



# **Rental Bond Board**

## **Annual Report 2021-2022**

## **Acknowledgement of Country**

The Department of Customer Service acknowledges, respects and values Aboriginal peoples as the Traditional Custodians of the lands on which we live, walk and work.

We pay our respects to Elders past, present and future. We recognise and remain committed to honouring Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships, and continuing connection to their lands, waters and seas. We acknowledge their history here on these lands and their rich contribution to our society.

We also acknowledge our Aboriginal employees who are an integral part of our diverse workforce, and recognise the knowledge embedded forever in Aboriginal and Torres Strait Islander custodianship of Country and cultures.

Rental Bond Board Annual Report 2021–2022

ISSN:

**Author**

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# 1. Charter, aims and objectives

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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.

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 and funded programs. The Board is required to meet at least once each quarter.

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 monies can be determined by the NSW Civil and Administrative Tribunal (NCAT). The Board retains custody of the funds pending resolution of the matter.

Bond monies are held in trust and administered by NSW Treasury, which provides the Department of Customer Service (DCS) a cluster grant to fund 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 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 to landlords and tenants.

The Board does not have any employees. NSW Fair Trading administers the day-to-day functions on behalf of the Board, providing rental bond lodgement, custody, refund, and information services. 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 2021-2022.

## 2. Board membership, meetings, and structure

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### 2.1. Membership and meetings

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The Board comprises the following members:

1. Deputy Secretary of the Better Regulation Division (BRD), Commissioner for Fair Trading and Head of SafeWork NSW (as Chairperson)
2. Representatives of the Secretary of the Department of Communities and Justice (formerly Family and Community Services)
3. Representatives of the Secretary of the Treasury; and
4. two persons with experience in real estate or tenancy matters appointed by the Minister for Fair Trading.

The term of appointment is three years however Board members are eligible for reappointment in accordance with Clause 2 of Schedule 1 of the *Residential Tenancies Act 2010*.

The Board members for the 2021/2022 year are set out in the table below.

<b>Rental Bond Board members</b>	<b>Term of appointment</b>	<b>Meetings attended</b>
<b>Ms. Natasha Mann (Chairperson)</b> Deputy Secretary BRD, Commissioner for Fair Trading, and Head of SafeWork NSW	Ex officio from 1 December 2021 - present	3
<b>Ms. Rose Webb (Former Chairperson)</b> Former BRD Deputy Secretary and Commissioner for Fair Trading	Ex officio until 30 November 2021	1
<b>Mr. Ranit Ram</b> Nominee for NSW Treasury	Ex officio	4
<b>Mr. Humair Ahmad</b> Nominee for Department of Communities and Justice	Ex officio	3
<b>Mr. Leo Patterson Ross</b> Tenants' Union of NSW	Ministerial appointment	3
<b>Mr. John Gilmovich</b> The Property Owners Association NSW	Ministerial appointment	3

### 3. Highlights and achievements 2021-2022

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Key highlights and achievements for 2021-2022 demonstrate the Board's continued commitment to deliver efficient and contemporary digital services and ensure we continue to support our customers and local communities.

#### 3.1. Digital Services

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In the reporting year, 83 percent of lodgements and 91 percent of claims were processed through Rental Bonds Online. This represents a five percent and three percent increase respectively from the previous reporting period. Use of this service within the property industry remains high with over 16,000 real estate agencies and property management offices registering since its launch in October 2015. Registrations of self-managing landlords also increased from 26,427 to 32,385.

#### 3.2. Customer Support

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Service NSW provides support services to tenants, agents and self-managing landlords requiring assistance with rental bonds online transactions and enquiries. In the reporting period, the team assisted over 67,000 agents, landlords and tenants via phone enquiries.

The Rental Bonds Online Security and Support team within NSW Fair Trading continues to take escalated calls transferred from Service NSW requiring expertise or systems access.

The Rental Bonds Online Security and Support team assisted over 14,500 agents, landlords and tenants with rental bonds online transactions and enquiries via online enquiries and emails.

#### 3.3. Community Grants

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The Board contributed \$41.1 million to community grants programs. This represents an increase of \$7.5 million year on year. The largest contribution was \$16.79 million provided to the Tenants' Advice and Advocacy Program. Refer to the Board's financial statements for further details.

#### 3.4. Open Data

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The NSW Government's Open Data Policy promotes the release of data which supports a range of outcomes, including enhancing service delivery, agency core business, economic opportunity, generating efficiencies or reducing costs and supporting evidence-based research or policy.

As part of the NSW Government's commitment to improve transparency and increase efficiency, NSW Fair Trading continues to publish de-identified rental bond data providing details of lodgements, refunds, and total holdings on its website.

## 4. Rental bond custodial service

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### 4.1. Community access to independent custodial function for rental bonds

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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. Rental bond statistical information

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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 the information is not mandatory, completion rates are high. 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](http://www.facs.nsw.gov.au).

