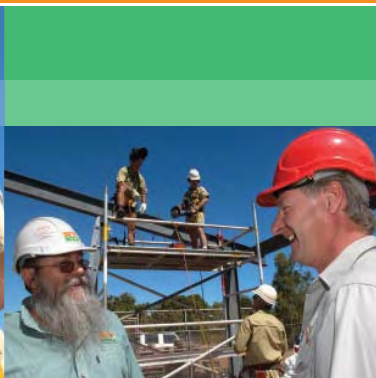
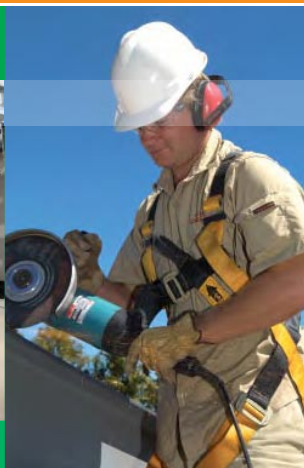


NTT BUILD

Portable long service leave

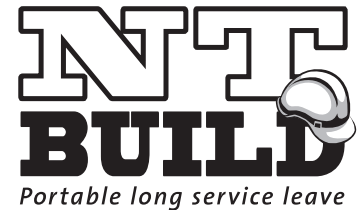
Northern Territory Construction Industry

Annual Report 2005-06



Letter of transmission

The Hon. Paul Henderson MLA
Minister for Public Employment
Legislative Assembly of the Northern Territory
Darwin NT 0800



Dear Minister

RE: NT BUILD ANNUAL REPORT 2005-2006

On behalf of the NT Build Board, I am pleased to present you with the inaugural NT Build Annual Report, for the year ending 30 June 2006.

The report details the activities and achievements of NT Build during its first year of operation and has been prepared in accordance with the provisions of Section 68 of the *Construction Industry Long Service Leave and Benefits Act 2005* (the CILSLB Act).

I advise that, to the best of my knowledge and belief, the system of internal control within NT Build provides reasonable assurance that:

- proper accounts and records of the Board's transactions and financial affairs are kept and the financial statements included in this report have been prepared from proper accounts and records and is in accordance with the CILSLB Act;
- there are adequate controls over the incurring of the Board's liabilities ;
- all payments out of the Board's money are correctly made and properly authorised;
- adequate control is maintained over the Board's property and property in the Board's custody, control and management;
- there is no indication of fraud, malpractice, major breach of legislation or delegation, or major error in or omission from the accounts and records;
- all employment matters have been handled in accordance with *Public Sector Employment and Management Act* and the CILSLB Act, as appropriate.

As required by section 69 of the CILSLB Act, you are advised that the Auditor-General has audited NT Build's financial statements for the year ending 30 June 2006 and his comments are contained in this report.

Your attention is also drawn to section 68(5) of the CILSLB Act, which requires that a copy of this Report be tabled in the Legislative Assembly within six sitting days of receipt.

Yours sincerely

A handwritten signature in black ink that reads 'Barry Chambers'.

Barry Chambers
Chairman, NT Build Board

23 November 2006

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Part 1: Introduction and overview

Objective of the report

The objective of the report is to satisfy the requirements of section 68 of the Construction Industry Long Service Leave and Benefits Act 2005 by presenting the Minister responsible for NT Build with a summary of the activities of the Board during the 2005-2006 financial year.

It also provides the Northern Territory Legislative Assembly, government agencies, stakeholders and other interested parties with an account of the performance of NT Build during the year in relation to the activities, achievements and operations of the portable construction industry long service leave scheme.



The first year

Chairperson's and Registrar's report

We welcome this opportunity to report on the success the portable long service leave scheme achieved in its first year of operation.

NT Build, which is administered by a Government appointed statutory tripartite Board consisting of industry and union representatives, came into effect on 1 July 2005. The scheme is one element of a suite of reform initiatives introduced by the Territory Government for the benefit of the construction industry. The portable long service leave scheme is designed to support the reform initiatives by making Territory working conditions more competitive in the national market place.

The portability of the scheme means that Territory construction workers can qualify for long service leave based on their service to the industry rather than service to one employer. The inclusion of the Territory under the National Reciprocal Agreement has meant portability for workers also extends across state borders, providing a truly national scheme. This has meant interstate construction workers were able to relocate to the Territory without loss of long service leave entitlements accrued elsewhere.

It is a great privilege to take part in implementing an initiative such as this scheme and steering it through a very successful first year of operation. During NT Build's first year the scheme enjoyed extraordinary industry and union support, achieving the registration of 5376 workers and 192 employers. Furthermore, 11 benefits claims were processed. The ability to make benefit payments within this first year of operation demonstrated the effective use of the National Reciprocal Agreement.

An amnesty on penalties against unpaid levies declared by the Board during the year successfully resulted in 48 new notifications of leviable projects being lodged by developers. In total, the scheme received project notifications from 62 levy payers totalling approximately \$3.2 Million.

While the scheme achieved a great deal in the first year, it is nonetheless still in its infancy. The year ahead will continue to provide challenges. During the 2006-2007 reporting period, the Board will focus on developing longer term strategies aimed at improving administrative processes and supporting the ongoing financial viability of the scheme. The Board will also focus on achieving greater compliance of levy payers and start developing an investment strategy.

It is appropriate we take this opportunity to acknowledge the efforts and contributions of all people who helped this scheme become a reality. To the many people whose hard work and commitment made the successful development, implementation and operation of this scheme possible we say 'thank you'.

In particular we acknowledge the following:

- members of the Construction Industry Reference Group (CIRG),
- various staff of the Office of the Commissioner for Public Employment who contributed from concept through to implementation;
- South Australian Construction Industry Long Service Leave Board and support and assistance provided by the staff;
- Construction, Forestry, Mining & Energy Union (CFMEU), Communications, Electrical and Plumbing Union (CEPU) and Unions NT (formerly the NT Trades & Labor Council);
- various industry organisations, including the Territory Construction Association, Housing Industry Association, Civil Contractors Federation and the Chamber of Commerce NT;
- various Territory government organisations, including the Department of Planning and Infrastructure, Northern Territory Treasury and the Local Government Association of the NT;
- our appointed financial and actuarial advisors BDO Chartered Accountants and Advisers, and Cumpston Sarjeant Pty Ltd; and
- Minister for Public Employment and the Government of the Northern Territory in providing portable long service leave to Territory construction workers and for their support.

Finally, we would like to acknowledge the dedication and commitment shown by the members of the Board and the staff of NT Build during this first 12 months. Their efforts have been appreciated and we look forward to their continued support for the year ahead.



BARRY CHAMBERS
Chairperson



THEO TSIKOURIS
Registrar

2005-2006 Highlights

- Opened for business at current premises in Charlton Court, Stuart Park on 1 July 2005, coinciding with the official start date of the portable long service leave scheme.
- Celebrated achieving the milestone of 2000 registered workers at the Official Ministerial Launch of the scheme by the Minister for Public Employment in December 2005.
- Inclusion of the NT Build scheme in the National Reciprocal Agreement, signed by all state and territory Ministers responsible for portable long service leave – making long service leave for construction workers truly portable throughout Australia.
- Declared a general amnesty in May 2006 to allow developers, who had started a construction or maintenance project anywhere in the NT after 1 July 2005 (whether completed or not), to notify NT Build by 30 June 2006 of their projects and pay the levy without incurring extra interest penalties.
- Achieved at the completion of the first year of operation of the scheme total registrations of 5376 workers, 192 employers, and project notifications from 62 levy payers totalling approximately \$3.2 Million.

2006-2007 Priorities

- Develop an investment strategy that identifies short, medium, and longer term opportunities to support the ongoing financial viability of the scheme.
- Develop a longer term strategic framework for administering the scheme that identifies short, medium, and longer term issues.
- Review the NT Build website to improve the accessibility and useability of information, targeted for each main client group.
- Review operational systems to maximise revenue collection and minimise administrative costs.



General overview - portable long service leave scheme

The scheme enables workers in the construction industry to qualify for long service leave based on their service in the industry rather than service with the same employer. Workers can therefore work for any number of employers in the construction industry and continue to accumulate long service benefits.

Key features include:

- Long service leave coverage consistent with interstate arrangements. The Northern Territory Government is party to the reciprocal arrangements agreement between all States and the Australian Capital Territory.
- Benefits are consistent with current building and construction industry and NT long service leave standards.
- The scheme is funded through an actuarially determined levy of 0.5% on eligible construction projects over \$200,000 in value (with some exceptions).
- The portable long service leave scheme is administered by a Board, appointed to oversee the management of the scheme, through a local office with the support of a contract with an established scheme administrator (Construction Industry Long Service Leave Board, South Australia).
- Employers provide six monthly returns detailing number of service days worked by their registered workers and the scheme maintains the register.
- Arrangements have been developed to prevent double counting of service and duplication of entitlements. Recognition and transfer of prior Northern Territory service is conditional upon receipt of appropriate funding and approval by the scheme.
- The scheme is statute based, subject to tripartite governance arrangements of industry, employee and independent representatives appointed by the Minister.

