



NT Build - portable long service leave

Annual Report 2020-21

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 2020-21 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 construction industry portable long service leave scheme.

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Table of contents

Letter to Minister	7
Chairperson's Report	9
Registrar's Report	11
Part 1: Introduction and overview	13
2020-21 At a Glance	14
2021-22 Priorities	15
About the organisation	16
General overview – portable long service leave scheme	17
Key features	17
Workers	17
Employers	18
Long service levy	18
Statistical highlights	20
Workers	20
Employers	24
Levy payment and compliance	25
Debt recovery	26
Investment of funds	27
Actuarial advice	29
Long service leave liability	29
Section 91 actuarial review	30
Part 2: Operational governance	34
The Board	34
Functions and powers	34
Membership	34
Conducting business	35
The Office	37
Registrar	37
Staff	37
Organisation structure	38
Information management	38
Communication and marketing	39
Insurance and risk management	40

Part 3: Financial accountability	44
Index - Financial Statements for year ended 30 June 2021	46
Independent auditor's report	47
Board members' declaration	49
Statement of profit or loss and other comprehensive income	50
Statement of financial position	51
Statement of changes in equity	52
Statement of cash flows	53
Notes to the financial statements	54

Charts

Chart 1.1	Active employee and labour-only contractor registrations	20
Chart 1.2	Annual movement in benefit rate	22
Chart 1.3	NT benefit payments by place of lodgement	23
Chart 1.4	Percentage of active workers by contact location, 2020-21	24
Chart 1.5	Actual asset allocations of JANA managed portfolio - 30 June 2021	28
Chart 1.6	Rate of long service leave liability accrual	30
Chart 2.1	Staffing FTE and profile as at 30 June 2021	37

Tables

Table 1.1	Total number of active worker registrations	20
Table 1.2	Benefit claims processed	23
Table 1.3	Age profile	23
Table 1.4	Days of service	23
Table 1.5	No. of active workers by contact location	24
Table 1.6	Active employer registrations	24
Table 1.7	Summary - levy payer contributions	25
Table 1.8	Summary - section 81(1)(b) action	26
Table 1.9	Summary - debt recovery action	26
Table 1.10	Summary - actual funds transferred / (redeemed) for investment	27
Table 1.11	Summary - accrued long service leave liability	30
Table 2.1	Summary - applications for reconsideration lodged - Section 84	36
Table 2.2	Summary of the audits undertaken	42

Letter to Minister

The Hon Nicole Manison MLA
Minister for Mining and Industry
Legislative Assembly of the Northern Territory
Darwin NT 0800

Dear Minister

RE: NT BUILD ANNUAL REPORT 2020-21

On behalf of the NT Build Board, I am pleased to present you with the NT Build Annual Report, for the year ended 30 June 2021.

The report details the activities and achievements of NT Build's construction industry portable long service leave scheme (the Scheme), during its sixteenth 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 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; and
- all employment matters have been handled in accordance with *Public Sector Employment and Management Act 1993* and the CILSLB Act, as appropriate.

I further advise that in accordance with section 69 of the CILSLB Act, the Auditor-General has audited NT Build's financial statements for the year ended 30 June 2021 and her 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



MICHAEL MARTIN OAM
Chairperson, NT Build Board

20 October 2021

Chairperson's Report

This has been a consolidating year for the Board especially in regard to funds management which has now reached \$100 million. The major growth in NT Builds funds resulted largely from the levy of \$19.5 million associated with the major gas plant project. This was received at a time of high volatility in financial markets and the Board met regularly to manage how this amount was invested. These discussions included the Department of Treasury and Finance and JANA, our implemented consultants.

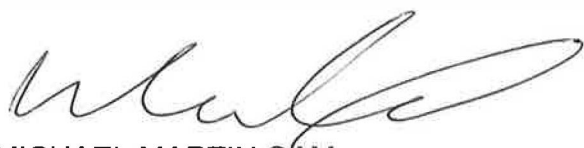
As I mentioned last year, the Board recognises that there were lessons learnt from the major gas plant project, which was the first completed under the major project provisions of the CILSLB Act. The Board has worked with its actuary to identify possible improvements to the operation and application of the major project provisions. The Board expects to be in a position to advise the Minister of its findings later this year.

As mentioned previously, the investment of some \$100 million in funds management continues to be a major focus of the NT Build Board, which continues to assess and review our investment strategy in consultation with the Department of Treasury and Finance and our fund manager JANA. The Board regularly discusses and monitors the Scheme's solvency ratio and risk factors that will impact this ratio.

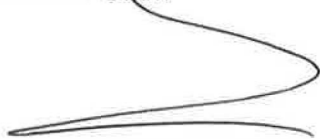
I take this opportunity to thank my fellow board members for their contribution over the past 12 months and their input into the strategic issues addressed by the Board during the year, especially major project provisions and investment strategy. Each board members' input and commitment has again been critical to our effective outcomes.

The Registrar has covered several relevant matters in his report, which I will not repeat here. However, I recommend his Report. The Registrar continues to work closely with the Board and provides an effective level of support to the Board. On behalf of the Board, I thank him for his support, diligence and commitment during the year.

