



Rental Bond Board

Annual Report 2017-18

Table of contents

Table of contents	2
1. Charter, aims and objectives	4
2. Board membership, meetings and structure	5
Membership and meetings	5
3. Highlights and achievements 2017-18	5
4. Rental bond custodial service	6
4.1 Community access to independent custodial function for rental bonds	6
4.2 Rental bond custody and investment management	6
4.3 Rental bonds held	7
4.4 Rental bond statistical information	7
4.5 Rental bond lodgements	8
4.6 Rental bond refunds	9
4.7 Bond refunds paid to tenants and landlords	9
4.8 Length of tenancy	10
5. Rental Bonds Online	10
6. Tenancy services	11
6.1 Tenancy dispute resolution services	11
7. Grants Programs	
7.1 Programs funded by the Rental Bond Board	
Tenants' Advice and Advocacy Program	
Credit Counselling Program	
No Interest Loan Scheme	
Aged Care Supported Accommodation Services Program	
Tenancy Services (TARS)	
National Rental Affordability Scheme (NRAS)	
8. Statutory reporting requirements	13
8.1 Workforce diversity	13
8.2 Multicultural policies and services program	13
8.3 Credit card compliance	13
8.4 Internal controls	14
8.5 Investment performance	14

8.6	Government Information (Public Access) Act 2009	14
8.7	Privacy and Personal Information Protection Act (PPIPA)	14
8.8	Public Interest Disclosure	14
8.9	Nil or NA to report	14
8.10	Events after the reporting period	15

Appendix 1 – Digital information security policy attestation

Appendix 2 – Internal audit and risk management attestation statement
for 2017-18

APPENDIX 3 - Independent Auditors Report

APPENDIX 4 - Rental Bond Board Financial Statements

1. Charter, aims and objectives

The Rental Bond Board (the 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. In performing its role, the Board is subject to the control and direction of the Minister responsible for NSW Fair Trading. The *Residential Tenancies Act 2010* (the Act) is the governing legislation.

Prior to the establishment of the Board, landlords in NSW held rental bonds in trust. Legislation was introduced to address concerns that tenants often had difficulties in contesting the refund of their bond at the end of the tenancy. This service 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 determined by the NSW Civil and Administrative Tribunal (the Tribunal). Meanwhile the Board retains custody of the funds pending resolution of the matter.

Bond monies are held in trust and Invested with the NSW Government through TCORP.

Interest earned from the investment funds the following payments.

- Costs or expenses incurred in administering the Act;
- Half the costs or expenses incurred in administering residential and social housing matters in the Consumer and Commercial Division of the NSW Civil and Administrative Tribunal (NCAT); and
- the provision of grants and loans for:
 - 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 relations of landlord and tenant; and
 - other activities of benefit of landlords and tenants.

NSW Fair Trading administers the day to day functions on behalf of the Board, providing rental bond lodgement, custody, refund and information services. The Department of Finance, Services and Innovation (DFSI), within which NSW Fair Trading operates, provides policy and legislative support, financial administration, corporate and general business support. Information on the related management, human resources, business systems and financial administration is found in the DFSI's Annual Report 2017-18.

DFSI also provides policy and legislative support, financial administration, corporate and general business support.

The Board is self-funding, deriving its income from the investment of rental bond trust funds and from retained earnings prior to distribution. The Board does not have employees and management of the Board's functions are provided by DFSI. In performing its role, the Board is subject to the control and direction of the Minister responsible for NSW Fair Trading.

2. Board membership, meetings and structure

Membership and meetings

The Board is comprised of the Deputy Secretary of Better Regulation Division and Commissioner for Fair Trading (as Chairperson), representatives of the Chief Executive of Family and Community Services and the Secretary of the Treasury, and two persons with experience in real estate or tenancy matters appointed by the Minister for Innovation and Better Regulation.

Principal officers			
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
Ms Rose Webb, Chairperson since 6 Nov 2018	Deputy Secretary of BRD and Commissioner for Fair Trading	Ex officio	2
Mr Andrew Gavrielatos, Chairperson (17 July 2017 to 3 Nov 2017)	A/Deputy Secretary of BRD and Acting Commissioner for Fair Trading	Ex officio	2
Mr Ranit Ram	Nominee for NSW Treasury	Ex officio	4
Mr Humair Ahmad	Nominee for Family and Community Services	Ex officio	2
Ms Charmaine Jones	Tenants' Union of NSW	Ministerial appointment	3
Mr Miles Felstead	Real Estate Institute of NSW	Ministerial appointment	4

3. Highlights and achievements 2017-18

The NSW Government is committed to providing better digital services, overcoming constraints to online transactions and enabling new transactions to be conducted online, wherever possible.

In 2017-18 the Board demonstrated this continuing commitment to online services through Rental Bonds Online (RBO).

Key highlights for the year were as follows:

- (a) The continued transitioning of rental bond operations from a paper-based processing environment to online service delivery and support. Each day, approximately 60 per cent of residential rental bonds are lodged online and 64 per cent of bonds are claimed using the online service. This self-service channel allows real estate property managers, self-managing landlords and tenants to lodge,

refund and enquire on their rental bonds. All landlords and agents are required to register with RBO and to invite tenants to use the online system prior to bond lodgement.

