

2016-17 Highlights

- Adopted a change in accounting policy from a risk-free discount rate to an asset-based discount rate methodology for valuing the Scheme's long service leave liability.
- Supported the completion of the fourth formal actuarial review of the Scheme for the Minister.
- Recorded estimated total accumulated liabilities of \$56.48 million (a decrease of \$6.98 million in comparison to the 2015-16 period due to adoption of a change in accounting policy). Scheme's assets continue to cover liabilities.
- Recorded a net increase in assets for the year of \$12.62 million (compared to the \$17.4million deficit recorded 2015-16), of which \$6.65 million related to the decrease in long service leave liabilities as determined by the Scheme's actuary, as a result of changing to the use of an asset-based discount rate.
- Received approximately \$2.4 million in levy contributions (down from the \$3.7 million achieved in 2015-16).
- Increases in both worker and employer registrations during the year. Total active registrations of 28814 workers and 554 employers recorded with the Scheme as at 30 June 2017.
- Made benefit payments to 954 workers who have been involved in the NT construction industry at a cost to the Scheme of approximately \$3.9 million (up from the 678 payments at a cost of \$2.7 million made in 2015-16).

About NT Build

NT Build, a statutory corporation established by the *Construction Industry Long Service Leave and Benefits Act* on 1 July 2005, is administered by a board which comprises an independent chairperson and six members nominated by the Minister.

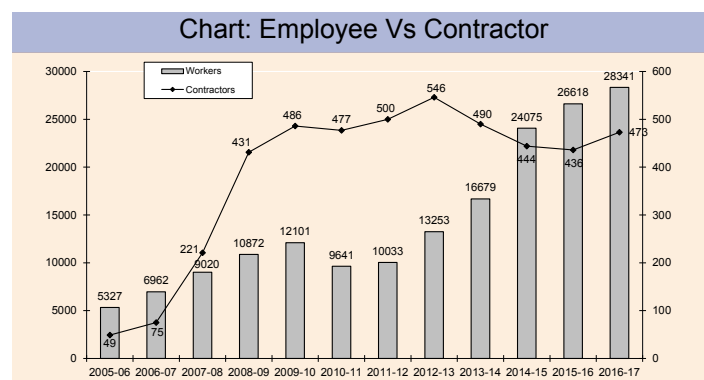
The NT Build Scheme is self funded through the collection of a levy imposed on construction work undertaken in the Territory and investment earnings. This revenue is used to fund payment of long service leave benefits accrued by construction workers while working on defined projects in the Territory.

The establishment of NT Build completed a network of similar schemes in all Australian jurisdictions.

Statistical Highlights

Worker registration numbers

As shown in the chart below the total number of active worker registrations recorded by the Scheme reflected a net increase of 1760 on the numbers for the previous reporting period. This variance consists of 1723 more employees and 37 more labour-only contractors.



As at 30 June 2017 a total of 14400 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 2016-17 reporting period 954 claims for long service leave benefits were paid. These claims resulted in a total gross benefit payments expense of approximately \$3.9 million in respect of work performed in the NT. The number of claims processed increased by almost 52%, resulting in an increase cost to the Scheme of \$1.2 million for benefits paid in comparison to the previous year 2015-16 reporting period.

Benefit Claims	2013-14	2014-15	2015-16	2016-17
Lodged interstate	124	188	270	346
Lodged NT Build	105	160	408	608
Total claims	229	348	678	954

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

2012-13	2013-14	2014-15	2015-16	2016-17
\$1151 pw	\$1206 pw	\$1233 pw	\$1254 pw	\$1276 pw

Age profile

	June 14	June 15	June 16	June 17
Average age	38	38	38	39
Oldest	79	80	81	82
Youngest	15	16	15	15

Days of service

	June 2014	June 2015	June 2016	June 2017
Total estimated service days	7.23M	9.57M	11.28M	14.07M

