



# NT Build - portable long service leave

## Annual Report 2013-14

### 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* by presenting the Minister responsible for NT Build with a summary of the activities of the Board during the 2013-14 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.

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# Letter to Minister

The Hon Peter Chandler MLA  
Minister for Lands, Planning and the Environment  
Legislative Assembly of the Northern Territory  
Darwin NT 0800

Dear Minister

RE: NT BUILD ANNUAL REPORT 2013-14

On behalf of the NT Build Board, I am pleased to present you with the ninth NT Build Annual Report, for the year ended 30 June 2014.

The report details the activities and achievements of NT Build during its ninth 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 (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 are 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 2014 and his comments are contained in this report.

May I also draw your attention 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



BARRY CHAMBERS  
Chairperson, NT Build Board

3 November 2014



# Chairperson's and Registrar's Report

During the 2013-14 reporting period the Scheme underwent a formal review at the request of the Minister. The conclusion of the review saw the Northern Territory Government announce a number of changes that will benefit construction industry stakeholders and construction workers.

The major changes involved a reduction in the NT Build levy rate from 0.3% to 0.1% and an increase in the leviable project threshold from \$200,000 to \$1 million, both effective from 7 April 2014.

While the impact of these changes on the Scheme's income was relatively minor for the 2013-14 reporting period, the reduction in the levy rate and the increase in the leviable threshold amount are expected to have a greater impact on the Scheme's income for the 2014-15 and subsequent reporting periods. The Scheme nonetheless achieved a modest growth in net assets of \$2.6 million over the 2013-14 financial year (a drop of \$5.6 million when compared to the 2012-13 period). The Scheme also received a total levy income of \$4.2 million in 2013-14, representing a decrease of \$5.4 million when compared to the 2012-13 year.

Work is continuing to implement the remaining decisions announced by the NT Government in April 2014. This involves clarification of the levy payment process for major projects costing in excess of \$1 billion and reducing the qualifying period for workers to 220 days. Work is also being undertaken in consultation with industry to clarify the exemption to mining and exploration activity.

The growth in employer and worker participation during the year was significant,

with total active registrations of 17 169 workers and 468 employers as at 30 June 2014 being achieved.

A further 229 benefit claims (totalling 1 106 since the Scheme commenced) were also processed as more workers became eligible for benefit payments, due in part to the National Reciprocal Agreement, which recognises workers' service in all other jurisdictions. This growth in benefit claims is expected to accelerate over the next few years as the Scheme continues to mature.

The ageing of the Scheme and the steady increase in registrations of active workers, largely associated with the Inpex LNG project, also saw the estimated accumulated liabilities for the Scheme grow by \$5.6 million to approximately \$38.4 million as at 30 June 2014. Notwithstanding this increase the Scheme continues to hold a strong net asset position of \$35.6 million.

In response to the on-going economic volatility in financial markets and the cyclical nature of the construction industry, the Board continued to closely monitor and refine its investment strategy to ensure any adverse exposure of its investments was minimised throughout the reporting period. The Scheme's conservative investment portfolio remains well positioned to meet its growing long term liabilities notwithstanding a degree of uncertainty in the level of that liability due to the relatively immature nature of the Scheme.

Work commissioned by the Board to identify the feasibility of upgrading its business systems to ensure that ongoing administration costs are minimised as the Scheme grows was also completed and introduction of a new system is contemplated in 2014-15.

This reporting period saw the replacement of inaugural board member Graham Kemp, following his sad passing in June 2014. The Board and the staff of NT Build acknowledge and appreciate Graham's passionate and supportive participation in the activities of the Board over the nine years he was a member. David Malone of MBANT was welcomed to the Board as his replacement.



BARRY CHAMBERS  
Chairperson

Finally, we take this opportunity to thank the members of the Board and the staff of NT Build for their dedication and commitment in managing and developing the Scheme for the benefit of all stakeholders in the NT construction industry. We look forward to their continued support in the year ahead.



THEO TSIKOURIS  
Registrar

# Part 1: Introduction and Overview



## 2013-14 Highlights

- Finalised a review of the *Construction Industry Long Service Leave and Benefits Act*, including consultation with key industry stakeholders and provided advice to the Minister.
- Implemented the NT Government's decision to reduce the levy rate from 0.3% to 0.1%, and increase the leviable project threshold from \$200,000 to \$1 million, effective from 7 April 2014.
- Achieved a growth in net assets of \$2.6 million over the year (although down from the \$8.2 million achieved in 2012-13).
- Received approximately \$4.2 million in levy contributions (down from the \$9.6 million achieved in 2012-13).
- Finalised an assessment of business systems aimed at minimising administration costs and supporting a suite of on-line and electronic business transaction services that will improve processing interaction between stakeholders and NT Build.
- Recorded total active registrations of 17 169 workers and 468 employers.
- Made benefit payments to 229 workers at a cost of approximately \$799 000.
- Minimised the impact of the volatile global financial markets on the Scheme's financial assets through the continuation of a conservative investment strategy.

