Case studies from Tenants Advice and Advocacy Services

1. Brenda - living in fear of another rent increase

Brenda is aged 71 years and has severe osteoarthritis in both knees that require knee replacements. She rents premises in Blackheath from her best friend. This was a quick decision by Brenda, as she was escaping domestic violence and left her marital home in Sydney's northern suburbs in 2010.

Her landlord maybe her friend, but in November 2011 gave her a notice of rent increase. The rent increased from $150 to $235 per week, still well below market rent of at least $300 per week. Her local Tenants Advice and Advocacy Service assisted Brenda in applying to Housing NSW for priority housing, based on rent eating up nearly 60 per cent of her pension and the premises being inappropriate because of her medical problems.

Housing NSW declined her application and she is awaiting the result of an appeal to the Housing Appeals Committee. Brenda lives in fear of another rent increase … as it will make her homeless.

2. Josephine - 'couch surfing' at 74

Josephine, a 74-year-old pensioner, and her daughter lived in two different places in Petersham for 6 years. The arrangement was that the daughter paid the rent and Josephine paid for utilities. However, the daughter struggled to pay the rent of $500 per week on her own. Also, friction developed because of regular visits from Josephine's five grandchildren.

The next time Josephine contacted her local Tenants Advice and Advocacy Service, she was 'couch surfing' between her ex-son-in-law's place in Coogee and a friend's in Surry Hills. Housing NSW had approved rent assistance, but she had to find a place. Josephine had ongoing health problems and needed a place with only a few stairs. She didn't have a car and found it physically demanding visiting real estate agents when they may or may not have something. Another daughter was helping her to look on weekends. A friend gave her a mobile phone, but she found it hard to use. She wanted help to search for a house or flat on the internet, but didn't know how to use it. Josephine was directed to a local community centre for some computer assistance, and there she was continuing her search for accommodation.

3. Georgina – despairing for affordable housing

Georgina is 61 years old. She lost her right leg seven years ago. She works part-time in administration at Canterbury Hospital. She has been living with her sister and brother-in-law for the past year while her application and subsequent appeal to Housing NSW were being processed. They now want to sell the house and move out of Sydney.

Georgina is distressed about what she is going to do. She needs wheelchair accessibility for the times that she needs bed-rest from the 'wear and tear' of using a prosthesis. She has a range of other health problems. Her application for Housing NSW was rejected due to her annual income of $35,000. Her applications for two separate granny flats were unsuccessful when she told them Centrelink would subsidise the rent. Her local Tenants Advice and Advocacy Service provided Georgina with information on affordable housing schemes and disability support/information services. It also plugged her into a social worker from a rehab service who also is looking at options for Georgina.

4. Fay – life is a struggle

Fay is in her early 60's and is caring for disabled son. Life is a struggle. Fay contacted her local Tenants Advice and Advocacy Service to discuss rent arrears. She is currently more than 14 days behind in rent, but feels too intimidated to contact her real estate agent and talk about her situation.

The tenant advocate contacted the real estate agent on Fay's behalf. She obtained a copy of the rental ledger which showed that Fay had a record of irregular rental payments and was often behind in rent. She currently stood 22 days behind. The tenant advocate assisted Fay to come up with a suitable payment plan to erase the rent arrears and get her rent two weeks in advance.

Two weeks later Fay was struggling again and did not stick to the payment plan. A 'notice of termination' was issued and the agent indicated that the landlord would pursue a termination order at the NSW Civil and Administrative Tribunal due to frequent arrears.

But before the 'notice of termination' was served Fay paid an amount that would have brought the arrears to less than 14 days arrears at time of service. Hopefully, this payment would make the 'notice of termination' invalid and Fay's tenancy will continue after NCAT.

5. Isabel – primary carer of grandchildren

Isabel is in her late 50s, Aboriginal and with professional training. Her local Tenants Advice and Advocacy Service have assisted Isabel over multiple tenancies. Employment has been sporadic because Isabel keeps having to become the primary carer of her grandchildren due to her adult children not coping. She often finds herself falling into rent arrears because the household's income varies.

After the loss of her last tenancy, Isabel was listed on TICA's tenancy database and this caused significant problems when looking for another tenancy. Isabel now rents slum premises directly from a private landlord.

She has decided that she can no longer take on the role of primary carer of her grandchildren, due to a history of exploitation and lack of suitable premises, leading to further family breakdown.

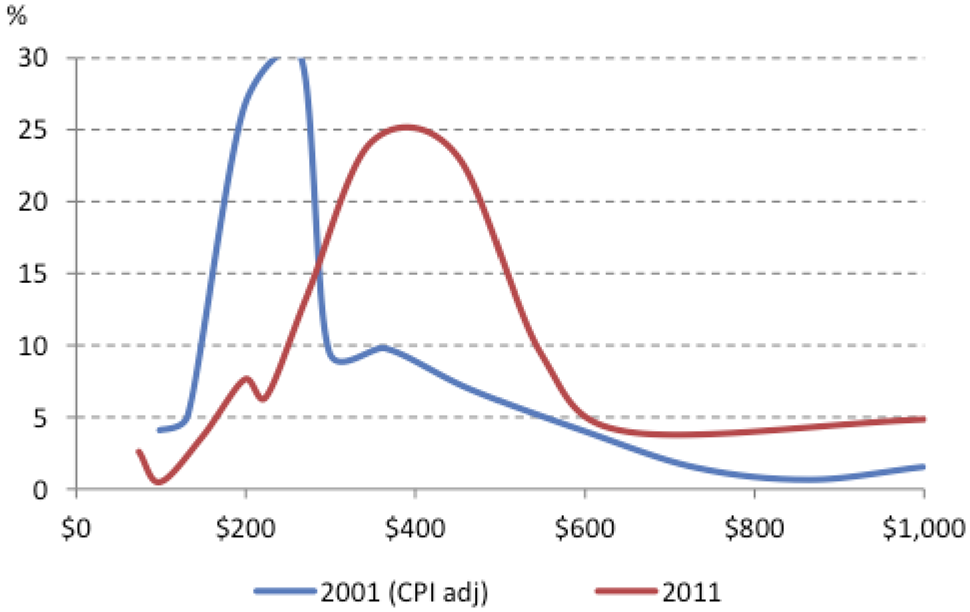
This is the unhappy story of long-term grandparent exploitation and unrealistic expectations of adult children problem shifting to their parents … and it is another variant of older women living in poverty.

6. Maria – loss of security and fear of the future

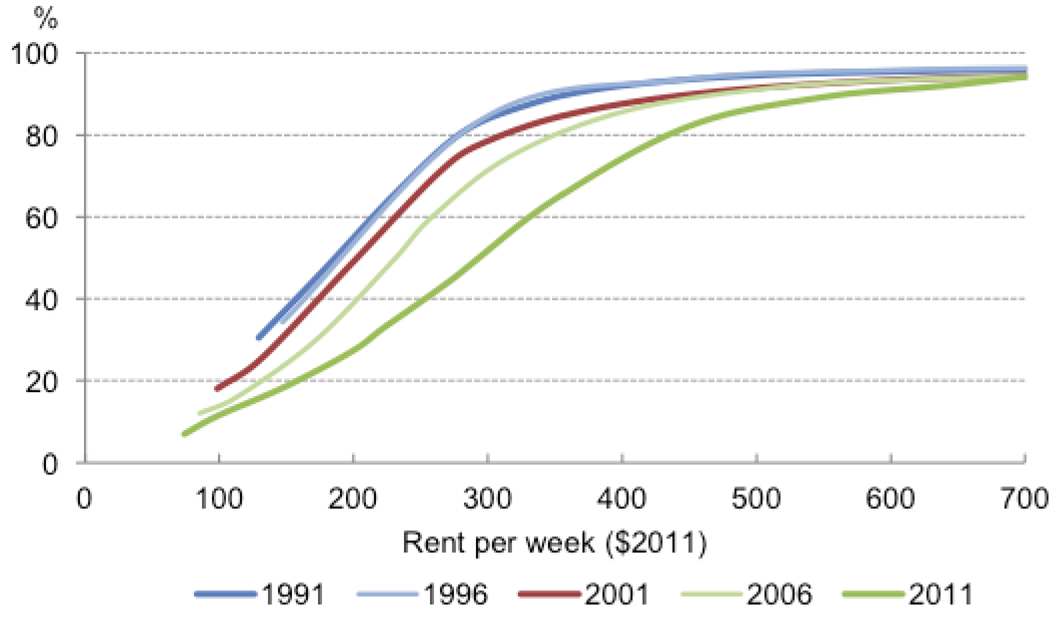
Maria is in her late 60s, lost her partner about 4 years ago to a divorce. Her partner kept the family home with a payout from super to the Maria... She is now living in a retirement village as a renter. The unit is on market and there have been multiple inspections for potential buyers. Maria was given a ‘notice of termination’ that was withdrawn by the village just before it expired. Maria had not been able to find reasonable alternative premises.

Maria is concerned about her long-term future and capacity to maintain independence. She plans to ultimately move in with one of her children. In conversations, she often talks about her loss of security and fear of the future.

Rent distribution ($2011)



Cumulative rent distribution ($2011)



Final Report

Peer Reviewed

Long-term private rental in a changing Australian private rental sector

authored by

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for the

Australian Housing and Urban Research Institute

Swinburne-Monash Research Centre

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ACRONYMS

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AHURI	Australian Housing and Urban Research Institute
CURFs	Confidentialised Unit Record Files
FaHCSIA	Australian Government Department of Families, Housing, Community Services and Indigenous Affairs
HILDA	Household, Income and Labour Dynamics in Australia Survey
IS	Income Support
NSW	New South Wales
NT	Northern Territory
PRS	Private Rental Sector
QLD	Queensland
SA	South Australia
SIH	Survey of Income and Housing (ABS)
SLA	Statistical Local Area
TAS	Tasmania
VIC	Victoria
WA	Western Australia

EXECUTIVE SUMMARY

This is the Final Report of an Australian Housing and Urban Research Institute (AHURI)-funded project which provides a comprehensive account of the characteristics of the contemporary private rental sector (PRS) in Australia, including changes in recent decades. The following three questions form the focus of the research:

1. How has the private rental sector, and characteristics of private renter households within it, changed over time?
2. Who rents long-term in the private rental sector (10 or more years) and how does longer-term rental feature in their housing pathways?
3. How does long-term private rental relate to economic, social, health and housing outcomes, including for potentially 'vulnerable' households, over time?

A multi-method research design was developed to investigate these questions:

- The first question was considered in depth in the earlier Positioning Paper from the research (Hulse et al. 2012). The Final Report updates this analysis to include data from the ABS Census of Population and Housing 2011, which was released subsequent to the analysis for the Positioning Paper. This has enabled (1) an analysis of trends in the PRS to 2011, in particular a comparison with 1981; and (2) a more detailed analysis of changes by state and territory.
- The second research question is addressed through the analysis of data from the ABS Survey of Income and Housing (2007–08), and a comparison with data from the ABS Renters Survey 1994, from which the phenomenon of long-term renting was first identified in Australia.
- The third research question is explored through analysis of household level data from the Household Income and Labour Dynamics in Australia (HILDA) panel data set for 2010 and with some comparison with 2001 data.

A summary of key findings is as follows:

National and jurisdictional change in the private rental sector to 2011

The private rental sector plays a critical and increasingly important role in the Australian housing system.

There has been sustained, long-term growth in the Australian private rental sector in recent decades; currently 23.4 per cent of all Australian households rent their housing, based on 2011 Census data. This comprises a total of 1 801 464 households.

The extent of private rental varies considerably between states and territories. Queensland and the ACT have the highest rates, with relatively low rates of private renting in Tasmania and South Australia.

Increases in the growth of the private rental sector are distributed unevenly jurisdictionally (being highest in Queensland and lowest in Tasmania).

While private renters are more likely than other households to live in apartments, there has been a growth in detached dwellings in the sector. Detailed analysis of one city (Melbourne) indicates that these dwellings are in outer areas, enabling some renters to access newer housing to meet their needs.

The demographic composition of PRS households has changed over time, with a growing proportion of one and two-parent families with dependent children and a relative decline in the proportion of single person households (although, given the sustained growth of 'living alone' in Australia, the numbers of single-person private renter households continue to grow). A large number, 727 012 households of private renter households, include dependent children (40.4%).

Overall rates of housing stress among private renters increased from 1981 to 2011. Data from the most recent Census in 2011 indicates that 62.6 per cent of long-term renters are in housing stress (with those in the lowest 40% of the income distribution paying more than 30% of income on regular rental payments) and that more than 20 per cent of low income long-term renters regularly pay more than half of their income on rent.

The incidence of long-term renting and characteristics of long-term renters

A third of all private renters are long-term renters (33.4%), defined as renting for periods of 10 years or more continuously, an increase from just over a quarter in 1994. This equates to 595 605 households, 45.5 per cent of whom are in the lowest 40 per cent of the Australian income distribution.

An increasing percentage of long-term renters are households with children (30.0% in 2007–08), largely due to the increase in single-parent households.

There appears to be an ageing effect, where increases in the middle-aged year cohorts living long-term in the private rental sector are working their way *up* to older aged renters. Hence, ageing within the PRS represents an emerging policy issue.

Long-term renters experience very high rates of housing stress relative to other tenure groups, but have lower rates of mobility compared with short- and medium-term renters (although rates of mobility among long-term renters remain almost double those of all households on average).

These findings indicate the need for a more nuanced understanding of how, and under what conditions, long-term renting works well for renters and which policy levers can best support this. Allied to this, it also indicates the need to develop effective and targeted responses to reduce the negative consequences of private rental (e.g. heightened levels of housing stress), including for those renting long-term.

Factors associated with long-term private renting

Long-term private renters, particularly those on lower incomes, all experience lower rates of satisfaction with their financial situation than do all private renters combined or homeowners.

Long-term renters' health is reported to be good on average, and is consistent with the health of those living in other housing tenures.

Relative to all households, long-term private renters have relatively similar rates of sociability and connectedness with friends and relatives, although they report significantly lower rates of satisfaction with feeling part of their local community than other private renters or other tenure groups overall.

The findings suggest that long-term private renting poses financial challenges for households and may be associated with a lower rate of feeling connected to community. However, on the positive side, health outcomes and social connectedness is no different to that of all renters, or households living in other tenures.

Policy implications and future research directions

Long-term private rental forms a growing and significant part of the experience of housing for many Australian households.

Long-term private renters now outnumber public housing renters.

A key issue is the extent of housing stress among long-term renters and the ways in which this affects their capacity to function well within the economy and the community.

Relatively low rates of mobility among long-term renters, relative to all private renters, may indicate that households are able to find some security in their occupancy, which may be associated with less formal parts of the sector not involving real estate agents or formal leases; warranting investigation.

Families with dependent children, particularly those headed by single parents, are likely to live in the private rental sector for longer periods of time and, in increasing proportions, into the future. There appears to be an age effect where large numbers of older middle-aged households are ageing 'in tenure' within the PRS. These two trends warrant policy responses to avoid potentially large increases in demand for housing and other assistance in this sector in the medium-term future.

An exploratory analysis of some of the factors associated with long-term private renting shows that this housing experience is adversely related to financial and social outcomes for some long-term renters, most notably lower-income households. Gaining a better understanding of the relationships between long-term renting and a host of determinants and outcomes is a critical avenue for future research if the various support and wellbeing needs of the diversity of households now living in the private rental sector long-term are to be adequately and appropriately addressed.

1 INTRODUCTION

The Australian private rental sector (PRS) has undergone fundamental changes in recent decades affecting the nature and experience of private rental demand and supply. These changes have come about due to market and regulatory changes in other parts of the Australian housing system (notably home purchase and social housing sectors) which in turn affect the private rental sector. They have also occurred as a result of shifts in the Australian society and economy more broadly (Hulse et al. 2012). Today, the place of the PRS within the Australian system, its character and circumstances, as well as the role it plays in the lives of tenants who occupy private rental housing, are significantly different than in previous decades.

1.1 Research questions

This is the Final Report of an Australian Housing and Urban Research Institute (AHURI)-funded project that conceptualises and documents the characteristics of the contemporary PRS and changes in this sector in recent decades. The research project addresses the following three overarching questions:

1. How has the private rental sector, and characteristics of private renter households within it, changed over time?
2. Who rents long-term in the private rental sector (10 or more years) and how does longer-term rental feature in their housing pathways?
3. How does long-term private rental relate to economic, social, health and housing outcomes, including for potentially ‘vulnerable’ households, over time?

The first publication from the research (Hulse et al. 2012) focused on the first of these research questions. It presented a detailed analysis and conceptualisation of the changing nature of the private rental sector and the demographic characteristics of tenants within it, representing the first major analysis of the sector since the 1980s (Paris 1984). In this, the second and final report from the research, we recap key findings from the Positioning Paper and extend these to provide a spatial account of PRS change over time based on the recently-released Australian Bureau of Statistics (ABS) 2011 Census data. The Final Report also addresses the second and third research questions as outlined above.

1.2 Research design and methods

A multi-method research design was developed to investigate the three research questions.

1. Research question 1 required analysis of a variety of data sources to compile a picture of the PRS as it has changed between 1981 and 2011.
   - → A variety of data sources was used for the analysis presented in the Positioning Paper (Hulse et al. 2012). These included the ABC Census of Population and Housing (various years); ABS migration data; ABS housing finance data; ABS Survey of Income and Housing (various years), and specific data for Victoria as a worked example of changes in the PRS.
   - → For this report, additional analysis of data from the ABS Census of Population and Housing 2011 (not available at the time of analysis for the Positioning Paper) was undertaken to enable: (1) analysis of trends in the PRS to 2011, in particular a comparison with 1981; and (2) more detailed analysis of changes by state and territory.
2. Research question 2 was addressed primarily through the analysis of data from the ABS Survey of Income and Housing (2007–08), and a comparison with data from the ABS

Rental Tenants Survey 1994, from which the phenomenon of long-term renting was first identified in Australia.

3. Research question 3 involved an exploratory analysis of household level data from the Household Income and Labour Dynamics in Australia (HILDA) panel data set for 2010 and with some comparison with 2001 data.

Further detail on these data sets is given in Appendix 1.

1.3 Structure of the report

This Final Report is structured in three main substantive parts (Chapters 2 to 4) and a concluding discussion. Following this Introduction:

- Chapter 2 recaps the main findings of our analysis of the changing nature of the private rental sector over time as published in the project's Positioning Paper (Hulse et al. 2012). The analysis is extended to include a focus on the spatial disaggregation of private rental sector characteristics (across jurisdictions and within metropolitan sub-markets), as well as a discussion of the implications of changes in the private rental sector over time (1981–2011), for tenants. This chapter provides a stand-alone account of change over time in the PRS, and provides a context for the household level analysis that forms the major focus of the report.
- Chapter 3 turns attention to the experience of private tenants, focusing on housing pathways within the private rental sector and on long-term tenancies (10 years of more) specifically. Large-scale ABS survey data are used to document the extent of long-term tenancies in the contemporary PRS and select demographic and housing demographic characteristics of long-term renters. HILDA longitudinal survey data are used to explore select economic, social and health circumstances of households associated with long-term private rental.
- In Chapter 4 we discuss the significance of the findings presented in this paper for housing policy generally, as well as for policies geared towards supporting tenancies, including long-term private rental tenancies, more specifically.

2 THE CHANGING AUSTRALIAN PRIVATE RENTAL SECTOR AND ITS IMPLICATIONS FOR TENANTS

The characteristics of the Australian private rental sector (PRS) have changed markedly in recent decades, affecting the role of the PRS within the housing system as a whole as well as the experience of private renting for the growing number of Australian households who reside in this sector. In this chapter, we summarise key findings from our earlier detailed analysis of these changes over time (Hulse et al. 2012). Extending our earlier analysis, we also present new findings based on original analysis of the ABS 2011 Census data showing how trends in the PRS vary by state and territory jurisdictions across Australia and we consider the key implications of these temporal and spatial changes for tenants.

2.1 Changes and challenges in the Australian private rental sector

The Positioning Paper provided a comprehensive overview of changes in the nature, role and characteristics of the PRS in Australia between the early 1980s and 2006. It is summarised briefly here as context for the Final Report.

Most notably, in the Positioning Paper we describe how the PRS has increasingly changed from its historical role as a transitional sector for households moving into home ownership or social housing to a long-term sector for a significant number of households. There is a dual paradox in policy settings as a result of this. On the one hand, the PRS is a place to live for an increasing number of householders who require some stability in their housing circumstances so that they and their children have the same opportunities as the rest of the community. On the other hand, it is seen increasingly as an investment opportunity characterised by increasing volatility, such that the sector is more unstable and less likely to provide good housing outcomes. The related paradox is that while some of the public policy settings for the PRS have changed markedly since the early 1980s, others have changed little at all, and in many respects there is now a disjuncture between the role and performance of the PRS and many of the policy settings.

In terms of demand-side changes in the PRS in recent decades, we identified the following significant factors:

- Migration policy has added substantially to the number of households entering Australia, of which a large majority (70%) start out in private rental.
- The huge growth in international student numbers, with only a small proportion of their housing needs being met by educational institutions providing student housing.
- Additional households forming and renting housing for longer periods before having children, and re-forming due to separation and divorce.
- Greater female participation in the workforce, enabling more women to set up independent households.
- The inability of low-income households to access social housing as a result of the relative contraction in the size of the sector and greater targeting.

Supply-side changes we identified include:

- Sizeable growth in investment in the PRS fuelled by deregulation of the finance system, a favourable tax environment, and the growth of an investment industry soliciting residential rental investment.
- A growing focus of rental investment on the purchase of established dwellings rather than new stock, arguably fuelling dwelling price inflation and reducing affordability of home purchase, which in turn generates more rental demand.

- A focus on rental investment at the higher end of the market such that, despite the huge growth in investment, there are absolute shortages of lower-cost rental housing in most metropolitan markets and some regional areas, exacerbated by many such dwellings being occupied by higher-income households.
- A movement of the more affordable PRS supply from the inner city to outer urban areas which, on the positive side, helps break up the mono-tenure in these areas and enables access by households who cannot afford to buy there. On the negative side, these areas often rate poorly in terms of public transport and access to services, leading to dependence on private vehicles, with greater risks from rising petrol prices and running costs.

A key theme we explored is how the rental sector is increasingly being understood more as an investment sector and less as a home for renters, with policy much more focused on the investment side than with creating a secure and stable living environment for tenants.

While there has been a huge increase in the amount of private rental investment, this appears to have taken the form of investment widening rather than deepening. It has brought many more single dwelling investors into the market rather than facilitating existing investors buying larger property portfolios. In this sense, the investment pattern has built on the tradition of small-scale ownership that existed before the investment boom, rather than bringing about a new investment pattern.

