

2007-2008

NSW OFFICE OF

Fair Trading

DEPARTMENT OF COMMERCE

for consumers
& traders

October 2008

FT354

Rental Bond Board Annual Report 2007 – 2008

FOR LEASE

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To Parliament

The Hon Virginia Judge, MP
Minister for Fair Trading
Minister for Citizenship, and
Minister Assisting the Premier on the Arts
Parliament House Sydney

Dear Ms Judge

I am pleased to present the Annual Report of the Rental Bond Board for the year ending 30 June 2008. The Report has been prepared for presentation to the Parliament of NSW in accordance with the requirements of the *Annual Reports (Statutory Bodies) Act 1984* and fulfils the statutory reporting requirements set out in the *Landlord and Tenant (Rental Bonds) Act 1977*.



Lyn Baker
Commissioner for Fair Trading
Chairperson, Rental Bond Board
30 October 2008

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Chairperson's report

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

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

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

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

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

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

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

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

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



Lyn Baker

Commissioner for Fair Trading
Chairperson, Rental Bond Board

The Board

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

Rental Bond Board Members	Term of appointment	Meetings attended
<ul style="list-style-type: none">• Lyn Baker, Commissioner for Fair Trading - Chairperson	Ex officio	5 meetings
<ul style="list-style-type: none">• Rod Stowe, Deputy Commissioner for Fair Trading<ul style="list-style-type: none">• Deputy: Mr Michael Silk Executive Director, Fair Trading Services		2 meetings 6 meetings
<ul style="list-style-type: none">• Director-General Department of Housing<ul style="list-style-type: none">• Deputy: Ms Helen O'Loughlin (from 27/10/06) Acting Director, Centre for Affordable Housing	Ex officio	6 meetings
<ul style="list-style-type: none">• Secretary, NSW Treasury<ul style="list-style-type: none">• Deputy: Mr Brian Waddington Principal Financial Analyst	Ex officio	6 meetings
<ul style="list-style-type: none">• Ms Michelle Jones Tenants' Union of NSW	Ministerial re-appointment to 30/06/09	6 meetings
<ul style="list-style-type: none">• Ms Sandra McGee Real Estate Institute of NSW	Ministerial re-appointment to 30/06/09	5 meetings

Highlights

- Record 635,490 rental bonds valued at \$741 million held in custody by the Board at 30 June 2008.
- \$ 4.1 million in core service funds provided for the Tenants Advice and Advocacy Program (TAAP), which is jointly funded by the Board and Fair Trading.
- Use of the Rental Bond Internet Service (RBIS) continues to grow – the online rental bond self-service channel for real estate property managers now handles 10% of refund claims and 44% of enquiries.

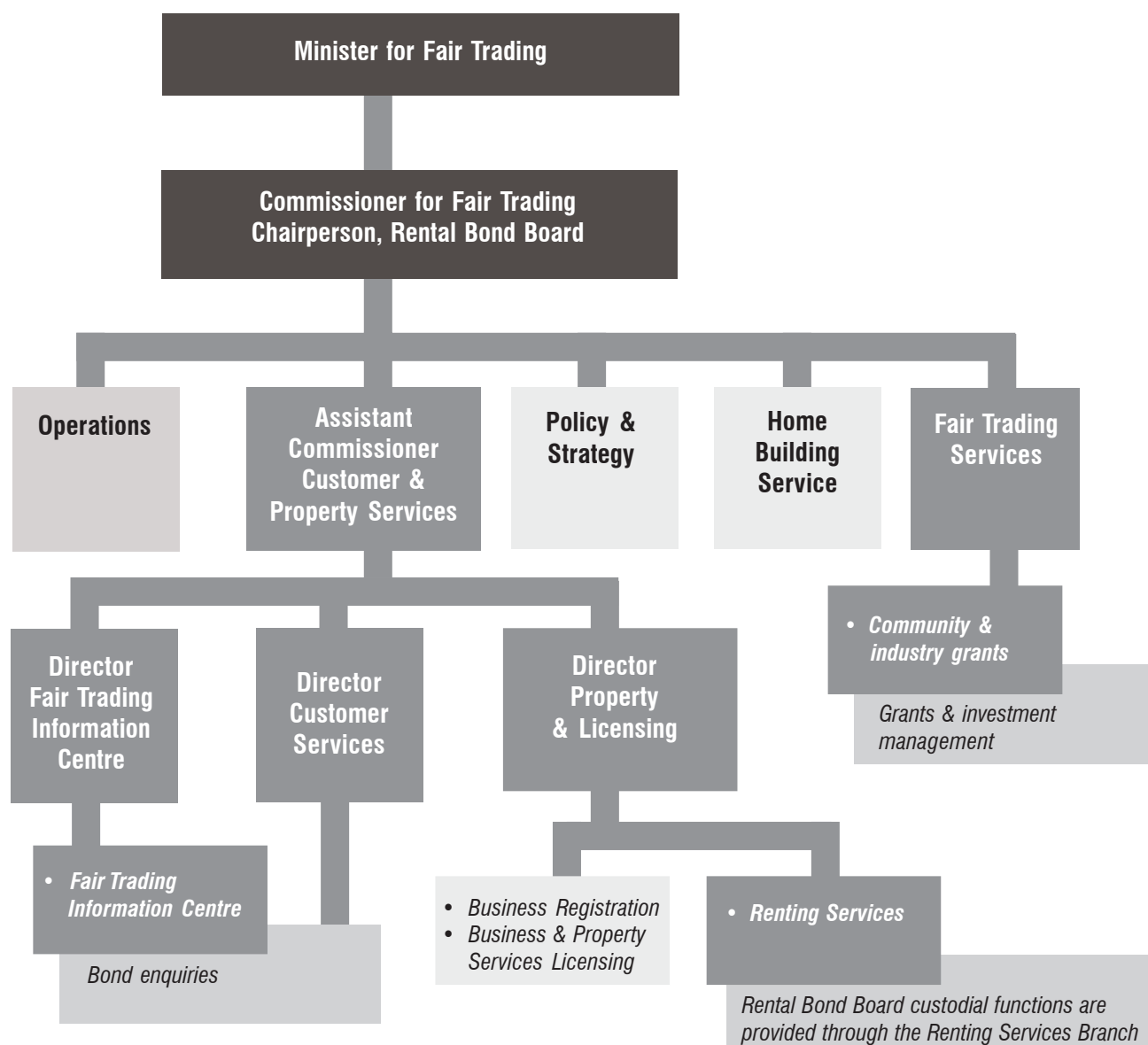
Service arrangements

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

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

A review of the Rental Bond Board's constitution, rental bond custodial operations, funded activities and the financial statements is provided in this Rental Bond Board Annual Report 2007-2008.

