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# NT Build - portable long service leave

## Annual Report 2022-23

### **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 2022-23 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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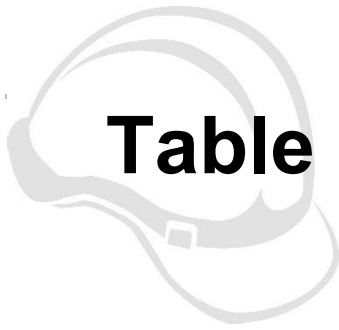
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# Letter to Minister

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 2022-23

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 2023.

The report details the activities and achievements of NT Build's construction industry portable long service leave scheme (the Scheme), during its eighteenth 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 2023 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

27 October 2023







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# Chairperson's Report

Despite continued broader global economic challenges over the 2022-23 financial year, NT Build has been able to report a surplus of \$3.2M mainly due to a positive return from our financial investments. This has allowed NT Build to have a net equity position of \$42.6M.

NT Build still has a solid financial base with almost \$100 million in financial assets which more than covers its long term liability to pay our members their long service leave entitlements. As reported in previous years, the investment strategy used to invest NT Build's funds continues to be the major focus of the NT Build Board and it meets regularly with its fund managers.

The NT Build Board continued to assess the long-term sustainability of the low current prescribed levy rate of 0.1% of a project's value. The Board examines its solvency rate throughout the year, and this remains sound. The Board's actuary provided the Minister with his triennial report into the Scheme this year and addressed the question of sustainability of the current levy rate. The actuary found that there was no need to move the rate in the short term, but the Board is constantly monitoring its solvency.

Towards the end of the year, our Registrar, Theo Tsikouris tendered his resignation and his last day at work being 29 September 2023. The Board acknowledged the commitment and dedication made by Theo who was the inaugural Registrar when appointed 18 years ago. Theo's contribution to the development and growth of the Scheme and his service to our staff and members is acknowledged and he is wished a long and successful retirement.

The new Registrar is Jim Laouris who started in the role on 21 September 2023.

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. The input and commitment of each board member has contributed to the effective outcomes that are achieved.

The Registrar has prepared a very good report again and I recommend his report to you as it mentions other outcomes achieved this year. The Registrar continued to work closely with the Board and provided an effective level of support to the Board.

Finally, I again pay tribute to the significant contribution and commitment of all NT Build staff during the past 12 months. The high level of service received by the Board and me as Chair and the continued success of the Scheme is very much due to their dedication, performance, and willingness to get the job done.



MICHAEL MARTIN OAM





# Registrar's Report

While the 2022-23 reporting period was characterised by continued market volatility and softening economic conditions across Australia and globally, activity in the Northern Territory construction industry remained relatively stable, driven primarily by government and defence spending on large infrastructure projects.

A total of 958 benefit claims amounting to \$6.18 million were processed during the year. This represented an increase of 36 claims (and approximately \$723,000) in comparison to the 2021-22 reporting period.

The Scheme continued to record new worker registrations and there was an overall increase of approximately 1.4% active workers for the 12 months to 30 June 2023.

The Scheme recorded a total levy income of \$2.3 million in 2022-23. This represented a 53% decrease on the \$4.8 million received in 2021-22. This was due to a levy payable on a large mining related project that was reported in 2021-22.

While levy income decreased and there were no material departures from previous years in terms of benefit claims or Scheme related operational expenses, the Scheme recorded a gain of approximately \$3.5 million in the 2022-23 financial year, due to a:

- increase on the Scheme's managed funds; and
- decrease of \$0.40 million in the Scheme's liability for accrued benefits (bringing the total liability to \$59.732 million).

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

The year's achievements would not have been possible without the commitment of our dedicated staff. I wish to thank them all for their hard work over the past 12 months, and to acknowledge and thank the members of the Board for their continued commitment, support and guidance.



