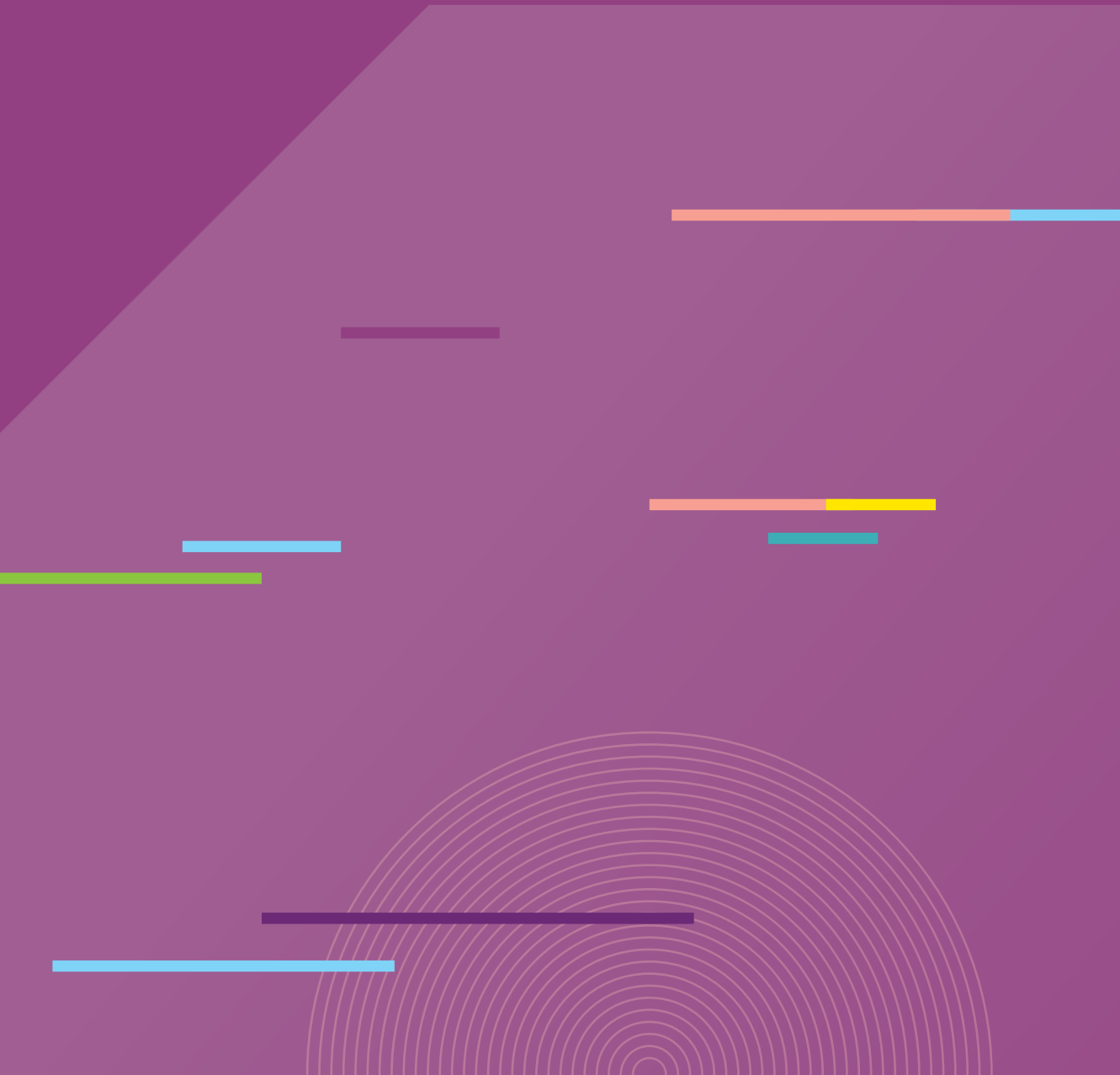


Financial statements

for the period ending 30 June 2017



**National Disability Insurance Scheme Launch Transition Agency
STATEMENT BY THE CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER,
CHIEF FINANCIAL OFFICER AND CHAIR OF THE AUDIT COMMITTEE**

In our opinion, the attached financial statements for the period ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the National Disability Insurance Scheme Launch Transition Agency will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the directors.

