



2005-2006

NSW OFFICE OF

Fair Trading

DEPARTMENT OF COMMERCE

for consumers
& traders

Rental Bond Board Annual Report 2005 - 2006

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To Parliament

The Hon Diane Beamer, MP
Minister for Fair Trading
Minister for Western Sydney
Minister Assisting the Minister for Commerce
Parliament House Sydney

Dear Ms Beamer

I am pleased to present the Annual Report of the Rental Bond Board for the year ending 30 June 2006. 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
26 October 2006

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Sydney NSW Australia
October 2006

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 Consumer, Trader and Tenancy Tribunal. Meanwhile the Board retains custody pending resolution of the matter.

The NSW Rental Bond Board is believed to have been the first government agency in the world to undertake this custodial function. 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.

During 2005-2006 the Office of Fair Trading took on an additional bond administration role. New legislation introduced by the NSW Government required all cash security bonds on retail tenancies to be lodged with the Director-General of the 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 arena and outsourced the administration of the lodgement and refund of the retail bonds to Fair Trading's Renting Services Branch. New cash bonds were required to be lodged from 1 January 2006; existing bonds by 1 April 2006.

The two agencies were given a lead time of less than six months in which to adapt Renting Services' systems to accommodate the new retail tenancy bonds. The success of their collaborative effort is reflected in the completion of the project on time and within budget. It is a testimony to the expertise of Fair Trading staff that State and Regional Development has entrusted us with this vital retail bond administrative role.

As is the case with residential rental bonds, inquiries on the status of retail bonds are handled by the Office's Fair Trading Information Centre (FTIC).

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 decade to deliver an effective rental bond custodial service to the people of New South Wales.



Lyn Baker
Commissioner for Fair Trading
Chairperson, Rental Bond Board

Highlights

- Record number (614,833) and value (\$647.8 million) of residential rental bonds held in custody by the Board at 30 June 2006.
- \$3.6 million in core service funds provided for the Tenants Advice and Advocacy Program (TAAP), which is 50% funded by the Board. Additional grants made available through the TAAP Special Purpose Fund.
- 24% growth in claims for refund of residential rental bonds submitted via the Rental Bond Internet Service (RBIS) - the online rental bond self-service channel for real estate property managers - and a 27% increase in RBIS rental bond inquiries.
- Successful modification of rental bond systems to accommodate facilities for the lodgement and refund of retail tenancy bonds on behalf of the Department of State and Regional Development.

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
• David O'Connor, Commissioner (to 6/10/05)	Ex officio	0 meetings
• Lyn Baker, Commissioner (from 11/11/05) for Fair Trading – Chairperson	Ex officio	2 meetings
• Deputy: Ms Susan Dixon Director, Consumer Protection & Community Access		2 meetings
• Director-General Department of Housing	Ex officio	
• Deputy: Ms Helen O'Loughlin (to 25/8/05) Director, Centre for Affordable Housing		0 meetings
• Deputy: Mr Andrew Larkin (from 26/8/05) Acting Director, Centre for Affordable Housing		3 meetings
• Secretary, NSW Treasury	Ex officio	
• Deputy: Mr Brian Waddington Principal Financial Analyst		4 meetings
• Ms Michelle Jones Tenants' Union of NSW	Ministerial appointment (11/10/05 - 30/6/06)	4 meetings
• Ms Sandra McGee Real Estate Institute of NSW	Ministerial appointment (11/10/05 - 30/6/06)	4 meetings

Service arrangements with the Office of Fair Trading

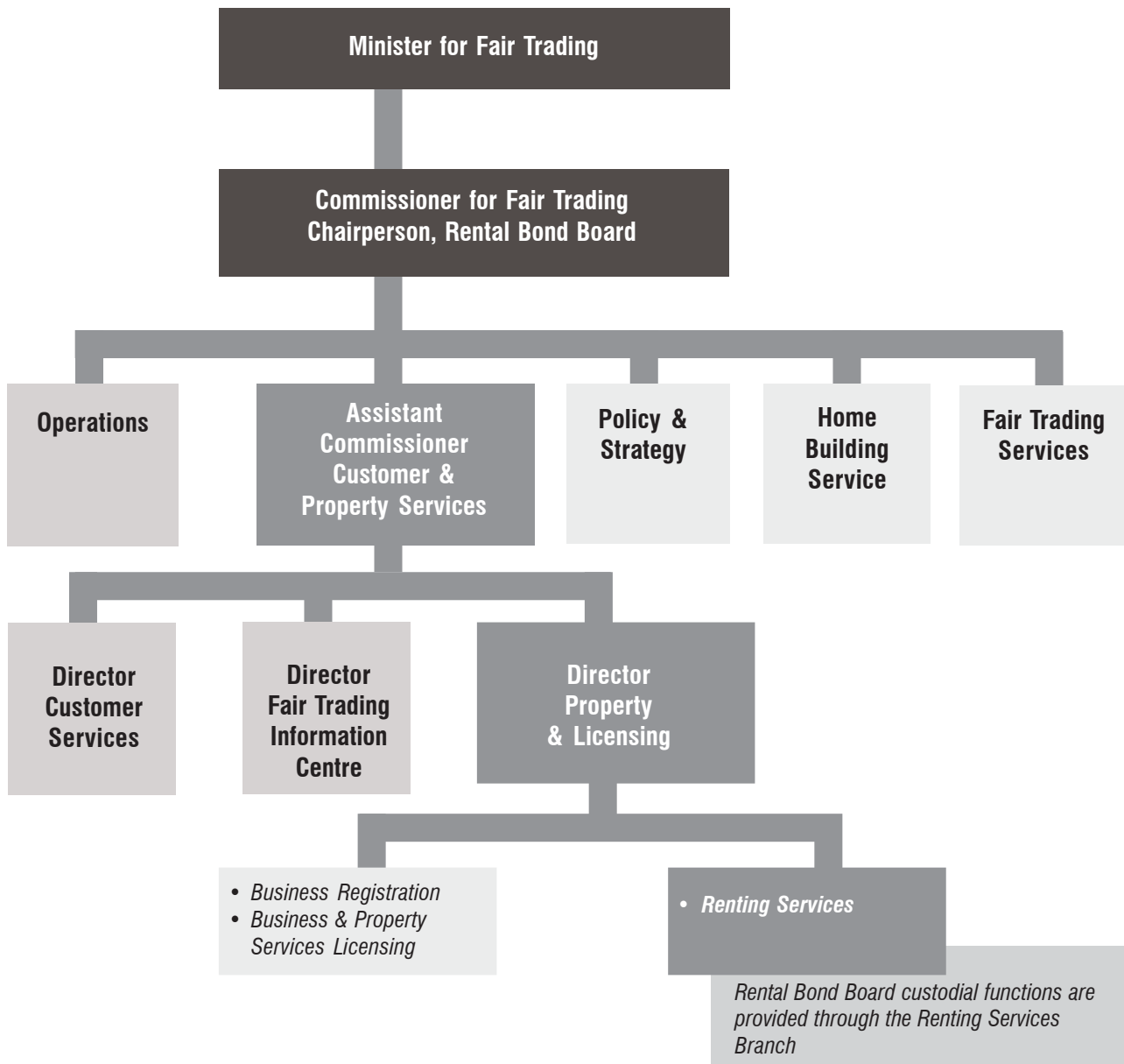
In 2002 - 2003, the Department of Commerce was established by the New South Wales Government.

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

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

A review of the Rental Bond Board's constitution, rental bond custodial operations, funded activities and the financial statements are provided in this Rental Bond Board Annual Report 2005-2006.

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 2005-2006.



Legislative environment

Residential tenancy law reform

In July 2005 an Options Paper on Residential Tenancy Law Reform was released for public comment. The options paper was distributed to key interest groups and public submissions were invited on the range of reform options canvassed in the paper.

More than 100 submissions were received during the period. Many of them focused on reforms aimed at reducing red tape, streamlining procedures, better balancing the rights of landlords and tenants, modernising the law and ways to reduce the volume of disputes. A report on the review is being drafted for submission to the Government and further consultation with industry and community stakeholders will be undertaken before any amendments are introduced.

Tenant database regulation

Tenant databases are operated by private companies who collect information about tenants and make it available to real estate agents. Agents use this information to assess a person's rental history when considering an application to rent a property.