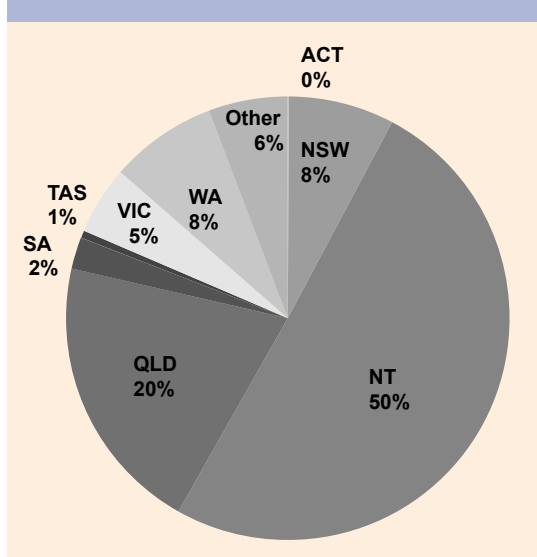
Scheme demographic

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

Table: No. of workers by contact location

	2013-14	2014-15	2015-16	2016-17
ACT	21	27	26	23
NSW	1 210	1 829	2 055	2 219
NT	11 413	14 907	15 576	14 525
QLD	2 608	4 281	5 433	5 879
SA	355	551	610	669
TAS	108	142	147	153
VIC	733	1 616	1 270	1 435
WA	702	1 159	1 928	2 248
Other	19	7	9	1663
Total	17 169	24 519	27 054	28 814

Chart: Percentage of workers by contact location 2016-17



Employer registration numbers

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

	June 14	June 15	June 16	June 17
Registered Employers	468	502	523	554

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.

Two notices were issued during this reporting period.

Levy payment and compliance

Contributions from Levy Payers	June 2014	June 2015	June 2016	June 2017
Total levy income # (approximate)	\$3.9M	\$2.4M	\$3.7M	\$32.4M

#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.

One notice was issued during the 2016-17 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 2016-17 reporting period two new actions relating to levy payers were referred to a debt collection agent for recovery action.

As at 30 June 2017 money owed from three payer (includes one brought forward from 2015-16) had been successfully recovered, with one action being carried forward for recovery during the 2017-18 period.

Actuarial Advice

Long service leave liability

For accounting purposes as at 30 June 2017 the actuary recommended a liability for accrued long service leave benefits of \$55.962 million be adopted.

This reporting period saw a changed approach to setting the discount rate (from risk-free to asset-based) which has had a large impact on the liability valuation.

As a result of applying the asset based discount rate in lieu of the previously used risk-free discount rate when valuing the liability in this reporting period, along with adjustments to other actuarial assumptions, the 2016-17 valuation represents a net decrease of \$6.6 million from the previous 2015-16 estimate.

Further Scheme experience over time will refine the assumptions made and provide greater certainty in valuation.

Section 91 actuarial review

The fourth triennial review was also undertaken during the 2016-17 period, with the final report being tabled in the Legislative Assembly on 16 March 2017.

The key findings from this review indicated that:

- the administration and benefits of the Scheme are appropriate;
- the moderate surplus of the Scheme is expected to decline in the next two years (with some chance the Scheme may fall into deficit) due to the Inpex liabilities accruing, however the surplus will again increase once the Inpex levy is paid at the end of the construction phase (\$10 - \$25 million);
- the current levy rate of 0.1 % is below the break-even rate of 0.19% - 0.23%, however due to the high level of surplus, it is recommended that the 0.1% levy rate remain unchanged for the time being; and
- that a key consideration for the ongoing sustainability of the Scheme is the Inpex levy, and the Minister will need to make a determination regarding the levy rate before it falls due.

Investment of funds

While the liabilities of NT Build will in the main continue to be longer term, as a result of the Scheme's maturity the payment of benefits to workers significantly increased during 2016-17, with the value exceeding the amount of levy revenue received by approximately 62%.

The downturn in the general NT construction sector in combination with the current levy collection structure (of 0.1% on projects over \$1 million) will see the above trend continue and is expected to have a material impact on the Scheme's long term sustainability.

The sound investment of the Scheme's accumulated funds plays an increasingly vital role in ensuring there will be sufficient funds to meet both immediate and longer term liability.