Information on the management, human resources, business systems and financial administration of the Office of Fair Trading which support this custodial role is found in the NSW Department of Commerce Annual Report 2007-2008.

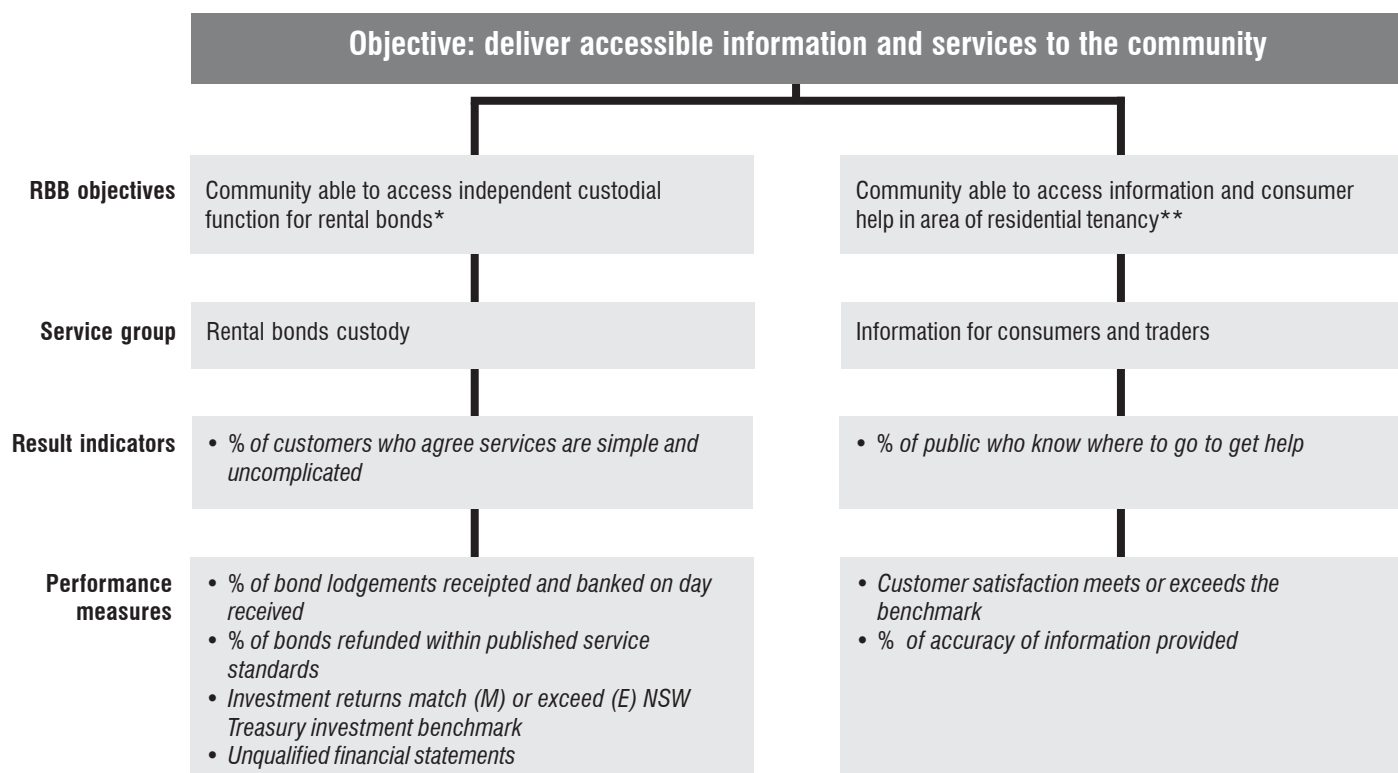


Planning framework

Functioning within the Office of Fair Trading, the Rental Bond Board derives its operational objectives from the Office of Fair Trading's Strategic Plan 2007-2010. The Rental Bond Board operates in line with Fair Trading's strategic objectives to:

- simplify service provision for consumers and traders
- achieve fair marketplace regulation with minimal red tape
- deliver accessible information and services to the community
- enforce Fair Trading laws
- win and maintain respect as a credible, efficient and effective organisation.

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



* Function and manner of delivery is an explicit statutory requirement

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

Rental bond custodial service

Objective 1: 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.

Result indicator	03-04	04-05	05-06	06-07	07-08	Target
% of customers who agree services are simple and uncomplicated*	-	-	-	87%	82%	85%**

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

**Until at least three years of data are available it is not technically feasible to set a firmer target

Comment/interpretation

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

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

Performance measures	03-04	04-05	05-06	06-07	07-08	Target
% of rental bond lodgements receipted and banked on day received	98%	98%	96%	97%	97%	95%
% of rental bonds refunded within published service standards	98%	98%	99%	98%	99%	98%
RBB investment returns match (M) or exceed (E) industry benchmark	E	M	E	*	M	≥M
Financial Statements unqualified (U) qualified (Q)	U	U	U	U	U	U

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

Comment/interpretation

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

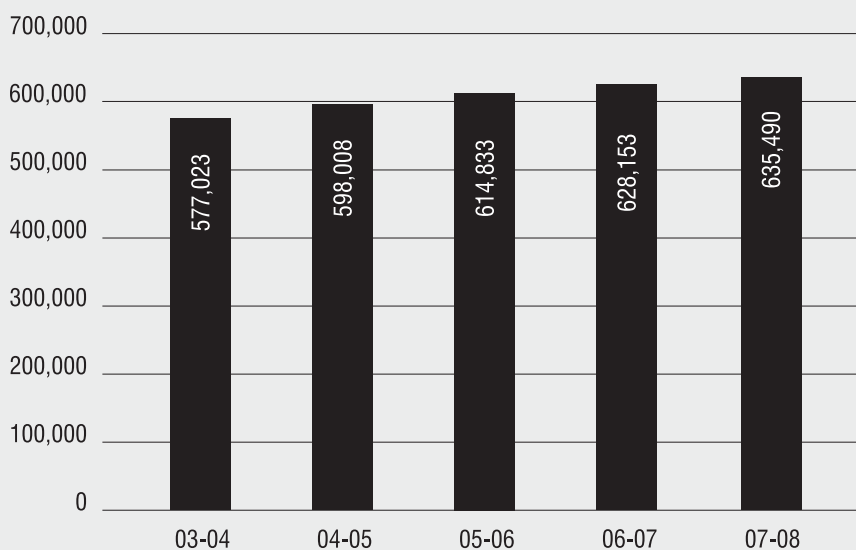
(TCorp), where the majority of funds are directly managed in a fixed interest portfolio (the Rental Bond Board Facility). The balance is held in TCorp's Cash Facility. The performance measures relate to: prompt refunds (an important aspect of quality customer service), prompt banking (this affects the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

Rental bond custody

At 30 June 2008 the Board held 635,490 rental bonds in trust. These were valued at \$741million which, on average, amounted to \$ 1,166 for each rental bond.