THEO TSIKOURIS



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# Part 1: Introduction and Overview

## 2022-23 At a Glance

- 10,087 workers and 756 employers were registered and actively participating in the Scheme.
- 958 benefit payments were made to workers who have been involved in the Territory construction industry, at a cost to the Scheme of approximately \$6.18 million (up from the 922 payments at a cost of approximately \$5.46 million in 2021-22).
- Low 0.1% levy rate retained, while at the same time ensuring the Scheme's ongoing sustainability, through sound financial management.
- Approximately \$2.3 million received in contributions from levy payers (down 53% from the \$4.9 million received in 2021-22).
- An overall increase in net assets for the year of \$3.5 million recorded, primarily due to investment market returns, bringing total assets to approximately \$103 million.
- Estimated total accumulated liabilities of \$60.5 million recorded (down \$0.40 million from the \$60.9 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.
- Development of design concept and associated materials for major social media and radio marketing campaign, launched in July 2022 and attracted an increased number of registrations.
- Worker records pro-actively monitored, reviewed and updated, to ensure data up to date and all applicable service recorded, to facilitate claim eligibility.
- 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 reviewed 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.

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## 2023-24 Priorities

- Closely monitor the Scheme's financial position and report on its ongoing financial status in the current low levy (0.1%) and high large project value threshold (\$5 billion) environment.
- Continue to closely monitor and review the investment strategy and its performance, and identify appropriate opportunities to support the ongoing financial viability of the Scheme.
- Launch the second round of the "Make Every Day Count" social media marketing campaign to raise Scheme awareness and increase member registrations, and analyse campaign outcomes.
- Comprehensive review of NT Build website and uploaded content for currency and viewer usability, including introduction of online registration function.
- 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 \$47.7 million to over 10,200 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 2023, 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.



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## 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.

Key features include:

- Statute based Scheme, established under the *CILSLB Act 2005*.
- Governed by a local Board comprising independent, worker and industry representatives, appointed to oversee the management of the Scheme, through a local office.
- Portable long service leave coverage consistent with interstate arrangements. The Northern Territory Government is party to a reciprocal arrangements agreement between all states and territories which means workers can combine construction industry service from different states and territories when making a claim.
- Funded through a Ministerially determined levy on eligible Northern Territory construction projects of at least \$1 million in value, excluding single detached dwellings and related private garages, carports and sheds.
- Maintenance of a register recording the number of service days worked by each registered worker within the Northern Territory construction industry, based on bi-annual reporting of service days by employers of registered workers.

### **Workers**

The Scheme enables workers to qualify for long service leave based on their service with the construction industry rather than service with the one employer. The portability 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 of qualifying service. 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 with a minimum of five days leave requested. Workers need to accrue a further 32.5 days' long service leave credit before they can apply for further leave.

The Act contains special pro-rata provisions for workers who decease, retire or cease to perform construction work.

Long service leave accrued under the Scheme is funded through a levy imposed on eligible Northern Territory construction projects and is paid directly by NT Build to workers upon application by the worker or an authorised representative.

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

- Be employed to carry out construction work in the Northern Territory;
- Work on a construction site for greater than 50% of their time;
- Work in the private sector (i.e. not for the government); and
- Not be working in an administrative, clerical, managerial or professional.

Workers employed full-time, part-time, as a casual, or as a labour-only contractor are eligible to register.

For the purposes of the Scheme, construction work includes commercial, domestic, industrial and civil construction, and covers (among other things) reclamation, earthmoving, landscaping, repair, maintenance, extension and demolition work.

## **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.

Long service leave accrued under the Scheme is funded through a levy imposed on eligible Northern Territory construction projects and investment earnings, and is paid directly by NT Build to workers.

Employers are required to register with NT Build within one month of employing a registered construction worker. 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.

Once a worker is registered, employers are required to:

- Keep adequate records to account for any eligible workers employed;
- Complete an employer return twice a year advising NT Build of the number of days worked by each of their registered employees and any other information required by NT Build.

## **Long service levy**

The levy is calculated as a percentage of the total cost of the construction work and is payable on all eligible construction projects.

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

The levy does not apply to work for which the total contract prices for the construction work is less than \$1 million.

The current levy rate on projects with a construction cost between \$1 million and \$5 billion is fixed at 0.1% and is payable prior to the start of construction work.

