NT Build - portable long service leave

Annual Report 2023-24

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 2023-24 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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Letter to Minister

The Hon Robyn Cahill MLA
Minister for Trade, Business and Asian Relations
Legislative Assembly of the Northern Territory
Darwin NT 0800

Dear Minister

RE: NT BUILD ANNUAL REPORT 2023-24

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 2024.

The report details the activities and achievements of NT Build's construction industry portable long service leave scheme (the Scheme), during the last 12 months 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 2024 and his comments are contained in this report.

May I also draw your attention to section 68(5) of the CILSLB Act, which requires that a copy of this Report be tabled in the Legislative Assembly within six sitting days of receipt.

Yours sincerely

MICHAEL MARTIN OAM
Chairperson, NT Build Board

25 October 2024

Chairperson's Report

I am pleased to report that despite continued broader global and national economic challenges during the 2023-24 financial year, NT Build has been able to report a surplus of more than $4M mainly due to a positive return from our financial investments. This has allowed NT Build to have a net equity position of $46.7m

NT Build continues to possess a solid financial base with assets of over $107M. These assets allow NT Build to cover our long-term liability to pay our members their long service leave entitlements when requested. 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 continues to monitor its solvency rate throughout the year and meets regularly with its actuary. The solvency rate is sound but needs to be monitored as well as the sustainability of the current levy rate.

Last year I reported that our inaugural Registrar, Theo Tsikouris retired, and his effective leadership and administrative skills were acknowledged. The new Registrar Jim Laouris has now been in the role for 12 months and I commend his transition into this critical position.

In January this year, the National meeting of all Portable Long Service Schemes from all States and Territories was reinstated after Covid. This is a useful gathering of Chairs and CEOs to discuss mutual issues and address strategic challenges ahead.

During the year one of our long-term Board Member's, Dave Malone, resigned due to other work commitments. I would like to acknowledge Dave's wonderful contribution to the NT Build Board for over 10 years and the insights he brought to the Board.

We also welcomed two new Directors in Kelly Ralston and Andrea Moriarty, who are already making a very useful contribution due to their experience, skills, and knowledge of the industry.

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 have been achieved.

The Registrar has prepared a particularly good report 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

NT Build had another busy year in 2023-24, with a number of achievements in the context of significant changes in personnel (including NT Build Board membership) and disruptions due to major works and repairs to the NT Build premises. NT Build has continued to effectively and efficiently deliver its core business of registering workers, contractors and employers, in the Construction Industry Portable Long Service Leave Scheme, paying out long service entitlements and collecting levies on eligible construction projects. In addition to its core business, NT Build has undertaken significant work on a range of other initiatives which have included:

- Procurement of a new ICT system;
- Revision of internal procedures and policies (including governance);
- Development of a risk assessment plan;
- Data cleansing project;
- Development of engagement strategy;
- Participation in First Nations and Women's Board Intern program - increasing diversity on boards/committees in the NT;
- Delivery and evaluation of a media campaign; and
- Significant works/repairs and improvements to the NT Build premises.

This work, along with some new initiatives, will continue in 2024-25 and future years. The main aims are to transition NT Build into a fully electronic mode of operation, to review its processes and procedures and improve stakeholder experience when interacting with NT Build where possible.

It was also encouraging and positive that the AusLeave forum (consisting of all Australian State and Territory portable long service leave scheme authorities) was able to reconvene and meet following a two-year period in hiatus due to the Covid pandemic. Networking and sharing of information (particularly given national portable long service leave recognition arrangements) is beneficial to all participants.

Leviable activity in the Northern Territory construction industry remained relatively stable, driven primarily by government and defence spending on large infrastructure projects. The Scheme recorded a total levy income of $3.4 million in 2023-24. This represented a 47% increase on the $2.3 million received in 2022-23.

While levy income increased 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 $4.1 million in the 2023-24 financial year. This was in part due to a positive movement in market value of investments.

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

A total of 982 benefit claims amounting to $7.09 million were processed during the year. This represented an increase of 24 claims (and approximately $914,000) in comparison to the 2022-23 reporting period.

It is also important to acknowledge and thank the previous Registrar of NT Build, Theo Tsikouris, who helped establish NT Build in 2005 and acted as its inaugural Registrar from then until his recent retirement. Mr Tsikouris has been gracious, generous, and informative in the transition process.