It is also clear that more and more of the investment is premised on assumptions of capital gain, for the long-term trends in yields have been down and in 2011 were well below that available from fixed deposits in the banks. This raises issues of: (a) the sustainability of investment for many investors if there is not continued capital gain; and (b) the implications for tenants as capturing capital gain requires the sale of property and this can result in the loss of tenancy.

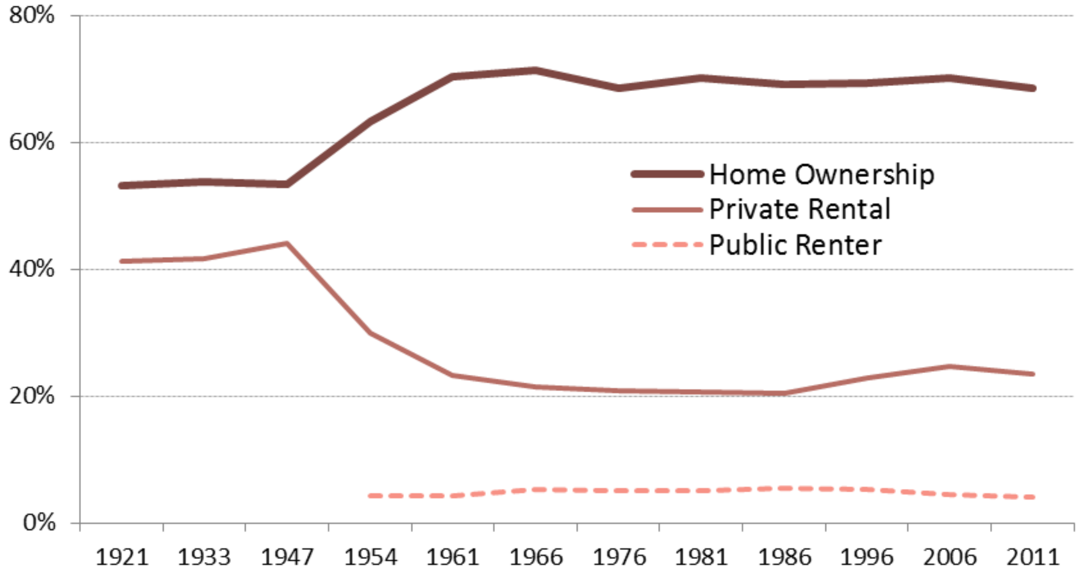
In short, our earlier paper identified and explored the tension between the roles of the PRS as an investment sector and as a long-term place of residence for tenants. In this, the Final Report for the project, it is the second of these aspects we focus on.

2.2 Size of the private rental sector nationally and by jurisdiction

In this section we examine overall trends in the proportion of occupied dwellings in the private rental sector before examining some key interactions between household types, dwelling types and the location of private rental throughout the 1981–2011 period. We also assess changes in the affordability of private rental housing and mobility over time, and across state and territory jurisdictions. The year 1981 was selected as this was arguably the last census of the post-war modernist Australia prior to market liberal reforms that have fundamentally reshaped markets, including housing markets, over the last thirty years. This was documented in the Positioning Paper and included the deregulation of housing finance (Hulse et al. 2012).

First, however, we put changes in the PRS in an even longer context. As illustrated in Figure 1 below, private renting declined steadily from 44 per cent of all occupied dwellings in 1947 to a low of 22 per cent in 1981; after which the PRS appears to have traced a slow but steady growth. Taken in this historical context, the significance of an apparent reversal of overall decline in the private rental sector from the post-war period to the late 1970s becomes apparent. In 1986, the proportion of privately rented occupied dwellings was 24.4 per cent, further increasing to 24.5 per cent of occupied dwellings in 2006, and remaining high at almost a quarter (23.4%) of all occupied dwellings in the most recent 2011 Census period. At the same time, there has been a decrease in the proportion of occupied dwellings in each of the homeownership and, more significantly, public rental housing sectors.[1]

Figure 1: Occupied private dwellings, nature of occupancy 1921–2011



Source: Based on ABS *Census of Population and Housing*, respective years

The rates shown in Figure 1 above are national. However, by focusing on the PRS specifically, we find that, in the overall size of the private rental sector as a proportion of housing between the states and territories, there are clear differences, as shown in Table 1 below.

The state/territory with the highest overall proportion of privately-rented occupied dwellings at the time of the most recent Census in 2011 is Queensland. Leaving aside for the moment the Northern Territory, which exhibits markedly different trends to other jurisdictions, we see that the rates of private rental in each of New South Wales (24.0%) and Victoria (22.6%) are close to the national average (23.4%). In order of highest to lowest, the private rental sector in the ACT and Western Australia follow fairly closely in overall size in 2011, ahead of South Australia and Tasmania, states with noticeably smaller private rental sectors.

All states (with the exception of Western Australia) also experienced growth in the relative size of the PRS throughout the 1981–2011 period, as shown in Table 1 (absolute numbers and market share) and Figure 2 (percentage growth) below. Queensland experienced the highest rates of growth in the number of privately rented occupied dwellings between 1981 and 2011 (26.9%), a period in which the proportion of privately rented occupied dwellings increased by 3.1 per cent from 20.3 per cent to 23.4 per cent nationally. The next highest increase in privately rented occupied dwellings in the 1981–2011 period is found in the ACT, in which a sizeable percentage increase is evident. As also shown in Table 1, a clear outlier in overall figures is seen in the Northern Territory, in which there is an overall decline in privately rented occupied dwellings as a proportion of all occupied dwellings (discussed below).

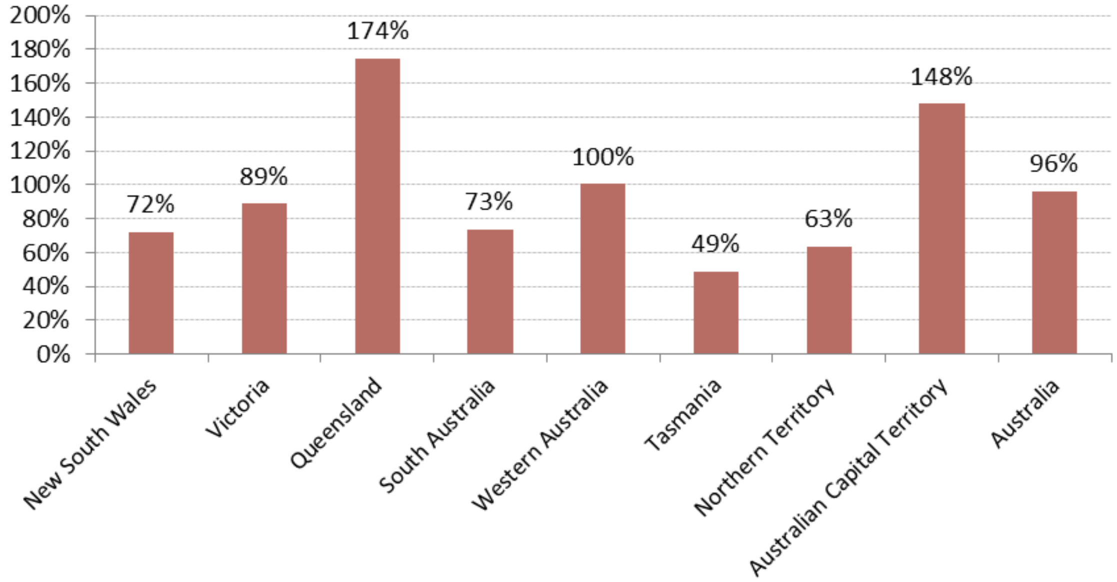
[1] Some of the increase documented in the proportion of occupied dwellings in the private rental sector over time may be due to the greater ability of the ABS to clarify the status of ‘other’ households.

Table 1: Households occupying private dwellings in the PRS by state and territory, Australia, 1981 and 2011

	1981		2011	
	Households	Per cent	Households	Per cent
New South Wales	339,061	21.1%	584,020	24.0%
Victoria	228,706	19.0%	431,520	22.6%
Queensland	151,523	22.4%	415,588	26.9%
South Australia	67,603	15.9%	117,282	19.2%
Western Australia	87,318	22.1%	175,046	22.0%
Tasmania	23,900	18.1%	35,584	18.7%
Northern Territory	8,854	33.9%	14,469	22.6%
Australian Capital Territory	11,285	16.7%	27,955	21.6%
Australia	**918,250**	**20.3%**	**1,801,464**	**23.4%**

Source: Based on ABS *Census of Population and Housing*, respective years

Figure 2: Percentage growth in the private rental sector by state and territory 1981–2011



Source: ABS *Census of Population and Housing* 2011

Growth in the PRS has to be seen in the context of the growth in other tenures. For example, the PRS in Western Australia grew by 100 per cent (Figure 2) but, as other tenures grew even more rapidly, the private rental sector has actually contracted slightly in percentage terms. New South Wales and Victoria grew less rapidly (72% and 89% respectively) but with the size of the private rental sector getting larger as other tenures grew more slowly. Tasmania had the lowest percentage of households living in private rental in 2011 (18.7%) and the relative size of the sector has remained more or less unchanged over time. The two territories have traced divergent paths with the Northern Territory PRS declining in size from 33.9 per cent to 22.6 per cent while the ACT has increased from 16.7 per cent to 21.6 per cent. In comparison, the private rental sector increased by 3.1 percentage points nationally between 1981 and 2011.

What explains these differences is not clear. One possible explanation is the changing affordability of home purchase, but states with the highest dwelling prices in 2011 (New South Wales, Victoria and Western Australia) did not have the biggest increase in private rental and, in the case of Western Australia, the PRS declined. Another explanation lies in the different patterns of urban settlement and interstate and international mobility. Unlike the other states where the capital cities dominate the economies, there are multiple relatively large urban areas in Queensland, including the Gold Coast, Cairns, Townsville, and Rockhampton, all of which are coastal and service relatively low paid industries, such as tourism and agriculture. These industries provide demand for the PRS in these locations as well as in Brisbane. The other related factor historically, although it has slowed in recent years, is that Queensland has attracted residents from the other states for the 'Queensland lifestyle'. While many are retirees and would have gone into home ownership, many were younger households who would have gone into private rental and not necessarily in Brisbane. Some were attracted to the other large regional cities either because of the employment and/or the lifestyle that these areas offer.

The contraction of the PRS in the Northern Territory probably reflects the maturation of the Northern Territory economy and Darwin as a capital city. For much of its history, Darwin was a frontier town attracting a highly mobile workforce with many having no long-term expectations of permanent residency. Over recent decades, the Darwin economy has expanded and diversified and thus more and more people move there intending to be long-term residents and, given the high relative incomes, many have the opportunity to purchase. Consequently, there appears to be less demand for PRS dwellings.

2.3 Household and dwelling types in the private rental sector

One of the major housing changes in Australia in the last decade (2001–11) has been the growth in multi-unit living, particularly in high rise apartments, reflecting planning deregulation, overlaid by new financial opportunities. In 1981 there were very few private high rise apartments in Australian cities but, by 2011, the urban skyline has been fundamentally altered by their growth. Given this, one hypothesis is that there would be a large increase in the growth of renter households living in multi-unit apartments. Surprisingly this has not been the case; with occupancy by renters of multi-unit buildings falling from 48.9 per cent in 1981 to 44.8 per cent in 2011 (see Table 2 below). By contrast, the number of renter households living in detached housing has increased. In 1981, 46.8 per cent of renter households lived in detached houses and by 2011 it was 54.5 per cent, a 7.7 percentage point increase amounting to 551 584 households. In other words, renters are less likely to live in multi-unit accommodation in 2011 than they were in 1981, despite the growth in multi-unit buildings.

Table 2: Occupied private dwellings by type, households living in private rental housing, 1981 and 2011

Dwelling structure	1981		2011	
	Households	% of total rental stock	Households	% of total rental stock
Separate house	429,828	46.8%	981,412	54.5%
Semi-detached, row/terrace, townhouse	69,404	7.6%	264,234	14.7%
Other medium density housing	349,218	38.0%	390,673	21.7%
Flat over three storeys	30,261	3.3%	150,467	8.4%
Other	23,597	2.6%	12,237	0.7%
Not stated	15,942	1.7%	2,441	0.1%
Total	**918,250**	**100%**	**1,801,467**	**100.0%**

Source: Based on ABS *Census of Population and Housing*, 1981, 2011

How do we explain what appears to be yet another paradox of private rental? The answer would appear to lie in the movement of renter households to the outer suburbs where detached and, to a lesser extent, town house dwelling is the dominant form and where apartments are much fewer. Why this is the case appears to be a combination of investors' business strategy of buying into detached dwellings where they have greater control (e.g. in not having to deal with a body corporate/owners corporation) and of a change in the composition of households renting privately. In particular, demand for detached and semi-detached dwellings in the PRS is driven by the growing proportion of families with children who rent privately.

There is an interesting trend in the relationship between household type and housing, or dwelling, type, when we consider changes in the PRS over time. While the overall trend in Australia's demographic growth has been to smaller family types (lone persons and couples with no children) and to contraction in the rate of growth of families with children, the opposite appears to hold for households living in private rental. Strikingly, of the 1 801 467 private renter households in Australia in 2011, 727 012 households or 40.4 per cent were family households, that is, couples with children or one-parent families, as shown in Table 3.

Table 3: Household composition of private rental households 1981, 2011

	1981		2011	
	Households	% of total rental stock	Households	% of total rental stock
Couple only	147,403	16.1%	365,353	20.3%
Couple with children	205,492	22.4%	439,602	24.4%
One-parent family	58,236	6.3%	287,410	16.0%
Other family	70,114	7.6%	36,566	2.0%
Group household	38,692	4.2%	188,501	10.5%
Lone person	371,012	40.4%	451,231	25.0%
Not classifiable/other	27,301	3.0%	32,804	1.8%
Total	**918,250**	**100%**	**1,801,467**	**100%**

Source: Based on ABS *Census of Population and Housing*, 1981, 2011

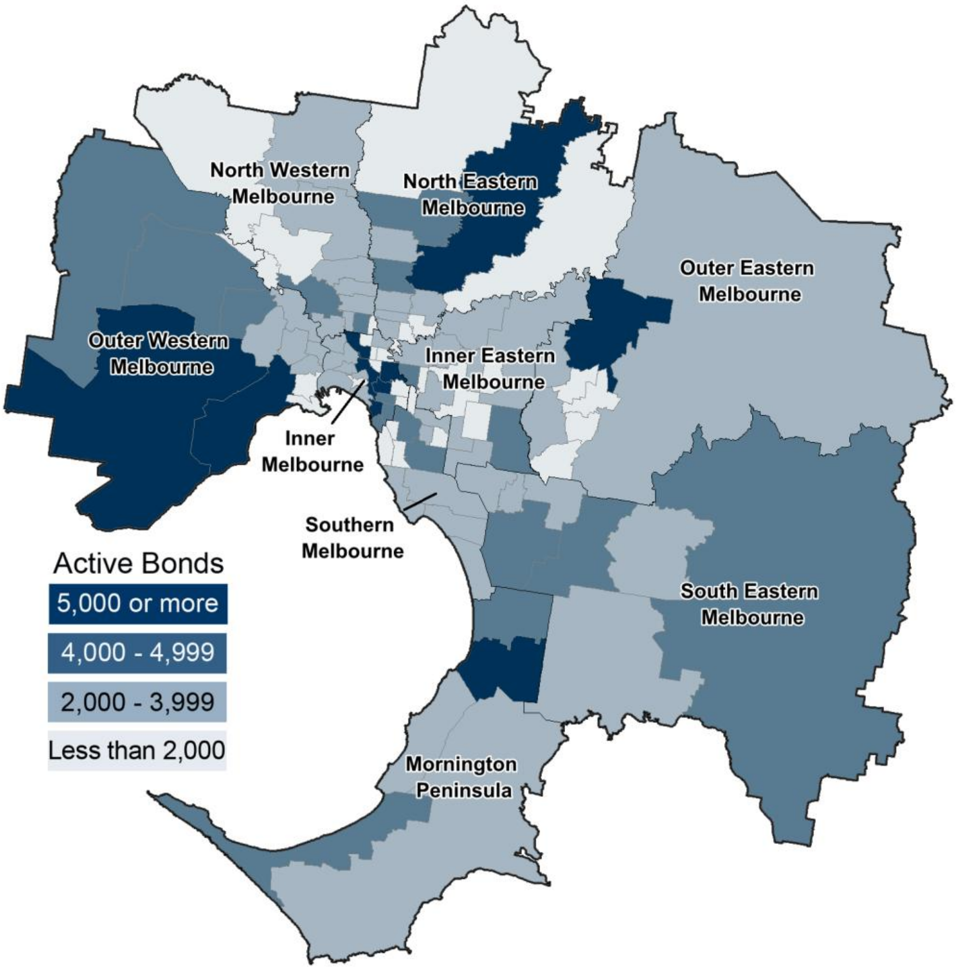
Note: Incudes visitor only households.

The composition of households living in private rental has implications for demand for certain types of dwellings. A family is more likely to require a larger house with at least three bedrooms whereas the 'traditional' demand for rental accommodation in 1981 came from singles and couples, who were able to live in a two-bedroom flat. With more families with children living in rental housing in 2011, they are more likely to move to outer areas where (a) there is a much larger stock of larger, detached dwellings and (b) the stock is relatively affordable because rents are lower than in more inner locations.

To meet this demand for detached dwellings, there has been investment in outer urban stock. The purchase of a single detached house on the fringes would appear to fit the investment strategy of many small investors. In the Positioning Paper for this project, we showed rates of return on investment in private rental and documented (in the case of Melbourne) how the rates of return in outer suburbs are much higher than for inner suburbs (Hulse et al. 2012, Section 3.6). For landlords interested in rates of return rather than capital gain as many small investors are (Seelig et al. 2009, p.27), it is not surprising that rental investment in these areas would become attractive. Indeed, investment magazines such as *Property Investor*, and a growing rental investment advisory sector constantly draw attention to these higher yield locations for investment as well as the need to buy a newer property where management costs are likely to be much less. Moreover, for many investors owning a property in the 'awareness space' of where they live is also attractive and most investors are likely to be residents of suburban areas of Australia (Seelig et al. 2009, p.32).

We augment these findings with a more detailed analysis of the spatial distribution of PRS housing in Melbourne, illustrated in Figure 3 below. Every time a new property is rented in Victoria, residential tenancy law requires the tenants to deposit a bond (up to the equivalent of a month's rent) with a Residential Tenancies Bond Authority. These data enable analysis of the number of 'active bonds', referring to bonds in each quarter for PRS tenancies. In the June quarter of 2012, the areas with the highest number of active bonds were outer urban locations, mainly in areas of new detached housing estates, together with some very small areas of inner Melbourne.

Figure 3: Number of 'active rental bonds', Melbourne, June Quarter 2012



Source: Based on Victorian Department of Human Services Rental Report June Quarter 2012

The converse of the trend to more families living in private rental is the reduction in lone persons living in the sector. This has fallen from 40.4 per cent (the largest single group in private rental) in 1981 to 25.0 per cent in 2011 (see Table 3 above). Lone people have now been replaced by couples with children as the largest household type in private rental. Explanation for this resonates with other AHURI research on housing affordability (Burke at al. 2011) which, using a residual income measure of affordability, showed that singles and childless couples have—for a given income—a much greater capacity to afford more in the housing market because, without children, they have more discretionary spending to potentially commit to housing costs. Growth in inner city high rise apartments (the bulk of the new stock) is fuelled in addition to landlord purchase by owner-occupier purchase rates greater than for conventional multi-unit housing (Randolph 2006, p.6). This would have been predominantly for singles and childless couples renting. One source of rental demand for inner city apartments has been group households, much of which is likely to have been fuelled by international students sharing inner city apartments.

These trends raise some important questions about the rental market. For example, is the private rental sector, with its inherent insecurity of occupancy, compared to that of most other developed countries (Hulse at al. 2012), the appropriate tenure for an increasing number of families with children? Does the nature of occupancy in the PRS create the appropriate conditions for good educational, health and personal wellbeing of children and their future employment opportunities, particularly when we factor in where much of the rental stock comprises detached dwellings in outer urban areas?

One of the other trends observed in the Positioning Paper was the greater number of renter households who were aged from in their 30s to mid-40s, along with those aged 45 and into their 50s. One obvious explanation of this is the 'ageing population' with the median age of an Australian household head increasing by two years from 47 years to 49 years between 1981 and 2011. However, the median age of the household head in the PRS increased much faster, from 32 years to 37 years during this period, as shown in Table 4 below. Hence, while the median age of private renters is younger than that of all households (37 years compared with 49 years), the rate of change toward older ages is more rapid in the PRS than across the housing system as a whole.

Table 4: Age composition of private rental households, 1981 and 2011

	1981	**2011**
% of households below the household income median	53.9%	52.9%
Median age of household head		
All households	47 years	49 years
Private rental households	32 years	37 years
Age ranges (all households)		
0–14	25.9%	19.9%
15–24	16.7%	13.3%
25–34	16.3%	13.8%
35–54	22.9%	28.2%
55–64	9.1%	11.8%
65 & above	9.0%	13.0%
Total	100%	100%
Persons	13,353,362	19,801,397
Age ranges (private rental households)		
0–14	24.8%	22.4%
15–24	25.7%	17.9%
25–34	23.9%	23.9%
35–54	16.6%	25.8%
55–64	4.5%	5.9%
65 & above	4.4%	4.1%
Total	100%	100%
Persons	2,273,140	4,547,000

Source: Based on ABS *Census of Population and Housing*, 1981, 2011

Notes: data from 1981 are based on 'other renter', data from 2011 are based on 'occupied private dwellings'. For this table, national figures only that include states but exclude territories.

In aggregate, the 25–54 age cohort accounted for 40.5 per cent of all private renter households in 1981, but 49.7 per cent in 2011. These are the age cohorts where one would expect households to move into home purchase, but many are remaining in private rental. This may lead to a lagged effect of more older renters, unless many of these households purchase later in their life course. It appears likely that a greater proportion of 65 age plus households will be in private rental in one to two decades time than is currently the case, and one could then expect that the rate of home ownership which has been stable for so long to decline. This is significant since over 65s typically have lower incomes as they withdraw from the workforce, and may face difficulties affording private rents. Not obtaining home ownership by retirement age in a context where ownership enables households to live on lower incomes in older age (Kemeny 1992) has significant policy and planning implications. The potential growth in aged renters represents a significant policy challenge in Australia.

Table 4 also suggests inconsistencies with the earlier data on the increased numbers of families with children living in private rental. The percentage of children aged zero to 14 in private rental has decreased from 24.8 per cent in 1981 to 22.4 per cent in 2011, which appears paradoxical given that there are more families with children in private rental. The explanation appears to be that, first, the 0–14-years age cohort is demographically less important generally, second, family sizes are getting smaller so that there may be more families in rental but the number of children in these families is less and, third, there has been a particular increase in the number of families in rental who are single parents, who tend to have fewer children living with them.

Using recent 2011 Census data, we also explore variation in these trends across states and territories.

