



Fair  
Trading

# Annual Report 2011/12

**Rental Bond Board**



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Ref:FTMIN12/563

The Hon Anthony Roberts, MP  
Minister for Fair Trading  
Level 36, Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Dear Minister,

I am pleased to present the Annual Report of the Rental Bond Board for the year ending 30 June 2012.

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 *Residential Tenancies Act 2010*.

Yours sincerely

Rod Stowe

**Commissioner**

11/10/12.

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## Access

The Rental Bond Board is the independent custodian of rental bonds paid by tenants to landlords for residential tenancies. Landlords must lodge tenants' bond money with the Board. Fair Trading's Renting Services Branch administers the day to day functions of the Board, providing rental bond lodgement, custody, refund and information services.

Persons can obtain access to the Rental Bond Board and its services via any Fair Trading Centre, by phoning the Fair Trading Information Centre on 13 32 20 or the Fair Trading website, [www.fairtrading.nsw.gov.au](http://www.fairtrading.nsw.gov.au). The public access offices are located at 24 locations around NSW, including 18 in regional and rural areas, and are open between 8:30am and 5:00pm.

Renting Services Branch  
Locked Bag 19, Darlinghurst NSW 1300  
Phone: 13 32 20

Secretariat functions of the Board are carried out by NSW Fair Trading at:  
Level 22, 2-24 Rawson Place  
Sydney NSW 2000  
PO Box 972, Parramatta, NSW 2124  
email: [secretariat@services.nsw.gov.au](mailto:secretariat@services.nsw.gov.au)  
Fax: 9338 8970

### **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 NSW Fair Trading web site.

## Overview

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 *Residential Tenancies Act 2010* 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.

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. NSW Fair Trading serves the Rental Bond Board by undertaking the rental bond lodgment, custody and refund functions, as well as providing tenancy and bond information to customers. Fair Trading also provides policy and legislative support while the broader umbrella organisation of the Department of Finance and Services provide financial administration, corporate and general business support. Information on the management, human resources, business systems and financial administration of the board is found in the NSW Department of Finance and Services Annual Report 2011/12.

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. The Board also contributes to the funding of Fair Trading's grants programs for credit counseling and the No Interest Loans Scheme.

## Highlights

- Record 680,150 rental bonds valued at \$969.4 million were held in custody by the Board at 30 June 2012.
- The Rental Bond Board provided approximately \$4.5 million to the Tenants Advice and Advocacy Program (TAAP), a program which is jointly funded by the Board and Fair Trading.
- Use of the Rental Bond Internet Service (RBIS) continues to grow with the online rental bond self-service channel for real estate property managers now handling 14.5 % of refund claims and 52% of rental bond enquiries.

## Board membership

The Board is comprised of the Director General of the Department of Finance and Services, as Chairperson, representatives of the Director General of Housing NSW 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
Mr Rod Stowe Commissioner for Fair Trading NSW Fair Trading Chairperson	Ex officio	4 meetings
Ms Helen O'Loughlin Delegate of Director General of Housing NSW Ms Lacy Barron representing Ms O'Loughlin Ms Renee Wirth representing Ms O'Loughlin	Ex officio	0 meetings 1 meeting 2 meetings
Mr Ranit Ram Delegate of Secretary of the Treasury	Ex officio	4 meetings
Ms Charmaine Jones Tenants' Union of NSW	Ministerial appointment	4 meetings
Ms Sandra McGee Real Estate Institute of NSW	Ministerial appointment	4 meetings

## Service arrangements

As a division of the Department of Finance and Services, Fair Trading does not produce a separate annual report.

Information on the management, human resources, business systems and financial administration of Fair Trading's custodial role is found in the NSW Department of Finance and Services Annual report 2011/12.

## Rental bond custodial service

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

This is the first of the two high-level Rental Bond Board programs that contribute to the development and maintenance 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 independently of both parties ensures tenants can be certain their bond is available for refund, while allowing landlords to recover funds where appropriate.

#### Performance measures

	07/08	08/09	09/10	10/11	11/12	Target**
% of rental bond lodgements received and banked within published service standards	97%	98%	97%	94%	95%	90%
% agreed direct deposit refunds banked within two working days	99%	99%	99%	98%	98%	90%
% agreed mail refund cheques posted within four working days	99%	98%	98%	98%	98%	90%
% Notices of Claim issued to one party - paid within twenty working days	98%	98%	98%	97%	97%	90%
RBB investment returns match (M), exceed (E) industry benchmark or (U) under benchmark	M	E	E	E	U	≥M
Financial Statements unqualified (U) qualified (Q)	U	U	U	U	U	U

\*\* Percentage of rental bond services meeting published Guarantee of Service standards

#### 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 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.

The under performance of the portfolio is primarily due to the decline of the official cash rate. Throughout 2012 the cash rate fell from 4.75% to 3.5%.

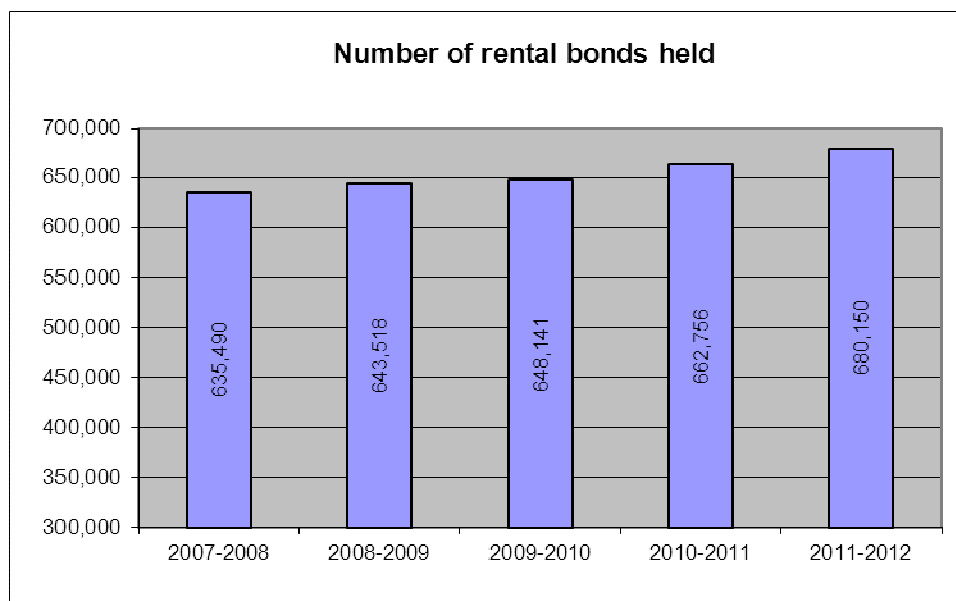
#### Rental bond custody

At 30 June 2012 the Board held 680,150 rental bonds in trust. These were valued at \$969.4 million, which, on average, amounted to \$1425 for each rental bond. The total number of bonds held increased by 2.6 % over the number held at 30 June 2011.

During the year, 267,757 new rental bonds were lodged with the Board – an increase of 2.7% from the previous financial year. The number of bonds refunded increased this year by only 1.7% to 250,372 reflecting the low vacancy rate in the NSW rental market.