## 2014-15 Priorities

- Support the third formal actuarial review of the Scheme for the Minister.
- Continue to monitor and review the investment program to identify appropriate opportunities to support the ongoing financial viability of the Scheme.
- Support the implementation of legislative amendments to give effect to the NT Government's decision to clarify the way the levy will be calculated for major construction projects and to reduce the number of qualifying service days a worker needs to be credited with a year of long service leave credit from 260 days to 220 days.
- Finalise implementation of a new business system to reduce administrative costs, improve stakeholder interaction and introduce a suite of on-line self-service capabilities.
- 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.

## About the organisation

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.

The purpose of the Scheme as set out in the CILSLB Act is:

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

The establishment of the Scheme in the Northern Territory completed 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.

The Scheme is administered by a Board, called NT Build, which comprises an independent Chairperson, a Ministerial nominee and four industry members.

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 to NT Build through the Territory Budget.

Under the Administrative Arrangements Order in force for the period ended 30 June 2014 the Department of Lands, Planning and the Environment had the principal responsibility for the general administration of the CILSLB Act. However, in accordance with the CILSLB Act, the Board holds the specific responsibility for the day-to-day management of the Scheme and for providing advice and making recommendations to the Minister about the operation of the legislation.

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

The staff of NT Build are Northern Territory Public Sector employees who are made available to the NT Build Board under an agreed full cost recovery arrangement.

The NT Build Board is responsible for expending the Scheme's money and has its own financial reporting requirements. The Board has therefore prepared this annual report on the performance of the Scheme for submission to the responsible Minister.

# General overview – portable long service leave scheme

## **Key features**

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 leave benefits.

Some key features of this Scheme 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 consistent with current building and construction industry and NT long service leave standards.
- The Scheme is funded through a Ministerially determined levy.
- Administration through a local office, with the support of an established scheme administrator (contract with Construction Industry Long Service Leave Board, South Australia).
- Maintenance of a register recording the number of service days worked by each registered worker within the construction industry in the Northern Territory.
- A statute based scheme, governed by a board consisting of employer, employee and independent representatives appointed by the Minister to oversee the management of the Scheme.

## **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. Workers can therefore work for any number of employers in the construction industry.

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

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 (i.e. 10 years service), they can apply for 13 weeks (i.e. 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 CILSLB Act for workers who die, retire or cease to perform construction work. Long service leave benefits accrued under this Scheme are paid by NT Build upon application by the worker or their authorised representative.

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

- be employed to carry out construction work on a site in the Northern Territory;
- work for the private sector, i.e. not for the government (including the Territory, local, interstate or Commonwealth governments);

- not be working in an administrative, clerical, office-based managerial or professional capacity;
- spend at least 50% of their work time at the construction site for the work; and
- work a minimum of three days in any reporting period (i.e. six months).

Workers employed either full-time, part-time, as a casual or as a labour-only contractor (i.e. those who have an ABN) are eligible to register.

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

## **Employers**

As noted previously, 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 specified construction work in the Northern Territory; and
- investment earnings.

Most employers of construction workers will therefore 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 under the Northern Territory private sector *Long Service Leave Act*.

Once a worker has been registered, employers are required to keep adequate records to account for any eligible workers employed and 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. The information provided by employers is used to update registered workers' records.

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.

For the purpose of this Scheme, construction work covers commercial, domestic, industrial and civil construction. Construction work includes workers performing repair, maintenance, extension and demolition, and is recognised regardless of whether the work performed is subject to the levy liability.

## **Long service levy**

The Scheme is funded by a levy (determined by the responsible Minister) imposed on specified construction work undertaken in the Northern Territory and from investment earnings.

The levy is payable on all eligible construction projects and is calculated as a percentage of the total cost of the work. The cost of construction work is the sum total of all contract prices for the work, covering aspects such as 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 does not apply to:

- 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); or
- work undertaken for not-for-profit organisations in respect of voluntary labour and donated materials.

In April 2014 the Northern Territory Government approved an increase in the leviable project threshold. Accordingly, the levy does not apply to work for which the total contract prices for the construction work that is less than:

- \$200 000 in value - for work started from 1 July 2005 to 6 April 2014, or
- \$1million in value - for work started on or after 7 April 2014.