Notwithstanding jurisdictional differences in the size of the PRS (discussed above), it appears that there is little difference between jurisdictions in the composition of households living in the sector, with the exception of the two territories. As shown in Table 5 below, there has been a decline in the percentage of private renter households in the territories who are families with children, contrasting with the increasing importance of this group of households to the PRS in the states. Northern Territory also has much larger percentages of group households in the PRS, perhaps because the defence force and other transitional work-based populations are disproportionate to the size of Canberra and Darwin. Of note is the high proportion of families with children living in the PRS in Queensland (42.4%) and New South Wales (41.2%) with high percentages also found in Tasmania (40.0%) and South Australia (39.6%).

Table 5: Households occupying private dwellings on a private rental basis by household type, states and territories, Australia, 1981 and 2011

	Families with children		Couples		Singles		Group households	
	1981	2011	1981	2011	1981	2011	1981	2011
New South Wales	28.3%	41.2%	16.0%	20.3%	40.7%	25.3%	4.5%	9.7%
Victoria	27.6%	36.4%	16.3%	20.8%	42.6%	27.2%	4.4%	12.1%
Queensland	31.0%	42.4%	15.2%	20.2%	34.9%	23.2%	4.2%	10.5%
South Australia	25.2%	39.6%	16.7%	18.3%	46.0%	28.8%	3.9%	10.1%
Western Australia	30.6%	41.0%	16.2%	21.1%	39.6%	24.3%	3.6%	10.1%
Tasmania	30.3%	40.0%	17.0%	17.4%	39.0%	31.8%	3.7%	8.6%
Northern Territory	38.6%	34.0%	16.6%	26.2%	28.5%	22.9%	2.0%	13.4%
ACT	27.9%	32.5%	16.5%	24.7%	46.1%	23.5%	2.9%	16.5%
Australia	**28.7%**	**40.0%**	**16.1%**	**20.4%**	**40.4%**	**25.5%**	**4.2%**	**10.7%**
Households	**263,728**	**708,086**	**147,403**	**360,885**	**371,012**	**451,227**	**38,692**	**188,499**

Source: Based on ABS *Census of Population and Housing*, 1981, 2011

All states (but not the territories) experienced a growth in the number of households living in detached dwellings, despite the growth of multi-unit housing, as indicated by Table 6 below. Interestingly, neither of the territories shared this pattern with a reduction in the percentages and numbers of private renter households in detached dwellings. One of the factors in which the territories differ from the states indicated above was the lower percentages of families with children in the rental sector compared to the states which would have reduced the demand for detached dwellings. The other explanation, however, is the much smaller housing markets of the territories, particularly compared to those of the mainland capital cities. The latter are so large that they have differentiated spatially into inner and outer submarkets, characterised by locational disadvantage, most notably with respect to public transport.

By contrast the smaller geographic area of Darwin and Canberra means that access to transport, jobs, services and facilities is not the same driver of housing markets (Canberra is a multi-nucleated city with dispersed labour markets). In the case of Canberra, better planning has meant multi-unit housing is dispersed across the city rather than concentrated in the inner city. Thus, rents in Darwin and Canberra reflect less distance from the CBD than the general amenity of an area of which access may only be one factor. This means that not all affordable rents are on the fringe and the less affordable in the inner area. Thus, households, including families with children, have more locational and dwelling choice and are not necessary constrained to move to outer urban detached housing.

Table 6: Percentage of private renter households living in detached housing, by state/territory, 1981 and 2011

	1981	2011
New South Wales	39.4%	44.8%
Victoria	45.1%	53.7%
Queensland	55.6%	61.2%
South Australia	49.0%	63.3%
Western Australia	56.1%	65.8%
Tasmania	59.5%	70.1%
Northern Territory	60.7%	44.9%
Australian Capital Territory	62.4%	46.1%
Australia	**46.8%**	**54.5%**
Total detached PR dwellings	**429,828**	**981,412**

Source: Based on ABS *Census of Population and Housing*, 1981, 2011

A further factor that distinguished the PRS in the states and territories is household income. Nationally the PRS comprises 53.4 per cent of households in the lowest 50 per cent of median household incomes.[2] The ACT, Tasmania and the Northern territory have smaller percentages of renter households in the lowest 50 per cent of the income range, while Western Australia and Queensland have much higher percentages, as shown in Table 7 below.

The scale of the difference suggests that the PRS has somewhat different functions with the territories, in particular catering for a more mobile professional workforce at one level and, at another, given the higher incomes of the territories, as a transitory sector prior to movement into home purchase. By contrast, the high proportion of lower incomes in Tasmania and South Australia suggests that it is becoming more of a long-term sector, notwithstanding the relative home purchase affordability of these two states.

[2] Note that the household income for all Australian households includes in the outright ownership tenure many households who are retired and on low incomes.

Table 7: Private renter households by quintile distribution of household income by state/territory, 2011

		Lowest quintile	2nd quintile	Lowest 50%	3rd quintile	Highest quintile	Total*
All households	Australia	20.0%	40.0%	50.0%	60.0%	80.0%	6,808,087
Renter households	New South Wales	17.6%	40.2%	52.3%	63.3%	82.8%	520,306
	Victoria	18.3%	41.5%	54.2%	65.6%	85.4%	381,541
	South Australia	17.0%	41.1%	54.5%	66.6%	87.4%	367,849
	Western Australia	22.5%	50.9%	64.6%	75.5%	92.0%	105,148
	Northern Territory	15.0%	35.3%	47.2%	58.8%	80.3%	151,599
	Queensland	28.9%	59.3%	72.1%	81.7%	94.7%	32,252
	Tasmania	6.7%	20.7%	31.8%	44.7%	74.5%	12,552
	ACT	5.4%	16.5%	26.9%	39.9%	69.2%	25,043
	Australia	17.7%	40.8%	53.4%	64.8%	84.8%	1,596,290*

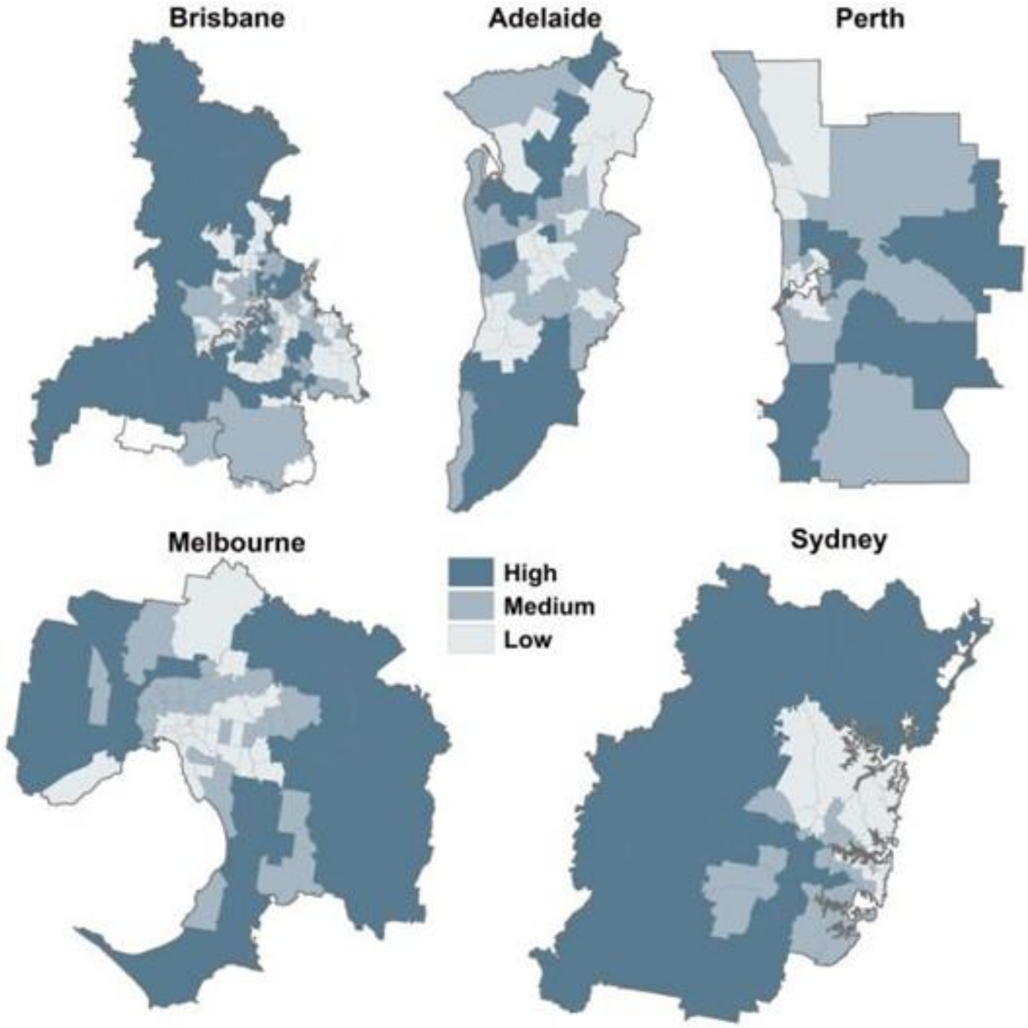
Source: Based on ABS *Census of Population and Housing*, 2011

* This number of households is lower than the total estimate shown in earlier tables as the following are excluded: households with 'negative income', those who have not stated their landlord rental type, and households with only partial income data (e.g. where only one party has provided an income estimate).

A further way of analysing the location of PRS stock across the mainland capitals is by designation as low, medium or high rent stock, as shown in Figure 4 below. The method was to calculate the median rent for each of the capital cities, and then calculate the percentage of properties below and above the median in each for each statistical local area (SLA). Each SLA is then categorised according to the percentage of those that have high, low or medium percentages of properties in relation to the city wide median. Thus in Figure 4, the dark blue areas have substantial percentages of properties below the median. Light blue areas have hardly any and the mid-blue areas have most of their properties around the median.

Figure 4 illustrates that, subject to the geographical variations of the respective cities, and with the probable exception of Adelaide, low cost rental properties are disproportionately in the outer suburbs and the urban fringes of the cities. This represents a fundamental restructuring of the rental housing system, the implications of which are not fully understood. It appears that these areas are likely to be future areas of spatial disadvantage problematic both for residents and the economic and social viabilities of the areas due to the poor transport accessibility of these areas; relatively lower employment opportunities; the over representation of families with children; and the fact that many households will be on lower incomes. (Further and more detailed analysis of the supply and availability of rental stock is being undertaken in AHURI project 'Changes in demand/supply for low-rent housing in the Australian private rental market, 2006–11 (51018)).

Figure 4: Spatial distribution of low, medium and high rent stock, mainland capital cities, 2011



Source: Based on ABS *Census of Population and Housing,* 2011

2.4 Housing affordability

In addition to problems of accessibility, there are also problems of affordability faced by households living in the PRS. There has been a great deal of AHURI-funded and other research into housing affordability over recent years (Yates & Gabriel 2006; Yates & Milligan 2007). Much of the media focus has been about home ownership, reflecting the tenure bias of much housing analysis in Australia, but the housing research indicates the severe affordability stress faced by private renters. While there are many ways in which affordability can be measured, including ratio and benchmark methods, a very simple one is the median rent to median income, which has been used here for the states and territories for 1981 and 2011, and which reveals as anticipated a sharp decline in affordability.

There are differences between jurisdictions in terms of rental affordability, reflecting the different role, and performance, of the rental markets. The differences are highlighted in Table 8 below, which indicates that rental affordability has declined variably by jurisdiction in the 30 years between 1981 and 2011. Lowest decline is seen in the ACT (5.6%) and the highest rates of decline are found in Tasmania (where the rent to income ratio declined by 12.0% in the period) and Northern Territory (which experienced a decline of 11.2%). As shown, New South Wales, Victoria, Queensland, South Australia and Western Australia all showed declines in affordability more close to the national average.

Table 8: Median rents as percentage of median income, states and territories 1981 and 2011

	1981			2011		
	Rent to income	**Rent**	**Income**	**Rent to income**	**Rent**	**Income**
New South Wales	21.6%	$61	$283	28.9%	$350	$1,211
Victoria	17.9%	$49	$273	25.6%	$300	$1,171
Queensland	19.5%	$51	$262	28.2%	$330	$1,170
South Australia	16.9%	$40	$237	26.7%	$260	$972
Western Australia	15.5%	$43	$278	24.6%	$330	$1,339
Tasmania	16.1%	$41	$255	28.1%	$235	$835
Northern Territory	12.3%	$51	$416	23.5%	$410	$1,741
Australian Capital Territory	16.9%	$65	$384	22.5%	$420	$1,870
Australia	**19.0%**	**$52**	**$274**	**26.9%**	**$320**	**$1,188**

Source: Based on ABS *Census of Population and Housing*, 1981, 2011

2.5 Housing mobility

Another well-documented characteristic of the private rental sector in Australia is its relative insecurity relative to other comparable systems and the associated high rates of voluntary and involuntary residential mobility experienced by tenants (Hulse et al. 2011).

Households in the PRS move much more often than households in other tenures. Using data from the ABS Survey of Income and Housing (2007–08), we find only 13.3 per cent of renter households had not moved in the past five years compared to 68.9 per cent for other tenures, as shown in Table 9 below. Along with the low rates of residential stability for private renter households overall, most notable are the high rates of heightened residential mobility among this group. For private renter households we find 13.5 per cent had moved five times or more in the same five-year term, compared to only 1.9 per cent for other tenures. The percentage of PRS households that had moved three or more times (still a very high, and potentially destabilising, rate of mobility) was 39.5 per cent compared to only 7.8 per cent for other tenures.

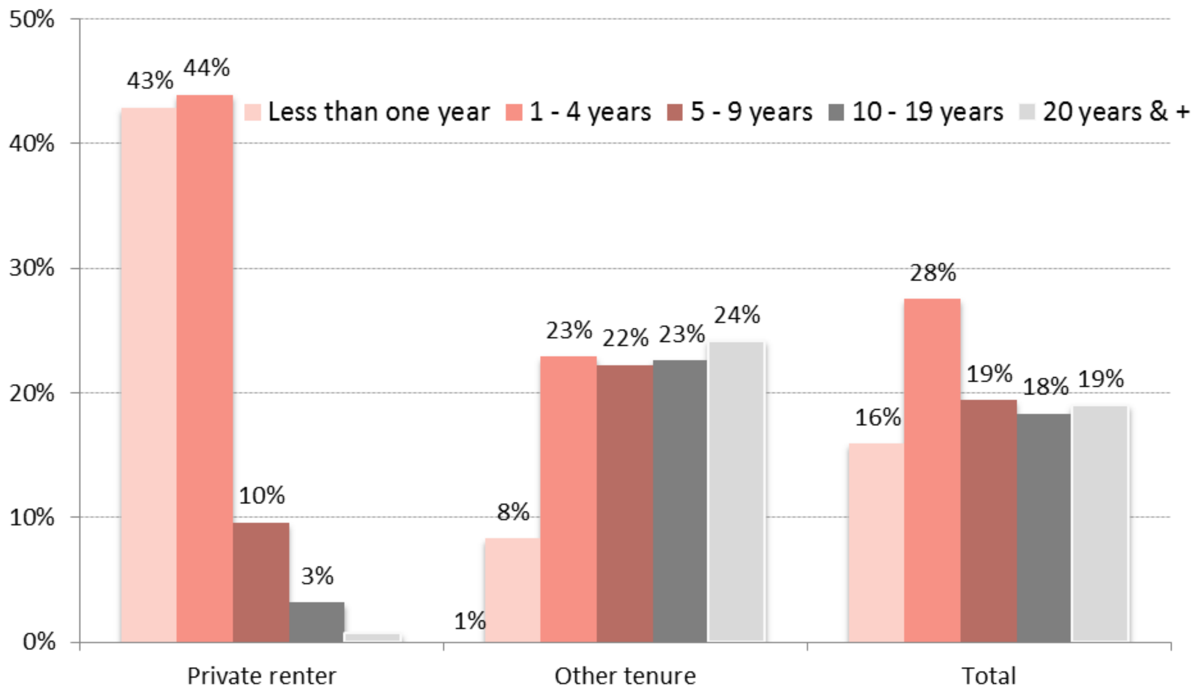
Table 9: Number of moves in the past five years showing private renters and other tenures, 2007–08

	Private renter		Other tenure		All tenure	
	households	**%**	**households**	**%**	**households**	**%**
Haven't moved	237,791	13.3%	4,335,837	68.9%	4,573,627	56.6%
One time	486,675	27.2%	1,055,676	16.8%	1,542,351	19.1%
Two times	292,009	16.3%	349,071	5.5%	641,080	7.9%
Three times	298,593	16.7%	261,888	4.2%	560,481	6.9%
Four times	166,457	9.3%	106,934	1.7%	273,392	3.4%
Five times or more	241,952	13.5%	121,902	1.9%	363,853	4.5%
Don't know	64,136	3.6%	61,751	1.0%	125,887	1.6%
Total	1,787,612	100%	6,293,060	100%	8,080,672	100%

Source: Based on ABS Survey of Income and Housing 2007–08

Looking at mobility in a different way, Figure 5 shows how long households have been living in their current dwelling. Consistent with the high mobility rates discussed above, 42.8 per cent of households had lived at their current address for less than a year; and 86.7 per cent had stayed less than four years. In comparison, only 8.2 per cent of those in other tenures had lived at their current address for less than a year and 31.1 per cent less than four years.

Figure 5: Households in the PRS and other tenures by length of residency in current property 2007–08



Source: Based on ABS Income and Housing Survey 2007–08

One of the major problems in estimating the performance of the private rental sector is assessing the degree to which the high rate of households' moves are made by choice or constraint, or somewhere on the spectrum in between. The ABS Survey of Income and Housing 2007–08 provides some ability to get a handle on this issue, but not at the household level. While households move, the individual members of the household might have different interpretations of why the move was made. In questions about reasons to move, the data takes the answer of the household reference person, that is, the adult that is Number 1 on the census enables analysis of the main reason for a move.

Table 10 below shows the reason for movement as defined by the household reference person and categorised into choice or constraint, although in some cases the allocations to categories is potentially ambiguous. For example, health reasons are categorised for the purpose of this study as constrained although a movement to a warmer climate for health reasons might also be seen as a lifestyle choice. However, given that they might not have made such a move if not for health problems, it is categorised as a constrained or involuntary move. Similarly, while all moves relating to wanting a bigger or better home were categorised as choice, it is likely that an element of this is a constrained decision about movers wanting to escape poor quality and/or unsuitable housing.

In the PRS, the percentage of constrained moves was much higher at 32.0 per cent in private rental than in other tenures (11.1%), as shown in Table 10 below. This highlights the lack of control of tenants in the PRS relative to other tenures. The single largest reason for all moves was 'notice given by landlord' some of which would have been for tenancy breaches but most, as indicated by other studies (e.g. Hulse et al.2011), simply the landlord wanting the tenant out for a variety of reasons. However, it is important to note that two-thirds of moves (68%) had a choice component including lifestyle change, getting married, being independent, followed by housing-related factors such as changing location for reasons other than employment.

Table 10: Reasons for household moves; private rental, other tenures 2007–08

Reason for move	Private rental	Other tenure
Forced housing move (evictions/affordability problems)	22.6%	4.6%
Forced wellbeing move (health/loss of job/ relationship issues)	9.4%	6.5%
Total constrained	***32.0%***	***11.1%***
Lifestyle choice	25.4%	10.0%
Housing choice bigger/smaller home/renovations/home purchase	19.4%	54.1%
Employment (closer to work/improve employment prospects/ got job	12.7%	6.6%
Locational (other than employment)	7.0%	6.8%
Other	3.5%	1.3%
Total	100%	100%
Households	1,549,821	1,957,223

Source: Based on ABS Survey of Income and Housing Survey 2007–08.

Note: The above table refers to 'those households who moved'. The data refers to the household reference person and not to households and thus totals will be slightly different to households' data.

2.6 Summary: implications of a changed private rental sector for tenants

Cumulatively, the broad scale changes that have occurred in the PRS since the 1980s have been substantial in many respects, with notable implications for the housing system as a whole, and for private rental tenants specifically. The context in which the private sector has changed as a place for tenants to live is one in which issues of access to private rental have intensified between the 1981 and 2011 period, as a result of decreased affordability of home purchase particularly for low to moderate income households (Hulse et al. 2010) as well as the ongoing contraction of public housing stock and the social housing sector overall.

Our detailed analysis of changes and challenges in the PRS in recent decades presented in the Positioning Paper (Hulse et al. 2012), and the expanded analysis above, indicate at least four key trends that also affect tenant experience.

- The first concerns overall affordability within the PRS. As shown above, private rental affordability relative to incomes has declined substantially in the period 1981–2011.
- Second, as documented elsewhere, the rates of forced and chosen mobility we have found among private renters relative to other tenure groups are high. In turn, this can result in a host of additional issues such as compromised access to schools, employment and services, as well as the expense and time involved in moving from one dwelling to another at sometimes high frequencies.
- Related to the previous point, rates of housing stability (no moves in previous five years) are low among private renter households relative to other tenure groups, and rates of

very high mobility (five or more moves in the same period) are concerningly high given the potentially destabilising effect of heightened mobility on resident wellbeing.

- Third, we find an interaction effect between changes in demographic groups living in the PRS in increased numbers throughout the period, their housing needs and the location of preferred housing. Most notably, we find an overall increase in the proportion of families with dependent children living in the PRS. Relative to singles and couple only households, this group occupies detached housing that is more affordable in outer metropolitan and urban fringe locations relative to inner city dwellings, where access to transport, services and employment can be heavily compromised.
- Fourth, findings suggest that the PRS is home to increasing numbers of late-middle aged households who are likely to age within the PRS, potentially for very lengthy periods of time.

Finally, we find that the above relationships are seen broadly across Australia, but that in some ways their distribution is uneven across state and territory jurisdictions and between capital city and ‘balance of state’ areas, indicating that state and territory policy platforms in the context of differential housing markets are important to the way these trends manifest around Australia.

3 LONG-TERM PRIVATE RENTAL TENANCIES

One of the most significant aspects of the findings discussed above and those set out in our earlier Positioning Paper (Hulse et al. 2012) is that the changes and challenges now associated with the PRS are likely to be experienced by greater numbers of more highly diverse households for longer periods of time than we have seen in recent Australian history. Added to this, based on existing knowledge about the significance of housing arrangements for the way households live, we would expect that 'long-term renting', defined as renting for 10 years or more, is in turn likely to have a host of significant flow-on effects for residents of the households involved, including adults and dependent children (see McDonald & Merlo 2002), about which little is known. We can further hypothesise that lower and middle income tenants are likely to be particularly vulnerable to the potentially negative effects associated with living in the PRS long-term given their relative 'constraint' about alternative housing choices (see e.g. Yates & Milligan 2007; Burke & Pinnegar 2007; Hulse et al. 2011).