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 Residential Tenancies Regulation 2010 and is equivalent to the rate payable by the Commonwealth Bank of Australia on an Everyday Access Account balance of \$1,000.00.



## Rental statistical information

Of the 2.47 million occupied private dwellings counted in New South Wales at the 2011 Census approximately 743,050 dwellings, or nearly 30% of the total, served as private rental accommodation (Australian Bureau of Statistics: 2011 Basic Community Profiles New South Wales 21 June 2012)

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 Housing NSW. 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).

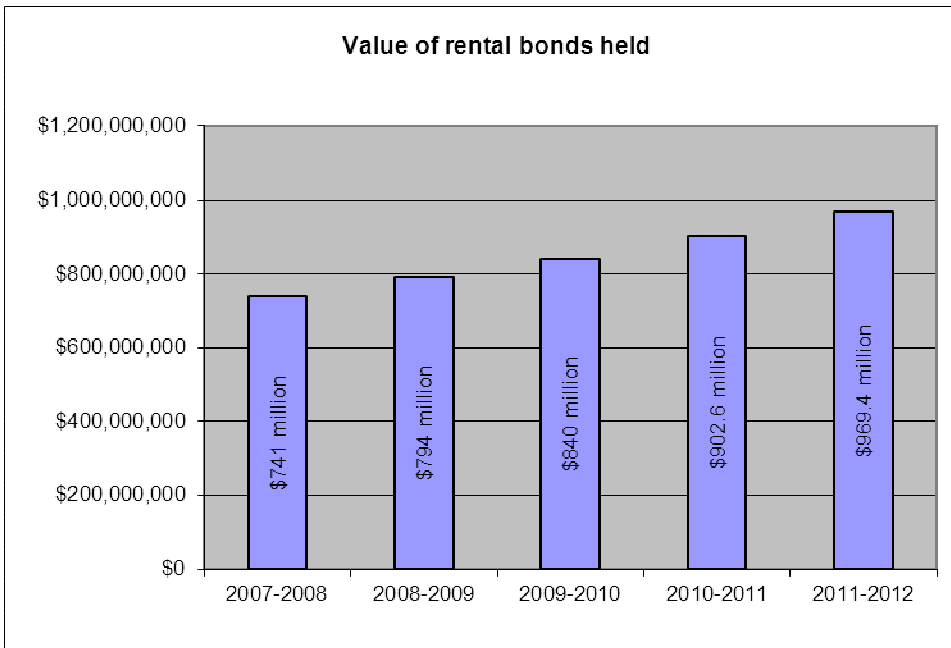
Summary tables of Bonds Held and Median Rentals are included in this Report on pages 15 and 16.

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.

The Board's statistics indicate that in the 2011/12 financial year 90% of metropolitan bonds and 89% 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.



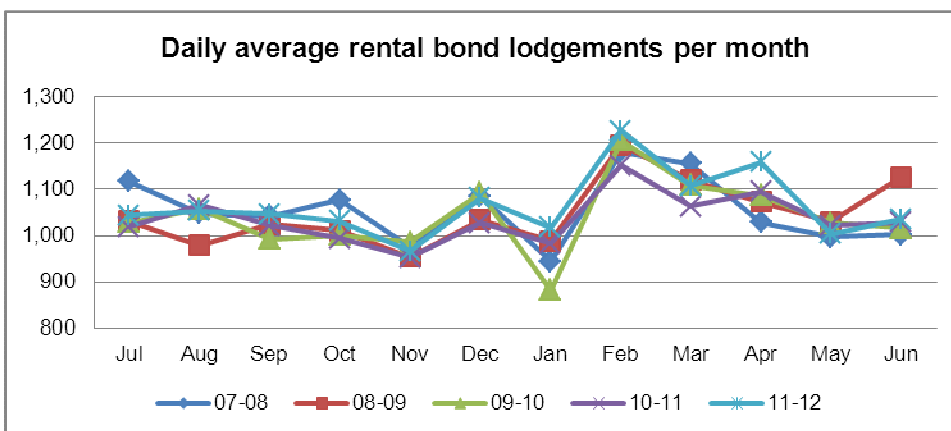
### Rental bond lodgements

During the year, 267,757 new rental bond lodgements and 13,490 additional bonds (where a bond is paid by installments) were received by the Board.

This represented an average of 1,116 transactions 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 receipted was \$455.7 million. 95% of all bond lodgements were receipted and banked the day they were received.

The Board received only 53 enquiries regarding non-lodgement of rental bonds in 2011/12. This represented just 0.02% 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

250,372 rental bonds were refunded in 2011/12 through 352,940 individual payments. This represented an average of 994 claims processed by staff each working day.

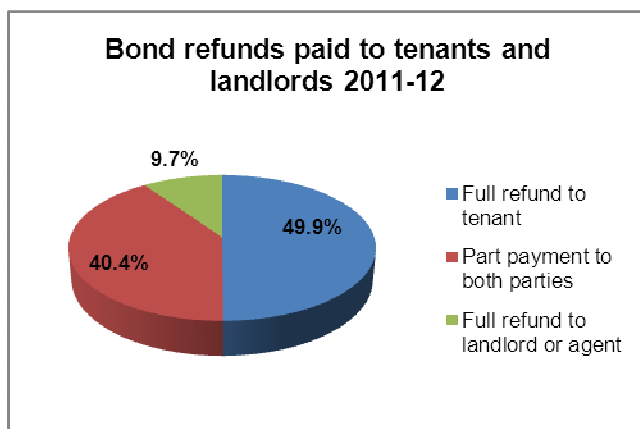
The year saw a continuation of the long term trend toward the use of electronic services by our customers in preference to the traditional mail and face-to-face services. About 84% of bond refund claims from real estate agents, landlords and tenants were received by facsimile, compared with just over 3% by mail.

The Rental Bond Internet Service (RBIS) continued to grow in popularity with 36,453 claims submitted by real estate property managers in 2011/12. As a percentage of all refunds, RBIS claims represent 14.6% of all claims.

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 66% in 2009/10 and 69% in 2010/11 to 72% this year. By contrast, the number of bonds refunded over the counter continues to decline. In 2011/12, only 0.1% of customers sought a refund in person, down from 0.3% in 2010/11.

Claims for rental bond refunds are classified in two main categories in accordance with Part 8, Division 3 Release of rental bonds s167 and s168 of the *Residential Tenancies Act 2010*

- 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 14 days to apply to the Consumer, Trader and Tenancy Tribunal if they wish to dispute the claim.

