



**LONG SERVICE
CORPORATION**
ANNUAL REPORT
10/11



LETTER TO THE MINISTER

31 October 2011

The Hon. Greg Pearce, MP
Minister for Finance and Services

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 for the Long Service Corporation for the
financial year ended 30 June 2011.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Coutts-Trotter', written over a light grey rectangular background.

Michael Coutts-Trotter
Chief Executive Officer

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YEAR IN REVIEW

The Corporation is now in its 36th year of operation and continues to deliver excellent service to the building and construction industry. This year the Corporation reduced its deficit by another 31 per cent, thanks to strong first half year returns in the investment market despite a slowdown in activity in the building and construction industry. The ease and simplicity of our online services is evident, with 77 per cent of employers lodging returns and 92 per cent of employed workers having their service lodged online. A great addition to the Corporation's online service capability was the Tax Agent facility, which enables Self Employed Workers to work with their registered tax agent to have their service lodged. The Corporation continued to work with representatives of both workers and employers in the industry to increase involvement and retention of workers by using technology to deliver a user- friendly and effective scheme.

The Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010 and Long Service Corporation Act 2010 were passed in December 2010 creating the beginning of a new era for the Corporation. The Corporation now moves beyond the building and construction industry to the contract cleaning industry and is quickly adapting to running more than one scheme. The Corporation has positioned itself to accept the responsibility for administering portable long service schemes for other industries if called upon.





“

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

CHARTER

Established in 1982 to administer the *Building and Construction Industry Long Service Payments Act 1986* the Long Service Corporation provides a portable long service payments scheme to building and construction workers in NSW. With the introduction in 2010 of the *Long Service Corporation Act* and the *Contract Cleaning Industry (Portable Long Service Scheme) Act* the Corporation's name changed from the Building and Construction Industry Long Service Payments Corporation to the Long Service Corporation. From 1 July 2011 the Long Service Corporation will also administer a portable long service scheme to the contract cleaning industry.

PRINCIPAL OFFICERS

MICHAEL COUTTS-TROTTER

Director General, Department of Finance and Services
Chief Executive Officer, Long Service Corporation

SCOTT WARR BA, MMGT

Director

SAM SOOIALO BIT CMgr MBA

Assistant Director (Operations)

PAUL STALLING

Manager, Strategy, Policy and Planning

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.longservice.nsw.gov.au

EMAIL

info@longservice.nsw.gov.au

HOURS

8.30 am to 5.00 pm
Monday to Friday

OUR FUNCTIONS

- Ensuring eligible workers are registered in the scheme and recording service.
- Ensuring eligible 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 in NSW.

OUR SERVICES

Services provided by the Corporation include:

- Helpline operating from 8:30am – 5:00pm 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 in levy matters;
- presentations at industry events organised by local councils or certifiers.

CORPORATE DIRECTION AND REPORTING

The Corporation's 2010/2011 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 2011.

The appendices to this report provide additional information required under the *Annual Reports (Statutory Bodies) Act 1984* and its regulations, Government Information (Public Access) Act 2009, Treasury Circulars and Premiers Memoranda.

CEO REPORT



MICHAEL COUTTS-TROTTER
CEO

I commenced in the role of Chief Executive Officer of the Long Service Corporation in June 2011 after the new NSW Government further consolidated the Principal Agencies from 13 to nine in April 2011. The consolidation saw the Corporation transferred from the Compensation Authorities Staff Division to one of my direct reports as Director General of the newly formed Department of Finance and Services.

I thank Lisa Hunt who was CEO of the Corporation for the majority of the year, for her support and guidance to the Corporation. I also thank the Director, Scott Warr and Long Service 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 36th year of operation and has paid benefits to over 175,000 workers, totalling over \$713 million.

This year has seen a number of changes impact on the Corporation. Most significantly the corporation worked with NSW Industrial Relations to develop a business model and legislation for a portable long service leave scheme for the contract cleaning industry. This led to the Corporation changing its name on 1 January 2011 to enable it to administer both the Building and Construction as well as the Contract Cleaning Schemes.

The New South Wales building and construction industry appears to have slowed in the post Federal Government's Education Revolution stimulus package era. However, modest results in terms of building and construction activity and the flow on effect to the Corporation in terms of increased levy revenue, coupled with some positive results in the investment markets, enabled the Corporation to continue to reduce the scheme deficit by approximately 31 per cent by the end of the financial year.

Challenges lie ahead for the industry in the coming year, particularly with sectors of the industry continuing to experience a slowdown in activity. 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 an amendment to the *Building and Construction Industry Long Service Payments Regulation 2006*, which extended coverage by the scheme to include carpet layers and to prescribe a number of the Modern Awards. The Corporation delivered a new Tax Agent Online facility which will greatly enhance the ability and ease with which self employed workers can notify the Corporation of their service to the industry.

I thank the Building and Construction Industry Long Service Payments Committee for their contribution to the business strategy and direction. 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.

The Corporation's future direction is to continue to implement its strategy for an online service delivery model. Leveraging technology will assist in increasing the involvement and retention of workers in participating NSW industries by providing portable long service entitlements. The Corporation will continue to refine its current suite of online facilities and introduce further facilities over the coming years.

A handwritten signature in black ink, appearing to read 'M. Coutts-Trotter', with a stylized flourish at the end.

Michael Coutts-Trotter
CEO

DIRECTOR'S REPORT



SCOTT WARR
DIRECTOR LSC

The Corporation continued to deliver its core services of claim payments totalling \$59.3 million to 10,309 workers, levy collection payments of \$84.1 million and the registration of 28,800 new workers and 2,406 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 an amendment to the *Building and Construction Industry Long Service Payments Regulation 2006* come in force on 3 March 2011. This amendment extended scheme coverage to include carpet layers for the first time and prescribed a number of Modern Awards.

During the year the Corporation worked very closely with NSW Industrial Relations and contract cleaning industry stakeholders to develop the legislation for the new scheme. Similar cleaning schemes in the ACT and Queensland helped to inform the Corporation's implementation plan for the commencement of the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010* in July 2011. In order to administer both the Building and Construction Industry and Contract Cleaning Industry Schemes the Long Service Corporation Act 2010 was passed in December 2010 and as a consequence the Corporation changed its name to the Long Service Corporation with effect from 1st January 2011. The Corporation established an implementation project team which has set up the contract cleaning scheme and will manage the first year of operations before having the responsibilities for the cleaning scheme integrated into the normal business units of the Corporation.

The Corporation conducted its annual cancellations of inactive building and construction workers. A total of 18,232 inactive workers were issued with cancellation notices. A total of 422 appeals were received. 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 slowdown 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 another positive return of 8.5 per cent.

The much anticipated tax agent online facility was delivered on schedule and before the end of the financial year. This facility allows tax agents to register with the Corporation and lodge self-employed worker returns online. The early feedback and initial sign up rate for tax agents has been extremely encouraging. 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 2011/2012 will be to continue to build on the high levels 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 integration.

A key part of the 2011/2012 financial year will be the development of the Corporation's information systems strategy which will incorporate defining the high level user requirements for the information systems concept and service provider support model. It will also detail the requirements for business intelligence reporting, and the redeveloped Corporation website. Key performance indicators will be developed and tested for the new key results areas that support the Corporation's new Corporate Plan 2011-2016.

Leveraging technology to deliver a user-friendly and effective portable long service scheme will be the Corporation's new mission. 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 fundamental to the Corporation in achieving its vision.

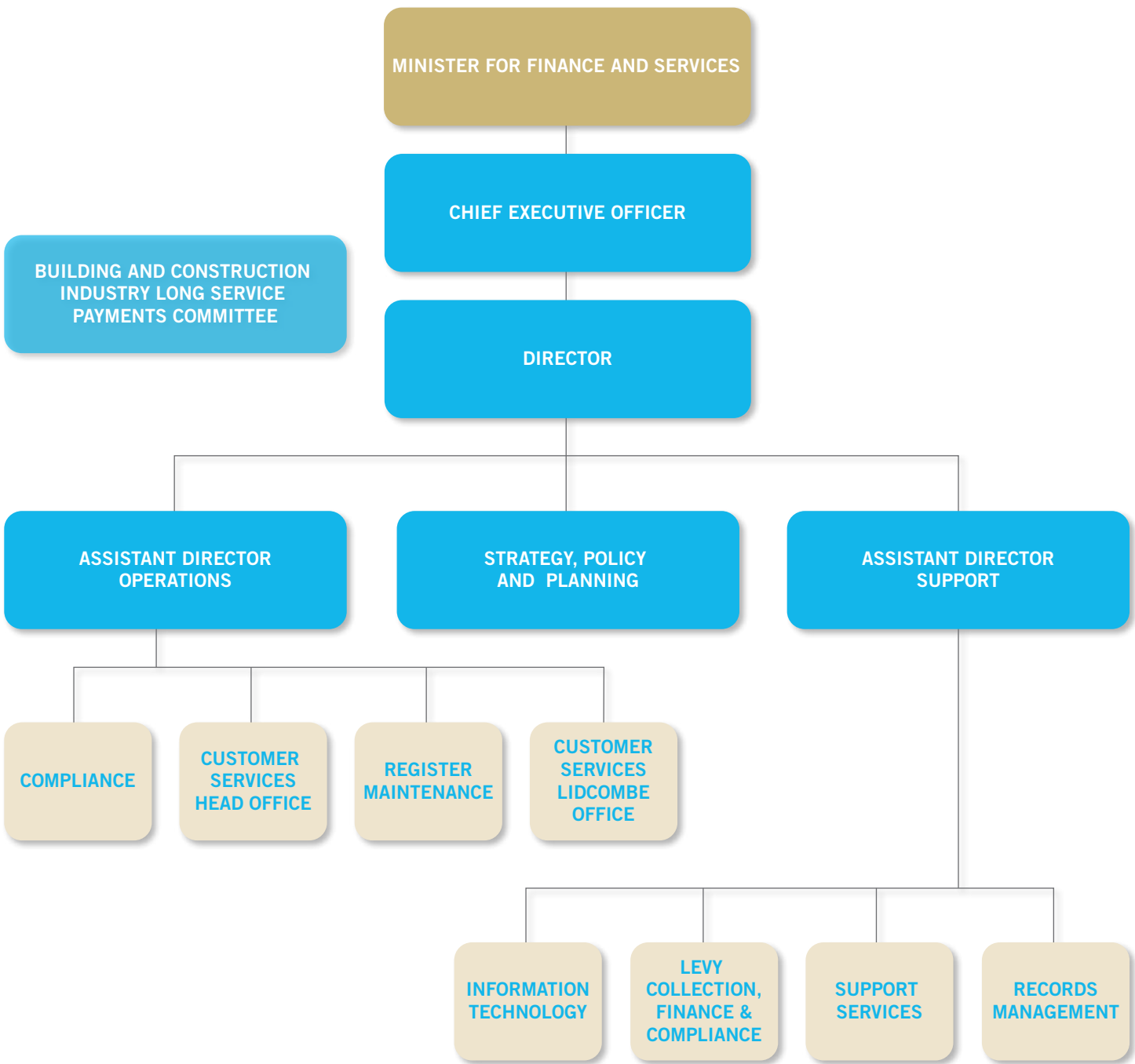
Overall, the Corporation continues to administer the *Building and Construction Industry Long Service Payments Act 1986* to an excellent standard. The new financial year brings with it many opportunities for the Corporation to build on the good work and excellent achievements of 2010/2011. I look forward to working in partnership with the building and construction and contract cleaning industries to further improve the efficiency and ease with which we deliver our services to workers and employers.

