RENTAL BOND BOARD ANNUAL REPORT 2008-2009

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Ref: D/09/00720

The Hon Virginia Judge MP
Minister for Fair Trading
Minister for Citizenship and
Minister Assisting the Premier on the Arts
Level 36
1 Farrer Place
SYDNEY NSW 2000

Dear Minister

I am pleased to present the Annual Report of the Rental Bond Board for the year ending 30 June 2009.

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*.

Yours sincerely

Graeme Head
Director General

Contents

Overview	2
Highlights	2
Board Membership	3
Legislative Change	3
Service arrangements	4
Rental bond custodial service	5
Funded programs	13
Bonds held	15
Median rentals	16
Financial statements	17
Index	36

Access

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

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

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Sydney NSW Australia
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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 *Landlord and Tenant (Rental Bonds) Act 1977* and its associated regulation.

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

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

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

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

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

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

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

Highlights

- Record 643,518 rental bonds valued at $794.4 million held in custody by the Board at 30 June 2009.
- The Rental Bond Board provided $4.26 million to the Tenants Advice and Advocacy Program (TAAP), a program which is jointly funded by the Board and Fair Trading.
- Use of the Rental Bond Internet Service (RBIS) continues to grow – the online rental bond self-service channel for real estate property managers now handles 11.7% of refund claims and 44.6% of enquiries.

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
• Lyn Baker, Commissioner for Fair Trading - Chairperson (to 3 July 2009)	Ex officio	4 meetings
• Director-General Department of Housing • Deputy: Ms Helen O'Loughlin (from 27/10/06) Acting Director, Centre for Affordable Housing	Ex officio	2 meetings
• Secretary, NSW Treasury • Deputy: Mr Brian Waddington Principal Financial Analyst	Ex officio	4 meetings
• Ms Michelle Jones Tenants' Union of NSW	Ministerial re-appointment to 30/06/09	4 meetings
• Ms Sandra McGee Real Estate Institute of NSW	Ministerial re-appointment to 30/06/09	3 meetings

Legislative change

Residential tenancies mortgagee repossessions

On Thursday 18 June 2009, the *Residential Tenancies Amendment (Mortgagee Repossessions) Act 2009* was passed by NSW Parliament, and commenced on Friday 19 June 2009.

The Act amends the *Residential Tenancies Act 1987* to require that a mortgagee who becomes entitled to possession of a rented premises must provide the tenants with at least 30 days notice to vacate the premises before taking possession. Once a tenant has received the minimum 30 days notice, the tenant is entitled to withhold the payment of any rent for 30 days and seek repayment of any rent paid in advance for that period.

While the tenant is still occupying the premises the mortgagee can show the property to prospective purchasers, but any such inspection must be arranged with the agreement of the tenant.
The tenant can agree to vacate the premises before the date of the notice, and the mortgagee can decide to extend the notice. The mortgagee can also decide to hold off on giving notice or not give notice at all and enter into a new lease agreement with the tenant.

The Amendment Act also amends the *Landlord and Tenant (Rental Bonds) Act 1977* to enable the mortgagee to authorise release of the tenant's rental bond. The new requirements apply to all existing tenancies, unless the mortgagee obtained a possession order before 19 June 2009.

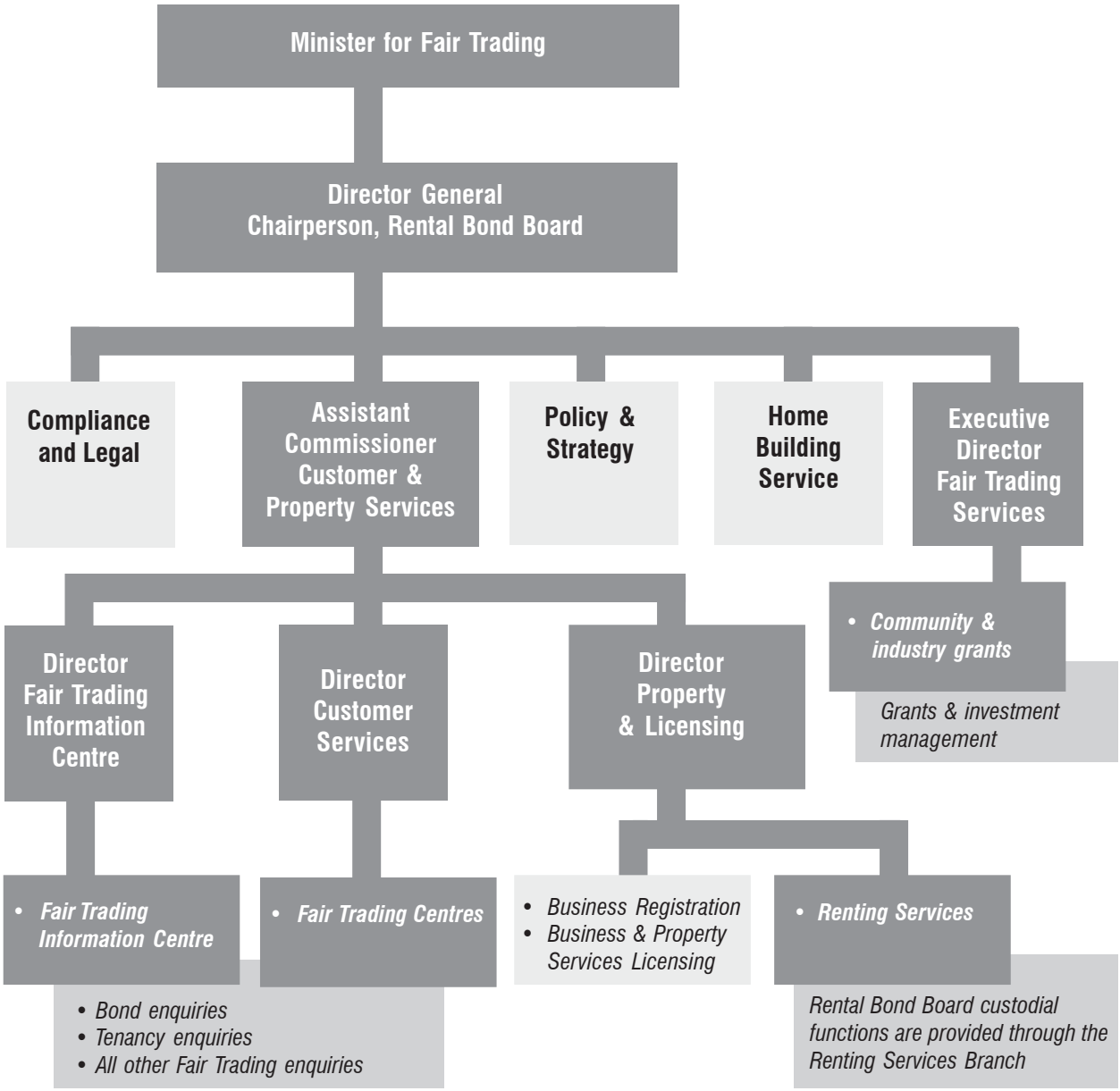
Service arrangements

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

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

A review of the Rental Bond Board's constitution, rental bond custodial operations, funded activities and the financial statements is provided in this Rental Bond Board Annual Report 2008-2009.