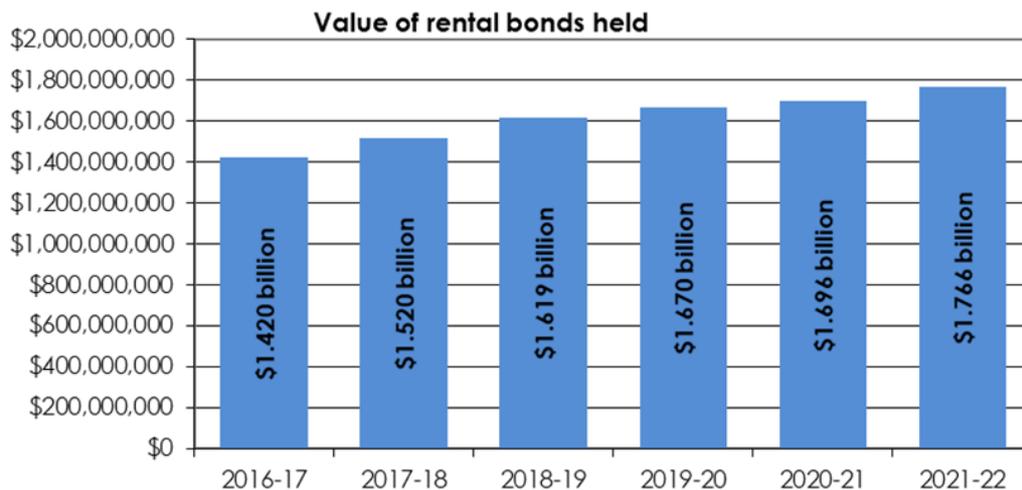
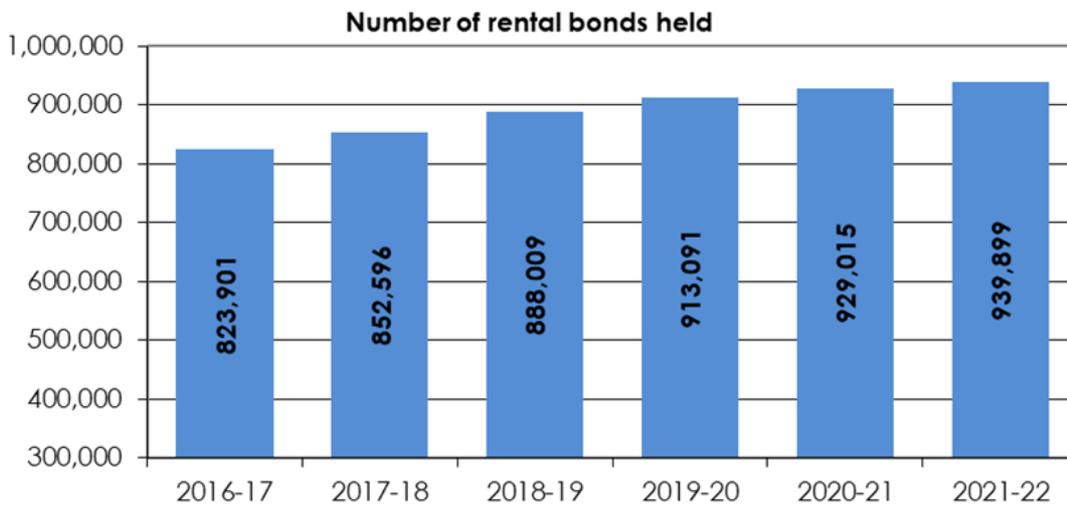
In 2021-2022 this data was also made available publicly as part of the NSW Government's commitment to improve transparency and increase efficiency. NSW Fair Trading publishes de-identified rental bond data providing details of lodgements, refunds, and total holdings on its website.

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.

### 4.3. Rental bonds held

As of 30 June 2022, the Board held 939,899 residential rental bonds in trust. These were valued at \$1.77 billion. The total number of bonds held increased by 1.2 percent over the number held as of 30 June 2021.

During the year, 328,287 new residential rental bonds were lodged with the Board – a decrease of 8.7 percent from the previous financial year. The number of bonds refunded also decreased this year by 7.7 percent to 317,403.



## 4.4. Rental bond lodgements

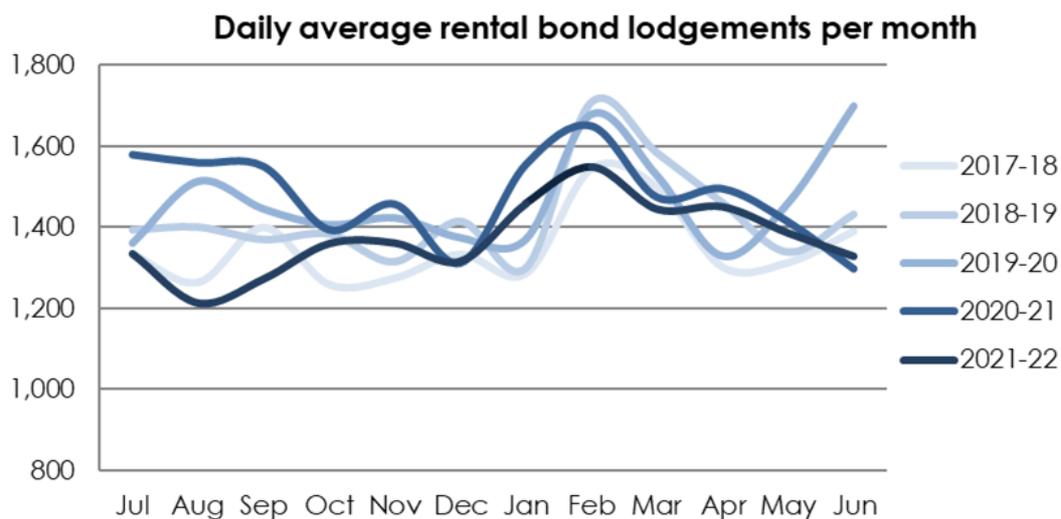
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During the year, 328,287 new rental bond lodgements and 14,328 additional bonds (where a bond is paid by instalments) were received by the Board.

The total value of bonds receipted was \$719.1 million. Ninety-nine percent 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 electronically. An agent or landlord invites their tenant to complete the lodgement in RBO. This enables tenants to pay their bond directly to the Board by card payment or BPAY. At reporting date, 83 percent of bonds were lodged online.

The Board's statistics indicate that in the 2021-2022 financial year, 92 percent of metropolitan bonds and 89 percent 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 been consistent, varying only 2-3 percent over the years of the Board's operation.