A handwritten signature in black ink, appearing to read 'S. Warr'.

Scott Warr
Director

ORGANISATIONAL STRUCTURE

ORGANISATIONAL STRUCTURE ON 30 JUNE 2011



CORPORATE PLAN 2009-2013



ENGAGE STAKEHOLDERS TO INFORM AND EDUCATE

BUILDING STRONG ONGOING RELATIONSHIPS WITH INDUSTRY

The Corporation's relationship with the industry was maintained and strengthened during the year through participation in meetings with employer associations and unions.

The Director and Marketing Manager met with industry executives throughout the year. Inspectors liaised with employers and workers and participated in a number of industry events. In addition, the Director issued letters to industry to keep them informed of significant developments within the Corporation.

ACTIVELY SEEKING STAKEHOLDER VIEWS

The Corporation seeks stakeholder views to measure the level of satisfaction with service standards and to identify areas where improvement or change may be required.

The Building and Construction Industry Long Service Payments Committee comprises members from trade unions, employer associations and members nominated by the Minister with industry experience. The Committee provides an advisory role to the Corporation and presents stakeholder views for consideration. The Committee met 3 times this financial year.

Two surveys were conducted relating to services we provided throughout the year. They canvassed audited employers, and the level of employer knowledge of the online services we provide. Survey results indicate a high level of customer satisfaction with both the service standards and the range of services provided.

During development of the online tax agent facility, two local tax agents were invited to test the facility and give feedback on its functionality. Their feedback was used to ensure a successful launch of the facility during this financial year.

Findings from surveys are used to develop and deliver materials to increase employer and worker understanding and awareness of their obligations and benefits. Similar surveys will be conducted in future to ensure the high level of customer satisfaction is maintained.



DEVELOP EFFECTIVE PARTNERSHIPS

This financial year we participated in 40 industry events with the Master Plumbers Association, Master Builders Association and the Housing Industry Association. Participation in these trade shows provides opportunity to foster partnerships with industry associations as well as disseminate information to industry participants.

The Corporation continued to strengthen partnerships with other government agencies such as NSW Industrial Relations and NSW Fair Trading. Corporation staff contributed to the Residential Construction Industry Workplace Assistance Program, a partnership between NSW Industrial Relations and the Fair Work Ombudsman to provide assistance to employers in the residential construction industry.

EDUCATE AND INFORM STAKEHOLDERS

In 2010-11 the Corporation maintained its relationship with TAFE colleges throughout NSW. The Corporation continued to recognise TAFE student achievements 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. Inspectors attended colleges throughout the state to provide information session for apprentices. This year, 318 classes were addressed.

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

Involvement in these events combined with advertising in relevant publications ensures industry participants are well informed of their obligations and the benefits available.

RELEVANT AND EASY TO USE WORKER REGISTER AND LEVY SYSTEMS

IMPROVED ONLINE SERVICES

Imperative in this digital age, the Corporation must continually strive to provide a 24/7 online service that is streamlined and user-centric for our stakeholders - utilising current and future web based technologies.

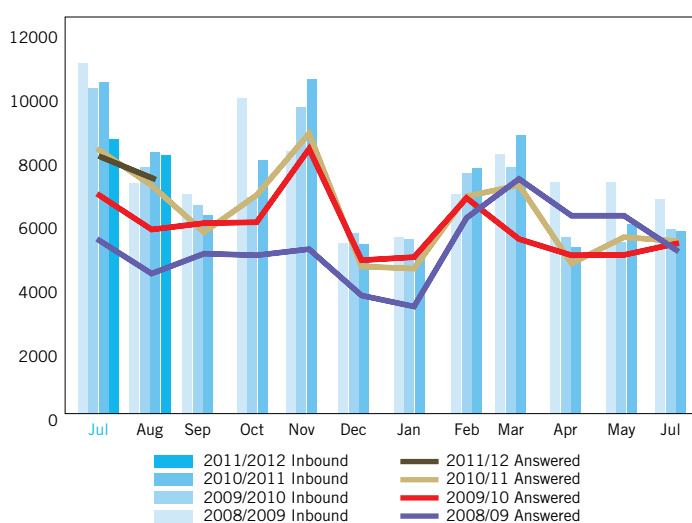
The most recent of these initiatives saw the successful completion and launch of the Corporation's new Tax Agent Online system in June 2011. The new system allows tax agents to register directly with the Corporation; thereafter allowing them to lodge self-employed worker returns.

In line with the Corporation's five year strategic plan, one particular project of a similar nature is now underway - the development of an online claims system for workers and employers alike.

IMPROVE HELPLINE SERVICES

The main avenue for client contact with the Corporation is through the 13 14 41 Helpline. An average of 7,100 calls are received each month by the Helpline equating to approximately 86,000 this financial year – an increase of 2% from last financial year. Of these approximately 75,400 (88%) of calls were successfully answered by a Customer Service Officer - 66% of these were answered within two minutes. The Helpline is operational from 8.30 am to 5.00 pm five days a week. Where demand exceeds available officers, a queuing mechanism is activated allowing callers to get an overview of recent changes. These customer focused messages are updated regularly.

INBOUND VS ANSWERED PHONE CALLS



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.

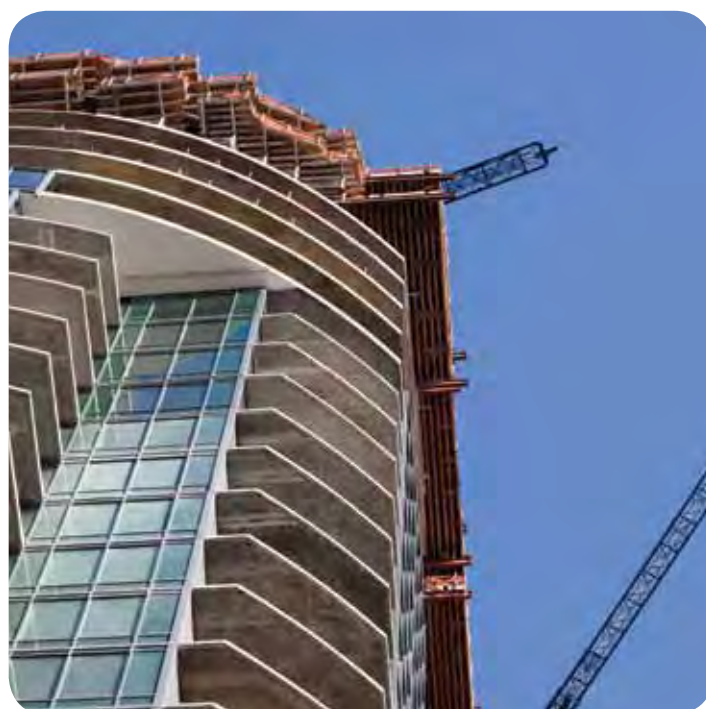
This financial year 182,811 hits were made to the Corporation website by 110,486 visitors.

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.

RECOMMEND AND IMPLEMENT LEGISLATIVE CHANGE

This financial year marked a milestone for the Building and Construction Industry Long Service Payments Corporation with the formal name change to the Long Service Corporation on 1 January 2011. The primary reason for the change was to enable the Corporation to incorporate and implement the NSW Contract Cleaning Industry Portable Long Service Leave Scheme and other long service schemes in the future if required. Legislation was introduced to Parliament in November 2010 and passed in December, changing the Corporation's name and enabling it to administer both the Building and Construction Industry and Contract Cleaning Industry Schemes. The legislation also approved the establishment of the *NSW Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010* to commence on 1 July 2011.

An amendment of the *Building and Construction Industry Long Service Payments Regulation 2006* occurred on 3 March 2011 enabling workers from the carpet laying profession to be registered with the Scheme. It also enabled the inclusion of certain relevant Modern awards in the prescribed awards. The Regulation is required to be remade before 1 September 2011.



SYSTEM IMPROVEMENT AND DEVELOPMENT

The Corporation is continually striving to achieve better results for stakeholders through the provision of more efficient operational business systems. This year the Corporation undertook a review of the requirements for an upgrade of our Worker Register System. A decision was taken to cancel any upgrade, therefore, enabling the development of specification documents which would ensure that all requirements of both the Building and Construction Industry and Contract Cleaning Industry Schemes are addressed with a view to procuring an integrated business system. We plan to leverage off the best parts of the current systems and improve the technology used.

The Corporation finalised its EFT module for the Levy System which will significantly speed up the levy refund process. The Levy System itself has been identified for a significant upgrade next financial year. Phase one of Business Intelligence Reporting project was completed this year and initial indications are that the project will significantly improve our ability to mine our data and put it into a format that will better inform decision making.

The delivery of our Tax Agent Online facility further enhanced our online services and will provide a template for additional development in this area such as online claims payments. Key future developments will be a knowledge database and an email engine to improve customer service and communications.

IMPROVE ACCURACY AND USE OF DATA

The ability of the Corporation to produce meaningful and accurate reports is crucial to the day to day operations – as well as setting the strategic directions. A number of management dashboards were produced showing trends such as the number of worker and employer registrations on month by month and year by year comparisons. Other information such as the number of Inspector audits versus the number of worker records checked are now possible.

In addition, a much bigger project was commissioned to build a Management Information Systems (MIS) utilising Cognos Business Intelligence technology. To this end the Corporation now has the ability to review trends such as the number of claims made by workers and employers. This information can also be interrogated to show the number of claims made versus approved versus claimant demographics versus location. Further development is underway to expand this functionality so that the Corporation can forecast the number and value of expected claims at the click of a button.

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 31 per cent. However given the current volatility in global equities markets producing a potentially lesser return than expected by the actuaries, it would be prudent to consider a return to surplus subsequent to 2012/2013.

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.