Our organisation

Establishment of NT Build

The *Construction Industry Long Service Leave and Benefits Act 2005* (the CILSLB Act) came into effect on 1 July 2005. The scheme was established by the NT Government for the benefit of the construction industry, enabling the Territory's building and construction workers to benefit from the introduction of a portable long service leave scheme.

As the last Australian jurisdiction to introduce such a scheme, the CILSLB Act has effectively equalised the Territory's construction industry with accepted schemes across Australia.

The establishment of the scheme was successfully completed on 30 June 2005 by an implementation team established within the Office of the Commissioner for Public Employment (OCPE).

On 1 July 2005 the ongoing administration of the scheme was entrusted to the Government appointed statutory tripartite Board established under the CILSLB Act. The Board, called NT Build, consists of an independent Chairperson, NT Treasury nominee, and industry members nominated by the:

- Territory Construction Association;
- Housing Industry Association;
- Construction, Forestry, Mining and Energy Union; and
- Unions NT.

Under the Administrative Arrangements Order the OCPE has been given principal responsibility for the general administration of the CILSLB Act. The Board however is responsible for administering the portable long service leave scheme and providing advice and making recommendations to the Minister for Public Employment about the operations of the CILSLB Act. To assist the Board in exercising its powers and performing its functions, the staff of NT Build are OCPE employees made available to the Board on a secondment arrangement agreed between the Commissioner for Public Employment (CPE) and the NT Build Board.

The scheme, including staffing and operational expenses, is self funded through a levy on construction work undertaken in the Territory and investment earnings. NT Build is not an agency within the meaning of the *Financial Management Act* or the *Public Sector Employment and Management Act* and as such no general allocation of funding is provided through the Territory Budget.

To assist with initial funding for the scheme a \$1.5 Million cash drawdown loan facility was arranged by the NT Treasury Corporation. This loan is subject to commercial rates of interest and is to be repaid in full on maturity in 2010.

As noted in the Financial Statements included in this report, an initial drawdown of \$300,000 was made in July 2005, attracting quarterly interest payments. Further withdrawals, however, were not necessary during this reporting period. To date, the cash flow generated by the payment of work levies obviated the need for further withdrawals and the Board is confident that NT Build will be able to settle the loan facility much earlier than originally anticipated.

Reactions to the scheme's introduction have been mixed but it is generally viewed as a positive change that will benefit workers, employers and the industry as a whole.

NT Build objective

As set out in the *Construction Industry Long Service Leave and Benefits Act 2005*, the purpose of the scheme is:

To provide long service leave and long service leave benefits to Territory construction workers.

Northern Territory Government objective

The introduction of the NT Build portable long service leave scheme supports the NT Government's Economic Development (Jobs) policies.

Government: "This scheme will place Northern Territory construction industry workers on an equal footing with their counterparts in other states, and greatly assist in the recruitment and retention of skilled workers to the Territory."

– Hon. Syd Stirling MLA, 2 December 2004

Our critical success indicators

- Workers registering
- Employers completing returns
- Levy payers making contributions on time
- Satisfactory audit results
- Minister and staff are satisfied
- Effective systems implemented

Our customers

Workers

The scheme enables the Territory's building and construction workers to benefit from the introduction of a portable long service leave scheme based on their service to the industry rather than service with the same employer.

A registered worker can be credited with a maximum of 260 days of qualifying service each financial year. A total of 6.5 days long service leave credit is accrued for each 260 days. Once a worker has accrued 65 days long service leave credit (ie. 10 years service), they can apply for 13 weeks (ie. 65 days) long service leave, or with the agreement of their employer, take leave in separate periods of not less than 5 days. Workers need to accrue a further 32.5 days long service leave credit before they can apply for further leave.

Special pro rata provisions are also contained in the *Construction Industry Long Service Leave and Benefits Act 2005* for workers who die, retire or cease to perform construction work.

Long service leave of registered workers is paid from the fund upon application by the employee.

NT Build offers workers:

- **truly portable intra-industry long service leave that suits the project nature of the industry**
- **a simple, user-friendly system that works with and for employees**
- **leave provisions commensurate with other states and territories**
- **reciprocity across Australia providing job mobility, greater security and more lifestyle options**
- **long service recognised on an industry wide basis providing greater job flexibility and choice**
- **more control over the future**
- **no administrative burden.**



Coverage

To be eligible for registration under the scheme a worker must:

- be employed in to carry out construction work in the Northern Territory construction industry;
- work for the private sector, i.e. not for the government, including the Territory, local government, interstate or Commonwealth;
- not be working in an administrative, clerical, managerial or professional capacity;
- spend at least 50% of their work time at the construction site for the work; and
- works a minimum of three days in any reporting period (ie; six months).

Workers employed either full-time, part-time, as a casual or as a labour only contractor (ie. ABN) are eligible to register.

Work undertaken on residential or commercial construction and maintenance jobs, whether big or small, is recognised as counting towards a long service leave benefit.

Portable benefit

The scheme enables workers to qualify for long service leave based on their service to the industry rather than service with the same employer. Workers can therefore work for any number of employers in the construction industry.

The portability also extends across state borders under the National Reciprocal Agreement.

Employee: "If the Territory hadn't just introduced portable long service leave I wouldn't have moved here. I have now got 10 years service in three states and I can take an eight week holiday." – electrician Bob Horne.

Registration numbers

The long-term forecast for numbers of worker registrations in the Northern Territory was estimated to be approximately 5000. A total of 5376 worker registrations were recorded at the completion of the first year of operation of the scheme, consisting of 5327 employees and 49 labour-only contractors.

Workers registrations	June 06
Finalised - Approved	5376
Finalised - Rejected	39

Benefit payments

In the first year of the scheme's operation 11 claims for long service leave benefits were received, including two claims pending finalisation as at 30 June 2006. The claims finalised resulted in a total gross benefit payments expense of \$7699.05 in respect of work performed in the Northern Territory. The ability to recognise service credits and make benefit payments within this first year has been made possible due to the inclusion of the Territory in the National Reciprocal Agreement.

Benefit Claims	June 06
Lodged through interstate scheme	7
Lodged through NT Build	4
Total claims lodged	11

Annual certificates

The *Construction Industry Long Service Leave and Benefits Act 2005* provides for registered workers to be issued with an Annual Certificate as soon as practicable after the end of each financial year.

The inaugural issuing of certificates following the completion of the first year of the schemes operation is due to be made available after September 2006. This will allow time for updated information from employer returns to be included. Each certificate will provide details of service credited with all relevant employers and details of worker's long service leave credits.

Statistical highlights

- **Average age by gender**

The average age of Territory workers registered with the scheme at 30 June 2006 was 38.25, with the oldest being 72 and the youngest being 16.

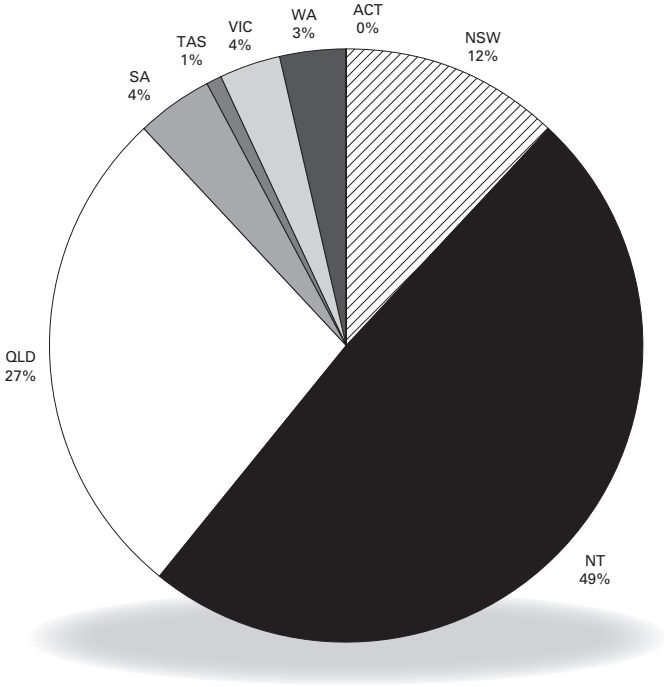
- **Days of service reported**

There have been 1,033,255 days of service reported in respect of January 2005 to June 2006 (which includes the additional pre commencement period for workers registered by 30 June 2006), making an average of approximately 192 days per registered worker.

- **Scheme demographic of registered workers by nominated contact location**

The success of the scheme in terms of providing benefits to local Territory private sector construction workers and in attracting skilled workers to the Territory is evidenced by the following table and diagram.

ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total
4	649	2619	1463	236	35	189	181	5376



Employers

The scheme enables workers to qualify for long service leave based on their service to the industry rather than service with the same employer. Workers can therefore work for any number of employers in the construction industry.

The scheme is funded by:

- A levy on construction work in the Northern Territory
- Investment earnings

Most employers therefore will not have to make any financial contribution to the scheme, as this will be the obligation of project developers. However, in certain circumstances where an employee has been continuously employed by the one employer, employers may have to contribute or pay for long service leave that accrued before 1 January 2005.

NT Build offers employers

- less liability for accrual and payment of long service leave benefits
- no financial obligation for leave accrued under the scheme
- a simple, user-friendly system that works with and for employers.

Coverage

An eligible employer under the scheme is one:

- that employs an eligible construction worker to carry-out construction work;
- that is in the private sector (i.e. is not in the Territory, local, interstate or Commonwealth government sectors); and
- whose usual business is to carry out or offer to carry out construction work for reward.

An employer must register with NT Build within one month of commencing to employ a construction worker who is registered with NT Build.

Alternatively, an employer who employs one or more eligible workers may elect to register their workers with NT Build for the portable long service leave scheme at the same time they register their business.

Employer: "The portable long service leave scheme is long overdue. People are employed for as long as the job lasts, so you can work all your life and get nothing because you have had to move from job to job. We want to give employees the best we can and this is one way of giving people a bit extra. It is vital for employers to value their workers and long service leave is one way to do that." – Rob Pattemore, Pattemore Constructions Pty Ltd

For the purpose of this scheme, construction work includes commercial, domestic, industrial and civil construction work. Construction work covers workers performing repair, maintenance, extension and demolition work, and is regardless of whether the work performed is exempt from the levy liability or not.

Registration numbers

At the completion of the first year of operation of the scheme a total of 192 eligible employers were identified through either self registration or by notification on a worker registration form.

Returns

Once a worker has been registered, employers are required to:

- keep adequate records to account for any eligible workers employed;
- complete an employer return form twice a year advising NT Build of the number of days worked by all registered employees and any other information required by NT Build; and
- notify NT Build within 14 days of terminating a registered worker.

The information provided by employers is used to update registered workers records and form the basis of the information provided to workers in their Annual Certificates.

Levy payers

The NT Build portable long service leave scheme has been established to provide long service leave benefits to construction workers in the Northern Territory. The scheme is funded by a levy on construction work and investment earnings.

NT Build "...is an industry controlled and maintained fund. It is not a government tax. This revenue will not accrue to government."

– Hon. Syd Stirling MLA, 9 February 2005

The cost of construction work is the cost of labour, materials (including prefabricated goods and installation), equipment, design, project management, consultancy and any other cost that directly or indirectly relates to the work.

The levy is paid by the person for whom the work is to be done except where the work is to be done for the Australian Government or some interstate Government entity, in which case the contractor doing the work is liable to pay the levy.

Unless otherwise approved, the levy is payable before construction work starts at the site of the work. It is the responsibility of the person for whom the work is to be done to notify NT Build of the work prior to commencement. Interest and fines may be imposed if the levy is not paid when required. NT Build also has the power to issue an order to stop work on the project until such time as the levy payer has met their statutory responsibility.

NT Build works with developers to ensure they are fully aware of their responsibilities under the scheme. They are provided with:

- a fair, efficient and user-friendly collection system
- sufficient information and educational opportunities
- regular and accessible information on NT Build and how the scheme is progressing
- access to field officers and in-house assistance.

Coverage

Unless an exemption applies, the levy is payable on all construction projects over \$200,000 in value and is calculated as a percentage of the total cost of the work. The current levy rate is 0.5%.

The levy does not apply to work:

- on Class 1a(i) and Class 10(a) buildings under the Building Code of Australia; being single detached dwellings, including related private garages, carports, sheds, or the like,
- for which the total contract price for the construction work is less than \$200,000 in value; or
- undertaken for not-for-profit organisations in respect of voluntary labour and donated materials.

Developer: "We support the scheme. – it's a regulation that is imposed by government and obviously there is a need for it. Construction workers historically move from one place to another so from the workers' point of view it is pretty good" – Geoff Smith, project director for the new Lyons suburb development

Actuarial advice

An initial levy rate of 0.5% was introduced based on actuarial estimates on the anticipated level of expenses and income for the scheme.

Mr John Rawsthorne of Cumpston Sarjeant Pty Ltd was formally appointed as the Minister's consulting actuary for the scheme. The actuary is responsible for conducting a formal review of the scheme and reporting his findings and recommendations to the Minister for Public Employment on the:

- administration of the scheme;
- methods used in working out long service leave benefits; and
- levy rate.

However, as this reporting period relates to the first year of operation of the scheme, there is no established historical data to enable an accurate assessment of the scheme's liability by the actuary. While as at 30 June 2006 there is a liability for the scheme, it can not be reliably estimated for the 1st year of operation. NT Build may not have reliable data for 2 to 3 years. The range of factors affecting the measurement of the schemes liability includes:

- work exempt from paying the levy;
- expenses estimated in administering the scheme;
- level of worker registrations and service turnover;
- range of non-levied activity for which worker benefit liability will still apply; and
- a funding period of ten years for non-levied activity.

The Board commissioned consulting actuaries Cumpston Sarjeant Pty Ltd, to conduct a preliminary actuarial review based on the first six months of data. The results of the review indicated lower than expected worker registrations and also lower revenue. Given the wide margin of uncertainty over the liability, levy income and current levels of service accrual, the actuary advised there is currently not enough firm data on which to make any recommendation for a change in levy rate.

Accordingly, as noted in the Financial Statements included in this report, no provision has been disclosed on the balance sheet of the Board at 30 June 2006 as the information at hand is not considered adequate to be able to reasonably estimate the level of the accrued liability for service in this reporting period.


Registered payers and projects

At the completion of the first year of operation of the scheme a total of 62 levy payers had notified NT Build of construction work to which the long service levy applied, resulting in the issuing of invoices equating to a levy income of approximately \$3.2 Million.

Instalment requests

Although the levy is required to be paid before the work commences on the project, the levy payer can apply to the NT Build Board for payment of the levy by instalments if the:

- value of the levy exceeds a specified amount (currently set at \$10,000); and
- project is expected to take more than one year to complete or in special circumstances.



At 30 June 2006 five formal requests for payment of levy by instalments were considered by the NT Build Board. All requests were approved and consisting of instalment plans ranging between two and four payments.

Interest penalty amnesty

In May 2006 the NT Build Board declared an amnesty on penalties against unpaid levies. The purpose of the general amnesty, which expired on 30 June 2006, was to allow developers, who had started a construction or maintenance project anywhere in the NT after 1 July 2005 (whether completed or not), to notify NT Build of their projects and pay the levy without incurring extra interest penalties.

As a result of the amnesty, 48 new notifications of leviable projects were lodged by developers by 30 June 2006.

Investment of funds

Sections 70(2) and 73(2) of the *Construction Industry Long Service Leave and Benefits Act* enable the Board to make investments within the following asset classes approved by the Treasurer.

- ***Growth Assets***

Australian Shares, International Shares, Property (Listed and direct)

- ***Defensive Assets***

Australian Fixed Interest, International Fixed Interest, Inflation Linked Bonds, Cash/Short Term Securities

- ***Other Investment Sectors***

Currency Hedging, Tactical Asset Allocation, Emerging Markets, Absolute Return Funds, Hedge Funds, Infrastructure

The liabilities of NT Build will be in the main longer term and will be influenced by wage growth. While the Board considers it appropriate to invest in both growth and interest bearing assets, no formal investments were made during the year ending 30 June 2006. During this reporting period, revenue raised from the payment of levies were held at bank, accruing normal interest.

The development of an investment strategy, which will depend on NT Build's risk tolerance and cash flow forecasts, has been identified by the Board as a priority for the 2006-07 financial year.

Part 2: Operational management

Corporate governance

Board

Functions and powers

The *Construction Industry Long Service Leave and Benefits Act 2005* sets out the Board's main functions as well as the powers that the Board may exercise in performing those functions. The functions of the Board in administering the portable long service leave scheme (provided for in section 55 of the CILSLB Act) include:







- administration of the Scheme; and
- providing advice and making recommendations to the Minister about the operation of the Act.

In exercising its powers and carrying out its functions, the *Construction Industry Long Service Leave and Benefits Act 2005* obliges the Board to do so in a manner that is reasonable and accords with and furthers the object of the Act.

Membership

The scheme is administered by a Government appointed Board. Pursuant to section 54 of the *Construction Industry Long Service Leave and Benefits Act 2005* the following appointments for membership of the NT Build Board have been made.



