

2010-11 Highlights

- Retention of the levy at the 0.4% rate effective from 15 June 2011 (originally reduced from 0.5% on 1 July 2009 for a two year temporary period).
- Continued to monitor and review the investment program to identify appropriate opportunities to support the ongoing financial viability of the scheme.
- Received approximately \$9.9 million in levy contributions (up by \$1.9 million from the previous reporting period).
- Continued to monitor, review and implement operational systems to maximise revenue collection and minimise administrative costs.
- Recorded total active registrations of 9 641 workers, 256 employers and made benefit payments to 119 workers at a cost of \$242 000.
- Minimised the impact of the global financial crisis on the scheme's financial assets through the adoption of a conservative investment strategy.
- Facilitated the delivery of a 'one stop shop' for the various registration boards for the construction industry.

About NT Build

NT Build is a statutory corporation established by the *Construction Industry Long Service Leave and Benefits Act* (the CILSLB Act) which came into effect on 1 July 2005. NT Build is administered by a board which comprises an independent Chairperson, a Ministerial nominee and four industry members.

The NT Build scheme, including staffing and operational expenses, is self funded through the collection of a levy imposed on construction work undertaken in the Territory and investment earnings. This revenue is used to fund payment of long service leave benefits accrued by construction workers while working on defined projects in the Territory.

The establishment of the scheme in the Northern Territory completes a network of similar schemes in all Australian jurisdictions. The Territory construction industry and its employees are therefore no longer at a disadvantage in respect of this form of benefit.

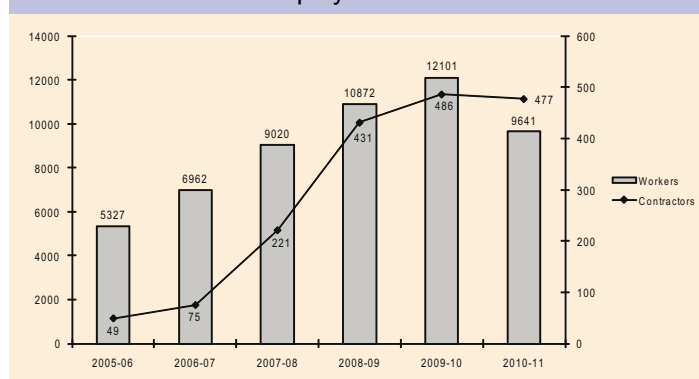
Statistical Highlights

Worker registration numbers

As shown in the chart below the total number of worker registrations recorded by the scheme reflected a decrease of 2946 on the numbers for the previous reporting period. This variance, which consisted of 2937 employees and 9 labour-only contractors was as a result of workers who have been inactive for four years or more being deregistered.

As many of the deregistered workers may still be actively working in the industry interstate, it is anticipated that a significant proportion of the deregistered workers will have their NT service reinstated under the terms of the national portability agreement.

Chart: Employee Vs Contractor



Benefit payments

During the 2010-11 reporting period 119 claims for long service leave benefits were paid. These claims resulted in a total gross benefit payments expense of approximately \$242 000 in respect of work performed in the Northern Territory, which was less than the \$267 000 paid during the 2009-10 reporting period.

| Benefit Claims | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---------------------|-----------|-----------|------------|------------|
| Lodged interstate | 50 | 60 | 105 | 72 |
| Lodged NT Build | 21 | 34 | 48 | 47 |
| Total claims | 71 | 94 | 153 | 119 |

Benefit rate

As illustrated in the following table, the benefit rate for the payment of a credit is determined by the Board, reviewed annually (generally on 1 July) and applied to both workers and contractors.

Table: defined benefit rate

| 2005-06 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|----------|----------|-----------|-----------|-----------|
| \$810 pw | \$927 pw | \$1022 pw | \$1076 pw | \$1136 pw |

Age profile

| | June 08 | June 09 | June 10 | June 11 |
|-------------|---------|---------|---------|---------|
| Average age | 39 | 40 | 40 | 39 |
| Oldest | 74 | 75 | 80 | 81 |
| Youngest | 14 | 15 | 15 | 14 |

Days of service

| | June 2008 | June 2009 | June 2010 | June 2011 |
|------------------------------|-----------|-----------|-----------|-----------|
| Total estimated service days | 2.6 M | 3.25 M | 3.24 M | 4.35 M |