Finally, this year's achievements would not have been possible without the commitment of NT Build's 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.

Jim Laouris
Registrar

Part 1: Introduction and Overview

2023-24 At a Glance

- 9898 workers and 783 employers were registered and actively participating in the Scheme.
- 982 benefit payments were made to workers who have been involved in the Territory construction industry, at a cost to the Scheme of approximately $7.09 million (up from the 958 payments at a cost of approximately $6.18 million in 2022-23).
- Low 0.1% levy rate retained, while at the same time ensuring the Scheme's ongoing sustainability, through sound financial management.
- Approximately $3.4 million received in contributions from levy payers (up 47% from the $2.3 million received in 2022-23).
- An overall increase in net assets for the year of $4.1 million recorded, primarily due to investment market returns, bringing total assets to approximately $107 million.
- Estimated total accumulated liabilities of $60.9 million recorded (up $0.46 million from the $60.4 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.
- Development of Field Officer's engagement strategy.
- Major social media and radio marketing campaign – 'Make it Count', launched in January 2024 for a period of 6 weeks and attracted an increased number of registrations and awareness of NT Build.
- Revised a number of internal procedures and policies (including governance).
- Developed a risk assessment plan.
- Commenced a data cleansing project.
- Arranged an expert assessment of information system requirements and commenced process of procuring a new information system.
- Participated in First Nations and Women's Board Intern program - increasing diversity on boards/committees in the NT.
- Significant works/repairs and improvements to the NT Build premises.
- Worker records pro-actively monitored, reviewed and updated, to ensure data is 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 constantly 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.

2024-25 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.
- Progress the procurement and implementation of a new information system.
- Continue reviewing process and procedures and data cleansing project.
- Review NT Build Board key documents/policies and implement review dates.
- 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 $54.8 million to over 11,200 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 2024, 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.

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

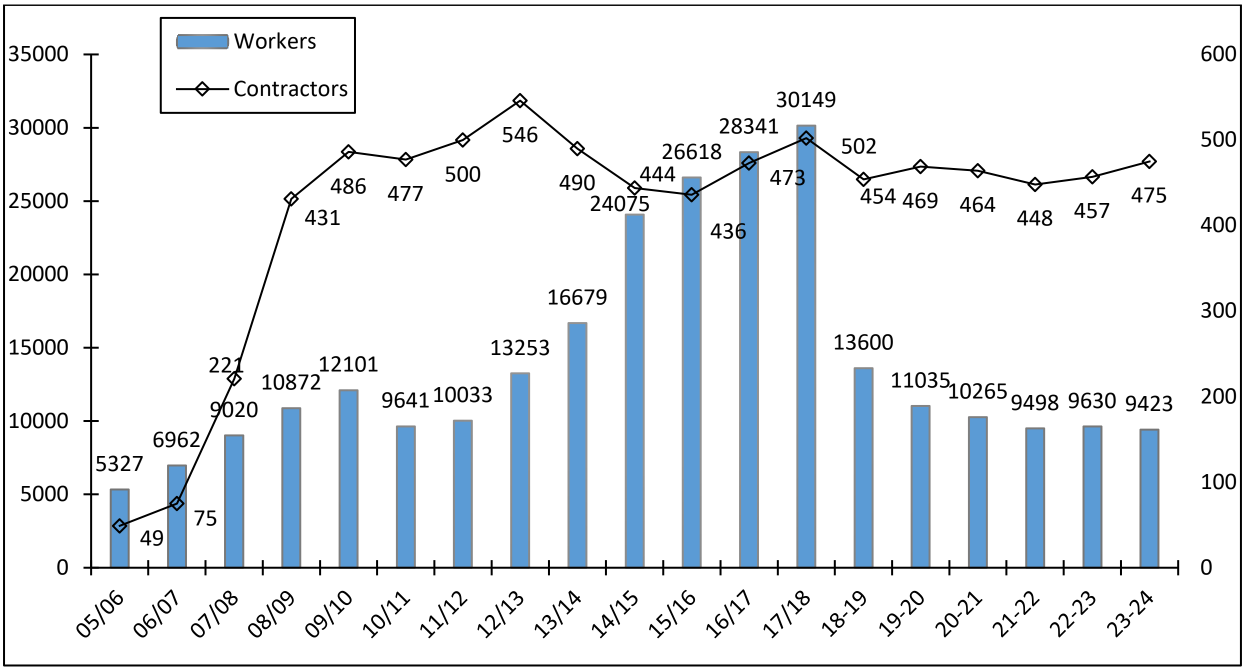
Workers

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 9898 active workers recorded at 30 June 2024. This figure comprised of 9,423 employees and 475 contractors.