In response to the problems caused by tenant databases in New South Wales, the Property Stock and Business Agents Regulation was amended in 2004 to establish rules of conduct to govern the use of databases by real estate agents.

Fair Trading has also been involved in moves to regulate tenant databases at a national level. The office has been participating in a Working Party which has completed a report and a Regulatory Impact Statement which makes recommendations for national regulation of databases.

The Standing Committee of Attorneys General has agreed to the development of model uniform legislation and the report and Regulatory Impact Statement will be submitted to the Ministerial Council on Consumer Affairs for approval. Draft national tenant databases legislation will then be prepared and released for public comment.

Legislative change

Residential parks

A major package of changes to the *Residential Parks Act 1998* was passed by Parliament in December 2005. This followed a statutory review of the legislation. The reforms came into effect in February and April 2006. Significant refinements to the laws have been made in relation to:

- disclosure of information and advertising on park tenancies
- termination of tenancies process when a park is facing redevelopment
- compensation payable to residents who have to leave because of redevelopment
- sale of homes within parks
- rights for residents who need to leave for long-term medical care
- emergency service access

- appointment of an administrator to manage a park when residents' well-being is under threat.

Public housing tenancy amendments

The *Residential Tenancies Amendment (Social Housing) Act 2005* commenced on 28 November 2005. The Act gave effect to the NSW Government's Plan for Reshaping Public Housing, released in April 2005. The Department of Housing is responsible for the policy development, consultation and implementation. The Office of Fair Trading cooperated with the Department of Housing in drafting the amendments to the Residential Tenancies Act.

The Department of Housing, as landlord, now has a structured and fair process whereby the eligibility to continue in public housing can be assessed at the end of a lease and allows for termination where it is determined the tenant is no longer eligible. It makes several amendments to the Residential Tenancies Act to ensure that tenants are treated consistently and the Department has appropriate operational flexibility following the introduction of fixed term leases.

The Act allows the Department of Housing to charge tenants for water usage costs and adds a number of tenant protection clauses in relation to the revision of market rents.

These changes also apply to the Aboriginal Housing Office and could potentially apply to Community Housing following consultation with that sector. The Act also amends the objects of the Housing Act and the Aboriginal Housing Act to ensure they are consistent with the reforms.

Bills assented to

- Residential Tenancies Amendment (Social Housing) Act 2005 - assented to 26 October 2005.

Statute law revision

Under the Statute Law Revision program, a Bill is introduced in each Session of Parliament to deal with a range of minor and uncontroversial legislative amendments. A number of amendments were made to fair trading legislation under this program during 2005-2006.

The *Statute Law (Miscellaneous Provisions) Act 2006* amended the:

- *Holiday Parks (Long-Term Casual Occupation) Act 2002*
- *Residential Parks Act 1998*
- *Residential Tenancies Act 1987*.

Subordinate legislation review

The following regulations were in preparation to be remade on 1 September 2006:

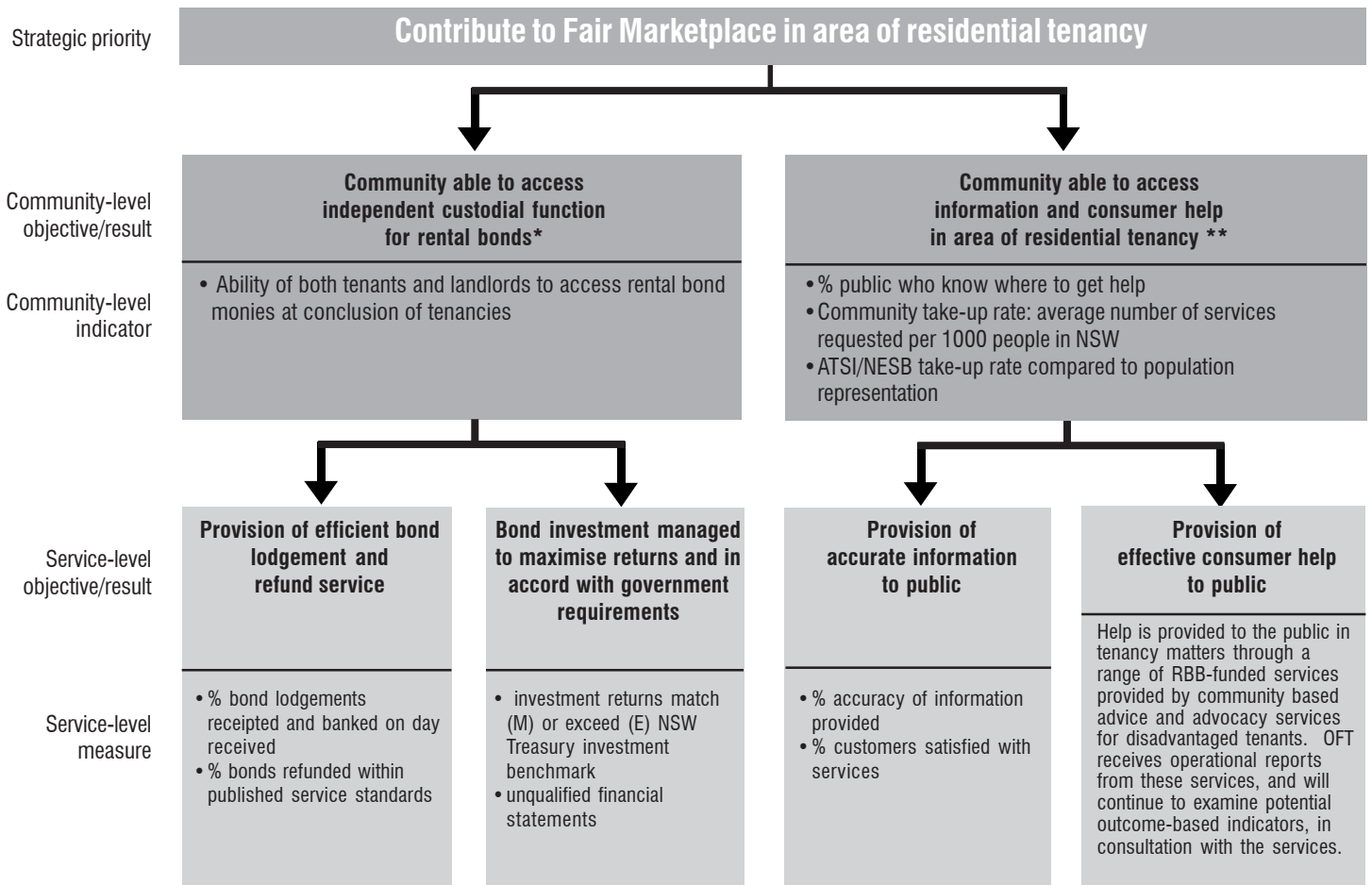
- Residential Parks Regulation 2006
- Residential Tenancies Regulation 2006.

Planning Framework

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

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

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



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

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

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

1 Community able to access independent custodial function for rental bonds

Community level result #1

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

Agency Performance

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

The Rental Bond Board supports the high-level community objective of an independent custodial function with the two service-level objectives shown above. The independent custodial function requires arrangements to accept and invest bond monies paid by tenants, and refund them at the end of a tenancy. The lodgement/refund service is provided by the Office of Fair Trading. Rental bonds are invested primarily in fixed interest securities with a proportion in cash. The Board has discretion on investment management and currently outsources this function to the NSW Treasury Corporation (TCorp), where the majority of funds are directly managed in a fixed interest portfolio (the Rental Bond Board Facility). The balance is held in TCorp's Cash Facility. Key indicators relate to: prompt refunds (an important aspect of quality customer service), prompt banking (this affects the interest earned, impacting both customers and funds management), return on investment and the achievement of unqualified financial statements.

Service delivery objectives/results	01-02	02-03	03-04	04-05	05-06	Target
Result: <i>Provision of efficient rental bond lodgement and refund service</i>						
Measures: <ul style="list-style-type: none"> • % rental bond lodgements receipted and banked on day received • % rental bonds refunded within published service standards 	97%	96%	98%	98%	96%	95%
	98%	98%	98%	98%	99%	98%
Result: <i>Investments managed to maximise returns and in accord with government requirements</i>						
Measures: <ul style="list-style-type: none"> • RBB investment returns match (M) or exceed(E) industry benchmark* • Financial statements unqualified (U) qualified (Q) 	M	M	E	M	E	≥M
	U	U	U	U	U	U
* Performance is shown for the primary Rental Bond Board Facility, which was introduced in the 2001-2002 financial year. TCorp's investment management performance is measured against the standard investment industry benchmark for returns on similar investment products. The benchmark would apply regardless of what organisation might perform this function for the Board.						

