



Fair
Trading

Rental Bond Board

Annual Report 2015-16



Rental Bond Board

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Overview

The Rental Bond Board is a statutory body established in 1977 to act as an independent and impartial custodian of rental bonds on private residential tenancies in New South Wales.

The powers and functions of the Board are set out in the *Residential Tenancies Act 2010* (the Act) 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 Civil and Administrative Tribunal. Meanwhile the Board retains custody of the funds pending resolution of the matter.

In performing its role, the Board is subject to the control and direction of the Minister responsible for Fair Trading. The Board is a self-funding corporation, deriving its income from the investment of rental bond trust funds and from retained earnings prior to distribution.

Although the Board is a statutory authority in its own right, the Act allows it to employ the facilities or services of any government authority to perform its functions.

NSW Fair Trading serves the Rental Bond Board by undertaking the rental bond lodgement, custody and refund functions, as well as providing tenancy and bond information to customers.

NSW Fair Trading also provides policy and legislative support. The broader umbrella organisation of the Department of Finance, Services and Innovation, within which NSW Fair Trading operates, provides financial administration, corporate and general business support. Information on the management, human resources, business systems and financial administration of the board is found in the NSW Department of Finance, Services and Innovation Annual Report 2015-16.

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 and Advocacy Program (TAAP), the Government's own tenancy information and dispute resolution services and for the tenancy functions of the NSW Civil and Administrative Tribunal, was at a record level this year.

The Board also contributes to the funding of NSW Fair Trading's grants programs for credit counselling and the No Interest Loans Scheme, and is the sole funding source for The Seniors' Rights Service.

Access

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

People can access the Rental Bond Board and its services via Service NSW Centres, by phoning the Fair Trading Contact Centre on 13 32 20 or through the Fair Trading website.

Rental Bonds
Locked Bag 9000
GRAFTON NSW 2460
Phone: 13 32 20

Secretariat functions of the Board are carried out by NSW Fair Trading at:

Level 22, 2-24 Rawson Place
SYDNEY NSW 2000
PO Box 972
PARRAMATTA NSW 2124

Email: Secretariat@finance.nsw.gov.au

Annual Report production costs

No external costs have been incurred in the writing, preparation or printing of this annual report. Printing of minimal quantities has been accomplished by laser printing and photocopying as required.

Electronic copies are available through the NSW Fair Trading website.

Board Membership

The Board is comprised of the Commissioner for Fair Trading (as Chairperson), representatives of the Chief Executive of Housing NSW and the Secretary of the Treasury, and two persons with experience in real estate or tenancy matters appointed by the Minister responsible for Fair Trading.

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

Rental Bond Board Members		Term of appointment	Meetings attended
Mr Rod Stowe, Chairperson	Commissioner for Fair Trading	Ex officio	4
Mr Ranit Ram	Nominee for NSW Treasury	Ex officio	2
Mr Humair Ahmad	Nominee for Family and Community Services	Ex officio	3
Ms Charmaine Jones	Tenants' Union of NSW	Ministerial appointment	2
Mr Miles Felstead	Real Estate Institute of NSW	Ministerial appointment	4

Highlights

- A record number of 787,476 residential rental bonds valued at \$1.308 billion were held in custody by the Board at 30 June 2016.
- The Rental Bond Board provided \$6.98 million to the Tenants' Advice and Advocacy Program (TAAP), a program which is jointly funded by the Board and NSW Fair Trading.
- NSW Fair Trading launched Rental Bonds Online (RBO), a new self-service channel for real estate property managers, self-managing landlords and tenants to lodge, refund and enquire on their rental bonds.

Snapshot

Performance measures	Target*	2012-13	2013-14	2014-15	2015-16
Rental bond lodgements receipted and banked within GoS	90%	98%	97%	98%	98%
Agreed direct deposit refunds banked within GoS	90%	97%	98%	96%	98%
Agreed mail refund cheques posted within GoS	90%	97%	98%	99%	98%
Notices of Claim issued to one party - paid within GoS	90%	95%	95%	99%	96%
RBB investment returns**	≥M	U	E	E	E
Financial statements (<i>Unqualified or Qualified</i>)	U	U	U	U	U

* Percentage of rental bond services meeting published Guarantee of Service (GoS) standards.

** M: matches industry benchmark | E: exceeds industry benchmark; or | U: under industry benchmark

Service arrangements

NSW Fair Trading operates within the Department of Finance, Services and Innovation, which provides a wide range of government services.

The Department provides an annual report to the Minister for Finance and Services. Information on the management, human resources, business systems and financial administration of NSW Fair Trading's custodial role is found in the NSW Department of Finance, Services and Innovation Annual Report 2015-16.

Rental bond custodial service

Objective: Community access to 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.

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 NSW 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

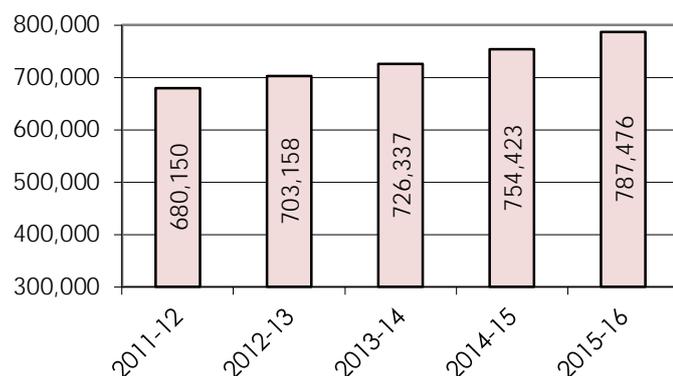
At 30 June 2016 the Board held 787,476 residential rental bonds in trust. These were valued at \$1.308 billion which, on average, amounted to \$1,657 for each rental bond. The total number of bonds held increased by 4.4% over the number held at 30 June 2015.

During the year, 306,076 new residential rental bonds were lodged with the Board – an increase of 3.7% from the previous financial year. The number of bonds refunded increased this year by 2.3% to 273,038.

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

Number of residential rental bonds held



Rental statistical information

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 and accurate rental information.

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

- dwelling type;
- number of bedrooms;
- weekly rent;
- date the tenancy commenced; and
- 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 98% of lodgements.