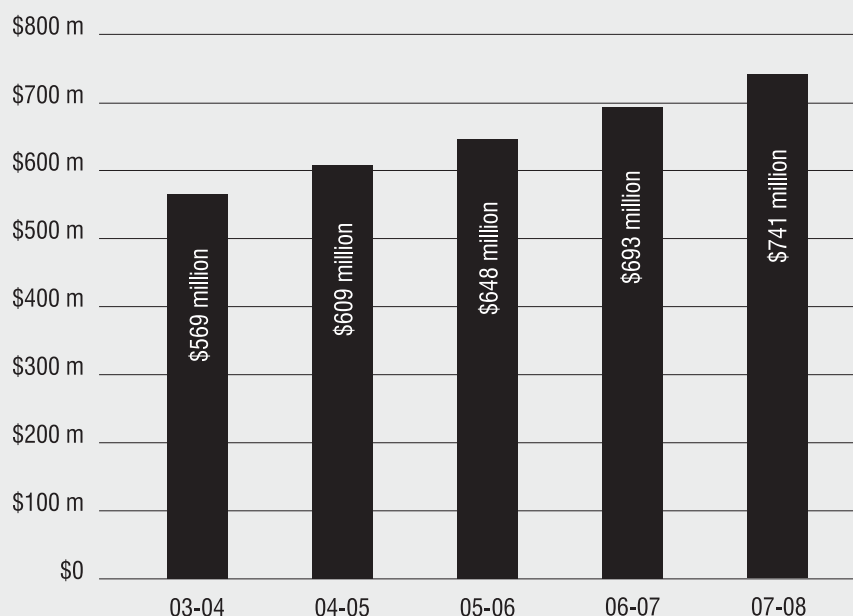
During the year, 266,495 new rental bonds were lodged with the Board - a decrease of 4.8% from the previous financial year. This continued the downward trend in the volume of new lodgements which has been evident since 2004-2005. The number of bonds refunded also decreased this

Numbers of rental bonds held



The Board held 635,490 rental bonds on private residential tenancies at 30 June 2008. The last four years have seen a considerable slowing in the rate of growth of bonds held in custody.

Value of rental bonds held



The Board now holds a record \$741 million in rental bonds. This is an average of \$1,166 per bond.

year by 2.7% to 259,158. The total number of bonds held increased by 1.2% over the number held at 30 June 2007. This compared with annual increases of 2.2% in the previous year, 2.8 % in 2005-2006 and 3.6% in 2004-2005.

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

The requirement for landlords in NSW to lodge all residential rental bonds with the Board presents an excellent opportunity for the collection of accurate statistical information on the private rental market.

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

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

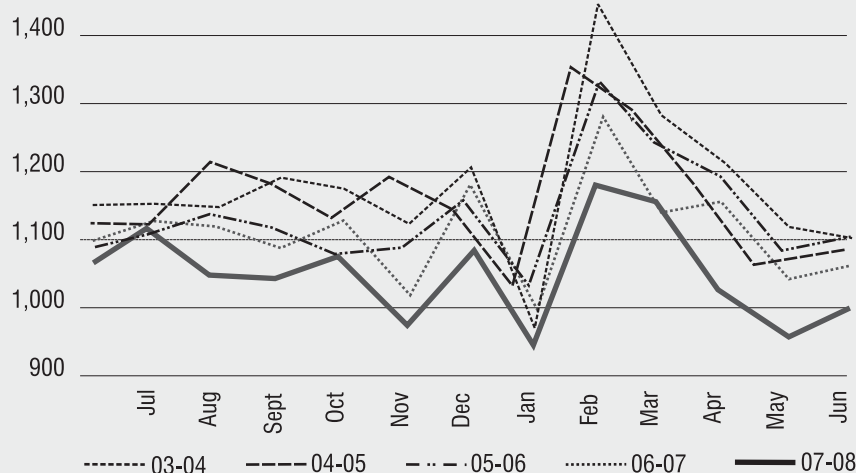
- dwelling type
- number of bedrooms
- weekly rent
- date the tenancy commenced
- date the previous tenancy of the dwelling ended.

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

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

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

Daily average rental bond lodgements per month



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

The Board's statistics indicate that in the 2007-2008 financial year 87% of metropolitan bonds and 86% 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, 266,495 new rental bond lodgements and 12,662 additional bonds (where a bond is paid by instalments) were received by the Board.

This represented an average of 1058 lodgement forms processed by staff each working day. As in previous years, the vast majority of bond lodgements, together with their accompanying cheque or money order, were received by post. The total value of bonds receipted was \$370.2 million. 97 % of all bond lodgements were receipted and banked the day they were received.

The Board received only 41 enquiries regarding non-lodgement of rental bonds in 2007-2008. This represented just 0.006% of the total number of bonds lodged during the year demonstrating a very high level of compliance with rental bond legislation by NSW landlords.

Rental bond refunds

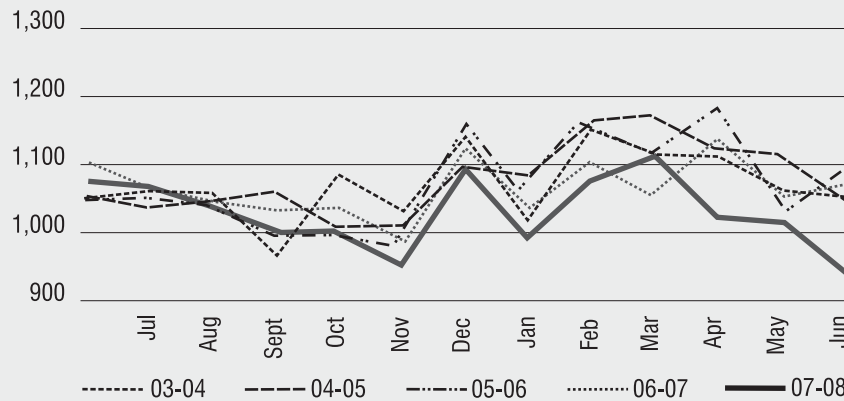
259,158 rental bonds were refunded in 2007-2008 through 370,320 individual payments. This represented an average of 1028 claims processed by staff each working day.

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 4% by mail.

The Rental Bond Internet Service (RBIS) continued to grow in popularity with 26,261 claims submitted by real estate property managers in 2007-2008. As a percentage of all refunds, RBIS claims have increased from 6.6% in 2004-2005 to 10 % in 2007-2008. Of these, 87% were refunded automatically (i.e. without any additional back-office data entry). The remaining 13% were paid after a subsequent claim for refund form was signed by the tenant, agreeing to the landlord's requested deduction.

