



Rental Bond Board Annual Report **2019-2020**

Rental Bond Board Annual Report 2019–2020

ISSN:

Author

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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 Customer Service (DCS), 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 DCS Annual Report 2019-20

DCS 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 DCS. 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

2.1 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 Department of Communities and Justice formerly 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 Better Regulation and Innovation. The term of appointment is three years in accordance with Clause 2 of Schedule 1 of the *Residential Tenancies Act 2010*.

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	Deputy Secretary of BRD and Commissioner for Fair Trading	Ex officio	6
Mr. Ranit Ram	Nominee for NSW Treasury	Ex officio	5
Mr. Humair Ahmad	Nominee for Department of Communities and Justice, formerly Family and Community Services	Ex officio	3
Ms. Charmaine Jones	Tenants' Union of NSW	Ministerial appointment	5
Mr. Miles Felstead	Real Estate Institute of NSW	Ministerial appointment	6

3. Highlights and achievements 2019-2020

The reporting year has seen continued progress against the NSW Government's key priorities and outcomes – services, innovation, regulation, finances and people.

During the challenges presented by the COVID19 pandemic, NSW Fair Trading continued to meet Guarantee of Service requirements by implementing changes to processes to enable staff to work from home.

In June 2020 the Rental Bonds Online support calls were successfully transitioned to Service NSW as part of the Department of Customer Service, Customer Experience Integration.

Key highlights and achievements for 2019-2020 demonstrate a continued commitment to deliver efficient and contemporary digital services and an accessible, regulated custodial bond service to the NSW public.

3.1 Digital Services

In the reporting year, 71 per cent of residential rental bonds were lodged and 83 percent of bonds were claimed using Rental Bonds Online, representing a 6 per cent and 8per cent increase respectively from the previous reporting period. Use of the service within the property industry remains high with over 14,800 real estate agencies and property management offices registering since launch in October 2015. Exceptional uptake in registration of self-managing landlords was again observed in this reporting period with registrations increasing from 12,660 to 19,691.

Overall satisfaction with the service remains high with 70 per cent of tenants promoting the service across over 11,000 Net Promotor Score surveys sent in the 2019-2020 financial year. The Net Promoter Score has remained consistent at 59 since commencement of the surveys in 2018.

Strong drivers of customer satisfaction are the accessibility, quality and value offering of the service.

3.2 Custodial Service

A record number of 913,091 residential rental bonds valued at \$1.67billion was held in custody by the Board at 30 June 2020, representing an increase of approximately 3% per cent in new bonds lodged from the previous reporting period.

Custodial and transactional services to tenants in NSW include public housing and Aboriginal Housing Office bonds paid to Department of Communities and Justice, formerly Family and Community Service.

3.3 Customer Support

The Rental Bonds Online Security and Support team provides specialist support services to tenants, agents and self-managing landlords requiring assistance with online bond transactions and general account enquiries. In the reporting period the team assisted over 104,000 agents, landlords and tenants via phone and online enquiries.

In June 2020 the Rental Bonds Online support calls were transitioned to Service NSW as part of the Department of Customer Service, Customer Experience Integration.

3.4 Community Grants

The Board contributed \$19.3 million to community grants programs. The largest contribution was \$11.74 million provided to the Tenants' Advice and Advocacy Program. Refer to the Board's financial statements for further details.

3.5 Open Data

The NSW Government's Open Data Policy promotes the release of data which supports a range of outcomes, including; social, enhanced service delivery, agency core business, economic opportunity, generates efficiencies or reduced costs, supports evidence-based research or policy.

As part of the NSW Governments commitment to improve transparency and increase efficiency, NSW Fair Trading continues to publish deidentified rental bond data providing details of lodgements, refunds and total holdings on its website.

NSW Fair Trading conducted a pilot bond-exit survey to collect data about how and why tenancies end. The pilot ran from 2 December 2019 to 30 March 2020 and from 27 April to 11 May 2020. Principal tenants and self-managing landlords or their nominated managing agent were surveyed for tenancies where the bond was both lodged and claimed through Rental Bonds Online. The pilot survey obtained 17,582 responses.

The pilot was also designed to assess the merits of an ongoing survey to inform, assess and improve government policy relating to residential tenancy laws. NSW Fair Trading are currently considering whether an ongoing survey is an appropriate and effective method to collect this information.

Results of the pilot survey are published on the NSW Fair Trading website.

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

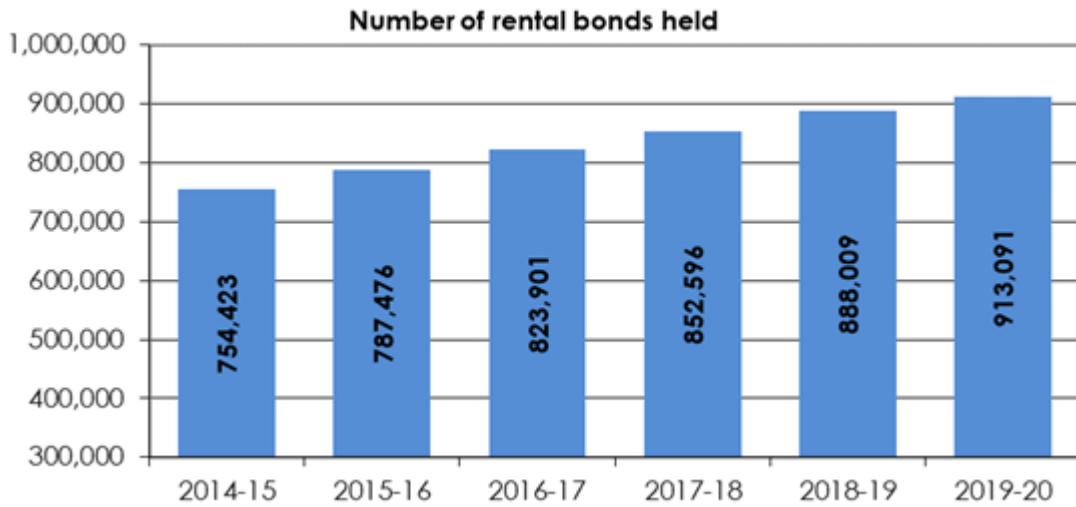
Rental bonds are invested primarily in fixed interest securities with a proportion in cash. The Board has discretion on investment management and currently invests through the NSW Treasury Corporation (TCorp), where funds are directly managed in a fixed interest portfolio (the Rental Bond Board Facility).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

The *Residential Tenancies 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 2020, the Board held 913,091 residential rental bonds in trust. These were valued at \$1.67 billion. The total number of bonds held increased by 3 per cent over the number held at 30 June 2019

During the year, 355,869 new residential rental bonds were lodged with the Board – an increase of 4.6 per cent from the previous financial year. The number of bonds refunded also increased this year by 8.5 per cent to 330,871.



