

2012-13 Highlights

- Implemented a 25% reduction in the levy rate, from 0.4% to 0.3%, approved in August 2012 (effective from 1 April 2012). Nonetheless, achieved a growth in net assets of \$8.2 million over the year.
- Conducted a campaign to promote the Scheme and actively encourage the registration of workers in the NT construction industry.
- Completed an internal review of the Scheme and provided advice to the Minister.
- Recorded approximately \$9.6 million in levy contributions.
- Commenced a feasibility study to upgrade NT Build's business system.
- Recorded total active registrations of 13799 workers and 395 employers.
- Made benefit payments to 235 workers at a cost of approximately \$648 000.
- Minimised the impact of the volatile global financial markets on the Scheme's financial assets through the continuation of a conservative investment strategy.
- Hosted the national meeting of Chief Executive Officers of Construction Industry Portable Long Service Leave Schemes in Darwin in July 2012.

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.

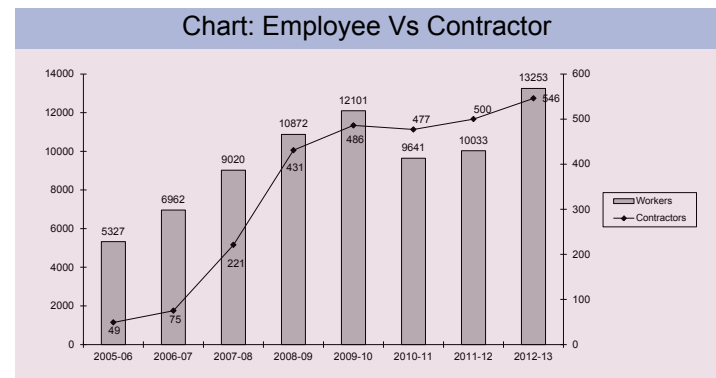
The NT Build scheme, including staffing and operational expenses, is self funded through the collection of a levy imposed on construction work undertaken in the Territory and investment earnings. This revenue is used to fund payment of long service leave benefits accrued by construction workers while 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 active worker registrations recorded by the scheme reflected a substantial increase of 3 266 on the numbers for the previous reporting period. This variance consists of 3 220 employees and 46 labour-only contractors.



As at 30 June 2013 a total of 6 259 workers are currently deregistered from the NT Build scheme. 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.

Benefit payments

During the 2012-13 reporting period 235 claims for long service leave benefits were paid. These claims resulted in a total gross benefit payments expense of approximately \$649 000 in respect of work performed in the Northern Territory, which was significantly more than the \$450 000 paid during the 2011-12 reporting period.

Benefit Claims	2009-10	2010-11	2011-12	2012-13
Lodged interstate	105	72	99	166
Lodged NT Build	48	47	49	69
Total claims	153	119	148	235

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 in July) and applied to both workers and contractors.

Table: defined benefit rate

2008-09	2009-10	2010-11	2011-12	2012-13
\$927 pw	\$1022 pw	\$1076 pw	\$1136 pw	\$1151 pw

Age profile

	June 10	June 11	June 12	June 13
Average age	40	39	38	37
Oldest	80	81	77	78
Youngest	15	14	15	15

Days of service

	June 2010	June 2011	June 2012	June 2013
Total estimated service days	3.24M	4.35M	5.12M	6.38M

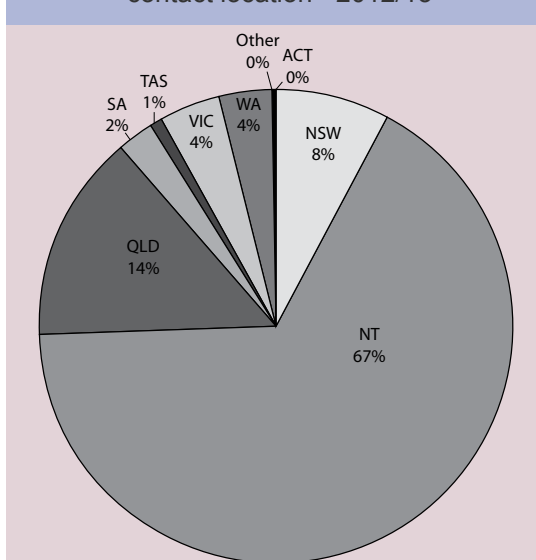
Scheme demographic

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 approximately two thirds of the registered workers record a Territory contact address.

Table: No. of workers by contact location

	2009-10	2010-11	2011-12	2012-13
ACT	13	11	11	17
NSW	1 364	885	903	1 066
NT	7 043	6 101	6 899	9 201
QLD	2 436	1 480	1 534	1 970
SA	481	289	286	336
TAS	72	38	35	108
VIC	615	473	471	601
WA	563	364	380	484
Other	-	-	14	16
Total	12 587	9 641	10 533	13 799

Chart: Percentage of workers by contact location - 2012/13



Employer registration numbers

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

	June 10	June 11	June 12	June 13
Registered Employers	238	256	312	395

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

Contributions from Levy Payers	June 2010	June 2011	June 2012	June 2013
Total levy income # (approximate)	\$8.3M	\$9.9M	\$12.0M	\$9.6M

#includes accrual of full levy amount where payment by an instalment plan has been granted.