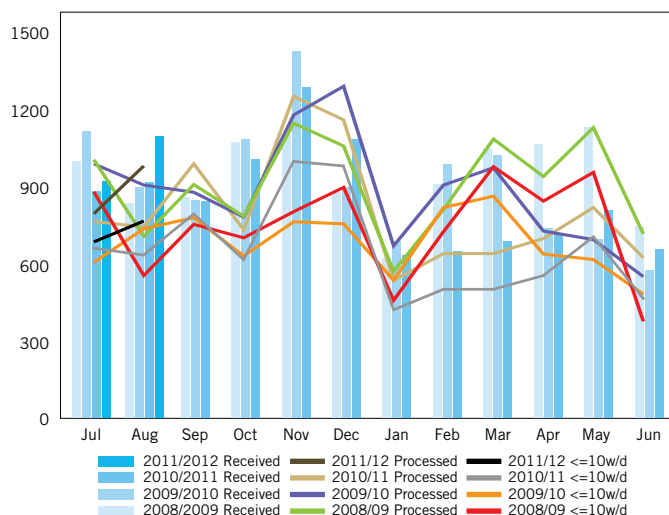
EQUITABLE LEVY RATE

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. An average of 859 claims were received each month. Overall 10,309 claims were paid, with 84% being successfully paid within 10 working days.

CLAIMS RECEIVED VS PAID



RESPONSIBLE FINANCIAL MANAGEMENT

The Corporation worked with the Compensation Authorities Staff Division to establish a standard chart of accounts.

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

The Long Service Corporation finalised its first review of all staff position descriptions in over ten years. The next step is to review the structure of the Corporation which has remained unchanged for many years. It will aim to ensure that the Corporation is fit for purpose and set up to deliver on its Corporate Plan 2011-2016. That project is high on the Corporation's key priorities for next financial year.

TRAINED AND COMPETENT STAFF

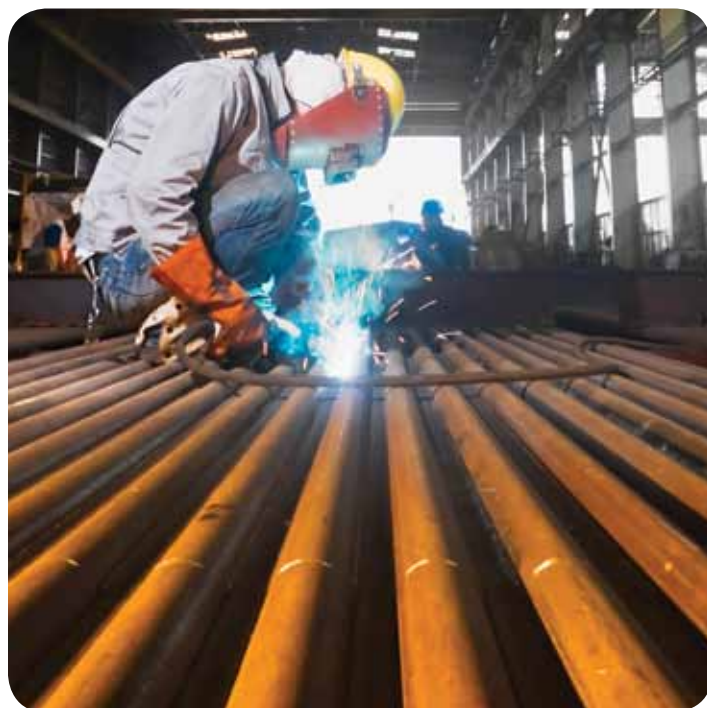
The Corporation continues to encourage staff to participate in training to strengthen knowledge and confidence. This financial year three staff members completed a Diploma in Project Management and several staff completed the Certificate IV in Government. A number of staff have been provided financial assistance to undertake individual study in work related areas. 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 our last staff member complete the Certificate IV in Government and other staff progress with their sponsored courses. The Corporation, through its new performance management system, will provide staff greater opportunities to undertake more focused training to increase their job skills and knowledge.

CONTINUOUS IMPROVEMENT OF BUSINESS SYSTEMS AND PROCESSES

During the financial year the Operations Division undertook a business process mapping exercise of all units to formally document key processes which could be reviewed and improved. The activity will provide the template for a similar exercise to be conducted in other areas of the Corporation.

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



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 Deloitte to conduct a review of the Corporation's Business Continuity Plan. This review report recommended that the Business Continuity Plan be rewritten given a number of key changes to the Corporation's business systems and location. The Corporation has already commenced the rewriting process with the Business Impact Analysis completed and a Business Recovery workshop also completed. A new draft Business Continuity Plan has been delivered with a test exercise due early in the new financial year.

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 saw a significant change in senior management with both Assistant Directors retiring and the Finance Manager also leaving. The new members of the senior team bring significant commercial and private sector experience to the Corporation. Fact based decision making has been given greater emphasis in all areas.

As a result of the Corporation being tasked with the responsibility of administering the new *Contract Cleaning Industry Portable Long Service Leave Scheme Act 2010* it was necessary for the Corporation to revisit its Corporate Plan. A series of workshops and discussions led to the formulation of the new LSC Corporate Plan 2011-2016, which contains a new Vision, Mission and Key Result Areas.

The Corporation implemented a performance management system, to provide staff a clearer line of sight from their job to the Corporation's vision. It will also provide the mechanism by which the Corporation can achieve its new Corporate Plan. Performance Management will focus the efforts of all staff and provide feedback, guidance and development opportunities at all levels across the Corporation.

GOOD COMMUNICATIONS

The Corporation encourages open internal communication with staff. The Corporation undertakes staff surveys to gauge staff satisfaction levels on a variety of fields including human resources, information technology, training and job satisfaction.

The results from these surveys are analysed and strategies developed to address any issues staff may be experiencing. This financial year a Corporation policy on Higher Duties Allowance and Expression of Interest opportunities was developed to clarify the Corporation's approach as a result of staff concerns about the process.

The Corporation has a schedule of meetings at all levels and in all areas to ensure that essential information and requirements are being shared. As an example senior management, manager and staff meetings are held to address cross corporation issues and divisional and unit meetings address specific issues within those areas.



EFFECTIVE GOVERNANCE

Effective governance has been achieved by adhering to a clearly defined reporting structure. Some of these forums are 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 Building and Construction Industry Committee to assist with the development of accurate policy and administrative advice on the scheme and to the Minister.

The Corporation has a three year internal audit plan of which this year was year 2. The plan was developed in consultation Deloitte who are the Corporation's Internal Audit Service provider. During the financial year the Corporation was an active member of the CASD Audit and Risk Committee. Finalised Internal Audit Reports were submitted to the Committee for review and no major issues or concerns were noted.

MAJOR OPERATIONAL PERFORMANCE STATISTICS

	2008/09	2009/10	2010/11
ACTIVITY AND/OR ADMINISTRATIVE FUNCTION DESCRIPTION			
Long service payments	10,773	10,456	10,309
Value of long service payments made	54.3m	57.8m	59.3m
Cumulative number of payments made since scheme began	154,432	164,888	175,197
Cumulative value of payments made since scheme began	595.3m	653.3m	713.0m
New worker registrations approved	23,211	24,742	28,800
Workers removed from register (including bulk cancellation)	150,702	23,944	20,741
Total number of approved workers	281,527	281,398	288,481
New employer registrations approved	2,702	2,487	2,406
Total number of registered employers	38,265	39,966	31,315
Number of employed worker service years recorded	108,785	107,736	108,255
Number of self employed worker service years recorded	25,592	25,122	24,173
Number of other service years recorded	652	1,038	825
Objections by workers to service credits per 1000 workers	6	6	3
Appeals determined	6	1,607	364
% of employer audits with satisfactory ratings	93.0	92.3	94.8
Total incoming telephone enquiries to 13 14 41 Helpline	98,980	83,618	86,072
% of 13 14 41 Helpline calls answered in two minutes	68	68	66
Total incoming telephone enquiries answered on 13 14 41 Helpline	84,879	78,491	75,641
Total written enquiries	10,256	9,002	8,574
Total counter enquiries	2,416	2,729	3,027
Total funds invested	478.3m	540.5m	610m
Scheme liabilities	602.1m	633.7m	668.7m
Investment income	-54m	53.2m	45.7m
% investment return – cash	5.3	4.5	5.4
% investment return – long term growth	-10.3	11.3	8.5
Long service levy income	63.1m	81.2m	84.1m
% of levy audits with satisfactory ratings	98.0	99.0	99.0
Net administration costs	12.5m	10.2m	9.1m

THE BUILDING AND CONSTRUCTION INDUSTRY LONG SERVICE PAYMENTS COMMITTEE (REFERRED TO AS THE INDUSTRY COMMITTEE)

The Industry Committee is constituted under the *Building and Construction Industry Long Service Payments Act 1986*. It is an advisory and appellate body, consisting of ten part-time members appointed by the Minister and chaired by the Chief Executive Officer or a delegate of 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 3 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*.

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, consultation regarding the development of the Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010, review of the Scheme Coverage definition, circumstances warranting restoration of a cancelled or removed registration, service credits where 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 3 appeals from workers as shown in Table A. 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 2011, 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 2010/11 financial year but will not be heard until the 2011/12 financial year (refer Table B).

RESULTS OF APPEALS

TABLE A

	UPHELD		DISMISSED	
APPEAL AGAINST	09/10	10/11	09/10	10/11
Refusal of registration (Section 49(1)(a))	2	1	0	0
Refusal of service credits (Section 50(1))	2	1	5	1
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	4	2	5	1

Annual Report : Industry Committee – Results of Appeal

TABLE B

	CARRIED OVER FROM 2009/2010	NUMBER WITHDRAWN AFTER LODGEMENT				CARRIED FORWARD TO 2011/2012
APPEAL AGAINST		RECEIVED	UPHELD	DISMISSED	WITHDRAWN	
Cancellation of registration (Section 19(1A)) – 4 year service gap	425	369	271	45	110	368
Cancellation of registration (Section 19(2)) – registration should not have been approved	57	53	36	9	12	53
TOTAL	482	422	307	54	122	421

CHAIRPERSON



VICKI TELFER BSC DIPED MPA MALP

Executive Director
NSW Industrial Relations (NSWIR)

Meeting attendance: Not applicable

Vicki Telfer joined the NSW Department of Industrial Relations in October 2010 as the Executive Director of NSW Industrial

Relations (NSWIR) and has extensive industrial relations experience. Prior to this Vicki was at WorkCover for over 10 years with the last six in the role of General Manager Strategy and Policy. In her current role she has worked on a range of issues most notably reforms to public sector industrial relations, the federal test case on equal remuneration and long service leave schemes as well as building a strong relationship between NSWIR and the Fair Work Ombudsman to ensure delivery of contracted compliance programs. Vicki took on the role of Chair of the Building and Construction Industry Long Service Payments following the transfer of the Corporation to the Department of Finance and Service agency cluster.