Finally, I again pay tribute to the significant contribution and commitment of all NT Build staff during the past 12 months. Their dedication has been evidenced by successful outcomes over the 12 months and the continued success of the Scheme.



MICHAEL MARTIN OAM



Registrar's Report

While the Nation continued to experience COVID-19 impacts during the 2020-21 reporting period, the Northern Territory (the Territory) has fared comparatively well, and the Territory construction industry remains strong, assisted in part by Government stimulus initiatives. For this reason, construction industry employment rates have remained relatively stable, and any increase in COVID-19 related claims activity that may have been anticipated this time last year, was not realised.

A total of 819 benefit claims amounting to \$4.5 million were processed during the year. This represented a decrease of 640 claims (and \$2.8 million) in comparison to the 2019-20 numbers, which were unusually high off the back of completion of the construction phase of the major gas plant project.

Although the Scheme continued to record new worker registrations, there was an overall decrease of approximately 11% in active workers for the 12 months to 30 June 2021. This decrease is a result of both a data cleanse of records for workers who had been inactive for a period of more than four years and movement of construction industry workers interstate following the completion of the construction phase of the major gas plant project.

The Scheme recorded a total levy income of \$2.8 million in 2020-21. This represented a significant decrease in comparison to the uncharacteristically high \$21.61 million recorded in 2019-20, which was attributable to the major gas plant project, but is consistent with annual levy income in the years prior to 2019-20.

A significant investment return of 20% on the Scheme's managed funds (attributable to a market correction following the March 2020 COVID-19 related crash), brings the Scheme's total equity to \$54.1 million as at 30 June 2021 (up \$11.8 million from the \$42.3 million reported in 2019-20).

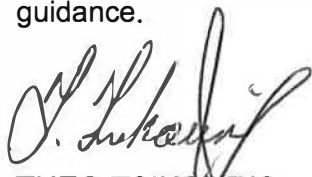
The liability for accrued benefits as at 30 June 2021 was calculated at \$54.7 million, representing a slight increase on the \$54.4 million recorded at the end of the previous financial year.

At the end of this reporting period, the Scheme continues to hold a sustainable net asset position.

NT Build was well prepared for the June 2020 COVID-19 lockdown, with staff seamlessly transitioning to home based work through remote access to NT Build systems and databases. During this period, NT Build's core functions continued to be delivered, with minimal disruption to stakeholders.

I wish to thank staff for their continued commitment over the past 12 months. This year's achievements would not have been possible without the effort of our small but dedicated team.

I also wish to acknowledge and thank the members of the Board for their continued support and guidance.



THEO TSIKOURIS

Part 1: Introduction and Overview

2020-21 At a Glance

- 10,729 workers and 651 employers were registered and actively participating in the Scheme.
- 819 benefit payments were made to workers who have been involved in the Territory construction industry, at a cost to the Scheme of approximately \$4.5 million (down from the 1,459 payments at a cost of approximately \$7.3 million in 2019-20).
- Low 0.1% levy rate retained, while at the same time ensuring the Scheme's ongoing sustainability, through sound financial management.
- Approximately \$2.8 million received in contributions from levy payers (down from uncharacteristically high figure of \$21.61 million reported in 2019-20, which was attributable to the major gas plant project).
- An overall increase in net assets for the year of \$11.8 million recorded, due to significant investment returns on managed funds, bringing total assets to approximately \$110 million.
- Estimated total accumulated liabilities of \$55.6 million recorded (up slightly from the \$55.4 million recorded at the end of the previous financial year), with the result that the Scheme's assets continue to cover liabilities.
- Generated Scheme awareness and actively encouraged the registration of eligible workers and relevant employers, through advertising and educational presentations.
- Worker records pro-actively monitored, reviewed and updated, to ensure data up to date and all applicable service recorded, to facilitate claim eligibility.
- Office and remote working capabilities refined in response to COVID-19, to support safety of staff and clients and ensure ongoing delivery of services were achieved.
- Administrative guidelines underpinning the application of section 21(8) of the CILSLB Act reviewed to recognise and better accommodate potential financial hardship claims arising from COVID-19.
- Preliminary analysis and evaluation of the operation of the major project levy mechanism in the context of the major gas plant project, through a continuous improvement lens, to identify potential efficiency or reform opportunities in the application of relevant provisions.
- Project audit activities for reporting period undertaken, to ensure a practical and pro-active approach to levy compliance, broader Scheme awareness and understanding, and constructive relationships with stakeholders.
- Investment program to support the ongoing financial viability of the Scheme actively monitored and reviewed.
- Business systems monitored and reviewed to identify operational savings, improvements and efficiencies.
- Operational processes and systems implemented to maximise revenue collection, minimise administrative costs for NT Build, and maximise stakeholder convenience.
- Staff and workload demands effectively monitored to ensure superior customer service through the efficient processing of benefit claims, and timely provision of advice and responses to general queries.