## 4.5. Rental bond refunds

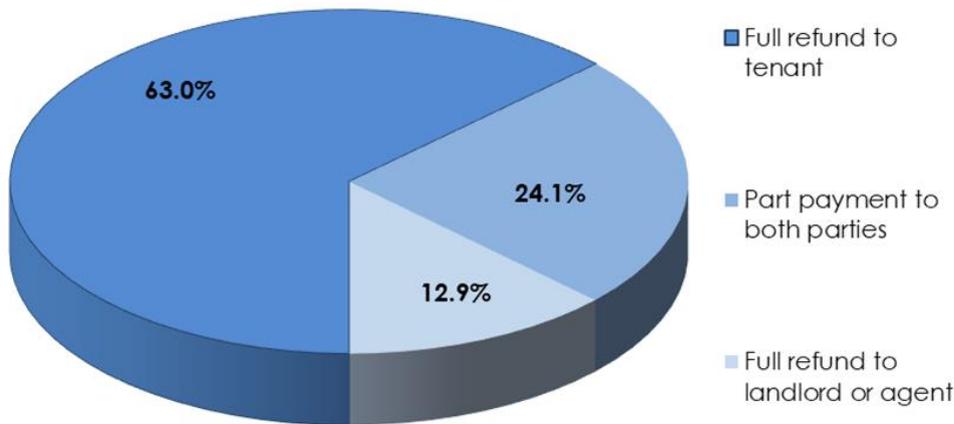
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In 2021-2022, 317,403 residential rental bonds were refunded through 394,139 individual payments. Rental Bonds Online also allows agents to submit online claims for bonds previously lodged on paper forms. As at reporting date, 91 percent of claims were lodged 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 NCAT if they wish to dispute the claim.

## 4.6. Bond refunds paid to tenants and landlords

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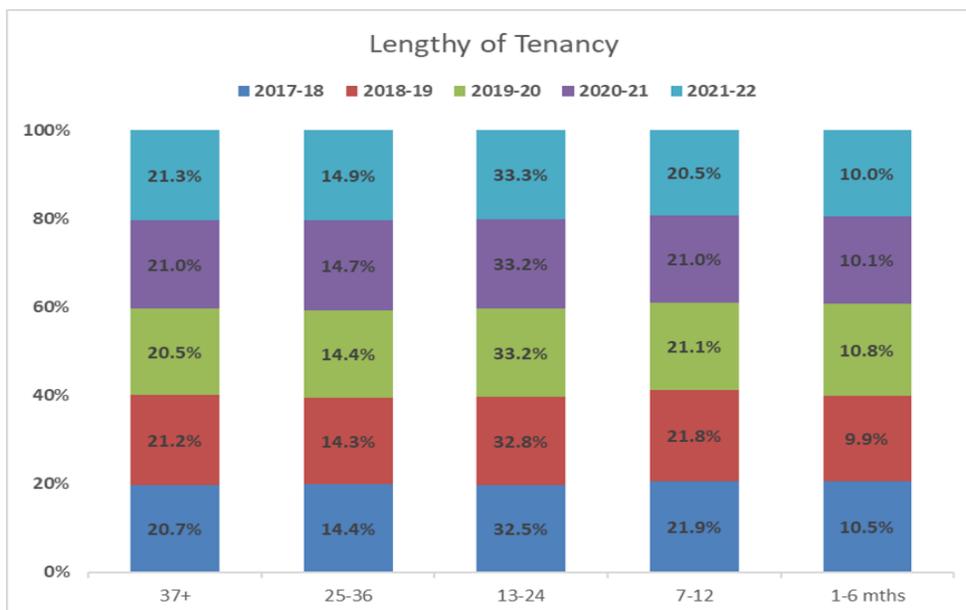
During 2021-2022, 72.2 percent of all refunds were agreed by the parties, while in 25.7 percent of cases, a notice of claim was issued but no dispute proceeded to NCAT. 1.9 percent of bond refunds were the result of an order by NCAT following a dispute over the bond refund. A further 0.2 percent were refunded after an NCAT application was withdrawn prior to hearing.

In accordance with Fair Trading's Guarantee of Service to its customers, 99 percent of all direct credit refunds were sent to the customers' bank account within two days of receiving an agreed rental bond claim.

## 4.7. Length of tenancy

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During 2021-2022, 69.5 percent of all bonds refunded had been held by the Board for more than 12 months at the time of refund, with 36.2 percent of all bonds refunded being held for tenancies of greater than two years' duration.



## 5. Tenancy Services

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In 2021-2022, NSW Fair Trading:

- managed 1,898 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; and
- provided a dispute resolution service for COVID-19 impacted tenants and landlords to assist with both rental reduction agreements and tenancy moratorium disputes. This assistance prevented loss of accommodation for tenants and minimised loss of income for landlords.

In 2021-2022, Service NSW:

- responded to 119,759 telephone enquiries from tenants, landlords and agents enquiring about their rights and responsibilities under the Act.

### 5.1. Tenancy dispute resolution services

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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

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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

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#### 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. These programs are summarised below:

#### Tenants' Advice and Advocacy Program

In 2021-2022, the Board's contribution to the program was \$16,796,445.

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

	Total Clients	Total Cases
July 2021 – June 2022	148,098	28,991

#### Credit Counselling Program

The Board's contribution toward the program was \$7,292,173.

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

	Total Clients	Total Cases
July 2021 – June 2022	38,006	8,657

## No Interest Loan Scheme Program

The Board's contribution to the program was \$3,224,144.

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 Program

The Board supports the Aged Care Supported Accommodation Program which is delivered by the Seniors Rights' Service. The Board's contribution toward the program was \$1,109,522.

	Total Clients	Total Cases
July 2021 – June 2022	1,554	401

## National Rental Affordability Scheme (NRAS)

The National Rental Affordability Scheme was jointly supported by the Federal Government and the NSW State Government. No grant payments were made for NRAS in 2021-2022 as they were prepaid in 2018-2019 financial year.

## New South Wales Civil Administrative Tribunal

The Board supports the operations of the tenancy division of NCAT. The Board contribution was \$12,709,998.

## 6.2. Mascot Towers Temporary Accommodation Assistance Package

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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 while 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.

Since this time, the Board has approved a number of extensions to the assistance package:

1. In August 2019, the Board approved an extension of the package for up to six months.
2. In March 2020, the Board approved further extending the package up to 30 June 2020 and allocated an additional \$1.1 million.
3. In May 2020, the Board approved an extension to 31 March 2021 and approved an additional \$3 million subject to being provided with a copy of the final plan of works for the reoccupation of the building, three-monthly reviews, and satisfactory progress of milestones to ensure reoccupation by or before 31 March 2021.
4. In February 2021, the Board approved a fourth extension of the package to 30 September 2021 and allocated an additional amount of up to \$2 million.
5. In August 2021, the Board approved a fifth extension of the package to 31 March 2022 and allocated an additional amount of up to \$2 million.
6. In March 2022, the Board approved a sixth extension of the package to 30 June 2022 and allocated an additional amount of up to \$1 million.
7. In June 2022, the Board approved a seventh extension of the package to 30 June 2023 and allocated an additional amount of up to \$3.5 million.