Chart 1.1: Active employee and labour-only contractor registrations



In addition to these active workers, there were 8,281 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 2024, the Scheme recorded a total of 51,216 deregistered workers (an increase of 2,981 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 can 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 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, in 2022 the concept design and associated materials for a major social media and radio marketing campaign were developed, with the campaign launching in July 2022. This campaign was also undertaken in January 2024 for a period of 6 weeks. The objectives of the campaign were to promote worker and employer awareness and understanding of the scheme as well as foster increased registrations. The campaigns have been successful thus far and attracted an increased number of worker and employer registrations. These campaigns are proposed to run each year and target those working within construction industry.

<u>Benefit payments</u>

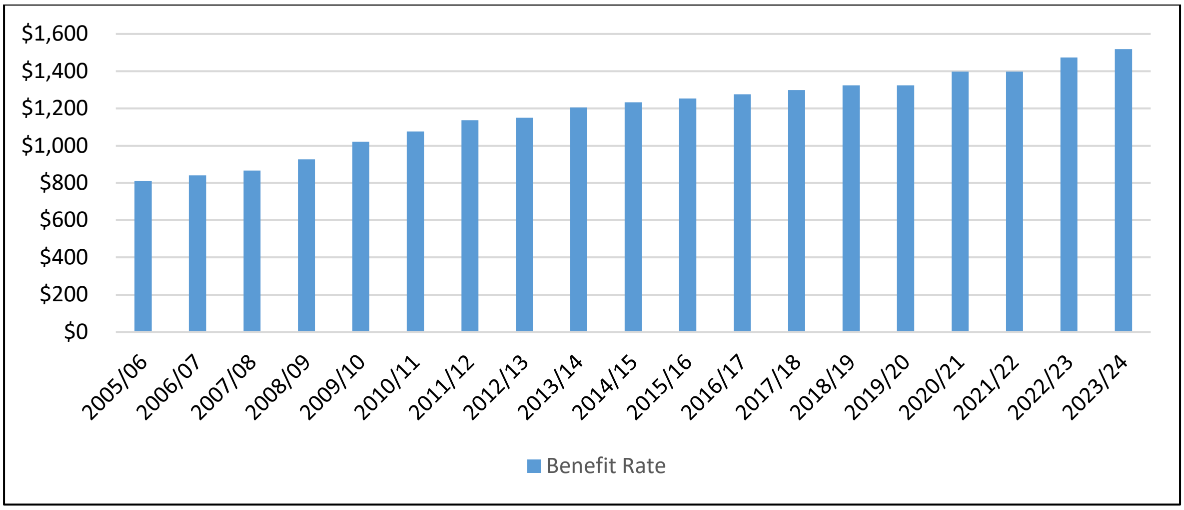
When a worker has accrued the requisite number of long service leave credits required under the CILSLB Act to be eligible for LSL, the worker becomes eligible to claim a benefit payment. The benefit payment will reflect the number of long service leave days claimed, multiplied by the defined weekly benefit 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 2023-24 period, using the standard methodology, resulted in an increase of $44 per week in the payment rate, going from $1,474 in 2022-23 to $1,518 in 2023-24.