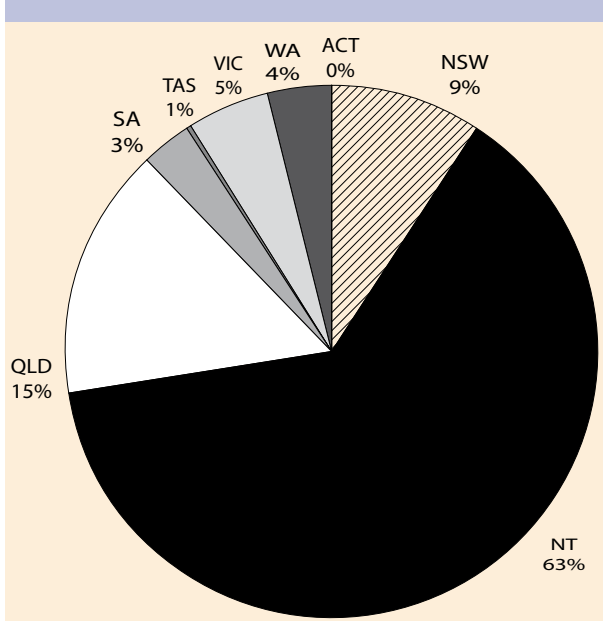
Scheme demographic

The continued 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 which shows that more half of the registered workers are Territory residents.

Table: No. of workers by contact location

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|--------------|--------------|---------------|---------------|--------------|
| ACT | 10 | 11 | 13 | 11 |
| NSW | 1 025 | 1 272 | 1 364 | 885 |
| NT | 4 970 | 6 172 | 7 043 | 6 101 |
| QLD | 1 991 | 2 273 | 2 436 | 1 480 |
| SA | 383 | 452 | 481 | 289 |
| TAS | 64 | 72 | 72 | 38 |
| VIC | 438 | 558 | 615 | 473 |
| WA | 360 | 493 | 563 | 364 |
| Total | 9 241 | 11 303 | 12 587 | 9 641 |

Chart: Percentage of workers by contact location - 2010/11



Employer registration numbers

Eligible employers are identified through either self registration or by notification on a worker registration form.

| Employer Registrations | June 08 | June 09 | June 10 | June 11 |
|------------------------|---------|---------|---------|---------|
| *Active Registrations | 219 | 230 | 238 | 256 |

* excludes previously registered employers who, at 30 June 2011, did not have any current registered workers in their employ.

Section 81(1)(a) of the CILSLB Act empowers the Registrar to compel a person who employs construction workers to provide any information relating to that employment. An employer who fails to comply could be prosecuted for failure to comply with the notice. No notices were issued during this reporting period.

Levy payment and compliance

| Total Levy Payer notifications | June 2008 | June 2009 | June 2010 | June 2011 |
|--|-----------|-----------|-----------|-----------|
| * Active levy payers who notified of leviable construction work | 278 | 176 | 181 | 188 |
| Total of invoices issued equating to a levy income (approximate) | \$7.9M | \$11.8M | \$8.0M | \$9.9M |

*includes payers who have notified multiple projects undertaken of non-exempt leviable classifications.

Section 81(1)(b) of the CILSLB Act empowers the Registrar to compel a person to provide any information relating to construction work on which the levy is or may be imposed. A levy payer who fails to comply could be prosecuted for failure to comply with the notice. A total of 9 notices were issued during the 2010-2011 reporting period.

The Board continues to pursue compliance issues to ensure that the scheme is administered equitably.

Debt recovery

The use of debt collection agents is reserved for those instances where a levy payer, who has been issued an invoice by NT Build in relation to a levy amount owing, defaults on the payment of their levy obligation.

During the 2010-11 reporting period three levy payers were referred to a debt collection agent for recovery action. As at 30 June 2011 money owed had been successfully recovered from two payers - which included recovery of an outstanding levy payment from the 2009-10 reporting period.

Actuarial Advice

Long service leave liability

For accounting purposes as at 30 June 2011 the actuary recommended a liability for accrued long service leave benefits of \$20.9 million be adopted. This represents an increase of \$3.5 million from the 30 June 2010 estimate of \$17.4 million.

Section 91 actuarial review

An actuarial review of the scheme was undertaken during the 2008-09 reporting period. In response to the actuaries findings the NT Government:

- Approved a 20% temporary reduction in the levy rate, from 0.5% to 0.4%, from 1 July 2009 to 30 June 2011; and
- Introduced a \$1 billion threshold for the purpose of calculating the levy on large scale construction projects, below which the standard levy per cent rate would apply and from which an actuarially determined levy amount would be applied on a project specific basis.

Other actuarial recommendations resulting from the review, relating to the administration of the scheme, will be considered as part of a broader review of the legislation to be undertaken in 2012. With the scheme having just completed its sixth year of operation, the conducting of a second actuarial review has been scheduled for the first half of the 2011-12 reporting period.

Investment of funds

As the liabilities of NT Build will in the main be longer term, the accumulated funds are invested to ensure there will be sufficient funds to meet the scheme's liability in the longer term.

In the context of ongoing volatility and uncertainty in global and Australian financial markets, the Board determined that an investment strategy heavily biased towards secure cash investments remains appropriate for at least until 2011-12. The Board therefore continued to invest through a combination of:

- direct cash investments with Westpac and TIO (approximately 70%); and
- a multi-asset class, multi-manager fund provided by MLC (approximately 30%).