A two tier levy mechanism applies for construction projects over \$5 billion. The prescribed rate of 0.1% applies to the first \$5 billion, and is payable prior to the start of construction work. A project specific levy determined by the relevant Minister, after consideration of a report prepared by the Scheme actuary, applies to the project cost component that exceeds \$5 billion. The project specific levy component is payable following completion of the project.

The prescribed levy rate may be subject to change from time to time, via Government regulatory amendment.

The levy rate has been reduced progressively over time from 0.5% at the Scheme's commencement, to the current rate of 0.1%, through a series of statutory amendments, with the result that for projects that started:

- on or after 7 April 2014, regardless of completion date, the levy rate of 0.1% applies;
- from 1 April 2012 to 6 April 2014, regardless of completion date, the levy rate of 0.3% applies;
- from 1 July 2009 to 31 March 2012, regardless of completion date, the levy rate of 0.4% applies; and
- before 1 July 2009, regardless of completion date, the levy rate of 0.5% applies.

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

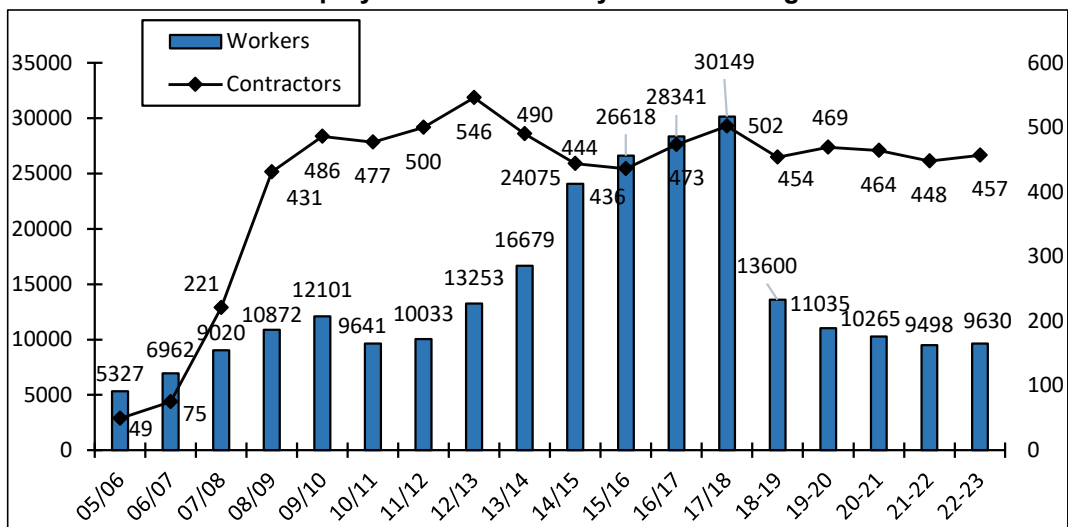
## Workers

### 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 chart below, the total number of active worker registrations recorded by the Scheme continued the downward trend since the highs experienced during the major gas plant construction period of 2015 to 2018. However, it has slightly increased with 10,087 active workers recorded at 30 June 2023 (up 141 workers from the previous reporting period). This figure comprised of 9,630 employees and 457 contractors.

**Chart 1.1: Active employee and labour-only contractor registrations**



In addition to these active workers, there were 6,725 workers who remain registered with the Scheme but who have not accrued any service days in the Territory over the reporting period.

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 deceases.

As at 30 June 2023, the Scheme recorded a total of 48,627 deregistered workers (an increase of 6,116 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. Factors contributing to this include the particular worker demographic, the highly transient nature of the construction industry workforce and the voluntary nature of the NT Build Scheme.

Promotional and educational activities continue to be undertaken to help raise knowledge and understanding of the Scheme, to aid maximum participation. Of particular note, the concept design and associated materials for a major social media and radio marketing campaign were developed during the reporting period, with the campaign launching in July 2022. The objectives of the campaign were to promote worker and employer awareness and understanding of the scheme as well as foster increased registrations. The campaign was a success and attracted an increase number of worker registrations.