2021-22 Priorities

- Closely monitor the Scheme's financial position and report on its ongoing financial status in the current low levy (0.1%) and high project value threshold (\$1 million) environment.
- Continue to monitor and review the investment strategy and its performance, to identify appropriate opportunities to support the ongoing financial viability of the Scheme.
- Review operation of major project levy provisions and consider potential reforms, following analysis and evaluation of the recent the recent major gas project experience.
- 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 processes to maximise revenue collection, minimise administrative costs for NT Build, and maximise stakeholder convenience.
- Continue to undertake advertising and educational awareness activities, to promote and facilitate awareness of Scheme.
- Actively encourage the registration of all eligible workers and relevant employers.
- Continue to undertake project audit activities to ensure a practical and pro-active approach to levy compliance and broader Scheme awareness and understanding, and constructive relationships with stakeholders.
- Monitor staff and workload demands to ensure efficient and timely processing of benefit payments, provision of advice and responses to general queries.

About the organisation

NT Build is a statutory corporation established by the *Construction Industry Long Service Leave and Benefits Act 2005* (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 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.

Since its establishment, NT Build has made long service leave payments totalling over \$36 million to over 8,300 employees and contractors who have worked on construction projects in the Territory.

The existence of the NT Build Scheme assists in attracting skilled construction industry workers to the Territory. The Scheme acknowledges the inherently volatile nature of employment in the construction industry. It ensures that the long-term commitment of construction workers to the industry is fairly rewarded, through provision of long service leave on an equitable basis to workers in other industries, inherently characterised by higher levels of continuous service with a single employer.

The Scheme is administered by a Board, called NT Build, which comprises a chairperson, and up to six members nominated by the Minister.

NT Build is not an agency within the meaning of the *Financial Management Act 1995* or the *Public Sector Employment and Management Act 1993*. 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 2021, the Department of Industry, Tourism and Trade has 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, along with investment earnings. This revenue funds 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, 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 continuous 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 NT 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 Territory long service leave standards, funded through a project levy, determined by the Minister;
- maintenance of a register recording the number of service days worked by each registered worker within the construction industry in the Territory; and
- statute based, governed by a board consisting of a chairperson and members 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 continuous 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.

A registered worker can be credited with a maximum of 220 days of qualifying service each financial year. A total of 6.5 days' long service leave credit is accrued for each 220 days. Once a worker has accrued 65 days' long service leave credit (i.e. 10 years' service), they can apply for 65 days' (i.e. 13 weeks) long service leave or, with the agreement of their employer, take leave in separate periods of not less than 5 days. Workers need to subsequently accrue a further 32.5 days' long service leave credit (i.e. 5 years' service) 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. is not employed by a Territory, local, interstate or Commonwealth government);
- 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 six month reporting period.

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 residential and commercial construction, civil 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 continuous 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, that employer may have to contribute or pay for long service leave under the Northern Territory private sector *Long Service Leave Act 1981*. Importantly, where this occurs, the employee will not also have an entitlement to long service leave under the CILSLB Act.

Once a worker has been registered, employers are required to keep adequate records to account for any eligible workers employed. An employer return form is completed 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 employing 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 accrual of portable long service leave at the time that the worker commences employment.

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

The following industry specific construction work is also exempt from the levy;

- drilling for the purposes of discovering or extracting oil or natural gas; and
- construction of a shaft, pit or quarry, or drilling for the purposes of discovering or extracting minerals is also exempt from the levy.

Finally, the levy does not apply to work for which the total contract prices for the construction work is less than \$1 million in value for work started on or after 7 April 2014.

For construction work that costs \$1 billion or less 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. For the portion of the project costs that exceed the \$1 billion threshold, a project specific levy rate is applied. This excess rate is determined by the Minister, on actuarial advice, and is to be sufficient to yield the amount likely to be required to fund the long service benefits of the registered employees who carry out the particular construction work.

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 penalties 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 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 continued a downward trend, with 10,729 active workers recorded at 30 June 2021 (down 775 workers from the previous reporting period). This figure comprised 10,265 employees and 464 contractors.

This decrease is a result of both;