3.1 Incidence and increase of long-term private renting in Australia

While long-term private rental tenancies represent an area of increasing policy interest, no recent Australian analysis has been undertaken about the extent or nature of long-term renting in the PRS, about which households are most likely to rent long-term, nor about the implications of long-term renting for various facets of residents' lives. To address this knowledge gap, in this section we draw on a recent ABS Survey of Income and Housing data (2007–08) to provide estimates of long-term private renting in Australia and to examine the demographic characteristics and select housing circumstances of long-term private renters compared with other private renter groups.[3] We supplement this with an analysis of select wellbeing indicators of long-term renters based on an analysis of Waves 1 to 10 of the Household Income and Labour Dynamics in Australia (HILDA) Survey.

To begin, however, we focus on the important question of whether there has been an increase in the overall incidence of long-term private renting in recent decades, by comparing the incidence and nature of long-term renting today with findings of the only existing analysis of long-term renting undertaken in Australia in 1997 and 1998 based on 1994 survey data (Wulff 1997; Wulff & Maher 1998).

Based on the original analysis of the ABS Rental Tenants Survey undertaken in 1994, Wulff (1997) and Wulff and Maher (1998) undertook the first detailed analysis of long-term private renting in Australia. The authors had three aims. These were to operationalise and examine the concepts of 'short-term' and 'long-term' with regard to private rental; to expand understandings of 'long-term' private rental tenancies; and to examine the demographic and housing differences between short-term and long-term private renters and their relationship to the conceptualisation of housing pathways as 'upward and downward' steps on the housing ladder (see Kendig et al. 1987; Maher & Burke 1991).

Using the 1994 ABS Rental Tenants Survey, groups of renters were defined based on their duration of rental and whether or not the private rental was continuous since leaving the parental home. Short-term renters (one to four years) and medium-term renters (five to 10 years) were based on duration alone, with long-term renters (those having rented for more

[3] The ABS survey of income and housing was conducted throughout the 2007–08 financial year. A total of 9345 households were surveyed which, once weighted, account for 8 080 672 households. The 2007–08 survey rather than the 2009–10 survey was used for the purposes of this analysis due to the more extensive capacity to analyse the length of renting (e.g. length of tenancy in current dwelling).

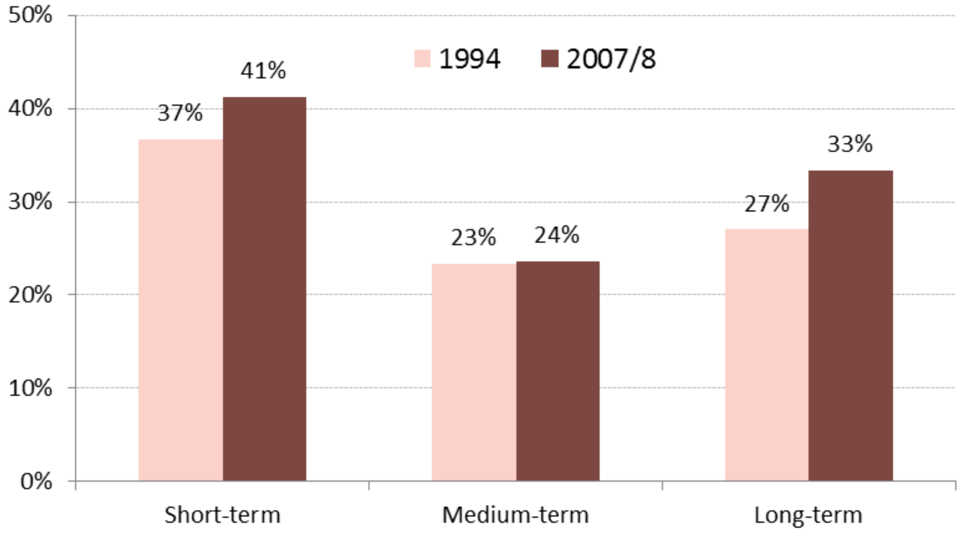
than 10 years) further disaggregated into 'continual' and 'returner' groups. Taken together, long-term renters were found to number more than 40 per cent of the overall private renter group, with 27 per cent of these having rented continuously since leaving the parental home. Describing the overall significance of long-term private rental in Australia, Wulff concluded that 'long-term renting is a larger and more important component of the entire rental market than previous research implies. Consequently, at least in terms of sheer size, descriptions of long-term renting as 'marginal' are clearly inaccurate' (Wulff 1997, p.89).

A significant question for contemporary policy-makers is whether these figures have increased in the intervening years. Figure 6, below, shows current rates of long-term private renting, medium-term renting and short-term renting and compares these with published accounts of the incidence of private renting in 1994 based on the ABS Tenants' Survey data (Wulff 1997; Wulff & Maher 1998). Two aspects of the findings are most notable. First, as we can see, in both the mid-1990s and at 2007–08, long-term renters form a large proportion of the overall private renting population. Focusing on contemporary data, we have found that just over a third—33.4 per cent—of all private renter households are long-term renters who have been living within the private rental tenure continuously for 10 years or more. A slightly larger proportion of private renters are short-term, who have been renting for between zero and five years (41.2%), with a smaller proportion having rented privately for between five and nine years (23.6%).

This finding supports the earlier finding of Wulff and Maher (1998) that long-term private renting comprises a large and significant proportion of the overall private rental sector. That over a third of all private rental households have resided in the sector continuously for 10 years or more indicates that private rental is far from a residual tenure for many households, and that indeed private rental forms part of a normative housing experience for large numbers of Australian households.

A second key finding is that, as we have predicted, the proportion of long-term private renters has increased over time, with a 6.4 percentage point increase found between the 1994 data and our analysis of 2007–08 data, that is, from 27 per cent to 33.4 per cent. It is important to note that differences in the way the data are collected and data sets structured in each case make it difficult to make precise comparisons between the two time points. However, given the size of the increase we find, we suggest that these differences cannot be accounted for by methodological differences at the two time points alone, and represent a substantial and real increase in the overall size of long-term renters within the private rental sector.

Figure 6: Incidence of long-term private renting 1994–2007/08



Source: 1994 ABS Rental Tenants Survey (Wulff 1997; Wulff & Maher 1998); ABS *SIH 2007–08* (original)

Using the same data, we are also able to provide accurate estimates about the proportion of long-term private renters in the population more broadly and—importantly—the overall size of the population who rent privately long-term. Focusing on the private renter groups by length of tenure, we can see that short-term private renters (renting for continuous periods of less than five years at the time of the survey) account for almost 10 per cent of all households (9.1%), that medium-term renters account for just over 5 per cent of all households (5.2%) and that long-term private renters comprise 7.4 per cent of all Australian households. Considering what these figures mean in terms of actual quantity, these percentages indicate that close to 600 000 households rent long-term in the PRS, a total of 596 605 households. The size of this group is larger than all public renter households combined who comprised 4.5 per cent of households or 365 057 households in the overall population at the 2007–08 period, using the same weighted data source, although there is a greater diversity of household types and incomes among long-term private renters.

Table 11: Proportion and number of long-term private renters in Australia compared with other tenure groups

Tenure		Households	%
Owner without a mortgage		2,672,719	33.1%
Owner with a mortgage		2,840,164	35.1%
Private renter	Short-term private renter	736,336	9.1%
	Medium-term private renter	422,598	5.2%
	Long-term private renter	596,605	7.4%
	NA*	32,073	0.4%
	Private renters	*1,787,612*	*22.1%*
Public renter		365,057	4.5%
Other renter		251,157	3.1%
Other		163,963	2.0%
Total		8,080,672	100%

Source: ABS *SIH 2007–08* (original analysis).
* Undefined type of landlord in survey data.
Note: Table uses weighted data.

Of particular interest is whether long-term renters are choosing to live in the PRS long-term or whether long-term private renters are constrained to do so. We use ‘low income’ as a proxy to indicate constraint.

Using this approach, Table 12 below presents data showing the overall size of the low income private-renter group compared with households with higher income levels. As shown, 45.5 per cent of all long-term renters, or 271 421 households have household incomes in the lowest 40 per cent of the income distribution (based on gross household equivalised income). Low income households are marginally over-represented in the long-term renter population, forming 45.5 per cent of the long-term renter group. Low income-private renters comprise 15.2 per cent of all private renters, and account for 3.4 per cent of all Australian households. These figures alone suggest that a substantial proportion of long-term private renters live in the private rental sector for lengthy periods due to limited choice about their housing careers—approaching half of all long-term private renters fall into this category.

The findings also suggest that another large number of long-term renters may do so due to choices they make in their housing pathways and are not constrained to do so due to finances. Household strategies and priorities around longer term renting including a detailed account of the demographic characteristics of long-term renters who rent by ‘choice’ and ‘constraint’, represents an area requiring further research.

Table 12: Numbers of low income long-term and other private renters in Australia compared with other tenure groups

		Lowest 40%	Highest 60%	Total	Households
Owner without a mortgage		54.4%	45.6%	100%	2,672,719
Owner with a mortgage		20.6%	79.4%	100%	2,840,164
Private renter	Short-term private renter	29.4%	70.6%	100%	736,336
	Medium-term private renter	31.3%	68.7%	100%	422,598
	Long-term private renter	45.5%	54.5%	100%	596,605
	NA	51.9%	48.1%	100%	32,073
Private renter		35.6%	64.4%	100%	1,787,612
Public renter		92.3%	7.7%	100%	365,057
Other renter		48.1%	51.9%	100%	251,157
Other		59.8%	40.2%	100%	163,963
Total		40.0%	60.0%	100%	8,080,672
Households		3,232,129	4,848,544	8,080,672	

Source: ABS *SIH 2007–08* (original analysis).

3.2 Select demographic characteristics of long-term private renters

We are also interested in the question of who rents long-term and whether the demographic characteristics of the long-term private rental population have changed over time.

Using population estimates based on the ABS Survey of Income and Housing (SIH) (2007–08) data, Table 13 below presents data about select demographic characteristics of long-term renters relative to medium and shorter-term renters in the PRS. Beginning with household composition and family type, we see first that exactly one-third of all long-term private renter households were headed by a single person (33.3%). This large proportion of households represents a substantial increase since the time of the earlier long-term private rental study and is explained in part by overall growth in the proportion of single person households in Australia in recent decades (de Vaus & Richardson 2009). This increase has occurred despite the fact that the overall proportion of private renters who are single-person households has declined in the same period, as discussed in Chapter 2.

One of the trends we documented at Chapter 1, above, is the overall increase in particular family types with dependent children seen between 1981 and 2011, most notably single-parent headed families. Analysis of SIH data shows how this trend manifests among long-term renters. As shown, a large proportion of long-term private renter households comprise families with dependent children. Couples with dependent/s comprise 19.7 per cent of all long-term private renter households, with a further 10.3 per cent of long-term private renters consisting of single-parent family households. Combined, these figures indicate that close to a third (30.0%) of all long-term private renter households include dependent children, raising questions about the overall adequacy, quality and housing and household experience for children, many of whom are likely to spend significant periods of their formative years living in the PRS.

The relatively high proportion of 'other family' and 'group household' categories accommodated in the private rental system, including long-term for periods of 10 years or more, is interesting in itself. While we would expect a relatively large proportion of group households to reside in the PRS, the incidence of 'other' families may indicate that families are co-residing and/or across generations possibly in greater numbers than has been the case in recent decades.[4]

[4] In these data 'other families' include those in which relatives (beyond nuclear families involving dependent children) live together (e.g. adult siblings renting together or elderly parents living with their adult children and grandchildren).

Table 13: Select demographic characteristics of long-term and other private renters in Australia (2007–08)

		Private renters			Private renters*	All households
		Short	**Medium**	**Long**		
Household type	Single	26.6%	23.7%	33.3%	28.3%	24.8%
	Couple	20.0%	20.0%	13.7%	17.8%	26.5%
	Couple with dependents	18.8%	18.4%	19.7%	19.1%	22.0%
	Single with dependents	6.8%	9.1%	10.3%	8.4%	4.8%
	Other family	14.6%	14.5%	18.5%	16.0%	18.6%
	Group households	13.2%	14.2%	4.5%	10.3%	3.2%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*
Age	Under 30	47.8%	41.6%	7.8%	32.8%	11.7%
	30–44	33.6%	38.7%	48.3%	39.6%	29.9%
	45–64	14.1%	14.3%	30.2%	19.8%	29.9%
	65 & above	4.5%	5.4%	13.7%	7.9%	28.6%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*
Year of arrival	Born in Australia	59.9%	65.1%	70.2%	64.6%	69.3%
	Arrived 1985 and before	7.4%	6.8%	15.3%	9.9%	18.0%
	Arrived 1986–1995	4.7%	5.2%	9.2%	6.2%	5.5%
	Arrived 1996 and later	28.0%	22.9%	5.3%	19.2%	7.2%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*
Equivalised household income quintiles	Quintile 1—Low	10.9%	11.9%	20.7%	14.6%	20.0%
	Quintile 2	18.5%	19.4%	24.8%	21.0%	20.0%
	Quintile 3	22.8%	24.5%	23.8%	23.4%	20.0%
	Quintile 4	25.8%	23.7%	18.2%	22.6%	20.0%
	Quintile 5—High	22.0%	20.5%	12.5%	18.4%	20.0%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*
Principal source of current household income (2007–08 basis)	Household has zero or negative income	1.0%	0.1%	0.9%	0.8%	0.5%
	Wage and salary	78.1%	75.7%	65.4%	73.0%	61.5%
	Own unincorporated business income	4.0%	5.4%	4.5%	4.5%	5.8%
	Government pensions and allowances	9.9%	15.1%	26.3%	16.8%	23.1%
	Other income	7.1%	3.7%	3.0%	4.9%	9.1%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*

Source: ABS *SIH 2007–08* (original analysis)

Turning now to the age structure of the long-term private renter population, as we discussed above, increases in overall proportions of private renter households in Australia have been unevenly distributed across age groups and generational cohorts. Similarly, analysis of the

ABS 2007–08 data indicates clear differences in the proportion of long-term and shorter terms of private rental according to age group. Not surprisingly, those aged under 30 tend to have rented privately continuously for short periods only, consistent with both the known dynamism of this period in the life course, as well as the relatively short amount of time this group has yet had to become either medium- or long-term renters.

Of most interest perhaps, are the relatively high proportions of those aged 30–44 years and 45–64 years who report having continuously rented privately for 10 years or more. As shown, close to half of all long-term private renters are aged 30–44 years (48.3%), with a further 30.2 per cent aged 45–64 years of age. A further trend identified in our analysis at Chapter 1 and presented in Hulse et al. (2012) is the ageing of the private rental population. Our analysis of long-term renting specifically indicates that households headed by those aged 65 years and over are certainly over-represented among long-term private renters relative to the size of this age cohort residing in the PRS overall.

The age group of long-term renters is important. If these large numbers of long-term renters aged 45 years and over remain in the sector (i.e. not able to, or choosing to buy), they could swell the number of long-term renters in the 65 years and above category quite substantially in the coming decades. These numbers represent a potentially large policy problem for future years, whereby a large-scale policy support response to respond to increased numbers of aged persons renting privately well into old age may be required.

The economic circumstances of long-term renters relative to all private renter households and all households, is important as an indicator of relative choice or constraint, as mentioned earlier. Table 13 above presents data for length of continuous private rental, and all private renter households, by income quintile based on analysis of gross equivalised household income quintiles. It shows that those in quintile 1 comprise households in the lowest 20 per cent of the income spectrum, and those in quintile 5 comprise the highest income households. Focusing on households in quintiles 1 and 2—those households in the lowest 40 per cent of income distribution, we see a clear pattern with regard to long-term renting. It is also of interest to consider the circumstance of households in quintile 3—the middle income group. Interestingly, we again find slight over-representations of this group among both medium- and long-term renter groups relative to the proportion of this income group living in the PRS overall. Given trends in the affordability of homeownership, it is likely that a proportion of this middle income group also experiences some of the lock out effect from homeownership that we expect among lower income quintile groups.

We find a clear relationship not only between income level and propensity for households to rent long-term in the private sector, but also between long-term private rental and primary income source within households. Focusing on short-, medium- and long-term renter groups, there is a clear pattern whereby households who rely on income support as their primary source of income are more likely to rent long-term rather than for shorter periods in the PRS. The proportion of households reliant upon government pensions and allowances as their main source of household income is over-represented in the long-term renter population, with more than a quarter of long-term private renters dependent upon government income support as a primary income source.

Noteworthy, too, is the high proportion of households whose main source of income is wages or salaries who also live long-term in the PRS. Putting these data together with the income data presented in the preceding table, there is an indication that a sizeable proportion of long-term renters rely on wages/salary as the primary source of income, and yet are marginally attached to the workforce, with household incomes in the lowest two income quintiles. This is suggested by data indicating that close to 45 per cent of all households who are long-term renters have incomes in the lowest two income quintiles, and that around 75 per cent of long-term renters rely on wages/salary as their main income source.

Analysis of the income source of long-term renters focusing on low income households alone confirms this picture. As Table 14 below shows, a total of 34 per cent of low income long-term private renter households report wages and salaries as their main source of household income, indicating a significant issue associated with 'working poor' among the long-term private rental population. These figures do not enable us to determine the nature of the employment nor how secure it is, but the high proportion of long-term renters who fall into the low income and waged category is of concern.

As we might expect, the most common source of main household income among low income long-term renters is government pensions and allowances (see Table 14). Among low income long-term renter households, 57 per cent list this as the main source of income for the household. This rate is substantially higher than that among either short-term renters (30%) or medium-term renters (44%), and is likely to be highly related to the relatively high proportions of low income single parent headed families living long-term in the PRS we identified above, as well as to the ageing of the low income long-term rental population.

Table 14: Primary income source of low income long-term and other private renters in Australia (2007–08)

Main source of income	Short-term private renter		Medium-term private renter		Long-term private renter	
	%	Households	%	Households	%	Households
Household has zero or negative income	3.4%	7,300	0.4%	529	2.0%	5,417
Wage and salary	48.3%	104,764	42.8%	56,597	34.0%	92,380
Own unincorporated business income	4.8%	10,420	8.1%	10,690	3.2%	8,566
Government pensions and allowances	30.1%	65,272	44.1%	58,274	56.8%	154,146
Other income	13.4%	29,039	4.6%	6,111	4.0%	10,912
Total	*100%*	*216,795*	*100%*	*132,201*	*100%*	*271,421*

Source: ABS *SIH 2007–08* (original analysis)

Finally, before exploring select housing circumstances and experiences associated with long-term renting, we consider the country of birth of long-term renters, and—when born in countries other than Australia—the length of time since households have arrived in Australia. Given the dominance of Australia as the main birth place among all people, it is not surprising to find large numbers of Australian-born households across the PRS as a whole. What is perhaps more surprising is the number of people not born in Australia who fall into this category (30.2%).

While households who have arrived recently in Australia have not yet had a great deal of time or opportunity to become long-term renters, it is interesting to note the group of households born overseas and who arrived in Australia in 1985 or earlier, who are now long-term renters. This group of households comprises 17.4 per cent of the long-term renter population, suggesting that the PRS becomes a long-term home for sizeable number of newly arriving Australian households. Depending on their background, some newly arriving households will be used to norms involving high levels of renting, including long-term renting. When we consider the impact of household income levels on this relationship, by examining rates of long-term renting among low-income households separately from higher-income households, we see an even larger proportion of long-term renting for the group born overseas and who arrived in 1985 or earlier (15.3%) (Table 15).

Table 15: Birth place and year of arrival of low income long-term and other private renters (head of household) in Australia (2007–08)

	Short-term private renter		Medium-term private renter		Long-term private renter	
	%	Households	%	Households	%	Households
Born in Australia	49.7%	107,742	59.0%	78,059	69.9%	189,844
Arrived 1985 and before	8.8%	19,063	9.8%	12,935	17.4%	47,141
Arrived 1986–1995	4.7%	10,167	7.4%	9,735	8.5%	23,045
Arrived 1996 and later	36.8%	79,823	23.8%	31,472	4.2%	11,391
Total	*100%*	*216,795*	*100%*	*132,201*	*100%*	*271,421*

Source: ABS *SIH 2007–08* (original analysis)

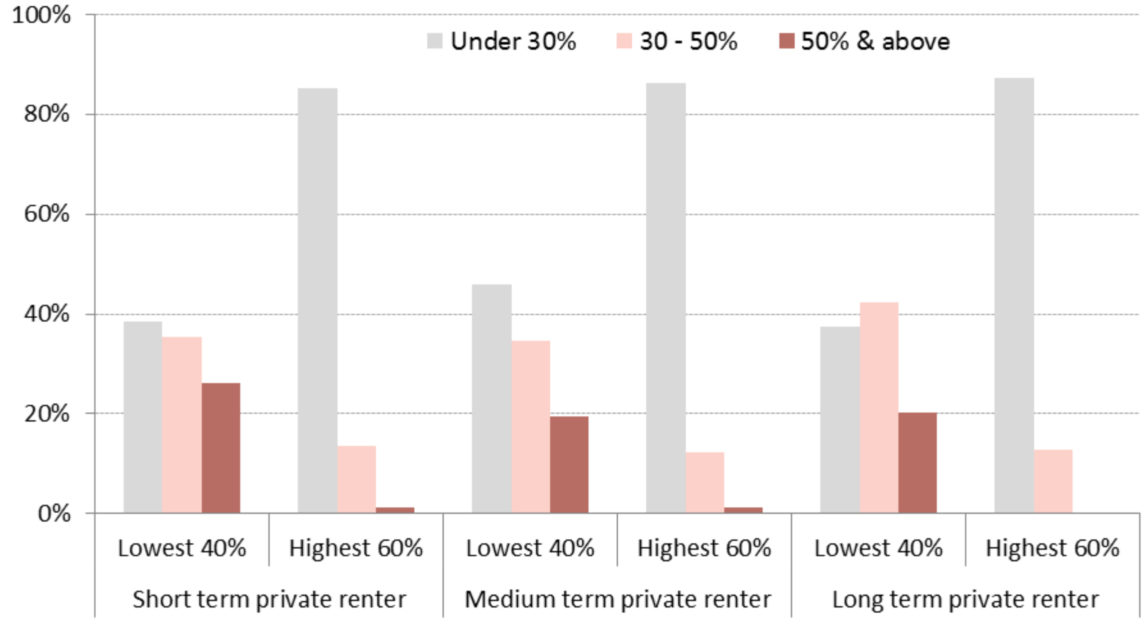
3.3 Select housing circumstances of long-term private renters

Using the ABS SIH 2007–08 data, we examine four key indicators of housing wellbeing among long-term private renters in comparison with short- and medium- term private renters, all private renters and all households. These are the extent of housing stress; the rates of residential mobility; whether households report being on the public housing waiting list at the time they were surveyed and their overall satisfaction with housing (self-reported). Building on the analysis of the distribution of private rental households within state and territory jurisdictions at Chapter 1, above, we also explore state and territory differences in the proportions of privately renting households renting long-term, and examine where long-term renters within each state reside (capital city/balance of state).