For construction work that costs up to \$1 billion, the amount of the levy is

calculated as a set percentage of the cost of the work.

A two tier levy regime applies to projects with costs in excess of \$1 billion. Under this two tier regime the 'standard' prescribed levy rate, which applies to all eligible construction projects under the Scheme, is applied to the first \$1 billion and a project specific levy rate - determined by the Minister and having regard for actuarial advice - is applied to the project costs that exceed the \$1 billion threshold.

In April 2014 the Northern Territory Government also approved a further reduction in the levy rate, effective from 7 April 2014.

The 'standard' prescribed levy rates that apply to eligible construction works undertaken in the Territory are:

- 0.1% for work started on or after 7 April 2014, regardless of completion date.
- 0.3% for work started from 1 April 2012 to 6 April 2014, regardless of completion date.
- 0.4% for work started from 1 July 2009 to 31 March 2012, regardless of completion date.
- 0.5% for work started from 1 July 2005 to 30 June 2009, regardless of completion date.

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.

# Statistical highlights

## Workers

### Registration numbers

The CILSLB Act defines a construction worker as a person who carries out construction work either as an employee or as a contractor - who only supplies their own labour. Construction workers can also be engaged on a full-time, part-time or casual basis.

As shown in the table and chart below, the total number of active worker registrations

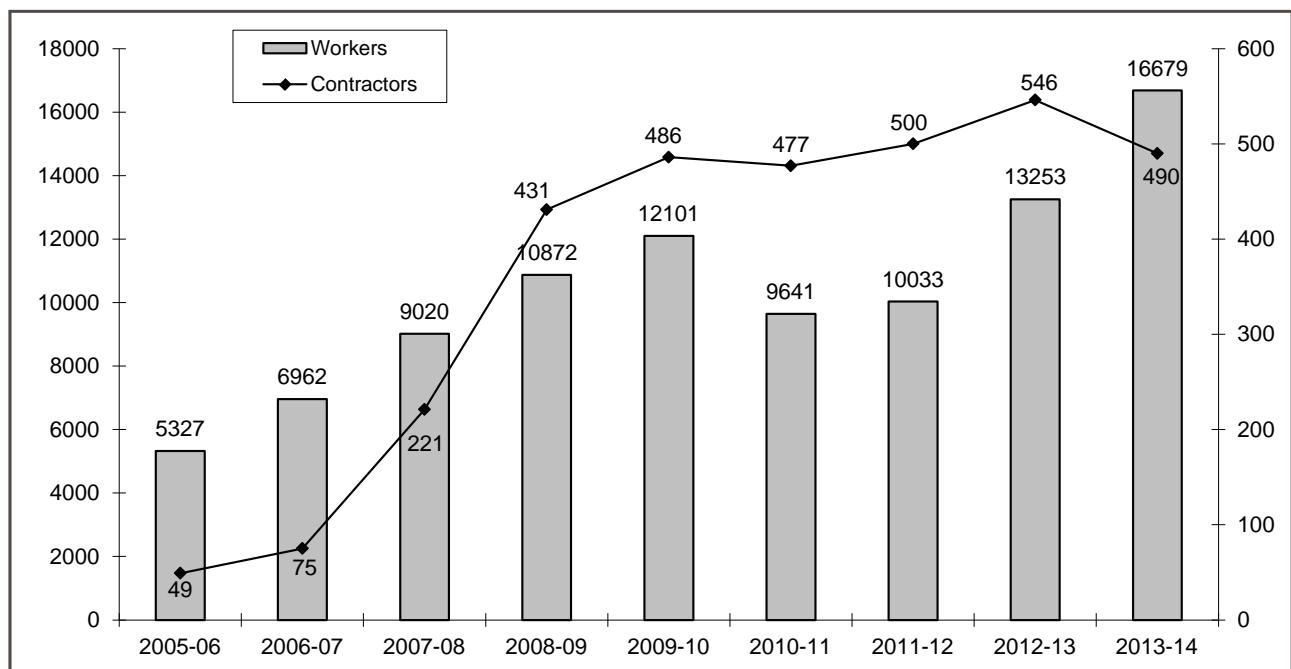
recorded by the scheme reflected a substantial net increase of 3 370 on the numbers for the previous reporting period. This variance consists of 3 426 more employees and 56 less labour-only contractors.

This dramatic increase in the number of worker registrations is predominantly reflective of the start of the construction phases of several large infrastructure projects, including works directly and indirectly related to the Inpex LNG project.