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.

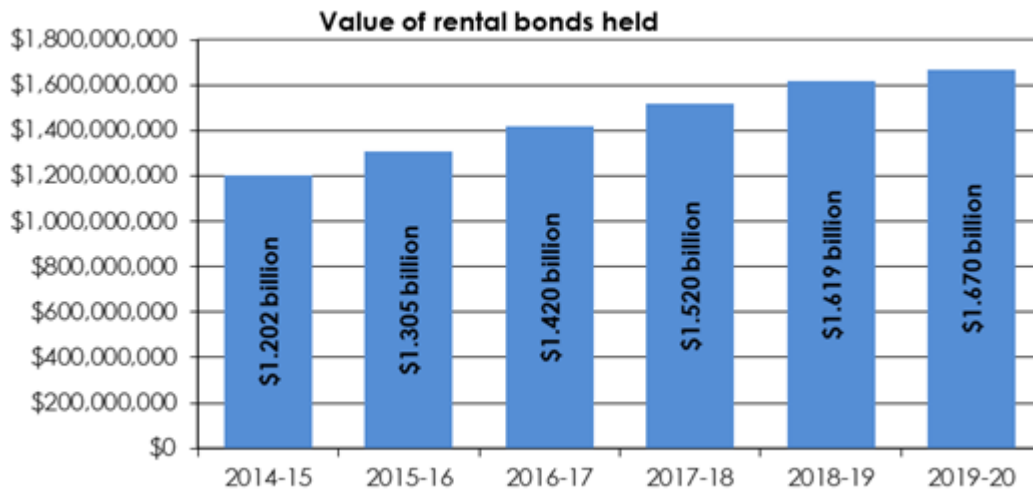
Although provision of the statistical information is voluntary, the completion rate is high. The question on weekly rent is answered by landlords or their agents in about 98 per cent of lodgements.

For some years, the collected rental data has been collated and analysed, under agreement, by the Housing Analysis and Research Unit of Department of Communities and Justice, formerly 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 2019-2020 this data was also made available publicly as part of the NSW Government's commitment to improve transparency and increase efficiency. NSW 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.



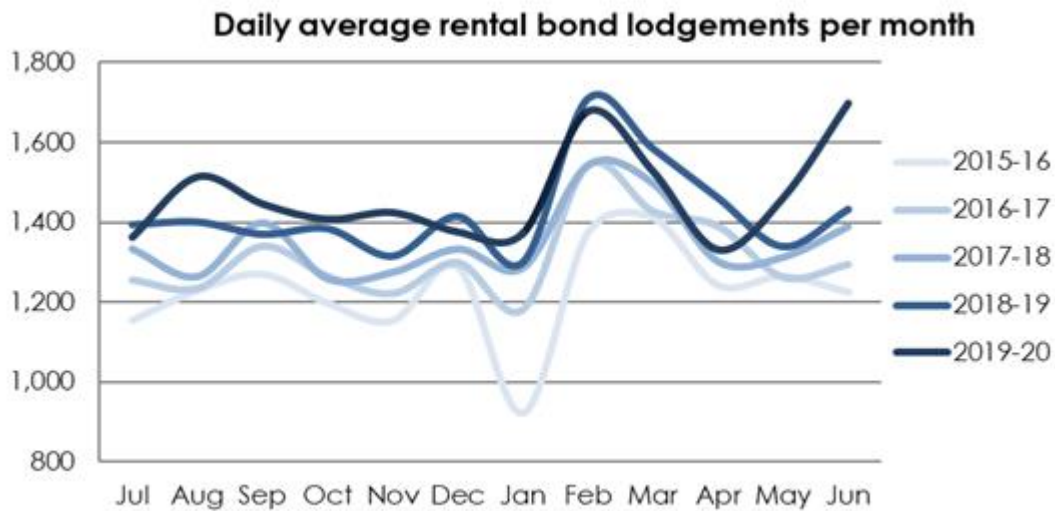
4.5 Rental bond lodgements

During the year, 355,869 new rental bond lodgements and 13,224 additional bonds (where a bond is paid by instalments) were received by the Board.

The total value of bonds received was \$726.3million. Ninety-nine per cent of all bond lodgements were received 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 2020, 71 per cent of bonds lodged daily were lodged online.

The Board's statistics indicate that in the 2019-2020 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.