MEMBERS NOMINATED BY THE UNIONS NSW



RUSS COLLISON

State Secretary,
Australian Workers Union NSW

Meeting attendance: 1 out of 3

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.



MICHAEL DOUST

Organiser, Electrical Trades Union of
Australia

Meeting attendance: 1 out of 3

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. He is also a Trustee Director of Energy Industry Super.



KERYN McWHINNEY

DIP IND LAW

Senior Claims/Industrial Officer,
Co-ordinator Construction Forestry Mining
Energy Union (CFMEU), (Construction
& General Division) NSW Branch

Meeting attendance: 1 out of 3

Keryn has worked in the trade union movement since the mid 1980's. She commenced her union career with the Building Workers Industrial Union (BWIU) and a few years later moved to BWIU's National Office as National Systems Officer. In 1998 Keryn moved to the CFMEU, NSW Branch as Claims Officer. During this time she was seconded to the position of General Manager for 18 months. In 2000 Keryn was made an Industrial Co-ordinator.

Keryn is a Member of the Building and Construction Industry Long Service Payments Committee, NSW Government Appeal and Ministerial Advisory Committee. She is also a current member of the NSW Government Department of Education and Training's Vocational Training Tribunal and Vocational Training Appeal Panel. Keryn has been invited to speak at conferences on a National and International level and recently presented a workshop at the Bangkok Conference for the Global Alliance Against the Trafficking of Women (GAATW).

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: 3 out of 3

Brian Seidler is Executive Director of the Master Builders' Association of NSW. He is the 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
AM BBUS MIR (HONS)
PHD (SYD UNIV) DIP IR

Meeting attendance: 3 out of 3

Dr John Elder is Director of the Australian Construction Industry Redundancy Trust and Chair of COMET Training. John is also a 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: 2 out of 3

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 Members directly appointed by the Minister.



DOUG WRIGHT
AM BEC BA

Meeting attendance: 2 out of 3

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 Compensation Authorities Audit and Risk Committee.



BRIAN BEER

Meeting attendance: 3 out of 3

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 and 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 3

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 3

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

TERRY KESBY

CFMEU Organiser
Director of CITAB
Member, Vocational Training Tribunal
Meeting attendance: 1 out of 3

STEVE MCCARNEY

State Secretary, CEPU Plumbing Division NSW Branch
Meeting attendance: Not required to attend

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: Not required to attend

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 3

ADAM KERSLAKE

LLB, BA INDUSTRIAL RELATIONS

Deputy Assistant Secretary, Unions NSW
Meeting attendance: Not required to attend

RETIRED CHAIR

LISA HUNT

BA LLB

Chief Executive Officer, WorkCover NSW
Chief Executive Officer, Compensation Authorities Staff Division
Meeting Attendance 1 out of 3

RETIRED MEMBERS

ANDREW FERGUSON

BEC MEC DIP IND LAW DIP URBAN STUDIES

NSW General Secretary,
Construction Forestry Mining Energy Union
Meeting Attendance 1 out of 3

CONTRACT CLEANING INDUSTRY PORTABLE LONG SERVICE LEAVE SCHEME

In December 2010 the NSW Parliament passed legislation establishing a Portable Long Service Leave Scheme for the Contract Cleaning Industry to commence on 1 July 2011.

Significantly, the scheme's administrative, education and compliance activities were integrated within a reconstituted Long Service Corporation with statutory powers to administer both industry portability schemes. This was enabled by the passage of cognate legislation to the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010* called the *Long Service Corporation Act 2010*, which in essence enables the Corporation to administer both the cleaning and building schemes.

A detailed consultation process lead by NSW Industrial Relations (NSW IR) commenced in September 2010 as part of the investigation into the feasibility and proposed operation of a portable long service leave scheme for the Contract Cleaning Industry. NSW IR set up two key stakeholder groups to provide input into what the proposed scheme would look like and how it would function. These groups were:

- Peak Industry Stakeholder Group (United Voice NSW Branch, Building Services Contractors Association, Australian Cleaning Contractors' Association Inc. and Menzies)
- NSW Industrial Relations led Government Interagency Working Party (NSW Industrial Relations, Long Service Corporation, Treasury, Better Regulations Office-Department Services Technology and Administration).

These groups, along with input from Queensland and ACT similar schemes and legislation shaped the drafting of the legislation. The finalisation of the scheme legislation enabled the next round of consultation, which focused on the development of a business model. Consultation commenced with Compensation Authorities Staff Division (CASD) Corporate & Support Services incorporating CASD IT, CASD HR, CASD Finance, CASD Internal Audit, WorkCover Legal and WorkCover Communications ensuring that expert advice was sourced and considered prior to the detailed business model and resulting structure being finalised.

Within the Corporation, an Implementation Team was established to develop and implement a working model for the new scheme. This team comprised a Manager, Senior Inspector, two Project Officers and three Senior Customer Service Officers. Consultation occurred with key industry stakeholders including United Voice – NSW Branch, the Building Services Contractors Association and the Australian Cleaning Contractors' Association Inc. The implementation team also developed and hosted state wide industry workshops to educate employers about their responsibilities within the new legislation. Additionally, mailouts were issued to within the contract cleaning industry inviting them to register with the scheme.

After consulting with officials from Queensland and the ACT, the Corporation determined that the ACT Leavetrack computer system would best meet the needs of the new scheme and consequently implemented it. The Corporation also established a Helpline devoted entirely to inquiries made from members of the contract cleaning industry. A comprehensive website was established offering information to the industry on registering and their responsibilities under the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*.

The Contract Cleaning Industry Committee established under the legislation is being developed and nominations requested from key industry stakeholders to sit on the Committee and provide advice to the Corporation on industry matters which will help the Corporation administer the scheme.

It is an advisory and appellate body, consisting of part-time members appointed by the Minister and chaired by the Chief Executive Officer or a delegate. The Industry Committee is empowered under the Act to advise on the administration of the Act including matters concerning publicity, scheme coverage, the investment of funds and the rate of the long service levy.

The Industry Committee decides appeals lodged against the Corporation's decision:

- To refuse an application to register as an employer;
- To cancel an employer registration;
- To refuse an application to register a worker;
- To cancel a worker registration;
- To refuse to grant an exemption from lodging a return;
- To refuse to waive or reduce interest on unpaid levies;
- To refuse to grant an extension of time to pay a levy;
- On Levy assessments; and
- On the use of a deemed minimum and maximum rate of pay to calculate a workers' long service leave payment.

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

FINANCIAL PERFORMANCE SUMMARY

REVENUES AND EXPENSES

During the financial year, revenue from all sources amounted to \$130.4 million, while expenditure amounted to \$103.3 million. This resulted in an operating surplus of \$27million for the year.

The operating surplus was in-line with budget expectation of \$26.8 million for the year and this was contributed to by the following factors:

- Total revenues increased by a total of \$2.4 million actual over budget combining better than expected results from investment income and a decrease in levy income.

- The Corporation's Total Operating Expenses increased slightly actual over budget by \$2.1 million. This has stemmed from an increase in Long Service Leave Liability expense of \$4.5 million and decreases in Long Service Payment to workers, Personnel Services and Other Operating Expenses of \$2.4 million.

BUDGET FORECAST AND RESULTS

	BUDGET 2010/2011 \$'000	ACTUAL 2010/2011 \$'000	BUDGET 2011/2012 \$'000
REVENUES			
Investment income	41,450	45,749	48,142
Levy income	86,374	84,136	101,700
Other income	205	532	6
TOTAL REVENUES	128,029	130,417	149,848
OPERATING EXPENSES			
Long service payments	60,100	59,290	63,400
Long service payments liability expense	30,400	34,990	46,900
Personnel services	6,403	5,022	6,416
Other operating expenses	4,313	4,041	6,783
TOTAL OPERATING EXPENSES	101,216	103,343	123,499
OPERATING SURPLUS/(DEFICIT)	26,813	27,074	26,349

FINANCIAL TRENDS

	ACTUAL 2008/2009 \$'000	ACTUAL 2009/2010 \$'000	ACTUAL 2010/2011 \$'000
REVENUES			
Investment income	(54,033)	53,197	45,749
Levy income	63,090	81,237	84,136
Other income	1,535	301	532
TOTAL REVENUES	10,592	134,735	130,417
OPERATING EXPENSES			
Long service payments	54,335	57,847	59,290
Long service payments liability expense	46,508	31,573	34,990
Personnel services	8,374	6,017	5,022
Other operating expenses	4,146	4,224	4,041
TOTAL OPERATING EXPENSES	113,363	99,661	103,343
OPERATING SURPLUS/(DEFICIT)	(102,771)	35,074	27,074

FINANCIAL POSITION

The principal assets continue to be investments of \$589.2 million in the TCorp Long Term Growth Facility and the principal liabilities are the estimates for the Provision for Scheme Liabilities of \$668.7 million as assessed by actuarial consultants. Equity improved by \$27 million from an accumulated loss of \$86.3 million at 30 June 2010 to an accumulated loss of \$59 million at 30 June 2011.

CAPITAL EXPENSES

The Corporation spent \$14 thousand on the purchase of software licences and disposed of two motor vehicles for a value of \$24 thousand.

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.

	BALANCE ON HAND AS AT		INVESTMENT PERFORMANCE		BENCHMARK PERFORMANCE
FUND CATEGORIES	30 JUNE 2010 \$'000	30 JUNE 2011 \$'000	INCOME \$'000	RETURN %	RETURN %
Long term growth	535,766	589,210	45,444	8.51	8.43
Cash	4,709	21,014	305	5.37	4.98
TOTAL	540,475	610,224	45,749	N/A	N/A

ACCOUNTS PAYABLE PERFORMANCE

AGED ANALYSIS AT END OF EACH QUARTER	SEPTEMBER 2010 QTR	DECEMBER 2010 QTR	MARCH 2011 QTR	JUNE 2011 QTR
PAYMENT				
Current	540,136	267,092	411,810	103,292
Less than 30 days overdue	0	0	0	0
More than 30 days overdue	0	0	0	0
TOTAL ACCOUNTS PAYABLE	540,136	267,092	411,810	103,292

ACCOUNTS PAID ON TIME IN EACH QUARTER	SEPTEMBER 2010 QTR	DECEMBER 2010 QTR	MARCH 2011 QTR	JUNE 2011 QTR
Target % paid on time	95%	95%	95%	95%
Actual % paid on time	96%	83%	99%	99%
Total dollar amounts paid on time	\$1,448,015	\$2,265,736	\$2,221,012	\$2,778,900
Total dollar amounts paid	\$1,503,088	\$2,698,987	\$2,229,440	\$2,802,146
Total accounts paid on time	260	214	228	230
Total accounts paid	279	226	237	250

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

NOTE: These budget figures have not been audited.