For our analysis of housing stress, we distinguish between households in the bottom two income quintiles (lowest 40% of the household income distribution) and other households, based on analysis of gross household equivalised income. We then consider the proportion of income households are paying on their regular rental payments. We present data showing those households who are deemed to be in 'housing stress' according to usual approaches, where households in the lowest 40 per cent of income pay 30 per cent or more of their income in rent. We also identify households in the same low income group who pay more than 50 per cent of their income in regular rent—an even more stringent account of housing affordability, and one which is likely to indicate a far higher degree of regular financial hardship for households involved.

As Figure 7 below shows, large proportions of all lower-income private renter households (those in the lowest 40% of the income distribution) pay more than 30 per cent of their income on meeting regular rent payments, regardless of length of continuous rental within the PRS. Among long-term renters specifically, close to two-thirds of lower-income households pay more than 30 per cent of their usual income on rent (62.6%), a rate above that for low income medium-term renters (54.0%) and marginally higher than that found for short-term low-income households in the PRS (61.6%). Of even more concern, relatively large proportions of each of long-, medium- and short-term private renters with low incomes pay more than 50 per cent of their regular incomes in rental payments. In the case of long-term renters, 20.3 per cent of low income households experience this level of regular expenditure on rental payments.

Figure 7: Proportion of income used on rental payments by low and high income households ('housing stress' 30/40 rule) among long-term and other private renters in Australia (2007–08)



Source: ABS *SIH 2007–08* (original analysis)

Existing evidence identifies the relatively high rates of residential mobility associated with living in the private rental sector as being associated with a range of negative outcomes for tenants. Poor outcomes associated with high rates of residential mobility in the private rental sector generally include lack of control, access and change-over costs, disruption to employment/schooling, and psychological distress, among others (see e.g. Hulse & Saugeres 2008; Hulse et al. 2012). Using the SIH 2007–08, we explore residential mobility rates and experiences among long-term and other private renter groups using a series of related questions.

Starting by examining the number of times a household reports having moved in the five years leading up to the survey (five years to 2007–08), in Table 16 below we distinguish between those who have not moved in the last five years, those who have moved once or twice and those who have moved three times or more in the same period. Interestingly, what we find is that rather than there being a linear relationship between years living continuously in private rental housing and the number of times moved, we find the opposite effect occurring. Households who have lived continuously in the PRS for the greatest number of years are more likely than medium and shorter-term tenants to have remained stably housed within the same dwelling in the previous five-year period. This finding suggests that a different type of rental arrangement is experienced by longer-term tenants in comparison with short-term or medium-term tenant groups. As per findings based on the 1994 Tenants' Survey data, it may be that longer-term tenancies are more likely to involve informal and unusual arrangements than shorter-term tenancies typically involve (Wulff & Maher 1998). Consistent with this finding, long-term renters appear to have the lowest rates of living in their current dwelling for less than one year (29.8%) among all private renters.

Despite their status of long-term renters, some 30.0 per cent of this group expected to move in the next 12 months. Most of this movement is likely to be involuntary or constrained, given the big differences in answers of households between whether they desire to move or whether they expect to move. For 'other tenures' the percentages for 'expect' and 'desire to move' are very similar (9.1% and 8.6% respectively suggesting a capacity to control their mobility decisions given their aspirations were similar to their intent.

Table 16: Residential mobility among long-term private renters in Australia (2007–08), compared with all private renter households and all households

		Private renters				All households
		Short	Medium	Long	All*	
Number of times moved in last 5 years	Hasn't moved	0.5%	13.9%	28.8%	10.4%	56.6%
	1–2 times	54.1%	35.1%	36.3%	47.2%	27.0%
	3 times or more	41.5%	47.7%	32.3%	23.8%	14.8%
	Unsure	3.9%	3.4%	2.6%	18.5%	1.6%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*
Number of years lived in current dwelling	Less than 1 year	54.9%	38.7%	29.8%	63.5%	15.9%
	1–4 years	44.6%	47.4%	41.4%	26.1%	27.5%
	5 years & above	0.5%	13.9%	28.8%	10.4%	56.6%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*
Likely to move in next 12 months		41.7%	38.1%	30.0%	50.1%	14.9%
Don't want to move in next 12 months		41.5%	43.2%	52.0%	48.3%	72.3%

Source: ABS *SIH 2007–08* (original analysis).

We also considered the relationship between long-term private renting and public housing, via analysis of the extent to which long-term and other private renters are on the waiting list to access public housing (not shown here). Overall, only small proportions of private renters are currently on the waiting list, with long-term renters marginally more likely to be on the public housing waiting list than other private renters (at 2007–08). This perhaps relates to levels of satisfaction that tenants feel with their housing overall. When we examined levels of 'very satisfied' and 'satisfied' with housing combined, we found marginally lower rates of housing satisfaction among long-term private renters than other private renters (73.8% compared with 77.3% for all private renters), each of which was lower than for all households combined (87.2% of whom report being satisfied with their housing).

Finally, we examine the geographic distribution of long-term renters compared with other private renters, and with all private renters overall. As seen at Chapter 1, recent data indicates jurisdictional differences in the proportion of households renting privately across Australian states and territories. Figure 8 below shows the distribution of short-, medium- and long-term private renters across Australian states and territories. As shown, larger proportions of long-term renters live in the largest states: New South Wales, Queensland and Victoria than in states with smaller overall populations (Western Australia, Tasmania and South Australia, and the combined territories). In part these lower rates may be accounted for by the relatively smaller sizes of capital cities in the states with lower populations.

Figure 8: Length of private rental by state and territory of usual residence

Source: ABS *SIH 2007–08* (original analysis)

To examine the distribution of private renters according to their length of tenure, across major city and balance of state, we also consider the proportions of short-, medium- and long-term renters within capital cities and the balance of state areas separately from each other. Here we find some differences between long-term and other private renters, in the extent to which they are under- or over-represented in capital city or balance of state areas (Table 17). Most notably, what we find when we consider the data in this way, is that long-term private renters are slightly over represented in balance of state areas (36.7% of long-term private renters live outside capital cities), and under-represented in capital city locations (32.5% of long-term private renters live in Australian capital cities).

Table 17: Length of private rental by capital city/balance of state of usual residence

	Short-term private renter	Medium-term private renter	Long-term private renter	Total
Capital city	43.3%	24.2%	32.5%	100%
Balance of state	39.4%	23.9%	36.7%	100%
Total	41.9%	24.1%	34.0%	100%

Source: ABS *SIH 2007–08* (original analysis)

In sum, the housing and locational circumstances point to several key areas of concern as well as to interesting relationships warranting further research and empirical investigation. Most significantly, we find that rates of housing stress among long-term private renters are high, and that relatively large proportions of long-term private renters pay more than 50 per cent of their household income in rental payments to sustain private rental tenancies. Interestingly, in keeping with existing research indicating clear preferences among lower income households between either public housing or private rental housing (Burke et al.

2004), we find relatively low levels of interaction between long-term renters and the public housing system based on the relatively low proportion of long-term renters who are currently on the public housing waiting list.

As well, we see that when we consider the geographic distribution of long-term renters we find that although a large majority reside in capital city areas, in keeping with the highly urbanised nature of the Australian population generally. One of the interesting and counter-intuitive observations from this analysis is that long-term renters have relatively low rates of residential mobility relative to other private renter groups (although rates almost double those of all households combined, irrespective of tenure).

In sum, our analysis of the select housing and locational characteristics of long-term private renters reveals a mix of key trends. Notably, it appears that there are key differences between short-term and long-term private renters in housing experience, as well as between low income long-term private renters and other long-term renters with higher levels of household income and financial capacity.

High levels of housing stress are found among *all* low-income private renters, and are compounded marginally by their length of tenancy/tenure. One of the most interesting phenomena to emerge from these findings regarding the housing experience of long-term and other private renters are the relatively stable patterns of housing we find for long-term renter groups relative to other private renters. While some long-term renters are found to have relatively high rates of mobility, these are lesser than for either short-term or medium-term renter households—a pattern that holds true even among the lower income long-term private renter population. It is important to interpret this finding in the broader context, however, which is that private renters—including long-term renters—all have far higher rates of mobility than other tenure groups on average. As well, interesting differences emerge in the extent to which these patterns vary by state and territory jurisdictions as well as by whether households live in capital cities or in the rest of their state locations.

Finally, overall, using a self-assessed level of satisfaction with housing measure, we find that, like a majority of Australian households, overall levels of housing satisfaction among long-term private renters are good, with around three-quarters of long-term private renters reporting feeling either satisfied or very satisfied with their housing, and a far lower proportion, just under 10 per cent, reporting levels of moderate or high dissatisfaction with their housing circumstances. This undoubtedly reflects the generally good quality of Australian housing stock in addition to tenure arrangements, and may not indicate high levels of satisfaction with private renting per se.

3.4 The wellbeing of long-term renters

The existing body of evidence around household outcomes associated with various tenure forms and housing experience has been steadily growing in recent decades in Australia. Our purpose here is not to review this literature, but to draw on insights from it to begin to explore select key outcomes of potential policy interest. For the purposes of our analysis, we explore three spheres of life that may be associated with the housing residents live in. In this particular case, we begin to examine direct links between experiences of long-term private renting and these life spheres. We focus first on economic and financial wellbeing, next on health and lastly on the social aspects of life associated with living in the PRS for periods of 10 years or more.

For the purposes of the exploratory analysis we present here, analysis is based primarily on Wave 10 of the Household, Income and Labour Dynamics in Australia (HILDA) survey (2010), the most recent release upon commencement of the project, along with select variables from the first Wave of data collection (2001) and intervening waves (particularly tenure across each intervening survey year).[5] Further detail about HILDA is provided in Appendix 1.

First, building on the analysis of income quintiles at Section 3.3 above, in this section we explore the extent to which long-term private renters are satisfied with their financial situation overall and with their employment opportunities, as two further indicators of overall financial and economic wellbeing. We also examine an item in which respondents are asked to rate their capacity to raise $3000 in an emergency—an item that indicates potential financial capacity as well as social capital and connectedness.

Table 18 below indicates, as we might expect, some differences in the levels of satisfaction households report with their current financial circumstances and employment opportunities, in relation to the housing tenure they primarily live in. In each case, the mean scores for each tenure group indicate that home owners are significantly more satisfied than, in order, private renters and public renters, with respondents living in 'other' tenure conditions also rating lower than home owners on these measures. Most notably, private renters are notably less satisfied with their financial situation than homeowner groups, with an average of 5.61 on this scale, compared with 7.21 for outright owners and 6.45 for purchaser owners.

Focusing on the length of private rental tenure, we find reported levels of satisfaction with financial circumstances is lower for long-term private renters than for any other group (mean score 5.34). In relation to employment opportunities, mean scores are also lower than for other private renter groups, indicating again a relationship between low wages, poor employment opportunities and length of private rental tenure, as discussed at Chapter 3 above.

Table 18: Reported satisfaction with financial situation and employment opportunities, by housing tenure

Housing tenure		**Satisfaction—your financial situation**	**Satisfaction—your employment opportunities**
Outright owner		7.21	7.03
Purchaser owner		6.45	7.36
Private renter	All private renters	5.61	6.86
	Short-term	*6.22*	*7.07*
	Medium-term	*5.45*	*6.90*
	Long-term	*5.34*	*6.54*
Public renter		5.79	5.34
Other		6.38	6.44
Total		6.51	7.07

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level.

[5] Data presented in the analysis below is drawn from survey items relating to individuals only (such as items about levels of satisfaction with housing) as well as household level data (such as gross household equivalised income). Throughout the analysis, we include only one respondent per household in the analysis (despite the fact that the survey itself includes data from multiple household members in most cases). This approach prevents duplication and an over-estimate of factors relating to private rental in our results.

Next we compare the extent to which private renters, and long-term renters specifically report being able to raise $3000 in an emergency. As shown in Table 19 below, we find significant differences, first, between private renters and respondents living in other tenure arrangements. Notably, the financial capacity of purchaser and outright owners relative to other tenure groups is striking; these groups report being able to 'easily' raise this sum of money in an emergency in far greater proportions than those for either private renters, close to half of whom can also easily raise this level of finance, and public renters. It is perhaps most important to consider which households cannot raise these funds if faced with an emergency situation requiring them to do so. Here differences are most stark: very low proportions of home owners report *not* being able to raise $3000, compared with close to a fifth of private renters who cannot find these funds, a similar proportion to that in 'other' housing circumstances, and closer to half of public housing tenants in the same situation.

Table 19: Capacity of respondents to raise $3000 in an emergency, by housing tenure

		Housing tenure					Total
		Outright owner	**Purchaser owner**	**Private renter**	**Public renter**	**Other**	
Raise $3000 in emergency	Easily	80%	65%	48%	30%	43%	65%
	With difficulty	15%	29%	33%	26%	37%	25%
	Not at all	4%	6%	18%	43%	20%	10%
Total		100%	100%	100%	100%	100%	100%

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

The distribution within the private renter group only is more even (Table 20), although some differences are still apparent. We see a divide on this measure among the medium-term renter group (those who have rented between five and nine years, suggesting a dichotomy between low and high income medium-term renters. Similarly, a large proportion (close to 40%) of long-term renters report being able to raise $3000 easily in an emergency. Most notably, however, we find long-term renters are significantly less likely than all other private renters to report not being able to raise $3000 in an emergency should they need to (26%).

Table 20: Capacity of private renters to raise $3000 in an emergency, by length of tenure

		Length of tenure			Total
		Short-term	**Medium-term**	**Long-term**	
Raise $3000 in emergency	Easily	60%	45%	39%	48%
	With difficulty	29%	35%	35%	33%
	Not at all	12%	20%	26%	19%
Total		100%	100%	100%	100%

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

Turning to the question of the health of long-term private renters in comparison with other tenure groups and private renters who have lived continuously in the PRS for fewer years, we examine two indicators. The first of these is a general health measure, in which respondents are asked to rate their general, overall health. The second is an item about respondent satisfaction with their health status. Health outcomes are increasingly of interest among housing policy officers and practitioners given the known linkages between housing conditions and resident health in Australia and internationally.

It is beyond the bounds of this research to examine health correlates with long-term rental in detail, however each of these two measures we examine provide an indication that the health circumstances firstly of private renters differs to that of other tenure groups and secondly, that again long-term renters appear to face greater difficulties *on average* than other private renter groups renting for shorter time periods.

Tables 21 and 22 below present data showing respondents' general health, first comparing private renters with other tenure groups, and next distinguishing long-term private renters from short- and medium-term private renter groups.

Table 21: Self-assessed health of residents by tenure

		Housing tenure					**Total**
		Outright owner	**Purchaser owner**	**Private renter**	**Public renter**	**Other**	
Self-assessed health	Excellent	6%	10%	10%	4%		8%
	Very good	30%	39%	38%	13%	53%	34%
	Good	38%	36%	33%	32%	20%	36%
	Fair	20%	13%	15%	39%	27%	17%
	Poor	6%	1%	4%	12%		4%
Total		100%	100%	100%	100%	100%	100%

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

Most interesting when considering the overall general health of respondents according to their housing tenure is the very high similarity between private renters and purchaser owners. In almost each category of reporting, from 'excellent' through to 'poor' health, proportions within each tenure group reporting their various health levels are close to identical. The largest—although still small – difference found between the groups is among those with 'poor' health. Four per cent of private renters compared with only 1 per cent of purchaser owners fall into this category. A very large majority of private renters (81%) report having either 'excellent', 'very good' or 'good' health overall. These rates are strikingly different to those for public renters—51 per cent of whom report having either 'fair' or 'poor' health circumstances.

As seen at Table 22 below, rates of reports of 'fair' or 'poor' health are not notably different for long-term renters than for other private renter groups, and are quite unremarkable.

Table 22: Self-assessed health of long-term and other private renter groups

		Length of tenure			**Total**
		Short-term	**Medium-term**	**Long-term**	
Self-assessed health	Excellent	14%	7%	8%	10%
	Very good	26%	45%	36%	34%
	Good	45%	26%	36%	37%
	Fair	12%	21%	15%	15%
	Poor	4%	1%	5%	4%
Total		100%	100%	100%	100%

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

Table 23 below presents mean scores for tenure groups and private renters according to length of time living in the PRS on the item of overall satisfaction with health. Two tenure groups with poorest reported general health are outright owners and public renters. These results are what we would expect, based on the average age (and associated health problems) of outright owners, as well as the targeting of public housing to households with significant health and disability issues, among others. Focusing on differences between purchaser owners and private renters, we find marginal differences in overall average reports of satisfaction with health between the groups, with purchaser owners more satisfied overall (a mean of 7.22) than private renters (6.94).

Interestingly, long-term renters do not report substantially lower rates of satisfaction with their health than short-term renters, each of which score lower on this item than do medium-term renters—those who have rented in the PRS for between five and nine years continuously.

Table 23: Reported 'satisfaction with your health', by housing tenure and length of private rental tenure

<table>
<tr><th colspan="2">Housing tenure</th><th>Satisfaction—
your health</th></tr>
<tr><td colspan="2">Outright owner</td><td>6.88</td></tr>
<tr><td colspan="2">Purchaser owner</td><td>7.22</td></tr>
<tr><td rowspan="4">Private renter</td><td>All private renters</td><td>6.94</td></tr>
<tr><td>Short-term</td><td>6.82</td></tr>
<tr><td>Medium-term</td><td>7.02</td></tr>
<tr><td>Long-term</td><td>6.86</td></tr>
<tr><td colspan="2">Public renter</td><td>5.65</td></tr>
<tr><td colspan="2">Other</td><td>6.97</td></tr>
<tr><td colspan="2">Total</td><td>6.96</td></tr>
</table>

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

The third key factor we briefly examine in relation to long-term private rental concerns social capital and social connectedness. Mounting evidence indicates that the nature of housing we live in affects our likelihood to engage in social networks among familiars and within the local community in which we live. There is also evidence to suggest that the types of housing and local areas in which we live directly affect the types of friendships and relationships we are likely to have.

We approach the analysis of social capital and connectedness among long-term private renters in two ways. The first focus emphasises social relationships generally (frequency of seeing friends and relatives beyond those living in the households). The second focuses on social relationships and feelings of inclusivity within the local community and neighbourhood, based on a satisfaction item which asks respondents to report how satisfied they are with feeling part of the local community.

Considering the frequency of social contact and housing tenure, we find that private renters are among the most social of tenure groups on average, with 59 per cent of private renters reporting that they get together socially with friends or relatives not living with them, at least once a week (Table 24). These rates are markedly different than those for public housing tenants who, in contrast, have the highest overall rates of reporting that they get together with this same broad social group 'once or twice every three months' or less (21%).

Table 24: How frequently get together socially with friends/relatives, by housing tenure

How often get together socially with friends/relatives not living with you	Housing tenure					Total
	Outright owner	Purchaser owner	Private renter	Public renter	Other	
Every day	2%	1%	2%	2%		2%
Several times a week	21%	19%	26%	26%		22%
About once a week	30%	35%	31%	31%	13%	32%
2 or 3 times a month	21%	22%	19%	14%		21%
About once a month	13%	12%	10%	7%	87%	12%
Once or twice every 3 months	6%	7%	5%	8%		6%
Less often than once every 3 months	6%	4%	7%	13%		6%
Total	100%	100%	100%	100%	100%	100%

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

Comparing these rates with those for long-term renters specifically, we find that the level of sociability among long-term renters is similar to that of public housing tenants, particularly at the 'low' end (Table 25). While 31 per cent of long-term renters report seeing friends or relatives they don't live with 'about once a week', close to 15 per cent report seeing this same group 'once or twice every three months' or less frequently—a rate approximately double that for either short- or medium-term renters.

Table 25: How frequently get together socially with friends/relatives, by length of private rental tenure

How often get together socially with friends/relatives not living with you	Length of tenure			Total
	Short-term	Medium-term	Long-term	
Every day	2.7%	0.5%	3.6%	2.7%
Several times a week	26.8%	33.8%	17.1%	24.0%
About once a week	29.5%	28.0%	31.2%	30.0%
2 or 3 times a month	23.2%	22.2%	18.4%	20.9%
About once a month	9.0%	6.3%	14.9%	11.0%
Once or twice every 3 months	5.1%	2.3%	7.2%	5.5%
Less often than once every 3 months	3.6%	6.9%	7.6%	6.0%
Total	100%	100%	100%	100%

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

As shown in Table 26 below, private renters have significantly lower levels of satisfaction with feeling part of their local community than outright owners, purchaser owners or public renters. Considering the length of private tenure alone, we can see that long-term private renters have the lowest rates of satisfaction with part of their local community when compared with other private renters. This is interesting and somewhat counterintuitive in light of the findings above (see Chapters 2 and 3), which indicate that long-term private renters have relatively low rates of mobility.

Table 26: Reported 'satisfaction with feeling part of your local community', by housing tenure and length of private rental tenure

<table>
<tr><th colspan="2">Housing tenure</th><th>Satisfaction—feeling part of your local community</th></tr>
<tr><td colspan="2">Outright owner</td><td>7.11</td></tr>
<tr><td colspan="2">Purchaser owner</td><td>6.84</td></tr>
<tr><td rowspan="4">Private renter</td><td>All private renters</td><td>6.16</td></tr>
<tr><td>Short-term</td><td>6.17</td></tr>
<tr><td>Medium-term</td><td>6.61</td></tr>
<tr><td>Long-term</td><td>6.06</td></tr>
<tr><td colspan="2">Public renter</td><td>6.11</td></tr>
<tr><td colspan="2">Other</td><td>6.34</td></tr>
<tr><td colspan="2">Total</td><td>6.75</td></tr>
</table>

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level.

3.4.1 Summary: long-term private rental and tenant wellbeing

In this section, we have begun to explore the relationships between a select number of indicators of three key spheres of wellbeing and long-term private renting. This analysis is presented as a first step toward understanding the experience of long-term renting as it relates to other parts of household life. Given the increasing significance of long-term renting in the Australian policy landscape, it is imperative that future research is undertaken to explore these and other relationships further. Understanding the experience of long-term renting for different types of long-term renter households will be an essential step in being able to respond to the needs of this growing population in future years.

On the basis of the exploration we have presented here between long-term private renting and select economic, health and social aspects of household wellbeing, at least three lines worthy of future, detailed analysis become apparent.

First is the relationship between rates of residential mobility and various 'outcomes' or correlates of long-term renting. It appears that there may be a mediating effect of relative stability associated with long-term rental that in part prevents long-term renters from experiencing adversity in economic, health and social spheres of life.

Second, we find most notable relationships between economic and financial outcomes and long-term renting, whereby lower income long-term renters in particular experience lower levels of satisfaction with their financial situation and employment opportunities than do other groups, with a sizeable number of these also reporting being unable to raise emergency funds when necessary. Better understandings of the financial and economic circumstances and options of long-term renters is another line of future research warranting greater investigation.