Information on the management, human resources, business systems and financial administration of Fair Trading's custodial role is found in the NSW Department of Commerce Annual Report 2008-2009.



Rental bond custodial service

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

This is the first of the two high-level Rental Bond Board programs that contribute to the development and maintenance of a fair marketplace in the area of residential tenancy.

A rental bond is money paid by the tenant as security for the landlord against breaches of the tenancy agreement, and is intended to be refunded to the tenant at the end of the tenancy unless there is rent owing or damage to the property. The existence of arrangements to hold bond monies independently of both parties ensures tenants can be certain their bond is available for refund, while allowing landlords to recover funds where appropriate.

Performance measures	04-05	05-06	06-07	07-08	08-09	Target
% of rental bond lodgements receipted and banked on day received	98%	96%	97%	97%	98%	95%
% of rental bonds refunded within published service standards	98%	99%	98%	99%	98%	98%
RBB investment returns match (M) or exceed (E) industry benchmark	M	E	*	M	E	≥M
Financial Statements unqualified (U) qualified (Q)	U	U	U	U	U	U

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

Comment/interpretation

The independent custodial function requires arrangements to accept and invest bond monies paid by tenants, and refund them at the end of a tenancy. The lodgement/refund service is provided by 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 2009 the Board held 643,518 rental bonds in trust. These were valued at $794.4 million which, on average, amounted to $ 1,234 for each rental bond.

During the year, 264,076 new rental bonds were lodged with the Board - a decrease of 0.9% from the previous financial year. This continued the downward trend in the volume of new lodgements which has been evident since 2004-2005. The number of bonds refunded also decreased this year by 1.2% to 256,050. The total number of bonds held increased by 1.3% over the number held at 30 June 2008.

Interest accrues on bonds held by the Board and is paid to customers with their bond refund. Interest is credited to the bond amount each month - based on the minimum balance held during the month. The interest is compounded each June and December. The rate of interest payable on rental bonds is prescribed in clause 10 of the *Landlord and Tenant (Rental Bonds) Regulation, 2003* and is equivalent to the rate payable by the Commonwealth Bank of Australia on a Streamline Account balance of $1000.00.

Rental statistical information

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

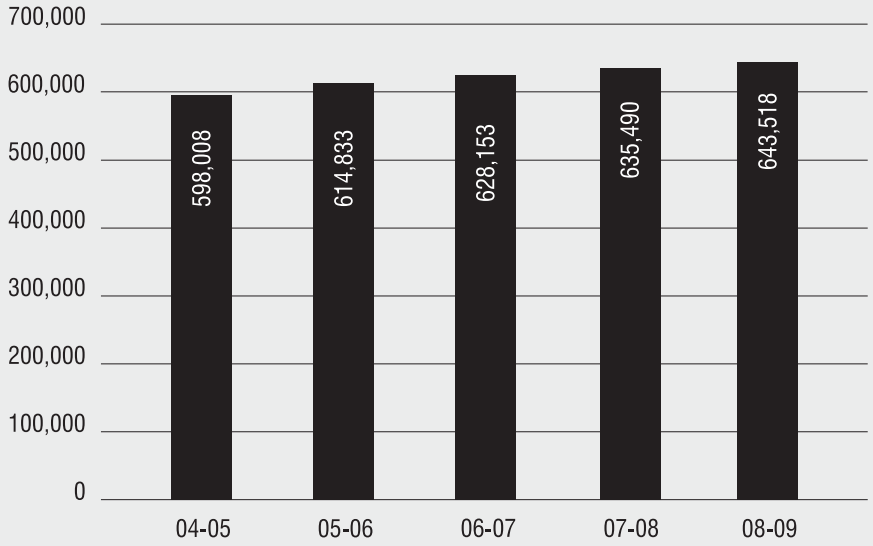
The requirement for landlords in NSW to lodge all residential rental bonds with the Board presents an excellent opportunity for the collection of accurate statistical information on the private rental market.

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

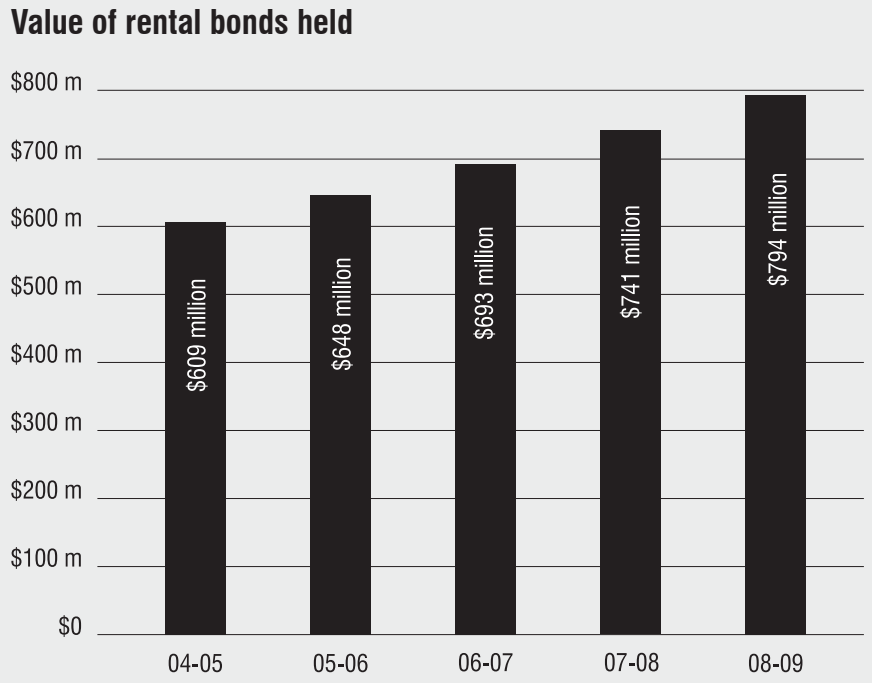
The *Rental Bond Lodgement* form includes a statistical section requesting information on:

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

Numbers of rental bonds held



The Board held 643,518 rental bonds on private residential tenancies at 30 June 2009. The last five years have seen a considerable slowing in the rate of growth of bonds held in custody.