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STATEMENT BY CHIEF EXECUTIVE OFFICER

LONG SERVICE CORPORATION

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

STATEMENT BY CHIEF EXECUTIVE OFFICER LONG SERVICE CORPORATION

Under Section 41C of the *Public Finance and Audit Act, 1983*, I state that in my opinion:

- (a) The accompanying consolidated financial statements and notes thereto exhibit a true and fair view of the financial position of the Long Service Corporation as at 30 June 2011 and the transactions for the period then ended.
- (b) The financial statements have been prepared in accordance with the provisions of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation, 2010* and the Treasurer's Directions.

Further, I am not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

On behalf of the Corporation



Michael Coutts-Trotter
Chief Executive Office
Long Service Corporation

Dated 25th October 2011 at Sydney

INDEPENDENT AUDITOR'S REPORT



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Long Service Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Long Service Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2011, and of its financial performance for the year then ended in accordance with Australian Accounting Standards
- 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 and the PF&A Act and for such internal control as the Chief Executive Officer determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 entity'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 entity'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
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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.



A Oyetunji
Director, Financial Audit Services

26 October 2011
SYDNEY

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	NOTE	2011 \$'000	2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	2	26,127	12,337
Receivables	3	2,906	3,757
TOTAL CURRENT ASSETS		29,033	16,094
Non-current assets			
Financial assets at fair value	4	589,210	535,766
Property, plant and equipment	5	711	926
Intangible assets	6	229	609
TOTAL NON-CURRENT ASSETS		590,150	537,301
TOTAL ASSETS		619,183	553,395
LIABILITIES			
Current liabilities			
Borrowings	22	706	–
Payables	7	957	772
Provision for scheme liabilities	8(a)	402,500	373,892
Other provisions	9	4,570	5,043
TOTAL CURRENT LIABILITIES		408,733	379,707
Non-current liabilities			
Borrowings	22	3,306	–
Provision for scheme liabilities	8(b)	266,200	259,818
TOTAL NON-CURRENT LIABILITIES		269,506	259,818
TOTAL LIABILITIES		678,239	639,525
NET ASSETS/(DEFICIENCY)		(59,056)	(86,130)
EQUITY			
Accumulated loss		(59,056)	(86,130)
TOTAL EQUITY	10	(59,056)	(86,130)

The accompanying notes form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 \$'000	2010 \$'000
REVENUE			
Investment income	11	305	204
Long service levy	12	84,136	81,237
Other revenue	13	530	301
TOTAL REVENUE		84,971	81,742
EXPENSES EXCLUDING LOSSES			
Long service expense	14	64,480	61,722
Finance costs	15	29,812	27,698
Operating expenses			
– Personnel services expenses	16	5,022	6,017
– Other operating expenses	17	3,443	3,623
Depreciation and amortisation	18	586	601
TOTAL EXPENDITURE, EXCLUDING LOSSES		103,343	99,661
Gain on disposal		2	–
Other gains	19	45,444	52,993
SURPLUS FOR YEAR		27,074	35,074
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		27,074	35,074

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	ACCUMULATED FUNDS \$'000
BALANCE AT 1 JULY 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 1 JULY 2010		(86,130)
Surplus for the year		27,074
OTHER COMPREHENSIVE INCOME		
Total other comprehensive income		–
Total comprehensive income for the year		27,074
BALANCE AT 30 JUNE 2011	10	(59,056)

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 \$'000	2010 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Long service levy received		84,957	80,470
Interest received		828	493
Other		284	315
TOTAL RECEIPTS		86,069	81,278
Payments			
Long service payments		(59,335)	(57,573)
Payments to suppliers		(8,954)	(9,338)
TOTAL PAYMENTS		(68,289)	(66,911)
NET CASH FLOWS FROM OPERATING ACTIVITIES	20	17,780	14,367
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of plant and equipment		24	–
Purchase of investments		(8,000)	(10,000)
Purchase of plant equipment and intangibles		(14)	(47)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(7,990)	(10,047)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and advances		4,000	–
Repayment of borrowings and advances		–	–
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,000	–
NET INCREASE/(DECREASE) IN CASH		13,790	4,320
Opening cash and cash equivalents		12,337	8,017
CLOSING CASH AND CASH EQUIVALENTS	2	26,127	12,337

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 1

Statement of accounting policies

(a) REPORTING ENTITY

The Long Service Corporation (Corporation), formerly known as the Building and Construction Industry Long Service Payments Corporation, was created under the Long Service Corporation Act (the Act) 2010. The Act commenced 1st January 2011, and reconstituted the Building and Construction Industry Long Service Payments Corporation as the Long Service Corporation; to confer on the reconstituted Corporation additional functions with respect to the contract cleaning industry; and for other purposes.

The Corporation has its principal office at 19-21 Watt Street, Gosford, and administers the Building and Construction Industry Long Service Payments Act 1986 and Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010. These Acts provide portable long service payments schemes to building and construction workers and contract cleaning 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 2011 have been authorised for issue by the Chief Executive Officer on 25 October 2011.

(b) BASIS OF PREPARATION

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 Public Finance and Audit Regulation 2010 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.

As a consequence of the Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010, commencing on the 1st July 2011 resulting in the additional Scheme liability expenses, assets and liabilities, the Corporation has added an additional disclosure at note 23 – Fund Information.

(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)

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% 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.

As the Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010, commenced on the 1st July 2011 no levy income under that act accrued to the Corporation prior to this date.

(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)".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 1

Statement of accounting policies (continued)

(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 \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

(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 exempt 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 5 years and computer equipment is depreciated over 3 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 1

Statement of accounting policies (continued)

(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.

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. From the 1st April 2011 following the restructure of NSW government agencies under the Public Sector Employment and Management (Department) and Ministers amendment Order 2011 the Corporations staff were transferred to the Department of Finance and Service, however for transitional and operation purposes salaries and wages up to 30th June 2011 continue to be paid and administered by the Compensation Authority Staff Division.

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.

(iii) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 1

Statement of accounting policies (continued)

(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.

As a consequence of the Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010, commencing on the 1st July 2011, the Act affords credits to workers who qualify as foundation members prior to the commencement of the Act. The liability resulting from this has been determined by an 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 deficiency of assets of \$59,056 at the reporting date due to significant losses on investments during the 2008 and 2009 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.

An actuarial review was conducted by Profession Financial Solutions in 2009. This review indicated the Corporation should return to Surplus in 2012-13. However given the current volatility in global equities markets producing a potentially lesser return than expected by the actuaries, it would be prudent to consider a return to surplus subsequent to 2012/2013.

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, AASB 2009-11 and AASB 2010-7 regarding financial instruments – Effective 1 July 2013;
- AASB 2010-6 Amendment to Australian Accounting Standards – Disclosure on Transfers of Financial Assets – effective 1 July 2011.

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.

Note 2

Cash and cash equivalents

	2011 \$'000	2010 \$'000
Cash at bank and on hand	5,113	7,628
TCorp Hour-Glass cash facility	21,014	4,709
	26,127	12,337

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:

	2011 \$'000	2010 \$'000
Cash and cash equivalents (per statement of financial position)	26,127	12,337
Closing Cash and cash equivalents (per statement of cash flows)	26,127	12,337

Details regarding credit risk, liquidity risk and market risk arising from financial instruments, are disclosed in Note 24.

Note 3

Receivables

	2011 \$'000	2010 \$'000
Long service levy	2,790	3,601
Other	103	68
Less: Allowance for impairment	(10)	–
Prepayments	23	88
	2,906	3,757

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 24.

Note 4

Financial assets at fair value

	2011 \$'000	2010 \$'000
TCorp Hour-Glass long term growth facility	589,210	535,766

Details regarding credit risk, liquidity risk and market risk arising from financial instruments, are disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 5

Property, plant and equipment

	PLANT AND EQUIPMENT \$'000	LEASEHOLD IMPROVEMENTS \$'000	COMPUTER EQUIPMENT \$'000	MOTOR VEHICLES \$'000	TOTAL \$'000
AT 1 JULY 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
AT 30 JUNE 2011 – FAIR VALUE					
Gross carrying amount	286	1,122	318	95	1,821
Accumulated depreciation and impairment	217	539	318	36	1,110
NET CARRYING AMOUNT	69	583	–	59	711

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 2011					
Net carrying amount at start of year	98	721	5	102	926
Additions	–	–	–	–	–
Disposals	–	–	–	(47)	(47)
Adjustments for disposals	–	–	–	24	24
Depreciation expense	(29)	(138)	(5)	(20)	(192)
NET CARRYING AMOUNT AT END OF YEAR	69	583	0	59	711
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 THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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 previous 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

Note 6

Intangible assets

	SOFTWARE \$'000		SOFTWARE \$'000
AT 1 JULY 2010		AT 1 JULY 2009	
Cost (gross carrying amount)	2,041	Cost (gross carrying amount)	2,041
Accumulated amortisation and impairment	1,432	Accumulated amortisation and impairment	1,036
NET CARRYING AMOUNT	609	NET CARRYING AMOUNT	1,005
AT 30 JUNE 2011		AT 30 JUNE 2010	
Cost (gross carrying amount)	2,055	Cost (gross carrying amount)	2,041
Accumulated amortisation and impairment	1,826	Accumulated amortisation and impairment	1,432
NET CARRYING AMOUNT	229	NET CARRYING AMOUNT	609
30 JUNE 2011		30 JUNE 2010	
Net carrying amount at start of year	609	Net carrying amount at start of year	1,005
Additions	14	Disposals	–
Disposals	–	Adjustments for disposals	–
Adjustments for disposals	–	Amortisation	(396)
Amortisation	(394)	NET CARRYING AMOUNT AT END OF YEAR	609
NET CARRYING AMOUNT AT END OF YEAR	229		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 7

Payables

	2011 \$'000	2010 \$'000
Long service payments	428	440
Long service levy commissions	49	64
Administrative expenses	480	268
	957	772

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of payables, are disclosed in Note 24.

Note 8

Provision for scheme liabilities

	2011 \$'000	2010 \$'000
(a) Current	402,500	373,892
(b) Non-current	266,200	259,818
	668,700	633,710

The Corporation expects to pay claims of \$63.4 million during 2011/2012.