Third, it appears that a minority group of long-term renters is particularly socially isolated. The relationship between long-term private rental and the capacity of households to develop and maintain relationships, including with their local communities, is a further line of research.

It is also likely that, although we have found little relationship here between general health and long-term renting, particular groups of long-term private renters are significantly affected by health and disability and represent another area in which a greater level of future research is needed, in order for the long-term population to best be supported by policy and practice.

4 CONCLUSION

This is the Final Report of an AHURI research project which provides a detailed overview and update of information about and conceptualisations of the Australian private rental sector, the demographic and housing characteristics of private renters, and a detailed account of the characteristics and experiences of long-term private renters specifically. This report is intended to be read in conjunction with the earlier Positioning Paper from this research in which we presented a comprehensive account of the way the Australian PRS has changed in recent decades and how we might conceptualise the role the private rental sector now plays in the Australian housing system overall.

In doing so, we provide the context for the *household-based* focus of this Final Report: analysis of household experiences of private rental, and upon households renting long-term in the PRS specifically. The research presented in this Final Report forms a significant part of an emerging evidence base which seeks to directly inform policy development and housing supports to achieve optimal outcomes for the significant number of private rental sector tenants who are now housed in the PRS long-term, as well as enhanced PRS policy responses more generally.

In this research we have found that there has been sustained, gradual, long-term growth in the Australian private rental sector in recent decades, to a current high point at which private rental accounts for around 26 per cent of the Australian housing system. The growth in the PRS is unevenly distributed across state and territory jurisdictions as well as unevenly across demographic groups within the population. There is a growing proportion of families with dependent children living in the PRS and a relative decline in single-person households (although given sustained growth of ‘living alone’ in Australia, numbers of single-person private renter households continue to grow). The financial resources of private renters (e.g. the relatively lesser amount of disposable income among families) is changing the nature of occupancy from one which was historically transitional to one which is long-term. Most private renters live in detached dwellings. Using the example of Melbourne, it appears that renting detached dwellings further away from inner city areas enables some renters to better afford private rental housing than would otherwise be available, although overall rates of housing stress have increased over time from 1981 to 2011.

In the late 1990s, Wulff (1997) and Wulff and Maher (1998) undertook a detailed analysis of long-term private renting in Australia. Findings presented in this report represent the first major update of that study. We find, first that the incidence of long-term private renting—renting for periods of 10 years of more continuously—has grown as an overall proportion of private renting in Australia, and is now experienced by around a third of all private renter households (33.4%) compared to 27 per cent in 1994. The proportion of single parent headed households has increased substantially in the period with large numbers of children now living long-term in the PRS through their formative years.

There appears to be an ageing effect, where increases in the middle aged year cohorts living long-term in the private rental sector are working their way ‘up’ to old age. Ageing within the PRS among long-term renters and private renters generally, together with the relative growth in the numbers of families with dependent children living in the PRS, represent key emerging areas for public policy, as each presents the need for a potentially substantial housing support response. Additionally, of significant concern among the long-term renter population, are the very high rates of housing stress experienced relative to other tenure groups, and the impact of these on the general wellbeing of tenants.

Perhaps counter-intuitively, the very high rates of mobility (including, forced mobility) found among short-term private renters, are less apparent for long-term private renters, many of whom experience relative housing stability (not moving or experiencing only few moves in the last five years), although it is important to note the rates of mobility among long-term renters are still around twice those experienced by all households combined (across tenure groups). It is likely that these lower rates of mobility are related to (1) long-term renters living in less formalised sectors of the market (an observation made by Wulff and Maher 1998) and (2) proportions of long-term renters living outside of capital areas in which rental markets may be less competitive. There may well be other reasons as well that are not observable from the data, such as the desire by landlords to retain good tenants and hence a regular source of income.

In examining long-term renters' wellbeing, we find long-term private renters, particularly those on lower incomes, all experience lower rates of financial satisfaction than all private renters combined or homeowners. Long-term renters' health is reported to be good on average, and is consistent with the health of purchaser owners. Relative to all households, long-term private renters have relatively similar rates of sociability and connectedness with friends and relatives, although report significantly lower rates of satisfaction with feeling part of their local community than other private renters or other tenure groups overall.

The implications of our findings are significant for future housing policy. Long-term private rental forms a growing and significant part of the experience of housing for many Australian households. Long-term renters now outnumber public renters as an overall proportion of Australian households. Housing conditions associated with long-term private rental (and with the private rental sector as a whole) that continue to enable large proportions of long-term and other private renters to live in housing stress for lengthy periods must be addressed for this growing proportion of households to be able to function well within the economy and the community.

Relatively low rates of mobility among long-term renters relative to all private renters may be associated with informalised parts of the sector—an avenue of future research warranting investigation. It appears that the relative stability associated with the housing experience of some long-term renters may act to mitigate against some of the adversity otherwise associated with the private rental sector. This line of findings that is suggested in our analysis supports arguments in favour of enhanced levels of secure occupancy within the Australian housing sector (Hulse et al. 2011).

There is also scope for targeted policy to support key demographic groups of interest that reside in the PRS long-term. Particular groups within the community are likely to live in the private rental sector for lengthier periods of time and in increasing proportions into the future. Most notably, these include families with dependent children—particularly families headed by single parents. As well, there appears to be an age effect where large numbers of older middle aged households are ageing 'in tenure' within the PRS. Ageing within the PRS and among long-term private renters specifically appears to present an emerging policy problem.

These groups appear to be those that are growing most rapidly at present, or are likely to do so in future years, as well as households likely to be most vulnerable to the insecurities associated with living in the private rental sector, and of living in private rental housing long-term specifically.

An exploratory analysis of some of the factors associated with long-term private renting shows that this housing experience is adversely related to economic and social outcomes for some long-term renters, notably lower-income households. Gaining a better understanding of the relationships between long-term renting and a host of determinants and outcomes is a critical avenue for future research, if the various support and wellbeing needs of the diversity of households now living in the PRS long-term are to be best addressed.

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APPENDIX 1

The two survey data sources used in this report are the (1) Survey of Income and Housing (SIH) and (2) the Household, Income and Labour Dynamics in Australia Survey (HILDA).

The Survey of Income and Housing (SIH)

The Survey of Income and Housing (SIH) is a national sample survey conducted by the Australian Bureau of Statistics at varying intervals from 1981–82 to the most recent survey in 2007–08. The sample is drawn from residents of private dwellings in both urban and rural areas of Australia. The SIH collects detailed information about the level and sources of income, and personal and household characteristics of people aged 15 years and above. In some cycles, information on other topics such as assets and liabilities, or household net worth, is also collected, as in 2007–08. The final sample size in 2007–08 was 9345 households and the 18 326 people living in these households. Data are collected during face-to-face interviews by trained ABS interviewers using computer assisted questionnaires at both household and individual levels (ABS 2009).

The SIH series provides good historical data on household incomes and housing costs and is a useful source of national data on home ownership over time. However, as with any sample survey, there are limitations. The sample size limits the potential for analysis on a spatial basis except for a capital city and 'rest of state' comparison although, in this study, because of the need to keep the sample size large enough for meaningful analysis of other variables, no analysis below the national level was undertaken.

SIH data on housing costs refer to mortgage repayments and property rates only; the SIH does not include data on other ongoing costs of home ownership, for which we have to use the HES. Mortgage repayments are included in housing costs for owner occupied dwellings if 'the purpose of the loan when it was originally taken out was primarily to build, buy, add to or alter the occupied dwelling' (ABS 2006, p.27). As with other ABS sample surveys, data items and data definitions are subject to change over time.

SIH data are available in Confidentialised Unit Record Files (CURFs) consisting of unidentified individual statistical records containing data on persons belonging to income units in private dwellings, including state and capital city/rest of state identifiers. Data as they relate to this study include household, family and income unit types; age, details of mortgages and loans, housing costs, type of tenure and landlord, type of dwelling structure, and details of weekly and annual income by source of income for persons and income units.

Data in the SIH, like other ABS sample surveys, are weighted to enable inference to the general population from which the sample is drawn. To do this, 'a "weight" is allocated to each sample unit, for example, a person or a household. The weight is a value which indicates how many population units are represented by the sample unit' (ABS 2009, p.34). Weights for the 2007–08 SIH were based on the ABS Census of Population and Housing 2006. The combination of the sampling method and weighting process means that we can generalise from the SIH sample to the general population with some confidence.

The Household, Income and Labour Dynamics in Australia Survey (HILDA)

The HILDA Survey is a longitudinal, nationally representative household-based panel survey. This project used data from Wave 10 of the survey, the most recent release upon commencement of the project. The data were collected in 2011 and include a total of 13 526 interviews with persons aged 15 years and over. HILDA represents one of the most robust, informative survey data sources available in the Australian context and is ideal for the present analysis. The survey has significant strengths and advantages for analyses such as that we undertake here. The data include detailed information about individual and household housing circumstances and housing pathways, enabling us to readily identify long-term private renters and consider their housing circumstances in multiple ways. HILDA includes ‘objective’ aspects of housing experience, such as tenure, length of rental and so on, as well as ‘subjective spheres, such as housing satisfaction. As well, the data include highly detailed information about economic, health, social and other spheres of life relevant to the present analysis. Additionally, the scale of the survey means that the numbers of cases we examine in the data are sufficiently large to undertake robust, multivariate analyses, without the disadvantages of smaller-scale data sources.

However, it is important to recognise that several groups, including respondents who are young (between 15 and 24), born in a non-English-speaking country, of Aboriginal or Torres Strait Islander descent, single, unemployed or working in low skilled occupations are under-represented in the survey sample. As well, the survey does not include persons experiencing homelessness, nor people living in remote and sparsely populated areas.

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Rental Bond Board

Annual Report 2013-14

Annual Report 2013-14

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Access

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

People can access the Rental Bond Board and its services via Service NSW Centres, by phoning the Fair Trading Contact Centre on 13 32 20 or via the Fair Trading website at: www.fairtrading.nsw.gov.au.

Rental Bonds
Locked Bag 9000
GRAFTON NSW 2460
Phone: 13 32 20

Secretariat functions of the Board are carried out by NSW Fair Trading at:

Level 9, 2-24 Rawson Place
SYDNEY NSW 2000
PO Box 972
PARRAMATTA NSW 2124

Email: Secretariat@finance.nsw.gov.au
Fax: (02) 9338 8970

Annual Report production costs

No external costs have been incurred in the writing, preparation or printing of this annual report. Printing of minimal quantities has been accomplished by laser printing and photocopying as required.

Electronic copies are available through the NSW Fair Trading website at: www.fairtrading.nsw.gov.au. From the home page, select Publications under the Quick Links section.

Overview

The Rental Bond Board is a statutory body established in 1977 to act as an independent and impartial custodian of rental bonds on private residential tenancies in New South Wales.

The powers and functions of the Board are set out in the *Residential Tenancies Act 2010* and its associated regulation. Prior to the establishment of the Board, landlords in New South Wales held rental bonds in trust. The Residential Tenancies Act was introduced to address concerns that tenants often had difficulties in contesting the refund of their bond at the end of the tenancy.

The Board provides a fair and equitable system in which tenants and landlords have equal access to claiming the bond. Any dispute over the payment of bond money can be resolved effectively and cheaply through the NSW Civil and Administrative Tribunal. Meanwhile the Board retains custody of the funds pending resolution of the matter.

In performing its role, the Board is subject to the control and direction of the Minister for Fair Trading. The Board is a self-funding corporation - deriving its income from the investment of rental bond trust funds and from retained earnings prior to distribution.

Although the Board is a statutory authority in its own right, the Act allows it to employ the facilities or services of any government authority to perform its functions.

NSW Fair Trading serves the Rental Bond Board by undertaking the rental bond lodgement, custody and refund functions, as well as providing tenancy and bond information to customers.

Fair Trading also provides policy and legislative support while the broader umbrella organisation of the Office of Finance and Services provides financial administration, corporate and general business support. Information on the management, human resources, business systems and financial administration of the board is found in the NSW Office of Finance and Services Annual Report 2013-14.

A vital secondary role for the Board is the financial support it provides to other programs which encourage a fair tenancy marketplace in NSW.

Funding for the community-based Tenants' Advice and Advocacy Program (TAAP), the Government's own tenancy information services and for the tenancy functions of the former Consumer, Trader and Tenancy Tribunal and the new independent NSW Civil and Administrative Tribunal, was also at a record level this year.

The Board also contributes to the funding of Fair Trading's grants programs for credit counselling and the No Interest Loans Scheme.

Highlights

- Record 726,337 rental bonds valued at $1.116 billion were held in custody by the Board at 30 June 2014.
- The Rental Bond Board provided $4.63 million to the Tenants Advice and Advocacy Program (TAAP), a program which is jointly funded by the Board and Fair Trading.
- Use of the Rental Bond Internet Service (RBIS) continues to grow with the online rental bond self-service channel for real estate property managers now handling 17.8% of refund claims and 56% of rental bond enquiries.

Board membership

The Board is comprised of the Commissioner for Fair Trading, as Chairperson, representatives of the Chief Executive of Housing NSW and the Secretary of the Treasury, and two persons with experience in real estate or tenancy matters appointed by the Minister for Fair Trading.

The Board is responsible for providing advice to the Minister, defining policy, considering applications for funding and monitoring and reviewing the performance of the custodial services, investments and funded programs. The Board is required to meet at least once each quarter.

Rental Bond Board Members		Term of appointment	Meetings attended
Mr Rod Stowe, Chairperson	Commissioner for Fair Trading	Ex officio	4
Mr Ranit Ram	Nominee for NSW Treasury	Ex officio	3
Ms Helen O'Loughlin	Nominee for Housing NSW	Ex officio	4
Ms Charmaine Jones	Tenants' Union of NSW	Ministerial appointment	3
Ms Sandra McGee	Real Estate Institute of NSW	Ministerial appointment	2

Snapshot

Performance measures	*Target**	2010-11	2011-12	2012-13	2013-14
Rental bond lodgements receipted and banked within published service standards	*90%*	94%	95%	98%	97%
Agreed direct deposit refunds banked within 2 working days	*90%*	98%	98%	97%	98%
Agreed mail refund cheques posted within 4 working days	*90%*	98%	98%	97%	98%
Notices of Claim issued to one party - paid within 20 working days	*90%*	97%	97%	95%	95%
RBB investment returns: M: match E: exceed industry benchmark or U: under benchmark	*≥M*	E	U	E	E
Financial statements: U: unqualified Q: qualified	*U*	U	U	U	U

** Percentage of rental bond services meeting published Guarantee of Service standards*

Service arrangements

NSW Fair Trading operates within the NSW Office of Finance and Services, which provides a wide range of government services.

The Office of Finance and Services provides an annual report to the Minister for Finance and Services. Information on the management, human resources, business systems and financial administration of NSW Fair Trading's custodial role is found in the NSW Office of Finance and Services Annual Report 2013-14.

Rental bond custodial service

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

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

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

Comment/interpretation

The independent custodial function requires arrangements to accept and invest bond monies paid by tenants, and refund them at the end of a tenancy. The lodgement/refund service is provided by Fair Trading. Rental bonds are invested primarily in fixed interest securities with a proportion in cash.

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

The performance measures relate to: prompt refunds (an important aspect of quality customer service), prompt banking (this affects the interest earned, impacting both customers and funds management), return on investment and the achievement of unqualified financial statements.

Rental bond custody

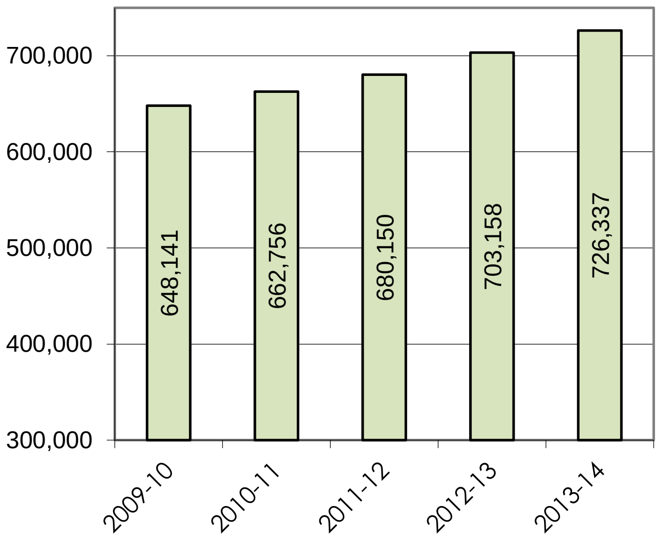
At 30 June 2014 the Board held 726,337 rental bonds in trust. These were valued at $1.116 billion which, on average, amounted to $1,536 for each rental bond. The total number of bonds held increased by 3.3% over the number held at 30 June 2013.

During the year, 284,915 new rental bonds were lodged with the Board – an increase of 3.5% from the previous financial year. The number of bonds refunded increased this year by 4% to 261,736 reflecting the low vacancy rate in the NSW rental market.

Interest accrues on bonds held by the Board and is paid to customers with their bond refund. Interest is credited to the bond amount each month - based on the minimum balance held during the month. The interest is compounded each June and December.

The rate of interest payable on rental bonds is prescribed in the Residential Tenancies Regulation 2010 and is equivalent to the rate payable by the Commonwealth Bank of Australia on an Everyday Access Account balance of $1,000.00.

Number of rental bonds held



Rental statistical information

Of the 2.47 million private dwellings counted in New South Wales at the 2011 Census approximately 743,050 dwellings, or nearly 30% of the total, served as private rental accommodation (*Australian Bureau of Statistics: 2011 Basic Community Profiles New South Wales 21 June 2012*).

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

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

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

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

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

The collected rental data is collated and analysed, under agreement, by the Housing Analysis and Research Unit of Housing NSW. This information is available to the public in summary form in the Rent & Sales Report on the Housing website: www.housing.nsw.gov.au.

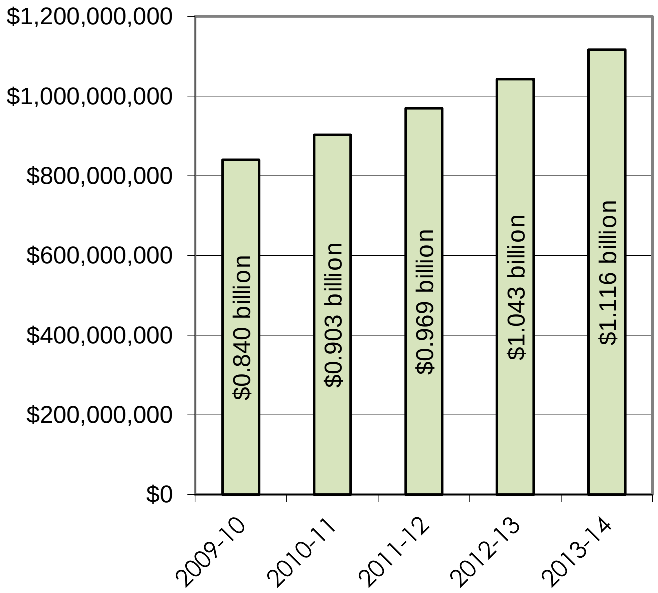
Summary tables of Bonds Held and Median Rentals are included in this Report.

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

The Board's statistics indicate that in the 2013-14 financial year 91% of metropolitan bonds and 89% of outer metropolitan and regional bonds were lodged by professional real estate agents or self-managing landlords owning 10 or more rental properties.

This level of professional management has remained fairly constant, varying by only 2-3% over the years of the Board's operation.

Value of rental bonds held



Rental bond lodgements

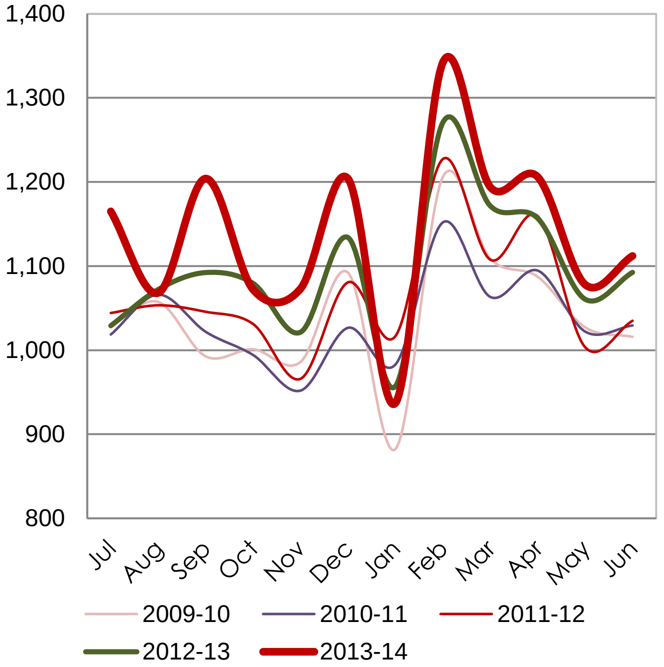
During the year 284,915 new rental bond lodgements and 15,248 additional bonds (where a bond is paid by instalments) were received by the Board.

This represented an average of 1,196 transactions processed by staff each working day.

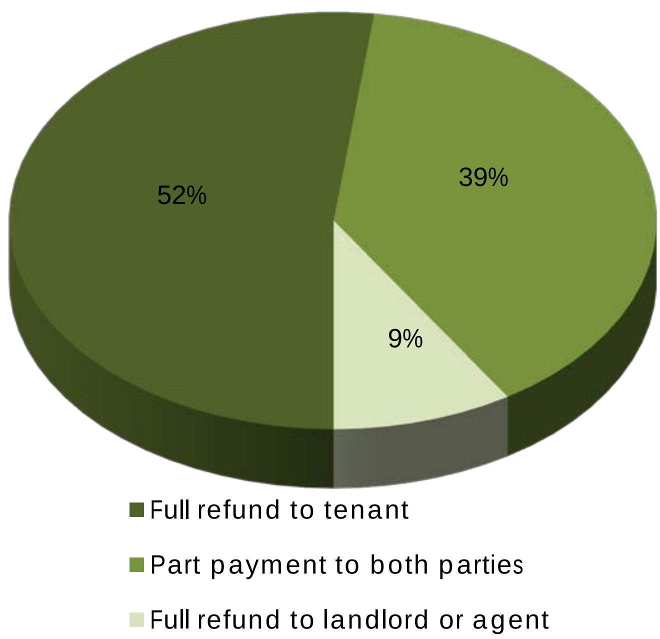
As in previous years, the vast majority of bond lodgements, together with their accompanying cheque or money order, were received by post.

The total value of bonds receipted was $519.5 million. 97% of all bond lodgements were receipted and banked the day they were received.