### Benefit payments

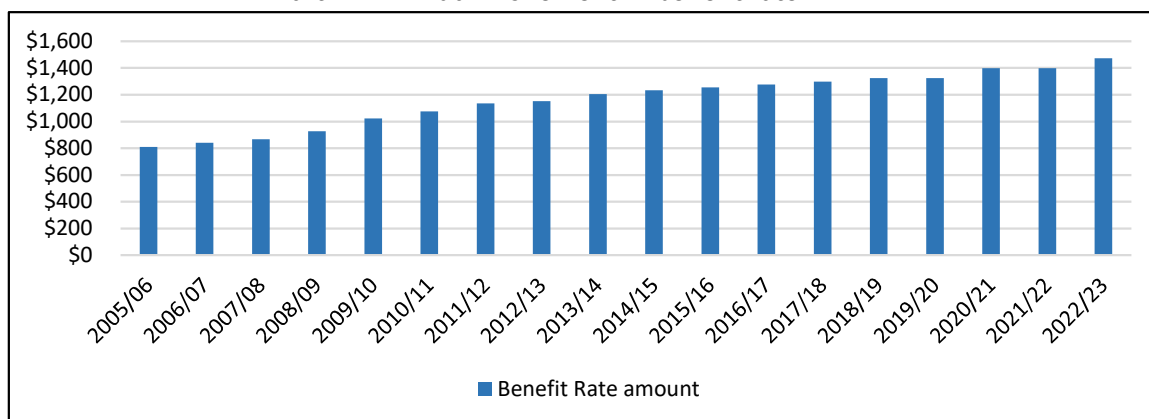
When a worker has accrued the requisite number of long service leave credits required under the CILSLB Act to be eligible for LSL, the worker becomes eligible to claim a benefit payment. The benefit payment will reflect the number of long service leave days claimed, multiplied by the defined weekly benefit 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 2022-23 period, using the standard methodology, resulted in an increase of \$75 per week in the payment rate, going from \$1399 in 2021-22 to \$1474 in 2022-23.

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**



As reflected in table 1.1 and chart 1.3 below, in the 2022-23 reporting period, 958 benefit payments were made to workers who have been involved in the NT construction industry, at a cost to the Scheme of approximately \$6.18 million (up from the 922 payments at a cost of approximately \$5.46 million in 2021-22).

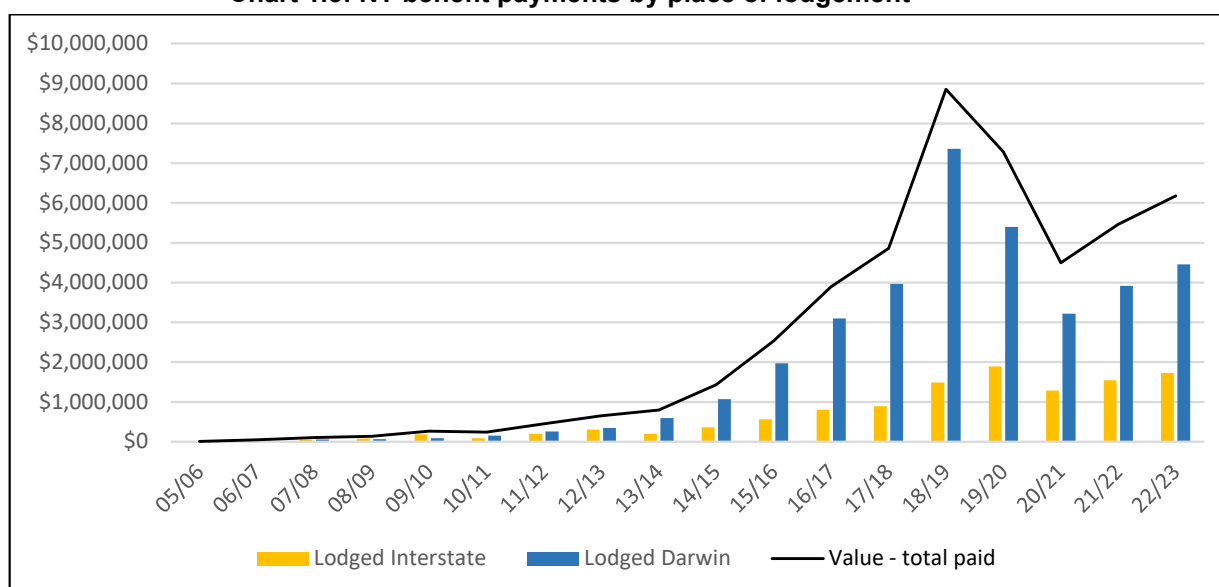
A total of 10223 claims have been paid since the Scheme commenced.