Community level indicators

	01-02	02-03	03-04	04-05	05-06	Projection
Outcome: <i>Community able to access independent custodial function for rental bonds</i>						
Indicator: <i>Ability of tenants and landlords to access rental bond monies at conclusion of tenancies - demonstrated by:</i>						
• % full refund to tenants	42%	42%	43%	44%	45%	40-45%
• % part refund to both parties	43%	44%	44%	44%	43%	40-45%
• % full refund to landlord/agent	15%	14%	13%	12%	12%	10-15%

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

A rental bond is an amount of money paid by a tenant as a form of security for the landlord against any future breaches of the tenancy agreement. At the conclusion of the tenancy, tenants are entitled to a refund of the bond (with interest) unless there is unpaid rent or damage to the property. A key role of the Rental Bond Board is to provide an independent, impartial custodial function, so that both tenant and landlord can access the monies as appropriate. This indicator shows that both tenants and landlords are succeeding in accessing bond monies, with tenants receiving full or part refunds in 88% of cases, and landlords accessing the full

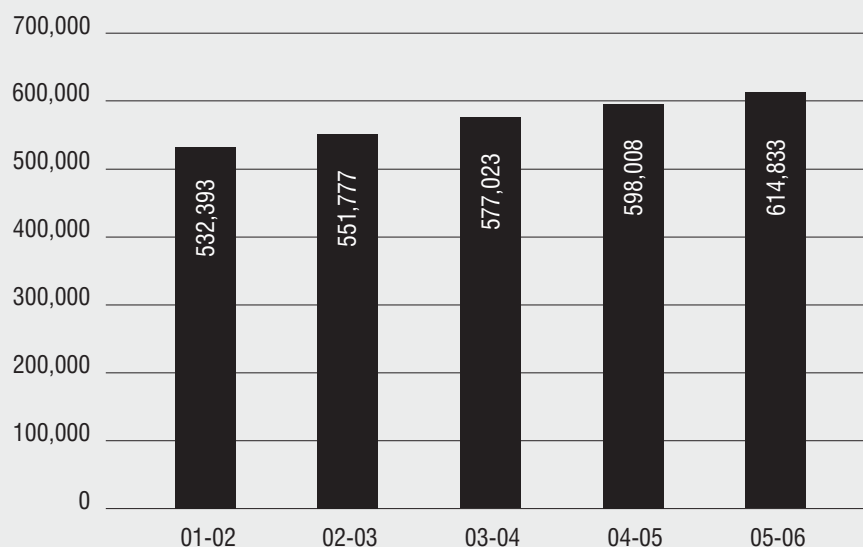
bond in around 12% of cases. The size of the proportional split between parties - which may be expected to fluctuate slightly over time with the circumstances of individual tenancies - is less important than the fact that the split exists. In many cases, tenants and landlords are able to agree on how the bond should be distributed, but in disputed cases the CTTT resolves the matter. The independence of the custodial function ensures the money is then available to be refunded to either party, which might not be the case if monies were not held at arm's length from both.

Rental bond custody

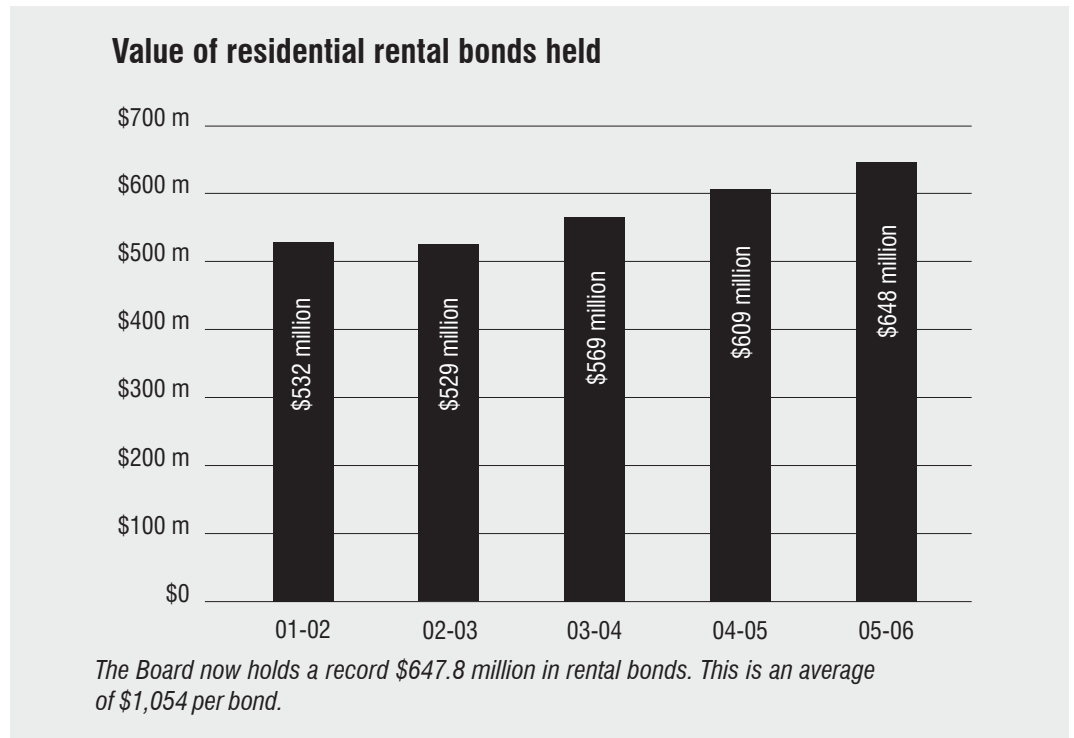
By 30 June 2006 the Board held 614,833 rental bonds in trust. These were valued at \$647.8 million and on average amounted to \$1,054 for each rental bond.

During the year, 288,072 new rental bonds were lodged with the Board - a decrease of just under 1% from the previous financial year. This continued the downward trend in the volume of new lodgements first seen in 2003-2004. By contrast, the number of bonds refunded increased by 0.5% to 271,247. The

Numbers of residential rental bonds held



The Board held 614,833 rental bonds on private residential tenancies at 30 June 2006. The last two years have seen a slowing in the rate of growth of bonds held in custody - from 4.6% in 2003-2004 to 2.8% in the last year.



combination of these two factors, a decrease in lodgements and a small increase in claims, resulted in a slowing in the rate of growth of bonds held in trust, although it should be noted that lodgements for the year still outnumbered refunds by nearly 17,000. The total number of bonds held therefore increased by 2.8% from the number held at 30 June 2005. This compared with an increase of 3.6% in 2004-2005 and 4.6% in 2003-2004.

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

Rental statistical information

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

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

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

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

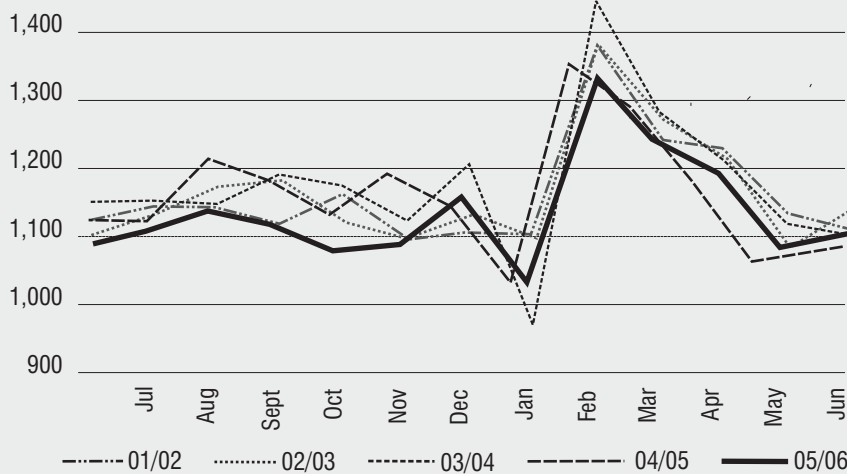
- dwelling type
- number of bedrooms
- weekly rent
- date the tenancy commenced
- date the previous tenancy of the dwelling ended.