<p>Independent Chairperson</p>	<p>Ministerial nominee as independent chairperson</p> <p>Barry Chambers</p> <p>Retired NT Public Sector employee, Former chief executive officer of NT infrastructure agencies</p>	
<p>Two Members who represent organisations that represent the interests of employees</p>	<p>Nominee for the Construction, Forestry, Mining and Energy Union (CFMEU)</p> <p>Joe Gallagher</p> <p>Organiser, CFMEU NT Sub-Branch</p>	
	<p>Nominee for Unions NT (Northern Territory Trades & Labor Council Inc)</p> <p>Alan Paton</p> <p>NT Organiser, Communications, Electrical and Plumbing Union (CEPU)</p>	
<p>Two Members who represent organisations that represent the interests of employers</p>	<p>Nominee for the Housing Industry Association (HIA)</p> <p>Graham Kemp</p> <p>HIA Northern Territory Manager</p>	
	<p>Nominee for the Territory Construction Association (TCA)</p> <p>Dick Guit</p> <p>Regional Manager, Laing O'Rourke Australia Pty Ltd Vice-President of the TCA</p>	
<p>Additional Member appointed by the Minister</p>	<p>Nominee for the Northern Territory Government, NT Treasury</p> <p>Tony Stubbin</p> <p>Assistant Under Treasurer Economics</p>	

All current Board members were appointed by the responsible Minister on 5 May 2005 and, on the commencement of the *Construction Industry Long Service Leave and Benefits Act 2005*, assumed their role and responsibilities as the NT Build Board from 1 July 2005.

Members are able to hold office for up to five years and are eligible for re-appointment.

Meetings

During the first year of operation of the scheme the Board convened a total of 15 times, including 10 regular meetings and five occasions involving specific matters that required attention between scheduled meetings.

	Total No. of meetings held	Total No. of meetings attended
CHAMBERS, Barry	15	14
KEMP, Graham	15	12
GUIT, Dick	15	13
GALLAGHER, Joe	15	14
PATON, Alan	15	12
STUBBIN, Tony	15	12

Note: Excludes 'other' business involving general participation of members such as: attendance at National Conferences/Forums, official launch function, Ministerial discussions and ad hoc general meetings attended by the Chairperson.

The first meeting of the Board was held on 1 July 2005, the day the scheme commenced operation. At this inaugural meeting members resolved two matters specifically relating to staff of the NT Build office. The matters were the acceptance of the Commissioner for Public Employment's staffing proposal for staff to assist the Board in performing its functions and the formal appointment of a Registrar for the Scheme.

At the first meeting the Board also endorsed the *Construction Industry Long Service Leave and Benefits Determinations* which enabled a number of imperative scheme administrative matters to be effected, including:

- Definition of construction worker
- Worker and employer information required for registration

- Employer recordkeeping and reporting obligations
- Employee and contractor benefit pay rates
- Transfer of credits into and out of the scheme
- Recognition of previous and qualifying service

Due to the small size of the Board, all matters are dealt with by the Board as a whole.

Remuneration

Board members are remunerated, in accordance with the rates and conditions determined under the *Assembly Members and Statutory Officers (Remunerations and Other Entitlements) Act 2006*, based on a classification that recognises the range of duties, powers and responsibilities assigned to the Board. As a current Northern Territory Public Sector employee Mr Stubbin does not receive a remuneration payment in respect of his role as a Board member. Further detail regarding payments to members is provided in the Financial Statements included in this report.

General Decisions

In the course of the 15 meetings of the Board, 78 general items of business were resolved, covering a range of issues concerning; governance, scheme administration, and the financial and general operational management of NT Build.

Policy Decisions

The following four formal policy decisions of the Board were resolved during the financial year. These policies are intended as a guide to interpretation of specific provisions affecting the operation of the portable long service leave scheme. Copies of the policies are published on the website at: www.ntbuild.com.au

Number	Subject	Date issued
PD01/2006	Application of the levy to construction work	14 February 2006
PD3/2005	Defining work start date for construction work	6 September 2005
PD2/2005	Nature of construction work	1 July 2005
PD1/2005	Weekly benefit level	1 July 2005

Ministerial directions

Section 67 of the *Construction Industry Long Service Leave and Benefits Act 2005* enables the Minister to give a direction to the NT Build Board relating to the excising of its powers or the performance of its functions.

No directions pursuant to section 67(1) of the CILSLB Act were given during the year ending 30 June 2006.

Reconsiderations/reviews

For matters allowed under the *Construction Industry Long Service Leave and Benefits Act 2005*, a person affected by a decision made by either the Registrar or the Board may request the Board to formally reconsider that decision. As illustrated in the table below, one application for formal reconsideration was lodged during the reporting period.

Similarly, a person who has applied to the Board for a reconsideration of a decision may, if dissatisfied with the decision, apply to the Local Court for a review of the Board's reconsidered decision. No applications for a formal review were lodged during the reporting period.

Application for Reconsideration	No. Lodged	No. Resolved	Outstanding at 30/6/2006
Decision of Registrar	1	1	0
Decision of Board	0	0	0

Disclosure of interests

As required under the *Construction Industry Long Service Leave and Benefits Act 2005* a register of the interests of members of the Board is maintained. All members submitted initial written declarations stating any interests of relevance to Board business and a process has been implemented to ensure any new or amended declarations are disclosed at each meeting.

Registrar

The *Construction Industry Long Service Leave and Benefits Act 2005* requires a Registrar for the scheme to be formally appointed by the Board.

To enable the effective operation of the scheme on its commencement, Mr Brian Gallagher was appointed as the interim Registrar pending the finalisation of the ongoing filling of the position. In January 2006, Mr Theo Tsikouris was formally appointed as the Registrar for the scheme.

Functions and powers

The specific powers and primary functions of the Registrar are set out in the *Construction Industry Long Service Leave and Benefits Act 2005*. The functions of the Registrar in administering the portable long service leave scheme (provided for in section 77 of the CILSLB Act) include:

- Administrating the scheme in accordance with any directions give by the Board;
- Exercising any powers or functions delegated by the Board;
- Maintaining construction worker and employer registers;
- Approving of forms to be used for the scheme; and
- Approving registrations and deregistrations for the scheme.



Our staff

With the exception of the Registrar, who is required to be an employee within the meaning of the *Public Sector Employment and Management Act*, section 59 of the *Construction Industry Long Service Leave and Benefits Act 2005* enables the Board to engage any person to assist it in exercising its powers and performing its functions.

For administrative efficiency, the Board made the decision to source employees from within the Northern Territory Public Sector rather than employ directly. As provided for by section 59 of the CILSLB Act, the staff of NT Build are therefore employees of the Office of the Commissioner for Public Employment (OCPE) who have been made available to the Board on a full cost recovery arrangement agreed between the Commissioner for Public Employment (CPE) and the NT Build Board.

In addition to the above, the CPE continued to provide the Board with transitional support during the first 12 months operation of the scheme. The outplacement of an OCPE - NT Build liaison resource, funded by the OCPE, enabled continuity of administrative support to the Board while recruitment processes for ongoing staffing arrangements were finalised and operational practices developed and implemented.

For the purpose of managing staff, the Registrar and other OCPE employees made available to the Board are engaged under the standard NT Public Sector employment arrangements. In addition, the Registrar has been provided with delegations equivalent to those applicable to an NTPS Chief Executive Officer under the provisions of the *Public Sector Employment and Management Act*, in relation to the staff of NT Build.

NT Build is not an agency within the meaning of the *Financial Management Act* or the *Public Sector Employment and Management Act* and as such no general allocation of funding is provided through the Territory budget. The scheme, including staffing and operational expenses, is funded through a levy on construction work undertaken in the Territory and investment earnings.

Staffing Statistics as at 30 June 06

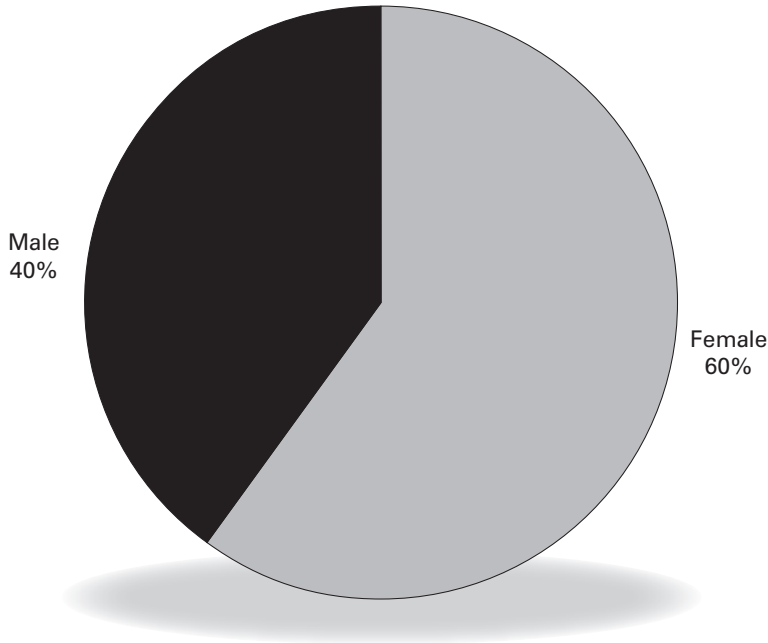
- Positions Vs Staffing numbers**

Following a staff resignation, recruitment action to permanently fill a vacant Field Officer position was concluded in June 2006 and the successful applicant is due to commence with NT Build in mid-July 2006.