The collected rental data is collated and analysed, under agreement, by the Housing Analysis and Research Unit of Housing NSW. This information is available to the public in summary form in the Rent & Sales Report on the Housing website: www.housing.nsw.gov.au.

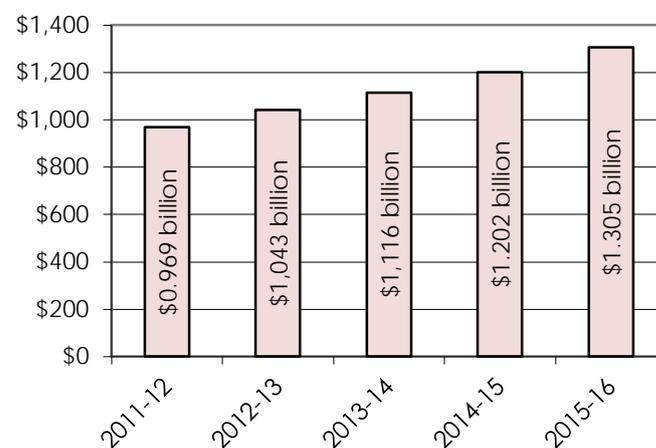
Summary tables of Bonds Held and Median Rentals are included in this Report.

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 2015-16 financial year, 92% of metropolitan bonds and 89% of outer metropolitan and regional bonds were lodged by professional real estate agents or self-managing landlords owning 10 or more rental properties.

This level of professional management has remained fairly constant, varying by only 2-3% over the years of the Board's operation.

Value of residential rental bonds held (millions)

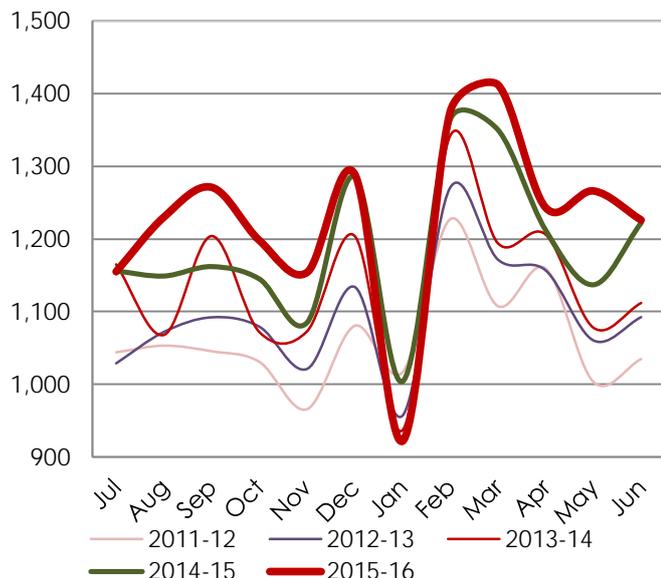


Rental bond lodgements

During the year, 306,076 new rental bond lodgements and 15,806 additional bonds (where a bond is paid by instalments) were received by the Board.

The total value of bonds receipted was \$588.6 million. 98% of all bond lodgements were receipted and banked the day they were received.

Daily average rental bond lodgements



The new Rental Bonds Online (RBO) service allows agents and private landlords to lodge bonds over the internet. An agent or landlord with their tenant completes the lodgement in RBO without the need for paper-based processing by staff. Tenants pay their bond money directly to the Board via card payment or BPAY. As at end June 2016, 16% of bonds were being lodged online each day.

Rental bond refunds

273,038 residential rental bonds were refunded in 2015-16 through 371,536 individual payments.

About 67% of bond refund claims from real estate agents, landlords and tenants were received by email, facsimile and post. The facsimile service ceased in December 2015.

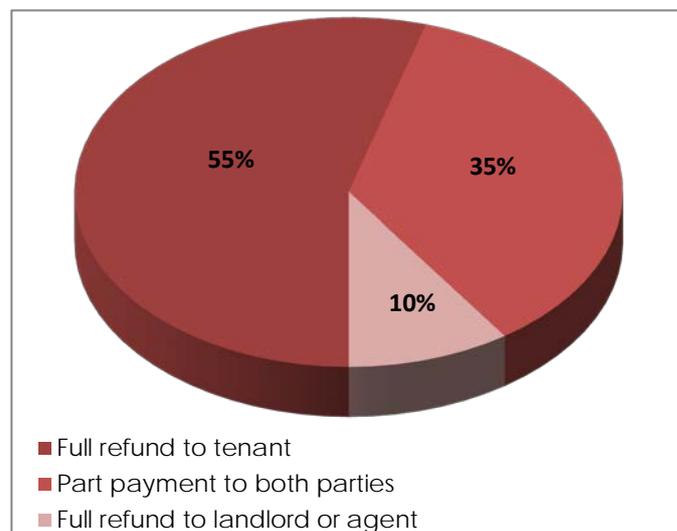
Whilst the new Rental Bonds Online (RBO) service focuses on the online bond model, it also allows agents to submit claims for form based bonds similarly to its predecessor, Rental Bond Internet Service (RBIS). During the year, 33% of all claims were directly submitted by real estate property managers using RBO and RBIS. As at end June, 45% of claims were being submitted in RBO each day.

In accordance with Departmental policy, payment of bond refunds by cheque ceased in December 2015. All bond refund payments to customers are now paid by direct credit into their bank or credit union account.

Claims for rental bond refunds are classified in two main categories in accordance with Part 8, Division 3 Release of rental bonds s.167 and s.168 of the *Residential Tenancies Act 2010*. The first is 'Agreed' claims where both parties have indicated their acceptance of the amount/s to

be refunded to each party. The second is '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 NSW Civil and Administrative Tribunal (NCAT) if they wish to dispute the claim.

Bond refunds paid to tenants and landlords



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 NCAT resolves the matter.

The independence of the custodial function ensures the money is then readily available to be refunded to either party.