- (b) A record number of 852,596 residential rental bonds valued at \$1.52 billion held in custody by the Board at 30 June 2018.
- (c) The Board contributed \$16.4 million to community grants programs. The largest contribution was \$6.4 million provided to the Tenants' Advice and Advocacy Program. Refer to the Board's financial statements for further details.
- (d) As part of the NSW Government's commitment to improve transparency and increase efficiency, NSW Fair Trading published deidentified rental bond data providing details of lodgements, refunds and total holdings on its website.
- (e) The Board, through Fair Trading, continues to expand custodial and transactional services to tenants in NSW through partnerships with other NSW government agencies, notably in the public housing space.

4. Rental bond custodial service

4.1 Community access to independent custodial function for rental bonds

A rental bond is money paid by the tenant as security for the landlord against breaches of the tenancy agreement. The bond 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 custodial service enables bond monies to be held independently of both parties and ensures that tenants can be certain their bond is available for refund at the end of their tenancy, while allowing landlords to recover funds, where appropriate.

4.2 Investment management and interest payable

Rental bonds are invested primarily in fixed interest securities with a proportion in cash.

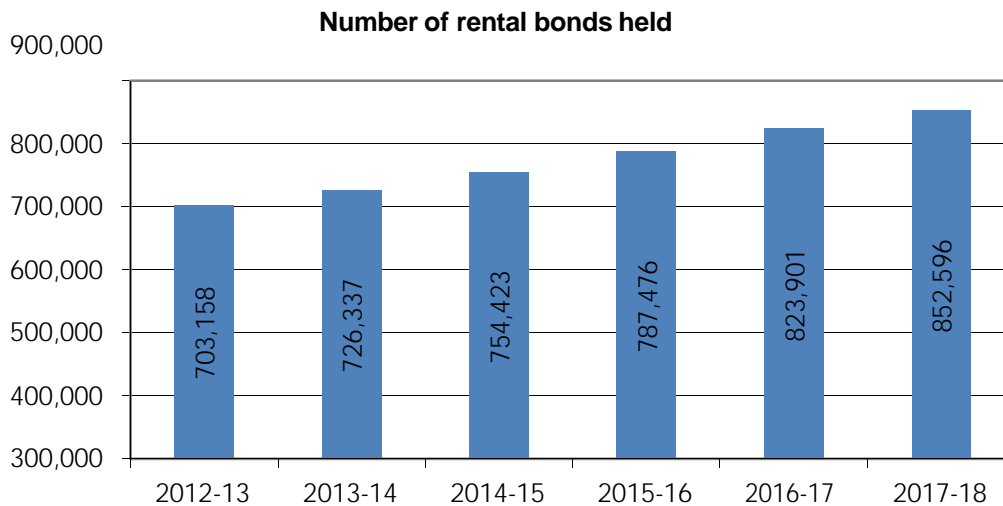
The Board has discretion on investment management and currently invests through the NSW Treasury Corporation (TCorp), where funds are directly managed in a fixed interest portfolio (the Rental Bond Board Facility). The balance is held in TCorp's Cash Facility.

The *Residential Tenancy Regulation 2010* states that the rate of interest to be paid when a bond is refunded is set at a level equivalent to interest payable on a Commonwealth Bank of Australia Everyday Access Account balance of \$1,000. As at the date of this report the interest rate was zero.

4.3 Rental bonds held

At 30 June 2018, the Board held 852,596 residential rental bonds in trust. These were valued at \$1.520 billion. The total number of bonds held increased by 3.5 per cent over the number held at 30 June 2017.

During the year 322,497 new residential rental bonds were lodged with the Board – an increase of 2.8 per cent from the previous financial year. The number of bonds refunded also increased this year by six per cent to 293,802.



4.4 Rental bond statistical information

Rental bond lodgement details include a statistical section requesting information on:

- a) dwelling type;
- b) number of bedrooms;
- c) weekly rent;
- d) date the tenancy commenced; and
- e) date the previous tenancy of the dwelling ended.

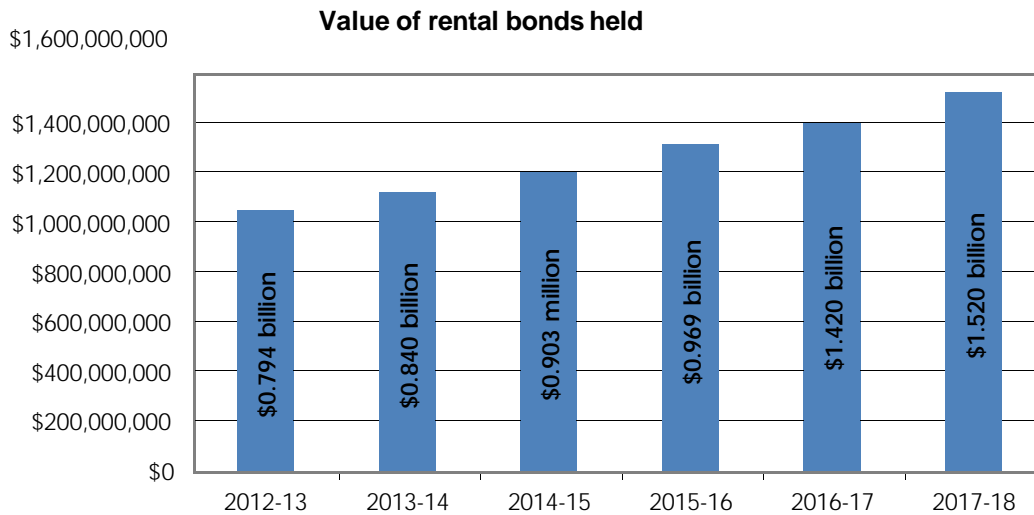
Although provision of the statistical information is voluntary, the completion rate is high. The question on weekly rent is answered by landlords or their agents in about 98 per cent of lodgements.