The proportion of customers requesting a direct credit of their bond refund into their bank or credit union account also continues to show a steady increase: up from 47% in 2004-2005; to 51% in 2005-2006; 55% in 2006-2007; and 58% this year. By contrast, the number of bonds refunded over the counter continues to decline. In 2007-2008, only 1.2% of customers sought a refund in person, down from 1.6% in 2006-2007.

Daily average rental bond refunds per month



The average number of claims received by the Board decreased significantly in the latter part of 2007-2008 when compared with the previous year, highlighting the ongoing decrease in turnover of rental bonds over the last few years.

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

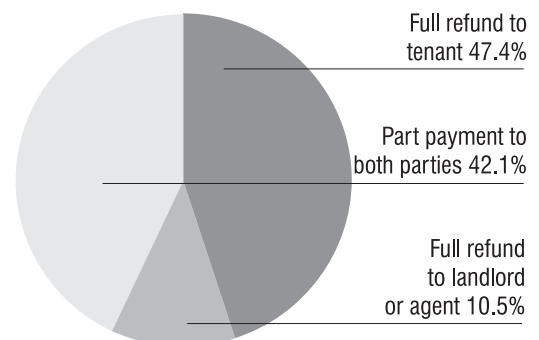
- Agreed claims where both parties have indicated their acceptance of the amount/s to be refunded to each party, and
- 'Notice' claims where one of the parties has not given consent to the refund and a statutory Notice of Claim is issued allowing them 14 days to apply to the Consumer, Trader and Tenancy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

During 2007-2008, 71.8% of all refunds were agreed by the parties while in 25.5% of cases a Notice was issued but no dispute proceeded to the Tribunal. 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 0.5% refunded after a Tribunal application was withdrawn prior to hearing.

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

Over the year, \$18,466 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 0.005% of the total amount of \$320.4 million refunded during the year.

Rental bond refunds paid to tenants and landlords in 2007-2008

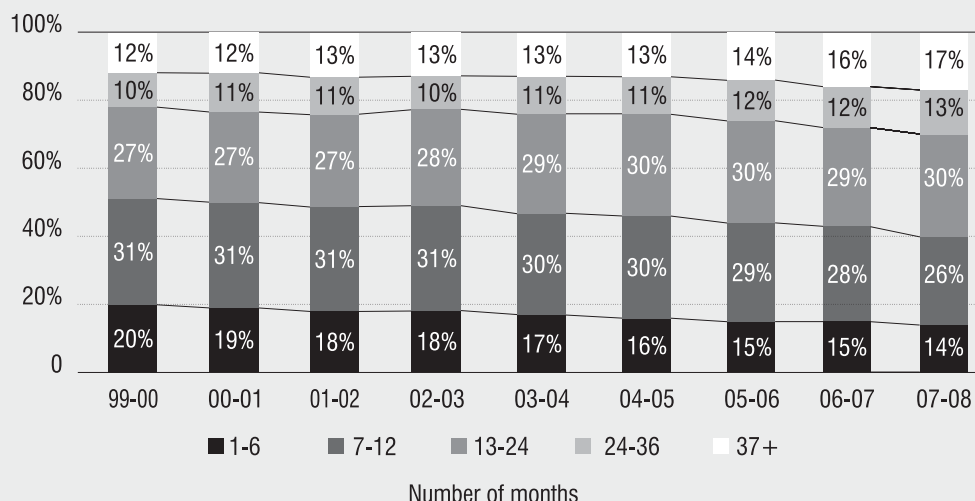


The size of the proportional split between parties - which may be expected to fluctuate slightly over time with the circumstances of individual tenancies - is less important than the fact that the split exists. In many cases, tenants and landlords are able to agree on how the bond should be distributed,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

2007-2008 Rental bond processing against published Guarantee of Service standards

	Target	Result
% agreed direct deposit refunds banked within two working days:	90%	99%
% agreed mail refund cheques posted within four working days:	90%	98%
% Notices of Claim issued to one party - paid within twenty working days:	90%	98%

Length of tenancy for refunded bonds



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

Length of tenancy

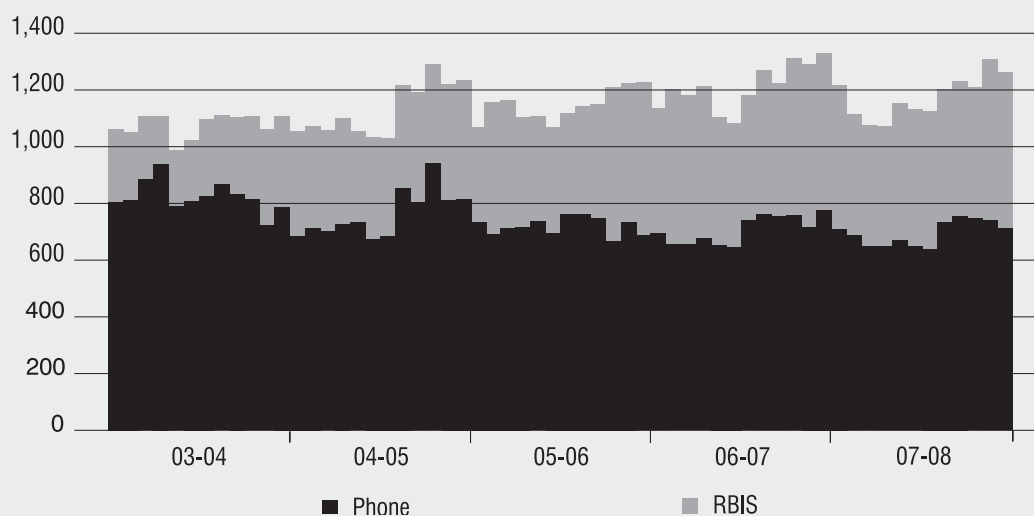
An analysis of rental bond statistical information in 2006 by Finity Consulting confirmed the increasing length of tenancies which has become apparent over the last few years.

An extension of this analysis into the current financial year indicates that nearly 60% of all bonds refunded during 2007-2008 had been held by the Board for more than 12 months at the time of

refund, with 30% of those bonds being held for tenancies of greater than two years' duration. This compares with 2000-2001, when only 50% of bonds remained with the Board for longer than 12 months, and just 23% for longer than two years.

This translates, over the last seven years, into increases of 4% in the proportion of tenancies lasting longer than three years and 2% in tenancies of two to three years; with a corresponding decrease of 4% in the proportion of tenancies of less than six months' duration.

Daily average rental bond enquiries per month



Although telephone contact remains our customers' primary method of enquiring about their rental bonds, 44% of all enquiries were made electronically in 2007-2008 - via the Rental Bond Internet Service (RBIS).

Information services

Fair Trading continued to provide the Board with a responsive rental bond customer information service in 2007-2008 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.