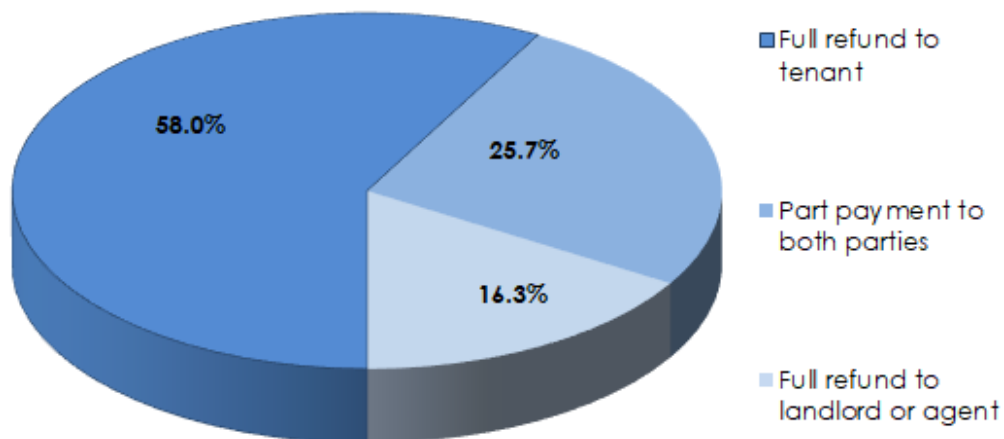


4.6 Rental bond refunds

In 2019-2020 330,871 residential rental bonds were refunded through 415,902 individual payments. RBO also allows agents to submit online claims for bonds previously lodged by forms. As at the end of June 2020, 83 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

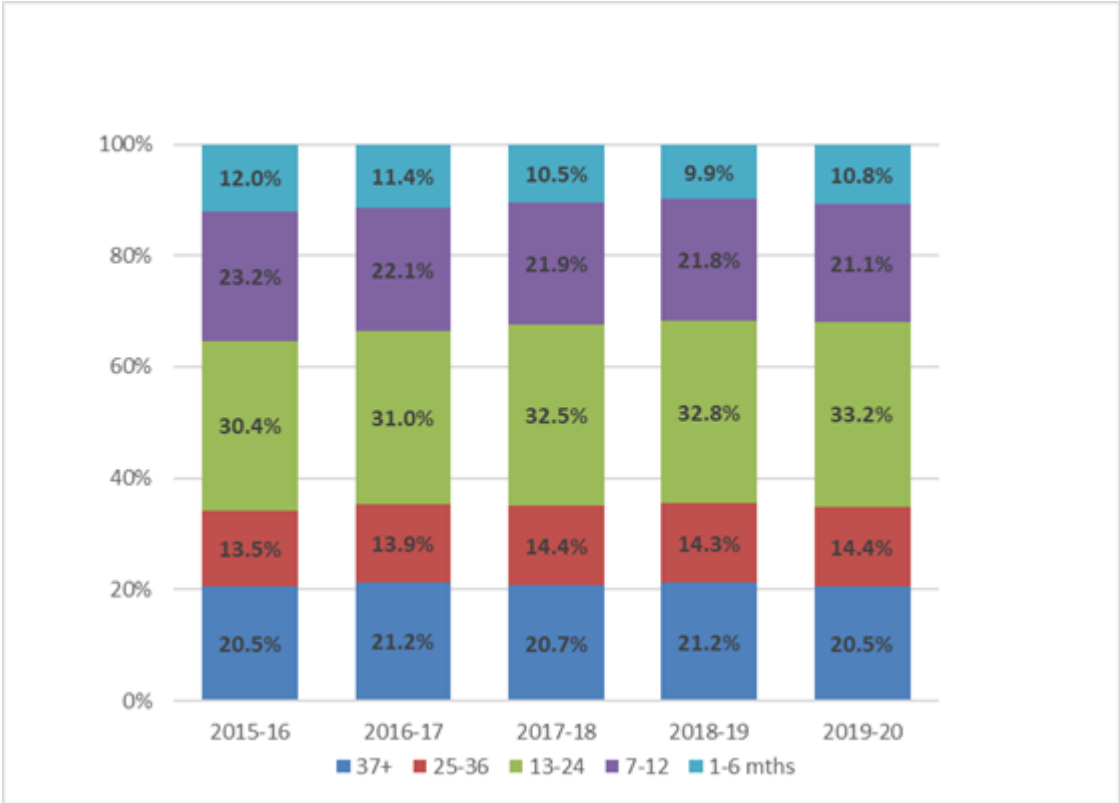


During 2019-2020, 70 per cent of all refunds were agreed by the parties while, in 28 per cent of cases, a notice of claim was issued but no dispute proceeded to the Tribunal. 1.5 per cent of bond refunds were the result of an order by the Tribunal following a dispute over the bond refund. A further 0.5 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, 97 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 2019-2020, 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. Tenancy Services

In 2019-2020²⁰¹⁹⁻²⁰²⁰, NSW Fair Trading:

- responded to 101,013 telephone enquiries from tenants, landlords and agents enquiring about their rights and responsibilities under the Act;
- managed 2,571 residential tenancy complaints lodged by tenants, landlords or agents;
- 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.

5.1 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.

6. 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 educate 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.

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

Board contribution to community grants programs – background

The Board provides a significant contribution to NSW Fair Trading for community grants programs to not-for profit organisations for the delivery of education, advice and advocacy services for tenants, retirement village residents, residential park residents and consumers needing assistance with personal financial difficulties.

Tenants' Advice and Advocacy Program

In 2019-2020 the Board's contribution to the program was \$11,735,000 which included a one-off funding increase of \$2.50 million for the program that the Board allocated to assist tenants affected by the COVID19 pandemic.

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

	Total Clients	Total Cases
July 2019-June 2020	96,864	24,875

Credit Counselling Program

The Board's contribution toward the program was \$7.09 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 2019-June 2020	25,210	8,943

No Interest Loan Scheme

No grant payments were made for No Interest Loans Scheme as they were prepaid in 2018-2019 financial year. Therefore, the Board's contribution toward the program for 2019-2020 was \$0.00. 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 \$443,000.

	Total Clients	Total Cases
July 2019-June 2020	1464	527

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 \$0.00. No grant payments were made for NRAS as they were prepaid in 2018-2019 financial year.

6.2 Mascot Towers Assistance Package

In June 2019 the NSW Government announced a temporary accommodation assistance package for residents affected by the evacuation of Mascot Towers. The package was formulated to assist tenants and owner occupiers pay for alternative accommodation costs for up to three months whilst apartments were unsafe to occupy. Funding for the package, up to an amount of \$3 million drawn from the Rental Bond Board Interest Account, was approved by the Board on 26 June 2019. In March 2020 the Board approved to extend the payment up to 31 March 2021 and allocated an additional \$1.1 million from the Rental Bond Interest account.