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



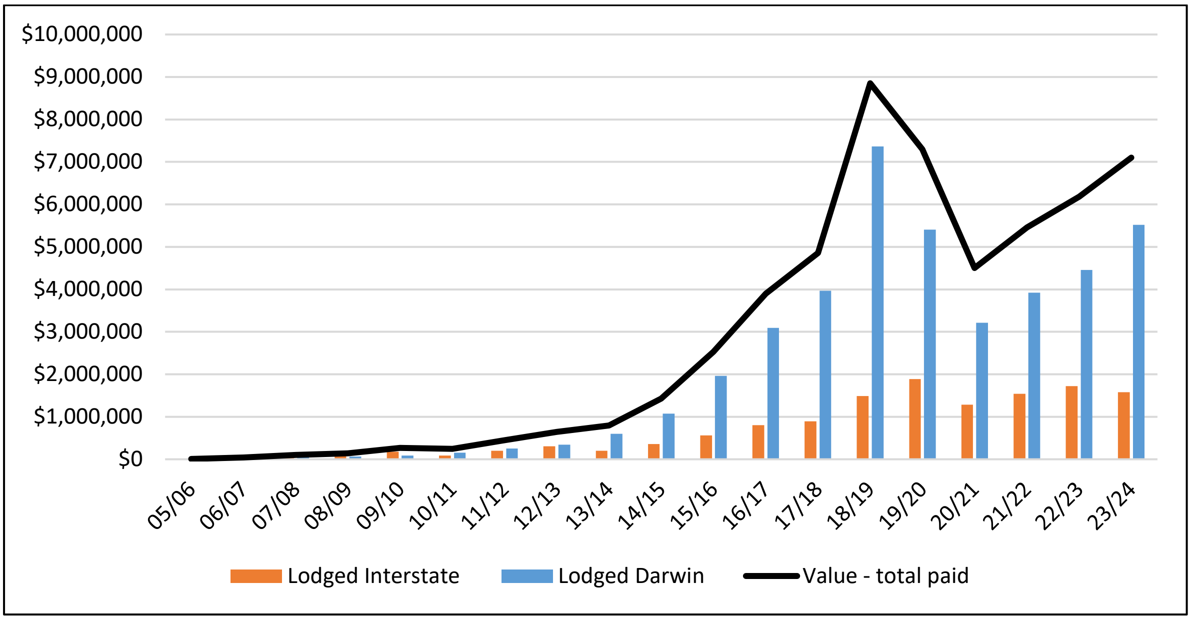
As reflected in table 1.1 and chart 1.3 below, in the 2023-24 reporting period, 982 benefit payments were made to workers who have been involved in the NT construction industry, at a cost to the Scheme of approximately $7.09 million (up from the 958 payments at a cost of approximately $6.18 million in 2022-23).

A total of 11,205 claims have been paid since the Scheme commenced.

Table 1.1: Benefit claims processed

	2023-24	2022-23	2021-22	2020-21	2019-20
Lodged Interstate	468	496	481	422	676
Lodged NT	514	462	441	397	783
Total claims	**982**	**958**	**922**	**819**	**1459**

Chart 1.3: NT benefit payments by place of lodgement



Registration profile

Table 1.2: Age profile

	June 21	June 22	June 23	June 24
Average age	40	39	40	39
Oldest #	85	86	87	88
Youngest *	16	16	15	15

*Registrations are accepted from apprentices working in the construction sector, including school based apprentices
#Includes workers who have been inactive for less than 4 years and therefore not yet deregistered

Table 1.3: Days of service

	June 21	June 22	June 23	June 24
Total estimated service days	22.03M	23.37M	24.85M	26.39M