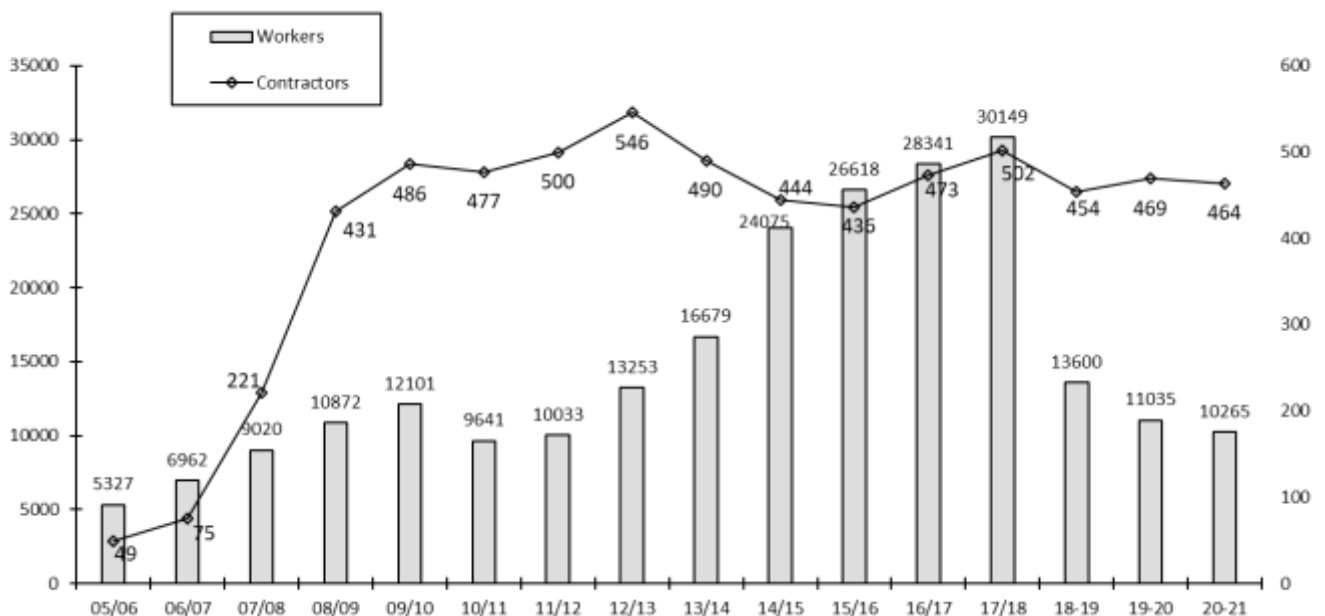
- a data cleanse of records for workers who had been inactive for a period of more than four years; and
- progressive interstate movement of workers as the major gas plant project construction phase wound up.

Current active registration numbers are within the 'norm' and more reflective of the Territory construction industry workforce.

Table 1.1: Total number of active worker registrations

Total Active Registrations	June 2018	June 2019	June 2020	June 2021
	30 651	14 054	11 504	10729

Chart 1.1: Active 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 round of this deregistration process occurred in September 2010, with on-going automated deregistrations since that time.

In addition, section 13 of the CILSLB Act also provides for the deregistration of a worker who ceases to carry out construction work, retires or dies.

As at 30 June 2021, the Scheme recorded a total of 34,177 deregistered workers (an increase of 5,161 from the previous reporting period).

The number of deregistered workers also reflects the highly transient nature of the Northern Territory construction industry workforce.

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 worked both with multiple employers and across multiple jurisdictions combined towards accruing a long service leave entitlement.

While it is possible that a proportion of the Scheme's deregistered workers will have their NT service reinstated under the terms of the National Reciprocal Agreement, the actual portion of service credits that will be reinstated will only be known over time.

Anecdotal evidence also suggests there are a number of workers in the local construction industry who may be eligible to participate in the Scheme, but have not registered. Promotional and educational activities continue to be undertaken to help raise knowledge and understanding of the Scheme, to aid maximum participation.

Some of the likely issues affecting Scheme registrations includes:

- high turnover of employment in the local construction industry;
- proportion of the Territory 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; and
- voluntary nature of the NT Build Scheme (whereas most equivalent interstate schemes are compulsory).

Benefit payments

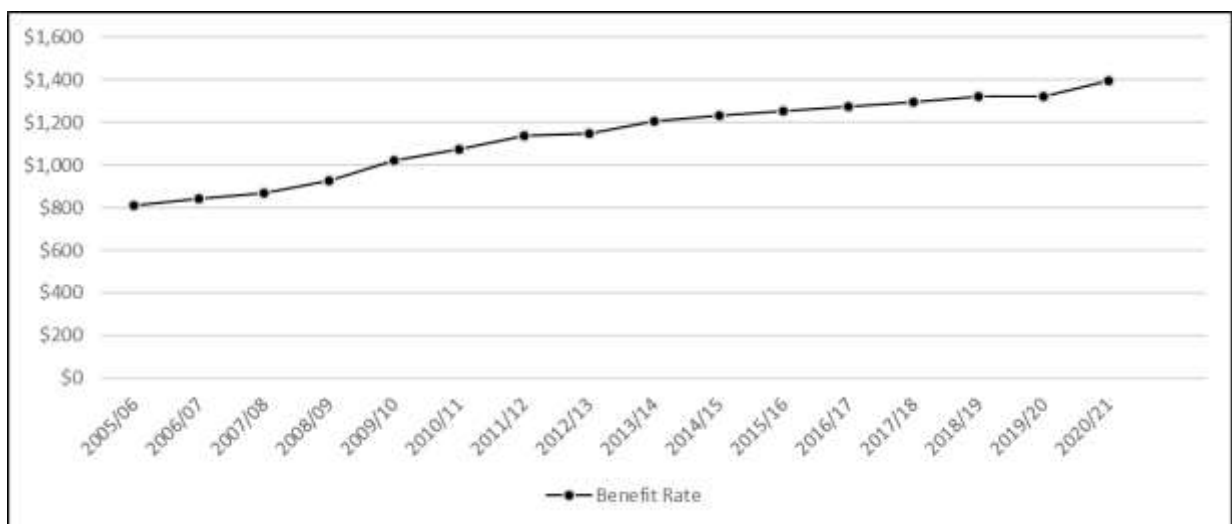
When a worker has accrued the requisite number of long service leave credits required under the CILSLB Act to be eligible for LSL, the worker becomes eligible to claim a benefit payment. The benefit payment will reflect the number of long service leave days claimed, multiplied by the defined weekly benefit rate (being a rate 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 defined weekly benefit rate is reviewed annually, generally on 1 July, and is applied to both worker and contractor claims.