For some years, the collected rental data has been collated and analysed, under agreement, by the Housing Analysis and Research Unit of Family and Community Services. This information is available to the public in summary form in the Rent and Sales Report on the website: www.facs.nsw.gov.au.

Summary tables of bonds held and median rentals are included in this report.

In 2017-18, this data was also made available publicly as part of the NSW Government's commitment to improve transparency and increase efficiency. Fair Trading publishes deidentified rental bond data providing details of lodgements, refunds, and total holdings on its website.

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, unless required and permitted by law to do so.



4.5 Rental bond lodgements

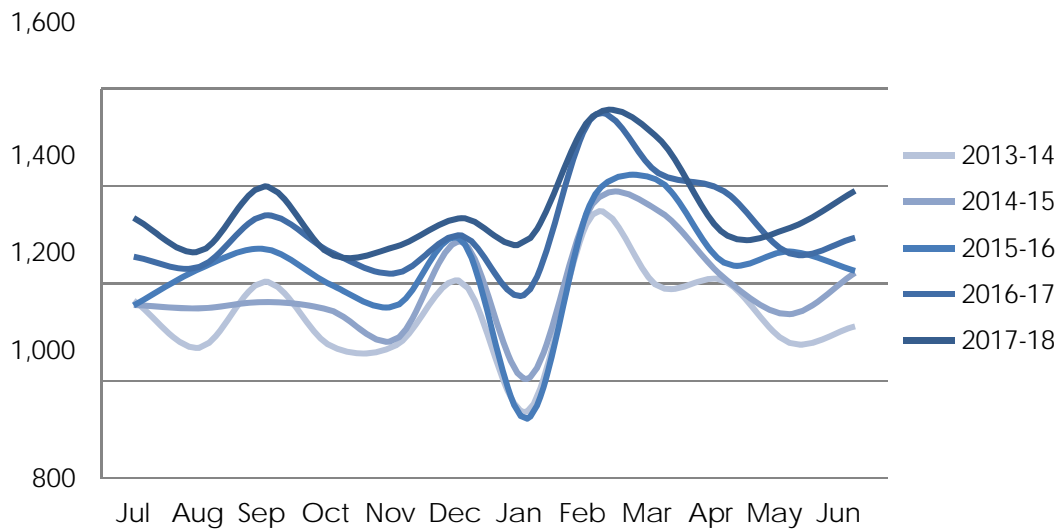
During the year, 322,497 new rental bond lodgements and 13,203 additional bonds (where a bond is paid by instalments) were received by the Board.

The total value of bonds receipted was \$661.2 million. Ninety-nine per cent of all bond lodgements were receipted and banked the day they were received.

Rental Bonds Online (RBO) allows agents and private landlords to lodge bonds over the internet. An agent or landlord with their tenant completes the lodgement in RBO enabling tenants to pay their bond directly to the Board by card payment or BPAY. As at end June 2018, 58 per cent of bonds lodged daily were lodged online.

The Board's statistics indicate that in the 2017-18 financial year, 92 per cent of metropolitan bonds and 89 per cent 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 per cent over the years of the Board's operation.

Daily average rental bond lodgements per month

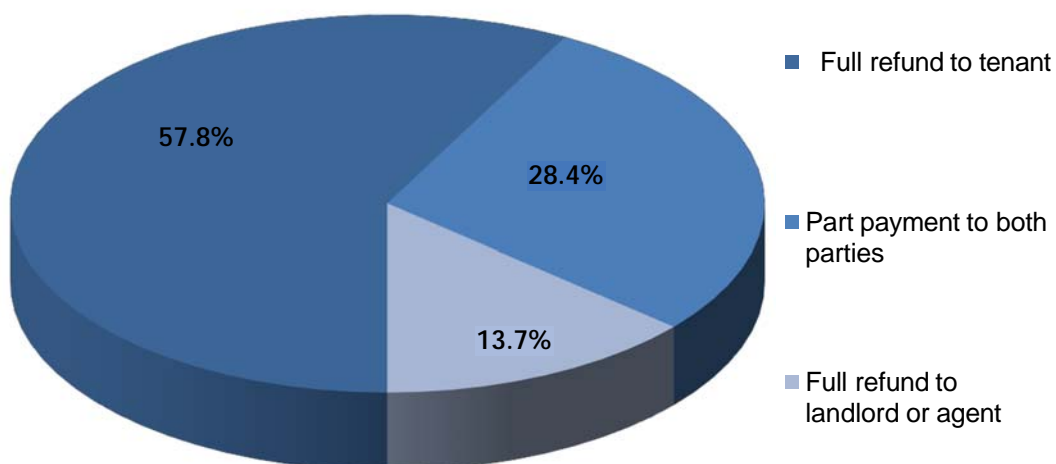


4.6 Rental bond refunds

In 2017-18, 293,802 residential rental bonds were refunded through 377,892 individual payments. RBO also allows agents to submit online claims for bonds previously lodged by forms. As at the end of June 2018, 65 per cent of claims lodged each day were submitted online.