Scheme demographic

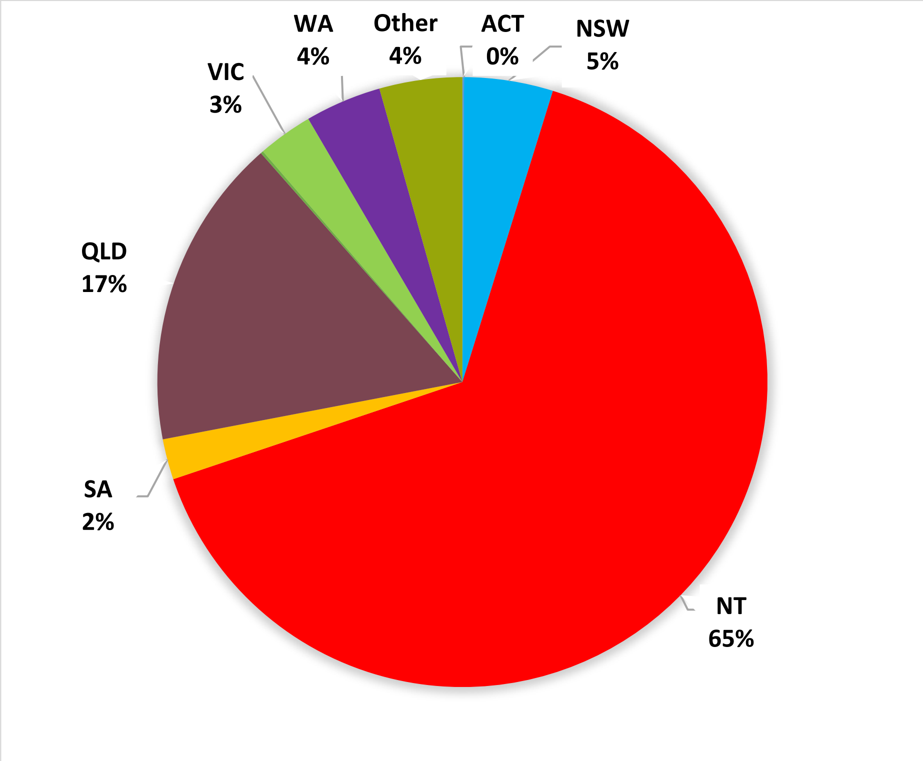
The table and chart below show that approximately 65% of the Scheme's active registered workers, record a Territory contact address in 2023-24. The table also illustrates the transient nature and mobility of the workforce in the construction industry across state and territory borders, with a sharp decline 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

	2020-21	2021-22	2022-23	2023-24
ACT	5	3	9	9
NSW	584	368	443	470
NT	5 907	6 235	6 131	6437
QLD	1 796	1 553	1 721	1631
SA	270	204	238	212
TAS	18	16	21	14
VIC	348	256	296	292
WA	1 019	537	616	401
Other*	782	774	612	432
Total	**10 729**	**9 946**	**10 087**	**9898**

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

Chart 1.4: Percentage of active workers by contact location, 2023-24



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 2020	June 2021	June 2022	June 2023	June 2024
Employers	631	651	687	756	783

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.

One notice was issued under this provision during 2023-24 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 2023-24 reporting period was $3.4 million, representing a 47% increase on the $2.3 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 2020	June 2021	June 2022	June 2023	June 2024
Total levy income* (approx.)	$21.6M	$2.8M	$4.9M	$2.3M	$3.4M

*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 2023-24 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

YEAR	B/FWD	New Notices	Finalised	C/FWD
2023-24	1	1	2	0
2022-23	1	1	1	1
2021-22	-	1	-	1
2020-21	-	1	1	-

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 have been no debt recovery actions required in this reporting period nor for the last four 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 2023-24 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 2023-24 reporting period, the Scheme’s assets continue to cover liabilities.

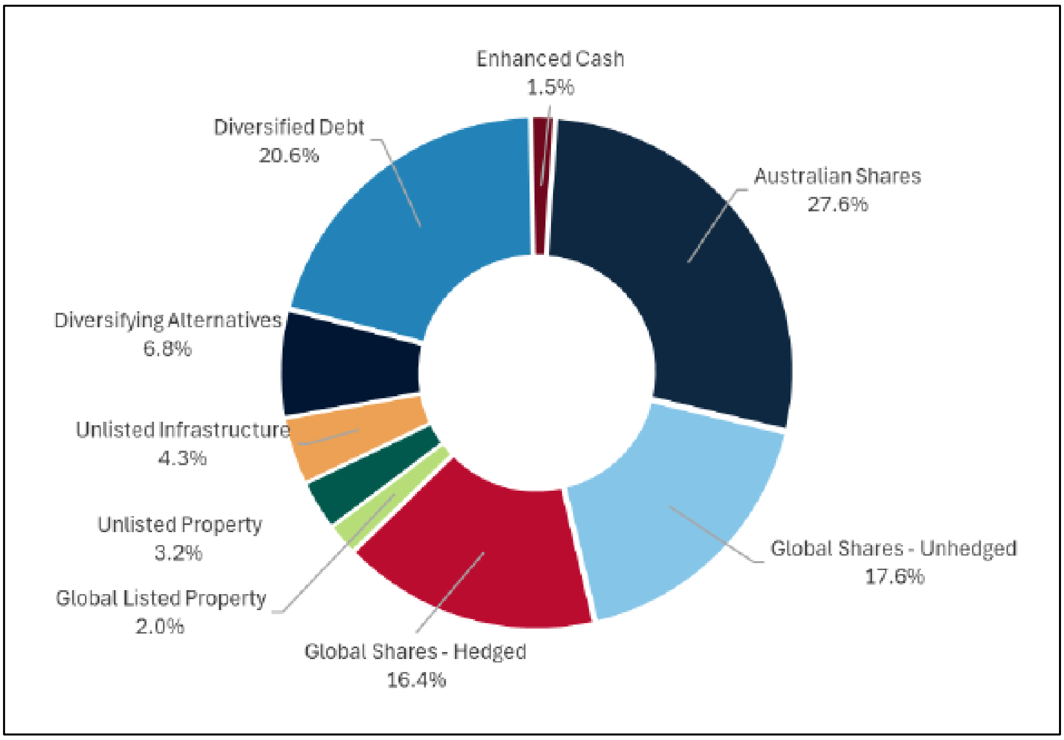
While the following table 1.9 reflects a summary of the actual amount of money either redeemed from or transferred to the fund managers for investment, information regarding the performance of the Scheme’s investments is provided in the Financial Statements included in Part 3 of this Report.