While information regarding the performance of the scheme's investments is provided in the Financial Statements included in this report, the following table reflects the actual amount invested.

| Fund Managers | 06-07 | 07-08 | 08-09 | 09-10 | 10-11 | TOTAL |
|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| MLC | \$4.2M | \$3.9M | - | \$4.6M | \$4.7M | \$17.7M |
| TIO | - | \$2.8M | \$4.3M | \$0.3M | \$1.0M | \$8.4M |
| WESTPAC | - | - | \$5.0M | \$2.8M | - | \$7.8M |
| TOTAL | \$4.2M | \$6.7M | \$9.3M | \$8.0M | \$5.7M | \$33.9M |

Corporate Governance

Board membership

The scheme is administered by a Government appointed Board. Members as at 30 June 2011 consisted of:

- Barry Chambers - Independent Chairperson
- Tony Stubbin - Ministerial nominee.
- Trevor Gauld - Employee organisation Rep.
- Mick Huddy - Employee organisation Rep.
- Dick Guit - Employer organisation Rep.
- Graham Kemp - Employer organisation Rep.

Board decisions

In the course of a total of 26 meetings of the Board:

- 74 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; and
- Two new policy decisions, which related to the revised weekly benefit level and the recognition of absences on workers compensation for portable long service leave accrual purposes, were resolved during this reporting period.

Communications and Marketing

General activities undertaken

- Advertising on Radio, in newspapers and relevant industry publications and directories;
- Maintenance of the NT Build website; and
- Production of a range of targeted customer information bulletins and fact sheets.

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.

- *Presentations to the Board*

During the reporting period four organisations accepted an invitation to make a presentation to the Board on matters of interest to the effective administration of the scheme.

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

As a party to the National Reciprocal Agreement, NT Build continues to liaise with other state and territory construction industry long service leave schemes for the purpose of processing benefit claims lodged by registered workers.

In addition, NT Build participates 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.

2011-2012 Priorities

- Conduct second formal actuarial review of the administration of the scheme, methods used in working out long service benefits and the levy rate.
- Continue to monitor and review the investment program to identify appropriate opportunities to support the ongoing financial viability of the scheme.
- Conduct an administrative review of the Construction Industry Long Service Leave and Benefits legislation, including assessment of recommendations contained in actuarial review reports.
- Identify and implement a suite of on-line and electronic business transaction services that improve processing interaction between stakeholders and NT Build.
- Continue to monitor, review and implement operational systems to maximise revenue collection and minimise administrative costs.
- Actively encourage the registration of all eligible workers.

Financial Statements For Year Ended 30 June 2011

The following financial data listed in the tables is based on audited accounts.

Statement of comprehensive income

| | 2011 |
|---------------------------------------|------------|
| | \$ |
| INCOME | |
| Contributions from levy payers | 9 939 428 |
| Other income | 2 377 836 |
| TOTAL INCOME | 12 317 264 |
| EXPENSES | |
| Depreciation and Amortisation | 3 224 |
| Fees and allowances | 40 317 |
| Long service leave benefit payments | 465 169 |
| Long service scheme expense - current | 3 499 000 |
| Occupancy costs | 99 969 |
| Employee expenses | 736 626 |
| Other expenses | 528 730 |
| TOTAL EXPENSES | 5 373 035 |
| NET SURPLUS (DEFICIT) | 6 944 229 |
| TOTAL COMPREHENSIVE RESULT | 6 944 229 |

Statement of financial position

| | 2011 |
|--------------------------------------|------------|
| | \$ |
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | 21 441 405 |
| Trade and other receivables | 2 317 680 |
| Other financial assets - investments | 18 132 532 |
| TOTAL CURRENT ASSETS | 41 891 617 |
| Non-current assets | |
| Property, plant & equipment | 14 601 |
| TOTAL NON-CURRENT ASSETS | 14 601 |
| TOTAL ASSETS | 41 906 218 |
| LIABILITIES | |
| Current liabilities | |
| Trade and other payables | 121 326 |
| Provision for scheme liabilities | 500 000 |
| TOTAL CURRENT LIABILITIES | 621 326 |
| Non-current liabilities | |
| Provision for scheme liabilities | 20 407 000 |
| TOTAL NON-CURRENT LIABILITIES | 20 407 000 |
| TOTAL LIABILITIES | 21 028 326 |
| NET ASSETS | 20 877 892 |
| EQUITY | |
| Implementation Funding | 296 867 |
| Retained surplus | 20 581 025 |
| TOTAL EQUITY | 20 877 892 |

The complete set of audited financial statements and notes to and forming part of the financial statements for the year ended 30 June 2011 is published in the 2010-11 Annual Report.

Contact Details

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