Daily average rental bond lodgements



Bond refunds paid to tenants and landlords



Rental bond refunds

261,736 rental bonds were refunded in 2013-14 through 364,839 individual payments. This represented an average of 1,394 claims processed by staff each working day.

The year saw a continuation of the long term trend toward the use of electronic services by our customers in preference to the traditional mail and face-to-face services.

About 80% of bond refund claims from real estate agents, landlords and tenants were received by facsimile or email, compared with just over 2% by mail.

The Rental Bond Internet Service (RBIS) continued to grow in popularity with 46,719 claims submitted by real estate property managers in 2013-14. As a percentage of all refunds, RBIS claims represent 17.8% of all claims.

The proportion of customers requesting a direct credit of their bond refund into their bank or credit union account also continues to show a steady increase: up from 72% in 2011-12 and 76% in 2012-13 to 80% this year.

Claims for rental bond refunds are classified in two main categories in accordance with Part 8, Division 3 Release of rental bonds s.167 and s.168 of the *Residential Tenancies Act 2010*, being 'Agreed' claims where both parties have indicated their acceptance of the amount/s to be refunded to each party, and 'Notice' claims where one of the parties has not given consent to the refund and a statutory notice of claim is issued allowing them 14 days to apply to the NSW Civil and Administrative Tribunal if they wish to dispute the claim.

The size of the proportional split between parties - which may be expected to fluctuate slightly over time with the circumstances of individual tenancies - is less important than the fact that the split exists.

In many cases, tenants and landlords are able to agree on how the bond should be distributed, but in disputed cases NCAT resolves the matter.

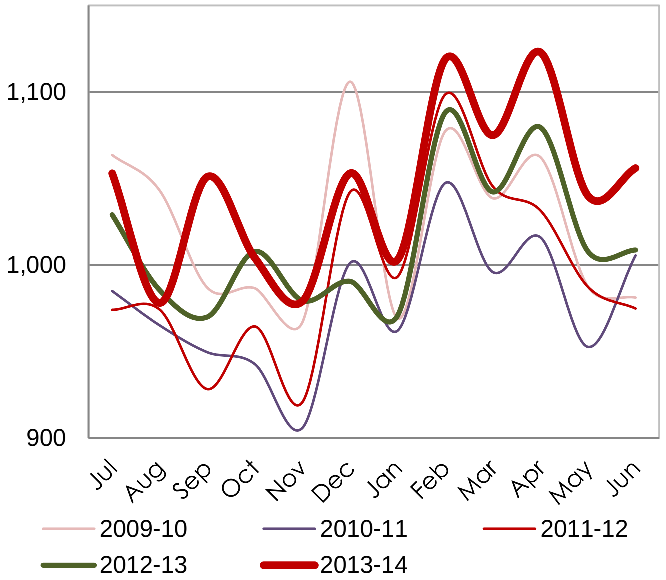
The independence of the custodial function ensures the money is then available to be refunded to either party, which might not be the case if monies were not held at arm's length from both.

During 2013-14, 74.6% of all refunds were agreed by the parties while in 23.5% of cases a notice of claim was issued but no dispute proceeded to the Tribunal.

There is no change from last year where 1.7% of bond refunds were the result of an order by the Tribunal following a dispute over the bond refund with a further 0.2% refunded after a Tribunal application was withdrawn prior to hearing.

In accordance with Fair Trading's Guarantee of Service to its customers, Rental Bonds Branch processed 98% of all direct credit refunds into customers' bank accounts within two days of receiving an agreed rental bond claim.

Daily average rental bond refunds per month



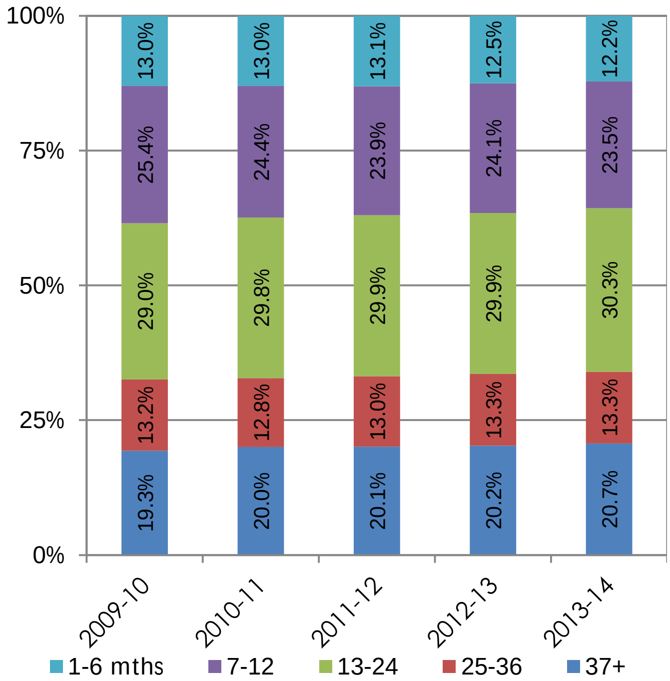
Length of tenancy

An analysis of the current financial year indicates that 66% of all bonds refunded during 2013-14 had been held by the Board for more than 12 months at the time of refund, with 34% of all bonds refunded being held for tenancies of greater than two years' duration.

This compares with 2001-02, when only 51.2% of bonds remained with the board for longer than 12 months, and just 23.3% for longer than two years.

This translates, over the last ten years, into increases of 7.2% in the proportion of tenancies lasting longer than three years and a 3.1% increase in tenancies of two to three years, with a corresponding decrease of 5.2% in the proportion of tenancies of less than six months' duration.

Length of tenancy for refunded bonds



Information services

Fair Trading continued to provide the Board with a responsive rental bond customer information service in 2013-14 via the Fair Trading Contact Centre (FTCC), Service NSW Centres and Fair Trading Centres located throughout NSW and the Rental Bond Internet Service (RBIS).

FTCC provides a single point of contact for customer telephone enquiries from across NSW on a broad range of fair trading issues. The technology employed by FTCC provides greater customer service flexibility and allows Fair Trading to respond quickly to issues that arise in the marketplace, answering almost 97% of the 197,153 telephone enquiries on rental bonds which were received during 2013-14.

During 2013-14 agents made 244,049 individual bond enquiries via RBIS – representing 56% of total bond enquiries.

The use of this customer self-service option by the real estate industry for access to basic bond information allows Fair Trading to concentrate its staff resources on responding to the more complex rental bond and tenancy enquiries.

Rental Bond Internet Service

The Rental Bond Internet Service (RBIS) provides direct access to detailed information, claim for refund and reporting facilities on rental bonds, through the convenience of the Internet - 24 hours a day, 7 days a week.

Using RBIS, property managers can authorise the payment of rental bond monies to their tenants by interfacing directly with Fair Trading's core rental bond business systems.

RBIS is a highly secure system which enables property managers to access only those rental bond records for tenancies managed by their agency.

The real estate industry continued to provide strong support for RBIS with a further 169 property managers joining up to the Service during the year. The number of rental bond claims submitted via RBIS increased by 7.6% this year.

Property managers also used the Service to access a range of financial reports on rental bonds managed by their agencies.

With an increase in the total number of rental bonds managed by Fair Trading since the inception of RBIS, the Service has proven to be a cost-effective self-service delivery channel which has enabled Fair Trading to manage increasing transaction volumes.

Tenancy services

The Rental Bond Board funds the provision of government tenancy information services through the Fair Trading Contact Centre (FTCC) in accordance with Part 8, Rental bonds Division 6, s.186(2) of the *Residential Tenancies Act 2010*.

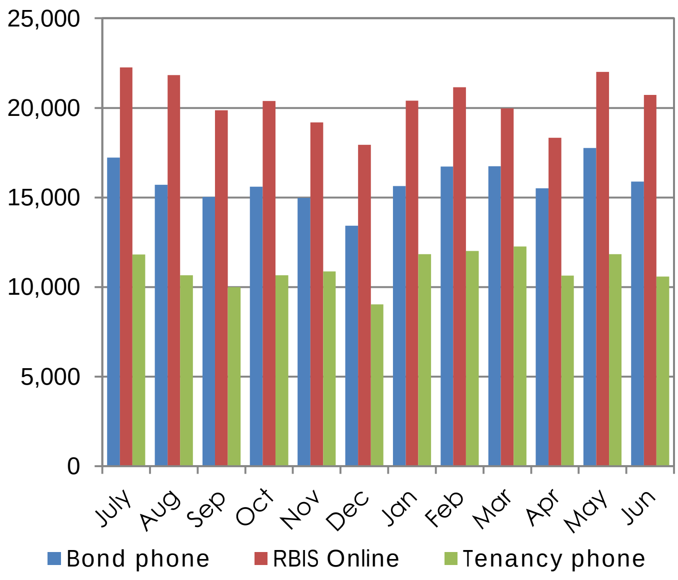
Fair Trading staff answered 94.5% of the 139,929 tenancy related telephone enquiries received during 2013-14. Tenancy enquiry volumes have increased by 7.3% this year compared to enquiries received in 2012-13.

Customer information and electronic versions of our publications are available on Fair Trading's website (www.fairtrading.nsw.gov.au). The use of the internet for information self-service by customers continues to grow.

The Fair Trading Contact Centre (FTCC) is one of Fair Trading's main front line services, dealing with over one million customer telephone enquiries each year, across a range of Fair Trading matters.

FTCC takes an active role in promoting the available self-service options to its customers and also provides information which assists them in resolving their issues.

Rental bond enquiries – monthly averages



Pilot tenancy dispute resolution service

A simple, fast and free tenancy complaint service was officially launched on Friday 1 August, 2014 which was implemented to assist with a range of tenancy issues.

Property managers, landlords and tenants can access Fair Trading's 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.

Fair Trading has been trialling the new specialist service since December 2013. As at 30 June 2014, 1,522 tenancy complaints had been received, with 88% resolved without the need for higher cost resolution options.

Fair Trading also launched a new YouTube video titled "Help with Tenancy problems" to show how the tenancy complaint service works.

Business Support

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

The unit manages the maintenance and on-going system development of the applications which enable the processing of rental bonds by both internal staff and by property managers using the Rental Bond Internet Service.

The Rental Bond System is designed to provide high availability, confidentiality and integrity; and performance levels required to meet the business needs of a high volume processing environment. The system has been fully available to users for over 99% of the time in the year to 30 June 2014.

Internal control

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

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

The Unit performed regular four-weekly reviews of a random selection of rental bond refunds during 2013-14, as well as several special reviews of related processing functions.

Review findings are discussed by the Rental Bonds Systems Review Committee, and may result in recommendations to management, additional staff training or procedural change to meet the Board's high quality performance requirements.

During the year the operational reviews did not identify any significant issues with an impact on the Board's service to our customers or the integrity of financial operations.

Online Rental Bonds Service (ORBS)

Fair Trading is currently working towards delivery of an expanded Online Rental Bonds Service (ORBS) for all parties to a NSW private residential rental bond, including private landlords, managing agents and tenants.

The scope of online services includes bond lodgements, bond refunds, bond inquiries and a range of bond maintenance services.

The project will introduce a new business model for the Rental Bonds operation which will support a shift from the current primarily paper-based financial processing environment to a business focussed on primary online service delivery.

Secondary paper-based processes will be retained for customers who cannot access or use the internet.

The major objectives of the project are to improve delivery and access to online services for customers and to achieve government efficiency savings.

This project will leverage the existing recently upgraded (industry standard) business application infrastructure which incorporates strong internal controls and mature business processes.

The existing Rental Bond Internet Service (RBIS), which has successfully delivered secure online rental bond services to managing agents for over a decade, will be phased out over time as agents transition to the ORBS.

The ORBS project is on schedule and will be available to the public in 2015.

Relocation of Rental Bonds Branch

The Grafton Rental Bonds office commenced operations in early July 2014 and was officially opened by the Minister for Fair Trading, the Hon Matthew Mason-Cox on 31 July 2014.

The relocation of rental bond operations from Sydney to Grafton supports the Government's Decade of Decentralisation Policy and has created 26 full-time regional jobs.

Major contributing factors to the success of the relocation included:

- the retention of five experienced staff who relocated to Grafton;
- a comprehensive staff training program for new starters; and
- a high level of involvement of Sydney staff in detailed planning and change management activities.

Funded programs

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

This is the second of two objectives that contribute to a fair and equitable marketplace in the area of residential tenancy.

The independent custody of rental bonds ensures that the rights of both tenants and landlords are protected in accessing bond monies at the end of a tenancy.

A fair tenancy marketplace also requires that tenants and landlords can access information on their rights and obligations, and that tenants who are having difficulty acting on their rights should be able to get help.

Fair Trading conducts information sessions, talks and seminars covering a range of topics for real estate and property agents, self-managing landlords and tenants.

The sessions include information regarding rights and responsibilities as agents and property managers within the *Residential Tenancies Act 2010*, anti-discrimination issues covering residential tenancies and obligations of staff, smoke alarm laws, information on the Tribunal process at the former Consumer Trader and Tenancy Tribunal (CTTT) and the new NSW Civil and Administrative Tribunal (NCAT) and the most common areas that are referred to the Tribunal.

The information is provided in conjunction with the Tribunal, NSW Fire and Rescue, and the Anti-Discrimination Board.

Tenancy, real estate and property management issues can be quite complex. Fair Trading provides information and negotiates between parties in dispute.

While negotiating these disputes, where officers detect any breaches of legislation, these breaches are referred for further investigation.

Rental bonds held by the Board at 30 June 2014 by postcode groupings

Region	Post Code Grouping	Bonds Held 30/06/2013	Bonds Held 30/06/2014	Variation
Inner Sydney	2000 - 2014	33,084	34,175	1,091
South Sydney	2015 - 2020	12,427	13,382	955
Eastern Suburbs	2021 - 2036	50,513	50,960	447
Inner West	2037 - 2059	31,968	32,253	285
Lower North Shore	2060 - 2069	24,432	25,137	705
Upper North Shore	2070 - 2087	12,600	12,981	381
Mosman / Cremorne	2088 - 2091	11,026	10,984	42
Manly / Warringah	2092 - 2109	22,335	22,622	287
North Western	2110 - 2126	22,165	23,138	973
Western Suburbs	2127 - 2145	41,432	43,639	2,207
Parramatta / Hills	2146 - 2159	26,456	28,053	1,597
Fairfield / Liverpool	2160 - 2189	35,772	37,551	1,779
Canterbury / Bankstown	2190 - 2200	21,839	22,675	838
St George	2201 - 2223	36,071	37,509	1,438
Cronulla / Sutherland	2224 - 2249	14,461	14,805	344
Metropolitan Total		396,581	409,864	13,285
Central Coast	2250 - 2263	29,255	29,567	312
Greater Newcastle	2264 - 2319	35,949	36,567	618
Hunter Valley	2320 - 2339	17,730	19,032	1,302
New England	2340 - 2419	17,054	17,649	595
North Coast	2420 - 2499	55,401	56,231	830
Greater Wollongong	2500 - 2530	21,756	22,555	799
South Coast	2531 - 2551	14,779	15,090	311
Campbelltown	2552 - 2570	12,678	13,674	996
Southern Division	2571 - 2639	16,340	16,679	339
Riverina	2640 - 2739	22,716	23,511	795
Penrith / Windsor	2740 - 2772	32,009	34,171	2,162
Blue Mountains	2773 - 2786	5,364	5,371	7
Orange/Bathurst	2787 - 2819	11,392	11,641	249
Dubbo & North West	2820 - 2842	7,118	7,390	272
Mudgee District	2843 - 2863	2,559	2,740	181
Western Division	2864 - 2880	4,254	4,388	134
Miscellaneous		-	217	-
Country Total		306,577	316,473	9,679
NSW Total		**703,158**	**726,337**	**22,964**

Median rents for new lettings during June quarter by postcode groupings

Region	Post Code Grouping	Median Rent 30/06/2013	Median Rent 30/06/2014	Variation
Inner Sydney	2000 - 2014	590	600	10
South Sydney	2015 - 2020	590	600	10
Eastern Suburbs	2021 - 2036	600	610	10
Inner West	2037 - 2059	550	575	25
Lower North Shore	2060 - 2069	585	580	-5
Upper North Shore	2070 - 2087	570	580	10
Mosman / Cremorne	2088 - 2091	575	590	15
Manly / Warringah	2092 - 2109	560	580	20
North Western	2110 - 2126	495	500	5
Western Suburbs	2127 - 2145	450	470	20
Parramatta / Hills	2146 - 2159	420	450	30
Fairfield / Liverpool	2160 - 2189	390	400	10
Canterbury / Bankstown	2190 - 2200	380	400	20
St George	2201 - 2223	460	480	20
Cronulla / Sutherland	2224 - 2249	450	480	30
Metropolitan Total		495	510	15
Central Coast	2250 - 2263	350	360	10
Greater Newcastle	2264 - 2319	360	365	5
Hunter Valley	2320 - 2339	330	310	-20
New England	2340 - 2419	250	265	15
North Coast	2420 - 2499	300	320	20
Greater Wollongong	2500 - 2530	350	360	10
South Coast	2531 - 2551	290	300	10
Campbelltown	2552 - 2570	385	400	15
Southern Division	2571 - 2639	325	328	3
Riverina	2640 - 2739	240	240	0
Penrith / Windsor	2740 - 2772	380	390	10
Blue Mountains	2773 - 2786	350	370	20
Orange/Bathurst	2787 - 2819	280	280	0
Dubbo & North West	2820 - 2842	250	250	0
Mudgee District	2843 - 2863	320	300	-20
Western Division	2864 - 2880	210	220	10
Country Total		320	330	10
Miscellaneous*		260	253	-7
NSW Total		**400**	**410**	**10**

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

Former CTTT / NSW Civil and Administrative Tribunal - Tenancy Functions

During the 2013-14 financial year the Consumer, Trader and Tenancy Tribunal (CTTT) was impacted by the introduction of a new 'super' tribunal.

From 1 January 2014, the CTTT was one of 22 former tribunals consolidated into the NSW Civil and Administrative Tribunal (NCAT), within the Department of Justice.

NCAT is an independent body which provides prompt, accessible, economical and efficient dispute resolution services.

NCAT's four divisions deal with a broad and diverse jurisdiction. Disputes previously taken to the CTTT, including residential tenancy and bond disputes, are now dealt with in the Consumer and Commercial Division of NCAT. The Tribunal's other three Divisions deal with matters ranging from guardianship to the administrative review of government decisions.

There are nine NCAT registries in metropolitan and regional NSW, and hearings are held in up to 70 locations around the State. Information about NCAT services is also available from Service NSW Centres and the NCAT website www.ncat.nsw.gov.au.

Former CTTT – 1 July 2013 to 31 December 2013

In the first six months of the 2013-14 financial year, the former CTTT received 32,444 applications in total. Applications in the Tenancy list dominated the Tribunal's workload, accounting for 15,285 lodgements, or 47% of all CTTT applications received in those six months.

The number of Social Housing list applications lodged was 8,644 or 27% of total applications. A further 2,153 applications (7% of the total) related to residential park, strata and community scheme, or retirement village issues.

From 1 July 2013 to 31 December 2013, 59% of applicants chose to lodge their application online. Applicants with tenancy disputes were the highest users of this online service.

NCAT - 1 January 2014 to 30 June 2014

For the six months from 1 January 2014 to 30 June 2014, NCAT received a total of 39,287 applications across its four divisions. The Consumer and Commercial Division of NCAT (formerly the CTTT) received 33,102 applications for the period. The Tenancy list continued to dominate the Division's workload, accounting for 16,362 lodgements, or 49% of all applications received by the Division over that six month period.

The number of Social Housing list applications lodged was 9,018 or 27% of total applications. A further 1,704 applications (5% of the total) related to residential park, strata and community scheme, or retirement village issues.

Online lodgement of applications in the Consumer and Commercial Division via *NCAT Online* accounted for 65% of applications. Applicants with tenancy disputes were the highest users of this online service.

The Rental Bond Board provided $13.5 million in funding toward the residential tenancy functions of the former CTTT and NCAT in 2013-14, which were jointly funded by NSW Fair Trading and the Board.

NCAT continues to invest in innovative technology to aid its considerable workload. New technology initiatives and incremental enhancements to existing technology are driven by customers, Members and staff feedback.

Technology available in the former CTTT has been brought into the Consumer and Commercial Division of NCAT and will, over time, be expanded into the other NCAT Divisions. For example:

NCAT Online: a 24 hour online service that enables people to complete and lodge most Consumer and Commercial Division applications online. Most applications lodged online are automatically listed and a notice of hearing dispatched by return email. Parties can also track progress of their application online at any time.

InCourt: a system that enables NCAT members to produce Tribunal orders by typing them directly into the case management system at the conclusion of the hearing so that orders can be made available.

eConnect: is an online service which allows people to receive Notices of Hearing, and other Tribunal correspondence by email.

The NCAT website is the primary source of information for the public and users of the Tribunal's services. In the six months to 30 June 2014, the website received more than 1.2 million views. NCAT is also building its social media presence with steady growth in followers of NCAT Facebook and Twitter.

More information about these and other innovations is included in the first NCAT annual report which can be downloaded from the Tribunal's website www.ncat.nsw.gov.au

Grants programs

In accordance with Part 8, Rental Bonds Division 6, s186 (3) of the *Residential Tenancies Act 2010* the Director-General may make a grant or loan, on the recommendation of the Board and with the approval of the Minister, from the Rental Bond Interest Account for the following purposes:

- establishing and administering 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 relationship of landlord and tenant; and
- other activities for the benefit of landlords and tenants.

The Office of Finance and Services Annual Report 2013-14 contains information on all recipients and budget paper program information on the Rental Bond Board Grants Programs.

Programs funded by the Rental Bond Board

Tenants' Advice and Advocacy Program

The Rental Bond Board provides 50% of the total funding towards the Tenants' Advice and Advocacy Program. In 2013-14 the Board's contribution to the Program was approximately $4.7 million.

Credit Counselling Program

The Rental Bond Board contributes 70% of the total value of the Credit Counselling Program. The Board's contribution toward the Program for 2013-14 was approximately $4.45 million.

INDEPENDENT AUDITOR'S REPORT

Rental Bond Board

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Rental Bond Board (the Board), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2014, 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* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

The Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | e mail@audit.nsw.gov.au | **audit.nsw.gov.au**

My opinion does *not* provide assurance:

- about the future viability of the Board
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- 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 other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

David Nolan
Director, Financial Audit Services

22 September 2014
SYDNEY

t: 9275 7377
ref: D1432393/0392

Mr Rod Stowe
Chairperson
Rental Bond Board
McKell Building
2-24 Rawson Place
SYDNEY NSW 2000

22 September 2014

Dear Mr Stowe

STATUTORY AUDIT REPORT

for the year ended 30 June 2014

Rental Bond Board

I have audited the financial statements of the 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 2014, 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 that I send this report to the 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 have enclosed 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 matters you may find of governance interest. Therefore, other governance matters may exist, which have not been reported to you.