A review of the defined weekly benefit rate for the 2020-21 period, using the standard methodology, resulted in an increase of \$74 per week in the payment rate, from \$1325 to \$1399 per week.

Chart 1.2 below illustrates the annual movement in the benefit rate since the commencement of the Scheme.

Chart 1.2: Annual movement in benefit rate



Generally a worker must accrue 65 days' long service leave credit (i.e. 2200 eligible service days = 10 years' service) before becoming eligible to claim long service leave. Once accrued, the leave may be taken in separate periods of not less than 5 days.

Subsequent credits of long service leave can be used after every additional accrual of 32.5 days' long service leave credit (i.e. 1100 service days = 5 years' service).

The CILSLB Act also 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.

As reflected in table 1.2 and chart 1.3 below, in the 2020-21 reporting period, 819 benefit payments were made to workers who have been involved in the NT construction industry, at a cost to the Scheme of approximately \$4.5 million (down from the 1459 payments at a cost of approximately \$7.3 million in 2019-20).

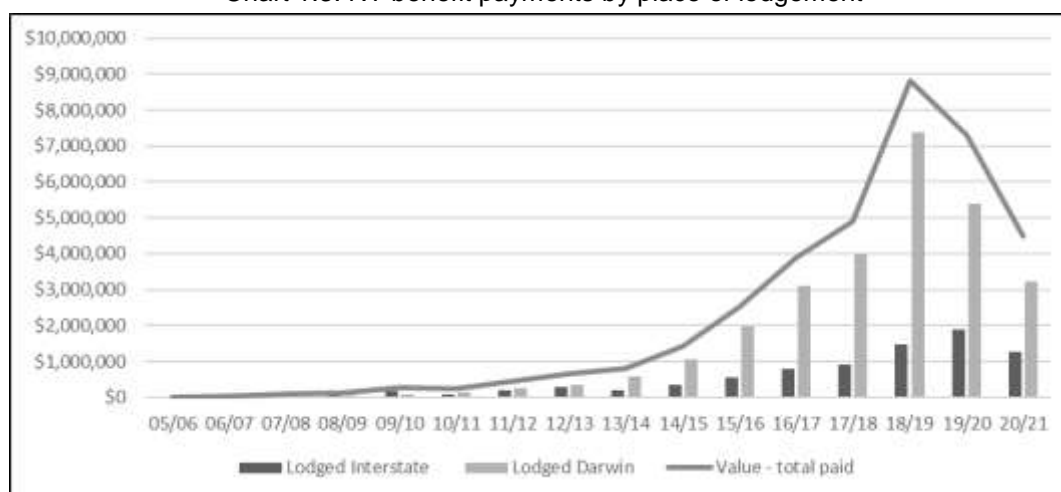
A total of 8307 claims have been paid since the Scheme commenced.

Future annual totals are not expected to match the highs recorded for the 2018-19 and 2019-20 reporting periods, which were predominately the result of the completion of major construction phases associated with the major gas project.

Table 1.2: Benefit claims processed

Benefit Claims	2017-18	2018-19	2019-20	2020-21
Lodged through interstate scheme	365	582	676	422
Lodged through NT Build	797	1235	783	397
Total claims lodged	1162	1817	1459	819

Chart 1.3: NT benefit payments by place of lodgement



Registration profile

Table 1.3: Age profile

	June 18	June 19	June 20	June 21
Average age	39	39	39	40
Oldest #	83	84	84	85
Youngest *	15	15	16	16

*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 1.4: Days of service

	June 18	June 19	June 20	June 21
Total estimated service days	16.55M	18.30M	19.26M	22.03M