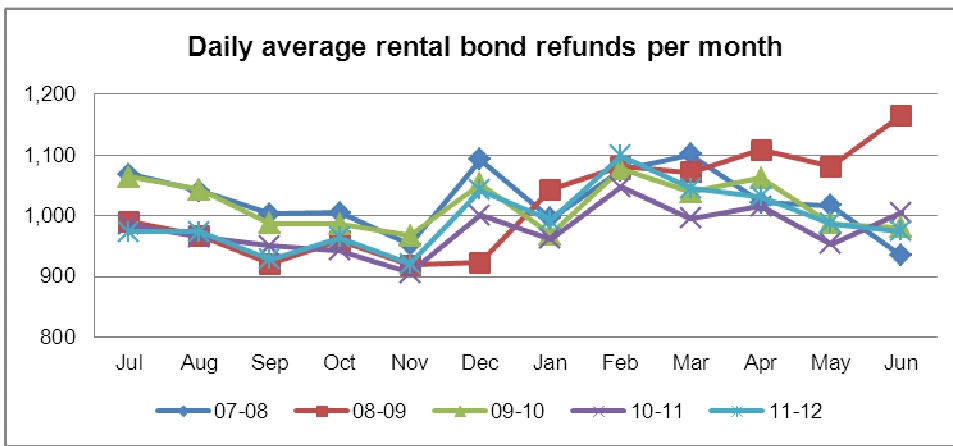


The size of the proportional split between parties - which may be expected to fluctuate slightly over time with the circumstances of individual tenancies - is less important than the fact that the split exists. In many cases, tenants and landlords are able to agree on how the bond should be distributed, but in disputed cases the CTTT resolve 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.

During 2011/12, 73.1% of all refunds were agreed by the parties while in 24.9% of cases a notice of claim was issued but no dispute proceeded to the Tribunal. 1.7% 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 0.3% 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 98% of all direct credit refunds into customers' bank accounts within two days of receiving an agreed rental bond claim.

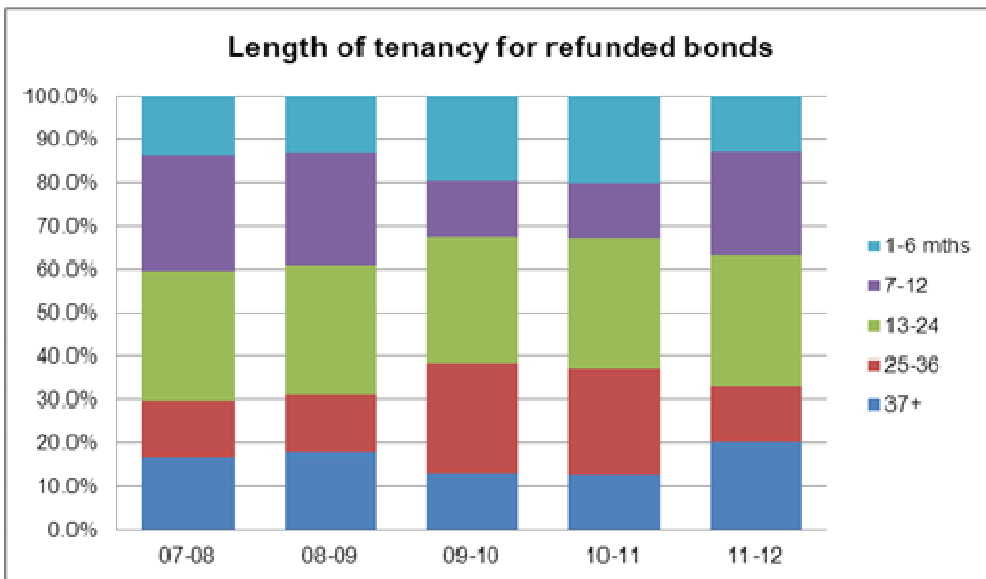
Over the year, \$27,516 was written off against income as a result of irrecoverable customer fraud and incorrect processing of refunds by staff. As a percentage, the amount written off represented just 0.007% of the total amount of \$390.7 million refunded during the year.



## Length of tenancy

Analysis into the current financial year indicates that 63.3% of all bonds refunded during 2011/12 had been held by the Board for more than 12 months at the time of refund, with 33.3% of all bonds refunded being held for tenancies of greater than two years' duration. This compares with 2001/02, when only 51% of bonds remained with the board for longer than 12 months, and just 24% for longer than two years.

This translates, over the last ten years, into increases of 6.9% in the proportion of tenancies lasting longer than three years and a 2.3% increase in tenancies of two to three years; with a corresponding decrease of 5.0% in the proportion of tenancies of less than six months' duration.



## Information services

Fair Trading continued to provide the Board with a responsive rental bond customer information service in 2011/12 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.

193,808 telephone enquiries on rental bonds were answered by Fair Trading staff during 2011/12, with 97% of all incoming calls answered.

During 2011/12 agents made 210,115 individual bond enquiries via RBIS – representing 52% 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) 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. 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.

The real estate industry continued to provide strong support for RBIS with a further 168 property managers joining up to the Service during the year.

The number of rental bond claims submitted via RBIS increased by 14.1% this year. Property managers also used the Service to access a range of financial reports on rental bonds managed by their agencies.

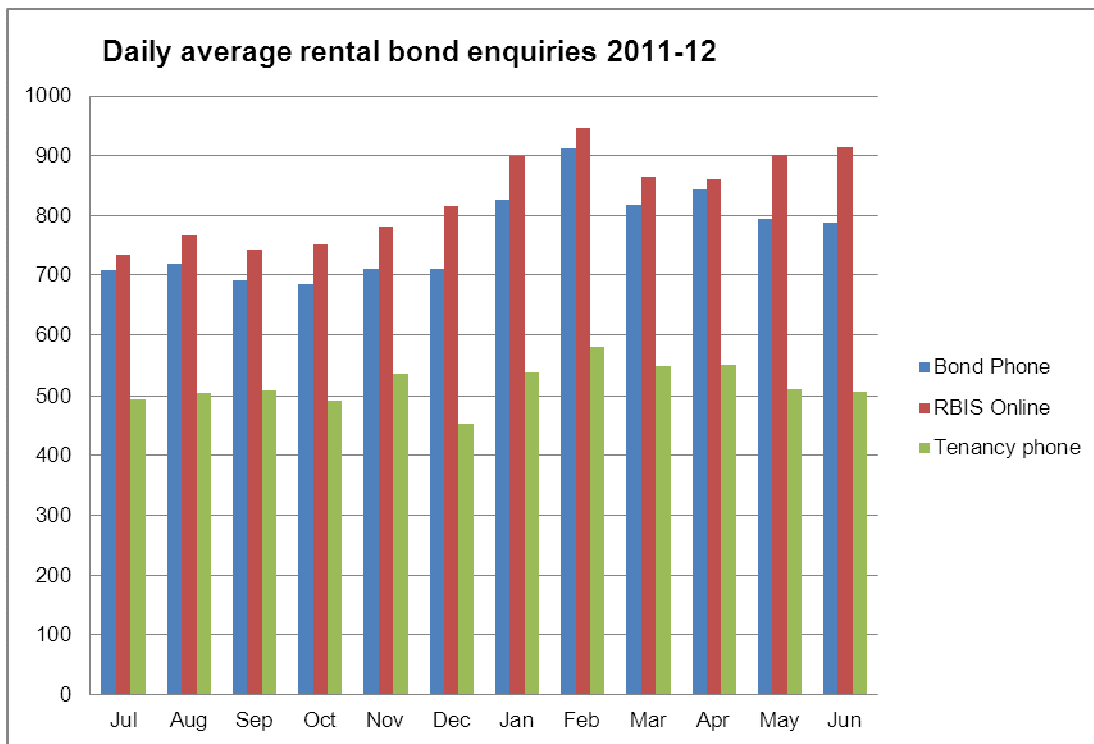
With a 30% increase in the total number of rental bonds managed by Fair Trading since the inception of RBIS, the Service has proven itself a cost-effective self-service delivery channel which has enabled Fair Trading to manage increasing transaction volumes.