Table 1.1: Total number of worker registrations

| Total Registrations | June 2010 | June 2011 | June 2012 | June 2013 | June 2014 |
|---------------------|-----------|-----------|-----------|-----------|-----------|
| Approved            | 12 587    | 10 118    | 10 533    | 13 799    | 17 169    |
| Rejected            | 94        | 125       | 110       | 110       | 105       |

Chart 1.1: Employee and labour-only contractor registrations



Section 13(1)(a) of the CILSLB Act requires the Registrar to deregister a person who has not been credited with any qualifying service for a continuous period of four years. The first of this deregistration process occurred in September 2010 and the impact of this initial deregistration process is illustrated in the Table 1.1 above. On going deregistrations are automatically processed biannually.

The highly transient nature of the Northern Territory construction industry workforce is evidenced not only by the substantial increase in registrations during this reporting period but also by the significant overall number of workers deregistered from the Scheme as at 30 June 2014 - totalling 7 564 workers (an increase of 1 305 from the previous reporting period).

While these deregistered workers are no longer active in the Territory construction industry a majority of the workers are still believed to be actively working in the construction industry interstate.

Under the terms of the National Reciprocal Agreement, a person deregistered with the NT Build scheme may be eligible to have their service credits reinstated if they are registered with an interstate scheme and have continued to work in the construction industry interstate.

Each Australian state and territory is party to the National Reciprocal Agreement. This Agreement provides for a worker's service credits while working in the building and construction industry in any of the states or territories, to be recognised as part of that worker's qualifying period of service for the purpose of determining their long service leave entitlement.

This means that workers are able to have construction industry service accrued both with multiple employers and across multiple jurisdictions combined towards accruing a long service leave entitlement. It is therefore anticipated that a significant proportion of the Scheme's deregistered workers will have their NT service reinstated under the terms of the National Reciprocal Agreement.

The level of participation by eligible workers in the Scheme have previously been noted by both the Scheme's actuary and the Northern Territory Auditor-General.

In the Triennial Actuarial Review Report tabled in the Legislative assembly on 21 June 2012 the Scheme's actuary noted the following as likely issues affecting scheme registrations.

- Very high turnover of employment in the local construction industry.
- The voluntary nature of the NT Build Scheme (whereas most equivalent interstate schemes are compulsory).
- The high proportion of the NT construction industry workforce operating as labour-only contractors rather than employees.

Industry feedback also supported anecdotal evidence that there may be a significant number of eligible labour-only contractors in the Northern Territory who are not registered with the Scheme.

### Benefit payments

A worker who has accrued a long service leave credit can apply to use the credit. The benefit rate for the payment of the credit is determined by the Board, having regard to the average weekly ordinary time earnings for the construction sector published by the Australian Bureau of Statistics.

The rate is reviewed annually, generally on 1 July, and the defined rate is applied to both workers and contractors.

This process provides greater certainty in predicting future liabilities than is the case for a number of interstate schemes.

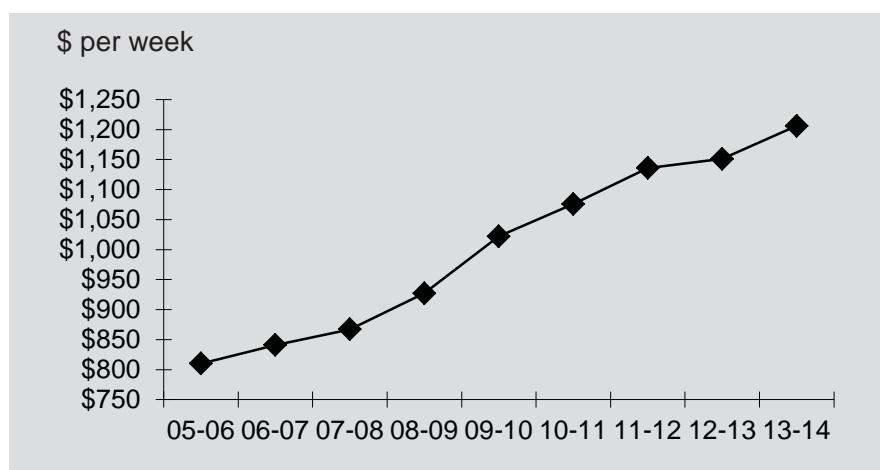
The benefit payment rate for the 2013-14 period was \$1206 per week.

The following table and chart illustrates the annual movement in the benefit rate since the commencement of the Scheme.