Scheme demographic

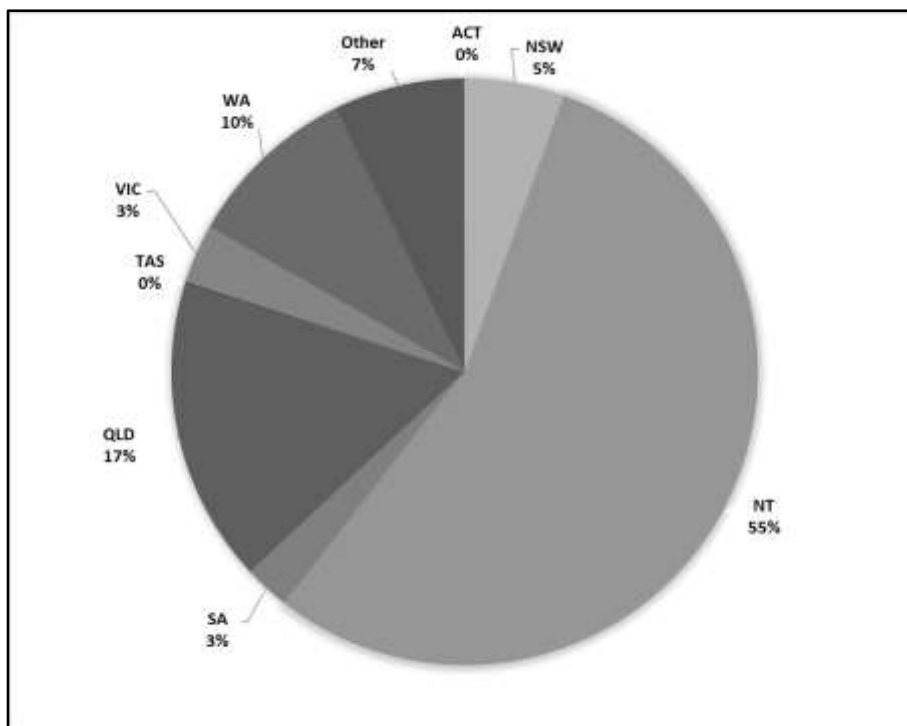
The below table and chart show that approximately 55 % of the Scheme's active registered workers record a Territory contact address. The table also illustrates the transient nature and mobility of the workforce in the construction industry across state and territory borders, with a sharp decline in NT based workers following the completion of the construction phase of the major gas plant project.

Table 1.5: No. of active workers by contact location

	2016-17	2017-18	2018-19	2019-20	2020-21
ACT	23	32	10	8	5
NSW	2 219	2 487	1 098	683	584
NT	14 525	14 189	6 197	5 699	5 907
QLD	5 879	6 060	2 731	2 108	1 796
SA	669	713	337	240	270
TAS	153	160	34	23	18
VIC	1 435	1 605	594	407	348
WA	2 248	3 156	1 763	1 261	1 019
Other*	1 663	2 249	1 290	1 075	782
Total	28 814	30 651	14 054	11 504	10 729

*Other includes: 'unknown' and/or a non-Australian contact location

Chart 1.4: Percentage of active workers by contact location, 2020-21



Employers

Eligible employers are identified through either self-registration or by notification on a worker registration form. The number of registered employers are shown in the following table, and demonstrate a fairly consistent trend of gradual increases over the past five years.

Table 1.6: Active employer registrations

	June 2017	June 2018	June 2019	June 2020	June 2021
Employers	554	557	588	631	651

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 2020-21 reporting period.

Levy payment and compliance

The levy rate has been reduced over time, with the current rate of 0.1% coming into effect from 7 April 2014. The exemption threshold value was also increased from \$200,000 to \$1 million at that time. Examples of other exemptions to the levy include Class 1a(i) and Class 10(a) buildings under the Building Code of Australia, and the following industry specific construction work;

- drilling for the purposes of discovering or extracting oil or natural gas; and
- construction of a shaft, pit or quarry, or drilling for the purposes of discovering or extracting minerals is also exempt from the levy.

The Scheme's total levy income during the 2020-21 reporting period was \$2.8M, representing a significant decrease compared with the 2019-20 reporting period (noting the latter recorded an unusually high figure due to the levy associated with the major gas plant project).

Table 1.7 below provides a summary comparison of total levy contributions received from project developers over the past 5 years.

Table 1.7: Summary - levy payer contributions

	June 2017	June 2018	June 2019	June 2020	June 2021
Total levy income # (approx.)	\$2.4M	\$1.6M	\$1.4M	\$21.6M	\$2.8M

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

Excluding the anomaly of the one off significant levy payment recorded last year, the trend of benefit payments exceeding levy revenue is expected to continue in future years. This trend is largely due to the maturity of the Scheme (with entitlements increasingly vesting) and the current levy collection structure (of 0.1% on projects over \$1 million and certain exemptions associated with the housing and resources sectors).

NT Build has continued to enjoy a high level of compliance by project developers with the assistance of the office, and especially the activities of Field Officers.

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, only one notice was issued during the 2020-21 reporting period.

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

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

YEAR	B/FWD	New Notices	Finalised	C/FWD
2020-21	-	1	1	-
2019-20	-	-	-	-
2018-19	2	1	3	-
2017-18	-	2	-	2

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 1.9: Summary - debt recovery action

YEAR	B/FWD	New Action	Finalised	C/FWD
2020-21	-	-	-	-
2019-20	-	-	-	-
2018-19	2	-	2	-
2017-18	1	1	-	2

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.

The sound investment of the accumulated funds of the Scheme plays an important role in ensuring there will be sufficient funds to meet both immediate and longer term liabilities, whilst maintaining the current low levy rate for as long as possible.

This is particularly so, given the current levy collection structure (which involves a levy of just 0.1% on projects over \$1 million), and certain exemptions associated with the housing and resources sectors, which will necessarily have a material impact on the Scheme's long term sustainability.

During the 2020-21 reporting period, the Scheme's investment strategy comprised a combination of:

- direct cash investments; and
- a multi-asset class, multi-manager fund provided by our implemented consultant JANA Moderate Trust.

This strategy also encompasses a rolling five-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.