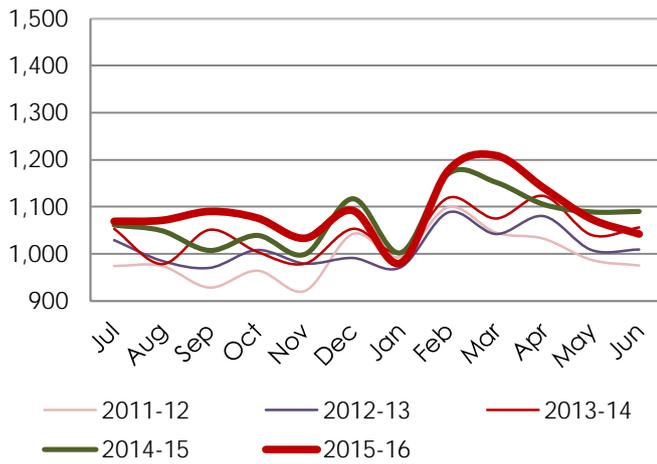
During 2015-16, 72.1% of all refunds were agreed by the parties while in 24% of cases a notice of claim was issued but no dispute proceeded to the Tribunal.

In 2015-16, 1.6% of bond refunds were the result of an order by the Tribunal following a dispute over the bond refund.

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

In accordance with NSW Fair Trading's Guarantee of Service to its customers, the Rental Bonds Branch processed 98% of all direct credit refunds into customers' bank accounts within two days of receiving an agreed rental bond claim.

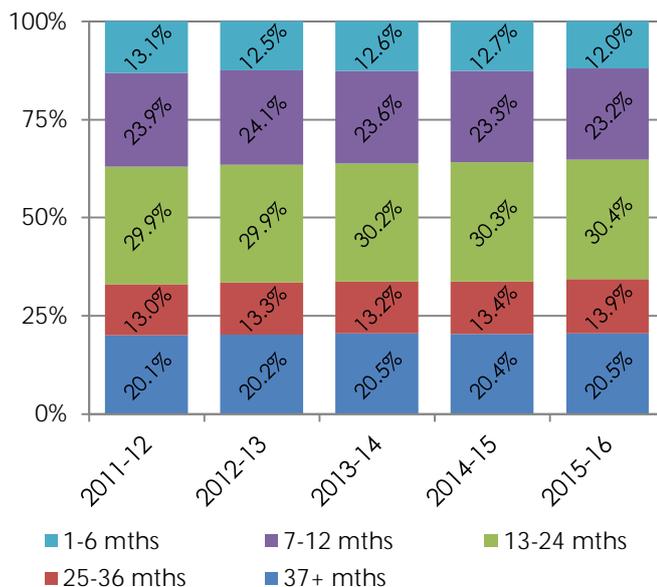
Daily average rental bond refunds per month



Length of tenancy

During 2015-16, 65% of all bonds refunded had been held by the Board for more than 12 months at the time of refund, with 35% of all bonds refunded being held for tenancies of greater than two years' duration.

Length of tenancy for refunded bonds



Rental Bonds Online

Rental Bonds Online (RBO) was officially launched in November 2015, following an initial trial in July 2015. RBO provides all parties to a NSW private residential rental bond, direct access to their bond information online.

The service uses strong security measures to protect both parties' details and access to the service.

RBO introduces a new and innovative business model for the property management industry. Tenants have increased accessibility to bond information, and interact with their managing agent or landlord online via RBO. The agent or landlord starts the bond lodgement process

before the tenant establishes a RBO account and pays their bond money directly to NSW Fair Trading using their visa or MasterCard debit or credit card, or BPAY, on their phone, tablet or personal computer. RBO immediately notifies the agent or landlord that NSW Fair Trading has received the expected bond money from the tenant, so that they can complete the tenancy.

Once a bond is lodged online using RBO, either party to the bond may submit or respond to a refund claim in RBO using the new security model, rather than filling in and signing paper-based forms.

Managing agents, private landlords and tenants receive updates on their bond by email and SMS.

The NSW government is focused on improving government services and making it easier to do business. RBO meets these commitments by reducing red tape costs for tenants, private landlords and managing agents.

Feedback to date has been extremely positive and the real estate industry has shown strong support for RBO. At the end of June:

- 4,225 real estate agencies and property management offices registered to use RBO;
- 1,950 private landlords registered to use RBO;
- 26,931 tenant accounts created;
- 25,204 online bond lodgements completed;
- \$50.1 million received via the new online bond payment methods.

RBO is transitioning Rental Bond operations from a paper-based financial processing environment, to a business focused on online service delivery and support.

A RBO Security and Support Team is available to assist tenants, managing agents and private landlords to register and use their RBO account.

The RBO Security and Support Team successfully transitioned agents from the Rental Bond Internet Service (RBIS) to RBO. RBIS was decommissioned in December 2015.

Information services

NSW Fair Trading continued to provide the Board with a responsive rental bond customer information service in 2015-16 via the Fair Trading Contact Centre (FTCC), a network of Service NSW Centres, Fair Trading Centres located throughout NSW and Rental Bonds Online (RBO).

FTCC provides a single point of contact for customer telephone enquiries on a broad range of Fair Trading issues.

The technology employed by FTCC provides greater customer service flexibility and allows Fair Trading to respond quickly to issues that arise in the marketplace, answering almost 97% of the 181,185 telephone enquiries on rental bonds which were received during 2015-16.

The new RBO service allows tenants to access their bond information online for the first time. The use of this customer self-service option allows NSW Fair Trading to concentrate its staff resources on responding to the more complex rental bond and tenancy enquiries.

Tenancy services

The Rental Bond Board funds the provision of government tenancy information services through the Fair Trading Contact Centre (FTCC) in accordance with Part 8, Rental bonds Division 6, s.186(2) of the *Residential Tenancies Act 2010*.

