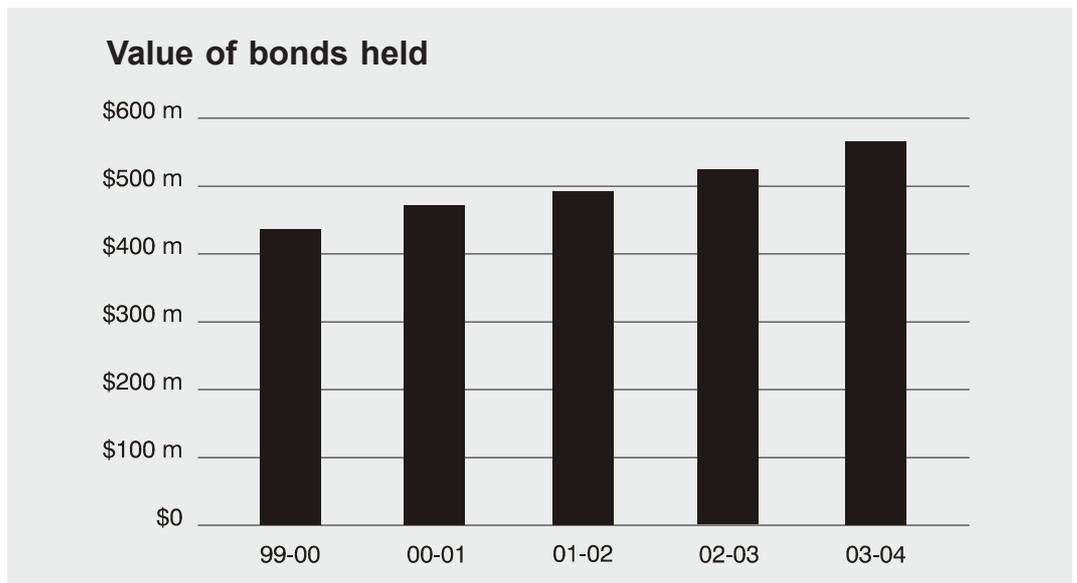
By 30 June 2004 the Board held 577,023 rental bonds in trust. These were valued at \$569.3 million and on average amounted to \$987 for each rental bond.

declined by 1.7% to 271,403. These variations resulted in a 4.6% increase in the total number of bonds held in trust. The increase in bonds held is even more pronounced when the two year period 2002-2004 is considered - being 8.4%.

During the year, 296,649 new rental bonds were lodged with the Board - an increase of just on 0.4% over the previous financial year. By contrast, the number of bonds refunded

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 \$1000.00.

## Rental statistical information

Of the more than 2.4 million households in New South Wales at 30 June 2001, figures from the Australian Bureau of Statistics (Australian Social Trends - Housing) showed that 21.4% lived in private rental accommodation.

The requirement for landlords in NSW to lodge all residential rental bonds with the Board provides 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 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 Market Analysis and Research section of the NSW Department of Housing. This information is available to the public in summary form in the *Rent & Sales Report* on the Housing website: [www.housing.nsw.gov.au](http://www.housing.nsw.gov.au).

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.

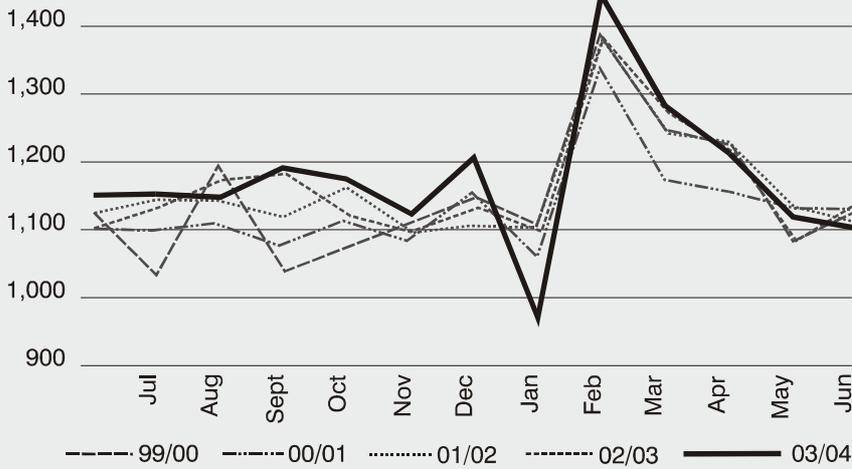
In the 2004 financial year 88% of metropolitan bonds and 87% of outer metropolitan and regional bonds were managed by professional real estate agents or self-managing landlords owning 10 or more rental properties. This level of professional management has remained fairly constant over the years of the Board's operation.

## Rental Bond Lodgements

During the year, 296,649 new rental bond lodgements and 6,638 additional bonds (where a bond is paid by instalments) were received by the Board.

This represented an average of 1,210 lodgement forms processed by staff each 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 \$324.5 million. 98% of all bond lodgements were received and banked the day they were received.

### Daily average bond lodgements per month



The trough occurring in December to early-January, followed by a sharp peak between mid-January and March, represents the high turnover of tenancies at the changeover of the academic year.

The Board received 56 enquiries regarding non-lodgement of rental bonds in 2003-2004. This represented just 0.02% of the total number of bonds lodged during the year - demonstrating a very high level of compliance by landlords with rental bond legislation.

### Rental Bond Refunds

271,403 rental bonds were refunded during 2003-2004. This occurred through 388,896 individual payments and represented 1.7 % fewer refunds than the previous year. Refund payments totalled \$284.3 million.

2003-2004 saw a continuation in the long-term trend toward a preference for electronic service delivery by our customers, with a corresponding decline in postal and face-to-face services. Most bond refund claims from real estate agents, landlords and tenants were received by facsimile.

The Rental Bond Internet Service (RBIS) continued to grow in popularity with 15,044 claims being submitted by real estate property managers in 2003-2004 - an increase of 71% over the previous year.