Classification Level	No. of Positions	No. of Staff (FTE)
ECO1	1	1
AO8	1	1
AO6	3	1.5
AO4	1	1
	*6	*4.5

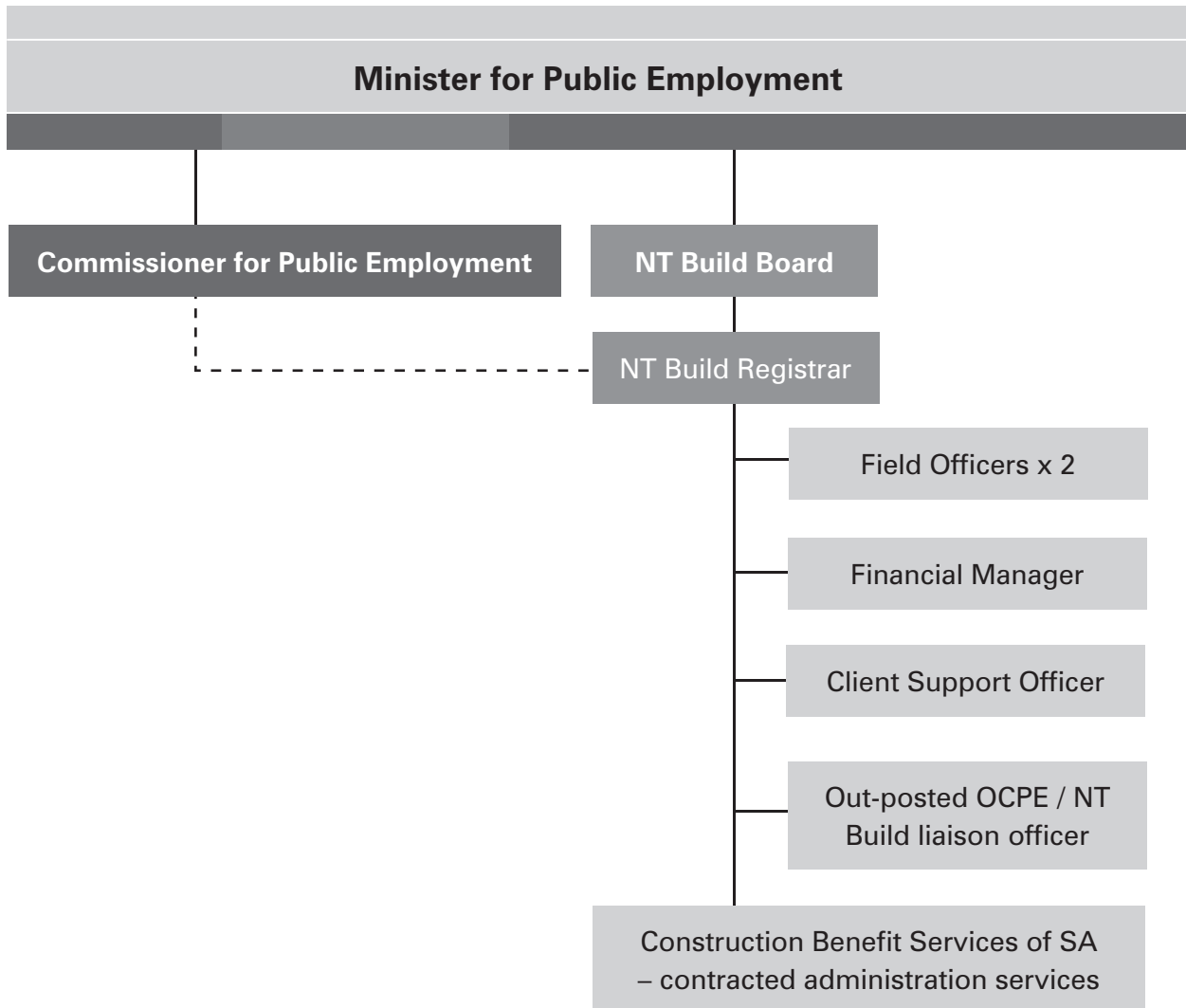
*includes out-posted OCPE employee/liaison position funded by OCPE

- Gender profile**



Organisation chart

The following diagram represents the organisation structure as at 30 June 2006.



Disclosure of interests

In accordance with the Northern Territory Public Sector Code of Conduct, NT Build staff are required to disclose any financial or other interests held by them immediately upon becoming aware that a potential conflict between personal interest and official duty, whether real or apparent, has arisen or is likely to arise.

Written declarations have been submitted by all relevant NT Build staff.

Information management

Information Privacy and Access (FOI)

The NT Build Board is a 'body corporate' established under Territory legislation responsible for administering the day to day operations of the portable long service leave scheme. As such, for the purpose of information privacy and access, NT Build has been identified by the Information Commissioner as a separate entity for the purpose of reporting under section 98 of the *Information Act*.

- ***Managing Access***

NT Build supports an open and accountable Government by fostering an environment in which information is available to stakeholders and interested members of the community in accordance with the *Information Act*. NT Build strives to make information of interest available to any interested party, where such information does not interfere with the essential public interest, individual privacy or the effective operation of NT Build.

In most cases, levy payers and registered workers and employers seeking access to their own information held by NT Build can obtain the information more quickly under the provisions of the *Construction Industry Long Service Leave and Benefits Act 2005* rather than by making an application for access under the *Information Act*.

More information is published on our internet site at:
www.ntbuild.com.au/ntbuild/info_privacy_foi.shtml

In accordance with section 98 of the Information Act, NT Build reported to the Information Commissioner that no requests were received during the 2005-2006 financial year.

- ***Managing Privacy and Protection***

NT Build respects the privacy of individuals in accordance with the *Information Act*. The *Information Act* establishes 10 Information Privacy Principles to govern the collection, use, storage and management of personal information by Northern Territory Government agencies.

NT Build is committed to collecting, using, storing and managing personal information in a manner that complies with the Information Privacy Principles.

NT Build undertakes to protect such information from unauthorised access and disclosure and to hold such information for only that period that it is required by the legislation, business needs, or historical or cultural reasons associated with the function for which the information is collected. NT Build will take reasonable steps to correct personal information if appropriate.

Records management

Part 9 of the *Information Act* (Records and Archives Management) provides for the establishment and implementation of records management standards.

Adequate records management underpins the access, correction and privacy components of the *Information Act* by ensuring that Government information (records) can be found, read and reproduced in response to requests.

Although the NT Build Board is a 'body corporate' established by Territory legislation, under the Administrative Arrangements Order the Office of the Commissioner for Public Employment (OCPE) is the designated agency responsible for the general administration of the *Construction Industry Long Service Leave and Benefits Act* (CILSLB Act). Therefore, for the purpose of Part 9 of the *Information Act*, all records relating to the administration of the CILSLB Act handled by NT Build are managed in accordance with the OCPE records management framework and policies.

Information systems

- ***Office environment***

The Northern Territory Government information technology services are managed through a number of outsourced service provision arrangements. NT Build operates within the standard Northern Territory Government information technology server environment and uses Windows Intel based desktop hardware, running both Windows XP operating system and Microsoft Office applications.

Projects completed during 2005-2006 included:

- Full Microsoft Office upgrade to Office 2003;
- Upgrade of TRIM (TOWER record and information management) system from Captura to Context;
- P-Synch migration (a self service password management and synchronisation service); and
- Upgrade electronic mail system to Lotus Notes version 6.5.

- ***Construction Benefits Services***

The assistance of an established scheme administrator, Construction Industry Long Service Leave Board, South Australia (CBS), was contracted to provide advisory services to NT Build in the start-up phase to 1 July 2005, and thereafter to provide information and administration services for two years. Central to the services provided by CBS is the development and management of a business system to support the administration of NT Build scheme.

- ***Fujitsu Australia***

The NT Build Board engaged the services of Fujitsu to undertake a business analysis of the scheme's administration to enable a defined set of requirements to be developed for the collection of project and developer information and to identify options for a system solution that will provide NT Build with a forecast management tool and automated reporting capability. A final report on the finding is due to be finalised by the end of 2006.

Communications and marketing

Communications and marketing activities have played a significant role during the first year of operation of the scheme.

Branding

NT Build was granted an exemption from using the Northern Territory Government common branding in relation to communication and marketing of NT Build activities. The exemption reaffirmed the government's commitment in establishing NT Build for the benefit of the Territory building and construction industry and enabled NT Build to continue to promote the scheme under its own unique brand.