Each extension was also approved by the responsible Minister.

NSW Fair Trading is administering the program and funds are held in a Fair Trading account. 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

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### 7.1. Workforce diversity

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Diversity reporting for the Board is included in the DCS Annual Report 2021-2022.

### 7.2. Multicultural policies and services program

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The DCS Diversity and Inclusion Strategy is reported in the DCS Annual Report 2021-2022.

### 7.3. Payment of accounts

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Payment of accounts is reported in the DCS Annual Report 2021-2022.

### 7.4. Internal Controls

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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. Board Funding Arrangement

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Effective 1 July 2020, the funding model of the Board changed from being self-funded to budget funded as approved by the Board followed by endorsements from the Expense Review Committee and Treasury.

The Board received the approved appropriation via the cluster grant program in FY 2022.

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

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Applications made under the *Government Information (Public Access) Act 2009* involving the Board were coordinated centrally within DCS. Please refer to the DCS 2021-2022 Annual Report for details on any access applications concerning the Board received during the year.

## 7.7. Privacy and Personal Information Protection Act 1998 (PPIPA)

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The Board has adopted DCS's privacy management plan during the year. Please refer to the DCS 2021-2022 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

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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 2021-2022 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

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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 major works
- No research and development
- No land disposal.

As staff were all employed by DCS, please refer to the DCS 2021-2022 Annual Report for information regarding:

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

## 7.10. Events after the reporting period

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There are no known events after the end of the financial year which would give rise to a material impact on the reported results or financial position of the Board as of 30 June 2022.

# Appendix 1 - Digital information security policy attestation

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Department of Customer Service



## Cyber security Annual Attestation Statement for the 2021-2022 Financial Year for the Department of Customer Service (Secretary – NSW Department of Customer Service)

I, Emma Hogan, am of the opinion that the Department of Customer Service has managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy. The evidence presented to me as a part of this attestation gives me confidence that the aggressive and comprehensive cyber security resilience strategy DCS has been implementing has delivered extensive maturity improvements which will strengthen our ability to keep the trust of our clients.

Risks to the information and systems of the Department of Customer Service have been identified and assessed. The Department of Customer Service is continuously improving cyber risk management processes and operations to effectively manage cyber risks.

Governance is in place to manage cyber security maturity and related initiatives, including uplift of the ACSC Essential Eight. Independent audits on cyber security have been conducted, commitment and processes are in place to treat any opportunities for improvement. The Department of Customer Service has designed and operates a contemporary cyber incident response plan, which has been tested during the reporting period.

The Department of Customer Service will continue to harden its technology environments and increase awareness of cyber security risks for all staff. Through an aggressive and comprehensive cyber security resilience strategy, the Department of Customer Service will continue to ensure that the security of citizen information and trust in the services of government are maintained to the best of its abilities against increasingly complex and prevalent threats. The strategy is focused on long-term, sustainable processes and solutions. The Department of Customer Service acknowledges and accepts the risk until target maturity levels are met.

This attestation covers, in addition to the DCS core agencies, the following agencies:

- Independent Review Office
- Long Service Corporation.

Yours sincerely

A handwritten signature in black ink, appearing to read "Emma Hogan".

Emma Hogan  
Secretary, NSW Department of Customer Service

## Appendix 2 - Internal audit and risk management attestation statement for 2021-2022

### Internal Audit and Risk Management Attestation Statement for the 2021-2022 Financial Year for Rental Bond Board

I, Natasha Mann, Chairperson and Commissioner for Fair Trading, am of the opinion that the Rental Bond Board has internal audit and risk management processes in operation that are, excluding the exemptions described below, compliant with the seven (7) Core Requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*, specifically:

Core Requirements		For each requirement, please specify whether compliant, non-compliant, or in transition
<b>Risk Management Framework</b>		
1.1	The Accountable Authority shall accept ultimate responsibility and accountability for risk management in the agency.	<b>Compliant</b>
1.2	The Accountable Authority shall establish and maintain a risk management framework that is appropriate for the agency. The Accountable Authority shall ensure the framework is consistent with AS ISO 31000:2018.	<b>Compliant</b>
<b>Internal Audit Function</b>		
2.1	The Accountable Authority shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose.	<b>Compliant</b>
2.2	The Accountable Authority shall ensure the internal audit function operates consistent with the International Standards for Professional Practice for Internal Auditing.	<b>Compliant</b>
2.3	The Accountable Authority shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.	<b>Compliant</b>
<b>Audit and Risk Committee</b>		
3.1	The Accountable Authority shall establish and maintain efficient and effective arrangements for independent Audit and Risk Committee oversight to provide advice and guidance to the Accountable Authority on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.	<b>Compliant</b> - except 3.1.16 Non-complaint as subject to Ministerial Exemption
3.2	The Accountable Authority shall ensure the Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'.	<b>Compliant</b>

#### Membership

The independent chair and members of the Audit and Risk Committee (ARC) are:

- Independent Chair, Carol Holley, 1 November 2019 to 31 October 2022
- Independent Member, Nancy Milne OAM, 1 November 2019 to 31 October 2022
- Independent Member, Bruce Turner AM, 1 November 2019 to 31 October 2022 (resigned November 2021)
- Independent Member, Ken Barker PSM (replacement for Bruce Turner), 1 March 2022 to 1 March 2025

## Shared Arrangements

I, Natasha Mann, Chairperson and Commissioner for Fair Trading, advise that Rental Bond Board has entered into an approved shared arrangement with the following Department/ agencies:

- Department of Customer Service
- NSW Government Telecommunications Authority
- Independent Liquor and Gaming Authority
- Greyhound Welfare and Integrity Commission

## Departures from Core Requirements

I, Natasha Mann, Chairperson and Commissioner for Fair Trading, advise that the internal audit and risk management processes for the Rental Bond Board **depart** from the Core Requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*:

The circumstances giving rise to this departure has been determined by the Responsible Minister and the Rental Bond Board has implemented and is implementing the following practicable alternative measures to meet the Core Requirements.