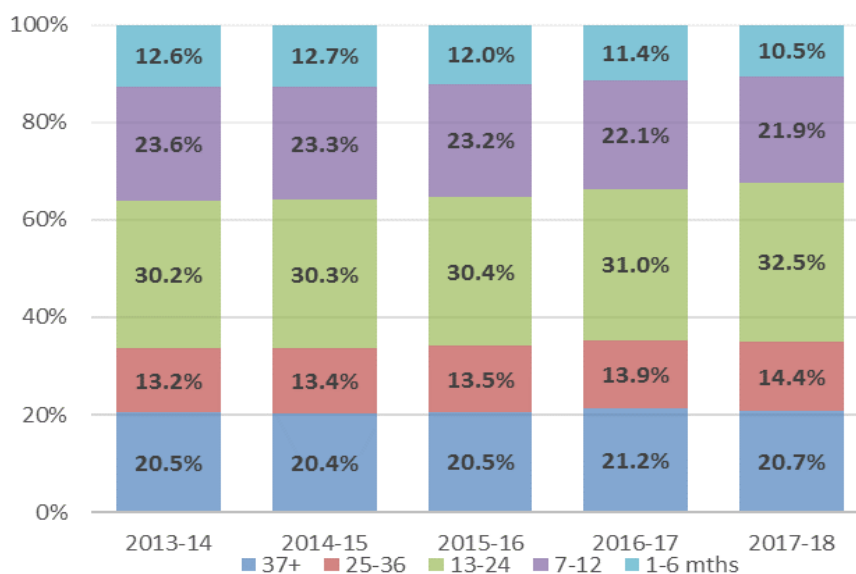
Claims for rental bond refunds are classified in two main categories in accordance with the Act (Part 8, Division 3 Release of rental bonds sections 167 and 168). The first is 'Agreed' claims where both parties have indicated their acceptance of the amount/s to be refunded to each party. The second is '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 Tribunal if they wish to dispute the claim.

4.7 Bond refunds paid to tenants and landlords



During 2017-18, 72 per cent of all refunds were agreed by the parties while, in 26 per cent of cases, a notice of claim was issued but no dispute proceeded to the Tribunal. 1.3 per cent of bond refunds were the result of an order by the Tribunal following a dispute over the bond refund. A further 0.3 per cent were refunded after a Tribunal application was withdrawn prior to hearing.

In accordance with Fair Trading's Guarantee of Service to its customers, 95 per cent of all direct credit refunds were sent to the customers' bank account within two days of receiving an agreed rental bond claim.



4.8 Length of tenancy

During 2017-18, 68 per cent of all bonds refunded had been held by the Board for more than 12 months at the time of refund, with 35 per cent of all bonds refunded being held for tenancies of greater than two years' duration.

5. Rental Bonds Online

RBO provides all parties to a NSW private residential rental bond direct access to their bond information online. The service helps tenants, agents and self-managing landlords lodge and refund bond money securely and easily.

Since 30 January 2017, property agents and private landlords have been required to be registered with RBO. Agents and landlords must also offer the service to new tenants as the first option for lodgement of their bond. Tenants can pay their bond directly to Fair Trading using Visa, Mastercard or BPAY. Agents or landlords can lodge bonds in minutes, at any time, without having to post lodgement forms. All parties are kept informed through SMS phone notifications and email updates. The service uses strong security measures to protect both parties' details and access to the service.

Agents, private landlords and tenants can access the RBO site using a desktop computer or a mobile device such as a tablet or mobile phone.

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.

The NSW government is focused on improving government services, 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 positive and the real estate industry has shown strong support for RBO. At the end of June 2018:

- a) 13,294 real estate agencies and property management offices were registered to use RBO;
- b) 5,637 private landlords were registered to use RBO;
- c) 281,971 tenant accounts had been created;
- d) 282,890 online bond lodgements completed;
- e) \$614.1 million received via the new online bond payment methods.

6. Tenancy Services

In 2017-2018, NSW Fair Trading:

- responded to 133,588 telephone enquiries from tenants, landlords and agents enquiring about their rights and responsibilities under the Act;
- managed 2,821 residential tenancy complaints lodged by tenants, landlords or agents;
- undertook a legislative review of the Act;
- provided information resources for tenants, landlords and agents (including fact sheets in 21 community languages);
- delivered community and industry education seminars, e-newsletters and social media campaigns to raise awareness and understanding of the rights and responsibilities of landlords and tenants.

6.1 Tenancy dispute resolution services

Property managers, landlords and tenants can access 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 2017-18, 2,821 tenancy complaints were managed by Fair Trading.

7. Grants programs

On the recommendation of the Board, and the approval of the Minister, the Commissioner for Fair Trading may make a grant or loan from the Rental Bond Interest Account for the following purposes:

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

7.1 Programs funded by the Board to Non-Government Community Organisations

Tenants' Advice and Advocacy Program

In 2017-18, the Board's contribution to the program was \$ 6.438 million.