Communications strategy

Communications consultants Michels Warren Munday were engaged by the Board to develop a communications strategy and implementation plan. The adopted strategy aims to enhance NT Build's profile and engage its stakeholders to build better awareness and understanding of its role and activities among key audiences.

General marketing activities

Throughout the reporting period a number of customer focused marketing activities were implemented. These have included:

- General radio and newspaper advertising campaign to raise public and industry awareness of the scheme
- Radio and newspaper advertising campaign targeting workers in the building and construction industry
- Radio and newspaper advertising campaign targeting developers, builders and businesses, to raise awareness of the introduction of the levy on construction work
- Advertising in industry publications and directories
- Maintenance of the NT Build website
- Production of a range of targeted customer information sheets, including the *SiteAlert*, and fact sheets

- Issuing of media releases to highlight significant events or achievements
- Delivery of numerous formal and informal presentations to targeted customers, including conducting regional and local site visits and information sessions.

Key events

In addition to ongoing marketing activities, the following noteworthy events were undertaken.

- Declaration of an interest penalty amnesty in May 2006, targeted at developers who had started a construction project anywhere in the NT after 1 July 2005 (whether completed or not). The amnesty allowed for the developers to notify NT Build by 30 June 2006 of their projects and pay the levy without incurring extra interest penalties.

The amnesty was promoted through media releases, newspaper advertising, email broadcasts to construction industry organisations and professional associations, website notification, and site visits.

- Hosting of a Ministerial launch in December 2005, to officially open the office and celebrate the success of the scheme in exceeding the milestone achievement of receiving more than 2000 registered workers within the first four months of operation. The launch enabled the Minister for Public employment to mark this milestone by congratulating the 2000th worker to be registered – Mr Heath Costello.

Marketing for this event included the issuing of Ministerial invitations to representatives of construction industry and related organisations, and to current and prospective construction industry employers and developers.

Then Minister for Public Employment Hon. Chris Burns MLA congratulates Heath Costello for being the 2000th scheme member at the Ministerial Launch, December 2005



Industry consultation

- ***Information sessions and briefings***

During the reporting period NT Build staff provided a range of information and briefing sessions to construction industry organisations, including:

- General presentations at industry forums;
- Targeted presentations to employer and developer groups; and
- Tailored on site briefing sessions to employees, employers and developers.

- **Construction Industry Reference Group**

The Northern Territory Government introduced a number of separate construction industry reforms to facilitate development of the industry across the Northern Territory. The reforms, which included this portable long service leave scheme, are being progressed by different public sector agencies. To ensure the most effective outcomes, Cabinet directed the establishment of a Construction Industry Reference Group (CIRG) for industry consultation and project coordination.

The CIRG is composed of industry employer and employee representatives as well as relevant Northern Territory Public Sector agency representatives who report to a Cabinet Sub Committee made up of the Treasurer, the Minister for Business and Industry, the Minister for Justice and the Minister for Lands and Planning (chair). The NT Build Registrar attends the CIRG meetings to continue to brief the industry members on the operations of the portable long service leave scheme and engage industry feedback.

- **Presentations to the Board**

During the reporting period, nine organisations were invited to make presentations to the Board on matters of interest to the effective administration of the scheme, as outlined below.

Number	Purpose
3	Construction industry organisations: – developments/levy liability matters
6	Other organisations: – operational/governance matters

- **Liaison with other construction industry long service leave schemes**

The *Construction Industry Long Service Leave and Benefits Act* contains a provision which enables the Minister to enter into an agreement with the relevant Minister of another State or Territory for the mutual recognition of a period of service or qualifying service credited to a registered worker by another jurisdiction under a like construction industry long service leave scheme. By agreement with all state and territory Ministers, the Northern Territory became party to the *National Reciprocal Agreement*, with an effective date of 1 July 2005.

Inclusion of the NT Build scheme under the national agreement ensures portability also extends across state borders – making long service leave for construction workers truly portable throughout Australia.

In addition, the Registrar and the Chairperson participate in regular meetings with the chief executives and chairpersons of other schemes for the purpose of exchanging ideas on scheme coverage, administrative practices, legislation, investments, and information technology.

Insurance and risk management

Insurance

As a self funded statutory body corporate insurance policies relating to public liability, vehicle and property damage and workers compensation have been endorsed by the Board to mitigate any financial risk to the scheme.

Internal audit

The services of BDO Chartered Accountants and Advisers were engaged, through a select tender process, for a period of 36 months. The consultancy ensures NT Build is provided with independent financial, accounting and taxation advice.

During the reporting period the following range of services were provided by BDO under the consultancy agreement.

- Advice in setting up Board financial reporting processes and chart of accounts to meet NT Treasury and NT Build needs. (Note: NT Build uses MYOB as its principal financial management system).
- On-going ad-hoc general advice in regard to the accounting and taxation implications of NT Build activities.
- Preparation of annual Financial Statements for statutory auditing and reporting.

External audit

As required under the provisions of the *Construction Industry Long Service Leave and Benefits Act* the annual statutory audit of the financial statements, relating to the Board's operation for the year ending 30 June 2006, was undertaken by the NT Auditor-General.

The audited financial statements and accompanying report from Auditor-General are contained later in this Annual Report.



Part 3 Financial accountability

Financial Statements for year ended 30 June 2006

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Board members' declaration

The members of the board of NT Build declare that, in their opinion:

1. The financial statements and notes, as set out on pages 35 to 52:
 - a) comply with the Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board and the Urgent Issues Group Interpretations and
 - b) give a true and fair view of the Board's financial position as at 30 June 2006 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the Members of the Board's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board and is signed for and on behalf of the Board of NT Build.



Board Member:
Barry Chambers



Board Member:
Joe Gallagher

Dated: 24 October 2006

Independent auditor's report



AUDITOR-GENERAL

**Auditor-General's report to the Board
NT Build
Year ended 30 June 2006**

Page 1 of 2

Scope

The financial statements and the Boards' responsibility

The financial statements of NT Build comprise Board members' declaration, income statement, balance sheet, statement of changes in equity, statement of cash flows and accompanying notes to the financial statements for the year ended 30 June 2006.

The Board of NT Build is responsible for the preparation and presentation of the financial statements in accordance with the requirements of the *Construction Industry Long Service Leave and Benefits Act*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

I conducted an independent audit of the financial statements in order to express an opinion on them to the Board of NT Build. My audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements or control deficiencies have been detected.

I performed procedures to form an opinion whether, in all material respects, the financial statements are presented fairly, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and the *Construction Industry Long Service Leave and Benefits Act*, so as to present a view which is consistent with my understanding of NT Build's financial position and performance as represented by the results of its operations, its changes in equity and its cash flows.

I formed my audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of accounting estimates made by the Board.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

My audit did not involve an analysis of the prudence of business decisions made by the Board or management.

I have read the other information in the annual report to determine whether it contained any material inconsistencies with the financial statements.



AUDITOR-GENERAL

Page 2 of 2

Independence

I am independent of NT Build and, in conducting my audit, I followed applicable independence requirements of the *Audit Act* and of Australian professional ethical pronouncements.

Qualification

The statutory obligation to notify NT Build of the commencement of a project rests with the developer. NT Build has implemented a number of mechanisms to help monitor compliance and identify leviable projects and consequently payers. For areas in the Northern Territory where building permits are required under the *Building Act* the regulations currently do not require payment of the levy at the time of lodgement of a building approval application. Also, it is noted that not all types of construction work carried out in the Northern Territory requires a permit irrespective of location.

Due to the current nature of the approval process within the Northern Territory construction industry, there exists significant uncertainty regarding the ability of NT Build to capture all building projects which fall within the scope of the Long Service Levy. As such, I am unable to satisfy myself as to the completeness of the \$3,219,927 disclosed as 'Contributions from levy payers' in the income statement.

Qualified Audit Opinion

In my opinion, except for the effects on the financial statements of the matter referred to in the qualification paragraph, the financial statements of NT Build:

- presents fairly the financial position of NT Build at 30 June 2006, and its financial performance for the year ended on that date; and
- are presented in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and the requirements of the *Construction Industry Long Service Leave and Benefits Act*.

Long Service Benefit Liability

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 10 to the financial statements, no provision has been made in the financial statements of NT Build at 30 June 2006 as there is inadequate information to be able to reasonably estimate the level of the accrued liability. NT Build appointed an Actuary to estimate the balance of the long service benefit liability outstanding at 30 June 2006. As discussed in Note 10, the actuarial report provided an estimate of approximately \$2.6 million, but this figure must be considered to lie within a wide range of uncertainty.