## Tenancy services

The Rental Bond Board funds the provision of government tenancy information services through the Fair Trading Information Centre (FTIC) in accordance with Part 8, Rental bonds Division 6, s186 (2) of the *Residential Tenancies Act 2010*.

Tenancy-related telephone enquiry volumes increased by 7.4% this year compared to 2011/12, with 131,001 calls responded to by staff. During the year officers answered 97% of all incoming tenancy calls.

Customer information and electronic versions of our publications are available on Fair Trading's website ([www.fairtrading.nsw.gov.au](http://www.fairtrading.nsw.gov.au)). The use of the internet for information self-service by customers continues to grow. The Fair Trading Information Centre (FTIC) is one of Fair Trading's main front line services, dealing with over one million customer telephone enquiries each year, across a range of Fair Trading matters. FTIC takes an active role in promoting the available self-service options to its customers and also provides information which assists them in resolving their issues.



## Business systems

A dedicated Business Systems Unit within Fair Trading supports the specialised computer environment which makes up the Rental Bond System, which includes the rental bond financial database, document images and the Rental Bond Internet Service (RBIS).

The unit manages the maintenance and on-going system development of the applications which enable the processing of rental bonds by both internal staff and by property managers using the Rental Bond Internet Service.

The Rental Bond System is designed to provide high availability, confidentiality and integrity; and performance levels required to meet the business needs of a high volume processing environment. The system has been fully available to users for over 99% of the time in the year to 30<sup>th</sup> June 2012.

## 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.

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 2011/12, 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 our customers or the integrity of financial operations.

## 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.

Fair Trading conducts information sessions, talks and seminars covering a range of topics for real estate and property agents, self-managing landlords and tenants. The sessions include information regarding rights and responsibilities as agents and property managers within the Residential Tenancies Act, anti-discrimination issues covering residential tenancies and obligations of staff, smoke alarm laws, Consumer Trader and Tenancy Tribunal information on the Tribunal process and the most common areas that are referred to the Tribunal. The information is provided in conjunction with the Tribunal, NSW Fire Brigade, and the Anti-Discrimination Board.

Tenancy, real estate and property management issues can be quite complex. Fair Trading provides information and negotiates between parties on disputes. While negotiating these disputes, where officers detect any breaches of legislation, these breaches are referred for further investigation.

## **Consumer, Trader & Tenancy Tribunal - Tenancy Functions**

The Consumer, Trader and Tenancy Tribunal is an independent body which provides an accessible, efficient and affordable avenue for the resolution of disputes about the supply of goods and services and issues relating to residential property.

The Tribunal's broad jurisdiction covers residential tenancies, retail transactions, home building or renovating, residential parks, strata and community schemes, motor vehicle purchase and repair, agents' fees and retirement villages. The relaxed formality of the Tribunal's dispute resolution service aims to bring parties to a mutually agreed settlement before a formal hearing, wherever possible.

The Tribunal is easily accessible to consumers and traders who are in dispute. There are seven Tribunal registries in metropolitan and regional NSW, and information about the Tribunal is also available from Fair Trading Centres across the State as well as the Tribunal website [www.cttt.nsw.gov.au](http://www.cttt.nsw.gov.au). In 2011-2012, the website recorded a significant increase in website visits with over 510,000 people accessing the website. By 30 June around 8,000 people had watched the new *A Guide to the CTTT* videos on the CTTT YouTube channel.

*CTTT Online* enables people to lodge their application with the Tribunal over the internet. In 2011-2012 54% of applicants chose online lodgement and accessed the service through the Tribunal website. Applicants with tenancy disputes were the highest users of this online service. Seventy-five percent of *CTTT Online* users rate the service as 'above average' to 'excellent', and 93% would recommend the service to anyone wanting to lodge an application with the Tribunal.

In 2011-2012, the Tribunal received a total of 64,803 applications in its nine divisions, and 76,408 hearings were conducted in 67 locations across New South Wales. Applications in the Tenancy Division continued to dominate the Tribunal's workload, accounting for 32,626 lodgements, or 50% of all applications received this year. The new *Residential Tenancies Act 2010*, which commenced on 31 January 2011, also provides jurisdiction for the Tribunal's Social Housing Division. The number of Social Housing Division applications lodged was 16,084 or 25% of total applications. A further 3,854 applications (6% of the total) related to residential park, strata and community scheme, or retirement village issues.

The Rental Bond Board provided \$13.444 million in funding toward the residential tenancy functions of the Tribunal in 2011-2012, which were jointly funded by NSW Fair Trading and the Board.

The CTTT has a range of technological initiatives already available and under development.

**CTTT Online:** a 24 hour online service that enables the electronic lodgement of applications in most Divisions; most matters are automatically listed and a notice of hearing dispatched by return email. Parties can also track progress of their application online at any time.

**InCourt:** is a system that enables CTTT members to produce Tribunal orders by typing them directly into the case management system at the conclusion of the hearing so that orders can be made available.

**eConnect:** which was introduced on 16 January 2012 to online applicants only, is an online service which allows people to receive Notices of Hearing, and other Tribunal correspondence by email. Work is underway to extend this service to respondents in some divisions.

**eDoc:** is another online service that is being developed to allow CTTT parties to electronically submit evidence and other case related documents. The initial pilot of this service will be undertaken in partnership with Housing NSW.

A video conferencing capability was established during 2011-2012 to increase access to CTTT services for regional consumers and traders. The first phase of the video conferencing project was implemented and is currently being used as another means of communicating internally.

More information about these and other innovations is included in the Tribunal's annual report which can be downloaded from the Tribunal's website

## Grants program

In accordance with Part 8, Rental Bonds Division 6, s186 (3) of the *Residential Tenancies Act 2010* the Director-General may make a grant or loan, on the recommendation of the Board and with the approval of the Minister, from the Rental Bond Interest Account for the following purposes:

- (a) establishing and administering tenancy advisory services;
- (b) schemes for the provision of residential accommodation;
- (c) education about tenancy laws and the rights and obligations of landlords and tenants; (d) research into matters relevant to the relationship of landlord and tenant; and
- (e) other activities for the benefit of landlords and tenants.

The Department of Finance and Services Annual Report 2011/12, Appendix 8 Funds granted to non-government community organisations, contains information on all recipients and budget paper program information on the Rental Bond Board Grants Programs.

## Programs funded by the Rental Bond Board

### Tenants' Advice and Advocacy Program

The Rental Bond Board provides 50% of the total funding towards the Tenants' Advice and Advocacy Program. In 2011/12 the Board's contribution to the Program was approximately \$4.5 million.

### Credit Counselling Program

The Rental Bond Board contributes 70% of the total value of the Credit Counselling Program. The Board's contribution toward the Program for 2011/12 was approximately \$2.9 million.