The below table outlines total client contacts and cases handled by the Program service providers:

	Total Clients	Total Cases
July 2017-June 2018	64,3112	45,263

Credit Counselling Program

The Board's contribution toward the program was \$ 3.201 million.

The below table outlines total client contacts and cases handled by the Financial Counselling Services Program which utilises the funding provided under the Credit Counselling Program:

	Total Clients	Total Cases
July 2017-June 2018	27,428	9,440

No Interest Loan Scheme

The Board's contribution toward the program was \$ 3.424 million. The No Interest Loan Scheme is operated nationally by Good Shepherd Microfinance and the contribution enables the employment of community workers to deliver No Interest Loans in NSW.

[Data on clients and loans provided is published by Good Shepherd Microfinance](#)

Aged Care Supported Accommodation Services Program

The Board supports the Aged Care Supported Accommodation Service Program which is delivered by the Seniors Rights Service. The Board's contribution toward the program was \$875,000.

	Total Clients	Total Cases
July 2017-June 2018	1,115	725

National Rental Affordability Scheme (NRAS)

The National Rental Affordability Scheme was jointly supported by the Federal Government and the NSW State Government. The Board's contribution was \$2.500 million.

8. Statutory reporting requirements

8.1 Workforce diversity

Diversity reporting for the Board is covered in the DFSI's Annual Report 2017-18.

8.2 Multicultural policies and services program

The DFSI *Diversity and Inclusion Strategy 2015-2019* covers the Board and is reported in DFSI's Annual Report 2017-18.

8.3 Credit Card compliance

As required by Treasury Policy paper TPP 05-1 Credit Card Use Best Practice Guide, the Secretary of DFSI has certified that credit card use in the Board during 2017-18 has been in accordance with Premier's Memoranda and Treasurer's Directions.

8.4 Internal Controls

The rental bond custodial service is a high volume financial operation. The Board has 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.

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, operational reviews did not identify any significant issues that impacted on the Board's service to our customers, or the integrity of financial operations.

8.5 Investment Performance

The Board's investment portfolio is managed by NSW Government TCorp. Please refer to the Financial Report for details relating to performance.

8.6 Government Information (Public Access) Act 2009

Applications made under the Government Information (Public Access) Act 2009 involving the Board are coordinated centrally within DFSI. Please refer to DFSI's Annual Report for 2017-18 for details on any access applications concerning the Board received during the year.

8.7 Privacy and Personal Information Protection Act (PPIPA)

The Board has adopted DFSI's privacy management plan during the year. Please refer to DFSI's 2017-18 Annual Report for detail on actions taken to comply with the *Privacy and Personal Information Protection Act 1998* during the year.

There were no reviews conducted by or on behalf of the Board under Part 5 of the PPIPA during the reporting period.

8.8 Public Interest Disclosures

As staff were employees of DFSI, the Board adopted the Department's Public Interest Disclosures Reporting Policy and Procedure during the reporting period. Please refer to DFSI's 2017-18 Annual Report for details on actions taken to ensure staff awareness of responsibilities under s6E (1)(B) of the *Public Interest Disclosures Act 1994*

No public officials made a Public Interest Disclosure to the Board during the reporting period. The Board did not receive or finalise any Public Interest Disclosures during the year.

8.9 Nil or NA to report

The Board had nil or NA to report on the following statutory requirements during the year:

- Promotion
- Disclosure of Controlled Entities
- Disclosure of Subsidiaries
- Agreements with Multicultural NSW
- Numbers and remuneration of senior executives
- Implementation of Price Determination
- Liability management performance

- No legal changes
- No consultants were contracted during this period
- No events occurred after the end of the reporting period

As staff are all employed by DFSI, please refer to DFSI's 2017-18 Annual Report for information regarding:

- Disability Inclusion Action Plan
- Multicultural policies and services program
- Work Health and Safety (WHS)

8.10 Events after the reporting period

There were no events after the reporting period to be disclosed.

Appendix 1 – Digital information security policy attestation

The Board's operational activities, including those that relate to and/or make use of information and communications technology, are provided by the DFSI.

DFSI met the requirements of the *NSW Government Digital Information Security Policy* in 2017-2018 (refer to the DFSI annual report 2017-18).

Therefore, I, Martin Hoffman, am of the opinion that the Rental Bond Board had an Information Security Management System in place during the 2017-18 financial year that is consistent with the core requirements set out in the *NSW Government Digital Information Security Policy*.

The controls in place to mitigate identified risks to the digital information and digital information systems of the Board are adequate.

There is no agency under the control of the Board which is required to develop an independent Information Security Management System in accordance with the *NSW Government Digital Information Security Policy*.



Martin Hoffman

Secretary

Date: 31 October 2018

Appendix 2 – Internal audit and risk management attestation statement for 2017-18

I, Rosemary Ann Webb, Chairperson of the Board and Commissioner for Fair Trading, am of the opinion that the Board has internal audit and risk management processes in operation that are compliant with the eight core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements	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

Chair and members of the Audit and Risk Committee for 2017-18:

- Carol Holley (Chair): 2 December 2015 to 1 December 2020;
- Nirmal Hansra: 21 December 2017 to 20 December 2020;
- Dianne Hill: 1 February 2016 to 31 January 2019;
- Mark O'Sullivan: 25 January 2015 to 24 January 2018; and
- Bruce Turner: 22 January 2016 to 21 January 2019.