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

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 2005-2006 financial year 88% of metropolitan bonds and 87% of outer metropolitan and regional bonds were managed by professional real estate agents or self-managing landlords owning 10 or more rental

Daily average residential rental bond lodgements per month



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

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, 288,072 new rental bond lodgements and 7,763 additional bonds (where a bond is paid by instalments) were received by the Board.

This represented an average of 1,169 lodgement forms processed by staff each working day. As in previous years, the vast majority of bond lodgements, together with their accompanying cheque or money order, were received by post. The total value of bonds received was \$341.1 million. 96% of all bond lodgements were received and banked the day they were received.

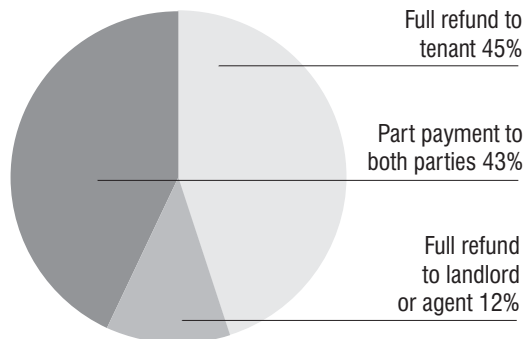
The Board received only 32 enquiries regarding non-lodgement of rental bonds in 2005-2006. This represented just 0.01% of the total number of bonds lodged during the year - demonstrating a very high level of compliance with rental bond legislation by NSW landlords.

Rental bond refunds

271,247 rental bonds were refunded during 2005-2006 through 389,991 individual payments. Refund payments totalled \$302.1 million.

The year saw a continuation in the long-term trend toward a preference for electronic service delivery by our customers, with a corresponding decline in postal and face-to-face services. Over 90% of bond refund claims from real estate agents, landlords and tenants were received by facsimile.

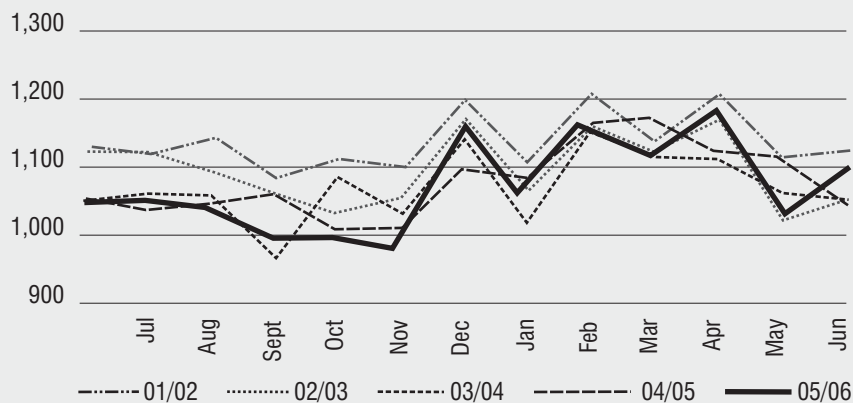
Bond refunds paid to tenants and landlords in 2005-2006



2005-2006 Rental Bond processing against published Guarantee of Service standards

	Target	Result
% agreed direct deposit refunds banked within two working days:	98%	99%
% agreed mail refund cheques posted within four working days:	98%	98%
% Notices of Claim issued to one party - paid within twenty working days:	97%	99%

Daily average residential rental bond refunds per month



The Rental Bond Internet Service (RBIS) continued to grow in popularity with 22,053 claims submitted by real estate property managers in 2005-2006 - an increase of 24.1% over the previous year.

As a percentage of all refunds, RBIS claims increased from 6.5% in 2004-2005 to 8.1% in 2005-2006. Of these, 87% were refunded automatically (i.e. without any additional back-office data entry). The remaining 13% were paid after a subsequent claim for refund form was signed by the tenant, agreeing to the landlord's requested deduction.

The proportion of customers requesting a direct credit of their bond refund into their bank or credit union account also continued to increase: up from 42.5% in 2003-2004 and 46.8% in 2004-2005, to over 50.9% this year. By contrast, the number of bonds refunded over the counter continued to decline. In 2005-2006, only 2.1% of customers sought a refund in person, down from 2.7% in 2004-2005.

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

During 2005-2006, 71.7% of all refunds were agreed by the parties while in 25.6% of cases a Notice was issued but no dispute proceeded with. 2.3% of the year's bond refunds were the result of an order by the Tribunal following a dispute over the bond

refund with a further 0.4% refunded after a Tribunal application was withdrawn prior to hearing.

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.

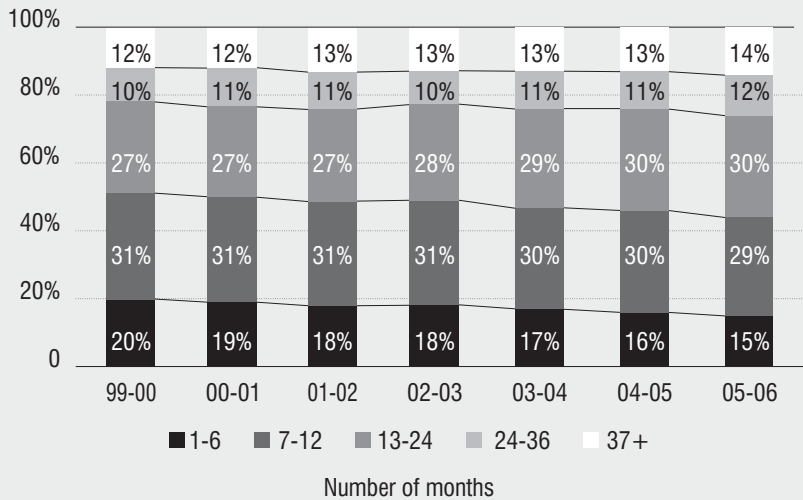
Over the year, \$18,355 was written off against income as a result of irrecoverable fraud and incorrect processing of refunds. As a percentage, the amount written off represented just 0.006% of the total amount of \$302.1 million refunded during the year.

Length of tenancy

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

In 2005-2006, 56% of all bonds refunded during the year had been held by the Board for more than 12 months, with 26% for tenancies of greater than two years' duration. This compares with 1999-2000, when only 49% of bonds remained with the Board for longer than 12 months, and just 22% for longer than two years.

The proportion of refunded bonds by length of tenancy (in months) graph (page 11) highlights the ongoing trend toward longer tenancies over the period 1999 to 2006, as indicated by the length of time refunded bonds had been held by the Board up until the time of refund.



Rental bond refund figures indicate a growing trend towards longer-term tenancies.

Information services

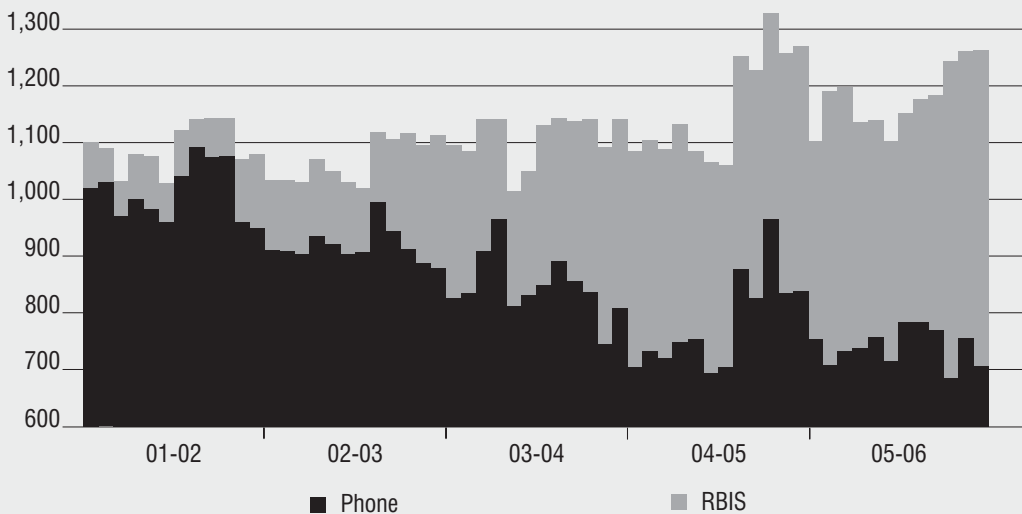
Fair Trading continued to provide the Board with a responsive rental bond information service for customers during 2005-2006 through the Fair Trading Information Centre (FTIC) and local Fair Trading Centres throughout NSW.