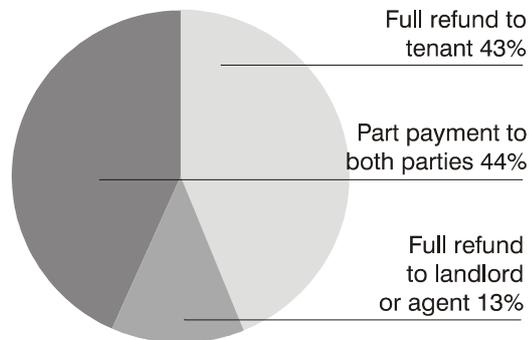
As a percentage of all refunds, RBIS claims increased from 3.2% in 2002-2003 to 5.5% in 2003-2004. Of these, 87% were refunded automatically (i.e. without any additional back-

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.

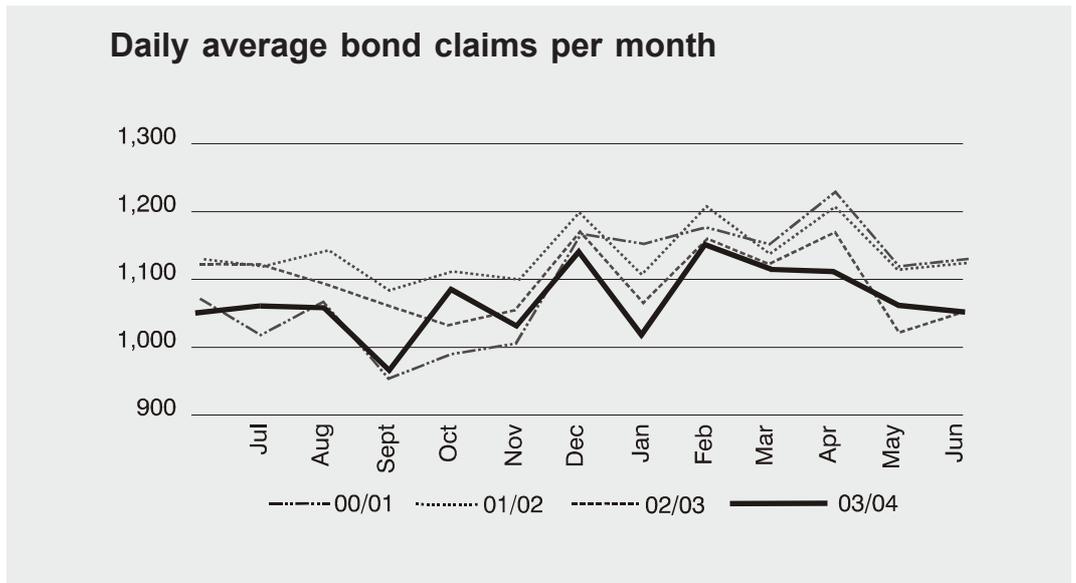
The proportion of customers requesting a direct credit of their bond refund into their bank or credit union account also continued to increase, up from 38.4% in 2002-2003 to 42.5% this year.

By contrast, the number of bonds refunded over the counter continued to decline. In 2003-2004, only 3.2% of customers sought a refund in person, down from 3.8% in 2002-2003, 4.3% in 2001-2002 and 7% in 2000-2001.

### Bond refunds paid to tenants and landlords in 2003 - 2004



2003-2004 Rental Bond processing against published Guarantee of Service standards		
	Target	Result
% agreed direct deposit refunds banked within two working days:	98%	98%
% agreed mail refund cheques posted within four working days:	98%	98%
% Notice of Claim issued to one party - paid within twenty working days:	97%	97%



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

- Agreed claims where both parties have indicated their acceptance of the amount/s 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 fourteen days to apply to the Consumer, Trader and Tenancy Tribunal if they wish to dispute the claim.

During 2003-2004, 72.5% of all refunds were agreed by the parties while in 24.8% of cases a Notice was issued but no dispute proceeded with. 2.2% of the year’s bond refunds were the result of an order by the Tribunal following a dispute over the bond refund with a further 0.4% refunded after a Tribunal application was withdrawn prior to hearing.

Over the year, \$17,931.56 was written off against income as a result of irrecoverable fraud and incorrect processing of refunds. As a percentage, the amount written off represented 0.006% of the total amount of \$284.3 million refunded during the year.

### Information services

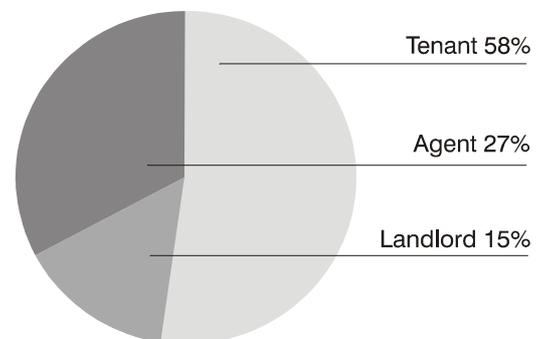
Fair Trading continued to provide the Board with a responsive rental bond and tenancy information service for customers during 2003-2004. In total, 475,000 customers were assisted with their inquiries through the Renting and Strata telephone and electronic self-service channels.

214,589 telephone inquiries on rental bonds were answered by Renting & Strata Services

staff during 2003-2004, a decline of 7.4% over the previous year. This represented a daily average of 860 calls. 90.2% of all incoming calls were answered and for these callers the average waiting time was less than a minute. Altogether 91% of all callers waited for less than 3 minutes before being assisted. The decrease in call volumes 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).

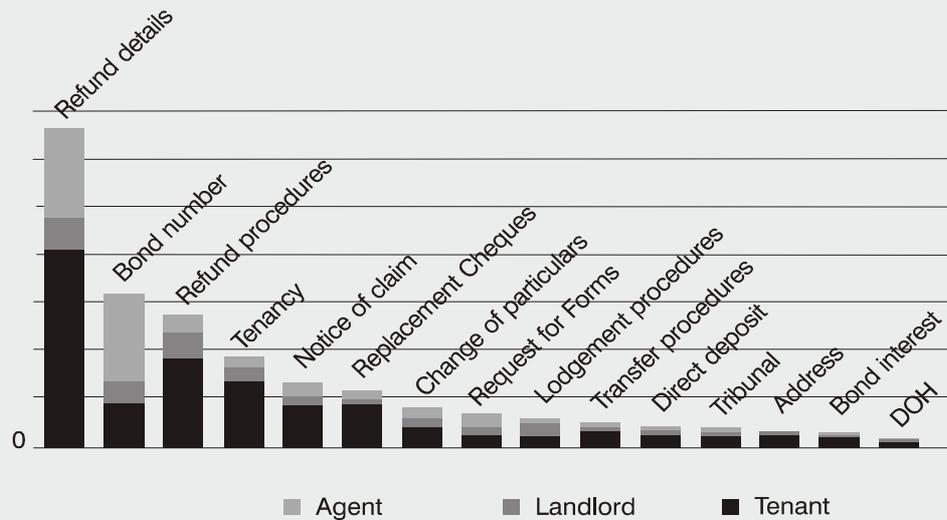
Property managers used the Rental Bond Internet Service (RBIS) to make 69,000 individual bond inquiries - an increase of 83% over 2002-2003.