NSW Fair Trading is administering the program and funds are held in a Fair Trading account. The operating costs of the program are incurred by Fair Trading from within its existing operating budget. Individual recipients agree to repay the assistance if they later receive compensation, damages, or other financial recompense for accommodation costs. Fair Trading has entered into an agreement with the owners' corporation for reimbursement of any assistance it receives.

7. Statutory reporting requirements

7.1 Workforce diversity

Diversity reporting for the Board is covered in the DCS Annual Report 2019-2020.

7.2 Multicultural policies and services program

The DCS *Diversity and Inclusion Strategy 2015-2019* covers the Board and is reported in the DCS Annual Report 2019-2020.

7.3 Payment of accounts

Payment of accounts is covered in the DCS Annual Report 2019-2020.

7.4 Internal Controls

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

Assurance activities are consolidated into a management assurance framework to provide ongoing confidence that the internal control environment is effective and operating as intended.

Assurance activities conducted during the year did not identify any significant issues that impacted on the Board's service to our customers, or the integrity of financial operations.

7.5 Investment Performance

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

7.6 Government Information (Public Access) Act 2009 (GIPA)

Applications made under the Government Information (Public Access) Act 2009 involving the Board were coordinated centrally within DCS. Please refer to the DCS Annual Report for 2019-2020 for details on any access applications concerning the Board received during the year.

7.7 Privacy and Personal Information Protection Act 1998 (PPIPA)

The Board has adopted DCS's privacy management plan during the year. Please refer to the DCS 2019-2020 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.

7.8 Public Interest Disclosures

As staff were employees of DCS, the Board adopted the Department's Public Interest Disclosures Reporting Policy and Procedure during the reporting period. Please refer to the DCS 2019-2020 Annual Report for details on actions taken to ensure staff awareness of responsibilities under section 6E (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.

7.9 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 consultants were contracted during this period
- No events occurred after the end of the reporting period
- No major works
- No research and development
- No land disposal.

As staff were all employed by DCS, please refer to the DCS 2019-2020 Annual Report for information regarding:

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

Appendix 1 - Digital information security policy attestation

Tab A – The following text is to be signed for approval and dated and will be inserted into the BRD Annual Report for FY20.

Cyber Security Annual Attestation Statement for the 2019-2020 Financial Year for the Better Regulation Division.

I, Rose Webb, Deputy Secretary of the Better Regulation Division, am of the opinion that the Better Regulation Division have managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy.

Risks to the information and systems of the Better Regulation Division have been assessed and a risk mitigation plan being implemented. Governance is in place to manage the cyber security maturity of the Better Regulation Division.

An independent review of the effectiveness of the Better Regulation Division's controls against the mandatory requirements of the NSW Cyber Security Policy was undertaken by Shearwater and found to be properly addressed in a timely manner.



Approved

Rose Webb, Deputy Secretary

Better Regulation Division (BRD)

1 / 9 / 2020

Appendix 2 - Internal audit and risk management attestation statement for 2019-2020

Internal Audit and Risk Management Attestation Statement for the 2019-2020 Financial Year for Rental Bond Board

I, Rosemary Ann Webb, Chairperson of the Board & Commissioner for Fair Trading, am of the opinion that the Rental Bond Board had internal audit and risk management processes in operation that were compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

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

Membership

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

- Carol Holley, Independent Chair, from 1 November 2019 to 31 October 2022;
- Bruce Turner AM, Independent Member, from 1 November 2019 to 31 October 2022;
- Nancy Milne OAM, Independent Member, from 1 November 2019 to 31 October 2022.

The Committee only came into existence from 1 November 2019, after the DFSI Shared Arrangement ARC was dissolved on 31 October 2019, as a result of machinery of Government changes.

This Audit and Risk Committee was established under a Treasury approved shared arrangement with the following participating entities:

- Department of Customer Service
- Rental Bond Board
- Building Professionals Board (now dissolved)
- NSW Government Telecommunications Authority
- Greyhound Welfare and Integrity Commission
- Independent Liquor and Gaming Authority



Rosemary Ann Webb
Chairperson of the Board &
Commissioner for Fair Trading
Rental Bond Board

Date: 28 September 2020

Agency Contact Officer
Anthony Lane
A/Chief Audit Executive
anthony.lane@customerservice.nsw.gov.au

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 Rental Bond Board (the Board), which comprise the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a summary of 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 2020, 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 (including Independence Standards)' (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

The Board's annual report for the year ended 30 June 2020 includes other information in addition to 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 comprise the Statement by the Members of the Board.

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.

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.

The scope of my audit does not include, nor 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.



Weini Liao
Director, Financial Audit Services
Delegate of the Auditor-General for New South Wales

8 October 2020
SYDNEY



Ms Rose Webb
Chairperson
Rental Bond Board
Level 5, McKell Building
2–24 Rawson Place
SYDNEY NSW 2000

Contact: Weini Liao
Phone no: 02 9275 7432
Our ref: D2021994/0382

8 October 2020

Dear Ms Webb

STATUTORY AUDIT REPORT

for the year ended 30 June 2020

Rental Bond Board

I have audited the financial statements of Rental Bond Board (the Board) as required by the *Public Finance and Audit Act 1983* (PF&A Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2020, and details matters I found during my audit that are relevant to you in your role as one of those charged with the governance of the Board. The PF&A Act requires me to send this report to Board, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on the Board's financial statements. I enclose the Independent Auditor's Report, together with the Board's financial statements.

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all the matters you may find of governance interest. Therefore, other governance matters may exist that I have not reported to you.

My audit is continuous. If I identify new significant matters, I will report these to you immediately.

Audit result

I expressed an unmodified opinion on the Board's financial statements and I have not identified any significant matters since my previous Statutory Audit Report.

Misstatements in the financial statements

Misstatements (both monetary and disclosure deficiencies) are differences between what has been reported in the financial statements and what is required in accordance with the Board's financial reporting framework. Misstatements can arise from error or fraud.