In order to sustain the financial viability of the Scheme, in the context of the ongoing volatility of the global financial markets and the low levy collection structure, the Board closely monitors and refines the Scheme's financial assets to ensure any adverse exposure of its investments are minimised.

At the conclusion of the 2020-21 reporting period, the Scheme's assets continue to cover liabilities.

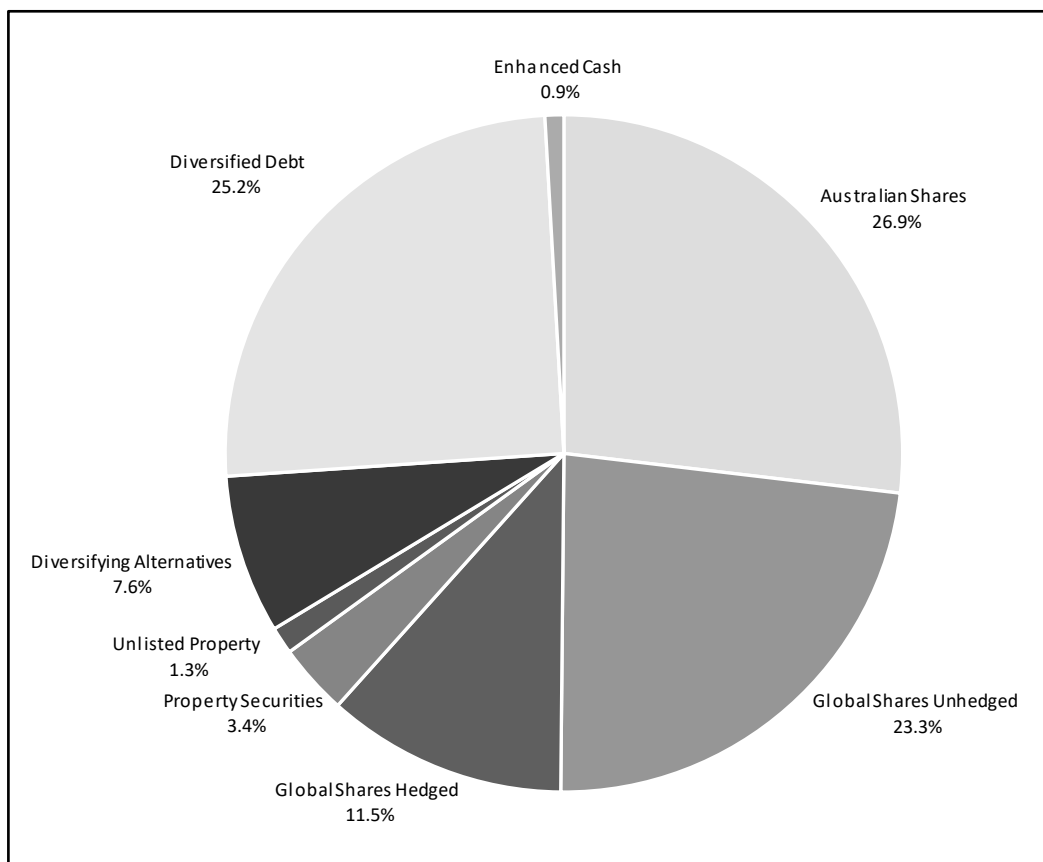
While the following table 1.10 reflects a summary of the actual amount of money either redeemed from or transferred to the fund managers for investment, information regarding the performance of the Scheme's investments is provided in the Financial Statements included in Part 3 of this Report.

Table 1.10: Summary - actual funds transferred / (redeemed) for investment

Fund Managers	Total funds invested as at 30 June 2020	Net Funds invested/(redeemed) during 2020-21	Total funds invested as at 30 June 2021
MLC/JANA	\$58.6M	\$12M	\$70.6M

Chart 1.5 below illustrates the actual asset allocations of the Scheme's JANA managed portfolio as at 30 June 2021.

Chart 1.5: Actual asset allocations of JANA managed portfolio - 30 June 2021



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:

- 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; and
- extent to which either service credits are abandoned without benefit payments accruing, or vested benefits at exit from the Scheme never being claimed.

Having regard to the above factors, and necessarily making assumptions in respect of the same, 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.

Initially a simple aggregate model was used when assessing the Scheme's liability but since the 2014-15 assessment, and with the benefit of greater underpinning data due to scheme maturity, a more sophisticated individual projection model has been adopted.

The 2016-17 reporting period also saw a changed approach to setting the discount rate (from risk-free to asset-based) which had an impact on the liability valuation, as reflected in Chart 1.6 below.

The key assumptions made by the actuary in performing the liability valuation for the 2020-21 reporting period are covered in detail in the Notes to the financial statements included in Part 3 of this Report.

Taking those assumptions into account, the greatest unknowns in the liability valuation are those regarding member movements (exit rates and reactivation rates).

Other elements such as unreported service and the rate of claiming benefits in service are not as important. Further Scheme experience over time will refine the assumptions made and gradually reduce uncertainty in the valuation.

For accounting purposes, as at 30 June 2021, the actuary recommended the adoption of a liability of \$54.716 million for accrued long service leave benefits.

This valuation represents a small increase of \$288,000 from the previous year's estimate.