The Board now holds a record $794 million in rental bonds. This is an average of $1,234 per bond.

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

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

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

The Board's statistics indicate that in the 2008-2009 financial year 88% of metropolitan bonds and 84% of outer metropolitan and regional bonds were lodged by professional real estate agents or self-managing landlords owning 10 or more rental properties. This level of professional management has remained fairly constant, varying by only 2-3% over the years of the Board's operation.

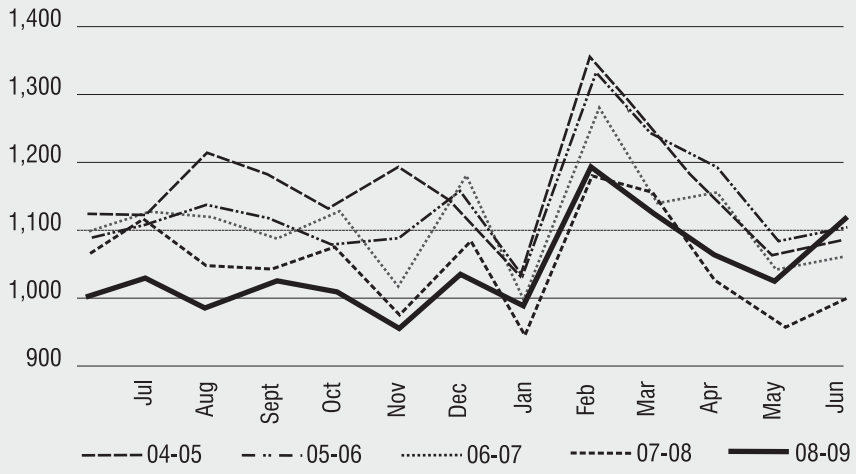
Rental bond lodgements

During the year, 264,076 new rental bond lodgements and 11,773 additional bonds (where a bond is paid by instalments) were received by the Board.

This represented an average of 1,048 lodgement forms processed by staff each working day. As in previous years, the vast majority of bond lodgements, together with their accompanying cheque or money order, were received by post. The total value of bonds receipted was $395.8 million. 98% of all bond lodgements were receipted and banked the day they were received.

The Board received only 57 enquiries regarding non-lodgement of rental bonds in 2008-2009. This represented just 0.02% of the total number of bonds lodged during the year demonstrating a very high level of compliance with rental bond legislation by NSW landlords.

Daily average rental bond lodgements per month



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

Rental bond refunds

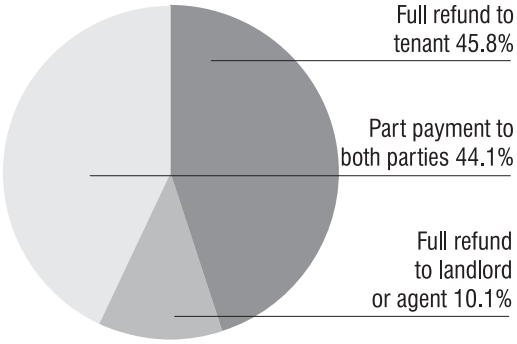
256,050 rental bonds were refunded in 2008-2009 through 365,032 individual payments. This represented an average of 1,004 claims processed by staff each working day.

The year saw a continuation of the long term trend toward the use of electronic services by our customers in preference to the traditional mail and face-to-face services. About 84% of bond refund claims from real estate agents, landlords and tenants were received by facsimile, compared with just over 5% by mail.

The Rental Bond Internet Service (RBIS) continued to grow in popularity with 29,914 claims submitted by real estate property managers in 2008-2009. As a percentage of all refunds, RBIS claims have increased from 6.6% in 2004-2005 to 11.7 % in 2008-2009.

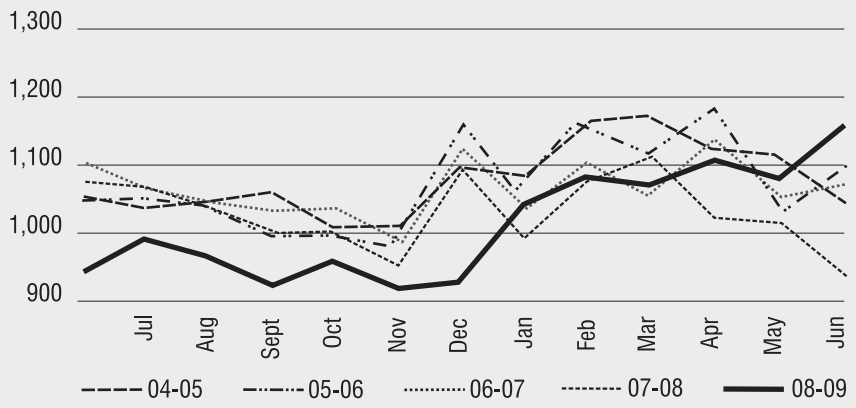
The proportion of customers requesting a direct credit of their bond refund into their bank or credit union account also continues to show a steady increase: up from 51% in 2005-2006; 55% in 2006-2007; 58% in 2007-2008 and 63% this year. By contrast, the number of bonds refunded over the counter continues to decline. In 2008-2009, only 1.0% of customers sought a refund in person, down from 1.2% in 2007-2008.

Rental bond refunds paid to tenants and landlords in 2008–2009



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.

Daily average rental bond refunds per month



The average number of claims received by the Board increased in the latter part of 2008-2009.

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

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

During 2008-2009, 72.3% of all refunds were agreed by the parties while in 25.1% of cases a Notice was issued but no dispute proceeded to the Tribunal. 2.0% 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 0.6% 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, $24,150 was written off against income as a result of irrecoverable customer fraud and incorrect processing of refunds by staff. As a percentage, the amount written off represented just 0.007% of the total amount of $341.3 million refunded during the year.