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 the construction phase associated with the major gas project.

**Table 1.1: Benefit claims processed**

	2022-23	2021-22	2020-21	2019-20	2018-19
Lodged Interstate	496	481	422	676	546
Lodged NT	462	441	397	783	1235
<b>Total claims</b>	<b>958</b>	<b>922</b>	<b>819</b>	<b>1459</b>	<b>1781</b>

**Chart 1.3: NT benefit payments by place of lodgement**



## Registration profile

**Table 1.2: Age profile**

	June 20	June 21	June 22	June 23
Average age	39	40	39	40
Oldest #	84	85	86	87
Youngest *	16	16	16	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 1.3: Days of service**

	June 20	June 21	June 22	June 23
Total estimated service days	19.26M	22.03M	23.37M	24.85M

**Scheme demographic**

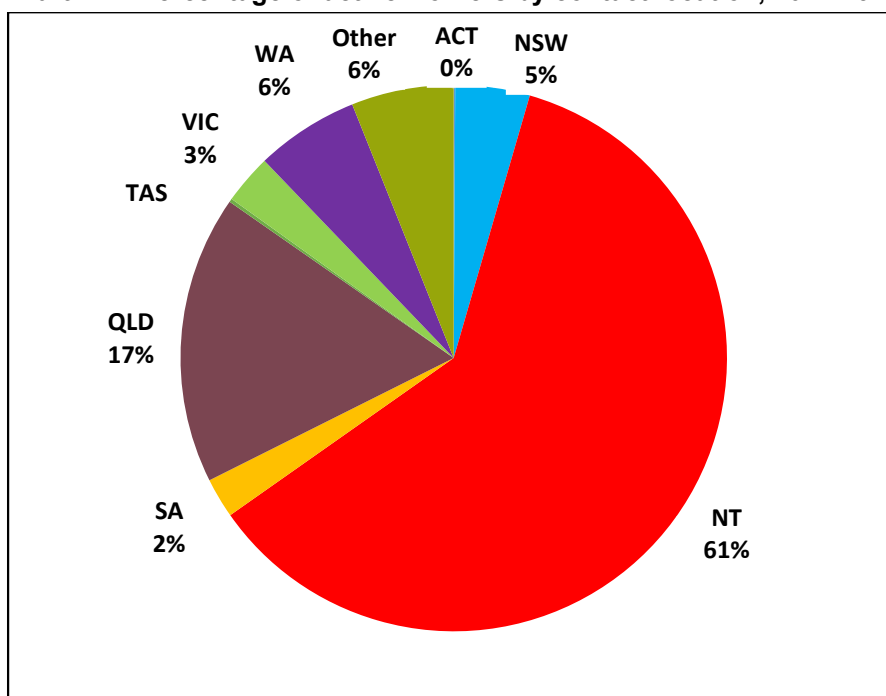
The table and chart below show that approximately 61% of the Scheme’s active registered workers, record a Territory contact address. The table also illustrates the transient nature and mobility of the workforce in the construction industry across state and territory borders, with a sharp decline in NT based workers following the completion of the construction phase of the major gas plant project.

**Table 1.4: No. of active workers by contact location**

	2018-19	2019-20	2020-21	2021-22	2022-23
ACT	10	8	5	3	9
NSW	1 098	683	584	368	443
NT	6 197	5 699	5 907	6 235	6 131
QLD	2 731	2 108	1 796	1 553	1 721
SA	337	240	270	204	238
TAS	34	23	18	16	21
VIC	594	407	348	256	296
WA	1 763	1 261	1 019	537	616
Other*	1 290	1 075	782	774	612
<b>Total</b>	<b>14 054</b>	<b>11 504</b>	<b>10 729</b>	<b>9 946</b>	<b>10 087</b>

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

**Chart 1.4: Percentage of active workers by contact location, 2022-23**



## 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 1.5: Active employer registrations**

	June 2019	June 2020	June 2021	June 2022	June 2023
Employers	588	631	651	687	756

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 2022-23 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.

