



LONG SERVICE PAYMENTS CORPORATION ANNUAL REPORT 09/10



LETTER TO THE MINISTER

25 October 2010

The Hon. Paul Lynch, MP
Minister for Industrial Relations

Parliament House
Macquarie Street
SYDNEY 2000

Dear Minister

In accordance with the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for your information and presentation to Parliament, the Annual Report of the Building and Construction Industry Long Service Payments Corporation for the financial year ended 30 June 2010.

Yours sincerely

(signed)

Lisa Hunt
Chief Executive Officer

CONTENTS

Year in review	2
About us	4
CEO report	5
Director's report	6
Charter	7
Corporate plan 2009-2013	10
Financial performance summary	21
Financial statements	23
Appendices	44

YEAR IN REVIEW

The Corporation is now in its 35th year of operation and continues to deliver excellent service to the building and construction industry. This year the Corporation reduced its deficit by almost 30 per cent, thanks to strong returns in the investment market and increased activity in the building and construction industry. The ease and simplicity of our online services is evident, with 80 per cent of employers lodging returns online and 94 per cent of employed workers having their service lodged online. The Corporation continued to work with representatives of both workers and employers in the industry to provide a better long service scheme, which is easy to use and simple to understand.

10,456

LONG SERVICE
PAYMENTS MADE



\$57.8m

VALUE OF
LONG SERVICE
PAYMENTS MADE

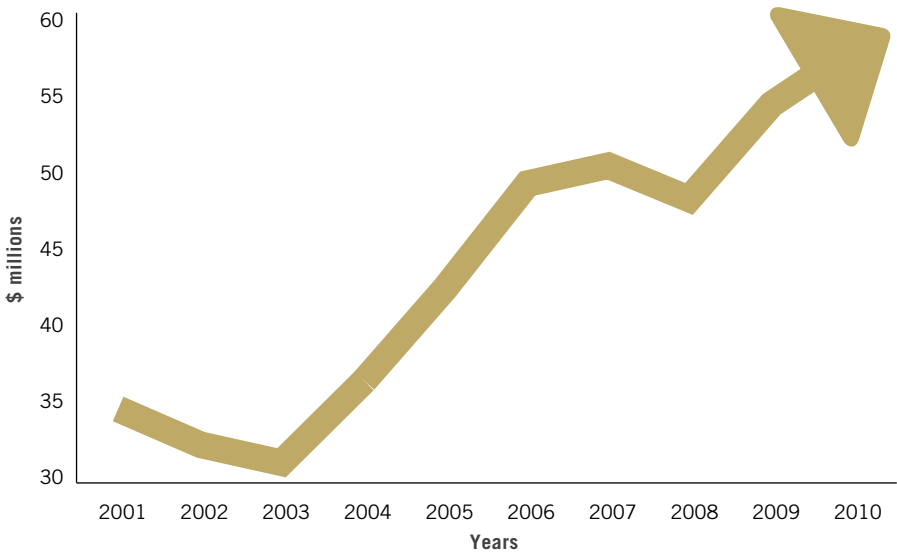


95,349

CUSTOMER ENQUIRIES
ATTENDED TO



VALUE OF LONG SERVICE PAYMENTS MADE





OUR VISION

An easy to use and effective Long Service Payments Scheme.

OUR MISSION

To work in partnership with the building and construction industry to deliver an easy to use portable long service payments scheme that is financially sound.

ABOUT US

WHO WE ARE

The Building and Construction Industry Long Service Payments Corporation was established in 1982. It administers the *Building and Construction Industry Long Service Payments Act 1986*, which provides a portable long service payments scheme to building and construction workers in NSW.

The scheme operates at no direct cost to worker and employer members. It is funded by a levy on the cost of building work.

The Building and Construction Industry Long Service Payments Corporation is part of the Compensation Authorities Staff Division (CASD). The Division was formed as part of the NSW Government's creation of Principal Agencies in July 2009.

The CASD group includes:

- Workers Compensation (Dust Diseases) Board
- Lifetime Care and Support Authority
- Motor Accidents Authority
- WorkCover Authority.

OUR FUNCTIONS

- Ensuring building industry workers are registered in the scheme and recording service.
- Ensuring building industry employers are aware of their obligations and complying with the scheme.
- Collecting the long service levy and managing the fund.
- Paying claims to workers and employers.
- Marketing the scheme to the building and construction industry NSW.

OUR SERVICES

Services provided by the Corporation include:

- Helpline operating from 8.30 am – 5.00 pm Monday to Friday;
- interpreter services offering support to our many workers and employers from non-English speaking backgrounds;
- face to face customer service from our two office locations at Gosford and Lidcombe;
- field advisory services – inspectors are available to do site and office visits to employers to explain long service obligations, benefits and coverage queries;
- TAFE presentations to building industry apprentices;
- presentations at industry events including trade evenings or association meetings;
- union delegate training;
- advisory service to other industry stakeholders such as accountancy firms;
- provision of an electronic return for councils;
- field visits to private certifiers and 152 local councils to provide support and assist on levy matters;
- presentations at industry events organised by local councils or certifiers.

CORPORATE DIRECTION AND REPORTING

The Corporation's 2009/2010 Annual Report is structured to provide information using the key objectives and organisational outcomes identified in the 2009-2013 Corporate Plan.

The four key objectives are:

- engage stakeholders to inform and educate
- relevant and easy to use worker register and levy systems
- a financially sound scheme
- building Corporation capability.

The financial statements contain the audited financial statements for the year ended 30 June 2010.

The appendices to this report provide additional information required under the *Annual Reports (Statutory Bodies) Act 1984* and its regulations, the *Freedom of Information Act 1989*, Treasury Circulars and Premiers Memoranda.

CEO REPORT



LISA HUNT, CEO

I commenced in the role of Chief Executive of the Compensation Authorities Staff Division and CEO of the Long Service Payments Corporation in January 2010. I thank the Director, Scott Warr and Long Service Payments Corporation staff for quickly bringing me up to date on the business and the continued good service they provide to building and construction workers in NSW. The Corporation is now

in its 35th year of operation and has paid benefits to over 165,000 workers, totalling over \$650 million.

This year saw the establishment of the Compensation Authorities Staff Division (CASD), which was formed as part of the NSW Government's creation of 13 Principal Agencies in July 2009. The CASD group sits within the Treasury portfolio. The Building and Construction Industry Long Service Payments Corporation is part of the CASD group. The Long Service Payments Corporation reports to the Minister for Industrial Relations, while all other CASD agencies report to the Minister for Finance.

The volatility in global markets was notable in that in the first six months there was optimism in the market for a good recovery. However, in the second six months the markets became cautious again following the impacts of sovereign debt in Europe and the uncertain recovery of the US economy. The New South Wales building and construction industry benefited from the Federal Government's Education Revolution stimulus package. This included positive results in terms of building and construction activity and the flow on effect to the Corporation in terms of increased levy revenue. This, coupled with some positive results in the investment markets, enabled the Corporation to reduce the Scheme deficit by approximately 30 per cent by the end of the financial year. Challenges lie ahead for the industry in the coming year, particularly once the stimulus projects are completed. The investment markets appear to be continuing in a positive direction and the Corporation, with the assistance of NSW Treasury Corporation, will position the Fund to best take advantage of the market and continue to reduce the Scheme deficit.

During the year, the Corporation successfully completed a five-year legislative change process, which became law on 1 July 2010. The Amendment Act provides a regulatory prescription of Commonwealth industrial instruments and addresses a number of operational and administrative changes aimed at supporting and improving administration of the *Building and Construction Industry Long Service Payments Act 1986* and the online service delivery to workers and employers in the building and construction industry.

Another key piece of legislation that impacted on the Corporation during the year was the *Fair Work Act 2009*. This Act presented a number of issues centered on award rates of pay and the long service leave National Employment Standard. During the course of the year, the Corporation sought clarification from a number of agencies on the impact of the National Employment Standard and policy advice from the Building and Construction Industry Long Service Payments Committee (the Industry Committee) on what award rates of pay to use when making a payment to a worker.

The Industry Committee continued to provide advice to the Corporation on a number of policy areas and reviewed appeals that resulted from the cancellation of inactive worker registrations from the Worker Register in April 2009. The cancellation was the first to be undertaken by the Corporation for approximately 14 years and was needed to ensure the Register accurately reflected liabilities and resulted in over 1800 appeals. The Industry Committee heard all those appeals during July and August 2009, resulting in 146,557 inactive workers being removed from the Worker Register. The first of the annual cycle of inactive worker cancellations was undertaken in March 2010.

The Corporation's future direction is to continue to implement its strategy for an online service delivery model, which will enable it to achieve its vision of an easy to use and effective Long Service Payments Scheme. The Corporation will continue to refine its current suite of online facilities and introduce further facilities over the coming years – the most notable being the planned introduction of a tax agent online facility this coming year.

I would like to thank the Building and Construction Industry Long Service Payments Committee for their contribution to the business strategy and direction. I also thank our staff for their commitment and drive to provide a service to our customers and all our stakeholders.

(signed)

Lisa Hunt
CEO

DIRECTOR'S REPORT



SCOTT WARR, DIRECTOR

The Corporation continued to deliver its core services of claim payments totalling \$57.8 million to 10,456 workers, levy collection payments of \$81.2 million and worker and employer registrations of 30,965 new workers and 2523 new employers. The Corporation achieved all its key corporate priorities this year and continues to deliver excellent services to our customers.

The work of the Corporation's staff and the support of our Industry Committee saw sought after amendments to the *Building and Construction Industry Long Service Payments Act 1986* become law as of 1 July 2010. These amendments addressed key business changes needed to improve the scheme overall and take into account an online service approach.

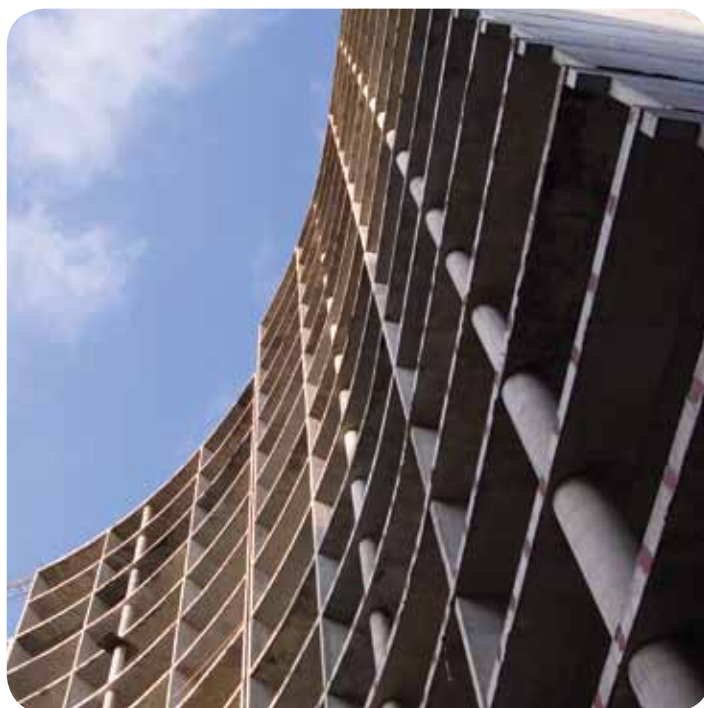
This year, the Corporation conducted the first of its annual cancellations of inactive workers. A total of 20,502 inactive workers were issued with cancellation notices. A total of 535 appeals were received. Of these, 168 were withdrawn due to service being credited, leaving 367 for submission to the Industry Committee to hear. The Committee recommended the vast majority be upheld.

The Corporation's financial performance and position have been impacted by the volatility and uncertainty in financial markets, along with a slow down in the building and construction industry as a result of the global financial crisis. The scheme's investments with NSW Treasury Corporation Long Term Growth Facility (TCorp) made a better than expected return of over 11 per cent.

Significant progress was made on the tax agent online facility project. This facility will allow tax agents to register with the Corporation and lodge self-employed worker returns online. A pilot launch is scheduled for January 2011.

The Corporation continued this year to invest in training and development with a number of staff undertaking key training opportunities with a specific focus on increasing job skills or knowledge.

The challenge for 2010/2011 will be to move to the next level of service delivery and customer satisfaction by ensuring we are delivering our business as efficiently as we can. There will still be a need to undertake key projects within the theme of consolidation. A key part of the 2010/2011 financial year will be a review of the Corporation's information reporting, key results areas and key performance indicators to better inform decision making and to better reflect the Corporation's continued move towards integrated electronic online service delivery.



Making the scheme even easier for people to use and understand is fundamental to our success and helps the Corporation play its part in delivering increased customer satisfaction with government services and cutting red tape which are two of the NSW State Plan priority areas. Fully engaging with the building and construction industry is also key to the Corporation in achieving its vision.

Overall, the Corporation continues to administer the *Building and Construction Industry Long Service Payments Act 1986* to an excellent standard. The new financial year brings with it many opportunities for the Corporation to build on the good work and excellent achievements of 2009/2010. I look forward to working in partnership with the building and construction industry to further improve the efficiency and ease with which we deliver our services to workers and employers.

A handwritten signature in black ink, reading 'S. Warr'.

Scott Warr
Director LSPC

CHARTER

The Corporation was established in 1982 and administers the *Building and Construction Industry Long Service Payments Act 1986*, which provides a portable long service payments scheme to building and construction workers in NSW.