FTIC was officially opened in 2005 to provide a single point of contact for customer telephone enquiries from all over 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.

188,389 telephone enquiries on rental bonds were answered by Fair Trading staff during 2005-2006, a decrease of 5.0% from the previous year. This represented a daily average of 745 calls. 95.4% of all incoming calls were answered and for these callers the average waiting time was 1.13 minutes.

The ongoing decline 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 information on the status of their tenants' bonds via the Rental Bond Internet Service (RBIS). During 2005-2006, the

Daily average rental bond enquiries



Although telephone contact remains our customers' primary method of enquiring about their rental bonds, between 30% and 45% of all enquiries were made electronically in 2005-2006 - via the Rental Bond Internet Service (RBIS).

number of individual bond enquiries over RBIS increased by 26.7% when compared with the previous year, and by June 2006, RBIS enquiries represented 44% of all rental bond enquiries.

Rental Bond Internet Service

The Rental Bond Internet Service (RBIS) was introduced 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 during 2005-2006, with a 20.4%

growth in the number of property managers joining up to the Service when compared with the previous year.

The proportion of claims submitted via RBIS increased by 24.1% this year compared to 2004-2005, while property managers also used the system to make 113,540 specific bond inquiries and access a range of financial reports on rental bonds managed by their agencies.

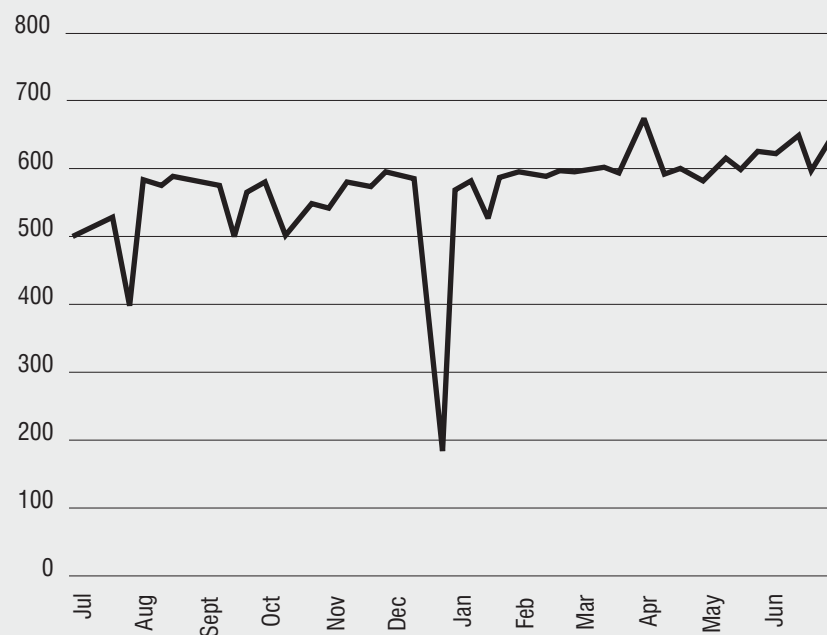
With an increase of nearly 20% in the number of rental bonds held by the Board since the inception of RBIS, the Service has proven itself a cost-effective self-service delivery channel which has enabled us to manage increasing transaction volumes with no increase in staffing levels.

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.

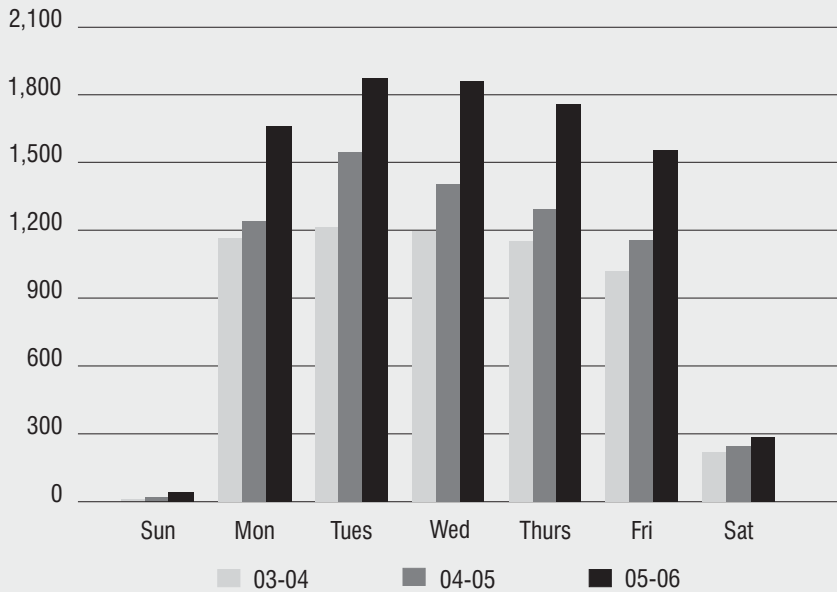
Staff monitor the systems and perform regular maintenance tasks to maximise performance and ensure high level availability of rental bond data for bond processing by our internal staff and by RBIS users throughout NSW.

RBIS - user trends in 2005-2006



The number of "unique" users of RBIS each week continues to rise. ("Unique user" = A single user visiting multiple times each week is only counted as visiting once during the week)

RBIS - average daily visits in 2003-2006



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

During the year there were no major upgrades or system changes. The rental bond computer systems were fully available to users for over 99% of the time. However, due to the age of the systems it is proposed to undertake a thorough requirements review and cost benefit analysis, to inform major technology upgrades over the coming years.

Review of data centre management

During 2005-2006 the Department of Commerce's Audit Branch undertook a high level review of the Renting Services data centre controls. The audit scope focussed on the general control environment covering service delivery, service support, asset protection and infrastructure. The audit found:

- Overall, the data centre operated by Renting Services is effectively managed.
- The network environment has remained relatively static over recent years and operating practices are well established.
- A good level of internal control was evident.

The report states that Renting Services Branch makes the most of the technical infrastructure available in the data centre but observes that the equipment is dated and recommends a technology upgrade should be considered.

Audit of business processes

Audit Branch also undertook an independent review of Renting Services' business operations early in 2006. The scope of the review included the key business processes for the lodgement, custody and refund of both rental bonds and the new retail tenancy bonds. The review found that:

- Overall, monies for residential rental bond and retail bond lodgements are properly appropriated in accordance with OFT requirements.
- There is an adequate level of control over the bond lodgement, custodial and refund processes, with some improvement possible by exploring opportunities that may be available with new technology.
- "Renting Services has established a satisfactory control environment which, in the main, is due to the diligence, responsibility, accountability and effectiveness of staff."

The major recommendation, however, again related to the age of the Rental Bond System (RBS). The report stated that: "Whilst RBS is currently meeting the basic needs of Renting Services, it may prove difficult to sustain in the longer term."

Management is currently assessing the findings of the review.

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

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

The Unit performed regular four weekly reviews of a random selection of rental bond refunds during 2005-2006, 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

During 2005-2006 Fair Trading entered into an agreement with the Department of State and Regional Development to administer the facility for the lodgement and refund of retail tenancy bonds.

Although the retail bond custodial service is not subject to rental bond legislation or to the jurisdiction of the Rental Bond Board, a brief discussion of retail bonds has a place in this Report since the effective implementation of this new government initiative relied heavily upon the support provided by the pre-existing Rental Bond Board operations.

During the year the *Retail Leases Act 1994*, which governs the relationship between retail tenants and landlords in New South Wales, was amended to require the deposit of all cash security bonds on retail tenancies with the Director-General of the Department of State and Regional Development.

Fair Trading was asked to administer the lodgement and refund of the retail tenancy bonds on the Director-General's behalf. New cash bonds were required to be lodged from 1 January 2006; pre-existing bonds by 1 April 2006.