The Scheme's total levy income during the 2022-23 reporting period was \$2.3 million, representing a 53% decrease on the \$4.9 million received in the previous reporting period.

Table 1.6 below provides a summary comparison of total levy contributions received from project developers over the past 5 years. The levy contributions received in 2019-20 were uncharacteristically high due to the levy payable on the major gas plant project. The higher than usual levy contribution received for the 2021-22 reporting period was due to a levy payable on a large mining related project.

**Table 1.6: Summary - levy payer contributions**

	June 2019	June 2020	June 2021	June 2022	June 2023
Total levy income* (approx.)	\$1.4M	\$21.6M	\$2.8M	\$4.9M	\$2.3M

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

Excluding periodic anomalies associated with significant levy payments relating to major projects from time to time, 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 the activities undertaken by 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 1.7 below, only one notice was issued during the 2022-23 reporting period.

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

**Table 1.7: Summary - section 81(1)(b) action**

<b>YEAR</b>	<b>B/FWD</b>	<b>New Notices</b>	<b>Finalised</b>	<b>C/FWD</b>
<b>2022-23</b>	1	1	1	1
<b>2021-22</b>	-	1	-	1
<b>2020-21</b>	-	1	1	-
<b>2019-20</b>	-	-	-	-

### ***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, by legal proceedings in the small claims jurisdiction through the Northern Territory Civil and Administrative Tribunal.

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.

There has been no debt recovery actions required in this reporting period nor for the last three financial years.



## 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 2022-23 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 2022-23 reporting period, the Scheme's assets continue to cover liabilities.

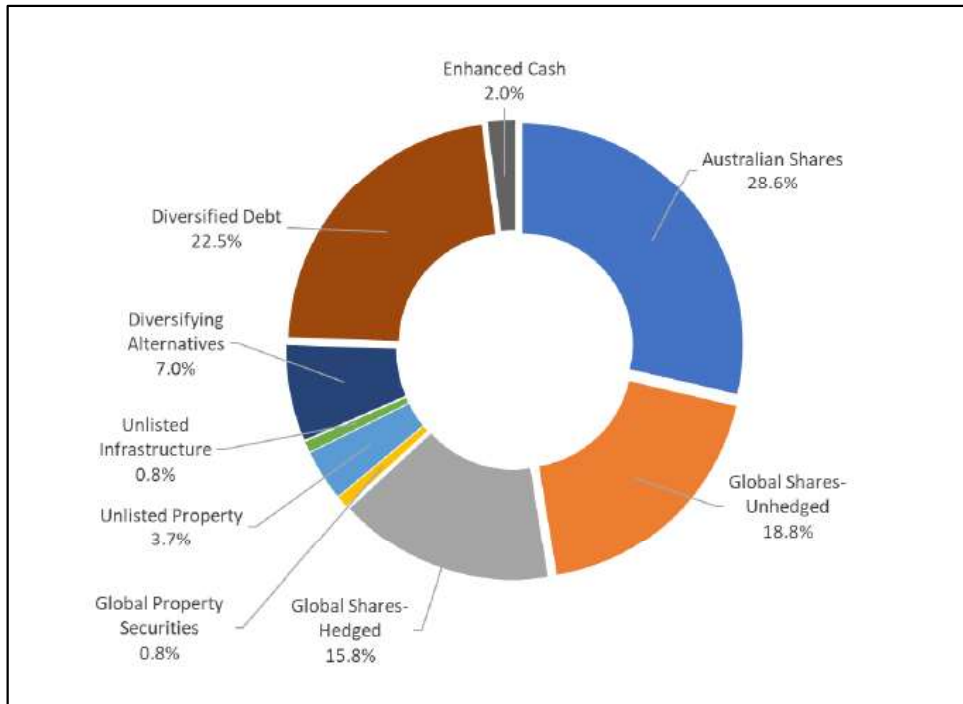
While the following table 1.9 reflects a summary of the actual amount of money either redeemed from or transferred to the fund managers for investment, information regarding the performance of the Scheme's investments is provided in the Financial Statements included in Part 3 of this Report.