I have certain obligations for reporting misstatements:

- the PF&A Act requires agencies to obtain the Auditor-General's approval for all changes to the financial statements originally submitted for audit. The more significant/material changes are reported in a Statutory Audit Report
- the Auditing Standards require matters of governance interest and significant misstatements identified during the audit to be communicated to those charged with governance
- statutory obligations require the Auditor-General to report misstatements resulting from or not detected because of failures in internal controls and/or systemic deficiencies which pose a significant risk to the Board.

The Appendix lists and explains the nature and impact of the misstatements contained in the financial statements.

- Table one reports significant corrected misstatements and disclosure deficiencies.

Based on my evaluation, none of the misstatements reported are due to fraud.

Compliance with legislative requirements

My audit procedures are targeted specifically towards forming an opinion on Board's financial statements. This includes testing whether the Board complied with key legislative requirements relevant the preparation and presentation of the financial statements. The results of the audit are reported in this context. My testing identified the following instance of non-compliance:

During 2019–20, the Board received deemed appropriations from their Responsible Minister under section 4.7 of the *Government Sector Finance Act 2018* (GSF Act). During 1 July 2019 to 27 August 2019, the Board spent deemed appropriations without an authorised delegation in place from their Responsible Minister under sections 5.2 and 9.9 of the GSF Act. This constitutes non-compliance with sections 4.6(1) and 5.5(3) of the GSF Act.

Auditor-General's Report to Parliament

The 2020 Auditor-General's Report to Parliament will incorporate the results of the audit.

Publication of the Statutory Audit Report

I consider this Statutory Audit Report to fall within the definition of 'excluded information' contained in Schedule 2(2) of the *Government Information (Public Access) Act 2009*. Under Schedule 1(6) of this Act, please seek the Audit Office's consent before releasing this report publicly. Agencies are advised to also seek approval from the Ministers and the Treasurer before publishing this report.

Acknowledgment

I thank the Board's staff for their courtesy and assistance.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'W. Liao', with a vertical line extending downwards from the end of the signature.

Weini Liao
Director, Financial

Delegate of the Auditor-General for New South Wales

APPENDIX

Table one: Corrected monetary misstatements and disclosure deficiencies

Corrected monetary misstatements

Management corrected the following misstatements in the current year's financial statements. I agree with management's determination and confirm this treatment complies with Australian Accounting Standards.

Description	Assets	Liabilities	Net result	Other comprehensive income
Effect of correction	Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000
Factual misstatements				
Overstatement of accrued expense for Mascot Tower funding	--	3,000	(3,000)	--
Overstatement in interest revenue	(203)	--	203	--
Total impact of corrected misstatements	(203)	3,000	(2,797)	--

Corrected disclosure deficiencies

Management corrected the following disclosure deficiencies in the current year's financial statements. I agree with management's determination and confirm this treatment complies with Australian Accounting Standards.

AASB reference	Disclosure title	Description of disclosure deficiency
AASB 101	Trust Funds	The amount disclosed for the 'Private Shared Equity Scheme' was decreased by \$203k to correctly reflect the movement in the investment.
AASB 107	Statement of Cash flows	'Payment to suppliers' and 'Other receipts' was increased by \$138k to correct a mapping error in the Statement of Cash Flows.



Ms Rose Webb
Chairperson
Rental Bond Board
Level 5, McKell Building
2–24 Rawson Place
SYDNEY NSW 2000

Contact: Weini Liao
Phone no: 02 9275 7432
Our ref: D2022827/0392

12 October 2020

Dear Ms Webb

STATUTORY AUDIT REPORT

for the year ended 30 June 2020

Rental Bond Board

This Statutory Audit Report provides an update of a compliance matter I found during my audit that is relevant to you in your role as one of those charged with the governance of Rental Bond Board (the Board). The PF&A Act requires me to send this report to the Board, the Minister and the Treasurer.

I am reporting to you because I consider you to be a person charged with the governance of Rental Bond Board (the Board) as required by Australian Auditing Standards.

My audit is continuous. If I identify new significant matters, I will report these to you immediately.

Compliance with legislative requirements

My audit procedures are targeted specifically towards forming an opinion on Board's financial statements. This includes testing whether the Board complied with key legislative requirements relevant to the preparation and presentation of the financial statements. The results of the audit are reported in this context. In the Statutory Audit Report sent to you on 8 October 2020, I reported non-compliance with sections 4.6(1) and 5.5(3) of the *Government Sector Finance Act 2018* (GSF Act).

Subsequently, management has provided legal opinion determining that the moneys held within the Rental Bond Interest Account (the RBIA), established under section 186(1) of the *Residential Tenancies Act 2010*, does not constitute 'deemed appropriation money' under section 4.7 of the GSF Act. Based on this additional information, management have now concluded they comply with sections 4.6(1) and 5.5(3) of the GSF Act for 2019–20 financial year. I agree with management's conclusion and no longer have a reportable non-compliance matter.

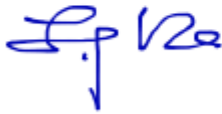
Publication of the Statutory Audit Report

I consider this Statutory Audit Report to fall within the definition of 'excluded information' contained in Schedule 2(2) of the *Government Information (Public Access) Act 2009*. Under Schedule 1(6) of this Act, please seek the Audit Office's consent before releasing this report publicly. Agencies are advised to also seek approval from the Minister and the Treasurer before publishing this report.

Acknowledgment

I thank the Board's staff for their courtesy and assistance.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'W. Liao', with a vertical line extending downwards from the end of the signature.