PRINCIPAL OFFICERS

LISA HUNT BA LLB

Chief Executive, Compensation Authorities Staff Division

Chief Executive Officer, Building and Construction Industry Long Service Payments Corporation

Chairperson, Building and Construction Industry Long Service Payments Committee

SCOTT WARR BA, MMgt

Director, Building and Construction Industry Long Service Payments Corporation

BRENT WEILEY

Assistant Director, Operations

ROBERT ARMSTRONG BSc

Assistant Director, Support

ACCESS

HEAD OFFICE

Level 1, 19-21 Watt Street
Gosford NSW 2250

BRANCH OFFICE

Level 1, 10-12 Railway Street
Lidcombe NSW 2141

MAIL

Locked Bag 3000
Central Coast MC NSW 2252

TELEPHONE

13 14 41

FAX

(02) 9287 5685

INTERNET ADDRESS

www.lspc.nsw.gov.au

EMAIL

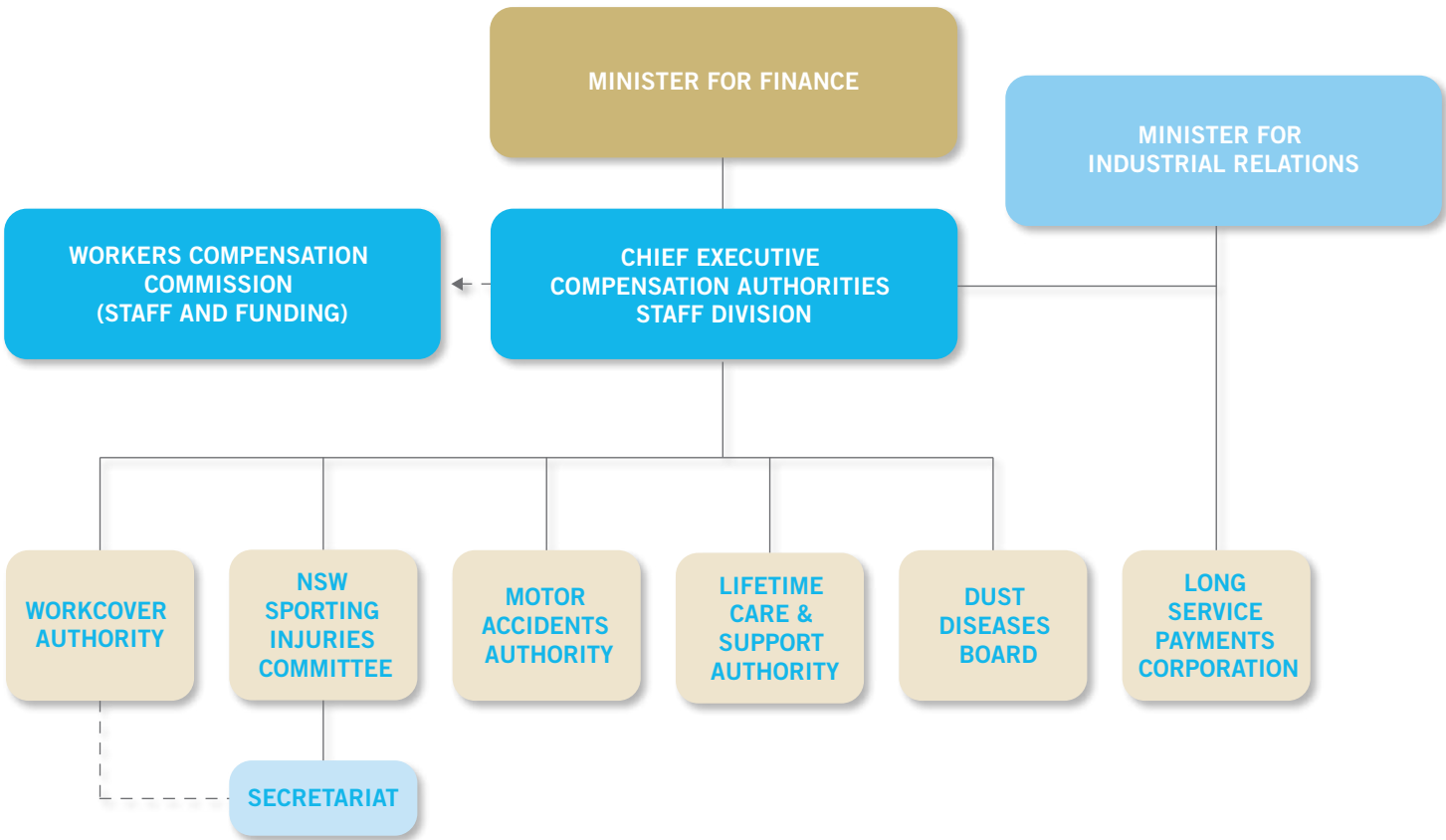
info@lspc.nsw.gov.au

HOURS

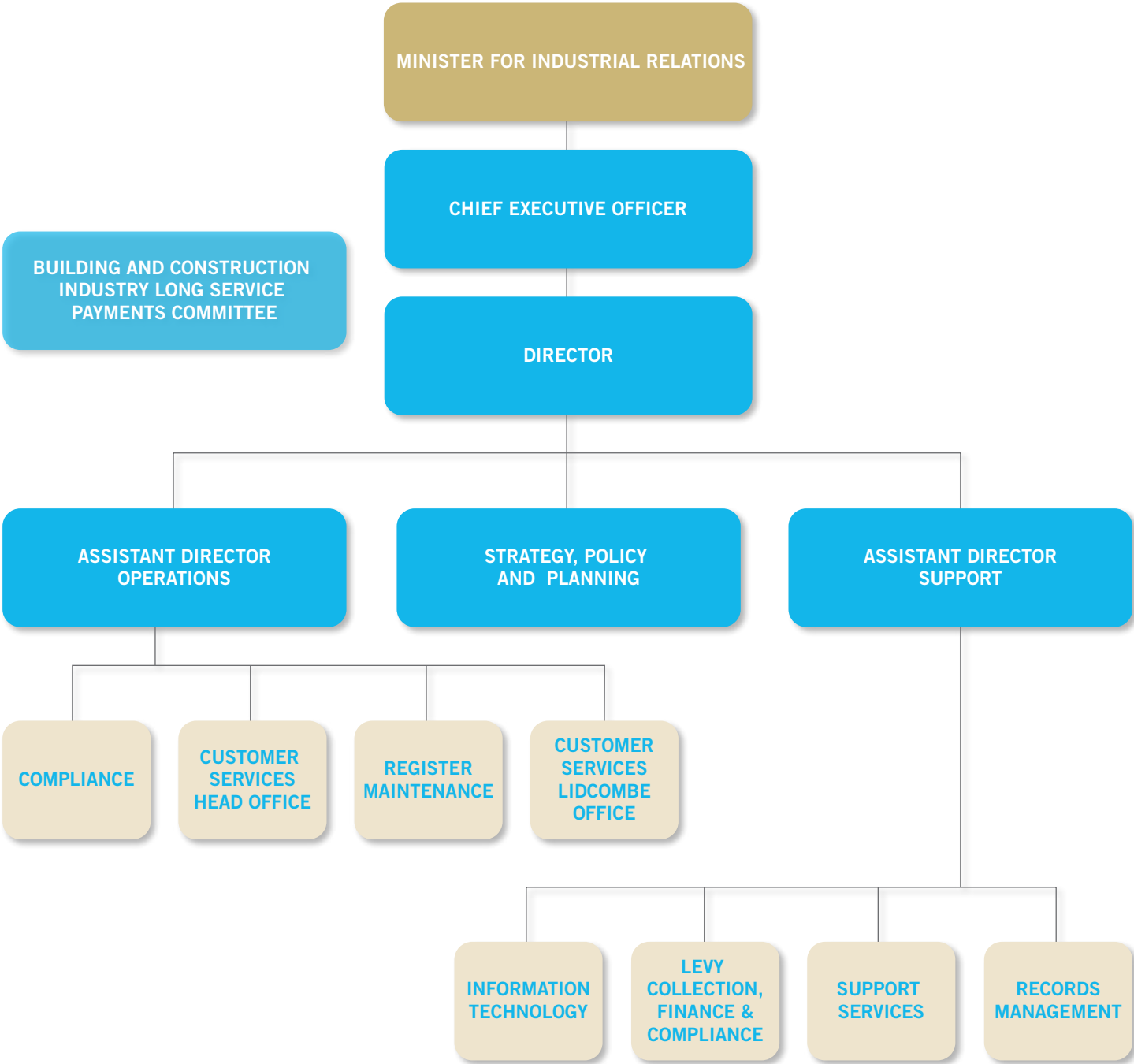
8.30 am to 5.00 pm
Monday to Friday

ORGANISATIONAL CHARTS

COMPENSATION AUTHORITIES STAFF DIVISION



ORGANISATIONAL STRUCTURE ON 30 JUNE 2010



CORPORATE PLAN 2009-2013



ENGAGE STAKEHOLDERS TO INFORM AND EDUCATE

BUILDING STRONG ONGOING RELATIONSHIPS WITH INDUSTRY

The Corporation's relationship with the industry is continually nurtured and strengthened.

The Corporation seeks to positively engage the industry to provide a better understanding of both the Corporation and the building and construction industry. The Corporation has adopted a tiered approach to communicating with key stakeholders to ensure it maintains touch with the industry it serves. The Director and Marketing Communications Manager met with industry executives throughout the year. Inspectors liaised with employers and workers and participated in industry events. In addition, the Director issued quarterly letters to industry keeping them informed of significant developments within the Corporation.

ACTIVELY SEEKING STAKEHOLDER VIEWS

The Corporation actively seeks stakeholder views to gauge customer satisfaction with service standards and to identify areas requiring attention. The Building and Construction Industry Long Service Payments Committee is represented by members from trade unions, employer associations and includes members nominated by the Minister with industry experience. The Committee provides an advisory role to the Corporation and presents stakeholder views for consideration by the Corporation. The Committee met four times this financial year.

Three surveys were conducted throughout this financial year relating to audited employers, workers lodging claims and the level of employer satisfaction with online services. The survey results indicate a high level of customer satisfaction and service standards across the range of services the Corporation provides.

As part of the Corporation's commitment to improving online services to customers, the Corporation engaged with industry and actively sought their feedback relating to the implementation of online services for tax agents. Following this consultation the Corporation established the online tax agent project.

"Have had no problems at all after being a member for 25 years. It's a great thing to have and we must never lose it".

Paul, plumber



Surveying of the Corporation's stakeholders plays an important role in the Corporation's overall marketing and communication strategy. Findings from stakeholder surveys are used to develop and deliver materials to increase employer and worker understanding and awareness of their obligations and entitlements. The Corporation will continue to conduct similar surveys in the future to ensure these high standards are being maintained.

"I found the Corporation very helpful and easy to deal with. They made me feel at ease and reassured".

Jack, plasterer

DEVELOP EFFECTIVE PARTNERSHIPS

This financial year the Corporation continued to develop effective partnerships with key industry associations by participating in 19 industry events with the Master Builders Association, Master Plumbers Association and the Housing Industry Association. Participation in these trades shows provided valuable information relating to the Scheme and legislative requirements and proved mutually beneficial.

The Corporation continued to adopt a whole of government approach and strengthened its partnerships with other Government Departments such as NSW Industrial Relations and the Office of Fair Trading.



EDUCATE AND INFORM STAKEHOLDERS

Educating and informing Corporation stakeholders is paramount to the ongoing success of the scheme. By imparting Corporation knowledge, stakeholders not only develop awareness but also develop a sense of belonging and security in what the scheme stands for.

This financial year the Corporation renewed its relationship with colleges across NSW, providing education and assistance to apprentices. The Corporation continued to reward TAFE students with the Excellence in Training Awards, which are awarded to one student from each building trade in each college throughout NSW. This represents 120 annual awards. The Corporation redesigned the Apprenticeship information brochure to enable the Corporation to establish a greater relationship with this age group.

Training was delivered at union delegate courses where Inspectors presented an overview of the Scheme and the importance of recording accurate service. This information enables union delegates to inform their union members about how the Scheme works and their obligations.

The Corporation continued to participate in information evenings run by key industry associations for their members. Advertisements advising of legislative obligations and the promotion of key events in the business cycle appeared in major metropolitan newspapers, a range of community language newspapers and a selection of major industry trade journals.

The Corporation will continue its involvement in these events and advertising in relevant publications in the future to ensure industry participants are well informed of their obligations and the benefits available.

100% of employers believe they now have a better understanding of the scheme and their obligations as a result of an audit.

RELEVANT AND EASY TO USE WORKER REGISTER AND LEVY SYSTEMS

IMPROVE ONLINE SERVICES

The Corporation is continually striving to provide more streamlined and user-friendly services to our stakeholders.

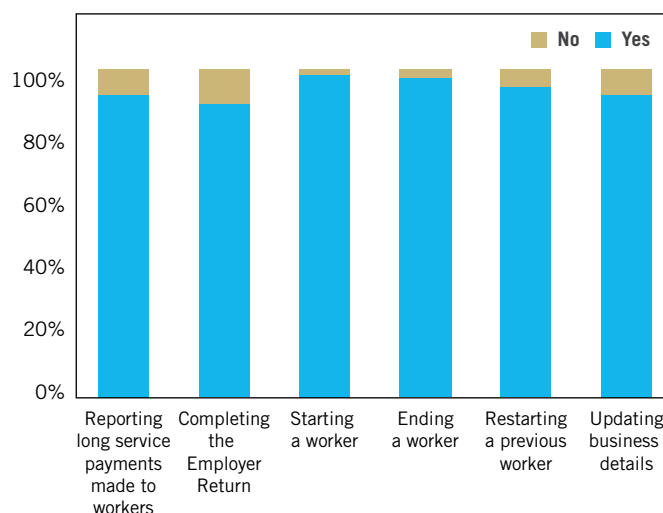
A key initiative this year was the commencement of the online tax agent project. When the project is complete, tax agents will be able to register with the Corporation and lodge self-employed worker returns. The project ran to schedule with the completion of user specifications and the development of the Internet portal.

The next financial year will see the project completed and the online system fully implemented. The online tax agent facility will be integrated with the Worker Register System with a planned implementation date of January 2011. This will address Government requirements to provide Internet facilities to customers and improve services to them as part of the NSW State Plan priority to provide better services.

A post implementation review of employer online services facilities was conducted this financial year. The first stage of the review was conducted by the Systems Users Group (SUG). The Corporation issued surveys to online users to assist with continuous improvement.

An evaluation of the Levy System was also conducted resulting in several enhancements being made to the system during the financial year. These enhancements have made the system and their surrounding processes more effective.

ARE THE FOLLOWING FUNCTIONS ON THE ONLINE SERVICES EASY TO USE?



IMPROVE HELPLINE SERVICES

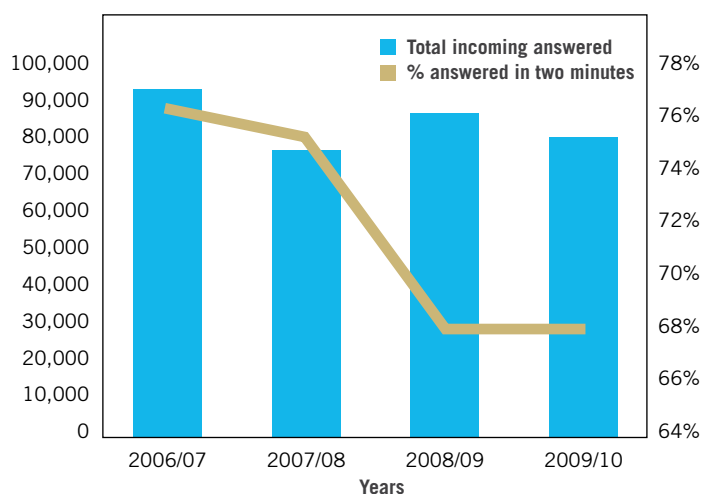
The main avenue for client contact to the Corporation is the 13 14 41 Helpline. This financial year the Helpline responded to approximately 84,000 incoming calls of which 68 per cent were answered within two minutes. The Helpline is operational from 8.30 am to 5.00 pm five days a week. The Corporation continued to respond to callers directly by a customer service officer. Where demand exceeds available operators, a queuing mechanism is activated and callers hear short customer focused recorded messages pertaining to current scheme issues. This year the Corporation revised these messages choosing a more customer friendly voice.

The Corporation will continue to monitor Helpline services in order to measure the level of customer satisfaction and will look at ways in which service standards can be improved.

“When I phoned for advice the officer was very helpful and knew her work. The process was very straight forward”.

Don, painter

TELEPHONE ENQUIRES TO THE 131 441 HELPLINE



IMPROVE THE WEBSITE

The Corporation's website is a well utilised portal for workers and employers to access Corporation information. This access continues to increase as stakeholders become more aware of the site and as the Corporation continues to provide more efficient online services.