### Rental Bond Enquiries by customer types



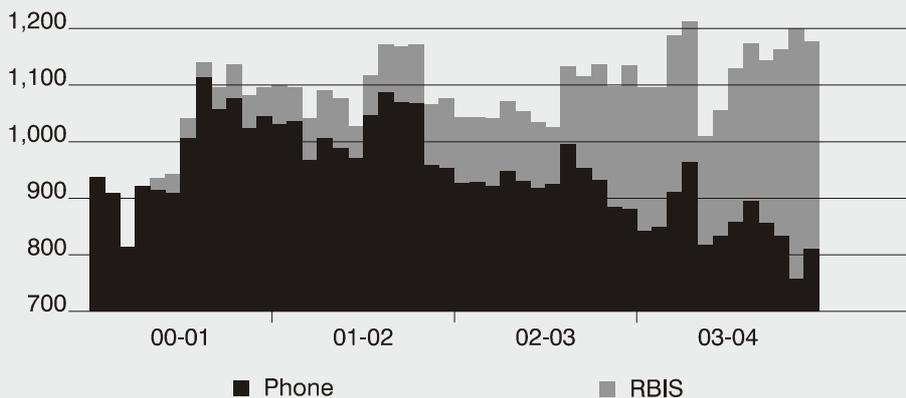
*Ratios are based on a survey of over 19,000 rental bond customers.*

## Types of rental bond enquiries



Most common questions: refund details (32%), general bond inquiries (15%) and refund procedures (13%).

## Daily average rental bond enquiries



The decrease in call volumes is almost certainly a consequence of the growing number of real estate agents choosing to access information on the status of their tenants' bonds via the Rental Bond Internet Service (RBIS).

## Rental Bond Internet Service

The Rental Bond Internet Service (RBIS) was introduced by the Office of 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 in 2003-2004 were 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 - 24 hours a day, 7 days a week.

RBIS is a highly secure system which incorporates the latest encryption technology, allowing property managers to access only those rental bond records for tenancies managed by their agency.

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.

The real estate industry continued to provide strong support for RBIS during 2003-2004,

with over 920 agencies connected to the Service by 30 June 2004. With an increase of over 8% in the number of rental bonds held by the Board in the last two years, RBIS has proven itself a cost-effective self-service delivery channel which has enabled us to manage increasing transaction volumes within current staffing levels.

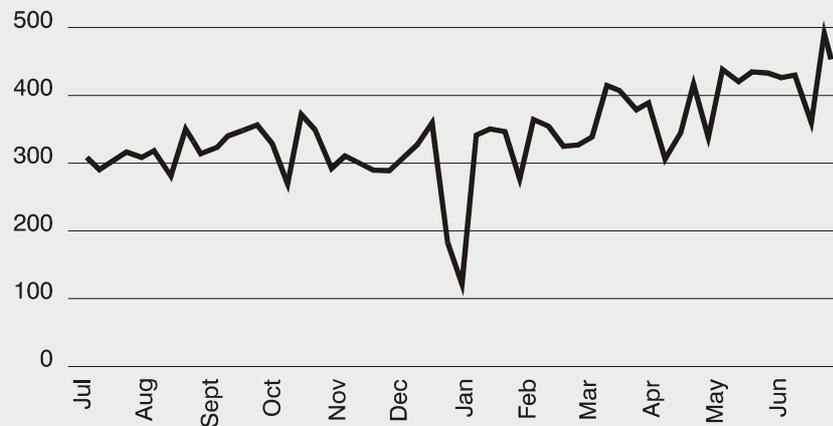
The proportion of claims submitted via RBIS increased by 71% this year when compared with 2002-2003. Property managers used the system to make 69,000 bond inquiries and access a range of financial reports on rental bonds managed by their agency.

## 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.

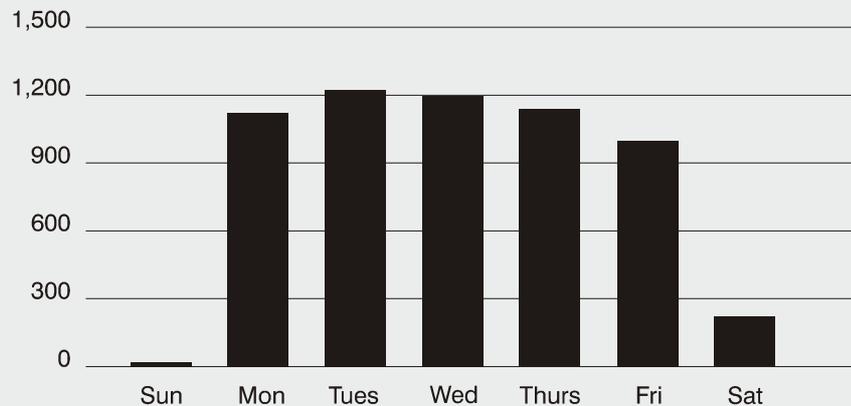
Staff monitor systems and perform regular maintenance tasks to maximise the performance of the system and ensure high level availability of rental bond data for bond

### RBIS - user trends



*The number of unique RBIS users each week has risen steadily during the year. (A single user visiting multiple times per week is only counted as visiting once during the week.)*

### RBIS - average daily visits



*RBIS has made rental bond claim, inquiry and reporting facilities available to property managers at any time of the day, any day of the week - including Saturdays and Sundays.*

processing by our internal staff and by RBIS users throughout NSW.

During the year there were no major upgrades or system changes. The Rental Bond System was fully available to users for over 99% of the time.

## Internal Control

The rental bond custodial service is a high volume financial operation. The Board has instituted a number of systems and procedures to support the integrity of its operations.