Weini Liao
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

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 2020 and transactions for the year ended 30 June 2020;
- (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 interpretation 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
29 September 2020

RENTAL BOND BOARD				
STATEMENT OF COMPREHENSIVE INCOME				
FOR THE YEAR ENDED 30 JUNE 2020				
	Notes	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
Expenses excluding losses				
Operating expenses	2(a)	30,809	33,674	31,650
Grants and subsidies	2(b)	30,296	27,541	27,390
Total Expenses excluding losses		61,105	61,215	59,040
Revenue				
Investment revenue	3(b)	52,786	60,663	57,451
Other revenue	3(c)	1,380	1,157	1,192
Total Revenue		54,166	61,820	58,643
Gain/(loss) on sale of asset	4	-	-	1,187
		-	-	1,187
NET RESULT		(6,939)	605	790
Other comprehensive income				
		-	-	-
Total other comprehensive income/(loss)		-	-	-
TOTAL COMPREHENSIVE INCOME/ (LOSS)		(6,939)	605	790

The accompanying notes form part of these statements.

RENTAL BOND BOARD				
STATEMENT OF FINANCIAL POSITION				
AS AT 30 JUNE 2020				
	Notes	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	5	55,927	65,967	62,633
Receivables	6	4,008	7,047	4,648
Total Current Assets		59,935	73,014	67,281
Total Assets		59,935	73,014	67,281
LIABILITIES				
Current Liabilities				
Payables	7	412	1,647	819
Total Current Liabilities		412	1,647	819
Total Liabilities		412	1,647	819
Net Assets / (Liabilities)		59,523	71,367	66,462
EQUITY				
Accumulated funds		59,523	71,367	66,462
Total Equity		59,523	71,367	66,462

The accompanying notes form part of these statements.

RENTAL BOND BOARD			
STATEMENT OF CHANGES IN EQUITY			
FOR THE YEAR ENDED 30 JUNE 2020			
	Notes	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2019		66,462	66,462
Net Result for the year		(6,939)	(6,939)
Other comprehensive income		-	-
Total comprehensive income for the year		(6,939)	(6,939)
Balance at 30 June 2020		59,523	59,523
Balance at 1 July 2018		65,672	65,672
Net Result for the year		790	790
Other comprehensive income		-	-
Total comprehensive income for the year		790	790
Balance at 30 June 2019		66,462	66,462

The accompanying notes form part of these statements.

RENTAL BOND BOARD				
STATEMENT OF CASH FLOWS				
FOR THE YEAR ENDED 30 JUNE 2020				
	Notes	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Grants and subsidies		(30,296)	(27,541)	(27,390)
Payments to suppliers		(31,465)	(33,674)	(31,742)
Total Payments		(61,761)	(61,215)	(59,132)
Receipts				
Interest received		53,415	60,663	64,310
Other Receipts		1,640	1,157	1,435
Total Receipts		55,055	61,820	65,745
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	(6,706)	605	6,613
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of assets		-	-	1,187
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	-	1,187
NET INCREASE/(DECREASE) IN CASH		(6,706)	605	7,800
Opening cash and cash equivalents		62,633	65,362	54,833
CLOSING CASH AND CASH EQUIVALENTS	5	55,927	65,967	62,633

The accompanying notes form part of these statements.

RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2020
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. These financial statements for the year ended 30 June 2020 have been authorised for issue by the Chairperson of the Board on 29 September 2020.

(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
- Treasurer's Directions issued under the Act.

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, which is the Board's presentation and functional currency.

(c) Statement of Compliance

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

(d) Going concern

The Board's financial statements have been prepared on a going concern basis.

(e) Administrative Service Charge

The administrative functions for the Board are performed by the Department of Customer Service. The costs incurred by the Department of Customer Services for these functions are recouped from the Board.

The Department of Customer Service has an existing cost (direct and indirect) allocation methodology for the centralised corporate costs (e.g. legal, finance procurement) and other costs incurred on behalf of the Board.

(f) 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. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(g) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous reporting period, 30 June 2019, for all amounts reported in the financial statements.

(h) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards

(i) Effective for the first time in 2019-20

The Board applied AASB 15 Revenue from Contracts with Customers, and AASB 1058 Income of Not-for-Profit Entities. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in FY2019-20, but do not have an impact on the financial statements of the Board. AASB 16 is not applicable to the Board as the Board does not hold any lease.

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the Board to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the Board has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. i.e. 1 July 2019, the Board has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all the modifications that occur before 1 July 2018 when:

- identifying the satisfied and unsatisfied performance obligations
- determining the transaction price
- allocating the transaction price to the satisfied and unsatisfied performance obligations.

The impact of applying the above practical expedients is not expected to significantly affect the financial statements.

The adoption of AASB 15 did not have an impact on Statement of Comprehensive Income, Statement of Financial Position, Other Comprehensive Income and the Statement of Cash Flows for the financial year.

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 replaces most of the existing requirements in AASB 1004 Contributions. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before

recognising income. Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- when the obligations under the transfer are satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the entity.
- immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the Board has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application. i.e. 1 July 2019, the Board has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the entity to further its objectives, are not restated to their fair value.

The adoption of AASB 1058 did not have an impact on Statement of Comprehensive Income, Statement of Financial Position, Other Comprehensive Income and the Statement of Cash Flows for the financial year.

(ii) Issued but Not Yet Effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Accounting Standards and interpretations have been published but not yet effective.

- AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards - References to the conceptual framework

The impact of the above standards will have no material impact on the financial statements

(i) Natural disasters and financial impact on the Board

The natural disasters in the financial year, primarily coronavirus (“COVID-19”) and the bushfires, have had a major impact on individuals, businesses and the government sector.

The Board has identified and quantified, where possible, the impact and reported this in the financial statements for the financial year ended 30 June 2020.

There is no significant impact of COVID-19 on the Board’s Financial Statements.

There is no uncertainty about the Board’ ability to continue as a going concern at 30 June 2020 as liquidity and credit risk are not significant areas of risk for the Board. There has been no impact on the Board’s liquidity or credit risk profiles as a result of COVID-19.

2. EXPENSES EXCLUDING LOSSES

As mentioned in Note 1(e), the Department of Customer Service has applied an Administrative Service Charge for the recovery of expenses that it has incurred on behalf of the Board, associated personnel related costs and other operating expenses.