176,184 telephone enquiries on rental bonds were answered by Fair Trading staff during 2007-2008, a decrease of 2.0% from the previous year. 97.8% of all incoming calls were answered and for these callers the average waiting time was just 35 seconds.

The decrease in rental bond telephone call volumes over the last few years is almost certainly a consequence of the growing number of real estate agents choosing to access convenient information on the status of their tenants' bonds via the Rental Bond Internet Service (RBIS). During 2007-2008 customers made 140,890 individual bond enquiries via RBIS – representing 44% of total bond enquiries. The use of this customer self-service option by the real estate industry for access to basic bond information allows Fair Trading to concentrate its staff resources on responding to the more complex rental bond and tenancy enquiries.

Rental Bond Internet Service

The Rental Bond Internet Service (RBIS) was introduced by 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 over the past few years have been submitted by real estate agents, or by self-managing landlords owning 10 or more rental properties.

RBIS provides direct access to detailed information, claim for refund and reporting facilities on rental bonds, through the convenience of the Internet - 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 in 2007-2008, with a further 167 property managers joining up to the Service during the year. By 30 June 2008, 2,204 real estate property managers were connected to RBIS.

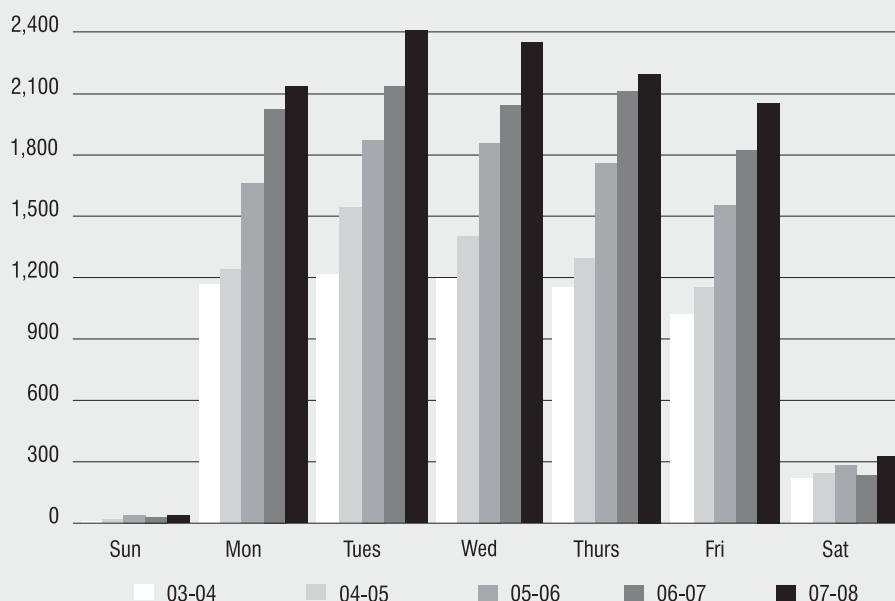
The number of rental bond claims submitted via RBIS increased by a further 5% this year, and the number of RBIS enquiries by 7%, when compared to 2006-2007. Property managers also used the

RBIS user trends in 2007-2008



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

RBIS average daily visits



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

Service to access a range of financial reports on rental bonds managed by their agencies.

With a 23.7% increase in the total number of rental bonds managed by Renting Services since the inception of RBIS, the Service has proven itself a cost-effective self-service delivery channel which has enabled us to manage increasing transaction volumes with no increase in staffing levels over the past decade.

Business systems

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

Staff monitor the systems and perform regular maintenance tasks to maximise the performance of the systems and ensure high level availability of rental bond data for bond processing by our internal staff and by RBIS users throughout NSW. During the year there were significant changes to the Renting Services Branch environment including the relocation of the Branch and the virtualisation of RBIS hardware. Despite the impact of these changes, the rental bond systems were fully available to users for over 99% of the time.

Business systems upgrade

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

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

While the data centre audit found that the Rental Bond System was effectively managed, operating practices well-established and a good level of internal control evident, they also confirmed the concerns of Renting Services' management that the technology is becoming outdated and "may prove difficult to sustain in the longer term".

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

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

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

Internal control

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

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

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

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

The Unit performed regular four weekly reviews of a random selection of rental bond refunds during 2007-2008, 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.

Retail tenancy bonds

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

The retail bond service is not subject to rental bond legislation nor to the jurisdiction of the Rental Bond Board. Rather, it is run in parallel with, and administered without any impact on, the traditional residential rental bond custodial function. 5,146 retail bond lodgements and 2,838 retail bond claims were processed by Renting Services staff during 2007-2008.

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

Funded programs

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

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

Result indicator	03-04	04-05	05-06	06-07	07-08	Target
Percentage of public who know where to go to get help *	73%	73%	70%	66%	63% ^	65-70%

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

^Fair Trading is working on a communication strategy to increase awareness.

Comment/interpretation

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

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

Performance measures	03-04	04-05	05-06	06-07	07-08	Target
Customer satisfaction meets or exceeds the benchmark*	89%	87%	90%	90%	85% ^	$\geq 90\%$
Percentage accuracy of information provided*	99%	83%	93%	89%	90%	$\geq 95\%^{**}$

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

**The target was increased during 2007-2008 from 90% to 95%

^ Customer satisfaction will be kept under review in the current reporting period.

Comment/interpretation

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

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

Tenancy services

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

Tenancy-related telephone enquiry volumes decreased by 3.9% this year compared to 2006-2007, with 121,254 calls responded to by staff. During the year officers answered 96% of all incoming tenancy calls, with an average waiting time for customers of 2 minutes.

Customer Information and electronic versions of our publications are available on the Office of Fair Trading website (www.fairtrading.nsw.gov.au). The use of the internet for information self-service by customers continues to grow. The Fair Trading Information Centre takes an active role in promoting the available self-service options to its customers and, when required, guides them in the use of these facilities for answering less complex enquiries. This allows Fair Trading to concentrate its staff resources on assisting customers with more problematic rental bond and tenancy issues.

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 (CTTT) information on the tribunal process and the most common areas that are referred to the Tribunal. The information is provided in conjunction with the Consumer Trader and Tenancy 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 (CTTT) 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.

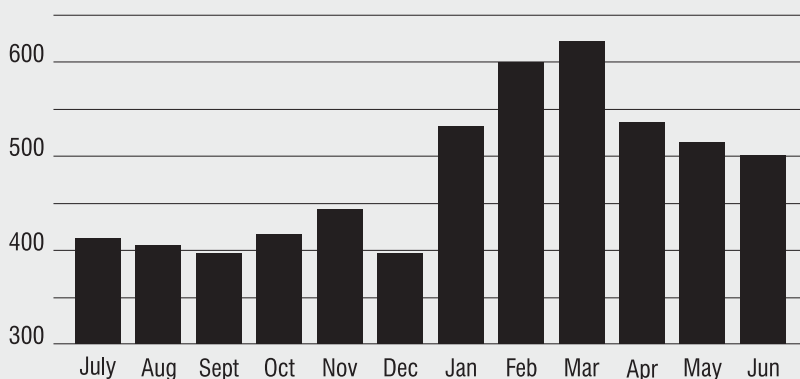
The CTTT's broad jurisdiction covers residential tenancies, retail transactions, home building or renovating, residential parks, strata and community schemes, motor vehicle purchase and repair, credit matters, agents' fees and retirement villages.