Departure	Reason for departure and description of practicable alternatives measures implemented/being implemented
<b>Non-Compliance</b>	
3.1.16	Chair appointed for 3 years as Chair of Shared Arrangement ARC, but also served as Chair under former Department of Finance, Service and Innovation (DFS) shared arrangement which included the Rental Bond Board – so total tenure exceeds 5 years as Chair across both shared arrangements – permitted under ministerial exemption, in order to retain institutional knowledge and on proviso that total term of Chair on committee will not be further extended beyond the initial three year engagement for this shared arrangement and total service in respect of both shared arrangements will not exceed eight year maximum.

These processes, including the practicable alternative measures being implemented, demonstrate that Rental Bond Board has established and maintained frameworks, including systems, processes, and procedures for appropriately managing audit and risk within Rental Bond Board.



Natasha Mann  
Chairperson and Commissioner for Fair Trading  
Rental Bond Board

Date: 26/09/22

Agency Contact Officer  
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DCS Chief Audit Executive (8575 1248)  
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**TAB B**

**Ministerial Determination**

**Rental Bond Board compliance with the Internal Audit and Risk Management Policy for the General Government Sector**

I, the Hon. Kevin John Anderson MP, Minister for Better Regulation and Innovation, am of the opinion that Rental Bond Board (RBB) has internal audit and risk management processes in operation that are, excluding the exemptions described below, compliant with the Core Requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*.

I, Kevin John Anderson MP understand that the following Core Requirements of *Internal Audit and Risk Management Policy* (TPP20-08) have not been met:

<b>Core Requirement</b>	<b>Reason for non-compliance with the Core Requirement</b>
3.1.16 The chair of the ARC shall be appointed for ... a maximum period of five (5) years. The term of appointment for the chair can be extended but any extension shall not cause the total term to exceed five (5) years as a chair of the ARC.	Retention (post MoG changes) of the former Chair of the DFSI shared ARC (which included RBB) to provide continuity of knowledge and experience integral to the Committee's operation and establishment.

I note that the following alternative arrangements have been implemented to achieve outcomes equivalent to the requirement(s):

<b>Summary of alternative arrangements</b>	<b>How the alternative arrangements will achieve equivalent outcomes</b>
Chair engaged for initial three-year term only and has undertaken to depart Committee afterwards. A "new" member was included on the Committee who had no prior involvement in ARC re RBB.	Chair will not be extended once the initial three-year term has been completed – as a result, her total tenure as a member of both the DFSI and Customer Service Shared ARCs will not exceed the eight-year membership maximum in 3.1.14. Introduction of a "new" member without prior involvement in ARC re RBB will bolster independence of Committee.

I, Kevin John Anderson MP am of the opinion that the practicable alternative measures implemented demonstrate that the Rental Bond Board has established and maintained frameworks, including systems, processes and procedures for appropriately managing audit and risk within the Rental Bond Board.

This exemption to the Core Requirements of the Internal Audit and Risk Management Policy for the General Government Sector (TPP20-08) is valid for the financial years 2021-2022 and 2022 - 2023.<sup>1</sup>



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**Kevin John Anderson MP**

Minister for Better Regulation and Innovation

Date: 20/07/2021

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**Agency Contact Officer:** Danielle Wallis

Senior Governance Advisor

ARC.Secretariat@Customerservice.nsw.gov.au

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<sup>1</sup>Exemptions may be sought for a maximum of two financial years

# Appendix 3 - Independent Auditors Report

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## 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 comprises the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, 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:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Board's financial position, financial performance and cash flows.

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 Matter

As part of my audit procedures, I found the Rental Bond Board paid \$4.6 million in operating expenses from the Rental Bond Interest Account without an authorised delegation from the Commissioner for Fair Trading and was therefore non-compliant with section 186 of the *Residential Tenancies Act 2010* and section 5.5 of the GSF Act.

My opinion is not modified in respect of this matter.

## 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, the GSF Act, GSF Regulation and Treasurer's Directions. The members of the Board's responsibility also includes 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](http://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

Delegate of the Auditor-General for New South Wales

13 October 2022  
SYDNEY

# Appendix 4 - Rental Bond Board Financial Statements

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## RENTAL BOND BOARD

### STATEMENT BY THE ACCOUNTABLE AUTHORITY

Pursuant to section 7.6 (4) of the Government Sector Finance Act 2018 ("the Act"), I state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the Government Sector Finance Regulation 2018 and the Treasurer's directions, and
- present fairly the Rental Bond Board's financial position, financial performance and cash flows.



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Natasha Mann  
Chairperson

Date: 10 October 2022

<b>RENTAL BOND BOARD</b>				
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>FOR THE YEAR ENDED 30 JUNE 2022</b>				
	<b>Notes</b>	<b>Actual 2022 \$'000</b>	<b>Budget 2022 \$'000</b>	<b>Actual 2021 \$'000</b>
<b>Expenses excluding Losses</b>				
Operating expenses	2(a)	30,433	29,604	29,969
Grants and subsidies	2(b)	46,632	37,569	39,142
<b>Total Expenses excluding Losses</b>		<b>77,065</b>	<b>67,173</b>	<b>69,111</b>
<b>Revenue</b>				
Grants and Contributions	3(a)	63,370	63,371	62,038
Investment Revenue	3(b)	-	-	24,789
Other revenue	3(c)	1,692	-	1,527
<b>Total Revenue</b>		<b>65,062</b>	<b>63,371</b>	<b>88,354</b>
<b>Operating Result</b>		<b>(12,003)</b>	<b>(3,802)</b>	<b>19,243</b>
Gain / (loss) on sale of investments with TCorp	4	-	-	127,480
<b>NET RESULT</b>		<b>(12,003)</b>	<b>(3,802)</b>	<b>146,723</b>
Other comprehensive income		-	-	-
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>		<b>(12,003)</b>	<b>(3,802)</b>	<b>146,723</b>

The accompanying notes form part of these financial statements.