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

- DFSI;
- Rental Bond Board;
- Fair Trading Administration Corporation;
- Mine Subsidence Board;
- NSW Government Telecommunications Authority; and
- State Archives and Records Authority of NSW.



Rose Webb

**Chairperson, Rental Bond Board
Commissioner**

Date: 12 October 2018

Agency contact officer

Geoff Campbell

Chief Audit Executive

Internal Audit, DFSI

Phone: (02) 9219 3080

Email: geoff.campbell@finance.nsw.gov.au

Contact details for the Board

PO Box 972, Parramatta NSW 2124

Phone: 13 32 20 | TTY: 1300 723 404 | www.fairtrading.nsw.gov.au

Business hours: 8.30am – 4.30pm Monday – Friday

APPENDIX 3 - Independent Auditors Report



INDEPENDENT AUDITOR'S REPORT

Rental Bond Board

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Rental Bond Board (the Board), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement 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 2018, 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 the standards are 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 requirements of the:

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

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament 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
- precluding the Auditor-General from providing non-audit services.

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

Other Information

Other information comprises the information included in the Board's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The members of the Board are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Member's Statement.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Board's Responsibilities for the Financial Statements

The members of the Board are responsible for the preparation and fair presentation of the financial statements 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 and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Board are responsible for assessing the Board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Board will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities 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 description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. 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
- about any other information which may have been hyperlinked to/from the financial statements.



Nathan Carter
Director, Financial Audit Services

24 September 2018 SYDNEY

APPENDIX 4 - Rental Bond Board Financial Statements

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 of the Board as at 30 June 2018 and transactions for the year ended 30 June 2018;
- (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*, Australian Accounting Standards 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.



Rose Webb
Chairperson
21 September 2018

RENTAL BOND BOARD FINANCIAL

STATEMENTS

START OF AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30JUNE 2018

		Actual <u>2018</u>	Budget <u>2017</u>	Actual <u>2018</u>
Expenses including losses	Notes	0,000	0,000	0,000
Operating expenses	2(a)	26,546	24,831	27,781
Grant and subsidies	2(b)	<u>26,056</u>	<u>30,270</u>	<u>27,810</u>
TOTAL EXPENSES EXCLUDING LOSSES		<u>52,602</u>	<u>55,101</u>	<u>55,591</u>
Revenue				
Investment revenue	3(a)	55,881	55,679	54,606
Other revenue	3(b)	<u>914</u>		<u>110</u>
Total Revenue		<u>56,795</u>	<u>55,679</u>	<u>54,716</u>
Net result		<u>4,193</u>	<u>578</u>	(875)
Other comprehensive income				
Total Other Comprehensive Income				
TOTAL COMPREHENSIVE INCOME/(LOSS)		<u>4,193</u>	<u>578</u>	(875)

The accompanying notes form part of these statements.

**RENTAL BOND BOARD
STATEMENT OF FINANCIAL
POSITION AS AT 30 JUNE 2018**

	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	4	54,833	63,303	52,198
Receivables	5	11,498	5,587	10,301
Total Current Assets		66,331	68,890	62,499
TOTAL ASSETS		<u>66,331</u>	<u>68,890</u>	<u>62,499</u>
LIABILITIES				
Current Liabilities				
Accruals	6	659	4,489	1,020
Total Current Liabilities		<u>659</u>	<u>4,489</u>	<u>1,020</u>
TOTAL LIABILITIES		<u>659</u>	<u>4,489</u>	<u>1,020</u>
NET ASSETS		<u>65,672</u>	<u>64,401</u>	<u>61,479</u>
EQUITY				
Accumulated Funds		65,672	64,401	61,479
TOTAL EQUITY		<u>65,672</u>	<u>64,401</u>	<u>61,479</u>

The accompanying notes form part of these statements.

RENTAL BOND BOARD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Accumulated	Funds Total
	\$'000	\$'000
Balance as at 1 July 2017	61,479	61,479
Net result for the year	4,193	4,193
Other comprehensive income:		
Total other comprehensive income		
Total comprehensive income for the year	4,193	4,193
Balance as at 30 June 2018	65,672	65,672

	Accumulated	Total
	Funds	\$'000
	\$'000	\$'000
Balance as at 1 July 2016	62,354	62,354
Net result for the year	(875)	(875)
-Other comprehensive income:		
Total other comprehensive income		
Total comprehensive income for the year	(875)	(875)
Balance as at 30 June 2017	61,479	61,479

Actual net result of the Board for 2017-18 financial year is a surplus of \$4.2 million compared to the budgeted surplus of \$0.6m. The improvement of \$3.6 million is due to lower than budgeted grant payment of \$4.0 million which was prepaid in 2016-17 financial year.

The Board's budgeted net result for the financial year 2018/19 is a surplus of \$0.5 million. The Board is currently on track to deliver the budgeted surplus.

The accompanying notes form part of these statements.

