Rental Bond Board

AUDIT OPINION

The audit of the Board's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Trust Funds

> I recommend the Board continue pursuing appropriate changes to legislation to clarify responsibilities and enable resolution if a shortfall in the Trust Fund eventuates.

The Board holds residential bonds in trust. It invests these funds and at 30 June 2010, the market value of the investments exceeded the value of residential bonds held in trust by $15.9 million.

At 30 June	2010 $'000	2009 $'000	2008 $'000
Amounts owing to bond depositors	***845,779***	800,214	744,419
Market value of rental bond investments	***861,668***	799,763	714,184
Excess/(shortfall)	***15,889***	(451)	(30,235)

The *Landlord and Tenant (Rental Bonds) Act 1977* does not explicitly address the circumstances of a shortfall as occurred in 2008. Legal opinion indicates the Board would be liable for any shortfall. However, current legislation does not allow payments from the Board's funds to make good shortfalls. The Board is seeking amendment of the *Landlord and Tenant (Rental Bonds) Act 1977* to allow the Board to make payments to fund any shortfall.

The Board is closely monitoring the difference between amounts owed to bond depositors and the value of trust fund investments.

PERFORMANCE INFORMATION

Rental Bonds

The Board holds 648,000 bonds at 30 June 2010 (644,000 at 30 June 2009). The increase of 0.7 per cent is the lowest recorded in the last decade and significantly lower than the ten year average of 2.4 per cent. At 30 June 2014, the Board expects to hold approximately 660,000 bonds with a value in excess of $1 billion.

During 2010, the Board processed a total of 518,000 (520,000) rental bond lodgements and disbursements.

OTHER INFORMATION

Major Projects

The Department of Services, Technology and Administration provides support services to the Board on a cost recovery basis. The Department's project to upgrade the computer systems supporting rental bond operations is expected to be operational in November 2010. The project's cost is approximately $5.0 million.

FINANCIAL INFORMATION

Summary financial information

Year ended 30 June	2010 $'000	2009 $'000
TOTAL REVENUE	***51,258***	49,202
Administrative services	***22,464***	24,281
Tenancy function of Consumer, Trader and Tenancy Tribunal	***11,919***	10,756
Grants	***8,626***	6,283
Tenancy services	***195***	386
Interest on rental bonds	***109***	104
Other operating expenses	***800***	798
OPERATING EXPENSES	***44,113***	42,608
SURPLUS	***7,145***	6,594
NET ASSETS	***40,130***	32,985

The Board receives income from the investment of rental bonds lodged by tenants. Revenue is mainly influenced by the level of investment returns.

Actuarial reviews indicate that the Board needs a net asset position of $40.0 to $50.0 million to give confidence that the Board's solvency is maintained. The Board regularly monitors its overall financial position to ensure sufficient funds are available to meet expenses.

The rate of interest payable on rental bonds is prescribed in clause 10 of the Landlord and Tenant (Rental Bonds) Regulation 2003 and is equivalent to the rate payable by the Commonwealth Bank of Australia on a Streamline Account Balance of $1,000.

BOARD ACTIVITIES

The Board is constituted by the *Landlord and Tenant (Rental Bonds) Act 1977.* The Board is an independent and impartial guardian of rental bonds on private residential tenancies in New South Wales. The Board also provides access to tenancy information to help uphold the rights and responsibilities of tenants and landlords.

The Board is controlled by the Minister for Commerce jointly with the Minister for Fair Trading.

For further information on the Board, refer to the Office of Fair Trading's website www.fairtrading.nsw.gov.au.