The project to expand existing rental bond computer and operational systems to accommodate retail bonds commenced in June 2005, and was completed on time and within budget through a successful collaboration between the two agencies. As is the case with residential rental bonds, inquiries on the status of retail bonds are handled by the Fair Trading Information Centre (FTIC) under the outsource agreement.

The administration of the retail bond services 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.

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

Community-level result #2

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

Agency Performance

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

The Rental Bond Board supports the high-level community objective of an independent custodial function for rental bonds through two service-level objectives: provision of accurate information, and effective consumer help. Information on residential tenancy rights and obligations is provided through the Office of Fair Trading. Advice and help for tenants is provided through the community-based Tenants Advice & Advocacy Program (jointly funded by the Board and Fair Trading). Fair Trading monitors the quality of information services provided to customers, assessing both customer satisfaction and the accuracy of information provided, through independently conducted annual surveys. Tenancy services are included in both surveys but due to their proportion within the overall sample, the isolation of tenancy results is not appropriate – hence overall Fair Trading results appear below.

Service delivery objectives/results	01-02	02-03	03-04	04-05	05-06	Target
Result: <i>Provision of accurate information to the public</i> Measures: <ul style="list-style-type: none"> • % accuracy of information provided • % of customers satisfied with overall quality of services 	99%	87%	99%	83%	93%	≥90%
	95%	94%	89%	87%	90%	≥90%
Result: <i>Provision of effective tenancy consumer help to public</i> Measure: <ul style="list-style-type: none"> • Help is provided to the public in tenancy matters through a range of RBB-funded services provided by community based advice and advocacy services for disadvantaged tenants. OFT receives operational reports from these services, and will continue to examine potential outcome-based indicators, in consultation with the services. 	–	–	–	–	–	–

Community level indicators

	01-02	02-03	03-04	04-05	05-06	Target
Outcome: <i>Community able to access information and consumer help</i>						
Indicators: • <i>Percentage of public who know where to go to get help</i>	58%	68%	73%	73%	70%	65-70%
• <i>Community take-up rate (average number of services requested per 1000 people in NSW)</i>	400	502	509	557	653	Est 580
• <i>ATSI/NESB take-up rate matches (M) or exceeds (E) population representation</i>	E	E	E	E	E	≥M

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

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

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

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

Funded services

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

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 inquiry volumes declined by 12.2% this year compared to 2004-2005, with 126,304 calls answered by staff. This decrease is largely attributed to the ready availability of customer information and electronic versions of our publications on the Office of Fair Trading website: www.fairtrading.nsw.gov.au, and the growing use of the internet for information self-service by customers.

During the year officers answered 90.5% of all incoming tenancy calls, with an average waiting time for customers of just over 2 minutes.

Tenancy functions of the Consumer, Trader and Tenancy Tribunal

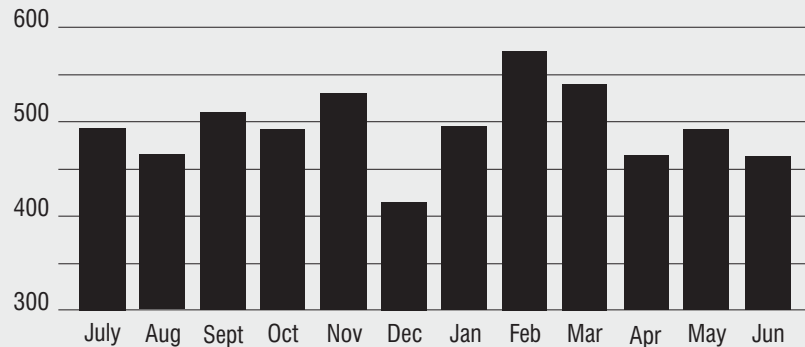
The Consumer, Trader and Tenancy Tribunal (CTTT) is an independent decision-making body for the determination and resolution of marketplace disputes throughout New South Wales.

The CTTT deals with matters under eight divisions:

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

The Tribunal operated eight regional and metropolitan registries and conducted hearings in over 85 venues throughout NSW in 2005-2006. The Rental Bond Board provided over \$8.6 million in funding toward the tenancy, residential parks, strata and community schemes, and retirement

Tenancy enquiries - daily average call rate per month in 2005-2006



The peak in February reflects the high turnover of tenancies at the beginning of the new academic year.

village functions of the Tribunal during the year. These functions are jointly funded by the Office of Fair Trading.

In 2005-2006, 77% of all applications to the Tribunal concerned tenancy matters, with a further 4% related to residential park, strata or retirement village issues.

For more information on the CTTT and its activities visit the Tribunal's website at: www.fairtrading.nsw.gov.au/cttt.html

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 1977* and the Office of Fair Trading under the *Property, Stock and Business Agents Act 2002*. In 2005-2006, TAAP received \$7,282,136 in total funding from these two sources, including \$37,023 provided from TAAP Special Purpose Funds.

During the past year, the 21 community-based organisations funded under the TAAP provided assistance to around 26,000 tenants across New South Wales.

In particular, a significant number of people living in residential parks which were facing closure were provided with advice and any recourse options which may be available to them. Apart from a large number of parks being closed, an increasing number of residential parks are the subject of re-development applications, which may impact upon low income earners for whom residential parks provide affordable accommodation.

More than 6,000 tenants around the state received assistance with either preparing for, or representation at, a Consumer, Trader and Tenancy Tribunal hearing.

Affordable housing grant

In 1998 the Rental Bond Board approved a grant of \$10 million to the then Department of Urban Affairs and Planning for affordable housing initiatives. The grant, which was later transferred to the Department of Housing has contributed to the following outcomes:

- Establishment of the Affordable Housing Service - which is a focal point for information, advice, training and expertise on affordable housing
- Purchase or construction of 24 demonstration units of affordable housing (\$6.4 million)
- Affordable housing feasibility studies through seed funding to local councils
- Grant to City West Housing to assist with the purchase of land in Green Square for 16 affordable housing units.

The funds were fully expended by the end of the grant period on affordable housing demonstration projects at Thornleigh, Inner Western Sydney and Liverpool. The Centre for Affordable Housing provided a final independent audit report as required under the funding agreement.

Bonds held

Residential rental bonds held by the Board as at 30 June 2006, by postcode groupings

Postcode groupings	Postcodes	Bonds held		Change %
		30-6-05	30-06-06	
Inner Sydney	2000-2014	29,413	30,240	2.8
South Sydney	2015-2020	9,347	10,159	8.7
Eastern Suburbs	2021-2036	47,478	47,967	1.0
Inner West	2037-2059	30,406	30,797	1.3
Lower North Shore	2060-2069	23,294	23,720	1.8
Upper North Shore	2070-2087	10,350	10,895	5.3
Mosman/Cremorne	2088-2091	10,907	10,882	-0.2
Manly/Warringah	2092-2109	21,053	21,288	1.1
North Western	2110-2126	19,715	20,150	2.2
Western Suburbs	2127-2145	32,909	34,222	4.0
Parramatta/Hills	2146-2159	22,336	23,314	4.4
Fairfield/Liverpool	2160-2189	29,675	30,242	1.9
Canterbury/Bankstown	2190-2220	18,886	19,320	2.3
St George	2201-2223	32,934	33,579	2.0
Cronulla/Sutherland	2224-2249	14,296	14,280	-0.1
Metropolitan		352,999	361,055	2.3
Central Coast	2250-2263	24,566	25,339	3.1
Greater Newcastle	2264-2319	30,370	31,072	2.3
Hunter Valley	2320-2339	12,291	12,942	5.3
New England	2340-2419	12,492	12,940	3.6
North Coast	2420-2499	43,644	44,763	2.6
Greater Wollongong	2500-2530	18,741	19,011	1.4
South Coast	2531-2551	11,702	12,126	3.6
Campbelltown	2552-2570	10,495	10,911	4.0
Southern Division	2571-2639	12,980	13,519	4.2
Riverina	2640-2739	16,891	17,841	5.6
Penrith/Windsor	2740-2772	26,279	27,184	3.4
Blue Mountains	2773-2786	5,184	5,271	1.7
Orange/Windsor	2787-2819	8,913	9,018	1.2
Dubbo & North West	2820-2842	5,339	5,694	6.6
Mudgee District	2843-2863	1,754	1,853	5.7
Western Division	2864-2880	2,815	3,032	7.7
Outer metropolitan & regional		244,456	252,516	3.3
Miscellaneous*		553	1,262	
NSW		598,008	614,833	2.8