This financial year 134,633 hits were made to the Corporation website by 35,854 visitors.

The Corporation is redeveloping its website to provide easier and more user-friendly access to services. It is anticipated this project will be complete by the end of the next financial year.

This year 134,633 hits were made to the website by 35,854 visitors.

RECOMMEND AND IMPLEMENT LEGISLATIVE CHANGE

This financial year saw the passing of the *Building and Construction Industry Long Service Payments Amendment Act 2010* aimed at updating the Corporation's governing legislation and the *Building and Construction Industry Long Service Payments Act 1986*, after a five year process. These legislative changes will ensure greater service to our workers and employers.

The Corporation continues to actively seek ways in which the governing legislation can be improved to the benefit of our stakeholders.

SYSTEM IMPROVEMENT AND DEVELOPMENT

The Corporation is continually striving to achieve better results for stakeholders through the provision of a more efficient system.

This year the Corporation met with a number of private certifiers to gauge their opinions of current Corporation systems. Results indicated that many certifiers were satisfied with the existing online payment facilities or the current arrangements specifically in place for them. At this stage the Corporation has determined there is no need for a separate online facility for private certifiers but will continue to monitor this in the future.

Plans for the next financial year include making changes to the Worker Register System to redevelop the Compliance, Customer Service and Claims modules. The Levy System has also been identified for system improvements.

IMPROVE ACCURACY AND USE OF DATA

The ability of the Corporation to produce meaningful and accurate reports is crucial to the development of the Corporation and its business plans.

This year the Corporation conducted a review of its reporting systems generated by the Worker Register System. The review identified a need for greater accuracy and more meaningful data.

The Corporation recognises the importance of developing management tools to enhance its business functions. As such, it will adopt a dashboard reporting function on both its Internet and intranet sites.

This will involve developing a suite of standard reports that people are able to access to assist with their work or to better understand the needs and wants of our clients.

A FINANCIALLY SOUND SCHEME

FINANCIALLY VIABLE SCHEME

A full actuarial assessment of the Scheme was undertaken in July 2009 by Professional Financial Solutions to determine the sufficiency of the fund and the adequacy of the levy rate as at 30 June 2009.

The Corporation experienced better than expected Investment returns and increase in levies collected, resulting in a reduction in the Scheme deficit by approximately 30 per cent. The Scheme is expected to return to surplus by 2012/13.

OPTIMISE INVESTMENTS

A comprehensive review of investment objectives and strategies was undertaken by Ibbotson and Associates during the year. The report indicated that the Corporation's investment objectives and strategic asset allocation were appropriate given its liability profile. It was recommended that consideration be given to incorporating more diverse asset classes and sectors to spread the risk.

The Corporation's asset managers, Treasury Corporation (TCorp) will continue to find appropriate diversification and performance enhancing opportunities where the risk and return benefits outweigh the implementation risks and costs.

EQUITABLE LEVY RATE

Under the *Building and Construction Industry Long Service Payments Act 1986* there is a levy on building and construction work costing \$25,000 and above (inclusive of GST) in NSW. The levy is paid by the owners of a building or construction project into a Fund administered by the Corporation and from this Fund the Corporation makes long service payments to building and construction workers in NSW. The levy is 0.35 per cent of the value of building and construction work costing \$25,000 or more (inclusive of GST).

A full actuarial assessment of the Scheme was undertaken in July 2009 by Professional Financial Solutions to determine the sufficiency of the fund and the adequacy of the levy rate as at 30 June 2009. Based on this review, the Corporation considers that this levy rate is equitable and did not amend the levy. The Corporation will continue to monitor the levy rate to ensure it remains equitable and meets the needs of our stakeholders.

TIMELY AND FAIR CLAIMS PAYMENTS

One of the Corporation's core services is the payment of worker claims. The Corporation continued to deliver this service in a timely and fair manner. A total of 10,456 workers lodged claims for payments this financial year totalling \$57.8 million.

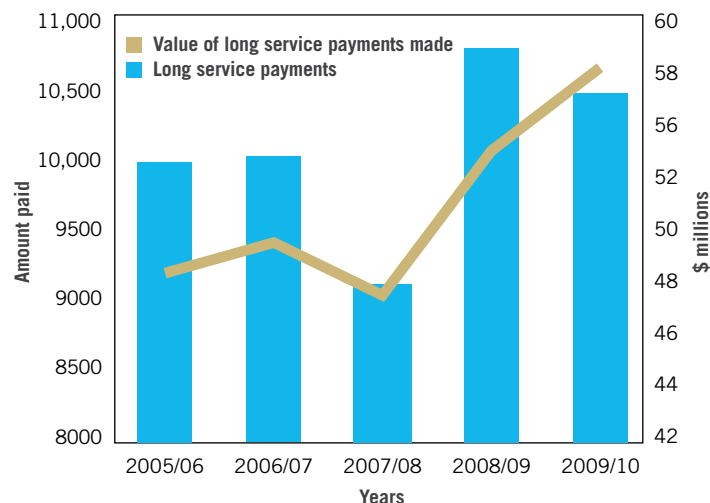
A survey was conducted on those workers lodging a claim with excellent results. Ninety-six per cent of respondents were happy or very happy with the overall claims process. Ninety-five per cent of those paid were happy or very happy with the timeframe for claims payment.

The Corporation will continue to monitor ways in which to improve the claims process. Plans are in place for redevelopment of the claims processing system in the next financial year to further enhance the Corporation's timely and fair payment of claims.

"The staff from Long Service were very helpful and the payment was received within 10 days as promised".

John, plasterer

NUMBER AND TOTAL PAYMENTS



RESPONSIBLE FINANCIAL MANAGEMENT

The Corporation is working towards a standard chart of accounts model for all of CASD agencies to improve internal reporting and visibility for the Chief Executive Officer.

Internal procedures are constantly monitored to avoid fraud and corruption and ensure minimal errors. Regular audits are undertaken of processes and suggestions for continuous improvement are implemented.

The Corporation is considering online methods of payments for customers and this has been successful with the introduction of the online Levy Payments.

Responsible financial management has ensured the continued low cost of administering the long service payments scheme.

BUILDING CORPORATION CAPABILITY

OPTIMAL STAFFING STRUCTURE

In line with standard business practices, the Long Service Payments Corporation recently undertook a review of staff position descriptions. The Corporation engaged an external consultant to discuss the review with staff, undertake job analysis and update current position descriptions.

TRAINED AND COMPETENT STAFF

The Corporation continues to encourage staff to participate in training to strengthen knowledge and confidence. This financial year three staff members commenced a Diploma in Project Management and several staff completed the Certificate IV in Government.

Staff also attended training in risk management, occupational health and safety, records management, new legislative requirements in addition to routine training and development.

Next financial year will see staff that are currently undertaking training complete their relevant courses. The Corporation will continue to provide staff opportunities to undertake training to increase their job skills and knowledge.

“The training we received on the changes to the legislation made it easy to explain the new requirements to our clients.”

LSPC staff member

CONTINUOUS IMPROVEMENT OF BUSINESS SYSTEMS AND PROCESSES

The Corporation constantly strives to improve business systems and processes through a variety of methods including highlighting of risk areas and user testing. To facilitate this, the Corporation has adopted a business continuity plan and disaster recovery plan. Included in the disaster recovery plan is the recovery of key business systems on to alternate contingency computer servers from backup tapes and the business recovery aspects relating to computer networks and telephone services. Both these business recovery systems have been tested this year.

The Corporation also maintains a duplicate store of all brochures and scheme stationery, and significant forms are retained at a third party location.

The Corporation commissioned the Internal Audit Bureau Risk Management and Consulting Service to conduct a review of the Corporation's Business Continuity Plan. This plan was accepted and actioned by the Corporation.

In May this year the Corporation's Lidcombe office was affected by a fire in the building. This enabled the Business Continuity Plan

to be activated and reviewed. The Business Continuity Plan was found to be effective and enabled improvements to be identified and incorporated into the Plan.

INFORMATION MANAGED ELECTRONICALLY

The Corporation uses the TRIM Records Management system to manage its paper and electronic records. The system also enables staff to scan documents. Records have been imaged and continue to be scanned into TRIM when paper records are recalled from storage. This is good practice and will reduce the storage needs and therefore the costs for storage in the long term. The TRIM system was implemented in 2004.

The Corporation requested HP Software & Solutions conduct a functional and technical health check of the production HP TRIM System in April 2010. The report indicated that only minor areas of the application required attention and this could be addressed by regular maintenance. The report also identified minor configuration errors and made recommendations on how to improve these. The main finding was the need for user refresher training, which has been factored in to the training schedule for the next financial year.

LEADERSHIP AND INITIATIVE

This financial year the Corporation identified the need to provide more structured leadership and initiative to staff. On completion of the evaluation of staff position descriptions, the Corporation will implement a performance management system, which will provide management guidance and leadership to staff on the further development of their business skills to complement their job roles.

GOOD COMMUNICATIONS

The Corporation encourages open internal communication with staff. This year the Corporation initiated a staff survey to gauge staff satisfaction levels on a variety of fields including human resources, information technology, training and job satisfaction.

The results from this survey will be analysed and strategies will be implemented to address any issues staff may be experiencing next financial year. Another survey will be completed following implementation of any strategies.

EFFECTIVE GOVERNANCE

Effective governance has been achieved by making changes to the former internal reporting structure to achieve better internal communication. Some of these forums have been the senior management group, managers meetings, regular staff meetings and the Director reporting to the Chief Executive Officer.

The Corporation actively seeks advice from the Industry Committee to assist with the formation of accurate policy and administrative advice on the scheme.

The Corporation actively contributes as a member of the newly formed CASD Audit and Risk Committee.

MAJOR OPERATIONAL PERFORMANCE STATISTICS

	2007/08	2008/09	2009/10
ACTIVITY AND/OR ADMINISTRATIVE FUNCTION DESCRIPTION			
Long service payments	9128	10,773	10,456
Value of long service payments made	48.3m	54.3m	57.8m
Cumulative number of payments made since scheme began	143,659	154,432	164,888
Cumulative value of payments made since scheme began	540.3m	595.3m	653.3m
New worker registrations approved	28,809	27,634	30,965
Workers removed from register (incl bulk cancellation)	3712	150,702	23,944
Total number of approved workers	431,631	281,527	281,398
New employer registrations approved	2850	2734	2523
Total number of registered employers	36,353	38,265	39,966
Number of employed worker service years recorded	99,777	108,785	107,736
Number of self employed worker service years recorded	23,548	25,592	25,122
Number of other service years recorded	622	652	1,038
Objections by workers to service credits per 1000 workers	8	6	6
Appeals determined	7	9	1,608
% of employer audits with satisfactory ratings	90.0%	93.0%	92.3%
Total incoming telephone enquiries to 13 14 41 Helpline	90,949	98,980	83,618
% of 13 14 41 Helpline calls answered in two minutes	75.0%	68.0%	68.0%
Total incoming telephone enquiries answered on 13 14 41 Helpline	75,216	84,879	78,491
Total written enquiries	11,039	10,256	9002
Total counter enquiries	1903	2416	2729
Total funds invested	530.9m	478.3m	540.5m
Scheme liabilities	555.6m	602.1m	633.7m
Investment income	-58.9m	-54.0m	53.2m
% investment return – cash	6.8%	5.3%	4.5%
% investment return – long term growth	-10.3%	-10.3%	11.3%
Long service levy income	79.6m	63.1m	81.2m
% of levy audits with satisfactory ratings	98.0%	98.0%	99.0%
Net administration costs	9.9m	12.5m	10.2m

THE BUILDING AND CONSTRUCTION INDUSTRY LONG SERVICE PAYMENTS COMMITTEE (THE INDUSTRY COMMITTEE)

The Industry Committee is constituted under the *Building and Construction Industry Long Service Payments Act 1986* (the Act). It is an advisory and appellate body, consisting of ten part-time members appointed by the Minister and chaired by the Chief Executive Officer. The Industry Committee is empowered under Section 9 of the Act to advise on administration of the Act including matters concerning publicity, the investment of funds and the rate of the long service levy.

The Industry Committee decides appeals lodged against Corporation decisions to:

- reject an application for registration in the scheme made on behalf of or by workers
- cancel registrations of workers in the scheme
- refuse service credits to registered workers.

The Industry Committee also decides appeals lodged by levy payers in respect of:

- an assessment made of the amount of a long service levy due in respect of the erection of a building
- a direction given, or refusal to give such direction, in relation to interest payable on a long service levy not paid before the due date, or extension of time for payment of a long service levy.

Apart from its legislated functions, the Committee also acts as 'Customer Council' in relation to customer service standards and helps ensure the quality and effectiveness of services meet customers' needs.

The term of the current Industry Committee is from 1 December 2008 to 30 November 2011. This year the Industry Committee met on four occasions.

During the year the Committee continued to provide support and advice to the Corporation regarding amendments to the *Building and Construction Industry Long Service Payments Act 1986*. After a five-year legislative change process, the Amendment Bill was passed in May 2010, with an effective date of 1 July 2010.

The Committee reviewed proposals for improvements in scheme administration for consideration by the Minister and potential future legislative change. Significant matters considered included award modernisation, review of the scheme coverage definition, circumstances warranting restoration of a cancelled or removed registration, service credits were unconfirmed by an employer, ordinary pay rates applicable to long service payments, scheme eligible work and duplicate/multiple registrations.

APPEALS

The Committee heard and gave consideration to nine appeals from workers as shown in Table A below. The Committee also endorsed the bulk cancellation of workers under section 19(1) of the Act, where workers had not recorded service for at least four years, and under section 19(2) of the Act, where a worker registration should not have been approved.

Sections 49-54 of the Act empower the Industry Committee to determine appeals lodged by workers, employers and levy payers in respect of certain Corporation decisions. Appeals are considered and determined on the basis of documentary evidence submitted by the parties involved. There were no appeals lodged by levy payers in the year.

In March 2010, in accordance with the Act, the Corporation conducted a cancellation run of workers where there were no records of service for at least four consecutive years and those workers whose registrations should not have been approved. Workers identified for cancellation received notification in March. Appeals lodged as a result of the cancellation run were received in the 2009/10 financial year but will not be heard until the 2010/11 financial year (refer Table B below).

RESULTS OF APPEALS

TABLE A

	UPHELD		DISMISSED	
APPEAL AGAINST	08/09	09/10	08/09	09/10
Refusal of registration (Section 49(1)(a))	1	2	2	0
Refusal of service credits (Section 50(1))	1	2	5	5
Assessment of the amount of long service levy due (Section 51(1))	0	0	0	0
Interest on, and extension of time for payment of long service levy (Section 52)	0	0	0	0
TOTAL	2	4	7	5

Appeals lodged as a direct result of the cancellation run

TABLE B

	RECEIVED	NUMBER WITHDRAWN AFTER LODGEMENT	TOTAL (LESS WITHDRAWN)
REASON FOR APPEAL			
Cancellation of registration (Section 19(1A)) – 4 year service gap	472	150	322
Cancellation of registration (Section 19(2)) – registration should not have been approved	63	18	45
TOTAL	535	168	367

CHAIRPERSON



LISA HUNT BA LLB

Chairperson

Meeting attendance: 1 out of 4

In January 2010, Lisa Hunt was appointed Chief Executive Officer, WorkCover NSW and Chief Executive, Compensation Authorities Staff Division, which oversees the offices of WorkCover Authority, Dust

Diseases Board, Motor Accidents Authority, Lifetime Care and Support Authority and Long Service Payments Corporation.