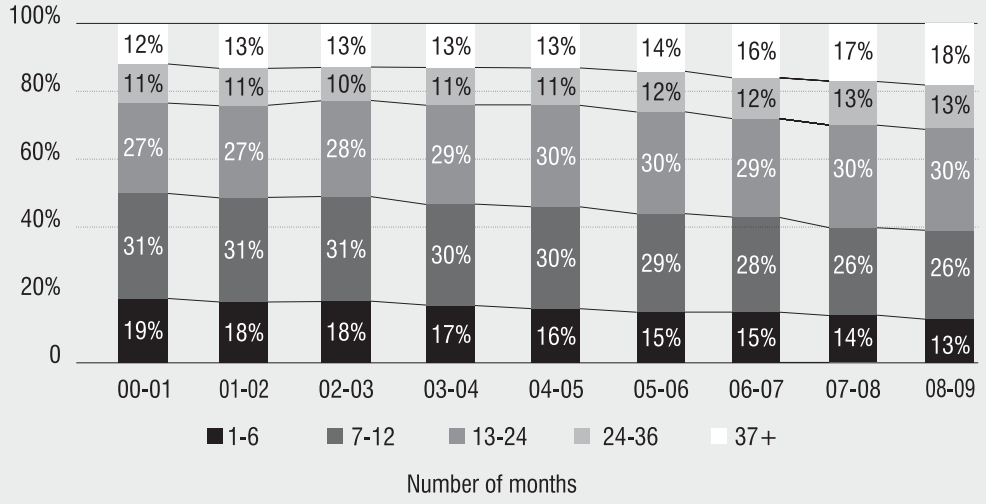
Length of tenancy

Analysis into the current financial year indicates that 61% of all bonds refunded during 2008-2009 had been held by the Board for more than 12 months at the time of refund, with 31% of those bonds being held for tenancies of greater than two years' duration. This compares with 2000-2001, when only 50% of bonds remained with the Board for longer than 12 months, and just 23% for longer than two years.

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

2008-2009 Rental bond processing against published Guarantee of Service standards	Target	Result
% agreed direct deposit refunds banked within two working days:	90%	99%
% agreed mail refund cheques posted within four working days:	90%	98%
% Notices of Claim issued to one party - paid within twenty working days:	90%	98%

Length of tenancy for refunded bonds



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

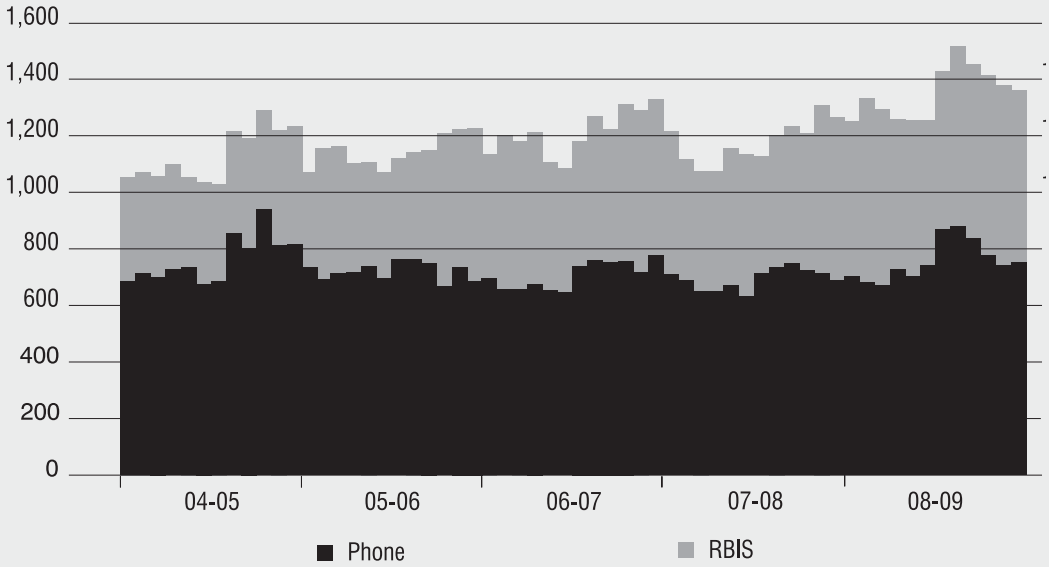
Information services

Fair Trading continued to provide the Board with a responsive rental bond customer information service in 2008-2009 via the Fair Trading Information Centre (FTIC), local Fair Trading Centres located throughout NSW and the Rental Bond Internet Service (RBIS).

FTIC provides a single point of contact for customer telephone enquiries from across NSW on a broad range of fair trading issues. The technology employed by FTIC provides greater customer service flexibility and allows Fair Trading to respond quickly to issues that arise in the marketplace.

191,652 telephone enquiries on rental bonds were answered by Fair Trading staff during 2008-2009, an increase 8.8% from the previous year. 99.8% of all incoming calls were answered and for these callers the average waiting time was just two seconds.

Daily average rental bond enquiries per month



Although telephone contact remains our customers' primary method of enquiring about their rental bonds, 44.6% of all enquiries were made electronically in 2008-2009 via the Rental Bond Internet Service (RBIS).

During 2008-2009 customers made 154,166 individual bond enquiries via RBIS – representing 44.6% of total bond enquiries. The use of this customer self-service option by the real estate industry for access to basic bond information allows Fair Trading to concentrate its staff resources on responding to the more complex rental bond and tenancy enquiries.

Rental Bond Internet Service

The Rental Bond Internet Service (RBIS) provides direct access to detailed information, claim for refund and reporting facilities on rental bonds, through the convenience of the Internet - 24 hours a day, 7 days a week. Using RBIS, property managers can authorise the payment of rental bond monies to their tenants by interfacing directly with Fair Trading's core rental bond business systems. RBIS is a highly secure system which enables property managers to access only those rental bond records for tenancies managed by their agency.

The real estate industry continued to provide strong support for RBIS with a further 169 property managers joining up to the Service during the year.

The number of rental bond claims submitted via RBIS increased by a further 9.5% this year, and the number of RBIS enquiries increased by 8.6%, when compared to 2007-2008. Property managers also used the Service to access a range of financial reports on rental bonds managed by their agencies.

With a 20% increase in the total number of rental bonds managed by Renting Services since the inception of RBIS, the Service has proven itself a cost-effective self-service delivery channel which has enabled us to manage increasing transaction volumes with no increase in staffing levels over the past decade.

Business systems

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

This unit monitors the systems and performs regular maintenance tasks to maximise performance and ensure high availability of the environment to enable rental bond processing by internal staff and RBIS users throughout New South Wales.