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 6 notices were issued during the 2012-13 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 2012-13 reporting period one levy payer was referred to a debt collection agent for recovery action.

As at 30 June 2013 money owed had been successfully recovered from three payers - which included recovery of an outstanding levy payment from the 2011-12 reporting period.

Actuarial Advice

Long service leave liability

For accounting purposes as at 30 June 2013 the actuary recommended a liability for accrued long service leave benefits of \$32.8 million be adopted. This represents an increase of \$4.3 million from the 30 June 2012 estimate of \$28.5 million.

In performing the valuation the following assumptions were made by the Actuary:

- 25% of service credits will be abandoned without benefits payments;
- the average period until payment will be 8 years; and
- a discount rate of 3.8% and a salary growth rate of 4.5%.

This Long Service Leave liability valuation is sensitive to the above assumption that 25% of service credits will be abandoned without benefit payments and is considered to be a key uncertainty of the valuation. This assumption is based on general reasoning and the Actuary's experience of other similar schemes. The Actuary expects the abandonment rate will lie between about 15% and 35%, with 25% being the best estimate.

Based on long term interstate long service levy scheme experience the Actuary indicates that the 25% abandonment assumption for the NT scheme is broadly reasonable however the eventual liability may vary by up to 15% depending on abandonment rates. Although the extremes of this range are unlikely. It will be several years before there is sufficient internal scheme experience that can properly inform the valuation assumption, so this valuation risk will remain for some time.

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 economic volatility in the global and Australian financial markets, the Board determined that an investment strategy biased towards secure cash investments remained appropriate for the 2012-13 reporting period. The Board therefore continued to investment through a combination of:

- direct cash investments with Members Equity Bank (MEB), Westpac and TIO; and
- a multi-asset class, multi-manager fund provided by JANA Moderate Trust.

Fund Managers	Accumulated funds invested as at 30 June 2012	New funds invested during 2012-13	Total funds invested as at 30 June 2013
MLC/JANA	\$19.7M	\$6.4M	\$26.1M
TIO	\$14.9M	\$5.0M	\$19.9M
WESTPAC	\$7.8M	(\$5.8M)	\$2.0M
MEB	-	\$5.0M	\$5.0M
TOTAL	\$42.4M	\$10.6M	53.0M

While information regarding the performance of the scheme's investments is provided in the Financial Statements included in this report, the previous table reflects the actual (pre interest) amounts invested.

Corporate Governance

Board membership

The scheme is administered by a Government appointed Board. Members as at 30 June 2013 consisted of:

- Barry Chambers - Independent Chairperson
- Craig Graham - Ministerial nominee.
- Michael Haire - 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 19 meetings of the Board:

- 56 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
- No new policy decisions 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 seven 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.

2012-2013 Priorities

- Continue to monitor and review the investment program to identify appropriate opportunities to support the ongoing financial viability of the Scheme.
- Finalise a review of the Construction Industry Long Service Leave and Benefits legislation, including consultation with industry stakeholders and assessment of recommendations contained in past audit and actuarial review reports.
- Finalise an assessment of business systems that minimises administration costs and supports 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 for NT Build and stakeholders.
- Continue to actively encourage the registration of all eligible workers.

Financial Statements For Year Ended 30 June 2013

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

Statement of comprehensive income

	2013
	\$
INCOME	
Contributions from levy payers	9 623 533
Other income	5 173 063
TOTAL INCOME	<u>14 796 596</u>
EXPENSES	
Employee benefits	(787 962)
Depreciation and Amortisation	(3 072)
Fees and allowances	(30 327)
Long service leave benefit payments	(910 927)
Long service scheme expense - current	(4 249 000)
Occupancy costs	(97 590)
Other expenses	(496 167)
TOTAL EXPENSES	<u>(6 575 045)</u>
NET SURPLUS	<u>8 221 551</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>8 221 551</u></u>

Statement of financial position

	2013
	\$
ASSETS	
Current assets	
Cash and cash equivalents	32 624 184
Trade and other receivables	2 776 346
Other financial assets	30 495 815
TOTAL CURRENT ASSETS	<u>65 896 345</u>
Non-current assets	
Property, plant & equipment	8 457
TOTAL NON-CURRENT ASSETS	<u>8 457</u>
TOTAL ASSETS	<u>65 904 802</u>
LIABILITIES	
Current liabilities	
Trade and other payables	94 531
Short-term provisions	1 250 000
Other liabilities	8 521
TOTAL CURRENT LIABILITIES	<u>1 353 052</u>
Non-current liabilities	
Long-term provisions	31 536 000
TOTAL NON-CURRENT LIABILITIES	<u>31 536 000</u>
TOTAL LIABILITIES	<u>32 889 052</u>
NET ASSETS	<u><u>33 015 750</u></u>
EQUITY	
Reserves	269 867
Retained earnings	32 718 883
TOTAL EQUITY	<u><u>33 015 750</u></u>

The complete set of audited financial statements and notes to and forming part of the financial statements for the year ended 30 June 2013 is published in the 2012-13 Annual Report.

Contact Details

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