The Tribunal operates in an informal environment and wherever possible aims to bring parties to a mutually agreed settlement before hearing.

Nearly 65,000 applications were received in 2007-2008. The Tribunal is easily accessible to the public with:

- eight registries located in metropolitan and regional areas
- hearings taking place in 75 locations across New South Wales
- an online lodgement facility that is used by 43% of applicants
- a contemporary new website that meets the NSW Government standards for style and accessibility.

Daily average tenancy enquiries per month



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

Tenancy Division applications continued to dominate the CTTT's workload, accounting for 51,080 lodgements, or 79% of all applications received this year. A further 2,732 applications (4% of the total) related to residential park; strata & community schemes; and retirement village issues. The Rental Bond Board provided \$8.5 million in funding toward these functions of the Tribunal in 2007-2008, which were jointly funded by the Office of Fair Trading and the Board.

The CTTT produces its own annual report, which is available on the Tribunal's website at: www.cttt.nsw.gov.au.

Tenants Advice & Advocacy Program

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

As well as individual casework, TAAP undertakes community education activities on tenants rights and responsibilities. The Program focuses on high risk tenant groups such as Aboriginal tenants, 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* and the Office of Fair Trading under the *Property, Stock and Business Agents Act*. In 2007-2008, TAAP received \$8,369,641 in total funding from these two sources.

During the past year, the community-based organisations funded under the TAAP provided assistance to 31,295 tenants across New South Wales. During this period almost 1,800 people living in residential parks required assistance and advice, including the recourse options available to them when their park faced closure or redevelopment. This assistance represents an important community support service, as residential park living provides many low income earners with affordable accommodation.

In addition, 4,464 tenants around the state received assistance with either preparing for, or representation at, a Consumer, Trader and Tenancy Tribunal hearing.

Financial Counselling Services Program

The Financial Counselling Services Program is funded via the two separate funding streams: the Credit Counselling Program where funds are derived from Fair Trading's operating budget; and the Financial Counselling Trust Fund where funds are derived from fines imposed by the Consumer, Trader and *Tenancy Tribunal under the Credit Act 1984*.

In December 2006, the Rental Bond Board approved the utilisation of Board funds to contribute 70% to the value of the existing Credit Counselling Program from 1 January 2007 onwards.

This decision was informed by research which identified that majority of financial counselling services' clients were tenants.

The Financial Counselling Services Program 2007-2010 funding period began on 1 July 2007. The Rental Bond Board's contribution toward the Program for 2007-2008 was approximately \$795,000.

Affordable housing grant

In 2006-2007 the Board approved a grant of \$30 million to the Department of Housing for affordable housing initiatives. The grant is being applied over the four years toward increasing the stocks of affordable rental housing. This includes two major projects to provide 70 new rental properties for low to moderate income earners at the ADI (Ropes Crossing) site at St Marys. Funds will also be invested in the Affordable Housing Innovations Fund which aims to increase the level of affordable housing in New South Wales through the development of partnerships with community housing providers and the private sector.

Bonds held

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

Postcode Groupings	Postcode	Bonds held		Variation %
		30-06-07	30-06-08	
Inner Sydney	2000 - 2014	30,608	30,788	0.6%
South Sydney	2015 - 2020	10,496	10,417	-0.8%
Eastern Suburbs	2021 - 2036	48,497	48,578	0.2%
Inner West	2037 - 2059	30,931	30,781	-0.5%
Lower North Shore	2060 - 2069	23,769	23,614	-0.7%
Upper North Shore	2070 - 2087	11,146	11,126	-0.2%
Mosman/Cremorne	2088 - 2091	10,801	10,681	-1.1%
Manly/Warringah	2092 - 2109	21,410	21,173	-1.1%
North Western	2110 - 2126	20,482	20,379	-0.5%
Western Suburbs	2127 - 2145	35,389	36,015	1.8%
Parramatta/Hills	2146 - 2159	23,842	23,786	-0.2%
Fairfield/Liverpool	2160 - 2189	31,506	32,099	1.9%
Canterbury/Bankstown	2190 - 2200	19,959	20,082	0.6%
St George	2201 - 2223	34,181	33,990	-0.6%
Cronulla/Sutherland	2224 - 2249	14,453	14,359	-0.7%
Miscellaneous		663	598	-9.8%
Metropolitan Total		368,133	368,466	0.1%
Central Coast	2250 - 2263	26,353	26,673	1.2%
Greater Newcastle	2264 - 2319	31,811	32,226	1.3%
Hunter Valley	2320 - 2339	13,431	13,964	4.0%
New England	2340 - 2419	13,252	13,737	3.7%
North Coast	2420 - 2499	46,233	47,593	2.9%
Greater Wollongong	2500 - 2530	19,624	20,185	2.9%
South Coast	2531 - 2551	12,470	13,049	4.6%
Campbelltown	2552 - 2570	11,106	11,227	1.1%
Southern Division	2571 - 2639	13,737	14,239	3.7%
Riverina	2640 - 2739	18,141	18,811	3.7%
Penrith/Windsor	2740 - 2772	27,867	28,442	2.1%
Blue Mountains	2773 - 2786	5,340	5,243	-1.8%
Orange/Bathurst	2787 - 2819	9,299	9,629	3.5%
Dubbo & North West	2820 - 2842	5,834	6,155	5.5%
Mudgee District	2843 - 2863	1,894	1,996	5.4%
Western Division	2864 - 2880	3,208	3,417	6.5%
Outer metropolitan & regional		260,020	267,024	2.7%
Miscellaneous *		420	438	4.3%
NSW Total		628,153	635,490	1.2%