Lisa is a former senior executive at Transurban Limited with a legal background. Lisa also has significant experience on private and public sector boards including Westlink Limited, Sydney Catchment Authority, Queensland Rail, Infrastructure Partnerships Australia and the Greater Western Sydney Economic Development Board and a number of infrastructure boards.

Lisa commenced her career in law before working in government in a range of sectors including: immigration, regulatory systems, transport and infrastructure development.



RUSS COLLISON

State Secretary,
Australian Workers Union NSW

Meeting attendance: 3 out of 4

Russ Collison is State Secretary for the Australian Workers Union NSW. He is a member of the Building and Construction Industry Long Service

Payments Committee and First State Super Corporation. Russ is Vice President of Unions NSW. He is also a member of the Racing Industry Committee Group and the Seafood Industry Advisory Council.



MICHAEL DOUST

Organiser,
Electrical Trades Union of Australia

Meeting attendance: 3 out of 4

Michael Doust is the Organiser of the Electrical Trades Union of Australia and a Member of the Building and Construction Industry Long Service Payments Committee.

MEMBERS NOMINATED BY UNIONS NSW

ANDREW FERGUSON BEd, MEd, Dip Ind Law, Dip Urban Studies

NSW General Secretary,
Construction Forestry Mining Energy Union

Meeting attendance: 0 out of 4

Andrew Ferguson has worked for the Building Workers Industrial Union (BWIU) and Construction Forestry Mining and Energy Union (CFMEU) since 1980. He was initially engaged as a Research Officer, but subsequently became a field organiser. He was appointed as a Co-ordinator of Organisers and then elected President of the Union in 1988. In 1994, he was elected General Secretary of the CFMEU and Secretary of the Construction and General Division of the CFMEU in NSW.

Andrew is on the Executive of Unions NSW and is Vice President of the NSW ALP. He is a director of building industry not-for-profit service providers – COMET Training and BWAC Employment. He is an alternative director of Construction & Building Industry Super (CBUS) and the Australian Construction Industry Redundancy Trust (ACIRT). He is also a member of the Building and Construction Industry Long Service Payments Committee and the NSW Workers Compensation and Workplace OH&S Council.

In addition to his union duties Andrew Ferguson is active in the area of international trade union solidarity and human rights.

MEMBERS NOMINATED JOINTLY BY THE MASTER BUILDER'S ASSOCIATION OF NSW AND EMPLOYERS FIRST



BRIAN SEIDLER

Executive Director,
Master Builders' Association of NSW

Meeting attendance: 4 out of 4

Brian Seidler is Executive Director of the Master Builders' Association of NSW. He is MBA of NSW Representative Building Awards Conciliation Committees,

Building Apprenticeship Conciliation/Training Committees and Construction Industry Training Advisory Board (NSW). Brian is a Member of the Building and Construction Industry Long Service Payments Committee. Brian is also a Committee Member of the Construction Policy Steering Committee and the Construction Industry Consultative Committee.

Brian is Director of the Australian Construction Industry Redundancy Trust, Director of COMET Training and Director of the Building Workers' Assistance Centre. Brian is also a Committee Member of the Building and Construction Industry Drug and Alcohol Foundation and a participant, Australian Traineeship System Working Party.



DR JOHN ELDER AMM Bbus, MIR (Hons), Phd (Syd Univ), Dip IR

Director,
Australian Construction Industry
Redundancy Trust

Meeting attendance: 4 out of 4

Dr John Elder is Director of the Australian
Construction Industry Redundancy Trust

and Member of the Building and Construction Industry Long Service
Payments Committee.



TONY DOYLE B.Com (Hons) (Industrial Relations), M.Com (Distinction) (Workplace Relations)

Manager,
Workplace Relations with the Australian
Federation of Employers & Industries

Meeting attendance: 3 out of 4

Tony Doyle is Manager, Workplace

Relations, with the Australian Federation of Employers & Industries.

Tony is a Member of the Building and Construction Industry Long
Service Payments Committee. Prior to joining AFEI in 2007, Tony
had extensive experience in industrial relations over several decades
including National IR and HR – Manager roles with several major
Australian organisations. He has also lectured in industrial relations
at several universities.

MEMBERS DIRECTLY APPOINTED BY THE MINISTER



DOUG WRIGHT AM Bec, BA

Meeting attendance: 1 out of 4

Doug Wright is a former Director of the
Metal Trades Industry Association (NSW
Branch), and a member of the TAFE
Commission Board, NSW Building and
Construction Industry Long Service
Payments Committee, the Governing Board

of TAFE Higher Education, the Board of the Vocational Education
and Training Accreditation Agency, and the Board of the Hunter
Valley Training Co. He is Director of World Skills Inc., representing
The Australian Industry Group and is also Director of Commonwealth
Study Conferences Australia (Incorporated).

Doug was a member of the WorkCover NSW Board from August
1995 to May 2010, and is Chair of the Board's Audit and Risk
Management Committee.



BRIAN BEER

N/A

Meeting attendance: 3 out of 4

Brian Beer is retired State President
of the Australian Manufacturing Workers
Union. He is a Member of the Building
and Construction Industry Long Service
Payments Committee, Member of the

Australian Government Central Trades Committee, the Australian
Government NSW Local Trades Committee. Brian is the Independent
Chairperson of the NSW Department Primary Industries Estuary
Prawn Trawl Management Advisory Committee and the Independent
Chairperson NSW Primary Industries Marine and Estuarine
Recreation Charter Management Advisory Committee.



**CHRIS CHRISTODOULOU
BA IND REL**

Assistant Secretary,
Unions NSW

Meeting attendance: 2 out of 4

Chris Christodoulou is Director of Asset
Super and Sydney Alliance for Community
Building Limited. He is a Member of

the Building and Construction Industry Long Service Payments
Committee and Chairperson for the Illawarra Venues Authority.
He is a former Board Member of the Sydney Olympic Park Authority.



**DAVID BARE BA Metallurgy
(Materials Engineering),
Business Management Certificate
(General Management)**

Executive Director,
NSW – Housing Industry Australia

Meeting attendance: 1 out of 4

David Bare is a highly experienced
strategic marketing and business development professional.
He is the Executive Director of the Housing Industry Association
(HIA) NSW. He has held executive management positions in leading
the marketing and business development functions for both BHP
and BlueScope Steel over the past fifteen years.

David is a Founding Member of the Australian Architecture
Association, Member of the Building and Construction Industry
Long Service Payments Committee and Director of the Construction
Industry Training Advisory Board. David also acts as a Business
Advisor to the CEO and Board of Clean Up Australia and Clean
Up The World. He is a past Member of the Illawarra Regional
Management Support Group.

DEPUTY MEMBERS NOMINATED BY THE UNIONS NSW

KERYN MCWHINNEY Dip Ind Law

Senior Wage Claims Officer,
Construction Forestry Mining Energy Union
(Construction & General Division) NSW Branch

Member, Vocational Training Tribunal of NSW

Member, Vocational Training Appeal Panel

Meeting attendance: 4 out of 4

STEVE MCCARNEY

State Secretary, CEPU Plumbing Division NSW Branch

Meeting attendance: 1 out of 4

PAUL FARROW

Organiser, Australian Workers Union NSW Branch

Meeting attendance: Not required to attend

DEPUTY MEMBERS NOMINATED JOINTLY BY THE MASTER BUILDERS' ASSOCIATION OF NSW AND EMPLOYERS FIRST

PETER SLATTERY Master of Business (Employment Relations)

Employee Relations Manager, Laing O'Rourke

Meeting attendance: 1 out of 4

FIONA CURDIE-EVANS BAppSc (OT), Cert IV (Workplace Ass)

OHS Auditor

Managing Director, Mend Group Pty Ltd

Managing Director, Mend Services Pty Ltd

Managing Director, Isight

Executive, ARPA NSW

Working Parties with WorkCover N/A

Meeting attendance: Not required to attend

PETER GLOVER JP

Director Construction, Master Builders Association of New South Wales

MBA of NSW Representative, Vocational Training Tribunal

Committee Member, Construction Industry Consultative Committee

Meeting attendance: Not required to attend

DEPUTY MEMBERS DIRECTLY APPOINTED BY THE MINISTER

MICHELLE BASS JP, Dip Human Resources Management

OHS and Training Manager, Civil Contractors Federation NSW Branch

Meeting attendance: 2 out of 4

ADAM KERSLAKE LLB, BA Industrial Relations

Deputy Assistant Secretary, Unions NSW

Meeting attendance: Not required to attend

RETIRED CHAIR

JON BLACKWELL BA, MA

Former Chief Executive Officer, WorkCover

Meeting attendance: 1 out of 4

RETIRED MEMBERS

GRAHAM WOLFE BE(Structural Engineering) Hons

Former Executive Director (NSW), Housing Industry Association

Meeting attendance: 2 out of 4

FINANCIAL PERFORMANCE SUMMARY

REVENUES AND EXPENSES

During the financial year, revenue from all sources amounted to \$134.7 million, while expenditure amounted to \$99.6 million. This resulted in an operating surplus of \$35.1 million for the year.

The budget for the year was an operating deficit of \$15.7 million, resulting in an improvement of \$50.8 million. This is mainly a result of the following factors:

- Investments are predominantly placed in the NSW Treasury Corporation Long Term Growth Facility (TCorp). Investments in this facility earned \$53 million. Due to the volatility and uncertainty in global financial markets in 2009, the Corporation budgeted for a minimal return of \$350,000 on investments.
- The Corporation received \$81.2 million in levy income compared to a budget of \$89.6 million. The decrease is due to the slow down in building and construction activity in the earlier part of the financial year as a result of the Global Financial Crisis. However, this was significantly more than the amount received in the previous financial year. This was in part due to the Australian Government economic stimulus package that contributed to a recovery in construction activity during the financial year.
- Scheme expenses, comprising the long service expense and finance costs, decreased from a budget of \$95.6 million to \$89.4 million based on actuarial advice.

BUDGET FORECAST AND RESULTS

	BUDGET 2009/2010 \$'000	ACTUAL 2009/2010 \$'000	BUDGET 2010/2011 \$'000
REVENUES			
Investment income	350	53,197	41,450
Levy income	89,635	81,237	86,374
Other income	205	301	205
TOTAL REVENUES	90,190	134,735	128,029
OPERATING EXPENSES			
Long service payments	79,200	57,847	60,100
Long service payments liability expense	16,350	31,573	30,400
Personnel services	6,120	6,017	6,403
Other operating expenses	4,193	4,224	4,313
TOTAL OPERATING EXPENSES	105,863	99,661	101,216
OPERATING SURPLUS/(DEFICIT)	(15,673)	35,074	26,813

FINANCIAL TRENDS

	ACTUAL 2007/2008 \$'000	ACTUAL 2008/2009 \$'000	ACTUAL 2009/2010 \$'000
REVENUES			
Investment income	(58,905)	(54,033)	53,197
Levy income	79,631	63,090	81,237
Other income	354	1,535	301
TOTAL REVENUES	21,080	10,592	134,735
OPERATING EXPENSES			
Long service payments	47,993	54,335	57,847
Long service payments liability expense	26,257	46,508	31,573
Personnel services	5,088	8,374	6,017
Other operating expenses	4,805	4,146	4,224
TOTAL OPERATING EXPENSES	84,143	113,363	99,661
OPERATING SURPLUS/(DEFICIT)	(63,063)	(102,771)	35,074

FINANCIAL POSITION

The principal assets continue to be investments of \$535.8 million in the TCorp Long Term Growth Facility. The principal liabilities are the estimates for the Provision for Scheme Liabilities of \$633.7 million as assessed by actuarial consultants.

Equity improved by \$35.1 million from an accumulated loss of \$121.2 million at 30 June 2009, to an accumulated loss of \$86.1 million at 30 June 2010.

CAPITAL EXPENSES

The Corporation spent \$47,000 on the purchase of motor vehicles.

INVESTMENTS

The Corporation invested its funds in the 'Long Term Growth' and 'Cash' Hour-Glass Investment Facility Trusts administered by NSW Treasury Corporation (TCorp) utilising external managers under contract to TCorp.

The following table shows the movement in funds within these facilities and indicates the rate of return compared with the benchmark return.

FUND CATEGORIES	BALANCE ON HAND AS AT		INVESTMENT PERFORMANCE		BENCHMARK PERFORMANCE
	30 JUNE 2009 \$'000	30 JUNE 2010 \$'000	INCOME \$'000	RETURN %	RETURN %
Long term growth	472,773	535,766	52,993	11.28	10.86
Cash	5,505	4,709	204	4.46	3.89
TOTAL	478,278	540,475	53,197	N/A	N/A

ACCOUNTS PAYABLE PERFORMANCE

AGED ANALYSIS AT END OF EACH QUARTER	SEPTEMBER 2009 QTR	DECEMBER 2009 QTR	MARCH 2010 QTR	JUNE 2010 QTR
PAYMENT				
Current	\$56,956	\$172,316	\$303,242	\$42,422
Less than 30 days overdue	\$0	\$0	\$0	\$0
More than 30 days overdue	\$0	\$0	\$0	\$0
TOTAL ACCOUNTS PAYABLE	\$56,956	\$172,316	\$303,242	\$42,422

ACCOUNTS PAID ON TIME IN EACH QUARTER	SEPTEMBER 2009 QTR	DECEMBER 2009 QTR	MARCH 2010 QTR	JUNE 2010 QTR
Target % paid on time	95%	95%	95%	95%
Actual % paid on time	98%	99%	94%	96%
Total dollar amounts paid on time	\$1,975,266	\$2,146,396	\$1,888,874	\$2,438,187
Total dollar amounts paid	\$1,998,655	\$2,162,199	\$1,907,459	\$2,683,756
Total accounts paid on time	294	268	220	275
Total accounts paid	301	270	233	286

There have been no delays in account payments that led to the payment of interest.

FINANCIAL STATEMENTS

Director's statement	24
Independent auditor's report	25
Statement of financial position	27
Statement of comprehensive income	28
Statement of changes in equity	29
Statement of cash flows	30
Notes to the financial statements	31
Note 1 Statement of accounting policies	31
Note 2 Cash and cash equivalents	34
Note 3 Receivables	34
Note 4 Financial assets at fair value	34
Note 5 Property, plant and equipment	34
Note 6 Intangible assets	36
Note 7 Payables	36
Note 8 Provision for scheme liabilities	36
Note 9 Other provisions	37
Note 10 Changes in equity	37
Note 11 Investment income	37
Note 12 Long service levy	38
Note 13 Other revenue	38
Note 14 Long service expense	38
Note 15 Finance costs	38
Note 16 Personnel services expenses	38
Note 17 Other operating expenses	38
Note 18 Depreciation and amortisation expenses	39
Note 19 Other gains/losses	39
Note 20 Net cash flows from operating activities	39
Note 21 Commitments for expenditure	39
Note 22 Financial instruments	39
Note 23 Contingent liabilities	43
Note 24 After balance date events	43

DIRECTOR'S STATEMENT

BUILDING AND CONSTRUCTION INDUSTRY LONG SERVICE PAYMENTS CORPORATION

FINANCIAL STATEMENTS

Pursuant to Section 41C of the Public Finance and Audit Act 1983 we state that:

1. In our opinion the accompanying financial statements exhibit a true and fair view of the financial position of the Building and Construction Industry Long Service Payments Corporation as at 30 June 2010 and transactions for the year then ended;
2. The financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983 and Regulation and the Treasurer's Directions; and
3. We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Scott Warr
Director
15 October 2010

(signed)

Lisa Hunt
Chief Executive Officer
15 October 2010

INDEPENDENT AUDITOR'S REPORT



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Building and Construction Industry Long Service Payments Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Building and Construction Industry Long Service Payments Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Corporation as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), and
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion should be read in conjunction with the rest of this report.