Frank McGuinness
Auditor-General for the Northern Territory
3 November 2006

Income and expenditure statement for the year ended 30 June 2006

	Note	2006 (\$)
Contributions from levy payers		3,219,927
Income from Investments	2	41,614
Assets acquired at no cost		67,824
TOTAL REVENUE FROM ORDINARY ACTIVITIES		3,329,365
EXPENSES FROM ORDINARY ACTIVITIES		
Amortisation		59,410
Depreciation	3	12,855
Fees and allowances	3	48,533
Long service leave benefit payments		24,900
Occupancy costs		77,710
Employee expenses		325,864
Other expenses from ordinary activities		419,783
TOTAL EXPENDITURE		969,056
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF FINANCIAL YEAR		2,360,309

Notes 1 to 14 forming part of the financial statements are attached

Balance sheet as at 30 June 2006

	Note	2006 (\$)
CURRENT ASSETS		
Cash assets	4	2,109,554
Receivables	6	660,141
TOTAL CURRENT ASSETS		2,769,695
NON-CURRENT ASSETS		
Property, plant & equipment	7	297,842
TOTAL NON-CURRENT ASSETS		297,842
TOTAL ASSETS		3,067,538
CURRENT LIABILITIES		
Payables	8	110,360
Interest bearing liabilities	9	300,000
TOTAL CURRENT LIABILITIES		410,360
TOTAL LIABILITIES		410,360
NET ASSETS		2,657,177
EQUITY		
Implementation Funding		296,867
Net Assets available to pay benefits at the end of the year		2,360,309
TOTAL EQUITY		2,657,177
Capital and leasing commitments	14	

Notes 1 to 14 forming part of the financial statements are attached

Statement of changes in equity for the year ended 30 June 2006

	Note	Retained Surplus	Other Reserves	Total
		\$	\$	\$
At 1 July 2005		-	-	-
Implementation Funding		-	296,867	296,867
Total income and expense for the year recognised directly in equity		-	296,867	296,867
Net assets available to pay benefits at the end of the financial year		2,360,309	-	2,360,309
At 30 June 2006		2,360,309	296,867	2,657,177

Notes 1 to 14 forming part of the financial statements are attached

Statement of cash flows for the year ended 30 June 2006

	Note	2006 (\$)
Cash flows From Operating Activities:	1(l)	
Contributions from levy payers		2,559,786
Payments to suppliers and employees		(767,896)
Income received from investments		41,614
Interest paid		(18,534)
Net Cash provided by (used in) operating activities	5(b)	1,814,970
Cash flows From Investing Activities:		
Payment for property, plant and equipment		(5,416)
Net cash provided by (used in) investing activities		(5,416)
Cash flows From Financing Activities:		
Proceeds from borrowings		300,000
Net cash provided by (used in) financing activities		300,000
Net increase (decrease) in cash		2,109,554
Cash at the beginning of the financial period		-
Cash at the end of the financial period	5(a)	2,109,554

Notes 1 to 14 forming part of the financial statements are attached



Notes to and forming part of the financial statements 30 June 2006

Note 1 Statement of Accounting Policies

(a) The reporting entity

NT Build has its principal office at Charlton Court, Stuart Park, NT 0820. The entity was established in 2005 under the Northern Territory *Construction Industry Long Service Leave and Benefits Act 2005* and it administers this Act which provides a portable long service benefits scheme to building and construction workers in NT.

(b) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board and the Urgent Issues Group Interpretations.

The accounts have been prepared on an accruals basis and is based on historical cost convention and have not been adjusted to take into account changing money values or current valuations of non-current assets and their impact on the operating results.

(c) Property, plant and equipment

Property, plant and equipment is initially valued at cost in accordance with AASB 116. Where an item of property, plant and equipment is acquired for no or nominal consideration, the item's fair value at acquisition date is deemed as its cost. Subsequent to initial recognition, each class is carried at cost or fair value, where applicable, less any accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually by the Board to ensure that it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of remaining service potential from the assets employment.

**Continued: Notes to and forming part of the financial statements
30 June 2006**

(d) Depreciation

Depreciation of plant and equipment is provided on a straight line basis over the estimated useful life of the asset. Leasehold improvements are depreciated over the shorter of either the unexpired period of lease or estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Asset	Depreciation Rate
Leasehold improvements	20%
Furniture and fixtures	10%
Field and office equipment	20%
Computer equipment	33.30%
Computer software	33.30%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

(e) Leases

The Board is not a party to any finance lease. Existing operating leases relate to leasing premises at Charlton Court, Stuart Park. Operating leases are expensed in the periods in which they are incurred.

(f) Income tax

As a public authority constituted under a law of the Northern Territory the income of the Board is exempt from income tax under section 50-25 of the *Income Tax Assessment Act 1997*, and consequently has not charged any income tax expense.

(g) Revenue

Revenue is recognised on an accrual basis and is net of GST. Employer contributions are recorded in the period to which contributions relate. Contributions receivable but not received at year end are recognised as accrued income.

Operating revenue represents revenue from long service levy income and investment income, which are recognised as they accrue.

**Continued: Notes to and forming part of the financial statements
30 June 2006**

(h) Long service levy

The long service levy rate is 0.5% of the cost of building and construction work costing \$200,000 or more.

The levy does not apply to work:

- On single detached dwellings, including related private garages, carports, sheds or the like;
- For which the total contract price for the construction work is less than \$200,000 in value; or
- Undertaken for not for profit organisations in respect of voluntary labour and donated materials.

(i) Employee long service leave

(i) Long Service Leave Benefits Expense

Employees and contractors who are registered with the Board accrue 13 weeks (3 months) long service leave after 10 years' service in the building and construction industry for service after 1 July 2005. Workers receive credit of 1 year's service for each 260 days worked.

Leave may be claimed after the employee or contractor has been credited with a total of 65 days of long service leave for the first time or they have been credited with 32.5 days of additional long service credits after the employee or contractor was credited with 65 days of long service leave.

(ii) Accrued Long Service Leave Benefits Liability

The provision for accrued long service leave benefits is determined as the present value of all future payments which arise from the service of all eligible workers up to the balance date. The stated amount has been calculated by the Board's actuary using an actuarial valuation method that takes into account assumptions or rates of departure from the industry, mortality rates, increases in wages and rates of return on investment. The current portion of the liability is calculated as an expectation of benefits likely to be paid over the next twelve months based on experience of benefit payments from industry trends.

**Continued: Notes to and forming part of the financial statements
30 June 2006**

(j) Accounting for Goods and Service Tax

Revenues, expenses are recognised net of the amount of GST, except where:

- the amount of GST incurred by the Board as a purchaser that is not recoverable from Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included; and
- the GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the ATO is classified as operating cash flows.

(k) Trade and Other Creditors

These amounts represent unpaid liabilities for goods received by and services provided to the entity prior to the end of the financial year. The amounts are unsecured and are normally settled within 30 days.

(l) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, deposits at call and money market investments which are readily convertible into cash.

(m) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights and obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Financial Assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.



**Continued: Notes to and forming part of the financial statements
30 June 2006**

(m) Financial Instruments

Financial liabilities

Non-derivative financial liabilities, including loans and borrowings, are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the directors assess whether there is objective evidence that a financial instrument has been impaired. In the case of "available-for-sale" financial assets, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(n) Comparatives

No comparative information is available as the Board's operations commenced in July 2005.

Continued: Notes to and forming part of the financial statements
30 June 2006

	Note	2006 (\$)
Note 2	INCOME FROM INVESTMENTS	
Interest received – Bank deposits		41,614
		41,614
Note 3	SURPLUS FROM ORDINARY ACTIVITIES	
Depreciation of non-current assets		
– property, plant and equipment		12,855
Total depreciation		12,855
Fees and Allowances		
– board members’ fees		48,533
		48,533
Note 4	CASH ASSETS	
Cash on hand		200
Cash deposits with banks		2,109,354
		2,109,554

**Continued: Notes to and forming part of the financial statements
30 June 2006**

	Note	2006 (\$)
Note 5		
Reconciliation of cash		
(a)	Cash at the end of the financial period as shown in the Statement of Cash flows is reconciled to the related items in the Balance Sheet as follows:	
	Cash on hand	200
	Cash deposits with banks	2,109,354
	Balance per statement of cash flows	2,109,554
(b)	Reconciliation of cash flow from operations with net assets available to pay benefits at the end of the financial year	
	Net assets available to pay benefits at the end of the financial year	2,360,309
	Non-cash flows in net assets	
	Depreciation and amortisation	72,265
	Assets acquired at no cost	(67,824)
	Changes in assets and liabilities	
	(Increase)/decrease in trade & term debtors	(660,141)
	Increase/(decrease) in trade creditors and accruals	110,360
	Cash flows from operations	1,814,969
(c)	Loan facilities	
	Loan facilities with NT Treasury	1,500,000
	Amount utilised	(300,000)
	Unused loan facility	1,200,000
Note 6		
	RECEIVABLES	
	CURRENT	
	Levy debtors	307,162
	Provision for doubtful debts	-
		307,162
	Other debtors	1,890
	Accrued industry contributions	351,089
	Total Current Receivables	660,141