Rental bond lodgement forms are scanned and the accompanying remittances receipted and banked on the day of receipt from customers.

Overnight lodgement data entry is outsourced, with data returned the next day on disk 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 18 three weekly reviews on a random selection of rental bond refunds during 2003-2004, as well as 12 special reviews of related processing functions. Review findings are discussed by the Renting and Strata Systems Review Committee, and may result in recommendations to management, additional staff training or procedural change to meet the Board's high quality and performance requirements.

During the year, the reviews did not identify any significant issues with an impact on the Board's service to our customers or the integrity of financial operations. A number of minor procedural breaches were reported to relevant line managers, who discussed the issues with their staff or made appropriate operational changes to minimise a recurrence of the identified problems.

# 2 Context:

## Community-level objective two

### Community able to access information and consumer help in the area of residential tenancy

This is the second of two high-level community impact objectives that contribute to the strategic priority of a fair marketplace in the area of residential tenancy. The independent custody of 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.

### Agency Performance

- **Provision of accurate information to the public**
- **Provision of effective tenancy consumer help to the public**

The Rental Bond Board supports the high-level community objective of an independent custodial function for rental bonds 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 below.

Service delivery objectives/results		00-01	01-02	02-03	03-04	Target
<b>Result:</b>	<i>Provision of accurate information to the public</i>					
<b>Measures:</b>	<ul style="list-style-type: none"> <li>• % accuracy of information provided</li> <li>• % of customers satisfied with overall quality of services</li> </ul>	93%	99%	87%	99%	≥90%
		89%	95%	94%	89%	≥90%
<b>Result:</b>	<i>Provision of effective tenancy consumer help to public</i>					
<b>Measure:</b>	<ul style="list-style-type: none"> <li>• Help is provided to the public in tenancy matters through a range of RBB-funded services provided by community based advice and advocacy services for disadvantaged tenants. OFT receives operational reports from these services, and will be reviewing outcome-based indicators, in consultation with the services, during the next few months.</li> </ul>	-	-	-	-	-

## Community level statistics

	00-01	01-02	02-03	03-04	Target
<b>Outcome:</b> Community able to access information and consumer help					
<b>Indicators:</b>					
• Percentage of public who know where to go to get help	48%	58%	68%	73%	65-70%
• Community take-up rate (average number of services requested per 1000 people in NSW)	378	400	502	509	Est 511
• ATSI/NESB take-up rate matches (M) or exceeds (E) population representation	E	E	E	E*	M

*\*Measured by Community Profile Survey. Not conducted in 03-04 as target groups needed redefining to reflect the new Department of Commerce. Results for previous year expected to continue.*

For an indication of results against its community level objective, the Board relies on Office of Fair Trading data. Fair Trading monitors several items which are important but not entirely in its control.

It is not necessary – or possible – for every member of the community to know all their rights and obligations in every area, but it is important for people to know where to go for information when they need it, and for all customers, including Aboriginal and Torres Strait Islander (ATSI) customers and customers from non-English-speaking backgrounds (NESB), to find the services easy to access, with no systemic barriers in the way.

Fair Trading seeks to service existing demand (not create “market share”), but the high community take-up rate indicates strong ongoing demand for services. The proportion of ATSI and NESB people contacting OFT exceeds their representation in the population, indicating these customers need the services and do not experience barriers to using them.

The steady increase in community knowledge of where to find help (since Fair Trading was created from Consumer Affairs and other agencies in 1996) indicates that Fair Trading’s information campaigns are working.

## Funded Services

*The Landlord and Tenant (Rental Bonds) Act 1977 specifically provides for the Rental Bond Board to fund government tenancy information services. As well as the Office of Fair Trading’s tenancy information services, the Board also funds the community based Tenancy Advice & Advocacy Program (TAAP) on a 50/50 basis with the Office of Fair Trading. The legislation also requires the Board to fund 50% of the operational costs of the Consumer, Trader & Tenancy Tribunal.*

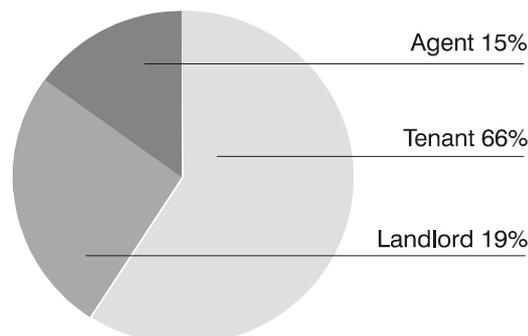
## Tenancy Services

The Rental Bond Board funds the operation of government tenancy information services, through the Renting & Strata Services Branch, in accordance with s.21 of the *Landlord and Tenant (Rental Bonds) Act 1977*.

Tenancy inquiry volumes declined by 5.6% compared to 2002-2003, with 154,800 calls

answered by staff. This decrease 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).