The Chief Executive Officer's Responsibility for the Financial Statements

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Corporation,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



C J Giumelli
Director, Financial Audit Services

25 October 2010
SYDNEY

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	NOTE	2010 \$'000	2009 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	2	12,337	8,017
Receivables	3	3,757	2,942
TOTAL CURRENT ASSETS		16,094	10,959
Non-current assets			
Financial assets at fair value	4	535,766	472,773
Property, plant and equipment	5	926	1,084
Intangible assets	6	609	1,005
TOTAL NON-CURRENT ASSETS		537,301	474,862
TOTAL ASSETS		553,395	485,821
LIABILITIES			
Current liabilities			
Payables	7	772	515
Provision for scheme liabilities	8(a)	373,892	361,684
Other provisions	9	5,043	4,373
TOTAL CURRENT LIABILITIES		379,707	366,572
Non-current liabilities			
Provision for scheme liabilities	8(b)	259,818	240,453
TOTAL NON-CURRENT LIABILITIES		259,818	240,453
TOTAL LIABILITIES		639,525	607,025
NET LIABILITIES		(86,130)	(121,204)
EQUITY			
Accumulated loss		(86,130)	(121,204)
TOTAL EQUITY	10	(86,130)	(121,204)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 \$'000	2009 \$'000
REVENUE			
Investment income	11	204	255
Long service levy	12	81,237	63,090
Other revenue	13	301	1,529
TOTAL REVENUE		81,742	64,874
EXPENSES EXCLUDING LOSSES			
Long service expense	14	61,722	63,616
Finance costs	15	27,698	37,227
Operating expenses			
– Personnel services expenses	16	6,017	8,374
– Other operating expenses	17	3,623	3,547
Depreciation and amortisation	18	601	599
TOTAL EXPENDITURE, EXCLUDING LOSSES		99,661	113,363
Gain on disposal		–	6
Other gains/(losses)	19	52,993	(54,288)
SURPLUS/(DEFICIT) FOR YEAR		35,074	(102,771)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		35,074	(102,771)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	ACCUMULATED FUNDS \$'000
BALANCE AT 30 JUNE 2009		(121,204)
Surplus for the year		35,074
Other comprehensive income		
Total other comprehensive income		–
Total comprehensive income for the year		35,074
BALANCE AT 30 JUNE 2010	10	(86,130)
BALANCE AT 30 JUNE 2008		(18,433)
(Deficit) for the year		(102,771)
Other comprehensive income		
Total other comprehensive income		–
Total comprehensive income for the year		(102,771)
BALANCE AT 30 JUNE 2009	10	(121,204)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Long service levy received		80,470	64,290
Interest received		493	467
Other		315	1,732
TOTAL RECEIPTS		81,278	66,489
Payments			
Long service payments		(57,573)	(54,572)
Payments to suppliers		(9,338)	(9,471)
TOTAL PAYMENTS		(66,911)	(64,043)
NET CASH FLOWS FROM OPERATING ACTIVITIES	20	14,367	2,446
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from disposal of plant and equipment		–	24
Proceeds from sale of investments		–	5,000
Purchase of investments		(10,000)	(7,000)
Purchase of plant and equipment		(47)	(1,160)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(10,047)	(3,136)
NET INCREASE/(DECREASE) IN CASH		4,320	(690)
Opening cash and cash equivalents		8,017	8,707
CLOSING CASH AND CASH EQUIVALENTS	2	12,337	8,017

The accompanying notes form an integral part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 1

Statement of accounting policies

(a) REPORTING ENTITY

The Building and Construction Industry Long Service Payments Corporation (Corporation) has its principal office at 19-21 Watt Street, Gosford. The Corporation was established in 1982 and administers the *Building and Construction Industry Long Service Payments Act 1986* which provides a portable long service payments scheme to building and construction workers in NSW.

The Corporation is a not-for-profit entity (as profit is not the principal objective). The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

These financial statements for the year ended 30 June 2010 have been authorised for issue by the Chief Executive Officer on 15 October 2010.

(b) BASIS OF PREPARATION

The Corporation's financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and Regulation and
- the financial reporting directions issued by the Treasurer.

Property, plant and equipment, and other assets (or disposal groups) held for sale and financial assets at 'fair value through profit or loss' and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management have made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) STATEMENT OF COMPLIANCE

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) INSURANCE

The Corporation's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

(e) ACCOUNTING FOR THE GOODS AND SERVICES TAX (GST)

Income, expenses and assets are recognised net of the amount of GST, except that:

- the amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing activities that are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(f) INCOME RECOGNITION

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below:

(i) Investment income

New South Wales Treasury Corporation (TCorp) administers the Corporation's investment funds through its Hour-Glass Investment Facilities. Investment income comprises interest and changes in the unit value of the investments in the TCorp cash facility.

Interest income is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

(ii) Long service levy

The long service levy rate is 0.35 per cent of the cost of building and construction work costing \$25,000 or more. The Corporation has arrangements with local government councils to act as agents for the collection of the long service levy in return for a commission. Long service levy income is recognised as it accrues.

(iii) Other revenue

Other revenue consists of bank interest and other miscellaneous income that is recognised as it accrues.

(iv) Other gains/(losses)

The movement in the fair value of the Hour-Glass long term growth facility incorporates distributions received as well as unrealised movements in the fair value and is reported in the line item "Other gains/(losses)".

(g) ASSETS

(i) Acquisitions of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Corporation. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

(ii) Capitalisation thresholds

Property, plant and equipment and intangible assets costing \$5000 and above individually (or forming part of a network costing more than \$5000) are capitalised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 1

Statement of accounting policies (continued)

(iii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guideline Paper (TPP 07-1). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the assets fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

As the Corporation does not own Land, Buildings or infrastructure assets, management does not believe that the revaluation of physical non-current assets over five years is warranted, unless it becomes aware of any material difference in the carrying amount of any class of assets.

Most of the Corporation's assets are non-specialised with short useful lives and are therefore measured at depreciated historical cost, as a surrogate for fair value.

(iv) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, the Corporation is effectively exempted from AASB136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

(v) Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Corporation.

All material separately identifiable components of assets are depreciated over their shorter useful lives.

Motor vehicles and plant and equipment are depreciated over five years and computer equipment is depreciated over three years. The Corporation's leasehold improvements are considered to have a useful life equivalent to the un-expired period of the lease.

(vi) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(vii) Leased assets

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

The Corporation is not a party to any finance lease. Existing operating leases relate to leasing premises at 19-21 Watt Street, Gosford, and 12 Railway Street, Lidcombe.

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred.

(viii) Intangible assets

The Corporation recognises intangible assets only if it is probable that future economic benefits will flow to the Corporation and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Corporation's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Corporation's intangible assets are amortised using the straight-line method over a period of three or five years.

(ix) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the surplus/(deficit) for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(x) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The Corporation determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year-end.

– *Fair value through profit or loss* – The Corporation subsequently measures investments classified as 'held for trading' or designated upon initial recognition 'at fair value through profit or loss' at fair value. Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Gains or losses on these assets are recognised in the surplus/(deficit) for the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 1

Statement of accounting policies (continued)

The Hour-Glass Investment Facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the Corporation's key management personnel.

The risk management strategy of the Corporation has been developed consistent with the investment powers granted under the provision of the *Public Authorities (Financial Arrangements) Act*.

The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'other gains/(losses)'.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the entity commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the statement of financial position date.

(xi) Impairment of financial assets

All financial assets, except those measured at fair value through profit or loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Corporation will not be able to collect the amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the surplus/(deficit) for the year.

(xii) Other assets

Other assets are recognised on a cost basis.

(h) LIABILITIES

(i) Payables

These amounts represent liabilities for goods and services provided to the Corporation and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Personnel Services

The Corporation's staff are provided by the Compensation Authorities Staff Division. Salaries and wages and associated on-costs, annual leave and long service leave are recognised and measured in respect of employee services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Superannuation is actuarially assessed prior to each reporting date and is measured at the present value of the estimated future payments. The amount recognised is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligation is to be settled directly.

(i) PROVISION FOR SCHEME LIABILITIES

The liability is determined by annual actuarial valuation. The assumptions used in arriving at that valuation are set out in note 8.

(j) FINANCE COSTS

Scheme liabilities are valued using AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, which provides that the increase in a provision resulting from the unwinding of the discount rate must be recognised as a borrowing cost.

(k) COMPARATIVE INFORMATION

Except where an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

(l) GOING CONCERN

The going concern basis has been applied in the preparation of these financial statements even though the Corporation has a negative equity position at the reporting date due to significant losses on investments during the previous two financial years.

The Corporation has adopted the going concern basis because, over the foreseeable future, it has adequate resources to pay its liabilities as and when they become payable, and should circumstances require a reassessment of the financial position, the Government has the ability to vary the levy rate, and therefore revenue streams.

In view of the above, the Corporation has reasonable grounds to believe that it will realise its assets and extinguish its liabilities in the normal course of business at amounts stated in the financial statements.

(m) NEW OR REVISED AUSTRALIAN ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

The following Australian Accounting Standards that are not yet effective were not used in preparing this report.

- AASB 9 and AASB 2009-11 regarding financial instruments;
- AASB 2009-5 regarding annual improvements;
- AASB 124 and AASB 2009-13 regarding related party transactions

The new standards are concerned with disclosures and will have no direct impact on the Corporation's financial results. Other Accounting Standards exist that have not been applied and are not yet effective. They have been excluded from the above table as they are not considered relevant to the Corporation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Note 2

Cash and cash equivalents

	2010 \$'000	2009 \$'000
Cash at bank and on hand	7,628	2,512
TCorp Hour-Glass cash facility	4,709	5,505
	12,337	8,017

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and deposits in the TCorp Hour-Glass cash facility.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

	2010 \$'000	2009 \$'000
Cash and cash equivalents (per statement of financial position)	12,337	8,017
Closing Cash and cash equivalents (per statement of cash flows)	12,337	8,017

Details regarding credit risk, liquidity risk and market risk arising from financial instruments, are disclosed in Note 22.

Note 3

Receivables

	2010 \$'000	2009 \$'000
Long service levy	3,601	2,834
Other	68	73
Less: Allowance for impairment	–	–
Prepayments	88	35
	3,757	2,942

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 22.

Note 4

Financial assets at fair value

	2010 \$'000	2009 \$'000
TCorp Hour-Glass long term growth facility	535,766	472,773

Details regarding credit risk, liquidity risk and market risk arising from financial instruments, are disclosed in Note 22.

Note 5

Property, plant and equipment

	PLANT AND EQUIPMENT \$'000	LEASEHOLD IMPROVEMENTS \$'000	COMPUTER EQUIPMENT \$'000	MOTOR VEHICLES \$'000	TOTAL \$'000
AT 1 JULY 2009 – FAIR VALUE					
Gross carrying amount	286	1,122	318	95	1,821
Accumulated depreciation and impairment	158	264	294	21	737
NET CARRYING AMOUNT	128	858	24	74	1,084
AT 30 JUNE 2010 – FAIR VALUE					
Gross carrying amount	286	1,122	318	142	1,868
Accumulated depreciation and impairment	188	401	313	40	942
NET CARRYING AMOUNT	98	721	5	102	926

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Note 5

Property, plant and equipment (continued)

RECONCILIATION

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	PLANT AND EQUIPMENT \$'000	LEASEHOLD IMPROVEMENTS \$'000	COMPUTER EQUIPMENT \$'000	MOTOR VEHICLES \$'000	TOTAL \$'000
30 JUNE 2010					
Net carrying amount at start of year	128	858	24	74	1,084
Additions	–	–	–	47	47
Disposals	(1)	–	–	–	(1)
Adjustments for disposals	1	–	–	–	1
Depreciation expense	(30)	(137)	(19)	(19)	(205)
NET CARRYING AMOUNT AT END OF YEAR	98	721	5	102	926
AT 1 JULY 2008 – FAIR VALUE					
Gross carrying amount	461	885	378	87	1,811
Accumulated depreciation and impairment	461	854	332	23	1,670
NET CARRYING AMOUNT	–	31	46	64	141
AT 30 JUNE 2009 – FAIR VALUE					
Gross carrying amount	286	1,122	318	95	1,821
Accumulated depreciation and impairment	158	264	294	21	737
NET CARRYING AMOUNT	128	858	24	74	1,084

RECONCILIATION

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the previous reporting period is set out below:

	PLANT AND EQUIPMENT \$'000	LEASEHOLD IMPROVEMENTS \$'000	COMPUTER EQUIPMENT \$'000	MOTOR VEHICLES \$'000	TOTAL \$'000
30 JUNE 2009					
Net carrying amount at start of year	–	31	46	64	141
Additions	151	961	–	48	1,160
Disposals	(326)	(723)	(61)	(40)	(1,150)
Adjustments for disposals	326	723	61	22	1,132
Depreciation expense	(23)	(134)	(22)	(20)	(199)
NET CARRYING AMOUNT AT END OF YEAR	128	858	24	74	1,084

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Note 6

Intangible assets

	SOFTWARE \$'000
AT 1 JULY 2009	
Cost (gross carrying amount)	2,041
Accumulated amortisation and impairment	1,036
NET CARRYING AMOUNT	1,005
AT 30 JUNE 2010	
Cost (gross carrying amount)	2,041
Accumulated amortisation and impairment	1,432
NET CARRYING AMOUNT	609
30 JUNE 2010	
Net carrying amount at start of year	1,005
Disposals	–
Adjustments for disposals	–
Amortisation	(396)
NET CARRYING AMOUNT AT END OF YEAR	609
AT 1 JULY 2008	
Cost (gross carrying amount)	2,117
Accumulated amortisation and impairment	712
NET CARRYING AMOUNT	1,405
AT 30 JUNE 2009	
Cost (gross carrying amount)	2,041
Accumulated amortisation and impairment	1,036
NET CARRYING AMOUNT	1,005
30 JUNE 2009	
Net carrying amount at start of year	1,405
Disposals	(75)
Adjustments for disposals	75
Amortisation	(400)
NET CARRYING AMOUNT AT END OF YEAR	1,005

Note 7

Payables

	2010 \$'000	2009 \$'000
Long service payments	440	169
Long service levy commissions	64	55
Administrative expenses	268	291
	772	515

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of payables, are disclosed in Note 22.