RENTAL BOND BOARD

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Grants and subsidies		(26,056)	(30,270)	(27,810)
Payment of interest on bonds		-	-	(13)
Payments to suppliers		(27,022)	(24,831)	(32,825)
Total Payments		<u>(53,078)</u>	<u>(55,101)</u>	<u>(60,648)</u>
Receipts				
Interest received		54,670	55,679	53,499
Other Receipts		130	-	-
Other Income		914	-	359
Total Receipts		<u>55,713</u>	<u>55,679</u>	<u>53,858</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	8	<u>2,635</u>	<u>578</u>	<u>(6,790)</u>
NET INCREASE/(DECREASE) IN CASH		2,635	578	(6,790)
Opening cash and cash equivalents		52,198	62,725	58,988
CLOSING CASH AND CASH EQUIVALENTS	4	<u>54,833</u>	<u>63,303</u>	<u>52,198</u>

The accompanying notes form part of these statements.

RENTAL BOND BOARD

FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Rental Bond Board (the 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 statutory authority and 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 year ended 30 June 2018 have been authorised for issue by the Chairperson of the Board on 21 September 2018.

(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 mandated by the NSW Treasury.

Financial assets at "fair value through profit or loss" are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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, to the extent it is probable that economic benefits will flow to the Board and the revenue can be measured reliably. 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) **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.

(h) **Investments**

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

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 i.e. 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.

(i) Insurance

The Board's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

G) 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.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, if objectively related to an event occurring after the impairment was recognised.

. 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

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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 *Fair Value Measurements*, the Board categories, 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 10 for further disclosures regarding the fair value measurements of 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 (e.g. 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 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year. There are no new or revised Australian Accounting Standards that have been applied for the first time in 2017-18.

(ii) Issued but not yet effective

The following new Australian Accounting Standards have not been applied and are not yet effective. These new Standards will not have any direct impact on the financial performance or position of the Authority.

- *AASB 9 Financial Instruments*
- *AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding Revenue from Contracts with Customers*
- *AASB 1058 Income for Not-for-profit Entities*
- *AASB 2016-8 Amendments to Australian Accounting Standards -Australian Implementation Guidance for Not-for-Profit Entities*
- *AASB 2016-6 Amendments to Australian Accounting Standards -Applying AASB 9 with AASB 4 Insurance Contracts*

(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

	2018	2017
	\$'000	\$'000
Administrative Service Charge	22,579	22,579
Capital Expenditure Service Charge	-	1,645
Auditor's Remuneration	105	100
Investment Management Fee	985	1,217
Fair Trading Dispute Mediation Unit	1,972	2,200
Interest Paid on Rental Bonds	-	13
Other	905	27
	<u>26 546</u>	<u>27.781</u>

(b) Grants and Subsidies

		2018	2017
		\$'000	\$'000
Tenancy Services	(i)	875	216
Credit Counselling Program	(ii)	3,201	3,155
No Interest Loans Scheme	(iii)	3,424	1,458
Tenants' Advice and Advocacy Program	(iv)	6,438	5,030
Tenancy Functions of the NSW Civil and Administrative Tribunal	(v)	9,618	12,651
National Rental Affordability Scheme	(vi)	2,500	5,300
		<u>26,056</u>	<u>27,810</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 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 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

	2018 \$'000	2017 \$'000
Interest from Rental Bond Account Investments	57,743	56,951
Amortisation of (Premium)/Discounts on Rental Bond Account Investments	<u>(1,862)</u>	<u>(2,345)</u>
	<u>55,881</u>	<u>54,606</u>

Investment revenue is derived from a number of sources including interest on bank accounts and investments held with NSW TCorp.

(b) Other Revenue

	2018 \$'000	2017 \$'000
Net Merchant Fees	<u>914</u>	<u>110</u>
	<u>914</u>	<u>110</u>

4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2018 \$'000	2017 \$'000
Cash at Bank	<u>54,833</u>	<u>52,198</u>
	<u>54,833</u>	<u>52,198</u>

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank.

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)	<u>54,833</u>	<u>52,198</u>
Closing cash and cash equivalents (per statement of cash flows)	<u>54,833</u>	<u>52,198</u>

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

5. CURRENT ASSETS-RECEIVABLES

	2018 \$'000	2017 \$'000
Items classified as receivables are as follows:		
Rental Bond Trust Account	11,487	9,034
GST Receivable	11	24
Accrued Interest	-	1,243
	<u>11,498</u>	<u>10,301</u>

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

6. CURRENT LIABILITIES - ACCRUALS

	2018 \$'000	2017 \$'000
Other Accrued Charges	<u>659</u>	<u>1,020</u>
	<u>659</u>	<u>1,020</u>

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

7. 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.

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

	2018 \$'000	2017 \$'000
Net Cash from Operating Activities	2,635	(6,790)
Changes in Assets and Liabilities		
Increase/(Decrease) in Receivables	1,197	(359)
(Increase)/Decrease in Payables	<u>361</u>	<u>6,274</u>
Net result	<u>4,193</u>	<u>(875)</u>

9. BUDGET REVIEW

Statement of Comprehensive Income

Actual net result of the Board for 2017-18 is a surplus of \$4.2 million compared to the original budgeted surplus of \$0.6 million, a favourable variance of \$3.6 million. This is due to lower than budgeted grant payment of \$4 million which was prepaid in 2016-17.

Statement of Financial Position

The Board's net assets as at 30 June 2018 were \$65.7 million compared to the budgeted net assets of \$64.4 million. The \$1.3 million increase is due to the timing difference in collection of debts and the payment of creditors against budget assumptions.

Statement of Cashflows

Net increase in cash during the year is \$2.6 million compared to the budgeted net increase of \$0.6m million. The increase is predominantly due to lower grant payments which were prepaid in 2016-17 financial year.