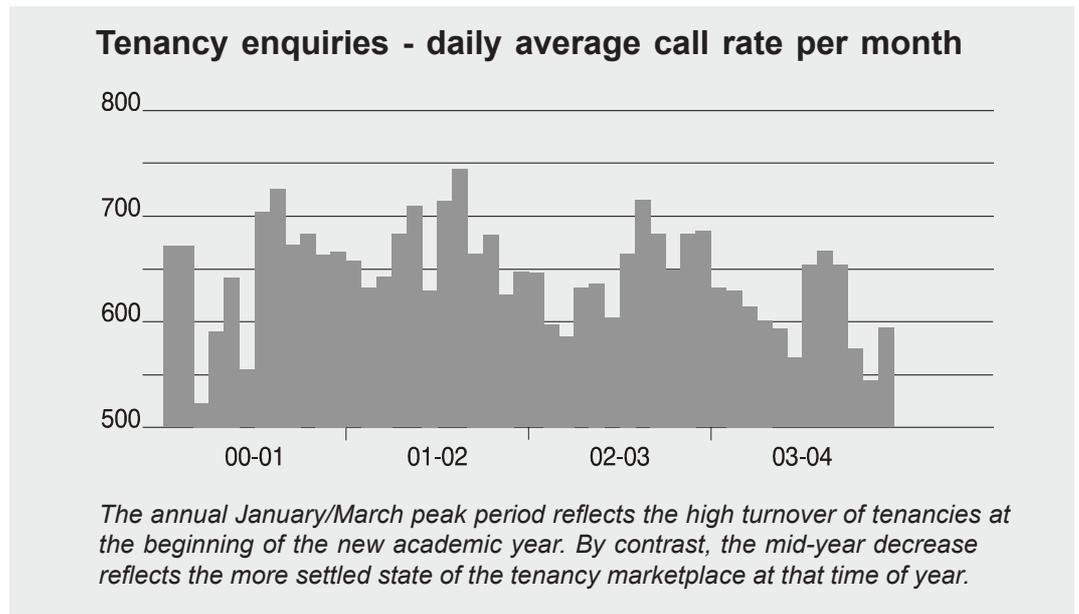
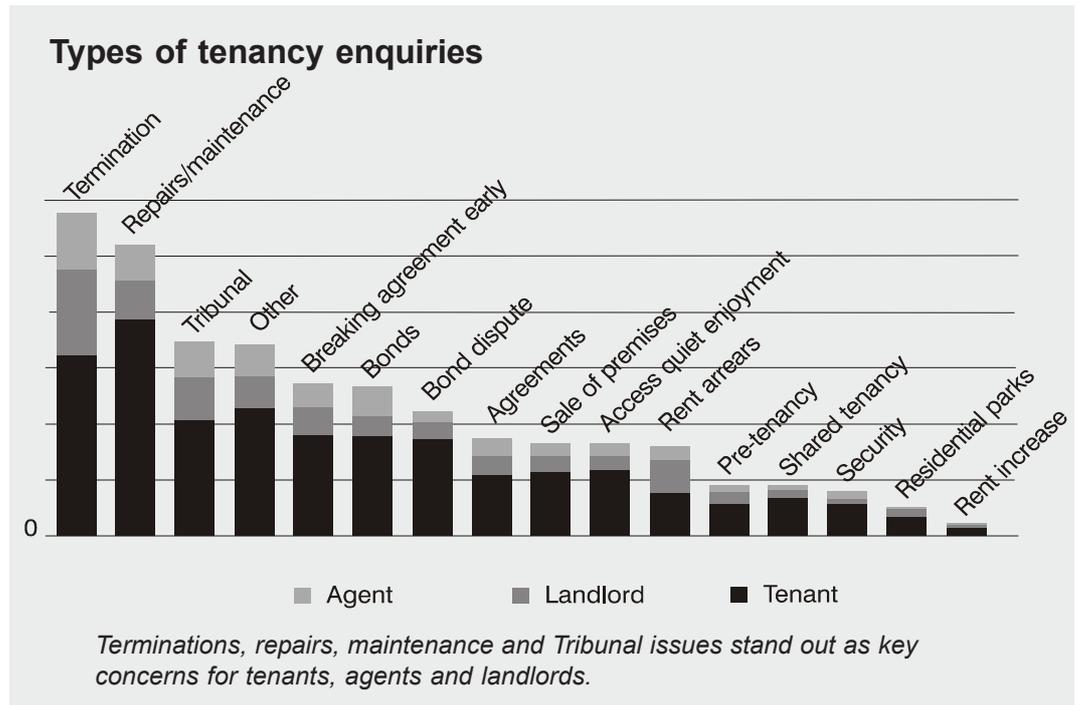
## Tenancy enquiries by customer type



*Ratios are based on a survey of over 17,000 tenancy information customers.*

During the year officers answered 88.4% of all incoming tenancy calls, with an average waiting time for customers of just over one minute.

90% of callers waited less than 3 minutes before being assisted.



## Tenancy Functions of the Consumer, Trader & Tenancy Tribunal

The Consumer, Trader and Tenancy Tribunal (CTTT) is an independent decision-making body for the determination and resolution of marketplace disputes throughout New South Wales.

The CTTT deals with matters under 8 divisions:

- Tenancy
- Residential Parks
- Strata and Community Schemes
- Retirement Villages
- General
- Home Building
- Motor Vehicles
- Commercial Divisions.

The Tribunal operated 8 registries in 2003-2004 and conducted hearings in venues throughout NSW.

The Rental Bond Board provided over \$8 million in funding toward the tenancy, residential parks, strata and community schemes, and retirement village functions of the Tribunal in 2003-2004. These functions are jointly funded by the Office of Fair Trading.

During the last year, 77 % of all applications to the Tribunal concerned tenancy matters, with a further 3.4 % 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.fairtrading.nsw.gov.au/corporate/cttt.html](http://www.fairtrading.nsw.gov.au/corporate/cttt.html).

## Tenants Advice & Advocacy Program (TAAP)

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

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, NESB tenants, 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 *Property, Stock and Business Agents Act 2002*.

During the past year, the community-based organisations funded under the TAAP provided assistance to around 23,000 tenants across New South Wales.

In addition to the \$6.8 million provided in core funds to the 22 TAAP services operating in 2003-2004, funding support was also made available from the TAAP Special Purpose Fund to enhance the services and resources available to clients of the TAAP.

For example, the Fund contributed \$7,100 toward the provision of interpreters for tenants whose first language was not English. A further \$22,543 was provided for:

- the production of a booklet for new migrants entitled *How to Rent*
- preparation of ten fact sheets specifically targeting tenants with low literacy skills
- printing of a revised edition of the *Tenants Rights Manual*.

## Affordable housing grant

In 1998 the Board approved a grant of \$10 million to the then Department of Urban Affairs and Planning for affordable housing initiatives. The grant was for three years from March 1999.

Responsibility for the grant transferred to the Department of Housing in September 2000. In July 2002, arrangements were varied to extend the grant period to June 2003.

The grant, which is now finalised, achieved the following outcomes.

- Establishment of the Affordable Housing Service – which is a focal point for information, advice, training and expertise on affordable housing
- Purchase or construction of 24 demonstration units of affordable housing
- Affordable housing feasibility studies through seed funding to local councils
- Grant to City West Housing to assist with the purchase of land in Green Square for 16 affordable housing units.

Following the conclusion of the grant in June 2003, an audit report was prepared which identified a surplus of \$965,000 to be returned to the Board. Expenditure on the 24 demonstration units (\$6.4 million) must be finalised by the Department of Housing by 15 April 2005, at which time a further separate audit report will be prepared.