Movement in Provision

	BUILDING AND CONSTRUCTION INDUSTRY \$'000	CONTRACT CLEANING INDUSTRY \$'000	TOTAL \$'000
30 JUNE 2011			
Carrying amount at beginning of year	633,710	–	633,710
Additional provisions recognised	58,480	6,000	64,480
Claims paid	(59,290)	–	(59,290)
Unwinding of discount rate	29,800	–	29,800
CARRYING AMOUNT AT END OF YEAR	662,700	6,000	668,700
30 JUNE 2010			
Carrying amount at beginning of year	602,137	–	602,137
Additional provisions recognised	61,722	–	61,722
Claims paid	(57,847)	–	(57,847)
Unwinding of discount rate	27,698	–	27,698
CARRYING AMOUNT AT END OF YEAR	663,710	–	663,710

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 8

Provision for scheme liabilities

(continued)

The *Long Service Corporation Act (the Act) 2010*, under section 16, requires that actuarial investigations be undertaken to determine the sufficiency of the Funds and the adequacy of the long service levy rates at intervals not exceeding:

- 3 years for the *Building and Construction Industry Long Service Payments Act, 1986*
- 2 years for the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*

Building and Construction Industry Long Service Payments Act, 1986

A full actuarial investigation was undertaken as at 30 June 2009. At 30 June 2011 Professional Financial Solutions undertook an actuarial update. Based on data requested for the twelve months ending 30 June 2011, the actuaries estimated the scheme liabilities to be as follows:

	NOTE	2011 \$'000	2010 \$'000
AASB Valuation	(i)	662,700	633,710
Accrued Benefit Reserve	(ii)	639,400	605,163
Vested Benefits	(iii)	600,200	564,318

- (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 annum (2010 4.0%) and a government bond rate 5.2% (2010 4.7%).
- (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 annum (2010 4.0%) and a rate of return on assets 7.5% (2010 7.5%).
- (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 1,100 days of accumulated service credits.

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

	2011	2010
Active within last 2 years	159,610	160,582
Inactive for last 2 years but active within 2 prior years	58,262	56,287
Inactive for 4 or more years	12,572	11,494
TOTAL NUMBER OF WORKERS CONSIDERED	230,444	228,363

Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010

The Corporation requested Profession Financial Solution to provide an actuarial assessment of the liability of the Fund as at 30th June 2011. Based on this request, the actuaries estimated the scheme liabilities to be as follows:

	NOTE	2011 \$'000	2010 \$'000
AASB Valuation	(i)	6000	–
Accrued Benefit Reserve	(ii)	5,500	–
Vested Benefits	(iii)	1,200	–

- (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 account the cost of establishing the Fund, the development of a data base, consisting of an estimated 30,000 workers and the entitlement of foundation credits (predating the 30th June 2011) for workers registered within the first six months of the Scheme's establishment. The scheme liability has been 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 annum and a government bond rate 5.2%.
- (ii) The Accrued Benefit Reserve is the calculation of scheme liabilities, taking into consideration the items mentioned in (i) above 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 annum and a rate of return on assets 7.5%.
- (iii) The Vested Benefit is the amount of benefits payable if service ceased on the valuation date and the worker has more than 5 years eligible service (including service prior to the commencement date). This liability arises from the one year's service for benefit purposes granted to foundation workers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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:

	2011 \$'000	2010 \$'000
Recreation leave	334	361
Long service leave	1,837	2,005
Unfunded superannuation liability	2,278	2,599
Other Costs	121	78
TOTAL PROVISION FOR PERSONNEL SERVICES	4,570	5,043

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of payables, are disclosed in Note 24.

Note 10

Changes in equity

	2011 \$'000	2010 \$'000
Accumulated loss at the beginning of the financial year	(86,130)	(121,204)
Surplus/(deficit) for the year	27,074	35,074
(ACCUMULATED LOSS) AT THE END OF THE FINANCIAL YEAR	(59,056)	(86,130)

Note 11

Investment income

	2011 \$'000	2010 \$'000
TCorp Hour-Glass cash facility	305	204
	305	204

Note 12

Long service levy

	2011 \$'000	2010 \$'000
Long service levy	85,559	82,400
Long service levy refunds	(1,423)	(1,163)
	84,136	81,237

Note 13

Other revenue

	2011 \$'000	2010 \$'000
Interest	523	289
Miscellaneous income	7	12
	530	301

Note 14

Long service expense

	2011 \$'000	2010 \$'000
Claims paid	59,290	57,847
Liability expense	5,190	3,875
	64,480	61,722

Note 15

Finance costs

	2011 \$'000	2010 \$'000
Interest NSW Treasury advance	12	–
Unwinding of discount rate	29,800	27,698
	29,812	27,698

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 16

Personnel services expenses

The Corporation receives personnel services from the Compensation Authorities Staff Division to resource the Corporation, however from 2012-13 these services will be provided by the Department of Financial Services. The Corporation recognises the relevant employee related expenses associated with this arrangement as follows:

	2011 \$'000	2010 \$'000
Salaries and wages (including recreation leave)	4,329	4,159
Superannuation – defined benefit plans	(40)	850
Superannuation – defined contribution plans	281	246
Long service leave	180	494
Payroll tax and fringe benefits tax	256	251
Other expenses	16	17
	5,022	6,017
SUPERANNUATION – DEFINED BENEFIT PLANS		
Defined benefit plans – contributions	281	335
Defined benefit plans – liability adjustments	(321)	515
TOTAL SUPERANNUATION – DEFINED BENEFIT PLANS	(40)	850

Note 17

Other operating expenses

	2011 \$'000	2010 \$'000
Computing	493	510
Marketing	64	83
Travel	48	33
Occupancy	634	637
Long service levy commissions	583	648
Contractors	614	701
Consultancy	37	85
Audit remuneration – audit of financial statements	62	62
Services agreement	172	172
Other administrative expenses	736	692
	3,443	3,623

Note 18

Depreciation and amortisation expenses

	2011 \$'000	2010 \$'000
Depreciation	192	205
Amortisation	394	396
	586	601

Note 19

Other gains/losses

	2011 \$'000	2010 \$'000
Gain/(loss) on TCorp Hour-Glass long term growth facility	45,444	52,993
	45,444	52,993

Note 20

Net cash flows from operating activities

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

	2011 \$'000	2010 \$'000
Surplus/(deficit) for year	27,074	35,074
Plus/(minus) non-cash items:		
– Depreciation and amortisation	586	601
– Investment gains/(losses)	(45,444)	(52,993)
– Long service payments liability expense	5,190	3,875
– Finance costs	29,812	27,698
Net (profit) on disposal of plant and equipment	(2)	–
Change in asset and liabilities:		
– (Increase)/decrease in receivables	852	(815)
– Increase/(decrease) in payables	185	40
– Increase/(decrease) in provisions	(473)	887
NET CASH FLOWS FROM OPERATING ACTIVITIES	17,780	14,367

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 21

Commitments for expenditure

(a) OPERATING LEASE COMMITMENTS

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

	2011 \$'000	2010 \$'000
Not later than one year	476	413
Later than one year and not later than 5 years	1,562	1,635
Later than five years	–	108
TOTAL (INCLUDING GST)	2,038	2,156

The total operating lease commitments above include input tax credits of \$164,000 that are expected to be recoverable from the ATO.

(b) OTHER EXPENDITURE COMMITMENTS

	2011 \$'000	2010 \$'000
Not later than one year	206	26
Later than one year and not later than 5 years	92	–
TOTAL (INCLUDING GST)	298	26

The total other expenditure commitments above include input tax credits of \$27,000 that are expected to be recoverable from the ATO.

(c) CAPITAL COMMITMENTS

	2011 \$'000	2010 \$'000
Not later than one year	22	–
TOTAL (INCLUDING GST)	22	–

The total capital commitments above include input tax credits of \$2,000 that are expected to be recoverable from the ATO.

Note 22

Borrowings

	2011 \$'000	2010 \$'000
NSW Treasury Advance	4,012	–
Current Liability	706	–
Non Current Liability	3,306	–
	4,012	–

Summary of Borrowing Arrangements

The Corporation in November 2010 was granted ministerial approval to borrow \$4 million dollars in support of a start up fund for the Contract Cleaning Scheme. The advance was drawn down on the 10th June 2011 and is for a term of 5 years repayable half yearly at an interest rate of 5.5% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 23

Fund Information

	NOTES	BUILDING AND CONSTRUCTION INDUSTRY		CONTRACT CLEANING INDUSTRY		TOTAL	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
FUND							
Revenue		84,961	81,237	10	–	84,971	81,742
EXPENSES							
Long Service Expense		58,474	61,722	6,006	–	64,480	61,722
Finance costs		29,800	27,698	12	–	29,812	27,698
Operating expenses		8,236	9,643	229	–	8,465	9,643
Depreciation		586	601	–	–	586	601
TOTAL EXPENDITURE		97,096	99,664	6,247	–	103,343	99,661
Gains and (Losses)		45,446	52,993	–	–	45,446	52,993
SURPLUS/(DEFICIT) FOR YEAR		33,311	34,566	(6,237)	–	27,074	34,566
ASSETS							
Current assets							
Cash and cash equivalent		22,117	12,337	4,010	–	26,127	12,337
Other		2,905	3,757	1	–	2,906	3,757
Non-current assets							
Financial assets		589,210	535,766	–	–	589,210	535,766
Other		940	1,535	–	–	940	1,535
TOTAL ASSETS		615,172	553,395	4,011	–	619,183	553,395
LIABILITIES							
Current Liabilities							
Borrowings		–	–	706	–	706	–
Provision for scheme Liability		401,300	373,892	1,200	–	402,500	373,892
Other payables and provision		5,291	5,815	236	–	5,527	5,815
Non-current Liabilities							
Borrowing		–	–	3,306	–	3,306	–
Provision for Scheme Liability		261,400	259,818	4,800	–	266,200	259,818
TOTAL LIABILITIES		667,991	639,525	10,248	–	678,239	639,525
NET ASSETS (DEFICIENCY)		(52,819)	(86,130)	(6,237)	–	(59,056)	(86,130)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 24

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 agreed 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.

(a) FINANCIAL INSTRUMENT CATEGORIES

FINANCIAL ASSETS	NOTE	CATEGORY	CARRYING AMOUNT 2011 \$'000	CARRYING AMOUNT 2010 \$'000
CLASS				
Cash and cash equivalents	2	N/A	26,127	12,337
Receivables*	3	Receivables (at amortised cost)	93	68
Financial Assets at fair value	4	At fair value through profit or loss	589,210	535,766

* Excludes statutory receivables and prepayments

FINANCIAL LIABILITIES	NOTE	CATEGORY	CARRYING AMOUNT 2011 \$'000	CARRYING AMOUNT 2010 \$'000
CLASS				
Borrowings	22	Financial liabilities measured at amortised cost.	4012	–
Payables*	7	Financial liabilities measured at amortised cost.	529	332
Other Payables	9	Financial liabilities measured at amortised cost.	4,570	5,043

* 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% 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 credit standby arrangements and has borrowings of \$4 million from NSW Treasury at 5.5% per annum. 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 24

Financial instruments (continued)

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 (2010 \$Nil).