During the year, there were no significant changes to the Renting Services Branch environment and the rental bond systems were fully available to users for over 99% of the time.

Business systems upgrade

The Rental Bond Systems Upgrade Project is a two year project that will refresh all of the information technology currently supporting rental bond operations and establish a technical platform which will support and maintain rental bond services into the future. During the year a tender acquisition process was successfully completed; business and technical requirements confirmed; and detailed planning completed aimed at commissioning the new system by September 2010.

Internal control

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

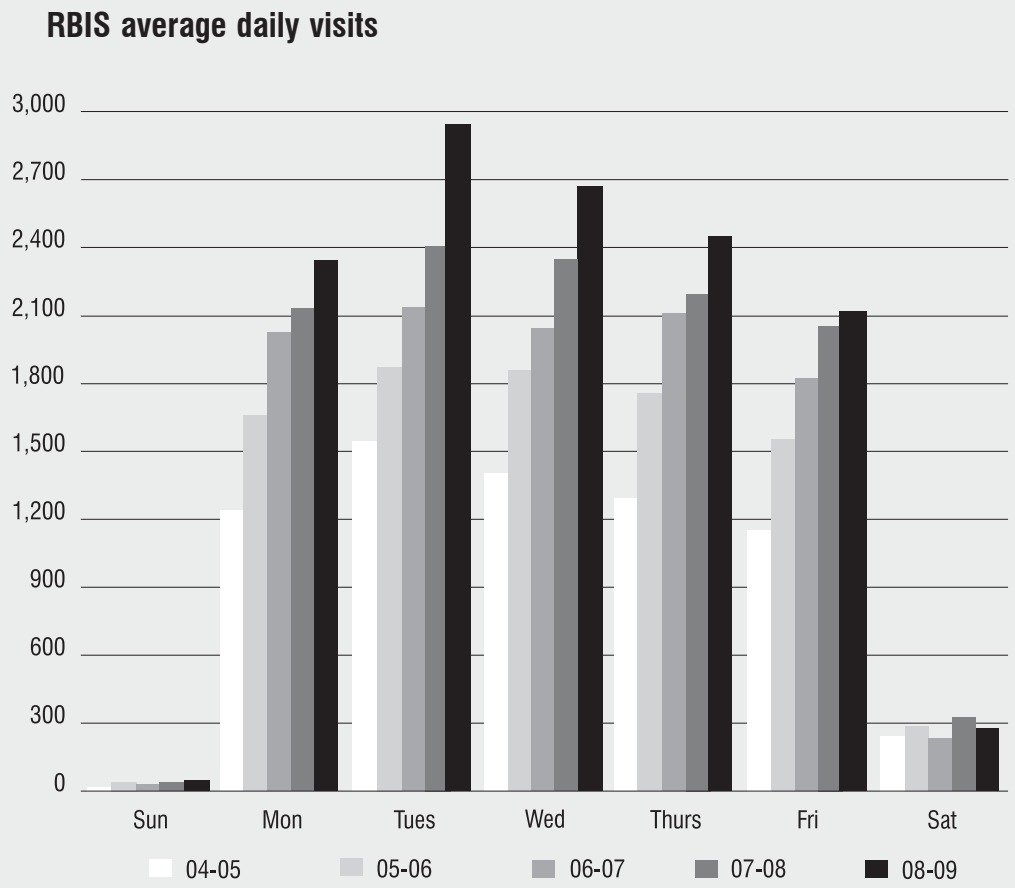
Rental bond lodgement forms are scanned and the accompanying remittances receipted and banked on the day of receipt from customers.

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

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

The Unit performed regular four weekly reviews of a random selection of rental bond refunds during 2008-2009, 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.



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

Retail tenancy bonds

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

The retail bond service is not subject to rental bond legislation nor to the jurisdiction of the Rental Bond Board. Rather, it is run in parallel with, and administered without any impact on, the traditional residential rental bond custodial function. 4694 retail bond lodgements and 3248 retail bond claims were processed by Renting Services staff during 2008-2009.

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

Tenancy services

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

Tenancy-related telephone enquiry volumes remain relatively unchanged this year compared to 2007-2008, with 112,504 calls responded to by staff. During the year officers answered 99% of all incoming tenancy calls, with an average waiting time for customers of 10 seconds.

Customer Information and electronic versions of our publications are available on Fair Trading's website (www.fairtrading.nsw.gov.au). The use of the internet for information self-service by customers continues to grow. The Fair Trading Information Centre (FTIC) is one of Fair Trading's main front line services, dealing with approximately 1 million customer telephone enquiries each year, across a range of Fair Trading matters. FTIC takes an active role in promoting the available self-service options to its customers and also provides information which assists them in resolving their issues.

Funded programs

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

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

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

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

Consumer, Trader & Tenancy Tribunal - Tenancy Functions

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

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

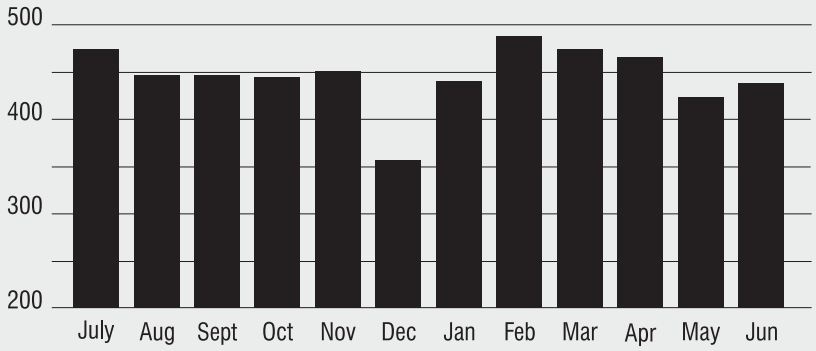
The Tribunal operates in an informal environment and wherever possible aims to bring parties to a mutually agreed settlement before hearing.

58,670 applications were received in 2008-2009. The Tribunal is easily accessible to the public with:

- eight registries located in metropolitan and regional areas
- hearings taking place in 75 locations across New South Wales
- an online lodgement facility that is used by 42% of applicants
- a contemporary new website that meets the NSW Government standards for style and accessibility.