### No Interest Loans Scheme

90% of the total funding for the No Interest Loans Scheme is derived from the Rental Bond Board. The Board's contribution to the Program for 2011/12 was approximately \$1.9 million.

## **Aged-care Rights Service**

Each year the Rental Bond Board funds The Aged-care Rights Service to provide advice and information to older people in supported accommodation such as nursing homes, hostels, retirement villages and boarding houses across NSW. In 2011/12 the Rental Bond Board provided funding totalling \$463,146.

## **Rental Bond Board Grants Program**

One program was funded under the Rental Bond Board Grants Program: The project provided information forums, surveys and questionnaires seeking views from park residents on required changes to the Residential Parks legislation. A total of \$73,166 was approved for 2011/12.



Rental bonds held by the Board at 30 June 2012 by postcode groupings

<b>Rental Bonds held as at 30 June by postcode groupings</b>				
<b>Postcode Groupings</b>	<b>Post Code Grouping</b>	<b>Bonds Held</b>		<b>Variation</b>
		<b>30/06/2011</b>	<b>30/06/2012</b>	
Inner Sydney	2000 - 2014	31,701	32,420	2.3%
South Sydney	2015 - 2020	11,287	11,433	1.3%
Eastern Suburbs	2021 - 2036	49,362	49,699	0.7%
Inner West	2037 - 2059	31,140	31,479	1.1%
Lower North Shore	2060 - 2069	23,685	23,897	0.9%
Upper North Shore	2070 - 2087	11,698	12,160	3.9%
Mosman/Cremorne	2088 - 2091	10,893	10,876	-0.2%
Manly/Warringah	2092 - 2109	21,547	21,880	1.5%
North Western	2110 - 2126	20,907	21,349	2.1%
Western Suburbs	2127 - 2145	37,495	38,855	3.6%
Parramatta/Hills	2146 - 2159	24,580	25,196	2.5%
Fairfield/Liverpool	2160 - 2189	33,160	34,227	3.2%
Canterbury/Bankstown	2190 - 2200	20,583	20,974	1.9%
St George	2201 - 2223	33,923	34,798	2.6%
Cronulla/Sutherland	2224 - 2249	14,012	14,198	-1.3%
<b>Metropolitan Total</b>		<b>375,973</b>	<b>383,402</b>	<b>2.0%</b>
Central Coast	2250 - 2263	28,368	28,762	1.4%
Greater Newcastle	2264 - 2319	33,964	35,139	3.5%
Hunter Valley	2320 - 2339	15,773	17,033	8.0%
New England	2340 - 2419	15,677	16,408	4.7%
North Coast	2420 - 2499	51,752	53,731	3.8%
Greater Wollongong	2500 - 2530	20,963	21,179	1.0%
South Coast	2531 - 2551	14,052	14,474	3.0%
Campbelltown	2552 - 2570	11,551	12,068	4.5%
Southern Division	2571 - 2639	15,240	15,896	4.3%
Riverina	2640 - 2739	20,935	21,948	4.8%
Penrith/Windsor	2740 - 2772	29,351	30,227	3.0%
Blue Mountains	2773 - 2786	5,234	5,257	0.4%
Orange/Bathurst	2787 - 2819	10,704	10,946	2.3%
Dubbo & North West	2820 - 2842	6,618	6,768	2.3%
Mudgee District	2843 - 2863	2,350	2,448	4.2%
Western Division	2864 - 2880	4,044	4,217	4.3%
Miscellaneous	2881 - 9999	207	208	0.5%
<b>Country Total</b>		<b>286,783</b>	<b>296,709</b>	<b>3.5%</b>
<b>NSW Total</b>		<b>662,756</b>	<b>680,150</b>	<b>2.6%</b>

Median rents for new lettings during the June quarter by postcode groupings.

<b>s during the June quarter by postcode groupings</b>				
<b>Postcode Groupings</b>	<b>Post Code</b>	<b>Median Rent (\$ per week)</b>		<b>Variation</b>
		<b>30/06/2011</b>	<b>30/06/2012</b>	
Inner Sydney	2000 - 2014	560	560	0%
South Sydney	2015 - 2020	560	560	0%
Eastern Suburbs	2021 - 2036	550	580	5.5%
Inner West	2037 - 2059	520	550	5.8%
Lower North Shore	2060 - 2069	550	575	4.5%
Upper North Shore	2070 - 2087	560	560	0%
Mosman/Cremorne	2088 - 2091	550	570	3.6%
Manly/Warringah	2092 - 2109	520	550	5.8%
North Western	2110 - 2126	460	480	4.3%
Western Suburbs	2127 - 2145	420	440	4.8%
Parramatta/Hills	2146 - 2159	400	420	5.0%
Fairfield/Liverpool	2160 - 2189	360	375	4.2%
Canterbury/Bankstown	2190 - 2200	360	380	5.6%
St George	2201 - 2223	420	440	4.8%
Cronulla/Sutherland	2224 - 2249	430	450	4.7 %
<b>Metropolitan Total</b>		<b>460</b>	<b>480</b>	<b>4.3%.5%</b>
Central Coast	2250 - 2263	330	340	3.0%
Greater Newcastle	2264 - 2319	335	350	4.5%
Hunter Valley	2320 - 2339	300	330	10.0%
New England	2340 - 2419	230	250	8.7%
North Coast	2420 - 2499	300	300	0%
Greater Wollongong	2500 - 2530	340	340	0%
South Coast	2531 - 2551	270	280	3.7%
Campbelltown	2552 - 2570	360	375	4.2%
Southern Division	2571 - 2639	305	320	4.9%
Riverina	2640 - 2739	210	230	9.5%
Penrith/Windsor	2740 - 2772	350	365	4.3%
Blue Mountains	2773 - 2786	320	340	6.3%
Orange/Bathurst	2787 - 2819	260	280	7.7%
Dubbo & North West	2820 - 2842	200	220	10.0%
Mudgee District	2843 - 2863	263	300	14.1%
Western Division	2864 - 2880	185	200	8.1%
<b>Country Subtotal</b>		<b>300</b>	<b>315</b>	<b>5.0%</b>
Miscellaneous**		250	230	-8.0%
<b>NSW Total</b>		<b>380</b>	<b>390</b>	<b>2.6%</b>

\* Miscellaneous includes those not covered by any of the above postcode groupings

# Financial Statements



## INDEPENDENT AUDITOR'S REPORT

### Rental Bond Board

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Rental Bond Board (the Board), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

### The Board's Responsibility for the Financial Statements

The members of the Board are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the members of the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 statements.

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

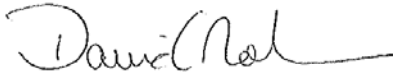
My opinion does not provide assurance:

- about the future viability of the Board
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements

### **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.



David Nolan  
Director, Financial Audit Services

2 October 2012  
SYDNEY

## RENTAL BOND BOARD


### MEMBERS' STATEMENT

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 and performance of the Board as at 30 June 2012 and transactions for the year ended 30 June 2012;
- (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 2010 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.