Table 1.2: Approved benefit rates

|         |          |
|---------|----------|
| 2013-14 | \$1206pw |
| 2012-13 | \$1151pw |
| 2011-12 | \$1136pw |
| 2010-11 | \$1076pw |
| 2009-10 | \$1022pw |
| 2008-09 | \$927pw  |
| 2007-08 | \$867pw  |
| 2006-07 | \$841pw  |
| 2005-06 | \$810pw  |

Chart 1.2: Annual movement in rate



The CILSLB Act contains special pro rata provisions to enable a long service leave benefit to be paid to workers who retire, cease to perform construction work or die.

However, generally a worker must accrue 65 days long service leave credit (i.e. 2600 eligible service days = 10 years service) before they can apply to use the 65 days of long service leave. Once accrued the leave may also be taken in separate periods of not less than 5 days.

Subsequent credits of long service leave can be accessed after every additional accrual of 32.5 days long service leave credit (i.e. 1300 service days).

While the NT Build scheme will not mature for another year, a total of 229 claims for long service leave benefits were paid during the 2013-14 reporting period.

As reflected in the table below, these claims resulted in a total gross benefit payments expense of approximately \$799 000 in respect of work performed in the Northern Territory. While the number of claim was down from the previous year, the cost to the Scheme was up slightly on the \$649 000 paid during the 2012-13 reporting period. It can be expected that the amounts paid out will continue to increase as the Scheme reaches maturity.

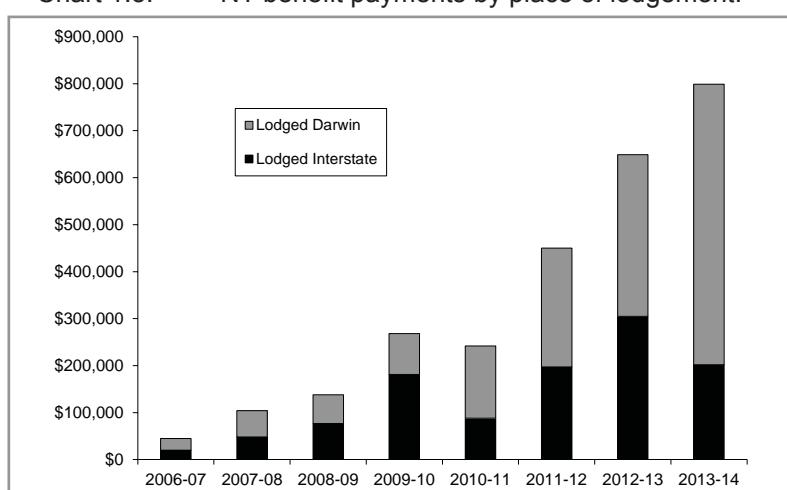
The ability to recognise service credits and make benefit payments during these early years of the Scheme's operation is a direct result of the Territory scheme being a party to the National Reciprocal Arrangement.

The following chart illustrates the Scheme's financial liability for benefit claims that were lodged direct with NT Build and those lodged through a reciprocal interstate portable long service leave scheme.

Table 1.3: Benefit claims processed

| <b>Benefit Claims</b>            | <b>2010-11</b> | <b>2011-12</b> | <b>2012-13</b> | <b>2013-14</b> |
|----------------------------------|----------------|----------------|----------------|----------------|
| Lodged through interstate scheme | 72             | 99             | 166            | 124            |
| Lodged through NT Build          | 47             | 49             | 69             | 105            |
| <b>Total claims lodged</b>       | <b>119</b>     | <b>148</b>     | <b>235</b>     | <b>229</b>     |

Chart 1.3: NT benefit payments by place of lodgement.



## Registration profile

Table 1.4: Age profile

|             | June 11 | June 12 | June 13 | June 14 |
|-------------|---------|---------|---------|---------|
| Average age | 39      | 38      | 37      | 38      |
| Oldest #    | 81      | 77      | 78      | 79      |
| Youngest *  | 14      | 15      | 15      | 15      |

\*Registrations are accepted from apprentices working in the construction sector, including school based apprentices

#Includes workers who have been inactive for less than 4 years and therefore not yet deregistered

Table 1.5: Days of service

|                              | June 11 | June 12 | June 13 | June 14 |
|------------------------------|---------|---------|---------|---------|
| Total estimated service days | 4.35M   | 5.12M   | 6.38M   | 7.23M   |