Note 8

Provision for scheme liabilities

	2010 \$'000	2009 \$'000
(a) Current	373,892	361,684
(b) Non-current	259,818	240,453
	633,710	602,137

The Corporation expects to pay claims of \$58.1 million during 2010/2011.

	2010 \$'000	2009 \$'000
MOVEMENT IN PROVISION		
Carrying amount at beginning of year	602,137	555,629
Additional provisions recognised	61,722	63,616
Claims paid	(57,847)	(54,335)
Unwinding of discount rate	27,698	37,227
CARRYING AMOUNT AT END OF YEAR	633,710	602,137

The *Building and Construction Industry Long Service Payments Act 1986*, under Section 14 requires that an actuarial investigation be undertaken to determine the sufficiency of the Fund and the adequacy of the long service levy rate at intervals of not more than three years.

A full actuarial investigation was undertaken as at 30 June 2009. At 30 June 2010 Professional Financial Solutions undertook an actuarial update. Based on data requested for the twelve months ending 30 June 2010, the actuaries estimated the scheme liabilities to be as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 8

Provision for scheme liabilities (continued)

	NOTE	2010 \$'000	2009 \$'000
AASB Valuation	(i)	633,710	602,137
Accrued Benefit Reserve	(ii)	605,163	572,883
Vested Benefits	(iii)	564,318	530,133

(i) The AASB Valuation is a calculation of benefits in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* that requires Scheme liabilities, taking into consideration an allowance for unreported service of active workers, to be discounted at a rate that reflects current market assessment of the time value of money and the risks specific to the liability, rather than the rate of return on the Scheme assets. The financial assumptions used in the actuarial update were: rate of increase in wages 4.0 per cent per annum (2009 4.0 per cent) and a government bond rate 4.7 per cent (2009 4.6 per cent).

(ii) The Accrued Benefit Reserve is the calculation of scheme liabilities, taking into consideration an allowance for unreported service of active workers, and discounted by the projected rate of return on the Scheme assets as determined by the actuary. The actuary uses the Accrued Benefit Reserve to assess the Corporation's funding position and for purposes of setting the recommended rate of levy payable to the Fund. The financial assumptions used to calculate the Accrued Benefit Reserve were: rate of increase in wages 4.0 per cent per annum (2009 4.0 per cent) and a rate of return on assets 7.5 per cent (2009 7.5 per cent).

(iii) The Vested Benefit is the amount of benefits payable if service ceased on the valuation date. Workers qualify for a vested benefit if they have attained age 55 and have at least 55 days of accumulated service credits or if they are under 55 and have at least 1100 days of accumulated service credits.

For the purpose of the above valuations the following number of workers were valued:

	2010	2009
Active within last 2 years	160,582	167,743
Inactive for last 2 years but active within 2 prior years	56,287	52,736
Inactive for 4 or more years	11,494	10,420
TOTAL NUMBER OF WORKERS CONSIDERED	228,363	230,899

Note 9

Other provisions

The Corporation receives personnel services from the Compensation Authorities Staff Division to resource the Corporation. The Corporation recognises the liability for relevant employee benefits associated with this arrangement as follows:

	2010 \$'000	2009 \$'000
Recreation leave	361	349
Long service leave	2,005	1,639
Unfunded superannuation liability	2,599	2,084
Other Costs	78	301
TOTAL PROVISION FOR PERSONNEL SERVICES	5,043	4,373

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of payables, are disclosed in Note 22.

Note 10

Changes in equity

	2010 \$'000	2009 \$'000
Retained surplus/(accumulated loss) at the beginning of the financial year	(121,204)	(18,433)
Surplus/(deficit) for the year	35,074	(102,771)
(ACCUMULATED LOSS) AT THE END OF THE FINANCIAL YEAR	(86,130)	(121,204)

Note 11

Investment income

	2010 \$'000	2009 \$'000
TCorp Hour-Glass cash facility	204	255
	204	255

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Note 12

Long service levy

	2010 \$'000	2009 \$'000
Long service levy	82,400	64,422
Long service levy refunds	(1,163)	(1,332)
	81,237	63,090

Note 13

Other revenue

	2010 \$'000	2009 \$'000
Interest	289	183
Miscellaneous income	12	1,346
	301	1,529

Note 14

Long service expense

	2010 \$'000	2009 \$'000
Claims paid	57,847	54,335
Liability expense	3,875	9,281
	61,722	63,616

Note 15

Finance costs

	2010 \$'000	2009 \$'000
Unwinding of discount rate	27,698	37,227
	27,698	37,227

Note 16

Personnel services expenses

The Corporation receives personnel services from the Compensation Authorities Staff Division to resource the Corporation. The Corporation recognises the relevant employee related expenses associated with this arrangement as follows:

	2010 \$'000	2009 \$'000
Salaries and wages (including recreation leave)	4,159	4,198
Superannuation – defined benefit plans	850	3,400
Superannuation – defined contribution plans	246	237
Long service leave	494	234
Payroll tax and fringe benefits tax	251	291
Other expenses	17	14
	6,017	8,374
SUPERANNUATION – DEFINED BENEFIT PLANS		
Defined benefit plans – contributions	335	351
Defined benefit plans – liability adjustments	515	3,049
TOTAL SUPERANNUATION – DEFINED BENEFIT PLANS	850	3,400

Note 17

Other operating expenses

	2010 \$'000	2009 \$'000
Computing	510	426
Marketing	83	86
Travel	33	43
Occupancy	637	766
Long service levy commissions	648	568
Contractors	701	587
Consultancy	85	15
Audit remuneration – audit of financial statements	62	62
Services agreement	172	176
Other administrative expenses	692	818
	3,623	3,547

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Note 18

Depreciation and amortisation expenses

	2010 \$'000	2009 \$'000
Depreciation	205	199
Amortisation	396	400
	601	599

Note 19

Other gains/losses

	2010 \$'000	2009 \$'000
Gain/(loss) on TCorp Hour-Glass long term growth facility	52,993	(54,288)
	52,993	(54,288)

Note 20

Net cash flows from operating activities

Reconciliation of surplus/(deficit) for year to net cash flows from operating activities.

	2010 \$'000	2009 \$'000
Surplus/(deficit) for year	35,074	(102,771)
Plus/(minus) non-cash items:		
– Depreciation and amortisation	601	599
– Investment gains/(losses)	(52,993)	54,288
– Long service payments liability expense	3,875	9,281
– Finance costs	27,698	37,227
Net (profit) on disposal of plant and equipment	–	(6)
Change in asset and liabilities:		
– (Increase)/decrease in receivables	(815)	1,241
– Increase/(decrease) in payables	40	(433)
– Increase/(decrease) in provisions	887	3,020
NET CASH FLOWS FROM OPERATING ACTIVITIES	14,367	2,446

Note 21

Commitments for expenditure

(a) OPERATING LEASE COMMITMENTS

Future non-cancellable operating lease rentals not provided for and payable.

	2010 \$'000	2009 \$'000
Not later than one year	413	423
Later than one year and not later than 5 years	1,635	1,619
Later than five years	108	535
TOTAL (INCLUDING GST)	2,156	2,577

The total operating lease commitments above include input tax credits of \$196,000 that are expected to be recoverable from the ATO.

(b) OTHER EXPENDITURE COMMITMENTS

	2010 \$'000	2009 \$'000
Not later than one year	26	17
TOTAL (INCLUDING GST)	26	17

The total other expenditure commitments above include input tax credits of \$2000 that are expected to be recoverable from the ATO.

Note 22

Financial instruments

The Corporation's principal financial instruments are outlined below. These financial instruments arise directly from the Corporation's operations or are required to finance the Corporation's operations. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporation's main risks arising from financial instruments are outlined below, together with the Corporation's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the internal auditors on a continuous basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Note 22

Financial instruments (continued)

(a) FINANCIAL INSTRUMENT CATEGORIES

FINANCIAL ASSETS	NOTE	CATEGORY	CARRYING AMOUNT 2010 \$'000	CARRYING AMOUNT 2009 \$'000
CLASS				
Cash and cash equivalents	2	N/A	12,337	8,017
Receivables*	3	Receivables (at amortised cost)	–	–
Financial Assets at fair value	4	At fair value through profit or loss	535,766	472,773

* Excludes statutory receivables and prepayments

FINANCIAL LIABILITIES	NOTE	CATEGORY	CARRYING AMOUNT 2010 \$'000	CARRYING AMOUNT 2009 \$'000
CLASS				
Payables*	7	Financial liabilities measured at amortised cost.	332	346
Other Payables	9	Financial liabilities measured at amortised cost.	5,043	4,373

* Excludes statutory payables

(b) CREDIT RISK

Credit risk arises when there is a possibility of the Corporation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Corporation, including cash, receivables and deposits. No collateral is held by the Corporation. The Corporation has not granted any financial guarantees.

Credit risk associated with the Corporation's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Cash

Cash comprises cash on hand, cash at bank and deposits in the Hour-Glass cash facility. Interest on cash at bank is earned at 0.5 per cent less than the cash rate. The TCorp Hour-Glass cash facility is discussed in paragraph (d) below.

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. The Corporation does not have any trade debtors.

There are no financial assets that are past due or impaired.

(c) LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The Corporation does not have any loans or credit standby arrangements. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest was awarded during the year (2009 \$Nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Note 22

Financial instruments (continued)

The table below summaries the maturity profile of the Corporation's financial liabilities, together with the interest rate exposure.

	NOMINAL AMOUNT	INTEREST RATE EXPOSURE	MATURITY DATES		
			<1 YR	1-5 YRS	>5 YRS
2010					
Payables	332	Non Interest Bearing	332	–	–
Other Payables	5,043	Non Interest Bearing	5,043	–	–
2009					
Payables	346	Non Interest Bearing	346	–	–
Other Payables	4,373	Non Interest Bearing	4,373	–	–

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

(d) MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposures to market risk are primary through price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Corporation operates and the time frame for assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2009. The analysis assumes that all other variables remain constant.

Interest rate risk

The Corporation's exposure to interest rate risk arises primarily through interest bearing assets. A reasonable possible change of +/- 1 per cent has been used, consistent with current trends in interest rates, resulting in a potential change to profit or loss of +/- \$76,000 (2009 +/- \$25,000). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

Other price risk – TCorp Hour-Glass facilities

Exposure to 'other price risk' primarily arises through investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The Corporation has no direct equity investments. The Corporation holds units in the following Hour-Glass investment trusts:

	INVESTMENT SECTORS	INVESTMENT HORIZON	2010 \$'000	2009 \$'000
FACILITY				
Cash facility	Cash, money market instruments	Up to 1.5 years	4,709	5,505
Long-term growth facility	Cash, money market instruments, Australian and international bonds (international bonds – 2009 only), listed property, Australian and international shares	7 years and over	535,766	472,773

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 22

Financial instruments (continued)

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp is trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties.

However, TCorp acts as manager for part of the cash and strategic cash facilities and also manages the Australian bond portfolio. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits the Corporation's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten-year period, quoted at two standard deviations (i.e. 95 per cent probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in the unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass statement).

IMPACT ON PROFIT/LOSS			
	CHANGE IN UNIT PRICE	2010 \$'000	2009 \$'000
Hour Glass Investment – Cash facility	+/-1%	47	55
Hour Glass Investment – Long-term growth facility	+/-15%	80,365	70,916

(e) FAIR VALUE COMPARED TO CARRYING AMOUNT

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass Facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on the Corporation's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

Except where specified below, the amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

There are no financial instruments where the fair value differs from the carrying amount.

(f) FAIR VALUE RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The Corporation uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1** – Derived from quoted prices in active markets for identical assets/liabilities
- Level 2** – Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3** – Derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs)

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	2010 TOTAL \$'000
FINANCIAL ASSETS AT FAIR VALUE				
TCorp Hour Glass Facility	–	535,766	–	535,766
TOTAL	–	535,766	–	535,766

The table above only includes financial assets, as no financial liabilities were measured at fair value in the statement of financial position.

There were no transfers between level 1 and 2 during the period ended 30 June 2010.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Note 23

Contingent liabilities

The Corporation was not aware of any contingent liabilities as at the end of the financial year.

Note 24

After balance date events

The Corporation is not aware of any events that have occurred after balance date which are of such significance that they need to be disclosed or recognised in these financial statements.

End of audited Financial Statements.

APPENDICES

Appendix 1: Chief and Senior Executive performance statements	45
Appendix 2: Key performance indicators for provision of services	47
Appendix 3: Consumer response	48
Appendix 4: Legislative change	49
Appendix 5: Freedom of Information Act	50
Appendix 6: Privacy and Personal Information Protection Act	50
Appendix 7: Disability plan	50
Appendix 8: Womens action plan	51
Appendix 9: Ethnic affairs priority statement	51
Appendix 10: Program evaluation	52
Appendix 11: Internal audit and risk management	52
Appendix 12: Insurances and risk management	53
Appendix 13: Waste reduction and purchasing plan	54
Appendix 14: Government Energy Management Policy	54
Appendix 15: Information technology	55
Appendix 16: Occupational health and safety	55
Appendix 17: Equal Employment Opportunity	55
Appendix 18: Human resources	56
Appendix 19: Consultants	58
Appendix 20: Annual report costs	58
Appendix 21: Annual report availability	58
Appendix 22: Other disclosures	58

APPENDIX 1

CHIEF AND SENIOR EXECUTIVE PERFORMANCE STATEMENTS – SES5 AND ABOVE

LISA HUNT

Chief Executive Officer

SES Level 7

Total remuneration package: \$377,250

Performance pay: Nil

Period in position: 4 January 2010 to 30 June 2010

- Oversaw finalisation of a five year legislative change process resulting in the *Building and Construction Industry Long Service Payments Amendment Act 2010*
- Supervised an associated legislative change awareness program
- Chaired the Building and Construction Industry Long service Payment Committee with key milestone achieved in the financial year including:
 - Key policy advice to the Corporation on what pay rates to use when making a payment to a worker as a result of the *Fair Work Act 2009* and the Modern Awards.
 - Heard 1800 appeals as a result of the bulk cancellation of 150,000 inactive workers in April 2009. The first time a cancellation has taken place in 14 years.
 - Other general policy advice.
- Managed the review of the Scheme Strategic Investment Objectives and Asset Allocation by Ibbotson & Associates
- Supervised the commencement of major online service initiatives – Tax Agent Facility, internet redevelopment and Levy system enhancement
- Oversaw commencement of a corporation wide staff position description review and job evaluation process to be finalised in August 2010.

(signed)

Hon Paul Lynch

Minister for Industrial Relations

ROB THOMSON

Acting Chief Executive Officer

Level 5

Total remuneration package: \$267,650

Performance pay: Nil

Period in position: 15 August 2009 to 3 January 2010

- Oversaw a five year legislative change process resulting in the *Building and Construction Industry Long Service Payments Amendment Act 2010*
- Supervised an associated legislative change awareness program
- Chaired the Building & Construction Industry Long service Payment Committee with key milestone achieved in the financial year including:
 - Key policy advice to the Corporation on what pay rates to use when making a payment to a worker as a result of the *Fair Work Act 2009* and the Modern Awards.
 - Heard 1800 appeals as a result of the bulk cancellation of 150,000 inactive workers in April 2009. The first time a cancellation has taken place in 14 years.
 - Other general policy advice.
- Managed the review of the Scheme Strategic Investment Objectives and Asset Allocation by Ibbotson & Associates
- Supervised the commencement of major online service initiatives – Tax Agent Facility, internet redevelopment and Levy system enhancement.