<b>RENTAL BOND BOARD</b>				
<b>STATEMENT OF FINANCIAL POSITION</b>				
<b>AS AT 30 JUNE 2022</b>				
	<b>Notes</b>	<b>Actual 2022 \$'000</b>	<b>Budget 2022 \$'000</b>	<b>Actual 2021 \$'000</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	5	194,721	202,612	206,178
Receivables	6	161	501	150
<b>Total Current Assets</b>		<b>194,882</b>	<b>203,113</b>	<b>206,328</b>
<b>Total Assets</b>		<b>194,882</b>	<b>203,113</b>	<b>206,328</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	7	639	411	82
<b>Total Current Liabilities</b>		<b>639</b>	<b>411</b>	<b>82</b>
<b>Total Liabilities</b>		<b>639</b>	<b>411</b>	<b>82</b>
<b>Net Assets</b>		<b>194,243</b>	<b>202,702</b>	<b>206,246</b>
<b>EQUITY</b>				
Accumulated funds		194,243	202,702	206,246
<b>Total Equity</b>		<b>194,243</b>	<b>202,702</b>	<b>206,246</b>

The accompanying notes form part of these financial statements.

<b>RENTAL BOND BOARD STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022</b>	
	<b>Accumulated Funds \$'000</b>
<b>Balance as at 1 July 2021</b>	<b>206,246</b>
<b>Net Result for the financial year</b>	<b>(12,003)</b>
<b>Other comprehensive income</b>	<b>-</b>
<b>Balance as at 30 June 2022</b>	<b>194,243</b>
<b>Balance as at 1 July 2020</b>	<b>59,523</b>
<b>Net Result for the financial year</b>	<b>146,723</b>
<b>Other comprehensive income</b>	<b>-</b>
<b>Balance as at 30 June 2021</b>	<b>206,246</b>

The accompanying notes form part of these financial statements.

**RENTAL BOND BOARD  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	Actual 2022 \$'000	Budget 2022 \$'000	Actual 2021 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Grants and subsidies		(46,632)	(37,569)	(39,142)
Payments to suppliers		(30,035)	(29,604)	(30,471)
<b>Total Payments</b>		<b>(76,667)</b>	<b>(67,173)</b>	<b>(69,613)</b>
<b>Receipts</b>				
Grants and Contributions		63,370	63,371	62,038
Interest received		-	-	28,640
Other		1,840	-	1,706
<b>Total Receipts</b>		<b>65,210</b>	<b>63,371</b>	<b>92,384</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	11	<b>(11,457)</b>	<b>(3,802)</b>	<b>22,771</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of Property Plant and Equipment		-	(488)	-
Proceeds from sale of TCorp investments		-	-	127,480
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-</b>	<b>(488)</b>	<b>127,480</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>		<b>(11,457)</b>	<b>(4,290)</b>	<b>150,251</b>
Opening cash and cash equivalents		206,178	206,903	55,927
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	5	<b>194,721</b>	<b>202,613</b>	<b>206,178</b>

The accompanying notes form part of these financial statements.

**RENTAL BOND BOARD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Reporting Entity**

The Rental Bond Board (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 is a statutory authority and as a reporting entity comprises all the activities under its control. The Board is constituted under the *Residential Tenancies Act 2010* and is a custodian of the Residential Rental Bonds paid by tenants to landlords or their agents for residential tenancies.

The liquidation of the Rental Bond's investments was finalised by October 2020 in accordance with the approval of Treasury, Expenditure Review Committee, and the Board. A gain of \$127.5 million was realised which was deposited into the Treasury's Banking System in the name of the Rental Bond Interest Account.

As the Board does not earn a return from its funds deposited in the Treasury's Banking System, the Board is funded from the Treasury's Appropriation via a grant received from the Department of Customer Service (DCS).

The financial statements for the financial year ended 30 June 2022 have been authorised for issue by the Chairperson of the Board on 10 October 2022.

**(b) Basis of Preparation**

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

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- the requirements of the *Government Sector Finance (GSF) Act 2018* and the *Government Sector Finance Regulation 2018*; and
- Treasurer's Directions issued under the GSF Act.

Financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

The management's judgements, key assumptions and estimations 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 financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

**(d) Going Concern**

The 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 on an agreed fixed fee.

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

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

- amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition 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 presented in respect of the previous financial year for all amounts reported in the financial statements.

**(h) Changes in accounting policies, including new or revised Australian Accounting Standards**

**(i) Effective for the first time in the financial year 2021-22**

The accounting policies applied in the financial year 2021-22 are consistent with those of the previous financial year. Several other amendments and interpretations apply for the first time in the financial year 2021-22, but do not have an impact on the financial statements of the Board.

**(ii) Issued but Not Yet Effective**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards unless Treasury determines otherwise. Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting period. The Board has determined that they are unlikely to have a material impact on the financial statements of the Board.

**(i) Impact of COVID-19 and Natural Disasters on Financial Reporting for 2021-22**

Management has considered the specific requirements in AASB101 Presentation of Financial Statements to disclose significant accounting policies, and the extent of disclosures regarding estimation uncertainty as a result of COVID-19 and natural disasters.

There is no significant impact of COVID-19 or natural disasters on the Board's Financial Statements. There is no uncertainty about the Board's ability to continue as a going concern at 30 June 2022 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 or natural disasters.

**2. EXPENSES EXCLUDING LOSSES**

**(a) Operating Expenses**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Administrative Service Charge from Department of Customer Service	25,857	25,227
Auditor's Remuneration	127	127
Investment Management Fee	-	221
Fair Trading Dispute Mediation Unit	2,819	2,379
Other	1,630	2,015
	<b>30,433</b>	<b>29,969</b>

**(b) Grants and Subsidies**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Seniors Rights Services (SRS)*	1,110	593
Credit Counselling Program (CCP)	7,292	6,337
No Interest Loan Scheme (NILS)	3,224	2,701
Tenants Advice and Advocacy Program (TAAP)**	16,796	13,454
Tenancy Functions of the NSW Civil and Administrative Tribunal (NCAT)	12,710	11,057
Mascot Tower Assistance Program	5,500	5,000
	<b>46,632</b>	<b>39,142</b>

\* Increase in SRS grant is in line with the Treasury's approved additional funding to meet demand for assistance in aged-care institutions

\*\*The Board paid \$3.1 million during the 2021-22 financial year as a one-off grant for TAAP to assist tenants affected by the COVID-19 pandemic.