## Scheme demographic

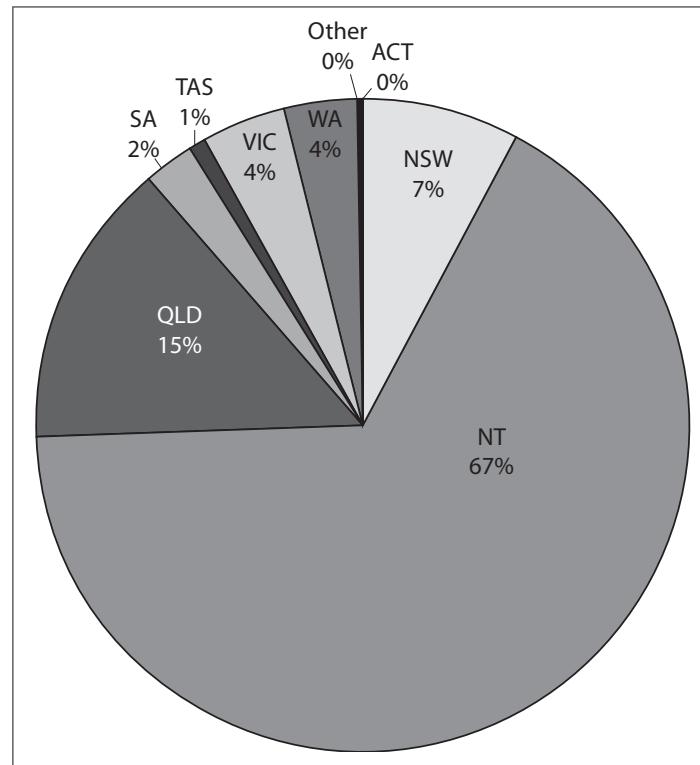
The continued success of the scheme in terms of providing benefits to Northern Territory construction industry workers and contributing to the attraction of skilled workers to the Territory is evidenced by the following table and chart.

While these show that approximately two thirds of the Scheme's registered workers record a Territory contact address, the table and chart also helps to illustrate the transient nature and mobility of the workforce in the construction industry across state and territory borders.

Table 1.6: No. of workers by contact location

|              | 2010-11      | 2011-12       | 2012-13       | 2013-14       |
|--------------|--------------|---------------|---------------|---------------|
| ACT          | 11           | 11            | 17            | 21            |
| NSW          | 885          | 903           | 1 066         | 1 210         |
| NT           | 6 101        | 6 899         | 9 201         | 11 413        |
| QLD          | 1 480        | 1 534         | 1 970         | 2 608         |
| SA           | 289          | 286           | 336           | 355           |
| TAS          | 38           | 35            | 108           | 108           |
| VIC          | 473          | 471           | 601           | 733           |
| WA           | 364          | 380           | 484           | 702           |
| Other        | -            | 14            | 16            | 19            |
| <b>Total</b> | <b>9 641</b> | <b>10 533</b> | <b>13 799</b> | <b>17 169</b> |

Chart 1.4: Percentage of workers by contact location, 2013-14



## **Employers**

Eligible employers are identified through either self registration or by notification on a worker registration form and the numbers are shown in the table below.

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. Where an employer fails to comply with a section 81(1)(a) notice the person could be prosecuted for failure to comply with the notice.

Issuing of section 81(1)(a) notices aims to streamline the administrative effort required to effect successful and timely prosecution of employers who choose not to fulfil their statutory obligation to notify NT Build about the number of days of service each registered employee worked and any periods of long service leave granted by the employer to any registered employee.

No notices were issued under this provision during the 2013-14 reporting period.

Table 1.7: Active employer registrations

|               | June<br>2011 | June<br>2012 | June<br>2013 | June<br>2014 |
|---------------|--------------|--------------|--------------|--------------|
| Registrations | 256          | 312          | 395          | 468          |

## **Levy payment and compliance**

NT Build has continued to enjoy a high level of compliance by project developers. Some developers have however been reluctant to provide timely notification of their projects and pay respective levies.

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. Where a levy payer fails to comply with a section 81(1)(b) notice the person could be prosecuted for failure to comply with the notice.

Issuing of section 81(1)(b) notices aims to streamline the administrative effort required to effect successful and timely prosecution of developers who choose not to fulfil their

statutory obligation to notify NT Build of the project commencement and paying the levy. As demonstrated in table 1.8 below, two notices were issued during the 2013-14 reporting period.

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

Notwithstanding the above, table 1.9 below provides a summary comparison of total levy payments received from project developers. The Scheme's levy income during the 2013-14 period was down by \$5.4 million in comparison to the previous reporting period. The effect of the changes to the levy rate and leivable project threshold value announced by the NT Government in April 2014 resulted in the reduction of contributions received from levy payers.