**Rod Stowe, Chairperson**



**Ranit Ram, Member**

**2 October 2012**

## RENTAL BOND BOARD

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
<b>Expenses excluding losses</b>				
Administrative services	1(a),2(a)	22,522	22,413	20,979
Grants and subsidies	2(b)	25,745	27,721	23,107
Other operating expenses	2(c)	801	820	825
Interest on rental bonds (Finance Costs)	1(f)	123	123	116
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>		<b>49,191</b>	<b>51,077</b>	<b>45,027</b>
<b>Revenue</b>				
Investment revenue	1(e),3(a)	57,474	54,770	55,448
<b>Total Revenue</b>		<b>57,474</b>	<b>54,770</b>	<b>55,448</b>
<b>Net result</b>		<b>8,283</b>	<b>3,693</b>	<b>10,421</b>
<b>Other comprehensive income</b>				
<b>Total Other Comprehensive Income</b>		-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>8,283</b>	<b>3,693</b>	<b>10,421</b>

The accompanying notes form part of these statements.

## RENTAL BOND BOARD

### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Notes	Actual 2012 \$'000	Budget 2012 \$0'000	Actual 2011 \$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	4	49,545	50,204	47,347
Receivables	5	9,360	4,494	4,663
<b>Total Current Assets</b>		<u>58,905</u>	<u>54,698</u>	<u>52,010</u>
<b>TOTAL ASSETS</b>		<u>58,905</u>	<u>54,698</u>	<u>52,010</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	6	71	454	1,459
<b>Total Current Liabilities</b>		<u>71</u>	<u>454</u>	<u>1,459</u>
<b>TOTAL LIABILITIES</b>		<u>71</u>	<u>454</u>	<u>1,459</u>
<b>NET ASSETS</b>		<u>58,834</u>	<u>54,244</u>	<u>50,551</u>
<b>EQUITY</b>				
Accumulated Funds		58,834	54,244	50,551
<b>TOTAL EQUITY</b>		<u>58,834</u>	<u>54,244</u>	<u>50,551</u>

The accompanying notes form part of these statements.

## RENTAL BOND BOARD

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	<b>Accumulated Funds</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance as at 1 July 2011	50,551	50,551
<b>Net result for the year</b>	<b>8,283</b>	<b>8,283</b>
<b>Other comprehensive income:</b>		
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>8,283</b>	<b>8,283</b>
Transactions with owners in their capacity as owners	-	-
<b>Balance as at 30 June 2012</b>	<b>58,834</b>	<b>58,834</b>

	<b>Accumulated Funds</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance as at 1 July 2010	40,130	40,130
<b>Net result for the year</b>	<b>10,421</b>	<b>10,421</b>
<b>Other comprehensive income:</b>		
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>10,421</b>	<b>10,421</b>
Transactions with owners in their capacity as owners	-	-
<b>Balance as at 30 June 2011</b>	<b>50,551</b>	<b>50,551</b>

The accompanying notes form part of these statements.



**RENTAL BOND BOARD**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Payment of interest on bonds		(123)	(123)	(116)
Payments to Suppliers		(24,684)	(24,238)	(21,949)
Grants and subsidies		(25,745)	(27,721)	(23,107)
<b>Total Payments</b>		<u>(50,552)</u>	<u>(52,082)</u>	<u>(45,172)</u>
<b>Receipts</b>				
Interest received		52,686	54,861	55,141
Other		64	78	(78)
<b>Total Receipts</b>		<u>52,750</u>	<u>54,939</u>	<u>55,063</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	9	<u>2,198</u>	<u>2,857</u>	<u>9,891</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		2,198	2,857	9,891
Opening cash and cash equivalents		47,347	47,347	37,456
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	4	<u>49,545</u>	<u>50,204</u>	<u>47,347</u>

The accompanying notes form part of these statements.

**RENTAL BOND BOARD  
FOR THE YEAR ENDED 30 JUNE 2012**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Reporting Entity**

The Rental Bond Board is a NSW government entity. The Rental Bond Board as a Reporting Entity comprises all activities under its control. The Board is a not-for-profit entity and has no cash generating units. The administrative functions for the Board are performed by the Department of Finance and Services and costs associated with these functions are paid for on an operational basis in relation to activities performed (Note 3).

These financial statements for the year ended 30 June 2012 has been authorised for issue by the Chairperson of the Board on 2 October 2012.

**(b) Basis of Preparation**

The financial statements are general purpose financial statements, which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the Public Finance and Audit Act 1983 and Regulation; and
- the Financial Reporting Directions published in the financial reporting code for NSW General Government Sector Entities or issued by the Treasurer.

Financial assets at “fair value through profit or loss” 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.

**(c) Statement of Compliance**

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

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

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

- the amount of GST incurred by the Board 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, and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis.

**(e) Income Recognition**

Income is measured at the fair value of the consideration or contribution received or receivable. Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

**(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 the Rental Bond Interest Account in accordance with Section 173 of the *Residential Tenancies Act 2010*.

**(g) Grant Recognition**

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

**(h) Investments**

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The Board determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

- *Fair value through profit or loss* - the Board subsequently measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term.
- *The Hour-Glass Investment Facilities* - are designated at fair value through profit or loss using the second leg of the fair value option ie these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the Board's key management personnel.

The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item “investment revenue”.

- *Held to maturity investments* - non-derivative financial assets with fixed or determinable payments and fixed maturity that the Board has the positive intention and ability to hold to maturity are classified as “held to maturity”. These investments are measured at amortised cost using the effective interest method. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.
- *Available for sale investments* - any residual investments that do not fall into any other category are accounted for as available for sale investments and measured at fair value in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the net result for the year. However, interest calculated using the effective interest method and dividends are recognised in the net result for the year.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date ie the date the entity commits itself to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of Financial Position date.

**(i) Impairment of Financial Assets**

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as “available for sale” must be made through the revaluation surplus. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

**(j) Liabilities**

These amounts represent liabilities for goods and services provided to the Board and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**(k) Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost, or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**(l) New Australian Accounting Standards Issued But Not Effective**

The following new Accounting Standards have not been applied and are not yet effective:

<u>Accounting Standard/Interpretation</u>	<u>Effective</u>
• AASB 9 and AASB 2010-7 regarding financial instruments	2013/14
• AASB 1053 and AASB 2010-2 regarding differential reporting	2013/14
• AASB 2010-8 regarding deferred tax: recovery of underlying assets	2012/13
• AASB 2010-10 regarding removal of fixed dates for first time adopters	2013/14
• AASB 2011-2 regarding the Trans Tasman Convergence project – RDR	2013/14
• AASB 2011-3 regarding orderly adoption of changes to the ABS GFS Manual	2012/13
• AASB 2011-4 removing individual key management personnel disclosures	2013/14
• AASB 2011-6 regarding RDR requirements extending relief from consolidation, the equity method and proportionate consolidation	2013/14
• AASB 10 Consolidated financial statements	2013/14
• AASB 11 Joint arrangements	2013/14
• AASB 12 Disclosures of interests in other entities	2013/14
• AASB 13 and AASB 2011-8 regarding fair value measurement	2013/14
• AASB 119, AASB 2011-10 and AASB 2011-11 regarding employee benefits	2013/14
• AASB 127 Separate financial statements	2013/14
• AASB 128 Investments in associates and joint ventures	2013/14
• AASB 2011-7 regarding consolidation and joint arrangements	2013/14
• AASB 2011-9 regarding presentation of items of other comprehensive income	2012/13
• AASB 2011-12 regarding Interpretation 20	2013/14
• AASB 2011-13 regarding AASB 1049 and GAAP/GFS harmonisation	2012/13

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

**(m) Comparative Information**

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

**(n) Budgeted Amounts**

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the PFAA where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts

**(o) Equity**

The category 'Accumulated Funds' includes all current and prior period retained funds.