**(i) Senior Rights Services (SRS)**

SRS provides impartial information, mediation and education services regarding the *Residential Tenancies Act 2010* and the *Retirement Villages Act 1999*. This advice is provided to tenants, landlords, agents, village residents and village management about their rights and obligations under this legislation.

**(ii) Credit Counselling Program (CCP)**

CCP funds the provision of financial counselling services to individuals, predominantly tenants, training of persons in financial counselling and for education in financial management.

**(iii) No Interest Loan Scheme (NILS)**

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

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

TAAP 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 fully funded by the Rental Bond Board in accordance with 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 Communities and Justice and is jointly funded by the Department of Customer Service and the Rental Bond Board.

**(vi) Mascot Tower Assistance Program**

The Mascot Tower Assistance Program was established in June 2019 to provide financial support to tenants and owner occupiers to meet the cost of alternate accommodation. The occupants were evacuated due to major cracks in the building and reported as unsafe to occupy.

### 3. REVENUE

#### Recognition and Measurement

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers which are enforceable and have specific performance obligations or AASB 1058 Income of Not-for-Profit Entities if the contract does not meet these criteria.

#### (a) Grants and Contributions

	2022	2021
	\$'000	\$'000
Department of Customer Service - parliamentary appropriation via cluster grants	63,370	62,038

#### Recognition and Measurement

Income from grants and appropriations is recognised when the Board satisfies its obligations under the transfer. Income from grants and appropriations without sufficiently specific performance obligations is recognised when the Board obtains control over the granted asset (cash).

The Board did not receive any appropriations or grants in the reporting period with specific performance obligations.

#### (b) Investment revenue

	2022	2021
	\$'000	\$'000
Interest received from the Rental Bond Trust's Investments	-	11,977
Revenue from the realisation of bond investments with TCorp	-	12,812
	-	24,789

#### Recognition and Measurement

The Board's investment revenue in the 2020-21 financial year was derived predominantly from investments held with NSW TCorp and also from interest on the Rental Bond Accounts.

As summarised in Note 1 (a), the Board's investments with T-Corp were liquidated by October 2020 and it is not earning a return from the funds deposited in the Treasury's Banking System. As such the Board's expenses are funded from the Treasury's appropriation via grant received from DCS.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset 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

	2022	2021
	\$'000	\$'000
Merchant Fees	1,692	1,527
	1,692	1,527

#### Recognition and Measurement

Other Revenue is the merchant fees recovered from tenants and landlords for online lodgement of rental bonds. The revenue is recognised in accordance with AASB 1058 'Income of Not-for-Profit Entities'.

### 4. GAINS / (LOSSES) ON DISPOSAL OF INVESTMENTS

	2022	2021
	\$'000	\$'000
Gain from sale of investments with TCorp	-	127,480

## Recognition and Measurement

The gain from disposal of investments is the difference between the fair value of the consideration received and the book value. As a result of the sale of the Trust's investments in TCorp a gain of \$127.5 million was realised during the 2020-21 financial year.

### 5. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2022	2021
	\$'000	\$'000
Cash at bank	194,721	206,178

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 are reconciled at the end of the financial year as shown in the Statement of Cash Flows as follows:

	2022	2021
	\$'000	\$'000
Cash and cash equivalents (as per Statement of Financial Position)	194,721	206,178
Closing cash and cash equivalents (as per Statement of Cash Flows)	194,721	206,178

Refer to Note 12 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

### 6. CURRENT ASSETS - RECEIVABLES

	2022	2021
	\$'000	\$'000
Rental Bond Trust Account	157	145
GST Receivable	3	2
Other	1	3
	161	150

#### 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 12.

### 7. CURRENT LIABILITIES - PAYABLES

	2022	2021
	\$'000	\$'000
Accrued Expenses	639	82

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 12.

## 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 measured 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.

## 8. COMMITMENTS

There are no commitments as at 30 June 2022 (2021 \$Nil)

## 9. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 30 June 2022 (2021: \$Nil).

## 10. BUDGET REVIEW

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the financial year. 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 financial statements are explained below.

### Net Result:

The actual net result is a deficit of \$12.0 million (2021: \$146.7 million surplus) compared to a budgeted deficit of \$3.8 million. The unfavourable variance of \$8.2 million for the year is due to the grant payments of \$5.5 million for the Mascot Tower Assistance Scheme and \$3.1 million for the Tenants Advice and Advocacy Program; partially offset by the Merchant Fee Surcharge of \$0.3 million and lower Other Operating Expenses of \$0.1 million.

### Asset and liabilities:

Net Assets: The actual net assets of \$194.2 million (2021: \$206.2 million) compared to the budgeted net assets of \$202.7 million. The decrease of \$8.5 million is due to grant payments of \$5.5 million for the Mascot Tower Assistance Scheme and \$3.1 million for the Tenants Advice and Advocacy Program; partially offset by Other Operating Expenses of \$0.1 million.

### Cash Flow:

Net decrease in cash during the year of \$11.5 million which is \$7.9 million lower than the budget. The decrease is due to grant payments of \$5.5 million for the Mascot Tower Assistance Scheme and \$3.1 million for the Tenants Advice and Advocacy Program; partially offset by lower Infrastructure Upgrade Cost of \$0.5 million and Merchant Fee Surcharge of \$0.2 million due to uptake in online lodgements.

## 11. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2022	2021
	\$'000	\$'000
<b>Net cash used in operating activities</b>	(11,457)	22,771
Net gain / (loss) on sale of investments with TCorp	-	127,480
Increase / (decrease) in receivables	11	(3,858)
(Increase) / decrease in payables	(557)	330
<b>Net result</b>	<b>(12,003)</b>	<b>146,723</b>

## 12. FINANCIAL INSTRUMENTS

The Board's principal financial instruments are outlined below. These financial instruments arise directly from the Board's operations or are required to finance the Board's 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 policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Board, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Board on a continuous basis.