10. FINANCIAL INSTRUMENTS

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

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

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

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

(a) Financial Instrument Categories

	Note	Category	2018 \$'000 Carrying Amount	2017 \$'000 Carrying Amount
Financial Assets Class:				
Cash and cash equivalents	4	Not applicable	54,833	52,198
Receivables*	5	Loans and receivable (at amortised cost)	11,487	10,186
Financial Liabilities Class:				
Payables**	6	Financial liabilities (at amortised cost)	659	927

*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 NSW Treasury Corporation (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 TCorp 11am.unofficial cash rate, adjusted for a management fee to NSW Treasury.

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 2018 total liabilities amounted to \$0.1 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 exposure to market risk is primarily through interest rate risk on the Board's cash and cash equivalents. 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. 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 (i.e. "until the end of the next annual reporting period).

The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2016-17. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Exposure to interest rate risk arises primarily through interest rates on cash and cash equivalents. 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.

	\$'000				
2018 Financial assets*	Carrying Amount	Profit -1%	Equity -1%	Profit +1%	Equity +1%
Cash and cash equivalents	54,833	(548)	(548)	548	548
Receivables	11,487	(115)	(115)	115	115

	\$'000				
2017 Financial assets*	Carrying Amount	Profit -1%	Equity" -1%	Profit +1%	Equity +1%
Cash and cash equivalents	52,198	(522)	(522)	522	522
Receivables	10,301	(103)	(103)	103	103

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

(e) Fair value measurement

Fair value compared to carrying amount

Financial instruments are recognised at cost. 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.

11. RELATED PARTY DISCLOSURES

The Board's key management personnel compensation are as follows:

	2018	2017
	\$'000	\$'000
Short-term employee benefits:		
Salaries	8	8
Other long-term employee benefits	-	-
Total remuneration	<u>8</u>	<u>8</u>

During the year, the Board has not entered into any transactions on arm's length terms and conditions with key management personnel, their close family members and controlled or jointly controlled entities thereof

During the year, the Board entered into transactions with other entities that are controlled by NSW Government. These transactions in aggregate are a significant portion of the Board's operating expenses and grants and subsidies expense. Please refer below for details of transactions entered into with other agencies.

Other related party transactions- 2018

Nature of transaction	Transaction Value \$'000	Net Receivable/ (Payable) \$'000
Administrative Service Charge - Fair Trading Dispute	(22,579)	-
Mediation Unit -Fair Trading	(1,972)	-
Tenancy Functions of the NSW Civil and Administrative Tribunal -Department of Justice	(9,618)	-
National Rental Affordability Scheme -NSW Land and Housing Corporation	(2,500)	-
Net Investment Return -TCorp	52,968	-
Asset Administrative Fee from TCorp	(985)	(91)
Audit Fee -NSW Audit Office	(105)	(38)
	<u>15,209</u>	<u>(129)</u>

Other related party transactions-2017

Nature of transaction	Transaction value \$'000	Net Receivable/ (Payable) \$'000
Administrative Service Charge - Fair Trading	(22,579)	-
Capital Service Charge - Fair Trading	(1,645)	-
Dispute Mediation Unit -Fair Trading	(2,202)	-
Grant Provided -Tenancy Functions of the NSW Civil and Administrative Tribunal	(12,651)	(728)
Grant Provided -National Rental Affordability Scheme	(5,300)	-
Net Investment return - Tcorp	52,862	-
Asset Administrative Fee from Tcorp	(1,217)	(142)
Audit Fee -NSW Audit Office	(100)	(84)
	<u>(7,168)</u>	<u>(954)</u>

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.

Up till 30 June 2017, the Board was collecting retail bonds on behalf of Department of industry and transferring the bonds to Department of industry. Effective 1 July 2017, the Department of Industry has taken over the collection and administration of the retail bonds.

Amounts owing to New South Wales Residential Bond Holders

	2018 \$'000	2017 \$'000
Liability at the beginning of the financial year	1,423,706	1,308,735
Add: Receipts	661,469	626,776
Less: Expenditure	<u>(561,773)</u>	<u>(511,805)</u>
Liability at the closing of the financial year	<u>1,523,402*</u>	<u>1,423,706</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.'

*Excludes \$9.9 million relating to pending lodgement as at 30 June 2018.

Book Valuation of Rental Bond Account Investments

	2018	2017
	\$'000	\$'000
Direct Fixed Interest Portfolio	1,384,136	1,331,343
Private Shared Equity Scheme	1,881	1,822
Westpac Banking Corporation	162,106	110,251
	<u>1,548,123</u>	<u>1,443,416</u>

Market Valuation of Rental Bond Investments

	2018	2017
	\$'000	\$'000
Direct Fixed Interest Portfolio	1,435,687	1,391,294
Private Shared Equity Scheme	1,881	1,822
Westpac Banking Corporation	162,106	110,251
	<u>1,599,674</u>	<u>1,503,367</u>

Total liability to tenants as at 30 June 2018 is \$1,523 million compared to the market value of the Trust's investments of \$1,600 million, resulting in an excess of \$77 million (2016-17 excess \$79 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 Board is not aware of any circumstances that occurred after balance date requiring disclosure.

END OF AUDITED FINANCIAL STATEMENTS