**2. EXPENSES EXCLUDING LOSSES**

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

**(a) Administrative Services**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Administrative Service Charge	22,054	20,053
Capital Expenditure Service Charge	468	926
	<u>22,522</u>	<u>20,979</u>

**(b) Grants and Subsidies**

		<b>2012</b>	<b>2011</b>
		<b>\$'000</b>	<b>\$'000</b>
Tenancy Services	(i)	73	665
Credit Counselling Program	(ii)	2,921	2,937
No Interest Loans Scheme	(iii)	1,931	1,697
Tenants' Advice and Advocacy Program	(iv)	4,876	4,497
Tenancy Functions of the Consumer, Trader and Tenancy Tribunal	(v)	13,444	12,311
National Rental Affordability Scheme	(vi)	2,500	1,000
		<u>25,745</u>	<u>23,107</u>

**(i) Tenancy Services**

Within the framework of the Residential Tenancies Act 2010 and the Retirement Villages Act 1999, the Tenancy Services provide impartial information, mediation and education services to tenants, village residents, landlords, their agents and village management about their rights and obligations under this legislation.

**(ii) Credit Counselling Program**

Provides funding for the provision of financial counselling services to individuals most of whom are tenants and also training of persons in financial counselling and for education in financial management. This program is supplementary to the Credit Counselling Program within the Department of Finance and Services.

**(iii) No Interest Loan Scheme (NILS)**

A community based program that helps low income people, most of whom are tenants, to buy essential household items. This program provides funding towards NILS administration costs and also employment of a dedicated NILS Coordinator.

**(iv) 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 Department of Finance and Services and the Rental Bond Board in accordance with the Property, Stock and Business Agents Act 2002, and the Residential Tenancies Act 2010.

**(v) 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 2010 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 Department of Finance and Services and the Rental Bond Board.

**(vi) National Rental Affordability Scheme**

The National Rental Affordability Scheme is jointly supported by the Federal Government and the NSW State Government with the aim to increase the supply of affordable rental dwellings across New South Wales. The scheme will be available to very low to moderate income tenants across the state.

(c) **Other Operating Expenses include the following:**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditor's remuneration	56	56
Bank charges	47	54
Investment Management Fee	681	683
Other	17	32
	<u>801</u>	<u>825</u>

**3. REVENUE**

(a) **Investment Revenue**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Trust Account	54,935	52,346
Amortisation of (Premium)/Discounts on Trust Account Investments	126	924
	<u>55,061</u>	<u>53,270</u>
Interest Account	2,413	2,178
	<u>2,413</u>	<u>2,178</u>
	<u>57,474</u>	<u>55,448</u>

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

**4. CURRENT ASSETS – CASH AND CASH EQUIVALENTS**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at Bank	147	68
Hour-Glass Cash Facility	40,353	38,665
Hour Glass Strategic Cash Facility	9,045	8,614
	<u>49,545</u>	<u>47,347</u>

Cash at bank is held with the Westpac Banking Corporation. Interest is earned on daily bank balances and calculated each month. The average interest rate for the period was 4.34% (4.65% in 2010/11). TCorp interest for Hour-Glass Cash Facility was 4.89% (5.37% in 2010/11). The Hour Glass Strategic Cash Facility was 4.98% per annum (5.58% in 2010/11).

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes money deposited with banks, TCorp Hourglass 'Cash' Facility and cash on hand.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:



	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents (per statement of financial position)	49,545	47,347
Closing cash and cash equivalents (per statement of cash flows)	49,545	47,347

Refer to Note 10 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

**5. CURRENT – RECEIVABLES**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Items classified as receivables are as follows:		
Accrued Interest	54	-
Cash Owed to the Board by Trust Debtors	9,288	4,554
	18	109
	<u>9,360</u>	<u>4,663</u>

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 10.

**6. CURRENT LIABILITIES - PAYALBES**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Accrued Administration Charges	-	1,112
Other Accrued Charges	71	347
	<u>71</u>	<u>1,459</u>

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 10.

**7. COMMITMENTS FOR EXPENDITURE**

There are no commitments for capital or other expenditure or commitments for leases at balance date (Nil - 30 June 2011).

**8. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Rental Bond Board is not aware of any contingent liabilities or contingent assets at the date of these financial statements.

**9. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Net Result	8,283	10,421
(Decrease)/Increase in Payables	(1,388)	(155)
(Increase)/Decrease in Receivables	(4,697)	(375)
<b>Net Cash from Operating Activities</b>	<b>2,198</b>	<b>9,891</b>

**10. FINANCIAL INSTRUMENTS**

The Board's principal financial instruments are outlined below. These financial instruments arise directly from the Board's operations or are required to finance its operations. The Board does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board's main risks arising from financial instruments are outlined below, together with the Board's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees on policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Board, to set limits and controls and to monitor risks. Compliance with policies is reviewed by the internal auditors on a regular basis.

The Rental Bond Board's financial instruments include cash, receivables, investments and payables.

**(a) Financial Instrument Categories**

<b>Financial Assets</b>	<b>Note</b>	<b>Category</b>	<b>2012 \$'000 Carrying Amount</b>	<b>2011 \$'000 Carrying Amount</b>
Class: Cash and cash equivalents	4	Not applicable	49,545	47,347
Receivables*	5	Loans and receivable (at amortised cost)	9,360	4,663
Class: Payables**	6	Financial liabilities measured at amortised cost	71	1,459

\* Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

\*\* Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

**(b) Credit Risk**

Credit risk arises when there is the possibility of the Board's debtors defaulting on their contractual obligations, resulting in a financial loss to the Board. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Board, including cash, receivables, and authority deposits. No collateral is held by the Board. The Board has not granted any financial guarantees.

Credit risk associated with the Board's financial assets, other than receivables, is managed through the selection of counter parties and establishment of minimum credit rating standards. Authority deposits held with TCorp are guaranteed by the State.

**Cash**

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. The TCorp Hour Glass cash facility is discussed in paragraph (e) below.

**Receivables**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings.

**(c) Liquidity Risk**

Liquidity risk is the risk that the Board will be unable to meet its payment obligations when they fall due. The Board continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior years, there were no defaults on any loans payable. No assets have been pledged as collateral. The Board's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment or risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period,

simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. As at 30 June 2012 total liabilities amounted to \$71,000 of which none are payable to small business suppliers or considered to be Interest bearing.

**(d) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Board's exposures to market risk are primarily through other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. The Board has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2011. The analysis assumes that all other variables remain constant.

**Interest Rate Risk**

Exposure to interest rate risk arises primarily through the Board's interest bearing investments held with NSW TCorp. The Board does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale.

Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Board's exposure to interest rate risk is set out below.