(signed)

Hon Paul Lynch

Minister for Industrial Relations

JON BLACKWELL

Position and level Chief Executive Officer

SES Level 7

Total remuneration package: \$321,109

Performance pay: Nil

Period in position 18 August 2003 to 14 August 2009

- Oversaw a five year legislative change process resulting in the *Building and Construction Industry Long Service Payments Amendment Act 2010*
- Chaired the Building & Construction Industry Long service Payment Committee with key milestone achieved in the financial year including:
 - Key policy advice to the Corporation on what pay rates to use when making a payment to a worker as a result of the *Fair Work Act 2009* and the Modern Awards.
 - Heard 1800 appeals as a result of the bulk cancellation of 150,000 inactive workers in April 2009. The first time a cancellation has taken place in 14 years.
 - Other general policy advice.

The Corporation's Key Performance Indicators relate directly to achieving the objectives of its Corporate Plan.

(signed)

Hon Paul Lynch

Minister for Industrial Relations

APPENDIX 2

KEY PERFORMANCE INDICATORS FOR PROVISION OF SERVICES

Next financial year will see the introduction of a management information reporting project, which will review and refine the KPI's the Corporation will be reporting on, in line with the current Corporate Plan. It is estimated there will be six to ten KPI's developed that relate to the Corporations current plan.

SERVICE	TARGET	RESULTS
Turnaround of long service payment applications	Will be processed within 10 working days. While applications are under investigation, applicants will be kept informed of progress at 10-day intervals from the application lodgement date.	Achieved
Turnaround of objections to accuracy of records	Acknowledgements will be posted within 10 working days. While objections are being investigated, workers will be kept informed of progress at 42-day intervals from the original receipt date.	Achieved
Turnaround of applications for partial exemptions from payment of levies	Applications will be processed within three working days.	Achieved
Turnaround of applications for refund of levy	Will be processed within 10 working days after monies have been received.	Achieved
Answering of calls to the 13 14 41 Helpline	80% of calls will be answered within two minutes.	Achieved – 68%. Due to changes to business process, this KPI will be replaced next year with a more appropriate measure.
Turnaround of written enquires and worker and employer applications for registration.	A written response or acknowledgement of receipt will be posted within 10 working days. Where a matter remains unresolved after 10 working days, a letter will be issued advising progress at 42-day intervals from the original receipt date.	Achieved

What if customers have any problems or suggestions?

Most matters are resolved directly with the staff member providing assistance to the customer. This is the first action taken, but if unsuccessful, or not considered appropriate, customers can ask to speak with the officer's manager or contact the Support Services Manager.

The Customer Council

The independent Building and Construction Industry Long Service Payments Committee acts as the Customer Council. The Customer Council monitors the current level of service performance, advises on new or modified services, recommends performance indicators of service quality and advises on client needs.

Customers wishing to make suggestions to the Building and Construction Industry Long Service Payments Committee regarding services can contact the Committee Secretary.

Appeals against decisions by the Corporation

Sections 49-54 of the *Building and Construction Long Service Payments Act 1986* empower the Building and Construction Industry Long Service Payments Committee to determine appeals lodged by workers, employers and levy payers in respect of certain Corporation decisions. Appeals are considered and determined on the basis of documented evidence submitted by the parties involved.

APPENDIX 3
CONSUMER RESPONSE

The Corporation implements a variety of customer feedback tools to help monitor customer service satisfaction.

Surveying of the Corporation’s customers plays an important role in the Corporation’s overall marketing and communication strategy. Findings from customer surveys are used to develop and deliver material that increases employers’ understanding of their obligations and workers’ knowledge of their entitlements.

This year, in line with the Corporation’s corporate plan objectives, surveys were issued by email, post and, for the first time, a survey was available for completion online. This ensures responses are received from a range of customers.

Below is an overview of the surveys undertaken during 2009/10 year.

Survey of employers audited between July and November 2009

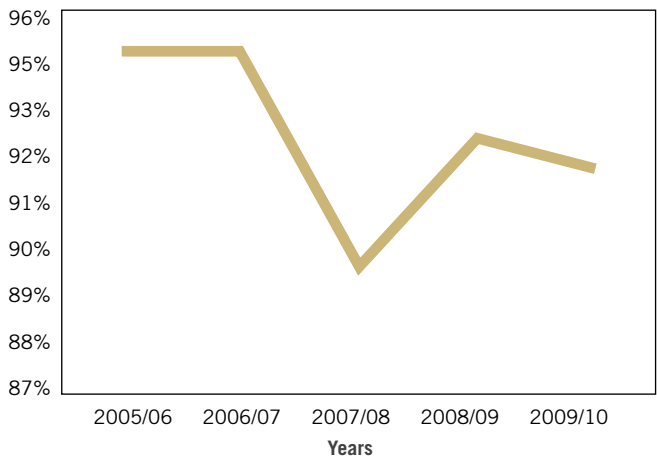
This survey relates to the Corporation’s corporate plan item – ‘Engage stakeholders to inform and educate’.

This survey had a 68 per cent response rate, which is well above the average expected. The levels of satisfaction expressed by respondents were very high in relation to their audit experience.

All respondents reported that audits were conducted in a professional manner. Eighty-five per cent of those audited said the Inspector was very helpful in answering questions on the scheme and the remaining 15 per cent were also happy with the service, describing the Inspector as helpful.

All issues raised during the audit were followed up and all respondents believe they now have a better understanding of the scheme and their obligations as a result of the visit. Over half of those audited had contacted the Corporation by phone in the last year and of those, 97 per cent found our staff helpful to very helpful.

% OF EMPLOYER AUDITS WITH SATISFACTORY RATING



100% of respondents reported that audits were conducted in a professional manner.

Survey of workers who claimed a long service payment

Again levels of satisfaction expressed by respondents were very high across the range of services encountered in their claims experience, with 96 per cent of respondents happy or very happy with the overall claiming process.

There were no negative responses to any of the questions and all respondents indicated they were happy or very happy with the help they received from staff. The length of time taken to pay a claim also showed positive results, with 95 per cent of those paid happy or very happy with the timeframe.

Overall responses on the process of making a claim were very positive, with common comments such as the staff were very helpful and professional, the money was received quickly and the process was simple and efficient.

“Terrific from time of claim to deposit the staff were excellent with helping me with my claim”.

Brian, plumber

Survey of employers to measure the level of satisfaction with Online Services

This survey relates to the Corporation’s corporate plan item – ‘Relevant and easy to use Worker Register and Levy Systems’.

This survey was only available for completion online. It covered three main areas relating to employers’ use of online services: ease of use; awareness of functions; and use of particular functions. The findings indicated that there are no significant areas of concern with the ease of use, as 94 per cent of users found completing their obligations online easy to do.

Awareness of functions showed 95 per cent of respondents were aware of being able to complete an Employer Return online. However, employers showed a lower awareness of the start/end notification function and this could indicate a lack of awareness of the requirement to notify of the start/end of workers during the year. The Corporation will continue to inform employers of this requirement in any marketing activities undertaken.

The survey results this year have been very positive across the range of services the Corporation provides. The Corporation has received good response rates, allowing more informed business decisions to better deliver services to our clients. High levels of customer satisfaction can be seen in all aspects of the Corporation's business, from the way work is processed, to the help provided to customers.

These findings reinforce informal customer feedback received and show a high standard of customer service provided by staff. The Corporation will continue to conduct similar surveys in the future to measure whether these high standards are being maintained.

Marketing and communications activities

Marketing and communication activities are part of the Corporation's compliance strategy. These activities are designed to increase understanding of employer's obligations and workers of their entitlements.

Advertisements appeared in trade journals and various newspapers to advise all industry employers of their obligations. Throughout the year, staff presented to members of trade associations including the Housing Industry Association, Master Builder's Association and Master Plumbers Association. Staff also provided information

94% of users found completing their obligations online easy to do.

services to many workers at the annual Building Trades Group of Unions picnic and conducted a number of information seminars for union organisers and delegates.

The Corporation's Marketing Plan highlights the importance of developing effective relationships with industry organisations and the benefits of those relationships for promoting the Corporation's message. Therefore, some of the Corporation's marketing budget was allocated for sponsorship of selected industry events including the Master Plumbers Association's Clarrie Wymer Awards.

Customer complaints

There were zero formal complaints made to the Corporation during the year.

APPENDIX 4 LEGISLATIVE CHANGE

The *Building and Construction Industry Long Service Payments Amendment Bill 2009* provides a regulatory prescription of Commonwealth Industrial Instruments, and addresses a number of operational and administrative changes aimed at supporting and improving administration of the *Building and Construction Industry Long Service Payments Act 1986*, and the online service delivery to workers and employers in the Building and Construction Industry.

Since the amendments in 1998, the building and construction industry has experienced significant changes in technology. The *Building and Construction Industry Long Service Payments Act 1986* needs to be updated to accommodate these changes. The present Bill introduces reforms sought by representatives of both workers and employers in the industry to provide a better long service scheme which is easier to use and simpler to understand.

The adoption of more flexible and efficient administrative practices included in the Bill will allow the Corporation to take advantage of modern technology in relation to its business activities and practices and offer an enhanced, streamlined online service to registered workers and their employers. Moreover, improved compliance measures have been included in the Bill by way of protection of the Corporation's levy revenue that will assist in the maintenance of a minimal long service levy rate.

Some of the key amendments to the *Building and Construction Industry Long Service Payments Act 1986* will:

- require an employer to advise the Corporation of the commencement date and other relevant details of a worker within seven days of the worker commencing building and construction work
- remove the requirement for employers to provide workers with certificates of service upon the worker ceasing work, at the end of the financial year, or at other times as required by the Corporation
- enable a registered worker employed to carry out building and construction and other work to be entitled to a full day of service when the majority of such a day is undertaking building and construction work
- limit the maximum number of weekly hours payable in any claim to 38
- allow the Corporation to exclude any periods of service from long service payments to employers where the service was not advised to the Corporation within two years of when service was required to be advised. This will commence on 1 January 2011 to allow adequate time to advise employers of the change
- allow the Corporation to determine the person to whom a refund of a long service levy is to be paid
- amend the period for applications to be lodged for refunds of levies paid in error from three months to 12 months (or other such period as prescribed by the regulations).

APPENDIX 5

FREEDOM OF INFORMATION ACT

There were no Freedom of Information (FOI) requests this year and no requests were unresolved from the previous year. No ministerial certificates were issued and there were no requests requiring formal consultation. No personal records required amendment as a result of any FOI request.

There were no ombudsman's reviews or District Court Appeals in 2009/10.

Two agencies are relevant under the *Building and Construction Industry Long Service Payments Act 1896*: the Building and Construction Industry Long Service Payments Corporation –

Agency 968 and the Building and Construction Long Service Payments Committee – Agency 1682.

Clients are encouraged to make direct contact with the Corporation if they wish to review their records and this service is supplied free of charge and does not require a FOI application.

Updated FOI Statements of Affairs have been prepared and are available from the FOI Coordinator, while the Summary of Affairs of both Agencies are published in the Government Gazette.

TOTAL FOI REQUESTS

	2008/2009		2009/2010	
	PERSONAL	OTHER	PERSONAL	OTHER
Agency 968	0	0	0	0
Agency 1682	0	0	0	0

The *Freedom of Information Act 1989* was replaced 30 June 2010 with the *Government Information (Public Access) Act 2009*.

APPENDIX 6

PRIVACY AND PERSONAL INFORMATION PROTECTION ACT

In accordance with section 33 of the *Privacy and Personal Information Protection Act 1998*, a Privacy Management Plan is in place and a copy provided to the Privacy Commissioner. No applications have been received for internal review of conduct under Part 5 of the *Privacy and Personal Information Protection Act 1998*. A statement of data collected, data source, purposes and authority for collection of personal data was also supplied to the Privacy Commissioner.

Induction of new staff has included training on policies and guidelines for protecting personal information and privacy, particularly on the Helpline.

The Corporation's formal complaint mechanism encompasses situations where customers have grievances in respect of requirements of the *Privacy and Personal Information Protection Act 1998*. Customers may lodge formal grievances which are addressed in accordance with legislative requirements.

APPENDIX 7

DISABILITY PLAN

This year, 994 grants of service were approved at over \$408,624 and 395 long service payments were made totalling over \$1,140,040 to members who became totally incapacitated and were forced to leave the industry.

APPENDIX 8

WOMEN'S ACTION PLAN

Scheme

The *Building and Construction Industry Long Service Payments Act 1986* provides a portable long service payments scheme to the building industry of NSW. Benefit's are equally available to male and female workers. There are provisions to preserve a woman's registration when pregnant.

Staff

The Corporation has continued its flexible work time agreement which offers a wide bandwidth, no core time and provides for up to three flexi-days in a six week period to assist staff in meeting their work and family commitments.

The Corporation introduced compressed hours during the financial year.

APPENDIX 9

ETHNIC AFFAIRS PRIORITY STATEMENT

Community relations

The Corporation is committed to the principles of multiculturalism. Progress against key result areas is shown below:

KEY RESULT AREA	ACHIEVEMENTS
Social Justice Providing an efficient and equitable scheme of portable long service benefits for the building and construction industry	<ul style="list-style-type: none">• A telephone translation service and staff fluent in community languages are available. This service is promoted to the industry and workers through various information materials and to callers on the Helpline experiencing language difficulties.• Information about the scheme is translated into 15 community languages and is available on the website.• Information in 15 languages, on the availability of the translation service and how to respond to the Annual Statement of Recorded Service was forwarded to over 254,000 workers with their annual statements.• The Corporation's legislation includes requirements for employers to register their workers ensuring those with reduced English proficiency have access to the scheme.• Information in 15 community languages is included on the reverse of letterheads.• A community languages advertising strategy includes advertisements promoting key employer obligations and worker information appearing in community language newspapers.
Corporation staff	<ul style="list-style-type: none">• Merit based principles are utilised for the recruitment of staff and requires an applicant to show a knowledge and understanding of Ethnic Affairs Priority Statements.• A Community Language Allowance Scheme is in place and staff are encouraged to obtain accreditation for community languages most used in the building industry. The Corporation also has access to WorkCover Community Language Allowance Scheme qualified officers.• Training and access to career development opportunities are available to staff. Target groups participated in training and career development opportunities.• The Corporation's two offices have designated quiet areas that can be used for religious practices.• The Public Service Association and the Corporation are signatories to a Dignity and Respect in the Workplace Charter.

The future strategic direction of Ethnic Affairs Priority Statement is to monitor, review and improve the effectiveness of the advice and services to workers from all cultural groups.

APPENDIX 10

PROGRAM EVALUATION

A three-year audit plan is maintained and reviewed annually. The audit approach has a strategic and risk focus, and provides a continuous audit presence in the three core business areas. Other functions are audited on a regular basis. The core business areas subject to audit are worker service register, levy revenue and long service payments, with effective management controls in place in all areas.