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

Median rentals

Weekly rents for new lettings during the 2006 June Quarter by postcode groupings

Postcode groupings	Postcodes	2005 \$ per week	2006 \$ per week	% Change
Inner Sydney	2000-2014	380	395	3.9
South Sydney	2015-2020	350	360	2.9
Eastern Suburbs	2021-2036	360	373	3.6
Inner West	2037-2059	330	360	9.1
Lower North Shore	2060-2069	360	380	5.6
Upper North Shore	2070-2087	345	350	1.4
Mosman/Cremorne	2088-2091	365	375	2.7
Manly/Warringah	2092-2109	360	380	5.6
North Western	2110-2126	300	310	3.3
Western Suburbs	2127-2145	260	280	7.7
Parramatta/Hills	2146-2159	250	270	8.0
Fairfield/Liverpool	2160-2189	230	240	4.3
Canterbury/Bankstown	2190-2220	220	230	4.5
St George	2201-2223	270	290	7.4
Cronulla/Sutherland	2224-2249	290	300	3.4
Metropolitan		300	320	6.7
Central Coast	2250-2263	230	230	0.0
Greater Newcastle	2264-2319	220	230	4.5
Hunter Valley	2320-2339	190	210	10.5
New England	2340-2419	155	160	3.2
North Coast	2420-2499	200	220	10.0
Greater Wollongong	2500-2530	220	230	4.5
South Coast	2531-2551	200	200	0.0
Campbelltown	2552-2570	220	230	4.5
Southern Division	2571-2639	195	200	2.6
Riverina	2640-2739	165	165	0.0
Penrith/Windsor	2740-2772	230	240	4.3
Blue Mountains	2773-2786	210	220	4.8
Orange/Windsor	2787-2819	180	180	0.0
Dubbo & North West	2820-2842	150	160	6.7
Mudgee District	2843-2863	160	185	15.6
Western Division	2864-2880	140	150	7.1
Outer metropolitan & regional		200	215	7.5
Miscellaneous*		155	160	3.2
NSW		250	260	4.0

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



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

Rental Bond Board

To Members of the New South Wales Parliament

Audit Opinion

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

- presents fairly the Board's financial position as at 30 June 2006 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Board's Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the Board, for the year ended 30 June 2006.

The members of the Board are responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

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

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

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

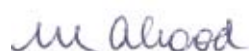
My opinion does *not* provide assurance:

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

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

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



M P Abood, CPA
Director, Financial Audit Services

SYDNEY
12 October 2006

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 2006 and transactions for the year ended 30 June 2006;
- (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


ANDREW LARKIN, Member

Dated at Sydney on 11th October 2006

RENTAL BOND BOARD
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$'000	2005 \$'000
Revenue			
Investment income	1(d),7	38,991	37,820
Other income		-	1
Total Revenue		<u>38,991</u>	<u>37,821</u>
Expenses			
Administrative Services	1(a),8 (a)	19,094	19,426
Grants and subsidies	8(c)	22,398	12,052
Other operating expenses	8(b)	697	770
Interest on rental bonds	1(h)	89	82
Total Expenses		<u>42,278</u>	<u>32,330</u>
(LOSS)/PROFIT FOR THE YEAR	10	<u>(3,287)</u>	<u>5,491</u>

THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS

RENTAL BOND BOARD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	2006 \$'000	2005 \$'000
Net Income Recognised Directly in Equity		-	-
(Loss)/Profit for the year	10	(3,287)	5,491
Total Recognised Income and Expenses For the Year		(3,287)	5,491
Effect of Changes in Accounting Policy And Correction of Errors		-	-

THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS

RENTAL BOND BOARD
BALANCE SHEET AS AT 30 JUNE 2006

	Notes	2006 \$'000	2005 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	2	16,062	24,838
Receivables	3	2,051	130
Total Current Assets		18,113	24,968
Non-Current Assets			
Other financial assets	4	26,091	25,148
Total Non-Current Assets		26,091	25,148
TOTAL ASSETS		44,204	50,116
LIABILITIES			
Current Liabilities			
Payables	6	198	2,823
Total Current Liabilities		198	2,823
TOTAL LIABILITIES		198	2,823
NET ASSETS		44,006	47,293
EQUITY			
Retained Earnings	10	44,006	47,293
TOTAL EQUITY		44,006	47,293

THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS

RENTAL BOND BOARD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$'000	2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Maturity of investments		180	65
Interest received		38,822	37,879
Other		(941)	12
Total Receipts		<u>38,061</u>	<u>37,956</u>
Payments			
Payment of interest on bonds		(89)	(83)
Trade creditors		(23,005)	(18,126)
Grants and subsidies		(22,779)	(12,052)
Total Payments		<u>(45,873)</u>	<u>(30,261)</u>
NET CASH FLOWS (USED BY)/FROM OPERATING ACTIVITIES	12	<u><u>(7,812)</u></u>	<u><u>7,695</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of investments		(964)	(1,621)
Total Payments		<u>(964)</u>	<u>(1,621)</u>
NET CASH FLOWS USED BY INVESTING ACTIVITIES		<u><u>(964)</u></u>	<u><u>(1,621)</u></u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(8,776)	6,074
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		24,838	18,764
CASH AND CASH EQUIVALENTS AT END OF YEAR	2	<u><u>16,062</u></u>	<u><u>24,838</u></u>

THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2006**

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 with no cash generating units. The administrative functions for the Board are performed by the Office of Fair Trading and costs associated with these functions are paid for on an operational basis in relation to activities performed (Note 8).

This financial report for the year ended 30 June 2006 has been authorised for issue by the Commissioner for Fair Trading on the 11 October 2006.

(b) Basis of Preparation

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

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

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

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

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

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

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

(c) Statement of Compliance

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

RENTAL BOND BOARD FOR THE YEAR ENDED 30 JUNE 2006

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

This is the first financial report prepared based on AEIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AEIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in note 12.

In accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and Treasury Mandates, the date of transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* has been deferred to 1 July 2005. As a result, comparative information for these two Standards is presented under the previous Australian Accounting Standards which applied to year end 30 June 2005.

At the reporting date, a number of Accounting Standards adopted by the AASB had been issued but are not yet operative and have not been early adopted by the Board. The following is a list of these standards:

- AASB 7 - Financial Instruments: Disclosures (issued August 2005)
- AASB 119 - Employee Benefits (issued December 2004)
- AASB 2004-3 - Amendments to Australian Accounting Standards (issued December 2004)
- AASB 2005-1 - Amendments to Australian Accounting Standards (issued May 2005)
- AASB 2005-5 - Amendments to Australian Accounting Standards (issued June 2005)
- AASB 2005-9 - Amendments to Australian Accounting Standards (issued September 2005)
- AASB 2005-10 - Amendments to Australian Accounting Standards (issued September 2005)
- AASB 2006-1 - Amendments to Australian Accounting Standards (issued January 2006)

The initial application of these standards will have no impact on the financial results of the Rental Bond Board. The standards are operative for annual reporting periods beginning on or after 1 January 2006.

(d) Income Recognition

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

(e) Insurance

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

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2006**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

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

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

(g) Presentation

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

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

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

(i) Financial Instruments

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

Classes of instruments recorded at cost comprise:

- . cash
- . receivables
- . payables

Classes of instruments recorded at market value comprise:

- . investments

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

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2006**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(j) Other Financial Assets

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

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

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

2. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank is held with the Commonwealth Bank. Interest is earned on daily bank balances and calculated each month. The average interest rate for the period was 5.5% (5.25% 2004/2005). NSW Treasury Corporation interest for Hour-Glass Cash Facility Trust was 5.70% (5.58% 2004/2005).