Tenancy Division applications continued to dominate the CTTT's workload, accounting for 34,223 lodgements, or 58% of all applications received this year. The new Social Housing Division commenced on 1 October 2008 with social housing matters transferred from the Tenancy Division. The number of Social Housing Division applications lodged was 10,106 or 17% of total applications. A further 2,734 applications (4.7% of the total) related to residential park, strata and community scheme, or retirement village

Daily average tenancy enquiries per month



The number of tenancy enquiries remained fairly constant throughout the year.

issues. The Rental Bond Board provided $10.7 million in funding toward the functions of the Tribunal in 2008-2009, which were jointly funded by the Office of Fair Trading and the Board.

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

Grants program

Section 20(4) of the *Landlord and Tenant (Rental Bonds) Act 1977* enables the Rental Bond Board to make grants or loans from the Rental Bond Interest Account for the purposes of:

- a scheme approved by the Minister for the provision of residential accommodation
- research approved by the Minister into matters relevant to the relationship of landlord and tenant
- other activities approved by the Minister relevant to matters associated with the relationship of landlord and tenant.

In 2008-2009 the Rental Bond Board approved funding totalling $45,000 under the Rental Bond Board Grants Program for the Energy & Water Ombudsman (NSW) Pty Ltd EWON to conduct a review of the guidelines for water charging for public housing tenants by Housing NSW.

Tenants' Advice and Advocacy Program
The Rental Bond Board provides 50% of the total funding towards the Tenants' Advice and Advocacy Program. In 2008-2009 the Board's contribution to the Program was approximately $4.3 million.

Credit Counselling Program
The Rental Bond Board contributes 70% of the total value of the Credit Counselling Program. The Board's contribution toward the Program for 2008-2009 was approximately $1.7 million.

No Interest Loans Scheme
90% of the total funding for the No Interest Loans Scheme is derived from the Rental Bond Board. The Board's contribution to the Program for 2008-2009 was approximately $0.76 million.

Aged Care Rights Service
Each year the Rental Bond Board funds The Aged-care Rights Service to provide advice and information to older people in supported accommodation such as nursing homes, hostels, retirement villages and boarding houses across NSW. In 2008-2009 the Rental Bond Board provided funding totalling $387,375.

Bonds held

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

Postcode Groupings	Postcode	Bonds held		Variation
		30-06-08	30-06-09	%
Inner Sydney	2000 - 2014	30,788	30,900	0.4%
South Sydney	2015 - 2020	10,417	10,663	2.4%
Eastern Suburbs	2021 - 2036	48,578	48,954	0.8%
Inner West	2037 - 2059	30,781	30,915	0.4%
Lower North Shore	2060 - 2069	23,614	23,662	0.2%
Upper North Shore	2070 - 2087	11,126	11,219	0.8%
Mosman/Cremorne	2088 - 2091	10,681	10,683	0.0%
Manly/Warringah	2092 - 2109	21,173	21,304	0.6%
North Western	2110 - 2126	20,379	20,361	-0.1%
Western Suburbs	2127 - 2145	36,015	36,078	0.2%
Parramatta/Hills	2146 - 2159	23,786	23,622	-0.7%
Fairfield/Liverpool	2160 - 2189	32,099	32,120	0.1%
Canterbury/Bankstown	2190 - 2200	20,082	19,903	-0.9%
St George	2201 - 2223	33,990	33,529	-1.4%
Cronulla/Sutherland	2224 - 2249	14,359	14,301	-0.4%
Miscellaneous*		598	563	-5.9%
Metropolitan Subtotal		**368,466**	**368,777**	**0.1%**
Central Coast	2250 - 2263	26,673	27,524	3.2%
Greater Newcastle	2264 - 2319	32,226	33,194	3.0%
Hunter Valley	2320 - 2339	13,964	14,428	3.3%
New England	2340 - 2419	13,737	14,494	5.5%
North Coast	2420 - 2499	47,593	49,342	3.7%
Greater Wollongong	2500 - 2530	20,185	20,496	1.5%
South Coast	2531 - 2551	13,049	13,584	4.1%
Campbelltown	2552 - 2570	11,227	11,106	-1.1%
Southern Division	2571 - 2639	14,239	14,732	3.5%
Riverina	2640 - 2739	18,811	19,572	4.0%
Penrith/Windsor	2740 - 2772	28,442	28,296	-0.5%
Blue Mountains	2773 - 2786	5,243	5,382	2.7%
Orange/Bathurst	2787 - 2819	9,629	10,074	4.6%
Dubbo & North West	2820 - 2842	6,155	6,255	1.6%
Mudgee District	2843 - 2863	1,996	2,150	7.7%
Western Division	2864 - 2880	3,417	3,664	7.2%
Outer metropolitan and regional		**267,024**	**274,741**	**2.9%**
Miscellaneous*		**438**	**448**	2.3%
NSW Total		**635,490**	**643,518**	**1.3%**

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

Median rentals

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

Postcode Groupings	Postcodes	Rent ($per week)		Variation
		30-06-08	30-06-09	%
Inner Sydney	2000 - 2014	480	495	3.1%
South Sydney	2015 - 2020	460	480	4.3%
Eastern Suburbs	2021 - 2036	450	480	6.7%
Inner West	2037 - 2059	445	450	1.1%
Lower North Shore	2060 - 2069	470	480	2.1%
Upper North Shore	2070 - 2087	440	460	4.5%
Mosman/Cremorne	2088 - 2091	460	490	6.5%
Manly/Warringah	2092 - 2109	450	480	6.7%
North Western	2110 - 2126	395	400	1.3%
Western Suburbs	2127 - 2145	360	380	5.6%
Parramatta/Hills	2146 - 2159	340	350	2.9%
Fairfield/Liverpool	2160 - 2189	295	320	8.5%
Canterbury/Bankstown	2190 - 2200	300	320	6.7%
St George	2201 - 2223	360	380	5.6%
Cronulla/Sutherland	2224 - 2249	350	380	8.6%
Metropolitan		**400**	**415**	**3.8%**
Central Coast	2250 - 2263	265	280	5.7%
Greater Newcastle	2264 - 2319	280	280	0.0%
Hunter Valley	2320 - 2339	250	255	2.0%
New England	2340 - 2419	185	190	2.7%
North Coast	2420 - 2499	250	260	4.0%
Greater Wollongong	2500 - 2530	265	280	5.7%
South Coast	2531 - 2551	230	240	4.3%
Campbelltown	2552 - 2570	280	300	7.1%
Southern Division	2571 - 2639	250	250	0.0%
Riverina	2640 - 2739	185	200	8.1%
Penrith/Windsor	2740 - 2772	280	300	7.1%
Blue Mountains	2773 - 2786	260	270	3.8%
Orange/Bathurst	2787 - 2819	200	210	5.0%
Dubbo & North West	2820 - 2842	180	180	0.0%
Mudgee District	2843 - 2863	195	200	2.6%
Western Division	2864 - 2880	165	160	-3.0%
Outer metropolitan and regional		**250**	**255**	**2.0%**
Miscellaneous*		180	175	-2.8%
NSW		**310**	**320**	3.2%

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

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Rental Bond Board

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Rental Bond Board (the Board), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Board as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

The Board's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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

Heather Watson
Director, Financial Audit Services

13 October 2009
SYDNEY

STATEMENT BY MEMBERS OF THE BOARD

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

(1) the accompanying financial statements exhibit a true and fair view of the financial position of the Rental Bond Board as at 30 June 2009 and transactions for the year ended 30 June 2009;

(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.