Table 1.8: Summary - actual funds transferred / (redeemed) for investment

Fund Managers	Total funds invested as at 30 June 2024	Net Funds invested/(redeemed) during 2023-24	Total funds invested as at 30 June 2024
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 2024.

Chart 1.5: Actual asset allocations of JANA managed portfolio - 30 June 2024



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 2023-24 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 members 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 2024, the actuary recommended the adoption of a liability of $60.216 million for accrued long service leave benefits.

This valuation represents an increase of $0.50 million from the previous year's estimate.

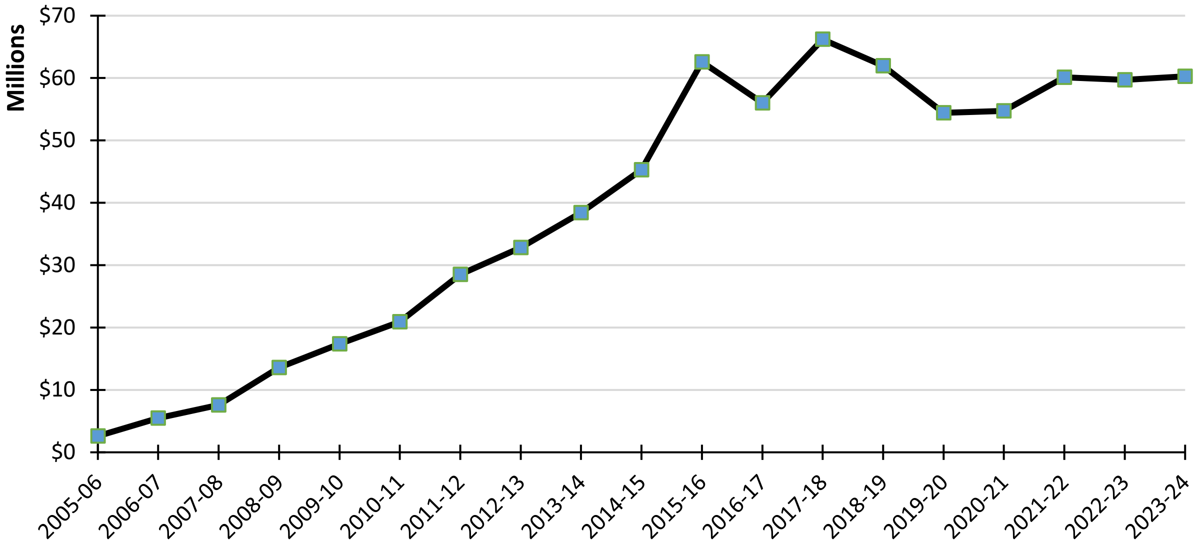
Accordingly, the provision of $60.216 million has been disclosed on the Statement of Financial Position of the Board as at 30 June 2024, included in this Report.

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

Table 1.9: Summary - accrued long service leave liability

2023-24	$60.2M
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 is 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 2025.

Previous Review

The most recent triennial review was undertaken during the 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.