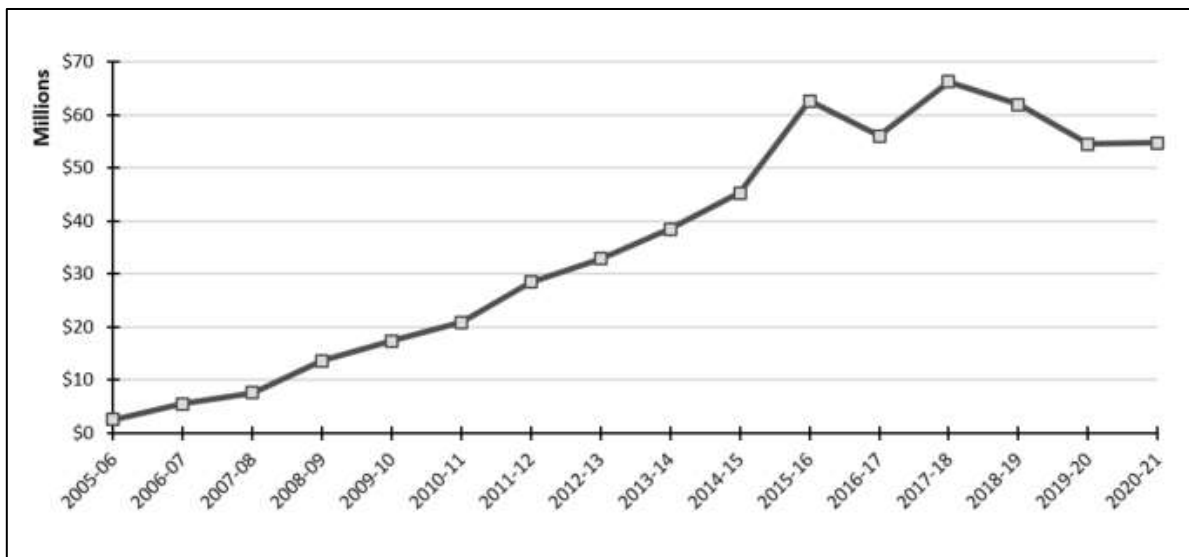
Accordingly, the provision of \$54.716 million has been disclosed on the Statement of Financial Position of the Board as at 30 June 2021, included in this Report.

The following table and chart illustrate the annual valuation of the Scheme's long service leave liability recorded to date.

Table 1.11: Summary - accrued long service leave liability

2020-21	\$54.7M
2019-20	\$54.4M
2018-19	\$62.0M
2017-18	\$66.2M
2016-17	\$56.0M
2015-16	\$62.6M
2014-15	\$45.3M
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



Section 91 actuarial review

Under the CILSLB Act, at least once every three years, the Scheme's actuary must undertake a review of the:

- administration of the Scheme (including any financial aspect of the administration);
- methods used in working out long service benefits; and
- the levy rate.

The report on the findings of each review are presented to the Minister responsible for the Scheme and are tabled in the Legislative Assembly.

The next triennial review of the Scheme is scheduled to be conducted for the period ending December 2022 at the latest.

Previous reviews

The most recent triennial review was undertaken during 2019-20, for the period ending 31 December 2019 and resulted in the Minister retaining the levy rate of 0.1% of leviable activity. Key findings of that review included:

- Scheme had a small surplus that had decreased sharply in preceding weeks due to investment market falls;
- surplus was expected to be supplemented by upcoming major gas plant project levy income;
- notwithstanding this levy, Scheme surplus is expected to decline over coming years, eroding the Scheme solvency margin;
- Scheme is projected to fall into deficit towards the end of this decade;
- economic impacts of coronavirus may be wide ranging and very severe, and scenarios considered in the Report did not attempt to capture all potential impacts;
- current levy rate of 0.1% may not be sustainable in the longer term; and
- current levy rate of 0.1% of leviable activity is below break-even levy rate estimated to be between 0.29-0.35%.

A high level overview of the outcome of previous triennial reviews is documented below:

- first review relating to the period ending 30 June 2008 resulted in:
 - approval of 20% temporary reduction in the levy rate, from 0.5% to 0.4% for two years, commencing from 1 July 2009 until 30 June 2011; and
 - introduction of a \$1 billion threshold for the purpose of calculating the levy on large scale construction projects, effective from 1 July 2009;
- second review relating to the period ending 30 June 2011 resulted in approval of ongoing 25% reduction in the levy rate, from 0.4% to 0.3%, effective from 1 April 2012;
- third review relating to the period ending 30 June 2014 resulted in retention of the existing levy rate of 0.1% (noting that the levy had been reduced from 0.3% to 0.1% in April 2014, outside of the triennial review process); and
- fourth review relating to the period ending 31 December 2016 resulted in retention of the existing levy rate of 0.1%.

It has been noted by the actuary over successive triennial reviews that the 0.1% levy is below the break-even levy rate, so is not sustainable over the longer term. Given the Scheme's current surplus the Board remains comfortable with the rate remaining unchanged, but notes that this position may need to be revisited over the longer term as surplus is eroded.