BRIAN BAKER, A/Chairperson

HELEN O'LOUGHLIN, Member

Dated at Sydney on 13th October 2009

RENTAL BOND BOARD

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $'000	2008 $'000
Revenue			
Investment income	1(f),2	49,202	45,224
Total Revenue		**49,202**	**45,224**
Expenses			
Administrative services	1(a),3(a)	24,281	24,832
Grants and subsidies	3(b)	17,425	13,203
Other operating expenses	3(c)	798	773
Interest on rental bonds	1(g)	104	97
Total Expenses		**42,608**	**38,905**
SURPLUS/(DEFICIT) FOR THE YEAR	8	**6,594**	**6,319**

The accompanying notes form part of these financial statements.

RENTAL BOND BOARD

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $'000	2008 $'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		-	-
Surplus/(Deficit) for the year	8	6,594	6,319
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR		**6,594**	**6,319**

The accompanying notes form part of these financial statements.

RENTAL BOND BOARD

BALANCE SHEET AS AT 30 JUNE 2009

	Notes	2009 $'000	2008 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	33,955	26,901
Receivables	5	95	134
Other financial assets	6	74	24
Total Current Assets		**34,124**	**27,059**
Non-Current Assets			
Other financial assets	6	6	82
Total Non-Current Assets		**6**	**82**
TOTAL ASSETS		**34,130**	**27,141**
LIABILITIES			
Current Liabilities			
Payables	7	1,145	750
Total Current Liabilities		**1,145**	**750**
TOTAL LIABILITIES		**1,145**	**750**
NET ASSETS		**32,985**	**26,391**
EQUITY			
Retained Earnings	8	32,985	26,391
TOTAL EQUITY		**32,985**	**26,391**

The accompanying notes form part of these financial statements.

RENTAL BOND BOARD

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $'000	2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Maturity of investments		34	30
Interest received		49,236	45,181
Other		(24)	2,826
Total Receipts		**49,246**	**48,037**
Payments			
Payment of interest on bonds		(104)	(97)
Trade creditors		(24,663)	(21,990)
Grants and subsidies		(17,425)	(13,202)
Total Payments		**(42,192)**	**(35,289)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	11	**7,054**	**12,748**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from sale of investments		-	7,132
NET CASH FLOWS FROM INVESTING ACTIVITIES		**-**	**7,132**
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**-**	**-**
NET (DECREASE)/INCREASE IN CASH		7,054	19,880
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		26,901	7,021
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**33,955**	**26,901**

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Rental Bond Board as a Reporting Entity comprises all activities under its control. The Board is a not-for-profit entity. The administrative functions for the Board are performed by the Office of Fair Trading and costs associated with these functions are paid for on an operational basis in relation to activities performed (Note 3).

This financial report for the year ended 30 June 2009 has been authorised for issue by the Chairperson of the Board on the 13 October 2009.

(b) Basis of Preparation

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

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

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

Assets (or disposal groups) held for sale and financial assets at “fair value through profit or loss” and available for sale are measured at fair value. Other financial report 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 report.

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

(c) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Insurance

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

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

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

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

- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Cash Flow Statement on a gross basis. However, the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(f) Revenue Recognition

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

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

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

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

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

(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 agency subsequently measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term.

- *The Hour-Glass Investment Facilities* - are designated at fair value through profit or loss using the second leg of the fair value option ie these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the agency'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 agency 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 Operating Statement 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 directly in equity until disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the Operating Statement. However, interest calculated using the effective interest method and dividends are recognised in the Operating Statement.

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

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Balance Sheet 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 entity will not be able to collect all amounts due.

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

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Operating Statement, 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 Operating Statement.

Any reversals of impairment losses are reversed through the Operating Statement, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the reserve. 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) Liabilities

Payables

These amounts represent liabilities for goods and services provided to the agency 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.

(l) New Australian Accounting Standards Issued But Not Effective

At reporting date a number of Accounting Standards adopted by the AASB had been issued but are not yet operative. NSW Treasury has mandated not to early adopt any of the new Standards / Interpretations as per Treasury Circular TC 09/03. As such, these new Standards / Interpretations have not been early adopted by the Rental Bond Board.

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

(m) Impairment Policy

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

(n) 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. INVESTMENT INCOME

	2009 $'000	2008 $'000
Rental Bond Trust Account	46,538	43,984
Amortisation of (Premium)/Discounts on Trust Account Investments	1,125	(16)
	47,663	43,968
Rental Bond Interest Account	1,539	1,256
	1,539	1,256
	49,202	45,224

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

3. EXPENSES

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

(a) Administrative Services

Administrative Service Charge	21,873	22,677
Capital Expenditure Service Charge	2,408	2,155
	24,281	24,832

(b) Grants and Subsidies

Tenancy Services	(i)	386	498
Credit Counselling Services	(ii)	1,633	-
"No Interest" Loans Scheme	(iii)	408	-
Tenants' Advice and Advocacy Program	(iv)	4,242	4,127
Tenancy Function of Consumer, Trader and Tenancy Tribunal	(v)	10,756	8,578
		17,425	13,203

(i) Tenancy Services

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

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

(ii) Credit Counselling Program

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

(iii) No Interest Loan Scheme (NILS)

This is a community based program that commenced in 2008/09 which helps low income people, most of whom are tenants, to buy essential household items. This program provides funding towards NILS administration costs and also employment of a dedicated NILS Coordinator.