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

Median rentals

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

Postcode Groupings	Postcodes	Rent (\$per week)		Variation %
		30-06-07	30-06-08	
Inner Sydney	2000 - 2014	430	480	11.6%
South Sydney	2015 - 2020	405	460	13.6%
Eastern Suburbs	2021 - 2036	410	450	9.8%
Inner West	2037 - 2059	380	445	17.1%
Lower North Shore	2060 - 2069	420	470	11.9%
Upper North Shore	2070 - 2087	380	440	15.8%
Mosman/Cremorne	2088 - 2091	430	460	7.0%
Manly/Warringah	2092 - 2109	400	450	12.5%
North Western	2110 - 2126	350	395	12.9%
Western Suburbs	2127 - 2145	300	360	20.0%
Parramatta/Hills	2146 - 2159	300	340	13.3%
Fairfield/Liverpool	2160 - 2189	255	295	15.7%
Canterbury/Bankstown	2190 - 2200	260	300	15.4%
St George	2201 - 2223	320	360	12.5%
Cronulla/Sutherland	2224 - 2249	330	350	6.1%
Metropolitan Subtotal		350	400	14.3%
Central Coast	2250 - 2263	250	265	6.0%
Greater Newcastle	2264 - 2319	250	280	12.0%
Hunter Valley	2320 - 2339	220	250	13.6%
New England	2340 - 2419	170	185	8.8%
North Coast	2420 - 2499	230	250	8.7%
Greater Wollongong	2500 - 2530	245	265	8.2%
South Coast	2531 - 2551	210	230	9.5%
Campbelltown	2552 - 2570	250	280	12.0%
Southern Division	2571 - 2639	220	250	13.6%
Riverina	2640 - 2739	180	185	2.8%
Penrith/Windsor	2740 - 2772	250	280	12.0%
Blue Mountains	2773 - 2786	240	260	8.3%
Orange/Bathurst	2787 - 2819	190	200	5.3%
Dubbo & North West	2820 - 2842	175	180	2.9%
Mudgee District	2843 - 2863	180	195	8.3%
Western Division	2864 - 2880	155	165	6.5%
Other metropolitan & regional		230	250	8.7%
Miscellaneous*		200	180	-10.0%
NSW Total		280	310	10.7%

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



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Rental Bond Board

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Rental Bond Board (the Board), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Board as of 30 June 2008, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

The Board's Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Board, as well as evaluating the overall presentation of the financial report.

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

My opinion does *not* provide assurance:

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

Independence

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

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



Heather Watson
Director, Financial Audit Services

22 October 2008
SYDNEY

STATEMENT BY MEMBERS OF THE BOARD

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

- (1) the accompanying financial statements exhibit a true and fair view of the financial position of the Rental Bond Board as at 30 June 2008 and transactions for the year ended 30 June 2008;
- (2) the statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005 and the Treasurer's Directions.

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

On behalf of the Board.



LYN BAKER, Chairperson



BRIAN WADDINGTON, Member

Dated at Sydney on 20 Oct 2008

RENTAL BOND BOARD

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 \$'000	2007 \$'000
Revenue			
Investment income	1(f),2	45,224	42,459
Total Revenue		45,224	42,459
Expenses			
Administrative services	1(a),3(a)	24,832	21,945
Grants and subsidies	3(b)	13,203	43,633
Other operating expenses	3(c)	773	722
Interest on rental bonds	1(g)	97	93
Total Expenses		38,905	66,393
SURPLUS/(DEFICIT) FOR THE YEAR	8	6,319	(23,934)

THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS

RENTAL BOND BOARD

**STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2008**

	Notes	2008 \$'000	2007 \$'000
NET INCOME RECOGNISED DIRECTLY IN EQUITY		-	-
Surplus/(Deficit) for the year	8	6,319	(23,934)
TOTAL RECOGNISED INCOME AND EXPENSES FOR THE YEAR		<hr/> 6,319	<hr/> (23,934)

THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS

RENTAL BOND BOARD

BALANCE SHEET AS AT 30 JUNE 2008

	Notes	2008 \$'000	2007 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	26,901	7,021
Receivables	5	134	5,949
Other financial assets	6	24	-
Total Current Assets		27,059	12,970
Non-Current Assets			
Other financial assets	6	82	7,259
Total Non-Current Assets		82	7,259
TOTAL ASSETS		27,141	20,229
LIABILITIES			
Current Liabilities			
Payables	7	750	157
Total Current Liabilities		750	157
TOTAL LIABILITIES		750	157
NET ASSETS		26,391	20,072
EQUITY			
Retained Earnings	8	26,391	20,072
TOTAL EQUITY		26,391	20,072

THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS

RENTAL BOND BOARD

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 \$'000	2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Maturity of investments		30	28
Interest received		45,181	42,469
Other		2,826	(1,997)
Total Receipts		48,037	40,500
Payments			
Payment of interest on bonds		(97)	(93)
Trade creditors		(21,990)	(24,630)
Grants and subsidies		(13,202)	(43,633)
Total Payments		(35,289)	(68,356)
NET CASH FLOWS (USED IN) / FROM OPERATING ACTIVITIES	11	12,748	(27,856)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Receipts			
Sale of investments		7,132	18,815
Total Receipts		7,132	18,815
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		7,132	18,815
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		19,880	(9,041)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,021	16,062
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	26,901	7,021

THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2008**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Rental Bond Board as a Reporting Entity comprises all activities under its control. The Board is a not-for-profit entity. 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 3).

This financial report for the year ended 30 June 2008 has been authorised for issue by the Chairperson of the Board on the 20 October 2008.

(b) Basis of Preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the Public Finance and Audit Act 1983 and Audit Regulation 2005 and the Financial Reporting Directions issued by the Treasurer under Section 9(2)(n) of the Act.

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

Assets (or disposal groups) held for sale and 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 report complies with Australian Accounting Standards, which include Australian Accounting Interpretations.

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2008**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(d) Insurance

A full comprehensive range of insurances covering areas such as 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) Accounting for the Goods and Services Tax (GST)

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

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

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

(f) Revenue Recognition

Revenue 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*.

(g) Interest Received on Investments and Interest Paid on Rental Bonds

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

(h) Grant Recognition for Not-for-Profit Entities

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

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2008**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(i) New Australian Accounting Standards Issued But Not Effective

At reporting date a number of Accounting Standards adopted by the AASB had been issued but are not yet operative. At present New South Wales Treasury is mandating not to early adopt any of the new Standards / Interpretations as per Treasury Circular TC 08/04. As such, these new Standards / Interpretations have not been early adopted by the Rental Bond Board.

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

(j) Impairment Policy

At each reporting date, the Board reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(k) Comparative Information

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

2. INVESTMENT INCOME

	2008	2007
	\$'000	\$'000
Rental Bond Trust Account	43,984	40,589
Amortisation of (Premium)/Discounts on Trust Account Investments	(16)	(530)
	<u>43,968</u>	<u>40,059</u>
 Rental Bond Interest Account	 1,256	 2,400
	<u>1,256</u>	<u>2,400</u>
	<u>45,224</u>	<u>42,459</u>

Investment income is derived from of 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.