(a) Operating Expenses

	<u>2020</u>	<u>2019</u>
	<u>\$’000</u>	<u>\$’000</u>
Administrative Service Charge	24,611	24,011
Auditor’s Remuneration	115	107
Investment Management Fee	1,174	1,129
Fair Trading Dispute Mediation Unit	2,198	2,224
Other*	2,711	4,179
	<u>30,809</u>	<u>31,650</u>

*Other includes financial assistance costs of \$1.1 million in 2019-20 and \$3.0 million in 2018-19 for the Mascot Tower incident. This assistance is being provided to residents who were evacuated on 15 June 2019 and were affected by the Mascot Tower incident. The Board has been guided by the Ministerial Approval to facilitate the affected residents.

(b) Grants and Subsidies

		2020	2019
		\$'000	\$'000
Tenancy Services	(i)	443	345
Credit Counselling Program	(ii)	7,094	4,083
No Interest Loans Scheme*	(iii)	-	3,596
Tenants' Advice and Advocacy Program	(iv)	11,735	3,610
Tenancy Functions of the NSW Civil and Administrative Tribunal	(v)	11,024	10,756
National Rental Affordability Scheme*	(vi)	-	5,000
		<u>30,296</u>	<u>27,390</u>

*No grant payments were made for No Interest Loans Scheme and National Rental Affordability Scheme as they were prepaid in 2018/19 financial year.

(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 Customer Service.

(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 provides 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 Customer Service 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 Customer Service 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

Recognition and Measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers. Commentary regarding the accounting policies for the recognition of income are discussed below:

(a) Appropriations and Transfers to the Crown Entity

	2020	2019
	\$'000	\$'000
Movement of Section 4.7 GSF Act		
– deemed appropriations		
Opening balance	-	-
Adjustment to Opening Balance	62,633	-
Add: additions of deemed appropriations	55,055	59,132
Less: expenditure charged against deemed appropriations	61,761	59,132
Closing balance	55,927	-

Recognition and Measurement

The Board does not receive appropriations from NSW Treasury. However, the deemed appropriations is considered to be from revenue sources (i.e. Investment Revenue and Other Revenue) which are utilised by the Board for its operational activities.

(b) Investment Revenue

	2020	2019
	\$'000	\$'000
Interest from Rental Bond Account	55,844	59,471
Investments		
Amortisation of (Premium)/Discounts on Rental Bond Account Investments	(3,058)	(2,020)
	52,786	57,451

Recognition and Measurement

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. The interest rate for the Streamline Account balance of \$1,000 held the Commonwealth Bank of Australia has been 0% since 2017 and no interest has been paid since.

The Board's investment revenue is derived from several sources including interest on bank accounts, the Rental Bond Account, investment held with NSW TCorp and merchant fee on online bond lodgements.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial assets except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

(c) Other Revenue

	2020	2019
	\$'000	\$'000
Merchant Fees	1,380	1,192
	1,380	1,192

Recognition and Measurement

Other Revenue is measured at the fair value of the consideration or contribution received or receivable. Financial institutions charge the Board merchant fees for online rental bond lodgement paid. The board recovers merchant fees when lodgements are made by tenants and landlords. The revenue is measured at the transaction price agreed with financial institutions. Until 30 June 2019, Revenue is recognised when the service is provided. From 1 July 2020, revenue is recognised when the Board satisfies the performance obligation by transferring the promised services.

4. GAIN/ (LOSS) ON SALE OF ASSETS

	2020	2019
	\$'000	\$'000
Gain from sale of short-term securities	-	1,187
	-	1,187

5. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2020	2019
	\$'000	\$'000
Cash at Bank	55,927	62,633
	55,927	62,633

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)	55,927	62,633
Closing cash and cash equivalents (per statement of cash flows)	55,927	62,633

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

6. CURRENT ASSETS - RECEIVABLES

	2020	2019
	\$'000	\$'000
Rental Bond Trust Account	3,999	4,629
GST Receivable	9	19
	4,008	4,648

Recognition and Measurement

Receivables

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

The Board holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

The Board recognises an allowance for Expected Credit Losses (ECL) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows that the Board expects to receive, discounted at the original effective interest rate.

For trade receivables (if any), the Board applies a simplified approach in calculating ECLs.

The Board does not have any trade receivables and therefore no impairment loss is recognised in the net result for the year.

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

7. CURRENT LIABILITIES - PAYABLES

	2020	2019
	\$'000	\$'000
Accrued Charges	369	734
Department of Customer Service – Accrued expense	43	85
	<u>412</u>	<u>819</u>

Recognition and Measurement

Payables represent liabilities for goods and services provided to the Board and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially recognised at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

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

8. CONTINGENT ASSETS AND LIABILITIES

The Board did not have any contingent assets and contingent liabilities as at 30 June 2020 (2019: \$0).

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

	2020	2019
	\$'000	\$'000
Net Cash from Operating activities	(6,706)	6,613
Net gain/(loss) on sale of assets	-	1,187
Increase/(Decrease) in Receivables	(639)	(6,840)
(increase)/Decrease in Payables	406	(170)
Net result	<u>(6,939)</u>	<u>790</u>

10. BUDGET

(a) 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.

(b) Budget Review

Statement of Comprehensive Income

Actual net result of the Board for 2019-20 is a deficit of \$6.9m compared to the budgeted surplus of \$0.6m, an unfavourable variance of \$7.5m. This is primarily due to lower than budgeted investment return resulting from lower interest rate. Total expenses remained in line with the approved budget.

Statement of Financial Position

The Board's net assets as at 30 June 2020 were \$59.5m compared to the budgeted net assets of \$71.4m. The decrease of \$11.9m is largely due to lower investment return due to lower interest rate also impacting lower receivables from Trust to the Board as at 30 June 2020.

Statement of Cashflow

The net decrease in cash during the year is \$6.7m compared to the budgeted net increase of \$0.6m. The decrease of \$7.3m is primarily due to lower interest rate resulting lower investment return.

11. FINANCIAL INSTRUMENTS

The Board's principal financial instruments are outlined below. These financial instruments arise directly from the Board's operations or are required to finance its operations. The Board does not enter 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 payable.