Table 1.8: Summary of section 81(1)(b) action

| YEAR    | B/FWD | New Notices | Finalised | C/FWD |
|---------|-------|-------------|-----------|-------|
| 2013-14 | 1     | 2           | 3         | -     |
| 2012-13 | 1     | 6           | 6         | 1     |
| 2011-12 | 2     | 15          | 16        | 1     |
| 2010-11 | 1     | 9           | 8         | 2     |
| 2009-10 | 5     | 20          | 24        | 1     |
| 2008-09 | 10    | 25          | 30        | 5     |
| 2007-08 | 3     | 26          | 19        | 10    |
| 2006-07 | -     | 5           | 2         | 3     |

Table 1.9: Summary of contributions from levy payers

|                                      | June<br>2011 | June<br>2012 | June<br>2013 | June<br>2014 |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Total levy income #<br>(approximate) | \$9.9M       | \$12.0M      | \$9.6M       | \$4.2M       |

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

## **Debt recovery**

The NT Build Board has authorised the Registrar to recover debts owing to the scheme directly through the engagement of a debt collection agent and, if necessary, through the small claims court.

The use of debt collection agents is generally 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 and after other efforts to secure payment have failed.

Table 1.10: Summary of debt recovery action

| YEAR            | B/FWD | New Action | Finalised | C/FWD |
|-----------------|-------|------------|-----------|-------|
| <b>2013-14</b>  | -     | 5          | 3         | 2     |
| <b>2012-13</b>  | 2     | 1          | 3         | -     |
| <b>2011-12</b>  | 3     | 4          | 5         | 2     |
| <b>2010-11</b>  | -     | 3          | -         | 3     |
| <b>2009-10</b>  | 1     | 1          | 2         | -     |
| <b>2008-09</b>  | -     | 3          | 2         | 1     |
| <b>2007-08</b>  | -     | 2          | 2         | -     |
| <b>*2006-07</b> | -     | -          | -         | -     |

\*Debt collection agents appointed with effect from 4 June 2007

## Investment of funds

As noted in the Financial Statements included in this report, NT Build continued to invest accumulated funds from revenue raised through the collection of levies.

The Scheme is fully self-funded through the collection of a levy imposed on construction work undertaken in the Territory and earnings from invested accumulated funds. This revenue is used to fund the payment of long service leave benefits accrued by construction workers while working in the Territory and to meet the Scheme's operational expenses.

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.

The Board continued to implement the scheme's investment strategy through a combination of:

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

In the context of economic performance in the global and Australian financial markets, the Board determined that an investment strategy heavily biased towards secure cash investments was no longer appropriate for the 2013-14 reporting period. As reflected in Table 1.11, term deposits on maturity were redeemed in full and transferred to JANA for investment.

In order to monitor and maintain the financial viability of the Scheme in the context of the ongoing volatility of the global financial markets, the Board closely monitors the Scheme's financial assets through the continuation of a conservative investment strategy.

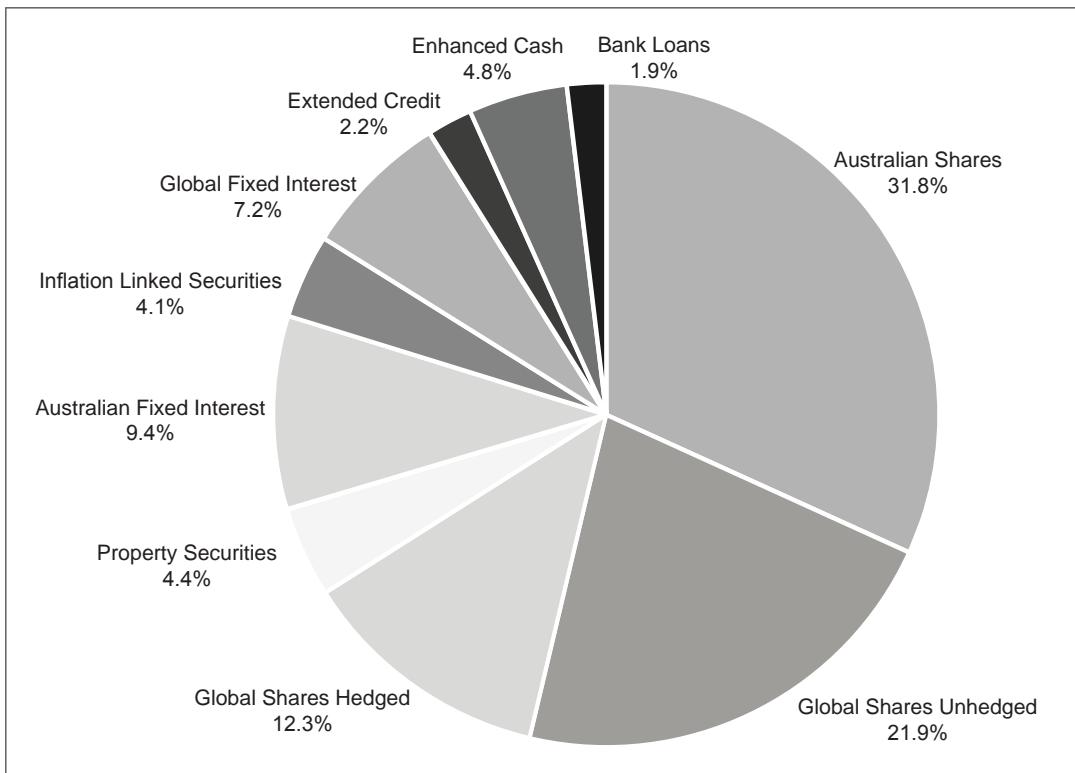
This strategy encompasses a rolling three year forward outlook for projecting the short-term financial status of the Scheme. Given the often cyclical nature of the construction industry generally and the high potential impact of large resource development projects in the Territory, the Board considers that projections beyond this horizon are suitable only for actuarial purposes.