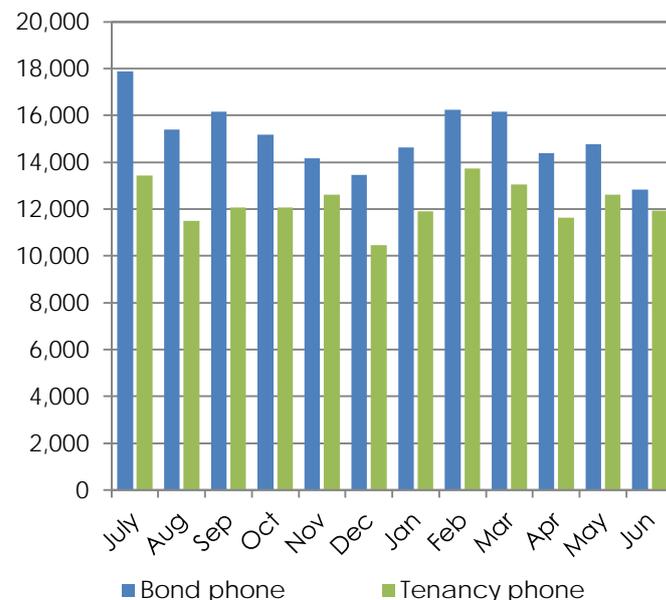
NSW Fair Trading staff answered 95% of the 154,816 tenancy related telephone enquiries received during 2015-16. Tenancy enquiry volumes have increased by 3.5% this year compared to enquiries received in 2014-15.

Customer information and electronic versions of our publications are available on Fair Trading's website. The use of the internet for information self-service by customers continues to grow.

The Fair Trading Contact Centre (FTCC) is one of NSW Fair Trading's main front line services, dealing with over 700,000 customer telephone enquiries each year, across a range of Fair Trading matters.

FTCC takes an active role in promoting the available self-service options to its customers and also provides information which assists them in resolving their issues.

Rental bond enquiries – monthly averages



Tenancy dispute resolution service

Property managers, landlords and tenants can access NSW Fair Trading's free tenancy complaint service and speak to experienced staff who will talk through the issues and contact the other party on their behalf to help negotiate an agreement.

During 2015-16, 4,786 tenancy complaints were managed by NSW Fair Trading's specialist tenancy complaint handling officers.

Business Support

A dedicated Business Support Unit within NSW Fair Trading supports the specialised computer environment which makes up the Rental Bond System, which includes the rental bond financial database, document images and the new Rental Bonds Online service.

The unit manages the maintenance and on-going system development of the applications which enable the processing of rental bonds by internal staff, property managers and tenants.

The Rental Bond System is designed to provide high availability, confidentiality and integrity; and performance levels required to meet the business needs of a high volume processing environment. The system has been fully available to users for over 99% of the time since its launch.

Internal control

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

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

Review findings are discussed by the Rental Bonds Systems Review Committee, and may result in recommendations to management, additional staff training or procedural change to meet the Board's high quality performance requirements.

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

Funded programs

Objective: Information and consumer help in the area of residential tenancy, accessible to the community

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 residential 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.

NSW 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 2010*, anti-discrimination issues covering residential tenancies and obligations of staff, smoke alarm laws, information on the Tribunal process at the NSW Civil and Administrative Tribunal (NCAT) and the most common issues that are referred to the Tribunal.

The information is provided in conjunction with the Tribunal, NSW Fire and Rescue, and the Anti-Discrimination Board.

Tenancy, real estate and property management issues can be quite complex. NSW Fair Trading provides information and negotiates between parties in dispute.

While negotiating these disputes, where officers detect any breaches of legislation, these breaches are referred for further investigation.

Grants programs

In accordance with Part 8, Rental Bonds Division 6, s.186 (3) of the *Residential Tenancies Act 2010* the Director-General may make a grant or loan, on the recommendation of the Board and with the approval of the Minister, from the Rental Bond Interest Account for the following purposes:

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

The Department of Finance, Services and Innovation Annual Report 2015-16 contains information on all recipients and budget paper program information on the Rental Bond Board Grants Programs.

Programs funded by the Rental Bond Board

Tenants' Advice and Advocacy Program

The Rental Bond Board provides 50% of the total funding towards the Tenants' Advice and Advocacy Program. In 2015-16 the Board's contribution to the Program was approximately \$6.98 million.

Credit Counselling Program

The Rental Bond Board contributes 53% of the total value of the Credit Counselling Program. The Board's contribution toward the Program for 2015-16 was approximately \$6.05 million.

No Interest Loans Scheme

The Rental Bond Board contributes 90% of the total value of the No Interest Loans Scheme Program. The Board's contribution toward the Program for 2015-16 was approximately \$3.71 million.

Aged Care Supported Accommodation Services Program

The Rental Bond Board contributes 100% of the total value of The Seniors' Rights Service. The Board's contribution toward the Program for 2015-16 was approximately \$0.48 million.

NSW Civil and Administrative Tribunal - Tenancy Functions

The NSW Civil and Administrative Tribunal (NCAT) is an independent body which provides prompt, accessible, economical and efficient dispute resolution services. Disputes about Residential tenancy and bonds are lodged in the Consumer and Commercial Division of NCAT.

For the 12 months to 30 June 2016, the Consumer and Commercial Division of NCAT received 57,299 applications for the period. The Tenancy list continued to dominate the Division's workload, accounting for 30,178 lodgements, or 52.7% of all applications received by the Division over the 12-month period. The number of Social Housing list applications lodged was 13,830 or 24.1% of all applications lodged in the Division.

The Rental Bond Board provided \$13.753 million in funding toward the residential tenancy functions of NCAT in 2015-16, which were jointly funded by NSW Fair Trading and the Board.

Information about NCAT and its services is available at www.ncat.nsw.gov.au.