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

Audit Result

While I expressed an unmodified opinion on the Board's financial statements, I identified the following significant matters.

Significant Matters

Accounting for Bonds

The Board prepared the financial statements on the basis that it holds rental bonds of $1.14 billion in trust and therefore does not account for them on balance sheet.

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In 2013, the Crown Solicitor noted that the legislation should be reviewed and amended to remove any uncertainty concerning the treatment of the bonds.

In 2014, Deloitte recommended that the bonds be bought to account on the Board's balance sheet for the 2014-15 financial year.

We recommend that the Board review and amend its legislation as a matter of urgency to remove any doubt over how the bonds should be accounted for.

Misstatements in the Financial Statements

The financial statements contained misstatements which are listed in the attached Appendix.

Compliance with Legislative Requirements

My audit procedures are targeted specifically towards forming an opinion on the Board's financial statements. This includes testing whether the Board has complied with legislative requirements that may materially impact on the financial statements. The results of the audit are reported in this context.

Unclaimed Monies

The Board currently remits unclaimed monies to NSW Treasury after 6 months. The Treasurer's Directions Section 420.03 required unclaimed monies to be remitted after 3 months.

Quality and Timeliness of Financial Reporting

Treasury Circular TC 14/02 'Mandatory early close procedures for 2014' required the Board to prepare certain aspects of the financial statements before year-end and provide the outcomes to the audit team.

The Board completed the mandatory early close procedures set out in the Circular and supplied the outcomes to the Audit Office within the specified timeframe. The Board also submitted financial information to Treasury and the financial statements and supporting working papers to the Audit Office by the due dates. We endorse this activity and recommend the agency continue to identify ways to meet an earlier reporting timetable.

Auditor-General's Report to Parliament

Comment on the Board's activities, financial operations, performance or compliance will appear in the Auditor-General's Report to Parliament. I will send the draft comment to the Board for review before the Report is tabled.

Acknowledgment

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

Yours sincerely

David Nolan
Director, Financial Audit Services

Appendix

Misstatements in the Financial Statements

The following tables detail the effect of the misstatements in the financial statements originally submitted for audit. Significant misstatements are reported individually.

Corrected Monetary Misstatements

NIL

Corrected Disclosure Deficiencies

A number of minor changes were made to the financial statements to improve disclosure.

Uncorrected Monetary Misstatements

NIL

Uncorrected Disclosure Deficiencies

AASB reference	Disclosure title	Description of disclosure deficiency
AASB 101	Note 4 Current Assets – Cash and Cash Equivalents	T-Corp Hour-Glass Strategic Cash Facility should be classified as 'Financial Asset at Fair Value' not 'Cash and Cash Equivalents'.

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 and performance of the Board as at 30 June 2014 and transactions for the year ended 30 June 2014;

(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 2010* 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.

Rod Stowe

Rod Stowe, Chairperson

19 September 2014

RENTAL BOND BOARD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Actual 2014 $'000	Budget 2014 $'000	Actual 2013 $'000
Expenses excluding losses				
Administrative services	1(a),2(a),	25,460	24,425	24,218
Grants and subsidies	2(b)	28,315	28,794	29,316
Other operating expenses	2(c)	2,836	2,820	1,004
Interest on rental bonds (Finance Costs)	1(f)	151	132	132
TOTAL EXPENSES EXCLUDING LOSSES		**56,762**	**56,171**	**54,670**
Revenue				
Investment revenue	1(e),3(a)	58,206	58,842	57,856
Other		67	-	-
Total Revenue		**58,273**	**58,842**	**57,856**
Net result		**1,511**	**2,671**	**3,186**
Other comprehensive income				
Total Other Comprehensive Income		-	-	-
TOTAL COMPREHENSIVE INCOME		**1,511**	**2,671**	**3,186**

The accompanying notes form part of these statements.

RENTAL BOND BOARD

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	Actual 2014 $'000	Budget 2014 $'000	Actual 2013 $'000
ASSETS				
Current Assets				
Cash and cash equivalents	4	46,429	51,127	55,104
Receivables	5	19,346	15,049	11,473
Total Current Assets		**65,775**	**66,176**	**66,577**
TOTAL ASSETS		**65,775**	**66,176**	**66,577**
LIABILITIES				
Current Liabilities				
Payables	6	2,244	-	4,557
Total Current Liabilities		**2,244**	**-**	**4,557**
TOTAL LIABILITIES		**2,244**	**-**	**4,557**
NET ASSETS		**63,531**	**66,176**	**62,020**
EQUITY				
Accumulated Funds		63,531	66,176	62,020
TOTAL EQUITY		**63,531**	**66,176**	**62,020**

The accompanying notes form part of these statements.

RENTAL BOND BOARD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Accumulated Funds	Total
	$'000	**$'000**
Balance as at 1 July 2013	62,020	62,020
Net result for the year	**1,511**	**1,511**
Other comprehensive income:		
Total other comprehensive income	-	-
Total comprehensive income for the year	**1,511**	**1,511**
Transactions with owners in their capacity as owners	-	-
Balance as at 30 June 2014	**63,531**	**63,531**

	Accumulated Funds	Total
	$'000	**$'000**
Balance as at 1 July 2012	58,834	58,834
Net result for the year	**3,186**	**3,186**
Other comprehensive income:		
Total other comprehensive income	-	-
Total comprehensive income for the year	**3,186**	**3,186**
Transactions with owners in their capacity as owners	-	-
Balance as at 30 June 2013	**62,020**	**62,020**

The accompanying notes form part of these statements.

RENTAL BOND BOARD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Actual 2014 $'000	Budget 2014 $'000	Actual 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Payment of interest on bonds		(151)	(132)	(132)
Payments of Suppliers		(29,922)	(27,245)	(23,507)
Grants and subsidies		(28,961)	(28,794)	(26,516)
Total Payments		**(59,034)**	**(56,171)**	**(50,155)**
Receipts				
Interest received		50,333	58,842	55,714
Other		26	-	-
Total Receipts		**50,359**	**58,842**	**55,714**
NET CASH FLOWS FROM OPERATING ACTIVITIES	10	**(8,675)**	**2,671**	**5,559**
NET DECREASE IN CASH		(8,675)	2,671	5,559
Opening cash and cash equivalents		55,104	48,456	49,545
CLOSING CASH AND CASH EQUIVALENTS	4	**46,429**	**51,127**	**55,104**

The accompanying notes form part of these statements.

RENTAL BOND BOARD

FOR THE YEAR ENDED 30 JUNE 2014

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Rental Bond 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 reporting entity comprises all the activities under its control.

The administrative functions for the Board are performed by the Office of Finance and Services and costs associated with these functions are paid for on an operational basis in relation to activities performed (Note 2).

These financial statements for the year ended 30 June 2014 has been authorised for issue by the Chairperson of the Board 19 September 2014.

(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 2010*; and
- the Financial Reporting Directions published in the financial reporting code for NSW General Government Sector Entities or issued by the Treasurer.

Financial assets at "fair value through profit or loss" and available for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

Judgement, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

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

(c) Statement of Compliance

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

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

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

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

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

Cash flows are included in the Statement of Cash Flows on a gross basis.

(e) Income Recognition

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

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

Interest received on investments is deposited into the Rental Bond Interest Account. This account is used to fund the Board's operations and grant payments to cover half of the operating costs of the tenancy functions of the Consumer Trader and Tenancy Tribunal (CTTT) and certain tenancy support programs (Refer to Note 2(b)). The Board pays interest on rental bonds at the time the bond is refunded. The interest rate paid is linked to the rate paid on a Streamline Account balance of $1,000 by the Commonwealth Bank of Australia. The rate is cumulative six monthly and paid from the Rental Bond Interest Account in accordance with Section 173 of the *Residential Tenancies Act 2010.*

(g) Grant Recognition

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

(h) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost, or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(i) Investments

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

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

  The Hour-Glass Investment Facilities are designated at fair value through profit or loss using the second leg of the fair value option ie these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the Board's key management personnel. The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item "investment revenue".

- *Held to maturity investments* - Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Board has the positive intention and ability to hold to maturity are classified as "held to maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

- *Available for sale investments* - Any residual investments that do not fall into any other category are accounted for as available for sale investments and measured at fair value in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the year. However, interest calculated using the effective interest method and dividends are recognised in the net result for the year.

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

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of Financial Position date.

(j) Impairment of Financial Assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Board will not be able to collect all amounts due.

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

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. However, reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the revaluation surplus.

Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(k) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Board transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where the Board has not transferred substantially all the risks and rewards, if the Board has not retained control.

Where the Board has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Board's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(l) Trust funds

The Board receives monies in a trustee capacity as set out in Note 12. As the Board performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Board's own objectives, these funds are not recognised in the financial statements.

(m) Liabilities

These amounts represent liabilities for goods and services provided to the Board and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(n) Fair value hierarchy

A number of the Board's accounting policies and disclosures require the measurement of fair values for financial assets. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Board categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices in active markets for identical assets / liabilities that the Board can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

(o) New Australian Accounting Standards Issued But Not Effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Accounting Standards have not been applied and are not yet effective:

Accounting Standard/Interpretation

- AASB 9, AASB 2010-7 and AASB 2012-6 regarding financial instruments
- AASB 127 (NFP) Separate Financial Statements (NFP entities only)
- AASB 1031 Materiality
- AASB 1055 and AASB 2013-1 regarding budgetary reporting
- AASB 2012-3 regarding offsetting financial assets and financial liabilities
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 regarding financial instruments – Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2013-5 regarding accounting for Investment Entities
- AASB 2013-6 regarding Reduced Disclosure Requirements
- AASB 2013-8 regarding Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities
- AASB 2013-9 regarding the Conceptual Framework, Materiality and Financial Instruments (Parts B and C).

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

(p) Comparative Information

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

(q) Budgeted Amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the *Public Finance and Audit Act 1983* where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts

(r) Equity

The category 'Accumulated Funds' includes all current and prior period retained funds.

2. EXPENSES EXCLUDING LOSSES

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

(a) Administrative Services

	2014 $'000	2013 $'000
Administrative Service Charge	22,025	21,805
Capital Expenditure Service Charge	3,435	2,413
	25,460	24,218

(b) Grants and Subsidies

		2014 $'000	2013 $'000
Tenancy Services	(i)	540	573
Credit Counselling Program	(ii)	3,451	3,204
No Interest Loans Scheme	(iii)	2,108	2,021
Tenants' Advice and Advocacy Program	(iv)	5,348	7,488
Tenancy Functions of the Consumer, Trader and Tenancy Tribunal	(v)	14,368	13,530
National Rental Affordability Scheme	(vi)	2,500	2,500
		28,315	29,316

(i) Tenancy Services

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

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

(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 also employment of a dedicated NILS Coordinator.

(iv) Tenants' Advice and Advocacy Program

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

The Program is jointly funded by the Office of Finance and Services 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 Consumer Trader and Tenancy Tribunal

The Consumer Trader and Tenancy Tribunal (CTTT) 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 jointly funded by the Office of Finance and Services 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.

The Federal Government announced in May 2014 that it would not be proceeding with additional rounds of NRAS. Those rounds already approved however will continue to be supported.

(c) Other Operating Expenses include the following:

	2014 $'000	2013 $'000
Auditor's remuneration	75	60
Bank charges	39	49
Investment Management Fee	871	866
Renting Services Relocation to Grafton	1,800	-
Other	51	29
	2,836	1,004

3. REVENUE

(a) Investment Revenue

Interest from Rental Bond Account Investments	60,744	59,138
Amortisation of (Premium)/Discounts on Rental Bond Account Investments	(2,538)	(1,282)
	58,206	57,856

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

4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Cash at Bank	101	298
Hour-Glass Cash Facility	36,602	45,384
Hour Glass Strategic Cash Facility	9,726	9,422
	46,429	55,104

TCorp interest for Hour-Glass Cash Facility was 2.88% (3.69% in 2012/13). The Hour Glass Strategic Cash Facility was 3.12% per annum (4.16% in 2012/13).

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes money deposited with banks, TCorp Hourglass 'Cash' Facility and cash on hand.

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)	46,429	55,104
Closing cash and cash equivalents (per statement of cash flows)	46,429	55,104

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

5. CURRENT ASSETS - RECEIVABLES

Items classified as receivables are as follows:

Cash owed to the Board from Rental Bond Account	19,313	11,445
Debtors	33	28
	19,346	11,473

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

6. CURRENT LIABILITIES - PAYABLES

Accrued Administration Charges	-	1,569
Accrued Grants	2,154	2,800
Other Accrued Charges	90	188
	2,244	4,557

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

7. COMMITMENTS FOR EXPENDITURE

There are no commitments for capital or other expenditure or commitments for leases at balance date (Nil - 30 June 2013).

8. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Rental Bond Board is not aware of any contingent liabilities or contingent assets at the date of these financial statements.

9. BUDGET REVIEW

Statement of Comprehensive Income

Reconciliation on the Budget Estimates between NSW Treasury Budget Paper no. 3 and Financial Statements

Below is an extract from Budget Estimates in Budget Paper no. 3

	2014 Budget
Expenses Excluding Losses	**$'000**
Grants and subsidies	28,794
Operating expenses	26,483
Finance costs	894
Total	**56,171**

Reconciliation to Statement of Comprehensive Income

	2014 Budget
Expenses Excluding Losses	**$'000**
Grants and subsidies	28,794
Administrative services	24,425
Other operating expenses	2,820
Interest on rental bonds	132
Total	**56,171**

Statement of Financial Position

Variance in net assets to budget of $2.6 million was mainly due to 2014 CTTT grant payment to Department of Police and Justice which was paid subsequent to year end.

Statement of Cash Flows

Variance in cash inflows to budget of $8.5 million as a result of interest income earned by the Trust but payable to the Board at year end not yet transferred.

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

	2014 $'000	2013 $'000
Net Result	1,511	3,186
(Decrease)/Increase in Payables	(2,313)	4,486
(Increase) in Receivables	(7,873)	(2,113)
Net Cash from Operating Activities	**(8,675)**	**5,559**

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 into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

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

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

(a) Financial Instrument Categories

Financial Assets	**Note**	**Category**	**2014 $'000 Carrying Amount**	**2013 $'000 Carrying Amount**
Class:				
Cash and cash equivalents	4	Not applicable	46,429	55,104
Receivables*	5	Loans and receivable (at amortised cost)	19,341	11,473
Financial Liabilities				
Class:				
Payables**	6	Financial liabilities measured at amortised cost	2,244	4,557

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

(b) Credit Risk

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

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

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

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. The TCorp Hour Glass cash facility is discussed in paragraph (e) below.

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the Board will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. There were no trade receivables as at balance date.

(c) Liquidity Risk

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

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12.

For small business suppliers, where terms are not specified, payment is made 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 Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. As at 30 June 2014 total liabilities amounted to $2.24 million of which none are payable to small business suppliers or considered to be Interest bearing.

(d) Market Risk

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

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. 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 (ie 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 2013. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Exposure to interest rate risk arises primarily through the Board's interest bearing investments held with NSW TCorp. The Board does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale.

Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Board's exposure to interest rate risk is set out below.

	$'000				
2014 **Financial assets***	**Carrying Amount**	**Profit -1%**	**Equity -1%**	**Profit +1%**	**Equity +1%**
Cash and cash equivalents	46,429	(464)	(464)	464	464
Receivables	19,346	(193)	(193)	193	193

	$'000				
2013 **Financial assets***	**Carrying Amount**	**Profit -1%**	**Equity -1%**	**Profit +1%**	**Equity +1%**
Cash and cash equivalents	55,104	(551)	(551)	551	551
Receivables	11,473	(115)	(115)	115	115

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

Other Price Risk - TCorp Hour-Glass Facilities

Exposure to "other price risk" primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The Board has no direct equity investments. The Board holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2014 $'000	2013 $'000
Cash facility	Cash, money market instruments	Up to 1.5 years	36,602	45,384
Strategic cash facility	Cash and money market instruments	1.5 years to 3 years	9,726	9,422

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

NSW TCorp as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

NSW TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten-year period, quoted at two standard deviations (ie 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass statement).

	Impact on Profit/Loss		
	Change in Unit Price	**2014 $'000**	**2013 $'000**
Hour-Glass - Cash Facility	+/- 1.0%	366	454
Hour-Glass Strategic Cash Facility	+/- 1.0%	97	94

(e) Fair value measurement

(i) Fair value compared to carrying amount

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

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short-term nature of many of the financial instruments. The following table details the financial instruments where fair value differs from the carrying amount:

	2014 $'000 Carrying Amount	**2014 $'000 Fair Value**	**2014 Fair Value Level**	**2013 $'000 Carrying Amount**	**2013 $'000 Fair Value**
Financial Assets					
TCorp Hour Glass Cash Facility	36,602	36,602	Level 2	45,384	45,384
TCorp Hour Glass Strategic Cash Facility	9,726	9,726	Level 2	9,422	9,422
	46,328	46,328		54,806	54,806

(ii) Fair Value Recognised in the Statement of Financial Position

2014 Financial assets at fair value	Level 1 $'000	Level 2 $'000	Level 3 $'000	2014 Total $'000
TCorp Hour Glass Cash Facility	-	36,602	-	36,602
TCorp Hour Glass Strategic Cash Facility	-	9,726	-	9,726
	-	46,328	-	46,328

2013 Financial assets at fair value	Level 1 $'000	Level 2 $'000	Level 3 $'000	2013 Total $'000
TCorp Hour Glass Cash Facility	-	45,384	-	45,384
TCorp Hour Glass Strategic Cash Facility	-	9,422	-	9,422
	-	54,806	-	54,806

The table above only includes financial assets as no financial liabilities were measured at fair value in the statement of financial position.

There were no transfers between level 1 and 2 during the period ended 30 June 2014.

12. RENTAL BONDS

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

Amounts owing to New South Wales Residential Bond Holders

	2014 $'000	2013 $'000
Liability at the beginning of the financial year	1,046,282	973,110
Add: Receipts	513,167	483,975
Less: Expenditure	(439,701)	(410,803)
Liability at the closing of the financial year	1,119,748	1,046,282

In accordance with Sections 162 & 185(1) of the *Residential Tenancies Act 2010*, bonds received by landlords or their agents must be deposited with the Board's Rental Bond Account within ten days of receipt. The Board invests funds from the Rental Bond Account in accordance with Section 185(2) of the *Residential Tenancies Act 2010* and the *Public Authorities (Financial Arrangements) Act 1987*. Interest received on investments is paid into the Rental Bond Interest Account. Funds awaiting disbursement are invested on the short-term money market in accordance with the Board's legislation for periods not exceeding 180 days.

Book Valuation of Rental Bond Account Investments

	2014 $'000	2013 $'000
NSW Treasury Corporation Hour-Glass Facility	20,261	82,882
Direct Fixed Interest Portfolio	1,122,271	976,661
Private Shared Equity Scheme	2,005	2,089
Westpac Banking Corporation	(2,683)	(1,492)
	1,141,854	1,060,140

Market Valuation of Rental Bond Investments

NSW Treasury Corporation Hour-Glass Facility	20,261	82,882
Direct Fixed Interest Portfolio	1,186,038	1,024,064
Private Shared Equity Scheme	2,005	2,089
Westpac Banking Corporation	(2,683)	(1,492)
	1,205,621	1,107,543

Total liability to tenants as at 30 June 2014 is $1,120 million compared to the market value of the Trust's investments of $1,206 million, resulting in an excess of $86 million (2012/13 excess $62 million).

The Board monitors and reviews its investment strategy and performance on an on-going basis to ensure that the gap between its total liability to bond holders and the market value of the Trust's investments is managed to minimise its risk exposure.

13. AFTER BALANCE DATE EVENTS

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

END OF AUDITED FINANCIAL STATEMENTS

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www.fairtrading.nsw.gov.au

Internal Audit and Risk Management Statement for the 2013-2014 Financial Year for the Rental Bond Board

I, Rod Stowe, Commissioner for NSW Fair Trading, am of the opinion that the Rental Bond Board has internal audit and risk management processes in operation that are, excluding the exceptions described below, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy.*

I, Rod Stowe, am of the opinion that the internal audit and risk management processes for the Rental Bond Board depart from the following core requirements set out in Treasury Circular NSW TC 09/08 and that (a) the circumstances giving rise to these departures have been determined by the Minister for Finance & Services and (b) the Rental Bond Board has implemented the following practicable alternative measures that will achieve a level of assurance equivalent to the requirement:

Ministerially Determined Departure	Reason for Departure and Description of Practicable Alternative Measures Implemented
• Core Requirement 2: An Audit & Risk Committee has been established.	• TPP 12-04 *Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees* states in section 1 'Guidance on Shared Arrangements', sub section 1.1 'Determining eligibility to participate in a Shared Arrangement' on page 6 that: 'Subcommittees should only be established within a legal entity. Subcommittees should not be established to create capacity for an ARC to provide oversight over other legal entities within a cluster.' This precludes the NSW Government Telecommunications Authority and the State Records Authority from forming a subcommittee as they are both separate legal entities. Both Telco Authority and SRA agreed to form a subcommittee as full compliance to TPP 09-05 would impose an unreasonable administrative and cost burden. • A review of the former Department of Finance & Services cluster arrangements for Audit & Risk Committees was conducted to ensure that smaller related entities were relieved of the cost burdens of supporting their own Audit & Risk Committees and to provide an equivalent coverage of their obligations under TPP 09-05 through sharing of the Department's resources.
The determination by the Minister for Finance & Services in respect of these departures, dated 15 July 2013, is appended to this attestation statement.	

I, Rod Stowe, am of the opinion that the DFS Audit and Risk Committee is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the DFS Audit and Risk Committee are:

- Carolyn Burlew, Independent Chair (period of appointment from 14 October 2011 to 14 October 2015)
- Ralph Kelly, Independent Member (period of appointment from 1 September 2011 to 1 September 2014)
- Jim Mitchell, Independent Member (period of appointment from 13 October 2011 to 13 October 2014)
- Elizabeth Crouch, Independent Member (period of appointment from 13 October 2011 to 13 October 2014)
- Christine Feldmanis, Independent Member (period of appointment from 18 November 2013 to 18 November 2016)

Treasury approval for the shared arrangements for this Audit and Risk Committee has been endorsed by the Minister for Finance and Services as part of the exception process and Treasury approval for the shared arrangements is pending at the time of attestation. The shared arrangement is proposed for the following departments/statutory bodies:

- Fair Trading Administration Corporation
- Rental Bond Board
- NSW Telecommunications Authority
- State Records Authority

These processes, including the practicable alternative measures implemented, provide a level of assurance that enables the senior management of the Rental Bond Board to understand, manage and satisfactorily control risk exposures.

As required by the policy, I have submitted an Attestation Statement outlining compliance with exceptions with the policy to the Treasury on behalf of the Treasurer.

Rod Stowe

Rod Stowe
Commissioner for NSW Fair Trading

Date: 29/8/14

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