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 (pre interest) amounts invested.

Table 1.11: Summary of actual funds transferred to Fund Managers for investment

| Fund Managers | Total funds invested as at 30 June 2013 | Funds invested/(redeemed) during 2013-14 | Total funds invested as at 30 June 2014 |
|---------------|---|--|---|
| MLC/JANA      | \$26.1M                                 | \$24.9M                                  | \$51.0M                                 |
| TIO           | \$19.9M                                 | (\$14.7M)                                | \$5.2M                                  |
| WESTPAC       | \$2.0M                                  | (\$2.0M)                                 | -                                       |
| MEB           | \$5.0M                                  | \$0.2M                                   | \$5.2M                                  |
| <b>TOTAL</b>  | <b>\$53.0M</b>                          | <b>\$8.4M</b>                            | <b>\$61.4M</b>                          |

Chart 1.5: Actual asset allocations of JANA managed portfolio - 30 June 2014



## Actuarial advice

### **Long service leave liability**

A number of factors affect the actuary's ability to reliably measure the scheme's liability. These factors include:

- As a relatively new scheme, the limited extent of established historical data available to enable an accurate assessment of the scheme's liability;
- Extent and range of non-levied construction work undertaken that is exempt from payment of the levy and for which worker benefit liability will still apply;
- Expenses estimated in administering the scheme;
- Level of worker registrations and service turnover;
- Period of service credits accumulated before a benefit payment is claimed;
- Benefit payment rate applied and the salary growth rate for the construction industry;
- The extend to which service credits are abandoned without benefit payments in the future; and
- A funding period of ten years for non-levied activity.

Having regard for the above factors, the Scheme's consulting actuary Cumpston Sarjeant Pty Ltd assesses and recommends a liability amount for accrued long service leave benefits to be adopted for accounting purposes as at 30 June each year.

In performing the liability valuation for this reporting period the following key assumptions were made by the Actuary:

- i) 25% of service credits will be abandoned without benefit payments;

The NT Build 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.

The Actuary expects the abandonment rate will lie between about 15% and 35%, although the extremes of this range are unlikely. 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.

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.

- ii) the average period until payment will be 7 years;

This assumption is reduced from 8 years used in the previous year. The average is expected to decrease slowly over the coming years.

- iii) a discount rate of 3.6% and a salary growth rate of 4.5%.

The discount rate is determined based on the prevailing Commonwealth bond rate at 30 June 2014.

The salary growth rate of 4.5% per annum is consistent with the Department of Treasury and Finance's expectations for future salary growth in the Territory.

For accounting purposes as at 30 June 2014 the actuary recommended a liability of

\$38.4 million for accrued long service leave benefits be adopted. This represents an increase of \$5.6 million from the 30 June 2013 estimate.

Accordingly, the provision of \$38.4 million has been disclosed on the Statement of Financial Position of the Board as at 30 June 2014 included in this report.

Table 1.12: Summary of accrued long service leave liability

|         |         |
|---------|---------|
| 2013-14 | \$38.4M |
| 2012-13 | \$32.8M |
| 2011-12 | \$28.5M |
| 2010-11 | \$20.9M |
| 2009-10 | \$17.4M |
| 2008-09 | \$13.6M |
| 2007-08 | \$7.6M  |
| 2006-07 | \$5.5M  |
| 2005-06 | \$2.6M  |

Chart 1.6: Rate of long service leave liability accrual