Residential rental bonds held by the Board at 30 June 2016

Region	Post Code Grouping	Bonds Held at 30/06/2015	Bonds Held at 30/06/2016	Variation
Inner Sydney	2000 - 2014	35,414	37,493	5.9%
South Sydney	2015 - 2020	15,954	18,084	13.4%
Eastern Suburbs	2021 - 2036	51,684	52,666	1.9%
Inner West	2037 - 2059	33,290	34,238	2.8%
Lower North Shore	2060 - 2069	26,261	27,656	5.3%
Upper North Shore	2070 - 2087	13,438	14,067	4.7%
Mosman / Cremorne	2088 - 2091	10,971	11,138	1.5%
Manly / Warringah	2092 - 2109	22,956	23,392	1.9%
North Western	2110 - 2126	24,550	26,381	7.5%
Western Suburbs	2127 - 2145	45,998	48,882	6.3%
Parramatta / Hills	2146 - 2159	29,967	32,185	7.4%
Fairfield / Liverpool	2160 - 2189	39,401	41,759	6.0%
Canterbury / Bankstown	2190 - 2200	23,777	24,921	4.8%
St George	2201 - 2223	39,858	42,300	6.1%
Cronulla / Sutherland	2224 - 2249	15,018	15,306	1.9%
Metropolitan Total		428,537	450,468	5.1%
Central Coast	2250 - 2263	30,168	31,314	3.8%
Greater Newcastle	2264 - 2319	37,408	38,645	3.3%
Hunter Valley	2320 - 2339	20,151	20,632	2.4%
New England	2340 - 2419	18,003	18,750	4.1%
North Coast	2420 - 2499	56,786	57,286	0.9%
Greater Wollongong	2500 - 2530	23,114	23,858	3.2%
South Coast	2531 - 2551	15,305	15,447	0.9%
Campbelltown	2552 - 2570	14,956	16,185	8.2%
Southern Division	2571 - 2639	17,105	17,703	3.5%
Riverina	2640 - 2739	24,006	24,645	2.7%
Penrith / Windsor	2740 - 2772	36,546	39,325	7.6%
Blue Mountains	2773 - 2786	5,434	5,392	-0.8%
Orange/Bathurst	2787 - 2819	11,973	12,372	3.3%
Dubbo & North West	2820 - 2842	7,588	7,864	3.6%

Region	Post Code Grouping	Bonds Held at 30/06/2015	Bonds Held at 30/06/2016	Variation
Mudgee District	2843 - 2863	2,693	2,910	8.1%
Western Division	2864 - 2880	4,428	4,464	0.8%
Country Total		325,664	336,792	3.4%
Miscellaneous		224	218	-2.7%
NSW Total		754,425	787,478	4.4%

Median rents for new lettings during June quarter by postcode groupings

Region	Post Code Grouping	Median rent at 30/06/2015	Median rent at 30/06/2016	Variation
Inner Sydney	2000 - 2014	590	600	1.7%
South Sydney	2015 - 2020	600	610	1.7%
Eastern Suburbs	2021 - 2036	625	650	4.0%
Inner West	2037 - 2059	600	615	2.5%
Lower North Shore	2060 - 2069	585	620	6.0%
Upper North Shore	2070 - 2087	600	600	0.0%
Mosman / Cremorne	2088 - 2091	590	620	5.1%
Manly / Warringah	2092 - 2109	600	650	8.3%
North Western	2110 - 2126	540	540	0.0%
Western Suburbs	2127 - 2145	480	500	4.2%
Parramatta / Hills	2146 - 2159	450	465	3.3%
Fairfield / Liverpool	2160 - 2189	410	420	2.4%
Canterbury / Bankstown	2190 - 2200	410	420	2.4%
St George	2201 - 2223	500	510	2.0%
Cronulla / Sutherland	2224 - 2249	500	508	1.6%
Metropolitan Total		525	550	4.8%
Central Coast	2250 - 2263	380	395	3.9%
Greater Newcastle	2264 - 2319	370	380	2.7%
Hunter Valley	2320 - 2339	300	305	1.7%
New England	2340 - 2419	270	280	3.7%
North Coast	2420 - 2499	335	340	1.5%
Greater Wollongong	2500 - 2530	390	400	2.6%
South Coast	2531 - 2551	315	330	4.8%

Region	Post Code Grouping	Median rent at 30/06/2015	Median rent at 30/06/2016	Variation
Campbelltown	2552 - 2570	400	420	5.0%
Southern Division	2571 - 2639	325	340	4.6%
Riverina	2640 - 2739	250	250	0.0%
Penrith / Windsor	2740 - 2772	400	410	2.5%
Blue Mountains	2773 - 2786	380	400	5.3%
Orange/Bathurst	2787 - 2819	280	290	3.6%
Dubbo & North West	2820 - 2842	260	250	-3.8%
Mudgee District	2843 - 2863	287	300	4.5%
Western Division	2864 - 2880	235	230	-2.1%
Country Total		340	350	2.9%
Miscellaneous*		270	270	0.0%
NSW Total		430	450	4.7%

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

Internal Audit and Risk Management Attestation Statement for the 2015-2016 Financial Year for Rental Bond Board

I, Rod Stowe, Commissioner, NSW Fair Trading, am of the opinion that the Rental Bond Board has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements	For each requirement, please specify whether compliant, non-compliant, or in transition
Risk Management Framework	
1.1 The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant
Internal Audit Function	
2.1 An internal audit function has been established and maintained	Compliant
2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
Audit and Risk Committee	
3.1 An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

Membership

The chair and members of the Audit and Risk Committee are:

- Carol Holley, Independent Chair, from 2 December 2016 to 1 December 2020;
- Dianne Hill, Independent Member, from 1 February 2016 to 31 January 2019;
- Mark O'Sullivan, Independent Member, from 25 January 2016 to 24 January 2018;
- Bruce Turner AM, Independent Member, from 22 January 2016 to 21 January 2019.

The previous Audit and Risk Committee was disbanded with effect from 20 November 2015.

This Audit and Risk Committee has been established under a Treasury approved shared arrangement with the following departments/statutory bodies:

- Department of Finance, Services and Innovation
- Fair Trading Administration Corporation
- Mine Subsidence Board
- NSW Government Telecommunications Authority
- State Records Authority



Rod Stowe
Commissioner, NSW Fair Trading

Date: 13/9/16

Contact Officer: Geoff Campbell, Chief Audit Executive on (02) 9372 8040



INDEPENDENT AUDITOR'S REPORT

Rental Bond Board

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Rental Bond Board (the Board), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Board in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

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

The Board's Responsibility for the Financial Statements

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

In preparing the financial statements, the members of the Board must assess the Board's ability to continue as a going concern unless the Board will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>.

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Board carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



David Nolan
Director, Financial Audit Services

17 October 2016
SYDNEY

RENTAL BOND BOARD

MEMBERS' STATEMENT

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

- (1) the accompanying financial statements exhibit a true and fair view of the financial position and performance of the Board as at 30 June 2016 and transactions for the year ending 30 June 2016;
- (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 2015* and the Treasurer's Directions.

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

On behalf of the Board.