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2008**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. EXPENSES

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

(a) Administrative Services

	2008	2007
	\$'000	\$'000
Administrative Service Charge	22,677	21,177
Capital Expenditure Service Charge	2,155	768
	<u>24,832</u>	<u>21,945</u>

(b) Grants and Subsidies

Tenancy Services	(i)	498	30,491
Tenants' Advice and Advocacy Program	(ii)	4,127	3,990
Tenancy Function of Consumer, Trader and Tenancy Tribunal	(iii)	8,578	9,152
		<u>13,203</u>	<u>43,633</u>

(i) Tenancy Services

Within the framework of the Residential Tenancies Act 1987 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.

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

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

(ii) Tenants' Advice and Advocacy Program

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

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

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2008**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(iii) Tenancy Functions of the Consumer Trader and Tenancy Tribunal

The Consumer Trader and Tenancy Tribunal has the jurisdiction to determine matters under the Residential Tenancies Act 1987 and the Retirement Villages Act 1999. These matters include requests to terminate tenancy agreements, payment of rental bonds on termination of tenancies, breaches relating to terms of the tenancy agreement and payment of compensation. This function is jointly funded by the Office of Fair Trading and the Rental Bond Board.

(c) Other Operating Expenses

	2008	2007
	\$'000	\$'000
Other operating expenses:		
Auditor's remuneration	55	54
Bank charges	100	103
Investment Management Fee	551	513
Other	67	52
	<u>773</u>	<u>722</u>

4. CASH AND CASH EQUIVALENTS

Cash at Bank	214	130
Hour-Glass Cash Facility	26,687	6,891
	<u>26,901</u>	<u>7,021</u>

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 7.0% (6.0% in 2006/2007). TCorp interest for Hour-Glass Cash Facility was 6.82% (6.55% in 2006/2007).

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

5. RECEIVABLES

Items classified as receivables are as follows:

Accrued Interest	108	74
Debtors	26	5,875
	<u>134</u>	<u>5,949</u>

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2008**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. OTHER FINANCIAL ASSETS

	2008	2007
	\$'000	\$'000
Current	24	-
Non-Current	82	7,259
Total Other Financial Assets	106	7,259
Funds are invested as follows:		
TCorp Hour-Glass Bond Market	-	7,132
Co-operative Housing Societies (i)	14	16
Other Housing (ii)	92	111
	106	7,259

(i) 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.

(ii) The Board has also made funds available via arrangements with councils and community organisations to provide rental accommodation to low income and retired persons. Interest rates vary from 7.5% pa to 9.5% pa, with loan periods up to 31 years.

7. CURRENT LIABILITIES - PAYABLES

Other Accrued Charges	750	157
	750	157

8. CHANGES IN EQUITY

Balance at beginning of financial year	20,072	44,006
Surplus/(Deficit) for the year	6,319	(23,934)
Balance at the end of the financial year	26,391	20,072

9. COMMITMENTS FOR EXPENDITURE

There are no commitments for capital or other expenditure or commitments for leases at balance date (Nil - 30 June 2007).

10. CONTINGENT LIABILITIES

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

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2008**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

	2008	2007
	\$'000	\$'000
Surplus/(Deficit) for the year	6,319	(23,934)
(Decrease)/Increase in Liabilities		
Payables	593	(41)
(Increase)/Decrease in Assets		
Other financial assets	21	18
Receivables	5,815	(3,899)
Net Cash (used in)/from Operating Activities	12,748	(27,856)

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

(a) Financial Instrument Categories

			2008 \$'000	2007 \$'000
Financial Assets	Note	Category	Carrying Amount	Carrying Amount
Class:				
Cash and cash equivalents	4	Not applicable	26,912	7,021
Receivables*	5,6	Loans and receivable (at amortised cost)	232	3,044
Financial assets at fair value	6	At fair value through profit or loss - designated as such upon initial recognition	-	7,132
Class:				
Payables**	7	Financial liabilities measured at amortised cost	750	157

* 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)

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2008**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(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.

(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 or breaches 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 Treasurer's Direction 219.01. 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. Treasurer's Direction 219.01 allows the Minister to award interest for late payment.

(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.

Other Price Risk - TCorp Hour-Glass Facilities

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2008**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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	2008 \$'000	2007 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years (pre-June 2008 - up to 2 years)	26,688	6,891
Bond market facility (closed June 2008)	Cash, money market instruments, Australian bonds	2 years to 4 years	N/A	7,132

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	2008 \$'000	2007 \$'000
Hour-Glass Investment - Cash Facility	+/- 1.0%	267	69
Hour-Glass Investment - Bond Market Facility	+/- 5.0%	N/A	357

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2008**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(e) Fair Value

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 Balance Sheet approximates the fair value, because of the short-term nature of many of the financial instruments.

13. RENTAL BONDS

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

Rental Bond Trust Funds

	2008 \$'000	2007 \$'000
Trust Investments	746,560	696,497
	<hr/> 746,560	<hr/> 696,497
Less: Trust Ledger Bank Account	(2,141)	(3,865)
Rental Bonds	<hr/> 744,419	<hr/> 692,632

Rental Bonds are invested as follows:

TCorp Hour-Glass Facility	48,360	48,360
Direct Fixed Interest Portfolio(a)	696,117	646,114
Private Shared Equity Scheme (b)	2,083	2,023
	<hr/> 746,560	<hr/> 696,497

- (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.

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2008**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- (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 2008, the CPI movement was 3.3% (1.56% - 30 June 2007).

Market Valuation of Rental Bond Investments

Market valuations were obtained on the investments listed below:

	2008	2007
	\$'000	\$'000
NSW Treasury Corporation Hour-Glass Facility	48,360	48,360
Direct Fixed Interest Portfolio	663,908	626,738
Private Shared Equity Scheme	2,118	2,039
	<u>714,386</u>	<u>677,137</u>

Market values as at 30 June 2008 were based on Treasury Corporation's advice.

Total liability to bond holders as at 30 June 2008 is \$741 million compared to the market value of the Trust's investments of \$714 million, resulting in a gap of \$27 million. This difference is covered by funds managed in the TCorp Hour-Glass Cash Facility held by the Board of \$27 million as at 30 June 2008.

The Board is currently reviewing its investment strategy to ensure that this gap is managed to minimise risk exposure.

14. AFTER BALANCE DATE EVENTS

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

END OF AUDITED FINANCIAL STATEMENTS

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 2007-2008

Requirement	Reference
Letter of submission	Inside front cover
Application for extension of time	n/a
Charter	3
Aims and objectives	5
Access	Back cover
Management and structure	4
Summary review of operations	6, 15
Funds granted to non-government community organisations	15, C
Legal change	n/a
Economic or other factors	n/a
Research and development	n/a
Human resources	C
Consultants	n/a
Equal employment opportunity	C
Disability plans	C
Land disposal	n/a
Promotion	C
Consumer response	C
Guarantee of service	C
Payment of accounts	C
Time for payment of accounts	C
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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.

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