(iv) Tenants' Advice and Advocacy Program

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

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

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

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

(c) Other Operating Expenses

	2009 $'000	2008 $'000
Other operating expenses:		
Auditor's remuneration	55	55
Bank charges	89	100
Investment Management Fee	589	551
Other	65	67
	798	773

4. CASH AND CASH EQUIVALENTS

	2009 $'000	2008 $'000
Cash at Bank	128	214
Hour-Glass Cash Facility	26,028	26,687
Hour Glass Strategic Cash Facility	7,799	-
	33,955	26,901

Cash at bank is held with the Commonwealth Bank and Westpac. Interest is earned on daily bank balances and calculated each month. The interest rate at 30 June 2009 for Commonwealth Bank was 2.75% (7.0% in 2007/2008) and for Westpac was 3.03%. TCorp interest for Hour-Glass Cash Facility was 5.35% (6.82% in 2007/2008). The Hour Glass Strategic Cash Facility was 4.15% per annum but this is only for part of the year as the Facility commenced on 11 September 2008.

For the purposes of the Cash Flow Statement, cash includes cash at bank and TCorp Hourglass 'Cash Facility'.

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

Cash (per Balance Sheet)	33,955	26,901
Closing cash and cash equivalents (per Cash Flow Statement)	33,955	29,901

5. RECEIVABLES

Accrued Interest	62	108
Debtors	33	26
	95	134

6. OTHER FINANCIAL ASSETS

Current	74	24
Non-Current	6	82
Total Other Financial Assets	80	106

Funds are invested as follows:

Co-operative Housing Societies (i)	10	14
Other Housing (ii)	70	92
	80	106

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

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

The above financial assets as classified as "Held to maturity investments" financial assets.

7. CURRENT LIABILITIES - PAYABLES

	2009 $'000	2008 $'000
Accrued Administrative Charges	979	630
Other Accrued Charges	166	120
	1,145	750

8. CHANGES IN EQUITY

Balance at beginning of financial year	26,391	20,072
Surplus/(Deficit) for the year	6,594	6,319
Balance at the end of the financial year	32,985	26,391

9. COMMITMENTS FOR EXPENDITURE

There are no commitments for capital or other expenditure or commitments for leases at balance date (Nil - 30 June 2008).

The Department of Commerce is implementing a new Rental Bond System to administer the Residential Bonds. The project is due for completion in the 2010/11 Financial year and the Rental Bond Board will be charged a fee equivalent to the depreciation cost for its use.

10. CONTINGENT LIABILITIES

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

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

Surplus/(Deficit) for the year	6,594	6,319
(Decrease)/Increase in Liabilities		
Payables	395	593
(Increase)/Decrease in Assets		
Other financial assets	26	21
Receivables	39	5,815
Net Cash (used in)/from Operating Activities	**7,054**	**12,748**

12. FINANCIAL INSTRUMENTS

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

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

(a) Financial Instrument Categories

Financial Assets	Note	Category	2009 $'000 Carrying Amount	2008 $'000 Carrying Amount
Class:				
Cash and cash equivalents	4	Not applicable	33,955	26,901
Receivables*	5,6	Loans and receivable (at amortised cost)	164	232
Class:				
Payables**	7	Financial liabilities measured at amortised cost	1,137	744

* Excludes statutory receivables (eg GST) and prepayments (ie not within scope of AASB 7)
** Excludes statutory payables (eg GST) and unearned revenue (ie not within scope of AASB 7)

(b) Credit Risk

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

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

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

(c) Liquidity Risk

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

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment.

(d) Market Risk

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

(e) 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	2009 $'000	2008 $'000
Cash facility	Cash, money market instruments	Up to 1.5 years (pre-June 2008 - up to 2 years)	26,028	26,687
Strategic cash facility	Cash, money market and other interest rate instruments	1.5 years to 3 years	7,799	-

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

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

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

NSW TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass statement).

	Impact on Profit/Loss		
	Change in Unit Price	**2009 $'000**	**2008 $'000**
Hour-Glass - Cash Facility	+/- 1.0%	260	267
Hour Glass Strategic Cash Facility	+/- 2.0%	156	-

(f) Fair Value

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

The amortised cost of financial instruments recognised in the Balance Sheet approximates the fair value, because of the short-term nature of many of the financial instruments.

13. RENTAL BONDS

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

Rental Bond Trust Funds

	2009 $'000	**2008 $'000**
Trust Investments	802,635	746,560
	802,635	746,560
Less: Trust Ledger Bank Account	(1,832)	(2,141)
Rental Bonds	800,803	744,419

	2009 $'000	2008 $'000
Rental Bonds are invested as follows:		
TCorp Hour-Glass Facility	79,360	48,360
Direct Fixed Interest Portfolio(a)	721,115	696,117
Private Shared Equity Scheme (b)	2,160	2,083
	802,635	746,560

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

(b) The Private Shared Equity Rent/Buy Scheme was established to assist low income tenants and those on the public housing waiting list, to achieve home ownership. The Board initially invested $20 million with a yield of 4% plus the CPI per annum. For the year to 30 June 2009, the CPI movement was 1.7% (3.3% - 30 June 2008).

Market Valuation of Rental Bond Investments

Market valuations were obtained on the investments listed below:

NSW Treasury Corporation Hour-Glass Facility	79,360	48,360
Direct Fixed Interest Portfolio	718,219	663,706
Private Shared Equity Scheme	2,178	2,118
	799,757	714,184

Market values as at 30 June 2009 were based on Treasury Corporation's advice.

Total liability to bond holders as at 30 June 2009 is $798 million compared to the market value of the Trust's investments of $800 million, resulting in an excess of $2 million (2007/08 deficit $27M).

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

14. AFTER BALANCE DATE EVENTS

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

END OF AUDITED FINANCIAL STATEMENTS

Index

Aged Care Rights Service	14
Board members	3
Bond lodgements	7
Bonds held	15
Business systems	11
Consumer, Trader & Tenancy Tribunal	13
Credit Counselling Program	14
Financial statements	17
Funded programs	13
Highlights	2
Information services	10
Internal control	11
Investments	25
Legislative Change	3
Length of tenancy	9
Median rentals	16
No Interest Loans Scheme	14
Organisation chart	4
Rental bond custody	6
Rental Bond Internet Service	11
Rental bond lodgements	7
Rental bond refunds	8
Rental bonds held	6
Rental statistics	6, 7, 15,16
Retail tenancy bonds	12
Service arrangements with Office of Fair Trading	4
Tenancy Advice & Advocacy Program (TAAP)	14
Tenancy services	12
Value of bonds held	7

Production costs
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Availability
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