2012 Financial assets*	\$'000				
	Carrying Amount	Profit -1%	Equity -1%	Profit +1%	Equity +1%
Cash and cash equivalents	49,545	(495)	(495)	495	495
Receivables	9,360	(94)	(94)	94	94

2011 Financial assets*	\$'000				
	Carrying Amount	Profit -1%	Equity -1%	Profit +1%	Equity +1%
Cash and cash equivalents	47,347	(474)	(474)	474	474
Receivables	4,663	(47)	(47)	47	47

\*Payables are excluded as the Board deems there exists no interest exposure.

### Other Price Risk - TCorp Hour-Glass Facilities

Exposure to “other price risk” primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The Board has no direct equity investments. The Board holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2012 \$'000	2011 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	40,353	38,665
Strategic cash facility	Cash, money market and other interest rate instruments	1.5 years to 3 years	9,045	8,614

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp is trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, TCorp acts as manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits the Board’s exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten-year period, quoted at two standard deviations (ie 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass statement).

	Impact on Profit/Loss		
	Change in Unit Price	2012 \$'000	2011 \$'000
Hour-Glass - Cash Facility	+/- 1.0%	404	387
Hour Glass Strategic Cash Facility	+/- 2.0%	181	172

(e) **Fair Value compared to carrying amount**

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on the Board’s share of the value of

the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using "redemption" pricing.

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short-term nature of many of the financial instruments. The following table details the financial instruments where fair value differs from the carrying amount:

	2012 \$'000 Carrying Amount	2012 \$'000 Fair Value	2011 \$'000 Carrying Amount	2011 \$'000 Fair Value
<b>Financial Assets</b>				
TCorp Hour Glass Cash Facility	40,353	40,353	38,665	38,665
TCorp Hour Glass Strategic Cash Facility	9,045	9,045	8,614	8,614
	49,398	49,398	47,279	47,279

(f) **Fair Value Recognised in the Statement of Financial Position**

The Board uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique.

- Level 1 - Derived from quoted prices in active markets for identical assets/liabilities.
- Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 - Derived from valuation techniques that for the asset/liability not based on observable market data (unobservable inputs).

2012 Financial assets at fair value	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2012 Total \$'000
TCorp Hour Glass Cash Facility	-	40,353	-	40,353
TCorp Hour Glass Strategic Cash Facility	-	9,045	-	9,045
	-	49,398	-	49,398

2011 Financial assets at fair value	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2011 Total \$'000
TCorp Hour Glass Cash Facility	-	38,665	-	38,665
TCorp Hour Glass Strategic Cash Facility	-	8,614	-	8,614
	-	47,279	-	47,279

The table above only includes financial assets as no financial liabilities were measured at fair value in the statement of financial position.

There were no transfers between level 1 and 2 during the period ended 30 June 2012.

## 11. RENTAL BONDS

In accordance with Section 162 of the Residential Tenancies Act 2010, 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 Section 185(2) of the Residential Tenancies Act 2010 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

	2012	2011
	\$'000	\$'000
Trust Investments	981,571	910,902
Add:		
Trust Ledger Bank Account	3,631	3,002
Less:		
Cash Owed to the Board by Trust	(9,288)	(4,464)
Other Liabilities	(1,143)	-
Rental Bonds	<u>974,771</u>	<u>909,440</u>

Rental Bonds are invested as follows:

TCorp Hour-Glass Facility	74,712	78,502
Direct Fixed Interest Portfolio (a)	904,813	830,240
Private Shared Equity Scheme (b)	2,046	2,160
	<u>981,571</u>	<u>910,902</u>

- (a) Treasury Corporation restructures 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 \$20M with a yield of 4% plus the CPI per annum. For the year to 30 June 2012, the CPI movement was 1.2% (3.6% - 30 June 2011).

### Market Valuation of Rental Bond Investments

Market valuations were obtained on the investments listed below:

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
NSW Treasury Corporation Hour-Glass Facility	74,712	78,502
Direct Fixed Interest Portfolio	963,200	842,064
Private Shared Equity Scheme	2,046	2,207
Less: Cash Owed to the Board by Trust	(9,288)	(4,464)
	<u>1,030,670</u>	<u>918,309</u>

Market values as at 30 June 2012 were based on Treasury Corporation's advice.

Total liability to bond holders as at 30 June 2012 is \$975M compared to the market value of the Trust's investments of \$1,031M, resulting in an excess of \$56M (2010/11 excess \$9M).

The Board monitors and reviews its investment strategy and performance on an on-going basis to ensure that the gap between its total liability to bond holders and the market value of the Trust's investments is managed to minimise its risk exposure.

#### 12. 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**



# Internal Audit and Risk Management Statement



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## Internal Audit and Risk Management Statement for the 2011-2012 Financial Year for the Rental Bond Board

I, Rod Stowe, Commissioner for Fair Trading am of the opinion that the Rental Bond Board has internal audit and risk management processes in operation that are, excluding the exceptions described below, compliant with the core requirements set out in the Public Finance and Audit Act (where relevant) and/or Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, Rod Stowe am of the opinion that the internal audit and risk management processes for the Rental Bond Board depart from the following core requirements set out in Treasury Circular NSW TC 09/08 and that (a) the circumstances giving rise to these departures have been determined by the Portfolio Minister and (b) the Rental Bond Board has implemented the following practicable alternative measures that will achieve a level of assurance equivalent to the requirement:

Ministerially Determined Departure	Reason for Departure and Description of Practicable Alternative Measures Implemented
<p>Core Requirement 2: An Audit &amp; Risk Committee has been established</p>	<ul style="list-style-type: none"> <li>• Full compliance with TPP09-05 would put an unreasonable administrative and cost burden on the entity.</li> <li>• A review of the Department of Finance &amp; Services cluster arrangements for Audit &amp; Risk Committees was conducted to ensure that smaller related entities were relieved of the cost burdens of supporting their own Audit &amp; Risk Committees and to provide an equivalent coverage of their obligations under TPP09-05 through the sharing of the Department's resources. Consequently, the Rental Bond Board is clustered with the Department of Finance &amp; Services Audit &amp; Risk Committee (DFS ARC). The DFS ARC is compliant to Core Requirement 2 of TPP 09-05 and has attested compliance to this Core Requirement in its Attestation Statement.</li> </ul>

I, Rod Stowe am of the opinion that the Audit and Risk Committee for Department of Finance & Services is constituted and operates in accordance with the independence and governance requirements of the Public Finance and Audit Act (where relevant) and/or Treasury Circular NSW TC 09/08.

These processes, including the practicable alternative measures implemented, provide a level of assurance that enables the senior management of the Rental Bond Board to understand, manage and satisfactorily control risk exposures.

As required by the Policy, I have submitted an Attestation Statement outlining compliance with exceptions with the Policy to the Treasury.



Rod Stowe  
Commissioner

Date: 17/8/12.

In accordance with a resolution of the  
Governing Board of the Rental Bond Board.

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This annual report has been prepared by NSW Fair Trading a Department of Finance & Services for the purposes of Annual reports (Statutory Bodies) Act 1984 including tabling in Parliament and providing the public with access to copies.

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