As at 30 June 2016, the Scheme's liabilities continued to be well covered by the Scheme's assets.

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

Fund Managers	Accumulated funds invested at 30 June 2016	Funds invested / (redeemed) 2016-17	Total funds invested at 30 June 2017
MLC/JANA	\$56.8M	\$0M	\$56.8M
PCCU	\$2.4M	\$0.2M	\$2.6M
MEB	\$0.4M	(\$0.4M)	\$0.0M
TOTAL	\$59.6M	(\$0.2M)	\$59.4M

Corporate Governance

Board membership

The Scheme is administered by a Government appointed Board. The membership of the Board as at 30 June 2017 consisted of: Michael Martin OAM (Chairperson), Michael Haire, David Malone, Dick Guit, Michael Milatos and Rosemary Campbell.

Board decisions

In the course of a total of 18 meetings of the Board:

- 82 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
- One new policy decision was resolved during this reporting period.

Communications and Marketing

General activities undertaken

- Advertising in relevant industry publications.
- Maintenance of the NT Build website.
- Production of a range of targeted customer information bulletins and fact sheets.
- Event Sponsor of the Construction Apprenticeship Mentoring Scheme (CAMS), an MBA NT's initiative.

Industry consultation

- Information sessions and briefings, including to regional areas.
- Presentations to the Board.
- Liaison with other state and territory construction industry long service leave schemes.

2017-18 Priorities

- Finalise the redevelopment of the Scheme's website.
- Closely monitor the Scheme's financial position and report on its ongoing financial status in the current low levy (0.1%) and high threshold (\$1M) environment.
- Continue to monitor and review the investment program to identify appropriate opportunities to support the ongoing financial viability of the Scheme.
- Continue to monitor and review the operation of primary business systems to ensure operational savings, improvements and efficiencies are maximised.
- Continue to monitor, review and implement operational systems to maximise revenue collection and minimise administrative costs for NT Build and maximise stakeholders convenience.
- Continue to actively encourage the registration of all eligible workers and relevant employers.
- Maintain a strong compliance audit regime to ensure Scheme levy revenue is maintained.
- Finalise the refurbishment of the office front counter area for staff security and safety reasons.

Financial Statements For Year Ended 30 June 2017

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

Statement of comprehensive income

	2017
	\$
INCOME	
Contributions from levy payers	2 446 361
Other income	13 027 57
Employee benefits expense	(897 368)
Depreciation and Amortisation	(80 197)
Fees and allowances	(56 924)
Long service leave benefit payments	(7 848 252)
Long service scheme expense - current	6 650 000
Occupancy costs	(91 219)
Other expenses	(540 415)
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NET SURPLUS/(DEFICIT)	12 609 565
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TOTAL COMPREHENSIVE INCOME FOR THE YEAR	12 609 565

Statement of financial position

	2017
	\$
ASSETS	
Current assets	
Cash and cash equivalents	2 699 524
Trade and other receivables	1 194 152
Other financial assets	82 746 655
TOTAL CURRENT ASSETS	<hr/> 86 640 331 <hr/>
Non-current assets	
Property, plant & equipment	589
Intangible assets	318 140
TOTAL NON-CURRENT ASSETS	<hr/> 318 729 <hr/>
TOTAL ASSETS	<hr/> 86 959 060 <hr/>
LIABILITIES	
Current liabilities	
Trade and other payables	512 526
Short-term provisions	7 800 000
Other liabilities	7 918
TOTAL CURRENT LIABILITIES	<hr/> 8 320 444 <hr/>
Non-current liabilities	
Long-term provisions	48 162 000
TOTAL NON-CURRENT LIABILITIES	<hr/> 48 162 000 <hr/>
TOTAL LIABILITIES	<hr/> 56 482 444 <hr/>
NET ASSETS	<hr/> 30 476 616 <hr/>
EQUITY	
Reserves - implementation funding	296 867
Accumulated funds	30 179 749
TOTAL EQUITY	<hr/> 30 476 616 <hr/>

The complete set of audited financial statements and notes to and forming part of the financial statements for the year ended 30 June 2017 is published in the 2016-17 Annual Report.

Contact Details

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