	2006	2005
	\$'000	\$'000
Cash at Bank	219	459
NSW Treasury Corporation Hour-Glass Cash Facility Trust	15,843	24,379
	16,062	24,838

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

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

Cash and cash equivalents (per Balance Sheet)	16,062	24,838
Closing Cash and Cash Equivalents (per Cash Flow Statement)	16,062	24,838

3. ASSETS - RECEIVABLES

Items classified as receivables are as follows:

Accrued Interest	95	85
Debtors	1,956	45
	2,051	130

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2006**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. OTHER FINANCIAL ASSETS

	2006	2005
	\$'000	\$'000
Non-Current	26,091	25,148
	26,091	25,148
	26,091	25,148

Funds are invested as follows:

NSW Treasury Corporation Hour-Glass Bond Market (i)	25,947	24,983
Co-operative Housing Societies (ii)	17	24
Other Housing (iii)	127	141
	26,091	25,148
	26,091	25,148

Financial Assets at Fair Value through Profit and Loss

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

The value of the investments held can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the net fair value. The value of the investments represents the Board's share of the value of the underlying assets of the facility and those assets are stated at net fair value, as advised by NSW Treasury Corporation as at 30 June 2006, with an effective interest rate of 3.86% (6.93% 30 June 2005).

Loans and Receivables

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

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

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2006**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. RENTAL BONDS

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

Rental Bond Trust Funds

	2006	2005
	\$'000	\$'000
Trust Investments (i)	650,951	612,809
	650,951	612,809
Less: Trust Ledger Bank Account	(3,088)	(3,960)
Rental Bonds	647,863	608,849

(i) Rental Bonds are invested as follows:

NSW Treasury Corporation Hour-Glass Facility Trust	22,578	47,359
Direct Fixed Interest Portfolio(a)	626,121	563,123
Private Shared Equity Scheme (b)	2,252	2,327
	650,951	612,809

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

(b) The Private Shared Equity Rent/Buy Scheme was established to assist low income tenants and those on the public housing waiting list, to achieve home ownership. The Board initially invested \$20 million with a yield of 4% plus the CPI per annum. For the year to 30 June 2006, the CPI movement was 2.96% (2.35% - 30 June 2005).

Market Valuation of Rental Bond Investments

Market valuations were obtained on the investments listed below:

NSW Treasury Corporation Hour-Glass Facility	23,474	47,576
Direct Fixed Interest Portfolio (i)	623,147	573,785
Private Shared Equity Scheme	2,286	2,357
	648,907	623,718

(i) Market values as at 30 June 2006 were based on Treasury Corporation's advice.

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2006**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. CURRENT LIABILITIES - PAYABLES

	2006	2005
	\$'000	\$'000
Office of Fair Trading	-	2,408
Grants	96	381
Other Accrued Charges	102	34
	198	2,823

7. INVESTMENT INCOME

Rental Bond Trust Account	38,088	37,782
Amortisation of (Premium)/Discounts on Trust Account Investments	(1,479)	(2,612)
	36,609	35,170
 Rental Bond Interest Account	 2,382	 2,650
	2,382	2,650
	38,991	37,820

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

8. EXPENSES

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

(a) Administrative Services:

Administrative Service Charge	17,650	15,417
Capital Expenditure Service Charge	1,444	4,009
	19,094	19,426

(b) Other operating expenses:

Auditor's remuneration	52	49
Bank charges	106	106
Investment Management Fee	491	541
Other	48	74
	697	770

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2006**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(c) Grants and Subsidies:

		2006	2005
		\$'000	\$'000
Tenancy Services	9(a)	10,145	442
Tenants' Advice and Advocacy Program	9(b)	3,615	3,434
Tenancy Function of Consumer Trader and Tenancy Tribunal	9(c)	8,638	8,176
		22,398	12,052

9. GRANTS AND SUBSIDIES

(a) Tenancy Services

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

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

An amount of \$9.9m was paid to the Department of Housing for the Affordable Housing project in 2005/06.

(b) Tenants' Advice and Advocacy Program

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

The Program is jointly funded by the Office of Fair Trading and the Rental Bond Board in accordance with the Property, Stock and Business Agents Act 1941, and the Landlord and Tenant (Rental Bonds) Act 1977.

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

The Consumer Trader and Tenancy Tribunal has the jurisdiction to determine matters under the Residential Tenancies Act 1987 and the Retirement Villages Act 1989. These matters include requests to terminate tenancy agreements, payment of rental bonds on termination of tenancies, breaches relating to terms of the tenancy agreement and payment of compensation.

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

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2006**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

10. CHANGES IN EQUITY

	Accumulated Funds		Total Equity	
	2006	2005	2006	2005
Balance at beginning of financial year	47,293	41,802	47,293	41,802
AASB 139 first-time adoption	-	-	-	-
Other changes in accounting policy	-	-	-	-
Correction of errors	-	-	-	-
Restated opening balance	47,293	41,802	47,293	41,802
Changes in equity – transactions with owners as owners	-	-	-	-
Increase/decrease in net assets from equity transfers (Note)	-	-	-	-
Total	-	-	-	-
Changes in equity – other than transactions with owners as owners	-	-	-	-
(Loss)/Profit for the year	(3,287)	5,491	(3,287)	5,491
Other (decreases)/increases	-	-	-	-
Total	(3,287)	5,491	(3,287)	5,491
Balance at the end of the financial year	44,006	47,293	44,006	47,293

11. CONTINGENT LIABILITIES

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

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

	2006	2005
	\$'000	\$'000
(LOSS)/PROFIT FOR THE YEAR	(3,287)	5,491
(Decrease)/Increase in Liabilities		
Payables	(2,625)	2,105
(Increase) Decrease in Assets		
Other financial assets	21	51
Receivables	(1,921)	48
Net Cash (used in)/from Operating Activities	(7,812)	7,695

**RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2006**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

13. IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AEIFRS)

The Rental Bond Board has applied the AEIFRS for the first time in the 2005/06 financial report. To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it has mandated for the NSW public sector. The impacts disclosed below reflect Treasury's mandates and policy decisions.

The impacts of adopting AEIFRS on total equity and profit / (loss) as reported under previous AGAAP are shown below. There are no material impacts on the Rental Bond Board's cash flows.

(a) Reconciliation of key aggregates

Reconciliation of equity under existing Standards (AGAAP) to equity under AEIFRS:

	30 June 2005 \$'000	1 July 2004 \$'000
Total equity under AGAAP	47,293	41,802
Adjustments to Retained Earnings	-	-
Total equity under AEIFRS	47,293	41,802

Reconciliation of surplus / (deficit) under existing Standards (AGAAP) to equity under AEIFRS:

		30 June 2005 \$'000
Year ended 30 June 2005	Notes	
Profit under AGAAP		5,491
Adjustments to profit		-
Total profit under AEIFRS	10	5,491

14. AFTER BALANCE DATE EVENTS

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

END OF AUDITED FINANCIAL STATEMENTS

Compliance

with annual reporting requirements

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 2005-2006

Requirement	Reference
Letter of Submission	Inside front cover
Application for extension of time	n/a
Charter	1
Aims & objectives	5
Access	Back cover
Management & structure	3
Summary review of operations	6-18
Funds granted to non-government community organisations	17
Legal Change	4
Economic or other factors	n/a
Management & activities	2-18
Research & Development	n/a
Human resources	C
Consultants	n/a
Equal Employment Opportunity	C
Disability Plans	C
Land Disposal	n/a
Promotion	C
Consumer Response	C
Guarantee of Service	C
Payment of Accounts	C
Time for Payment of Accounts	C
Risk management & insurance activities	C
Disclosure of Controlled Entities	n/a
Ethnic affairs priorities statements and any agreement	C
NSW Government Action Plan for Women	C
Occupational Health and Safety	C
Waste	C
Budgets	24
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Code of Conduct	C
After balance events	n/a
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Liability management performance	36
Exemptions	n/a
Performance and numbers of executive officers	C
Freedom of Information Act	C
Implementation of Price Determination	n/a
Privacy management plan	C
Program evaluation results	n/a
Departures from Subordinate Legislation Act	n/a
Government Energy management policy	C
Electronic service delivery	C
Credit card certification	C

Production costs

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

Availability

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

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For information and help on fair trading issues call the Office of Fair Trading

General enquiries

13 32 20

Language assistance

13 14 50

TTY for hearing impaired

1300 723 404

Aboriginal tenancy

1800 500 330

Consumer, Trader & Tenancy Tribunal

1300 135 399

Motor Vehicle Repair Industry Authority

9712 2200

Registry of Co-operatives & Associations

1800 502 042

Or visit a Fair Trading Centre at:

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

Visit our website for details

www.fairtrading.nsw.gov.au

13 32 20



New South Wales
Government



Office of Fair Trading

1 Fitzwilliam St Parramatta NSW 2150

PO Box 972 Parramatta NSW 2124

9895 0111