### (a) Financial Instrument Categories

Financial Assets	Note	Category	2022	2021
			\$'000	\$'000
			Carrying Amount	Carrying Amount
Class:				
Cash and cash equivalents	5	Amortised Cost	194,721	206,178
Receivables (i)	6	Amortised Cost	158	148
<b>Financial Liabilities</b>	<b>Note</b>	<b>Category</b>		
Class:				
Payables (ii)	7	Financial liabilities measured at amortised cost	639	82

- (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) Financial Risk

#### (i) Credit Risk

Credit risk arises when there is the possibility that the counterparty will default 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 counterparties and establishment of minimum credit rating standards.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances within the NSW Treasury Banking System.

#### Accounting policy for impairment of trade debtors and other financial assets

##### Receivables – Trade receivables

All trade debtors are recognised at the amounts receivable at balance date. Collectability of trade receivables is reviewed on an ongoing basis. The Board applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 30 June 2022 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 Department of Customer Service and the Rental Bond Trust. Therefore, Expected Credit Loss was not calculated.

**(ii) 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.

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 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 not later than the end of the month following the month in which an invoice or 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 2022, the Board was not required to pay any interest for late payment (2021: \$Nil)

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 (i)	\$'000 Interest Rate Exposure			\$'000 Maturity Dates		
		Fixed Interest Rate	Variable Interest Rate	Non- interest Bearing	< 1 Year	1-5 Years	> 5 Years
2022 Payables	639	-	-	639	639	-	-
	<b>639</b>	-	-	<b>639</b>	<b>639</b>	-	-
	\$'000 Nominal Amount (i)	\$'000 Interest Rate Exposure			\$'000 Maturity Dates		
		Fixed Interest Rate	Variable Interest Rate	Non- interest Bearing	< 1 Year	1-5 Years	> 5 Years
2021 Payables	82	-	-	82	82	-	-
	<b>82</b>	-	-	<b>82</b>	<b>82</b>	-	-

- (i) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Board can be required to pay. These amounts include both interest and principal cash flows and therefore will not reconcile to amounts disclosed in the Statement of Financial Position.

**(iii) 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 effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below for interest rate risk and other price risk.

**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. The Board is not exposed to any Interest Rate Risk as the Board does not earn returns on the funds invested in the Treasury's Banking System.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates:

	\$'000				
	Carrying Amount	Net Result -1.0%	Equity -1.0%	Net Result +1.0%	Equity +1.0%
<b>2022</b>					
<i>Financial Assets (i)</i>					
Cash and cash equivalents	194,721	-	-	-	-
<b>2021</b>					
<i>Financial Assets (i)</i>					
Cash and cash equivalents	206,178	-	-	-	-

(i) Both receivables and payables are excluded as the Board deems there exists no interest exposure

#### (a) Fair Value Measurement

##### (i) 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.

There are no financial instruments where the fair value differs from the carrying amount.

### 13 RELATED PARTY DISCLOSURES

#### Key management personnel

During the year, the Board incurred \$5,078 (2021: \$7,868) in respect of key management personnel services that are provided by the Department of Customer Service. Other Board Members are remunerated by DCS as the employing agency. Their services to the Board are paid through the Administrative Service Charge.

#### Other related party transactions

The Board entered into transactions with other entities that are controlled / jointly controlled / significantly influenced by NSW Government.

These transactions which are conducted as arm's length transactions are a significant portion of the Board's receiving of services, in aggregate are as follows:

Nature of transaction		2022 \$'000		2021 \$'000	
		Transaction value income/ (expense) \$'000	Net receivable/ (payable) \$'000	Transaction value income/ (expense) \$'000	Net receivable/ (payable) \$'000
Purchases of goods / services and other payments	NSW Department of Customer Service	(28,825)	(553)	(28,520)	(25)
Received Cluster Grant	NSW Department of Customer Service	63,370	-	62,038	-
Purchases of goods / services and other payments	Tenancy Function of NSW Civil and Administration Tribunal – Department of Communities and Justice	(12,710)	-	(11,057)	-
Purchases of goods / services and other payments	NSW Treasury Corporation (TCorp)	-	-	(221)	-
Net Investment Return	NSW Treasury Corporation (TCorp)	-	-	24,490	-

#### 14. 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, as such trust funds are not brought to account in the financial statements but are shown in the notes for information purposes.

##### Residential Bonds

Amounts owing to New South Wales Residential Bond Holders:

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Liability at the beginning of the financial year	1,699,690	1,673,170
Add: Receipt / lodgement of bonds	719,073	730,553
Less: Expenditure / repayment of bonds	(649,075)	(704,033)
Liability at the end of the financial year *	<b>1,769,688</b>	<b>1,699,690</b>

\*Excludes \$11.8 million (2021: \$10.7 million) primarily relating to pending lodgements from tenants, landlords and real estate agents and includes Public Housing Tenancy Bonds of \$0.05 million (2021: \$0.06 million) and Rent Start Bonds of \$0.47 million as at 30 June 2022 (2021: \$0.28 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. Interest, if any, earned from the investment of the Board's Rental Bond Account in the Treasury Banking system is retained by Treasury and replaced by an appropriation from Treasury via a DCS Cluster Grant into the Rental Bond Interest Account.

##### Market Value of Residential Bond Investments

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Private Shared Equity Scheme*	1,612	1,789
Treasury's Banking System	1,783,911	1,711,840
	<b>1,785,523</b>	<b>1,713,629</b>

Total liability to tenants as at 30 June 2022 is \$1,770 million compared to the market value of the Trust's investments of \$1,786 million, resulting in an excess of \$16 million. (2021 excess \$14 million).

\*The investment with the 'Private Shared Equity Scheme' is in mortgages issued under the First Australian National Mortgage Association Corporation (FANMAC). The administration activities are managed by Eticore. The investment comprises mortgages on Australian properties which are being repaid by mortgagees by monthly instalments. The loans will be required to be repaid if the properties are sold or refinanced.

#### 15. EVENTS AFTER BALANCE DATE

There are no known events after the end of the financial year which would give rise to a material impact on the reported results or financial position of the Board as at 30 June 2022.

#### END OF AUDITED FINANCIAL STATEMENTS