# Median rentals

Weekly rents for new lettings during the June Quarter

Postcode groupings		2003	2004	% Change
		\$ per week	\$ per week	
Inner Sydney	2000-2014	350	360	2.9
South Sydney	2015-2020	330	320	-3.0
Eastern Suburbs	2021-2036	340	340	0.0
Inner West	2037-2059	330	330	0.0
Lower North Shore	2060-2069	350	350	0.0
Upper North Shore	2070-2087	335	340	1.5
Mosman/Cremorne	2088-2091	340	353	3.8
Manly/Warringah	2092-2109	330	340	3.0
North Western	2110-2126	280	300	7.1
Western Suburbs	2127-2145	250	250	0.0
Parramatta/Hills	2146-2159	240	250	4.2
Fairfield/Liverpool	2160-2189	210	220	4.8
Canterbury/Bankstown	2190-2220	200	200	0.0
St George	2201-2223	255	260	2.0
Cronulla/Sutherland	2224-2249	270	280	3.7
<b>Metropolitan</b>		<b>280</b>	<b>290</b>	<b>3.6</b>
Central Coast	2250-2263	210	220	4.8
Greater Newcastle	2264-2319	190	205	7.9
Hunter Valley	2320-2339	165	180	9.1
New England	2340-2419	135	145	7.4
North Coast	2420-2499	180	195	8.3
Greater Wollongong	2500-2530	200	220	10.0
South Coast	2531-2551	175	190	8.6
Campbelltown	2552-2570	210	215	2.4
Southern Division	2571-2639	170	190	11.8
Riverina	2640-2739	145	150	3.5
Penrith/Windsor	2740-2772	220	225	2.3
Blue Mountains	2773-2786	200	205	2.5
Orange/Windsor	2787-2819	160	170	6.3
Dubbo & North West	2820-2842	145	140	6.6
Mudgee District	2843-2863	155	160	3.2
Western Division	2864-2880	130	140	7.7
<b>Outer metropolitan &amp; regional</b>		<b>185</b>	<b>195</b>	<b>5.4</b>
Miscellaneous	2881-9999	150	165	10
<b>NSW</b>		<b>230</b>	<b>240</b>	<b>4.3</b>

# Bonds held

## By postcode groupings

Postcode groupings	Postcodes	Bonds held		Change
		30-06-03	30-6-04	%
Inner Sydney	2000-2014	25,950	27,566	6.2
South Sydney	2015-2020	7,483	8,644	15.5
Eastern Suburbs	2021-2036	45,716	46,252	1.2
Inner West	2037-2059	28,448	29,575	4.0
Lower North Shore	2060-2069	22,165	22,546	1.7
Upper North Shore	2070-2087	9,496	10,029	5.6
Mosman/Cremorne	2088-2091	10,718	10,728	0.1
Manly/Warringah	2092-2109	20,298	20,899	3.0
North Western	2110-2126	18,723	19,284	3.0
Western Suburbs	2127-2145	29,214	30,885	5.7
Parramatta/Hills	2146-2159	19,856	21,184	6.7
Fairfield/Liverpool	2160-2189	27,693	28,973	4.6
Canterbury/Bankstown	2190-2220	17,811	18,270	2.6
St George	2201-2223	30,746	31,962	4.0
Cronulla/Sutherland	2224-2249	13,516	13,979	3.4
Miscellaneous		79	150	9.9
<b>Metropolitan</b>		<b>327,912</b>	<b>340,926</b>	<b>4.0</b>
Central Coast	2250-2263	22,289	23,664	6.2
Greater Newcastle	2264-2319	28,143	29,516	4.9
Hunter Valley	2320-2339	10,747	11,617	8.1
New England	2340-2419	11,314	11,832	4.6
North Coast	2420-2499	40,541	42,451	4.7
Greater Wollongong	2500-2530	17,279	17,973	4.0
South Coast	2531-2551	10,615	11,238	5.9
Campbelltown	2552-2570	9,764	10,189	4.4
Southern Division	2571-2639	11,875	12,443	4.8
Riverina	2640-2739	15,377	16,114	4.8
Penrith/Windsor	2740-2772	23,792	25,405	6.8
Blue Mountains	2773-2786	4,877	5,083	4.2
Orange/Windsor	2787-2819	8,055	8,727	8.3
Dubbo & North West	2820-2842	4,836	5,130	6.1
Mudgee District	2843-2863	1,585	1,673	5.6
Western Division	2864-2880	2,459	2,666	8.4
Miscellaneous	2881-9999	317	376	18.6
<b>Outer metropolitan &amp; regional</b>		<b>223,865</b>	<b>236,097</b>	<b>5.5</b>
<b>NSW</b>		<b>551,777</b>	<b>577,023</b>	<b>4.6</b>

All postcode groupings in NSW experienced positive growth in the number of bonds held during 2003-2004.



GPO BOX 12  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### Rental Bond Board

To Members of the New South Wales Parliament

#### Audit Opinion

In my opinion, the financial report of the Rental Bond Board:

- (a) presents fairly the Rental Bond Board's financial position as at 30 June 2004 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

My opinion should be read in conjunction with the rest of this report.

#### The Board's Role

The financial report is the responsibility of the members of the Board of the Rental Bond Board. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

#### The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Rental Bond Board,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

### Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The 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 Aboud CA, CPA  
Director of Audit

SYDNEY  
20 October 2004

## 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 2004 and transactions for the period 1 July 2003 to 30 June 2004;
- (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 2000 and the Treasurer's Directions.

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

On behalf of the Board.