Continued: Notes to and forming part of the financial statements
30 June 2006

	Note	2006 (\$)
Note 7		
PROPERTY, PLANT & EQUIPMENT		
(a) LAND AND BUILDINGS		
Leasehold		
Leasehold improvements		
At cost		297,052
Less accumulated depreciation		(59,410)
		237,642
PLANT AND EQUIPMENT		
Plant and equipment		
At cost		44,645
Less accumulated depreciation		(9,315)
		35,330
Furniture and fittings		
At cost		23,768
Less accumulated depreciation		(1,992)
		21,776
Software		
At cost		4,642
Less accumulated depreciation		(1,547)
		3,095
Total Owned Plant and Equipment		60,201
Total Property, Plant and Equipment		297,842

Continued: Notes to and forming part of the financial statements 30 June 2006

Note 7 PROPERTY, PLANT & EQUIPMENT (Cont'd)

(b) Movements in carrying values

Movements in the carrying values of each class of property, plant and equipment between the beginning and end of the financial year:

	Leasehold Improvements	Plant & equip- ment	Furniture & fittings	Software	Total
	\$	\$	\$	\$	\$
Balance at the beginning of year	-	-	-	-	-
Additions	297,052	44,645	23,768	4,642	370,108
Disposals	-	-	-	-	-
Depreciation	(59,410)	(9,315)	(1,992)	(1,547)	(72,265)
Carrying value at end of year	237,642	35,330	21,776	3,095	297,842

**Continued: Notes to and forming part of the financial statements
30 June 2006**

	Note	2006 (\$)
Note 8	PROPERTY, PLANT & EQUIPMENT	
	CURRENT	
	Other creditors and accruals - other entities	117,710
	GST payable	(7,350)
		110,360
Note 9	INTEREST BEARING LIABILITIES	
	CURRENT	
	Loan from NT Treasury	300,000

The loan, with a variable interest rate of 6.1233% per annum, is part of a draw down facility arranged by the NT Treasury to help fund the Board's working capital requirements. The upper limit of the drawdown facility is \$1.5 million.

Note 10 PROVISIONS FOR SCHEME LIABILITIES

No provision has been disclosed on the balance sheet of the Board at 30 June as the Board Members have determined that there is inadequate information at hand to be able to reasonably estimate the level of the accrued liability for service to the balance date.

However, the Board requested an initial review which was undertaken by Cumpston Sarjeant Pty Ltd, Consulting Actuaries. The actuary's best estimate of the liability to provide Long Service Leave benefits for services to 30 June was approximately \$2.6 million, but this figure must be considered to lie within a wide range of uncertainty.

**Continued: Notes to and forming part of the financial statements
30 June 2006**

Note 11 RELATED PARTY TRANSACTIONS

(i) Board Members

The names of the members of the Board who held office during the year are Mr Barry Chambers (Chairperson), Mr Joe Gallagher, Mr Dick Guit, Mr Graham Kemp, Mr Alan Paton and Mr Tony Stubbin.

As a Northern Territory Public Sector employee, Mr Stubbin does not receive remuneration payment in respect of his role as a Board Member.

(ii) Attendance of Meetings

Name	Eligible meetings	Meetings attended
Barry Chambers	15	14
Joe Gallagher	15	14
Dick Guit	15	13
Graham Kemp	15	12
Alan Paton	15	12
Tony Stubbin	15	12

Note 12 SEGMENT REPORTING

The Board administers the scheme of long service leave benefits established by the *Construction Industry Long Service Leave and Benefits Act 2005* in respect to employees and contractors engaged in the building and construction industry of the Northern Territory

**Continued: Notes to and forming part of the financial statements
30 June 2006**

Note 13 FINANCIAL INSTRUMENTS

(a) Terms, Conditions and Accounting Policies

The Board's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument at the balance date are as follows:

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
<i>(i) Financial Assets</i>		
Receivables	Debtors are carried at nominal amounts due less any provision for doubtful debts. Accrued income is carried at the amount of income earned at balance date but not yet to be received.	Debtors are generally collected within 60 days. Terms and conditions for accrued income vary depending on the underlying investment.
Commercial investments and bank deposit	Carried at the nominal amount invested	Deposits are at call and interest rates are variable. The weighted average interest rate is 4.66%
Equity trusts and listed shares	Carried at market value. Any movement in market value from period to period is recognised in the income and expenditure statement in the period it occurs.	Equity trusts are redeemable at call. Listed shares are subject to no special terms or conditions and may be sold at any time.

**Continued: Notes to and forming part of the financial statements
30 June 2006**

Note 13 FINANCIAL INSTRUMENTS

(a) Terms, Conditions and Accounting Policies

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
----------------------------------	---------------------	----------------------

(ii) Financial Liabilities

Payables	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the entity.	Trade creditors are normally settled on 30 day terms.
Long service leave payments owing	Liabilities are recognised for amounts to be paid upon receipt of a claim or a date specified by the claimant.	Claims are paid as leave is taken, or soon thereafter.
Accrued long service leave benefits	The liability recognised is the actuarial assessment of the present value of expected future payments which arise from the service of eligible workers.	The benefits are paid as leave is taken, or soon thereafter.

(b) Net Fair Values

Financial assets and financial liabilities are carried at their net fair value at balance date. The carrying value of the Board's financial assets and financial liabilities has been disclosed in part (d) of this note.

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities:

Recognised financial instruments

- *Cash, cash equivalents, short term investments and receivables*: The carrying amount approximates to fair value because of their short term to maturity.
- *Equity trusts and listed shares*: The carrying amount approximates to fair value because the investments are carried at market value.
- *Payables*: The carrying amount approximates to fair value.

Continued: Notes to and forming part of the financial statements
30 June 2006

Note 13 FINANCIAL INSTRUMENTS

Unrecognised financial instruments

There are no unrecognised financial instruments.

(c) Credit Risk Exposure

The credit risk on financial assets of the Board is generally the carrying amount net of any provision for doubtful debts. The Board is not exposed to any concentrations of credit risk because the Board undertakes transactions with a large number of members within the construction industry.

(d) Interest Rate Exposure

The exposure to interest rate risk and the effective weighted average interest rate, where applicable, for each class of financial asset and financial liability is set out below:

	Floating Interest Rate	Non Interest Bearing	Total
	2006 (\$)	2006 (\$)	2006 (\$)
Financial Assets			
Cash	-	200	200
Bank deposits	2,109,354	-	2,109,354
Receivables	-	660,141	660,141
	2,109,354	660,341	2,769,695
Weighted average interest rate			
Financial Liabilities			
Payables	-	110,360	110,360
Interest bearing liabilities	300,000		
	300,000	110,360	110,360
Net financial assets			2,659,335

**Continued: Notes to and forming part of the financial statements
30 June 2006**

Note 14 CAPITAL AND LEASING COMMITMENTS

	2006 (\$)
Operating Lease Commitments	
Payable:	-
One year or less	69,365
Later than one year and not later than five years	270,308
Later than five years	
Total operating lease commitments receivable	339,672

Non cancellable operating lease commitments include:

- Leases of computer equipment and motor vehicles with various terms, with rental payable monthly in advance.

Interstate schemes

Australian Capital Territory

ACT Construction Industry

Long Service Leave Board

71 Constitution Ave
Campbell ACT 2612
Tel: (02) 6247 3900
Fax: (02) 6257 5058 Email
Email: lslbact@actlslb.act.gov.au
Web: www.actlslb.act.gov.au

Queensland

QLeave

Level 4
Centro Lutwyche
543 Lutwyche Road
Queensland 4030
Tel: (07) 3212 6811
Fax: (07) 3212 6844
Email: member.services@qleave.qld.gov.au
Web: www.qleave.qld.gov.au

Tasmania

TasBuild

Level 1
115 Central Avenue
Derwent Park TAS 7009
Tel: (03) 6233 7670
Fax: (03) 6233 7224
Email: secretary@tasbuild.com.au
Web: www.tasbuild.com.au

Western Australia

Construction Industry

Long Service Leave Payments Board

1st Floor, 26 Colin Street, West Perth
(Corner of Colin and Ord Streets)
Tel: (08) 9476 5400
Fax: (08) 9321 5404
Email: lslstaff@walslboard.com.au
Web: www.lslboard.com.au

New South Wales

Long Service Payments Corporation

Ground Floor
Corner Baker & Donnison Streets
GOSFORD NSW 2250
Tel: 13 14 41
Fax: (02) 9287 5685
Email: info@lspc.nsw.gov.au
Web: www.lspc.nsw.gov.au

South Australia

Construction Benefit Services

1st Floor
83 Greenhill Road,
Wayville SA 5034
Tel: (08) 8271 1222
Fax: (08) 8373 2740
Email: enquiries@cbserv.com.au
Web: www.cbserv.com.au

Victoria

ColInvest

478 Albert St
East Melbourne Vic 3002
Tel: (03) 9664 7677
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