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
2011					
Borrowings	4000	5.5% per annum non variable	928	3715	
Payables	529	Non Interest Bearing	529	–	–
Other Payables	4,570	Non Interest Bearing	4,570	–	–
2010					
Borrowings			–		
Payables	332	Non Interest Bearing	332	–	–
Other Payables	5,043	Non Interest Bearing	5,043	–	–

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 primarily 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 2010. 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% has been used, consistent with current trends in interest rates, resulting in a potential change to profit or loss of +/- \$51,000 (2010 +/- \$76,000). 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	2011 \$'000	2010 \$'000
FACILITY				
Cash facility	Cash, money market instruments	Up to 1.5 years	21,014	4,709
Long-term growth facility	Cash, money market instruments, Australian and international bonds (international bonds – 2010 only), listed property, Australian and international shares	7 years and over	589,210	535,766

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 24

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% 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	2011 \$'000	2010 \$'000
Hour Glass Investment – Cash facility	+/-1%	210	47
Hour Glass Investment – Long-term growth facility	+/-15%	88,381	80,365

(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	2011 TOTAL \$'000
FINANCIAL ASSETS AT FAIR VALUE				
TCorp Hour Glass Facility	–	589,210	–	535,766
TOTAL	–	589,210	–	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 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Note 25

Contingent assets and liabilities

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

Note 26

After balance date events

Except for the following issue, 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.

Financial Assets at fair value

Between the 30 June 2011 and the signing of the Financial statements, the fair value of the Hour Glass Long Term Investment Facility have decreased by \$41.9 million as at 30 September 2011. This decrease is a reflection of the current volatility in the equities market.

End of audited Financial Statements.

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APPENDIX 1

CHIEF AND SENIOR EXECUTIVE PERFORMANCE STATEMENTS – SES 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 3 April 2011

- Oversaw finalisation of the legislation resulting in the Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010 being passed in parliament in December 2010
- Supervised planning and implementation of all administrative requirements for the commencement of the contract Cleaning Scheme on 1 July 2011
- Supervised corporate planning process for delivery of new Corporate Plan 2011-2016
- Oversaw the legislative change process to amend the Building and Construction Industry Long Service Payments Regulation 2006 to extend coverage to carpet layers
- Supervised the delivery of the Tax Agent Online Facility and the commencement of Website redevelopment and Business Intelligence and reporting projects
- Chaired the Building and Construction Industry Long Service Payments Committee with key milestones in the financial year including:
 - Key ongoing policy advice on transition to Modern Awards and impacts of worker payments
 - Heard 372 appeals as a result of the annual cancellation of inactive workers
 - Provided advice and recommendations to the Minister on entitlements and the levy rate
 - Other general policy advice
 - Oversaw finalisation of a corporation wide staff position description and job evaluation review.

Signed

Hon Greg Pearce

Minister for Finance and Services

MICHAEL COUTTS-TROTTER

Director General

Total remuneration package: \$488,250

Performance pay: Nil

Period in position: 4 April 2011 to 30 June 2011

- Due to Amendment Order 2011 Number 261, under the *Public Sector Management Act 2002*, dated 2 June 2011, the Long Service Corporation staff were transferred from the Compensation Authorities Staff Division (CASD) to the Department of Finance and Services (DFS). The order also changed the CEO of the Corporation, defined under the *Long Service Corporation Act 2010*, from CEO CASD to Director General DFS. The order backdated these new arrangements to 4 April 2011. As a result Mr Coutts-Trotter initiated and oversaw the transfer requirements from CASD to DFS.

Signed

Hon Greg Pearce

Minister for Finance and Services

APPENDIX 2

KEY PERFORMANCE INDICATORS FOR PROVISION OF SERVICES

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 – 2.6 days
Turnaround of applications for refund of levy	Will be processed within 10 working days after monies have been received.	Achieved – 3.4 days
Answering of calls to the 131441 Helpline	80% of calls will be answered within two minutes.	Achieved – 66%
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 Manager Support Services.

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, surveys were issued by post and made available for completion online. This ensures responses are received from a range of customers.

Below is an overview of the surveys undertaken during 2010-11 year.

Survey of employers audited during 2010-11

This survey had a 63% 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.

99% of respondents reported that audits were conducted in a professional manner. 97% of those audited said the Inspector was helpful in answering questions on the scheme.

All issues raised during the audit were followed up and 98% of 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, 93% found our staff helpful to very helpful.

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

This survey was only available for completion by Online Service users. 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 on average 94% of users found completing their obligations online easy to do.

Awareness of functions showed 96% 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. We will continue to inform employers of this requirement in any marketing activities we undertake.

The survey results this year have been very pleasing across the range of services we provide. We have received good response rates, allowing us to make 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 we provide our customers.

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

Marketing and Communication activities

Marketing and communication activities are part of the Corporation's compliance strategy and these activities are designed to increase understanding of employers' 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 Builders Association and Master Plumbers Association. Staff also provided information 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 our message. Therefore, some of our marketing budget was allocated for sponsorship of selected industry events including the Master Plumbers Association's Clarrie Wymer Awards.

The Corporation also continued its sponsorship of the Excellence in Training Awards for building trades students from TAFE colleges across NSW. This sponsorship promotes awareness of the scheme to apprentices in the industry and to their employers.

Customer complaints

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

APPENDIX 4

LEGISLATIVE CHANGE

In August 2010 Cabinet approved, in principle, the establishment of a long service leave portability scheme for the NSW contract (commercial) cleaning industry and endorsed a number of preliminary activities to be undertaken by NSWIR to further develop the proposal. This included:

- undertaking consultations with stakeholders to obtain feedback regarding a regulatory model for a scheme and to ascertain the level of industry support
- the commissioning of an independent actuarial analysis
- liaison with the Building and Construction Industry Long Service Payments Corporation (LSPC) to determine availability of seed funding for a proposed scheme and the feasibility of utilising the administrative services and infrastructure of the LSPC
- the preparation of a Better Regulation Statement in relation to this regulatory proposal with accompanying analysis regarding the potential for other contract based industries to seek similar portable leave entitlements.

In 2010 Parliament approved the establishment of the cleaning scheme. Legislation was introduced to Parliament in November 2010 and passed the Legislative Assembly on 30 November 2010. It received Royal assent in December 2010. Along with approving the establishment of the *NSW Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010* to commence on 1 July 2011, the legislation also formally changed the name of the Corporation from the Building and Construction Industry Long Service Payments Corporation to the Long Service Corporation effective 1 January 2011. The primary reason for the change was to enable the Corporation to incorporate and implement the NSW Contract Cleaning Industry Portable Long Service Leave Scheme and other long service schemes in the future if required. This further enabled the Corporation to administer both the Building and Construction Industry and Contract Cleaning Industry Schemes.

The Corporation administers and funds both Schemes separately. The development of the cleaning scheme was based on models of existing schemes from both Queensland and the ACT and the Corporation had opportunity to liaise closely with these states throughout the development phase.

Other legislative changes saw an amendment of the Building and Construction Industry Long Service Payments Regulation which occurred on 3 March 2011 enabling workers from the carpet laying profession to be registered with the Scheme. In August 2010 the CFMEU made representations on behalf of carpet layers suggesting that carpet layers be covered for long service payments under the Building and Construction Industry Long Service Payments Act 1986. Consultation with and subsequent voting by the Industry Committee supported the suggestion for the inclusion of carpet layers in the Scheme and representations were made to the Minister resulting in the amendment to the Act.

Amendments to the Regulation also enabled the inclusion of certain relevant modern awards in the prescribed awards and defined what constitutes building and construction work for the purposes of the *Building and Construction Industry Long Service Payments Act 1986*. The amendment was necessary to ensure coverage of workers under the BCILSP Act who are engaged under national system industrial instruments. The proposed provision will prescribe the minimum rate of pay as that which was payable under an applicable State award at 1 January 2010 when the national industrial system commenced. The provision will only operate where there was a lower rate of pay fixed under a modern award. The Regulation is required to be remade before 1 September 2011.

APPENDIX 5

GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT 2009

The *Freedom of Information Act 1989* was repealed on 1 July 2010 and replaced by the *Government Information (Public Access) Act 2009* (the Act).

A review of the Corporations procedures and practices under Section 7 (3) of the Act was conducted prior to the implementation date. A structure was implemented to action requests. The Corporation has appointed six section managers as Right to Information Officers (RIO) plus two Senior RIOs and an Executive RIO for the actioning of requests. A policy was prepared and staff trained. A Publications Guide is on our Internet.

The Long Service Corporation, previously the Building and Construction Industry Long Service Payments Corporation, or the Building and Construction Industry Long Service Payments Committee have not received any requests under the provisions of the Act this financial year.

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 an application under the Act.

TABLE A: NUMBER OF APPLICATIONS BY TYPE OF APPLICANT AND OUTCOME*

	ACCESS GRANTED	ACCESS REFUSED	INFO NOT HELD	INFO ALREADY AVAILABLE	REFUSE TO DEAL WITH APPLICATION	REFUSE TO CONFIRM/DENY	W'DRAWN
Media	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0
Members of the public (other)	0	0	0	0	0	0	0

TABLE B: NUMBER OF APPLICATIONS BY TYPE OF APPLICATION AND OUTCOME

	ACCESS GRANTED	ACCESS REFUSED	INFO NOT HELD	APPLICATION W'DRAWN
Personal information applications*	0	0	0	0
Access applications (other than personal information applications)	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0

* A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

TABLE C: INVALID APPLICATIONS

	NO OF APPLICATIONS
REASON FOR INVALIDITY	
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

TABLE D: CONCLUSIVE PRESUMPTION OF OVERRIDING PUBLIC INTEREST AGAINST DISCLOSURE: MATTERS LISTED IN SCHEDULE 1 TO ACT

	NO OF TIMES CONSIDERATION USED*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

TABLE E: OTHER PUBLIC INTEREST CONSIDERATIONS AGAINST DISCLOSURE: MATTERS LISTED IN TABLE TO SECTION 14 OF ACT

	NUMBER OF OCCASIONS WHEN APPLICATION NOT SUCCESSFUL
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

TABLE F: TIMELINESS

	NUMBER OF APPLICATIONS
Decided within the statutory timeframe (20 days plus any extensions)	0
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
TOTAL	0

TABLE G: NUMBER OF APPLICATIONS REVIEWED UNDER PART 5 OF THE ACT (BY TYPE OF REVIEW AND OUTCOME)

	DECISION VARIED	DECISION UPHELD	TOTAL
Internal Review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of the Act	0	0	0
Review by ADT	0	0	0
TOTAL	0	0	0

* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

TABLE H: APPLICATIONS FOR REVIEW UNDER PART 5 OF THE ACT (BY TYPE OF APPLICANT)

	NUMBER OF APPLICATIONS FOR REVIEW
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

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.