DAVID O'CONNOR, Chairperson



BRIAN WADDINGTON, Member

Dated at Sydney

19.10.04

**RENTAL BOND BOARD**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2004**

<b>2003</b>		<b>Notes</b>	<b>2004</b>
<b>\$'000</b>			<b>\$'000</b>
	<b>Revenue from Ordinary Activities</b>		
33,400	Interest income	1(c),7	34,111
-	Other income		879
<u>33,400</u>	<b>Total Revenue</b>		<u>34,990</u>
	<b>Expenses from Ordinary Activities</b>		
	Administrative Assistance:		
16,436	Operating Expenses	1(a),8	16,236
10,960	Grants and subsidies	8(b)	12,371
630	Other operating expenses	8(a)	644
70	Interest on rental bonds	1(f)	77
<u>28,096</u>	<b>Total Expenses</b>		<u>29,328</u>
<u>5,304</u>	<b>SURPLUS FOR THE YEAR FROM ORDINARY ACTIVITIES</b>		<u>5,662</u>
-	<b>NON-OWNER TRANSACTION CHANGES IN EQUITY</b>		-
<u>5,304</u>	<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>		<u>5,662</u>

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

**RENTAL BOND BOARD**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004**

2003 \$'000		Notes	2004 \$'000
	<b>ASSETS</b>		
	<b>Current Assets</b>		
14,387	Cash	2	18,764
201	Receivables	3	178
22,613	Other financial assets	4	23,362
<u>37,201</u>	<b>Total Current Assets</b>		<u>42,304</u>
	<b>Non Current Assets</b>		
234	Other financial assets	4	216
<u>234</u>	<b>Total Non Current Assets</b>		<u>216</u>
<u>37,435</u>	<b>TOTAL ASSETS</b>		<u>42,520</u>
	<b>LIABILITIES</b>		
	<b>Current Liabilities</b>		
1,271	Payables	6	718
<u>1,271</u>	<b>Total Current Liabilities</b>		<u>718</u>
	<b>Non Current Liabilities</b>		
24	Payables	6	-
<u>24</u>	<b>Total Non Current Liabilities</b>		<u>-</u>
<u>1,295</u>	<b>TOTAL LIABILITIES</b>		<u>718</u>
<u>36,140</u>	<b>NET ASSETS</b>		<u>41,802</u>
	<b>EQUITY</b>		
36,140	Accumulated funds	10	41,802
<u>36,140</u>	<b>TOTAL EQUITY</b>		<u>41,802</u>

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

**RENTAL BOND BOARD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

<b>2003</b>		<b>Notes</b>	<b>2004</b>
<b>\$'000</b>			<b>\$'000</b>
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	<b>Receipts</b>		
98	Maturity of investments		34
33,325	Interest received		34,113
679	Other		918
<u><b>34,102</b></u>	<b>Total Receipts</b>		<u><b>35,065</b></u>
	<b>Payments</b>		
(70)	Payment of interest on bonds		(77)
(17,122)	Trade creditors		(17,491)
(16,978)	Grants and subsidies		(12,371)
<u><b>(34,170)</b></u>	<b>Total Payments</b>		<u><b>(29,939)</b></u>
<u><b>(68)</b></u>	<b>NET CASH FLOWS FROM/(USED BY) OPERATING ACTIVITIES</b>	12	<u><b>5,126</b></u>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	<b>Payments</b>		
(2,194)	Purchase of investments		(749)
<u><b>(2,194)</b></u>	<b>Total Payments</b>		<u><b>(749)</b></u>
<u><b>(2,194)</b></u>	<b>NET CASH FLOWS USED BY INVESTING ACTIVITIES</b>		<u><b>(749)</b></u>
(2,262)	<b>NET INCREASE/(DECREASE) IN CASH</b>		4,377
16,649	<b>CASH AT 1 JULY</b>		14,387
<u><b>14,387</b></u>	<b>CASH AT 30 JUNE</b>	2	<u><b>18,764</b></u>

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

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2004**

**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 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).

**(b) Basis of Accounting**

The financial statements are a general purpose financial report which has been prepared on a going concern, accrual and historical cost basis (except as otherwise stated) in conformity with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Urgent Issues Group Consensus Views, to exhibit a true and fair view of the financial position and transactions of the Board. The financial statements of the Board comply with the provisions of the Public Finance and Audit Act 1983, its regulation and Treasurer's Directions. The accounting policies adopted are consistent with those of the previous year.

**(c) Revenue 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.

**(d) 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.

**(e) Presentation**

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

**(f) 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

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2004**

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

the Rental Bond Interest Account in accordance with Section 11A and Section 20(2D) of the Landlord and Tenant (Rental Bonds) Act 1977.

**(g) 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.

**(h) 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. For current “other financial assets” revaluation increments and decrements are recognised in the Statement of Financial Performance.

**(i) Adoption of Australian Equivalents to International Financial Reporting Standards**

The Rental Bond Board will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

The Department of Commerce (which performs the administrative functions for the Board) is managing the transition to the new standards by allocating internal resources to analyse the pending Standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, the agency has taken the following steps to manage the transition to the new standards:

- (i) The Department of Commerce’s Executive is overseeing the transition. The Chief Financial Officer is responsible for the project and reports regularly to the Executive and the Audit Committee.

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2004**

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

- (ii) The Department of Commerce has assessed the impact of the changes and has identified major requirements of the revised standards.
- (iii) The Department of Commerce has set a timetable in line with the Treasury timetable for the adoption of the standards.
- (iv) The revised requirements and implementation plan are also being discussed with the Audit Office to ensure that the Corporation fully complies with the requirements.

NSW Treasury is assisting agencies to manage the transition by developing policies, including mandates of options; presenting training seminars to all agencies; providing a website with up-to-date information to keep agencies informed of any new developments; and establishing an IAS Agency Reference Panel to facilitate a collaborative approach to manage the change.

**2. CURRENT ASSETS – CASH**

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 4.25% (4.5% 2002/2003). NSW Treasury Corporation interest for Hour-Glass Cash Facility Trust was 5.23% (4.85% 2002/2003).

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at Bank	92	458
NSW Treasury Corporation Hour-Glass Cash Facility Trust	18,672	13,929
	18,764	14,387

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

Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of financial year as shown in the Statement of Cash Flows as follows:

Cash (per Statement of Financial Position)	18,764	14,387
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	18,764	14,387

**3. ASSETS - RECEIVABLES**

Items classified as receivables are as follows:

Accrued Interest	158	176
Debtors	20	25
	178	201

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2004**

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

**4. OTHER FINANCIAL ASSETS**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Current	23,362	22,613
Non-Current	216	234
	23,578	22,847

Funds are invested as follows:

NSW Treasury Corporation Hour-Glass Bond Market (i)	23,362	22,613
Co-operative Housing Societies (ii)	61	66
Other Housing (iii)	155	168
	23,578	22,847

- (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 investments are generally able to be redeemed with seven days notice (dependent upon the facility). 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 2004, with an effective interest rate of 3.32% (7.6% 30 June 2003).