(a) Financial Instrument Categories

Financial Assets	Note	Category	2020	2019
			\$'000	\$'000
			Carrying Amount	Carrying Amount
Class:				
Cash and cash equivalents	5	Amortised cost	55,927	62,633
Receivables(i)	6	Amortised cost	3,999	4,629
Financial Liabilities	Note	Category		
Class:				
Payables(ii)	7	Financial liabilities measured at amortised cost	412	819

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

(ii) 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 credit losses or 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.

(i) Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest earned on daily bank balances on at a monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

(ii) Receivables

All trade debtors are recognised at the amount's 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 letter of demand. The board applies AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 31 March, there were no trade debtors.

The Board is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

All the receivables of the Board are with the Rental Bond Trust and Australian Taxation Office. Therefore, Expected Credit Loss was not calculated.

(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 to ensure adequate holding of high-quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of loans and other advances.

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 invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11/12. For small business suppliers, where terms are not specified, payment is made not 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 Board may automatically pay the supplier simple interest.

For the year ended 30 June 2020, the Board was not required to pay any interest for late payment (2019: \$0)

The table below summarises the maturity profile of the Board's financial liabilities based on contractual undiscounted payments, together with the interest rate exposure.

	%	\$'000 Nominal Amount ⁽¹⁾	\$'000 Interest Rate Exposure			\$'000 Maturity Dates		
			Fixed Interest Rate	Variable Interest Rate	Non-interest Bearing	< 1 Year	1-5 Years	> 5 Years
2020 Payables	0.00%	412	-	-	412	412	-	-
		412	-	-	412	412	-	-
2019 Payables	0.00%	819	-	-	819	819	-	-
		819	-	-	819	819	-	-

(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 2018-19. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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.

Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonable possible change of +/- 1% is used, consistent with current trends in interest rates (based off official RBA interest rate volatility over the last 5 years). This basis is reviewed annually and amended when there is a structural change in the level of interest rate volatility.

	2020 \$'000		2019 \$'000	
	-1%	1%	-1%	1%
Net Result	(599)	599	(672)	672
Equity	(599)	599	(672)	672

(e) Fair value measurement

Fair value compared to carrying amount

Fair value is 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.

The carrying amount 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.

12. RELATED PARTY DISCLOSURES

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

	2020 \$'000	2019 \$'000
Board members fees:		
Salaries	7	8
Total remuneration	<u>7</u>	<u>8</u>

Other related party transactions

During the year, The Board entered into transactions on arm's length terms and conditions with other entities that are controlled/jointly controlled/significantly influenced by NSW Government. These transactions in aggregate are a significant portion of Board's rendering of services and receiving of services.

Nature of transaction	2020 \$'000		2019 \$'000	
	Transaction value income/(expense) \$'000	Net receivable/ (payable) \$'000	Transaction value income/(expense) \$'000	Net receivable/ (payable) \$'000
Administrative Service Charge - Fair Trading	(24,611)	-	(24,011)	-
Dispute Mediation Unit - Fair Trading	(2,198)	-	(2,224)	(602)
Tenancy Functions of the NSW Civil and Administrative Tribunal- Department of Justice	(11,024)	-	(10,755)	-
National Rental Affordability Scheme - NSW Land and Housing Corporation	-	-	(5,000)	-
Fees and Charges - Department of Customer Service	(173)	(43)	(209)	(85)
Net Investment Return - TCorp	50,977	-	53,623	-
Asset Administrative Fee from TCorp	(1,174)	(98)	(1,129)	(94)

*No grant payments were made for National Rental Affordability Scheme as they were prepaid in 2018/19 financial year.

Government related entities are those that are controlled or jointly controlled or significantly influenced by the NSW Government.

13. TRUST FUNDS

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

Amounts owing to New South Wales Residential Bond Holders

	2020	2019
	\$'000	\$'000
Liability at the beginning of the financial year	1,622,679	1,523,402
Add: Receipts	726,292	703,654
Less: Expenditure	(675,801)	(604,377)
Liability at the closing of the financial year *	<u>1,673,170</u>	<u>1,622,679</u>

*Excludes \$13.0 million (2019: \$11.35 million) primarily relating to pending lodgements from tenants, landlords and real estate agents as at 30 June 2020. The \$1,673 million also includes Public Housing Tenancy Bonds of \$0.04 million (2019: \$0.008m) and Rent Start Bonds of \$0.18 million (2019: \$0.19 million).

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 Government Sector Finance Act 2018. Interest received on investments is paid into the Rental Bond Interest Account. Funds awaiting disbursement are invested on the short-term money market in accordance with the Board's legislation for periods not exceeding 180 days.

Book Valuation of Rental Bond Account Investments

	2020	2019
	\$'000	\$'000
Direct Fixed Interest Portfolio	1,489,924	1,438,947
Private Shared Equity Scheme	1,747	1,914
Westpac Banking Corporation	201,668	200,301
	<u>1,693,339</u>	<u>1,641,162</u>

Market Valuation of Rental Bond Investments

	2020	2019
	\$'000	\$'000
Direct Fixed Interest Portfolio	1,625,878	1,555,720
Private Shared Equity Scheme	1,747	1,914
Westpac Banking Corporation	201,668	200,301
	<u>1,829,293</u>	<u>1,757,935</u>

Total liability to tenants as at 30 June 2020 is \$1,673 million compared to the market value of the Trust's investments of \$1,829 million, resulting in an excess of \$156 million (2018-19 excess \$135 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.

14. EVENTS AFTER THE REPORTING PERIOD

The funding model of the Board is changing from being self-funded to budget funded as approved by the Board followed by endorsements from the Expense Review Committee and Treasury in August 2020. The Treasury's appropriation will be provided to the Department of Customer Service (DCS) and the Board will be funded through the cluster grant from DCS. The process to liquidate RBB's investment has started and are transitioning to the Treasury's Banking System. The transition is expected to be completed in October 2020.

END OF AUDITED FINANCIAL STATEMENTS