Deloitte Touche Tohmatsu was successful as the Corporation's new internal service provider for internal audit. Deloitte Touche Tohmatsu

have provided the Corporation with a revised three year risk base audit plan, as a result of completing a risk assessment of the Corporation's business.

A number of recommendations for improvements were noted and accepted and there have been no adverse findings from the audit program.

The Corporation is now a part of the CASD Audit and Risk Committee.

APPENDIX 11

INTERNAL AUDIT AND RISK MANAGEMENT ATTESTATION FOR THE 2009/2010 FINANCIAL YEAR FOR BUILDING AND CONSTRUCTION INDUSTRY LONG SERVICE PAYMENTS CORPORATION

23 August 2010

I, Scott Warr, Director of the Building and Construction Industry Long Service Payments Corporation, am of the opinion that the Building and Construction Industry Long Service Payments Corporation has internal audit and risk management processes in place that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*. These processes provide a level of assurance that enables the senior management of Building and Construction Industry Long Service Payments Corporation to understand, manage and satisfactorily control risk exposures.

I, Scott Warr, Director of the Building and Construction Industry Long Service Payments Corporation, am of the opinion that the Audit and Risk Committee for Building and Construction Industry Long Service Payments Corporation is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- Douglas Wright, independent Chair
- Carolyn Walsh, independent Member
- Susan Clark, independent Member
- Robert Ingui, independent Member
- Raymond Petty, independent Member
- Geneire Aplin, independent Member (Alternate)



Scott Warr

Director

Building and Construction Industry
Long Service Payments Corporation
Level 1, 19-21 Watt St, Gosford NSW 2250
Locked Bag 3000, Central Coast MC NSW 2252
Tel: (02) 4321 7473 | Mobile: 0407 492 939
Fax: (02) 9287 5685
Email: scott.warr@lspc.nsw.gov.au

APPENDIX 12

INSURANCES AND RISK MANAGEMENT

Insurance

Insurance was through the NSW Treasury Managed Fund and coverage was as follows:

- workers compensation – as per the NSW workers compensation legislation
- property – ‘new for old’ full replacement and including consequential increased costs of operation as a direct result of the physical loss or damage sustained to protected properties
- public liability – all legal liabilities (for which the Corporation can be sued)
- motor vehicle – full comprehensive
- miscellaneous risk – personal accidents (non-workers compensation); overseas travel; fidelity; etc.

Workers compensation

One workers compensation claim was lodged by staff in the 2009/10 financial year as a result of a ‘slip/trip’.

Total costs incurred against workers compensation claims this year were \$30 compared with \$779 for 2008/09. There are currently no open claims.

Risk management

The Corporation faces risk in respect of possible internal and external fraud, potential impact of fire, other related interruption or the failure of computer equipment. Procedures are in place to minimise the impact of such risks, while systems are regularly reviewed through a cycle of risk-focused internal audits. The Corporation also regularly reviews its internal control and check systems to ensure they continue to be aligned with business objectives and risk management strategies.

In accordance with the Australian and New Zealand Standard 4360:2004 and ISO31000 Standard, Deloitte prepared a new Risk Assessment and Three-Year Audit Plan for the Corporation in December 2009. Existing risk management activities were identified through the following techniques:

- interviews with senior management and key operational staff
- review of previous internal audit reports and findings
- review of selected Corporation policies procedures and organisational charts
- review of relevant legislation.

A Risk Management Plan was distributed in March 2010. The Plan’s philosophy and approach to risk management reflects the following:

- adherence to Australian and New Zealand Standard 4360:2004 Risk Management (ISO31000: 2009)

- ensuring the Corporation adopts a positive organisational structure that promotes risk management as part of everyday decision making and supports the acceptance, communication and management of appropriate risks at all levels
- the creation of an Operational Risk Management Group to oversee and monitor governance and risk control issues affecting the operations of the Corporation. The Group reports findings and feedback through a Senior Management Group to the Compensation Authorities Staff Division Audit and Risk Committee
- the Corporation remains accountable to its stakeholders and is seen as a transparent entity within the building and construction industry, while taking due consideration of political and social implications and ensuring accountability in its operations
- the creation of a Risk Management Register from a risk tolerance matrix with a system of periodic reviews
- the monitoring of the effectiveness of risk minimisation strategies through assessment as part of the internal audit process

Business continuity plan

A Contingency and Disaster Recovery Plan is in place. Recovery of key business systems onto an alternate contingency computer server from backup tapes has been successfully performed. Business recovery aspects relating to computer networks and telephone services provided by WorkCover under a Service Partnership Agreement also continue to be refined.

Duplicate stores of brochures and worker/employer related scheme stationery are maintained, while supplies of significant forms are retained at a third party site. This will assist in business resumption in the event of a major disruption. An invaluable source of company knowledge in the event of disruption, the Intranet contains procedures and policies for all business processes (images of a variety of worker documents etc), worker annual statements, industry committee worker appeal considerations and legal documentation on scheme issues and administration.

The Internal Audit Bureau Risk Management and Consulting Service was commissioned to review the Corporation’s Business Continuity Plan. The report, containing Business Recovery, Information Technology Recovery and Pandemic Response Plans, was accepted and actioned.

In May, a fire in the building accommodating the Lidcombe Office, enabled the Corporation to further test the plan in a genuine emergency situation and it proved effective. Further improvements were identified and action taken to incorporate them into the Corporation’s Business Continuity Plan.

APPENDIX 13

WASTE REDUCTION AND PURCHASING PLAN

Paper-based materials including mail-outs are used to provide information and communicate with customers. The move to recycling has been actively supported for many years and Australian-made recycled paper is used wherever possible. All envelopes used are a minimum of 60 per cent recycled paper and all printer toner cartridges are recycled. Waste paper products are disposed of in either the secure or general collection bins provided for regular collection and recycling, and records received are imaged and forwarded electronically for processing. The Corporation uses TRIM for records management purposes and is progressively imaging and cataloguing existing records.

Electronic service delivery

The Corporation has implemented a variety of initiatives to improve services and reduce the administrative burden in relation to compliance by employers, workers and levy payers.

Our online services allow employers to meet all their legislative obligations online. Workers are able to check their records, update contact details and notify changes to personal details online. Feedback from employers through email and helpline calls were positive regarding these online service initiatives.

More than 92 per cent of workers' service advice from employers was received online, while the remaining 8 per cent was received from paper returns that are processed via the electronic document and data capture system. This has resulted in significant savings, environmentally and economically. The Corporation no longer uses carbon impregnated triplicate forms or enters data from these forms manually.

Since April 2009 levy payers can pay their levy online on the Corporation's website besides using the collection agents, the local councils, or via cheques to the Corporation. In 2009/2010, the Corporation received over 5900 payments online, which was 45 per cent of direct payments to the Corporation for the year. Local Councils already submitted their month end returns electronically.

Electronic funds transfer (EFT) for long service payments to workers and administrative expenses has been in place for many years. About 97 per cent of the payments made to workers were by EFT.

The Corporation's website continues to provide immediate access to most Scheme forms and information material (including community language material).

APPENDIX 14

GOVERNMENT ENERGY MANAGEMENT POLICY

Prior to November 2008, the Corporation's Head Office operated via a leasing arrangement with the WorkCover to obtain competitive rates for its accommodation energy requirements. It also took full advantage of green power and renewable energy sources. As part of the Corporation's new head office fit-out, the Department of Commerce was commissioned to oversee the process and ensure energy management requirements were met. Due to the change in circumstances, no appropriate historical data is available to evaluate potential savings.

Energy reduction strategies that are in place include:

- computer and photocopying equipment with sleep modes, if not in use
- staff procedures to turn off electrical equipment at night or when not in use.

The introduction of a Fleet Environmental Improvement Plan contributed to a further reduction in petrol usage of approximately 11 per cent in 2009/10. Fleet requirements are regularly assessed in accordance with this plan.

APPENDIX 15

INFORMATION TECHNOLOGY

The Corporation engages the services of the WorkCover to provide information technology and telecommunication infrastructure under the NSW Government Shared Corporate Services Program.

The Corporation has a strong reliance on information technology to manage the Long Service Payments Scheme in an efficient and cost effective manner. In this regard, stringent budget and quality controls are exercised by developing, maintaining and supporting the core business application systems in-house.

One objective is to provide more on-line services to the public.

Employers are able to update their business and employee details and meet their legislative obligations using the on-line service centre. In 2009/2010, over 75 per cent of active employers submitted their

employee information via the on-line service center. This accounts for 92 per cent of worker employment information in the year. Workers can update their personal details and view their service records on-line.

From April 2009, it has been possible to pay long service levies online. In 2009/2010, 45 per cent of the direct payments to the Corporation were made online.

The Corporation continues to seek opportunities to increase online services to the public and commenced the development of Tax Agent On-line facility to enable agents to lodge the service information of self employed workers in the Scheme.

APPENDIX 16

OCCUPATIONAL HEALTH AND SAFETY

The Corporation has a Service Partnership Agreement for Human Resources with WorkCover. Occupational health and safety forms part of this agreement. WorkCover assists with managing and reporting workplace health and safety issues in accordance with the Working Together: Public Sector OHS and Injury Management Strategy.

The Occupational Health and Safety Committee consists of two management members and four staff representatives.

Emergency evacuation procedures were reviewed last financial year and have been tested and approved. Fire evacuation drills were conducted, which included special procedures for staff with

disabilities. All staff were instructed in emergency procedures on commencement of duties. Seventeen fire wardens with appropriate training are appointed at our Gosford and Lidcombe offices. In addition to evacuation procedures for fire, training has also included emergency management of potential situations including biohazards, bomb threats and earthquakes.

Under the Employee Assistance Program, Davidson Trahaire Corpsych provides a confidential counseling and assistance scheme for employees and their families and is widely promoted within the Corporation.

APPENDIX 17

EQUAL EMPLOYMENT OPPORTUNITY

Under a Service Partnership Agreement with the Corporation, WorkCover collects EEO data regularly for the Premier's Department Workforce Profile. This assists in monitoring the Corporation's EEO performance against NSW Government employment benchmarks for staff from EEO minority groups. The Corporation achieved the established targets for 'trends in the representation of EEO groups', with the exception of those whose language first spoken, as a child, was not English.

The Corporation's two offices were designed to ensure easy access for people with disabilities and have designated quiet areas that can be used for meditation or religious practices.

The Public Service Association of NSW and the Corporation have a Dignity and Respect in the Workplace Charter to reinforce commitment to a workplace that is free from harassment and bullying.

TRENDS IN THE REPRESENTATION OF EEO GROUPS

	BENCHMARK OR TARGET %	2005 %	2006 %	2007 %	2008 %	2009 %	2010 %
EEO GROUP							
Women	50	55	60	60	65	67	67
Aboriginal and Torres Strait Islander employees	2	2	2	2	3	5	3.1
People whose language first spoken as a child was not English	20	16	13	16	9	8	7
People with disabilities	12	12	22	15	14	13	18
People with disabilities requiring work-related adjustment	7	10	16	9	10	9	13.1

TRENDS IN THE DISTRIBUTION OF EEO GROUPS

	BENCHMARK OR TARGET	2005	2006	2007	2008	2009	2010
EEO GROUP							
Women	100	86	85	85	86	88	86
Aboriginal and Torres Strait Islander employees	100	n/a	n/a	n/a	n/a	n/a	n/a
People from culturally and linguistically diverse backgrounds	100	n/a	n/a	n/a	n/a	n/a	n/a
People with disabilities	100	n/a	n/a	n/a	n/a	n/a	n/a

Notes: Staff numbers are a per cent as at 30 June and exclude agency staff. A distribution index of 100 indicates that the center of the distribution of EEO group salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than other staff. An index of more than 100 shows that the EEO group is less concentrated at lower levels. The distribution index is not calculated where the EEO group is less than 20.

APPENDIX 18 HUMAN RESOURCES

WorkCover has continued to provide human resource services through a Service Partnership Agreement implemented in response to Government policy initiatives and the Corporation has adopted relevant human resources policies.

Work practices/industrial relations

There were no major industrial relations issues. A Joint Consultative Committee meets regularly to address industrial issues and this consists of representatives from the Public Service Association (PSA) of NSW and the Corporation, with WorkCover providing advice on human resource issues.

Training and development

During the year three officers successfully completed the Certificate IV Course in Government. Three senior officers also actively participated in the Corporate Leadership Program. This was in addition to routine training and development.

Staffing Statistics

		2006/07	2007/08	2008/09	2009/10
APPOINTMENTS					
Non promotional (base grade)	Permanent	–	–	–	–
	Temporary	–	–	–	–
Promotional positions	Permanent	3	13	3	1
	Temporary	5	3	5	2
TOTAL		8	16	8	3
RECRUITMENT					
Applicants outside the public sector		4	6	5	2
Applicants within the corporation		3	6	2	1
Applicants from other public sector		–	–	–	–
Organisations		1	4	1	–
TOTAL		8	16	8	3
SEPARATIONS					
Resignations permanent officers		–	–	1	–
Separations temporary officers		2	–	2	2
Transfers within public sector		2*	2*	2	–
Promotions to other public sector organisations		2	1	–	1
Voluntary redundancy		–	–	–	–
Retirement		–	6	2	1
TOTAL		6	9	7	4
CHIEF AND SENIOR EXECUTIVE OFFICERS					
SES officers		1	1	1	1
Number of female SES officers		–	–	–	–
Number of SES officers at Level 5 and above		–	–	–	–

* Includes officers on promotional secondments

		FTE* 2006/07	FTE* 2007/08	FTE* 2008/09	FTE#* 2009/10
COMPARISON OF STAFF LEVELS					
Senior executive service		1	1	1	1
Clerk grade 9-12		7	7	6.9	–
Clerk grade 5-8		24.1	21.5	22.3	–
Clerk grade 1-4		29.3	28.8	28.8	–
Temporary contracting staff		7.5	7	3.3	3
Employees covered by the Crown Employees Award		–	–	–	57
TOTAL		68.9	65.3	62.3	61

* FTE equals full time equivalent permanent/temporary officers employed and agency staff but excludes officers on leave without pay or secondment to other departments or agencies.

Based on the FTE as at 10 June 2010 when the Corporation's Workforce Profile statistics were submitted. This is a change in the calculation methodology in order to be consistent with the other agencies within the Compensation Authorities Staff Division. Previous years calculations were slightly understated due to the miscounting of officers on half pay parental leave.

APPENDIX 19

CONSULTANTS

The Corporation engaged three consultants during 2009/10 at a total cost of \$84,902 for the purpose of finance and accounting/tax.

APPENDIX 20

ANNUAL REPORT COSTS

The annual report was produced at a cost of \$7,710.

APPENDIX 21

ANNUAL REPORT AVAILABILITY

Copies of Annual Reports are available on the Corporation's website www.lspc.nsw.gov.au .

APPENDIX 22

OTHER DISCLOSURES

The Corporation has no subsidiaries and has not entered into joint ventures or partnership with other organisations.

The Corporation does not own any real estate property nor was any real estate property disposed of during the year.

Officers made no overseas visits during the year.

No research or development programs were undertaken.

There were no grants made to non-government community organisations.

The Corporation does not use or hold credit cards.