Rod Stowe, Chairperson

14 October 2016

RENTAL BOND BOARD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDING 30 JUNE 2016**

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
Expenses excluding losses				
Other operating expenses	2(a)	27,815	26,750	28,393
Grant and subsidies	2(b)	33,327	28,810	27,076
TOTAL EXPENSES EXCLUDING LOSSES		61,142	55,560	55,469
Revenue				
Investment revenue	3(a)	56,959	57,900	58,475
Total Revenue		56,959	57,900	58,475
Net result		(4,183)	2,340	3,006
Other comprehensive income		-	-	-
Total Other Comprehensive Income		-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS)		(4,183)	2,340	3,006

The accompanying notes form part of these statements.

RENTAL BOND BOARD

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	4	58,988	60,944	52,229
Receivables	5	10,660	11,413	19,038
Total Current Assets		<u>69,648</u>	<u>72,357</u>	<u>71,267</u>
TOTAL ASSETS		<u>69,648</u>	<u>72,357</u>	<u>71,267</u>
LIABILITIES				
Current Liabilities				
Payables	6	7,294	4,490	4,730
Total Current Liabilities		<u>7,294</u>	<u>4,490</u>	<u>4,730</u>
TOTAL LIABILITIES		<u>7,294</u>	<u>4,490</u>	<u>4,730</u>
NET ASSETS		<u>62,354</u>	<u>67,867</u>	<u>66,537</u>
EQUITY				
Accumulated Funds		62,354	67,867	66,537
TOTAL EQUITY		<u>62,354</u>	<u>67,867</u>	<u>66,537</u>

The accompanying notes form part of these statements.

RENTAL BOND BOARD

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDING 30 JUNE 2016

	Accumulated Funds	Total
	\$'000	\$'000
Balance as at 1 July 2015	66,537	66,537
Net result for the year	(4,183)	(4,183)
Other comprehensive income:		
Total other comprehensive income	-	-
Total comprehensive income / (loss) for the year	(4,183)	(4,183)
Transactions with owners in their capacity as owners		
Balance as at 30 June 2016	62,354	62,354

	Accumulated Funds	Total
	\$'000	\$'000
Balance as at 1 July 2014	63,531	63,531
Net result for the year	3,006	3,006
Other comprehensive income:		
Total other comprehensive income	-	-
Total comprehensive income for the year	3,006	3,006
Transactions with owners in their capacity as owners	-	-
Balance as at 30 June 2015	66,537	66,537

RENTAL BOND BOARD
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDING 30 JUNE 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Grants and subsidies		(33,327)	(28,810)	(29,231)
Payment of interest on bonds		(178)	(139)	(223)
Payments of Suppliers		(26,835)	(26,750)	(22,912)
Total Payments		<u>(60,340)</u>	<u>(55,699)</u>	<u>(52,366)</u>
Receipts				
Interest received		67,099	57,900	58,166
Total Receipts		<u>67,099</u>	<u>57,900</u>	<u>58,166</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	10	<u>6,759</u>	<u>2,201</u>	<u>5,800</u>
NET (DECREASE)/INCREASE IN CASH		6,759	2,201	5,800
Opening cash and cash equivalents		52,229	58,743	46,429
CLOSING CASH AND CASH EQUIVALENTS	4	<u>58,988</u>	<u>60,944</u>	<u>52,229</u>

The accompanying notes form part of these statements.

RENTAL BOND BOARD
FOR THE PERIOD ENDING 30 JUNE 2016
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Rental Bond Board is a NSW government entity. The Board is a not-for-profit entity (as profit is not its principle objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The Rental Bond Board as a reporting entity comprises all the activities under its control.

The administrative functions for the Board are performed by the Department of Finance, Services and Innovation and costs associated with these functions are paid for on an operational basis in relation to activities performed (Note 2).

These financial statements for the period ending 30 June 2016 have been authorised for issue by the Chairperson of the Board on 14 October 2016.

(b) Basis of Preparation

The Board's financial statements are general purpose financial statements, which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
- the Financial Reporting Directions published in the financial reporting code for NSW General Government Sector Entities or issued by the Treasurer.

Financial assets at "fair value through profit or loss" and available for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

Judgement, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

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

(c) Statement of Compliance

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

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

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

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

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

(e) Income Recognition

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

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

Interest received on investments is deposited into the Rental Bond Interest Account. This account is used to fund the Board's operations and grant payments to cover half of the operating costs of the tenancy functions of the NSW Civil and Administrative Tribunal (NCAT) and certain tenancy support programs (Refer to Note 2(b)). The Board pays interest on rental bonds at the time the bond is refunded. The interest rate paid is linked to the rate paid on a Streamline Account balance of \$1,000 by the Commonwealth Bank of Australia. The rate is cumulative six-monthly and paid from the Rental Bond Interest Account in accordance with Section 173 of the *Residential Tenancies Act 2010*.

(g) Grant Recognition

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

(h) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost, or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(i) Investments

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

- *Fair value through profit or loss* - The Board subsequently measures investments classified as “held for trading” or designated upon initial recognition “at fair value through profit or loss” at fair value. Financial assets are classified as “held for trading” if they are acquired for the purpose of selling in the near term.

The Hour-Glass Investment Facilities are designated at fair value through profit or loss using the second leg of the fair value option under AASB 139.9(b)(ii); ie these financial assets are managed and their performance is evaluated on a fair value basis and information about these assets is provided internally on that basis to the Board’s key management personnel.

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

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

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

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

(j) Impairment of Financial Assets

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

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

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

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. However, reversals of impairment losses on an investment in an equity instrument classified as “available for sale” must be made through the revaluation surplus.

Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(k) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire, or if the Board transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where the Board has not transferred substantially all the risks and rewards, if the Board has not retained control.

Where the Board has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Board’s continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(l) Trust funds

The Board receives monies in a trustee capacity as set out in Note 12. As the Board performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Board’s own objectives, these funds are not recognised in the financial statements.

(m) Liabilities

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

(n) Fair value hierarchy

A number of the Board’s accounting policies and disclosures require the measurement of fair value for financial assets. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Board categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices in active markets for identical assets / liabilities that the Board can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 - inputs that are not based on observable market data (unobservable inputs).

The entity recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer Note 11 for further disclosures regarding the fair value measurements of financial and non-financial assets.