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. Customers in this position may lodge formal grievances and these are then addressed in accordance with the legislation requirements.

APPENDIX 7

DISABILITY PLAN

This year, 948 grants of service were approved valued at \$369,032.44 and 325 long service payments were made totalling \$1,054,552.62 to members who became incapacitated and were forced to leave the industry.

APPENDIX 8

WOMENS ACTION PLAN

Scheme

The Corporation's legislation requires delivery of long service benefits to the building industry of NSW. Benefits are equally available to male and female workers. There are provisions to help 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. Six female officers worked in part-time leave without pay arrangements to assist in returning to work after maternity leave.

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 has been translated into 15 community languages and has been made available on the website. An information sheet 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 together 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 appears 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 NSW 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 PSA 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 are the Corporation's 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. Four internal audit report activities were conducted during the year, Finance & Levies, Worker Registration & Claims, Legislative Compliance and Business Continuity and Disaster Recovery Plans. Recommendations for improvements were noted and accepted and there have been no adverse findings from the audit program.

The Corporation in this financial year was part of the CASD Audit and Risk Committee.

APPENDIX 11

INTERNAL AUDIT AND RISK MANAGEMENT ATTESTATION FOR THE 2010/2011 FINANCIAL YEAR FOR THE LONG SERVICE CORPORATION

23 August 2010

I, Michael Coutts-Trotter, Chief Executive Officer of the Long Service Corporation am of the opinion that the Corporation has internal audit and risk management processes in place that are, in all material aspects, 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 the Corporation to understand, manage and satisfactorily control risk exposures.

Until 3 April 2011, the Corporation was subject to oversight by its own Audit and Risk Committee.

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

For the period 4 April 2011 until 30 June 2011, the Corporation has been subjected to oversight by the Department of Finance and Services (DFS) Audit and Risk Committee.

I, Michael Coutts-Trotter, Chief Executive Officer of the Long Service Corporation am of the opinion that the DFS Audit and Risk Committee 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:

- Mr Peter Whitehead, independent Chair
(period of appointment from 1 September 2009 to 31 August 2012)
- Ms Carolyn Burlew, Independent Member
(period of appointment from 1 September 2009 to 31 August 2011)
- Dr Gul Izmir, Independent Member
(period of appointment from 8 October 2009 to 7 October 2011)
- Ms Anne Skewes, Non-independent member
(period of appointment from 24 March 2010 to 23 March 2013)
- Mr Michael Silk, Non-independent member
(period of appointment from 24 March 2010 to 23 March 2013)



Michael Coutts-Trotter

Chief Executive Officer

Long Service Corporation Contact Officer:

Scott Warr, Director

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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 claim was received during the period which is finalised. The total cost of the claim was \$23,207.

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's 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 Department of Finance and Services Related Entities Sub-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 minimization strategies through assessment as part of the internal audit process

Business continuity plan

An internal Audit of the Business Continuity and Disaster Recovery Plans identified several issues of concern, mainly of a moderate nature.

As a result of the Audit's findings the Corporation commissioned a consultant for the development of an integrated Crisis Management Plan (CMP) and Business Continuity Plan (CMP).

Work has commenced on these new plans and should be completed next financial year. The updated CMP/BCP documentation will be based on appropriate Australian/New Zealand Standards and where appropriate, within the guidelines set down by APRA and other relevant authorities.

Principal objectives are to ensure the plans:

- Are developed in the context of the Corporation's specific needs and environment.
- Cover all major activities – not just information systems.
- Identify all major threats, hazards and key business continuity risks.
- Include an impact analysis of key risks.
- Recognise all key business processes and their dependencies.
- Document maximum acceptable outages for key processes. Identify controls that reduce continuity risk.
- Include an ongoing monitoring plan to test controls for continuity and recovery processes.

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 CASD 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.

APPENDIX 13

WASTE REDUCTION AND PURCHASING PLAN

Paper-based materials including mail-outs are used to provide information and to communicate with workers and employers. 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% recycled paper and all printer toner cartridges are also 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 their legislative obligations. Workers are able to check their records, update their contact details and notify changes to personal information. Feedback from employers has been positive.

More than 92% of workers' service advice from employers is online, with the remaining recorded from paper returns processed via optical character recognition. This has resulted in significant savings, both environmentally and economically. The Corporation no longer uses carbon impregnated triplicate forms or manually enters data from these forms.

Since April 2009 levy payers can pay their levy online on the Corporation's website, besides using collection agents, local councils, or via cheques to the Corporation. In 2010-11 the Corporation received 9,747 payments via this method. This represents 66% of direct payments to Corporation. Local Councils electronically lodge their month end returns.

Electronic funds transfer (EFT) for long service payments to workers and administrative expenses has been in place for many years and over 97 percent of payments are now made by EFT.

From 1 July 2011 Tax Agents facilities have been developed to allow them to lodge online service for self employed workers in the building and construction industry.

The Corporation's website continues to provide 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 WorkCover NSW to obtain competitive rates for its accommodation energy requirements and 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 Corporation has only four vehicles and is therefore not subject to the Fleet Environment Improvement Plan. When acquiring vehicles the environmental rate of the vehicle is a primary consideration. In the past seven years the Corporation has reduced its fleet by 50 percent.

APPENDIX 15

INFORMATION TECHNOLOGY

The Corporation engages the services of the Compensation Authorities Staff Division 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 portable long service schemes in an efficient and cost effective manner. In that 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 using the on-line service centre. In 2010-2011, over 77% of the active employers submitted their employee information via the on-line service centre. This accounts for 92% of the workers' employment information in the year. Likewise, the workers can update their personal details and view their service records on-line.

From June 2011, the tax agents are able to lodge service information of the self employed workers in the scheme.

The public are also able to pay their long service levies on-line by credit card. In 2010-2011, 66% of the direct payments to the Corporation were made online.

With the introduction of the new portable long service scheme for the Contract Cleaning Industry effective from 1 July 2011, there will be new challenges ahead for the Corporation. It is no doubt that the employment of technology will give the Corporation an edge to administer the new scheme.

APPENDIX 16

OCCUPATIONAL HEALTH & SAFETY

The Corporation has a Service Partnership Agreement for Human Resources with the Compensation Authority Staff Division NSW and Occupational Health and Safety is part of this agreement. CASD NSW assists with managing and reporting in accordance with the Working Together: Public Sector OHS and Injury Management Strategy.

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

Emergency evacuation procedures were reviewed during the year and have been tested and approved. Fire evacuation drills were conducted, which included special procedures for staff with disabilities, and all staff were instructed in emergency procedures on commencement of duties. Fire wardens with appropriate training are appointed at our Gosford and Lidcombe offices.

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 Compensation Authorities Staff Division NSW they collect EEO data regularly for the Premier's Department Workforce Profile. This assists us in monitoring our 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 are 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 %	2009 %	2010 %	2011 %
EEO GROUP				
Women	50.0	67.2	66.7	65.5
Aboriginal people and Torres Strait Islanders	2.6	5.0	2.5	2.8
People whose first language was not English	19.0	7.8	6.1	7.7
People with a disability	n/a	12.8	15.6	15.2
People with a disability requiring work-related adjustment	1.5	8.6	11.4	12.4

TRENDS IN THE DISTRIBUTION OF EEO GROUPS

	BENCHMARK OR TARGET	2009	2010	2011
EEO GROUP				
Women	100	88	87	89
Aboriginal people and Torres Strait Islanders	100	n/a	n/a	n/a
People whose first language was not English	100	n/a	n/a	n/a
People with a disability	100	n/a	n/a	n/a
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a

Note 1. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across 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 is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

Note 2. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

APPENDIX 18

HUMAN RESOURCES

CASD continued to provide human resource services through a Service Partnership Agreement.

Work practices/industrial relations

There were no issues resulting in industrial action. A Joint Consultative Committee meets to address industrial issues and consists of representatives from the Public Sector Association (PSA) of NSW and the Corporation with CASD providing advice on human resource issues.

Training and development

Several staff successfully completed the Cert IV Course in Government, with an additional three staff completing a Diploma in Project Management. All received training in Performance Management and the Government Information (Public Access) Act and Operations staff were trained in the Tax Agents Online System. This was in addition to routine training and development.

Staffing Statistics

		2007-08	2008-09	2009-10	2010-11
APPOINTMENTS					
Non Promotional (Base Grade)	Permanent	0	0	0	0
	Temporary	0	0	0	0
Promotional Positions	Permanent	13	3	1	3
	Temporary	3	5	2	3
TOTAL		16	8	3	6

		2007-08	2008-09	2009-10	2010-11
RECRUITMENT					
Applicants outside the Public Sector		6	5	2	5
Applicants within the Corporation		6	2	1	0
Applicants from other Public Sector		0	0	0	0
Organisations		4	1	0	1
TOTAL		16	8	3	6

		2007-08	2008-09	2009-10	2010-11
SEPARATIONS					
Resignations Permanent Officers		0	1	0	0
Separations Temporary Officers		0	2	2	3
Transfers within Public Sector		2*	2	0	2
Promotions to other Public Sector Organisations		1	0	1	0
Voluntary Redundancy		0	0	0	0
Retirement		6	2	1	2
TOTAL		9	7	4	7

* Includes officers on promotional secondments

	2007-08	2008-09	2009-10	2010-11
CHIEF AND SENIOR EXECUTIVE OFFICERS				
SES Officers/Senior Officers	1	1	1	1
Number of Female SES officers	0	0	0	0
Number of SES officers at Level 5 and above	0	0	0	0

	FTE* 2007-08	FTE* 2008-09	FTE#* 2009-10	FTE 2010-11
COMPARISON OF STAFF LEVELS				
Temporary contracting staff	7	3.3	3	3.3
Employees covered by the Crown Employees Award	58.3	59	57	54.8
TOTAL	65.3	62.3	61	58.1

APPENDIX 19 CONSULTANTS

The Corporation engaged three consultants during 2010/11 at a total cost of \$84,902 for the purpose of finance and accounting/tax

APPENDIX 21 ANNUAL REPORT AVAILABILITY

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

APPENDIX 20 ANNUAL REPORT COSTS

The annual report was produced at a cost of \$7,210

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.

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