- (ii) 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.
- (iii) The Board has 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.

**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

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2004**

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

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>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Trust Investments (i)	574,977	534,968
	<u>574,977</u>	<u>534,968</u>
<b>Less:</b> Unpresented Cheques	(4,051)	(4,116)
Rental Bonds	<u>570,926</u>	<u>530,852</u>

(i) Rental Bonds are invested as follows:

NSW Treasury Corporation Hour-Glass Facility Trust	34,705	46,001
Direct Fixed Interest Portfolio(a)	537,906	485,910
Private Shared Equity Scheme (b)	2,366	3,057
	<u>574,977</u>	<u>534,968</u>

- (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 2004, the return was 1.06% (1.38% - 30 June 2003).

**Market Valuation of Rental Bond Investments**

Market valuations were obtained on the investments listed below:

NSW Treasury Corporation Hour-Glass Facility	34,755	46,097
Direct Fixed Interest Portfolio	540,062	505,900
Private Shared Equity Scheme	2,379	3,099
	<u>577,196</u>	<u>555,096</u>

Market values as at 30 June 2004 were either equal to book values or book values plus interest accrued as at 30 June 2004.

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2004**

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

**6. CURRENT/NON CURRENT LIABILITIES - PAYABLES**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Office of Fair Trading	145	772
Grants	381	381
Other Accrued Charges	192	142
	718	1,295

**7. INTEREST**

Rental Bond Trust Account	36,696	35,388
Amortisation of Premium/Discounts on Trust Account Investments	(4,021)	(4,215)
	32,675	31,173
 Rental Bond Interest Account	 1,436	 2,227
	1,436	2,227
	34,111	33,400

Interest 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 of \$16,236,000 (\$16,436,000 2002/2003) for the recovery of expenses that it has incurred on behalf of the Board, ie. associated employee related costs and other operating expenses. Included in the administrative assistance charge for the period ended 30 June 2004 is an amount of \$1,661,000 for the Board's share of capital expenditure (\$1,730,000 - 30 June 2003).

**(a) Other operating expenses:**

Auditor's remuneration	47	46
Bank charges	107	145
Bad and doubtful debts	18	17
Investment Management Fee	445	422
Other	27	-
	644	630

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2004**

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

**(b) Grants and Subsidies:**

		<b>2004</b>	<b>2003</b>
		<b>\$'000</b>	<b>\$'000</b>
Tenancy Services	9(a)	379	300
Tenants' Advice and Advocacy Program	9(b)	3,376	3,243
Tenancy Function of Consumer Trader and Tenancy Tribunal	9(c)	8,016	6,817
Tenancy Guarantee Pilot Project		600	600
		12,371	10,960

**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.

**(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 1941, 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 1989. 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 2004**

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

**10. Accumulated Funds**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of the financial year	36,140	30,836
Changes in equity – other than transactions with owners as owners	-	-
Surplus for the year	5,662	5,304
Balance at the end of the financial year	41,802	36,140

**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 SURPLUS**

<b>OPERATING SURPLUS</b>	5,662	5,304
<b>Increase (Decrease) in Liabilities</b>		
Payables	(577)	(5,386)
<b>(Increase) Decrease in Assets</b>		
Other financial assets	18	79
Receivables	23	(65)
<b>Net Cash from/(used in) Operating Activities</b>	<b>5,126</b>	<b>(68)</b>

**13. AFTER BALANCE DATE EVENTS**

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

**END OF AUDITED FINANCIAL STATEMENTS**

# Compliance

## with annual reporting requirements

### 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 2003-2004

Requirement	Reference
Letter of Submission	Inside front cover
Application for extension of time	n/a
Charter	1
Aims & objectives	4
Access	Back cover
Management & structure	2
Summary review of operations	6-19
Funds granted to non-government community organisations	17
Legal Change	5
Economic or other factors	n/a
Management & activities	6-19
Research & 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 & 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 & availability	This page
Investment performance	6, 30
Liability management performance	31
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

### 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

Accuracy of information	14
Agency performance	6, 14
Board membership	3
Business systems	12
Community level objectives	4, 6, 14
Community level statistics	7, 15
Consumer, Trader & Tenancy Tribunal	16
Customer satisfaction	14
Department of Commerce	1,2
Financial statements	20
Funded services	15
Highlights	3
Information services	10
Internal control	13
Investments	6
Landlord and Tenant (Rental Bonds) Regulation	5
Legislative developments	5
Median rentals	18
NSW Treasury Corporation	6
Office of Fair Trading	1,2
Planning framework	4
Rental bond custody	7
Rental Bond Internet Service	9, 11
Rental bond lodgements	8
Rental bond refunds	9
Rental bonds held	7, 19
Rental statistical information	8
Service level objectives	4, 6
Strategic priority	4
Structure	2
TAAP	17
Tcorp	6
Tenancy Advice & Advocacy Program	17
Tenancy databases	5
Tenancy services	15



# phone 13 32 20

For help on any fair trading issue call your nearest Fair Trading Centre, or call the specialist service listed below which is relevant to your enquiry. A range of Fair Trading services are also available via Government Access Centres (GACs) and other agency locations throughout regional New South Wales. For details, visit the website [www.fairtrading.nsw.gov.au](http://www.fairtrading.nsw.gov.au)

## Fair Trading Centre locations

Albury  
Armidale  
Bathurst  
Blacktown  
Broken Hill  
Coffs Harbour  
Dubbo  
Gosford  
Grafton  
Hurstville  
Lismore  
Liverpool  
Newcastle  
Orange  
Parramatta  
Penrith  
Port Macquarie  
Queanbeyan  
Sydney  
Tamworth  
Tweed Heads  
Wagga Wagga  
Wollongong

## Fair Trading Centres – call 13 32 20 for general enquiries

TTY *Telephone service for the hearing impaired.*

General enquiries.....9338 4943  
Tenancy enquiries .....9377 9099  
REVS enquiries.....1300 135 399

## Language assistance

Ring the telephone interpreting service on 13 14 50 and ask for an interpreter in your language. The interpreter can then contact the Office of Fair Trading.

Office of Fair Trading  
1 Fitzwilliam Street Parramatta NSW 2150  
PO Box 972 Parramatta NSW 2124  
Tel. (02) 9895 0111

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