**Table 1.9: Summary - actual funds transferred / (redeemed) for investment**

Fund Managers	Total funds invested as at 30 June 2023	Net Funds invested/(redeemed) during 2022-23	Total funds invested as at 30 June 2023
MLC/JANA	\$74.6M	Nil	\$74.6M

Chart 1.5 below illustrates the actual asset allocations of the Scheme's JANA managed portfolio as at 30 June 2023.

**Chart 1.5: Actual asset allocations of JANA managed portfolio - 30 June 2023**



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## 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 2022-23 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) and the ability of the scheme to remain in contact with inactive member so as to pay available deregistration benefits.

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 2023, the actuary recommended the adoption of a liability of \$59.732 million for accrued long service leave benefits.

This valuation represents a decrease of \$0.40 million from the previous year's estimate.

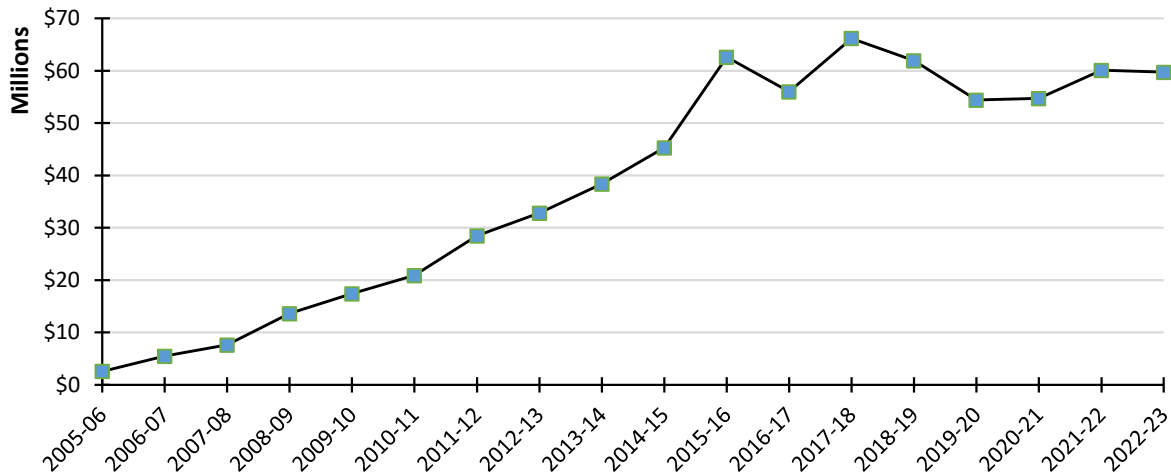
Accordingly, the provision of \$59.732 million has been disclosed on the Statement of Financial Position of the Board as at 30 June 2023, included in this Report.

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

**Table 1.10: Summary - accrued long service leave liability**

2022-23	\$59.7M
2021-22	\$60.1M
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
- 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.

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## Current Review

The sixth triennial review was undertaken during this 2022-23 reporting period, for the period ending 31 December 2022 and resulted in the Minister retaining the current levy rate of 0.1% of leviable activity.

Other key findings of the review include:

- Scheme currently has a moderate surplus;
- Scheme surplus is expected to decline over coming years, eroding the Scheme solvency margin;
- Scheme is projected, in the absence of a change such as a levy rate increase, to fall towards deficit with the next ten years;
- The decline in surplus may be more or less rapid than projected with the main contributors to uncertainty being investment return and inflation assumptions;
- 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 0.19-0.26%.

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);
- fourth review relating to the period ending 31 December 2016 resulted in retention of the existing levy rate of 0.1%; and
- fifth review relating to the period ending 31 March 2020 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.