(o) Equity

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

(p) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (eg adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 9.

(q) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2015-16

The accounting policies applied in 2015-16 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have been applied for the first time in 2015-16. There is no impact to the financial statements of these revised Australian Accounting Standards.

Accounting Standard/Interpretation

- AASB 2013-9 (Part C), AASB 2014-1 (Part E) and AASB 2014-8 regarding amendments to AASB 9 Financial Instruments

AASB 2013-9 (Part C), AASB 2014-1 (Part E) and AASB 2014-8 amend AASB 9 Financial Instruments. AASB 9 is applicable for annual reporting periods beginning on or after 1 January 2018. Early adoption is not permitted under NSW TC 15/03 Mandates of Options and Major Policy Decisions under Australian Accounting Standards.

- AASB 2015-3 regarding withdrawal of AASB 1031 Materiality

This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing AASB 1031 to effectively be withdrawn.

- AASB 2015-4 regarding amendments to AASB 128 Investments in Associates and Joint Ventures relating to financial reporting requirements for Australian groups with a foreign parent.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

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

Accounting Standard/Interpretation

- AASB 9 and AASB 2014-7 regarding financial instruments
- AASB 14 and AASB 2014-1 (Part D) regarding Regulatory Deferral Accounts
- AASB 15, AASB 2014-5 and AASB 2015-8 regarding Revenue from Contracts with Customers
- AASB 1056 Superannuation Entities
- AASB 1057 and AASB 2015-9 Application of Australian Accounting Standards
- AASB 2014-3 regarding accounting for acquisitions of interests in joint operations
- AASB 2014-4 regarding acceptable methods of depreciation and amortisation
- AASB 2014-6 regarding bearer plants
- AASB 2014-9 regarding equity method in separate financial statements
- AASB 2014-10 and AASB 2015-10 regarding sale or contribution of assets between an investor and its associate or joint venture
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 cycle
- AASB 2015-2 regarding amendments to AASB 101 (disclosure initiative)
- AASB 2015-5 Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception
- AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities
- AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities.

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

(r) Comparative Information

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

2. EXPENSES EXCLUDING LOSSES

As mentioned in Note 1(a), the Department of Finance, Services and Innovation 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) Other Operating Expenses

	2016	2015
	\$'000	\$'000
Administrative Service Charge	22,579	22,579
Capital Expenditure Service Charge	1,418	1,904
Auditor's Remuneration	145	100
Bank Charges	(33)	50
Investment Management Fee	1,133	791
Fair Trading Dispute Mediation Unit	2,395	2,719
Interest Paid on Rental Bonds	178	223
Other	-	27
	<u>27,815</u>	<u>28,393</u>

(b) Grants and Subsidies

		2016	2015
		\$'000	\$'000
Tenancy Services	(i)	316	176
Credit Counselling Program	(ii)	6,058	3,146
No Interest Loans Scheme	(iii)	3,716	2,179
Tenants' Advice and Advocacy Program	(iv)	6,984	4,860
Tenancy Functions of the NSW Civil and Administrative Tribunal	(v)	13,753	14,215
National Rental Affordability Scheme	(vi)	2,500	2,500
		<u>33,327</u>	<u>27,076</u>

(i) Tenancy Services (TARS)

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

(ii) Credit Counselling Program (CCP)

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

(iii) No Interest Loan Scheme (NILS)

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

(iv) Tenants' Advice and Advocacy Program (TAAP)

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

The Program is jointly funded by the Department of Finance, Services and Innovation and the Rental Bond Board in accordance with the *Property, Stock and Business Agents Act 2002*, and the *Residential Tenancies Act 2010*.

(v) Tenancy Functions of the NSW Civil and Administrative Tribunal (NCAT)

The NSW Civil and Administrative Tribunal has the jurisdiction to determine matters under the *Residential Tenancies Act 2010* and the *Retirement Villages Act 1999*. These matters include requests to terminate tenancy agreements, payment of rental bonds on termination of tenancies, breaches relating to terms of the tenancy agreement and payment of compensation. This function is administered by the Department of Justice and is jointly funded by the Department of Finance, Services and Innovation and the Rental Bond Board.

(vi) National Rental Affordability Scheme (NRAS)

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

3. REVENUE

(a) Investment Revenue

	2016	2015
	\$'000	\$'000
Interest from Rental Bond Account Investments	58,710	61,351
Amortisation of (Premium)/Discounts on Rental Bond Account Investments	(1,751)	(2,876)
	<u>56,959</u>	<u>58,475</u>

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

4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2016	2015
	\$'000	\$'000
Cash at Bank	58,988	52,198
Hour-Glass Cash Facility	-	31
Hour-Glass Strategic Cash Facility	-	-
	<u>58,988</u>	<u>52,229</u>

TCorp interest for Hour-Glass Cash Facility was 2.15% and Hour-Glass Strategic Cash Facility was 2.26% in 2014/15.

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

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

Cash and cash equivalents (per statement of financial position)	58,988	52,229
Closing cash and cash equivalents (per statement of cash flows)	<u>58,988</u>	<u>52,229</u>

Refer to Note 11 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

5. CURRENT ASSETS – RECEIVABLES

	2016 \$'000	2015 \$'000
Items classified as receivables are as follows:		
Cash owed to the Board from Rental Bond Account	4,577	18,713
Debtors	6,083	325
	<u>10,660</u>	<u>19,038</u>

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

6. CURRENT LIABILITIES - PAYABLES

	2016 \$'000	2015 \$'000
Other Accrued Charges	7,294	4,730
	<u>7,294</u>	<u>4,730</u>

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

7. COMMITMENTS FOR EXPENDITURE

There are no commitments for capital or other expenditure or commitments for leases at balance date (Nil for 30 June 2015).

8. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

9. BUDGET REVIEW

Net Results

Actual net result of Rental Bond Board for 2015/16 is a deficit of \$4.2 million compared to the original budgeted surplus of \$2.3 million, an unfavourable variance of \$6.5 million. This unfavourable result is mainly due to the unbudgeted contribution of \$2.4 million to Tenancy Dispute Unit and higher than budgeted grant payments of \$4.5 million to Credit Counselling Program, No Interest Loan Schemes and Tenant Advice and Advocacy Program. The higher than budgeted grant payments are largely due to July 2016 grant invoices processed in June 2016 as cash accounting are followed for grants in accordance with the Australian Accounting Standards. In addition, lower than budgeted investment revenue of \$0.9 million due to lower interest rate.

The above unfavourable variance partially offset against lower than budgeted administrative services expenses of \$1.3 million due to lower than budgeted capital expenditure in Rental Bond Board which is included in the administrative recharge from Fair Trading.

Assets and Liabilities

Rental Bond Board's net assets as at 30 June 2016 were \$62.4 million compared to the original budgeted net assets of \$67.9 million. The \$5.5 million unfavourable decrease is mainly due to lower than budgeted cash and cash equivalents resulting from lower interest rate and higher than budgeted current liabilities reflected in payables to DFSI for administrative service fees.

Cash Flows

Net increase in cash during the year is \$6.8 million compared to a budgeted net increase of \$2.2 million. This increase is predominantly due to higher than budgeted interest received offset by higher than budgeted grant payments.

10. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2016 \$'000	2015 \$'000
Net Cash from Operating Activities	6,759	5,800
Changes in Assets and Liabilities		
(Decrease)Increase in Receivables	(8,378)	(308)
Decrease/(Increase) in Payables	(2,564)	(2,486)
Net result	<u>(4,183)</u>	<u>3,006</u>

11. FINANCIAL INSTRUMENTS

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

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

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

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

(a) **Financial Instrument Categories**

Financial Assets	Note	Category	2016 \$'000 Carrying Amount	2015 \$'000 Carrying Amount
Class: Cash and cash equivalents	4	Not applicable	58,988	52,229
Receivables*	5	Loans and receivable (at amortised cost)	10,633	19,023
Financial Liabilities Class: Payables**	6	Financial liabilities measured at amortised cost	7,244	4,715

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

** Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

(b) **Credit Risk**

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

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

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

Cash

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

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. There were no trade receivables as at balance date.

(c) Liquidity Risk

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

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12.

For small business suppliers, where terms are not specified, payment is made no later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. As at 30 June 2016 total liabilities amounted to \$7.29 million of which none are payable to small business suppliers or considered to be Interest bearing.

(d) Market Risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Board operates and the time frame for the assessment (ie until the end of the next annual reporting period).

The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2015. The analysis assumes that all other variables remain constant.

Interest Rate Risk

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

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

2016 Financial assets*	\$'000				
	Carrying Amount	Profit -1%	Equity -1%	Profit +1%	Equity +1%
Cash and cash equivalents	58,988	(590)	(590)	590	590
Receivables	10,660	(107)	(107)	107	107

2015 Financial assets*	\$'000				
	Carrying Amount	Profit -1%	Equity -1%	Profit +1%	Equity +1%
Cash and cash equivalents	52,229	(522)	(522)	522	522
Receivables	19,038	(190)	(190)	190	190

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

Other Price Risk - TCorp Hour-Glass Facilities

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

Facility	Investment Sectors	Investment Horizon	2016 \$'000	2015 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	-	31
Strategic cash facility	Cash and money market instruments	1.5 years to 3 years	-	-

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. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. 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	2016 \$'000	2015 \$'000
Hour-Glass - Cash Facility	+/- 1.0%	-	-
Hour-Glass Strategic Cash Facility	+/- 1.0%	-	-

(e) **Fair value measurement**

(i) **Fair value compared to carrying amount**

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on the Board's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using "redemption" pricing.

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short-term nature of many of the financial instruments. There are no instances where there is a variance between the fair value and carrying amount:

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

2016 Financial assets at fair value	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2016 Total \$'000
TCorp Hour Glass Cash Facility	-	-	-	-
TCorp Hour Glass Strategic Cash Facility	-	-	-	-
	-	-	-	-

2015 Financial assets at fair value	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2015 Total \$'000
TCorp Hour Glass Cash Facility	-	31	-	31
TCorp Hour Glass Strategic Cash Facility	-	-	-	-
	-	31	-	31

The table above only includes financial assets as no financial liabilities were measured at fair value in the Statement of Financial Position.

There were no transfers between level 1 and 2 during the period ended 30 June 2016.

12. RENTAL BONDS

As the Board performs only a custodial role in respect of the trust monies and because the monies cannot be used to obtain benefits from its activities (other than the receipt of interest income as per the legislation), trust funds are not brought to account in the financial statements, but are shown in the notes for information purposes.

Amounts owing to New South Wales Residential Bond Holders

	2016 \$'000	2015 \$'000
Liability at the beginning of the financial year	1,205,858	1,119,748
Add: Receipts	588,734	548,523
Less: Expenditure	(485,857)	(462,413)
Liability at the closing of the financial year	<u>1,308,735</u>	<u>1,205,858</u>

In accordance with Sections 162 & 185(1) of the *Residential Tenancies Act 2010*, bonds received by landlords or their agents must be deposited with the Board's Rental Bond Account within ten days of receipt. The Board invests funds from the Rental Bond Account in accordance with Section 185(2) of the *Residential Tenancies Act 2010* and the *Public Authorities (Financial Arrangements) Act 1987*. Interest received on investments is paid into the Rental Bond Interest Account. Funds awaiting disbursement are invested on the short-term money market in accordance with the Board's legislation for periods not exceeding 180 days.

Book Valuation of Rental Bond Account Investments

	2016 \$'000	2015 \$'000
Direct Fixed Interest Portfolio	1,274,043	1,223,942
Private Shared Equity Scheme	1,870	2,018
Westpac Banking Corporation	42,549	2,973
	<u>1,318,462</u>	<u>1,228,933</u>

Market Valuation of Rental Bond Investments

	2016 \$'000	2015 \$'000
Direct Fixed Interest Portfolio	1,375,794	1,292,798
Private Shared Equity Scheme	1,870	2,018
Westpac Banking Corporation	42,549	2,973
	<u>1,420,213</u>	<u>1,297,789</u>

Total liability to tenants as at 30 June 2016 is \$1,308 million compared to the market value of the Trust's investments of \$1,420 million, resulting in an excess of \$112 million (2014/15 excess \$92 million).

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

13. 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

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A division of the **Department of Finance, Services and Innovation**

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