Signed 
Helen Nugent AO
Chairman
9 October 2017

Signed 
Robert De Luca
Chief Executive Officer
9 October 2017

Signed 
Steve Jennaway
Chief Financial Officer
9 October 2017

Signed 
Sandra Birkenleigh
Chair, Audit Committee
9 October 2017

National Disability Insurance Scheme Launch Transition Agency
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget 2017 \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	175,013	115,464	184,442
Suppliers	1.1B	262,653	114,490	484,437
Community partnership costs	1.1E	125,687	21,514	-
Grants	1.1C	39,104	8,958	33,284
Participant plan expenses	1.1F	2,238,147	722,679	3,486,713
Depreciation and amortisation	2.2A	8,718	8,886	22,922
Finance costs		444	167	-
Write-down and impairment of assets	1.1D	6,923	82,078	-
Total expenses		2,856,689	1,074,236	4,211,798
OWN-SOURCE INCOME				
Own-source revenue				
Revenue from rendering of services	1.2A	1,382,615	286,907	1,793,177
Interest	1.2B	13,802	6,219	-
Other revenue	1.2C	1,379	18,315	-
Total own-source revenue		1,397,796	311,441	1,793,177
Gains				
Other gains	1.2D	477,495	197,507	820,155
Total gains		477,495	197,507	820,155
Total own-source income		1,875,291	508,948	2,613,332
Net (cost of)/contribution by services		(981,398)	(565,288)	(1,598,466)
Revenue from Government		1,598,466	581,070	1,598,466
Surplus/(Deficit)		617,068	15,782	-
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		3,675	1,881	-
Total comprehensive income		3,675	1,881	-
Total comprehensive income/(loss)		620,743	17,663	-

The above statement should be read in conjunction with the accompanying notes.

National Disability Insurance Scheme Launch Transition Agency

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2017

Budget Variances Commentary

Statement of Comprehensive Income ('SoCI')

Affected line items	Explanations of major variances
Expenses <i>Employee benefits, Suppliers, Community partnership costs</i>	The budget anticipated an Average Staffing Level (ASL) of 1,749 employees and actual ASL for the year ended 30 June 2017 was 1,872. ASL is above budget but includes secondees from Commonwealth, state and territory agencies. These positions are funded on a cost recovery basis. The budget aggregates supplier expenses and community partnership costs. The variance to budget for supplier and community partnership costs has resulted from a slower rollout of Local Area Coordinator (LAC) services and Early Childhood Early Intervention (ECEI) arrangements. This has been offset by increase in contractors and consultants expenses incurred by the Agency.
Expenses <i>Grant expenses</i>	The budget included Department of Social Services (DSS) 2016-17 Portfolio Budget Statement Program 1.2 Community Inclusion and Capacity Development (CICD) grant expenses of \$33.3 million. In addition to CICD grants, the Agency incurred expenditure for Sector Development Fund (SDF) and sponsorship grant activities. The SDF payments were made on behalf of the DSS and are offset by a matching revenue. Other revenue is derived from SDF grant funding and rental income received from the sub-leasing of premises. The budget does not assume revenue from any additional sources.
Own-source revenue <i>Other revenue</i>	
Expenses <i>Participant plan expenses</i>	Participant plan expenses are lower than projected in the budget due to the slower phasing of participants than anticipated in the bilateral agreements. Delays experienced in transitioning participants into the Scheme early in the year impacted on the overall participant expenses. Participants expected to have transitioned into the Scheme earlier in the year had a larger impact on the 2016-17 participant plan expenses than participants entering the Scheme later in the year. In addition, plan expenses have been adjusted on advice provided by the Scheme Actuary to reflect the lower utilisation rate of committed supports.
Expenses <i>Depreciation and amortisation</i>	The Agency has adopted the whole-of-government policies in regard to co-locating service delivery sites within existing Commonwealth property infrastructure, where feasible. As a consequence, investment in property, plant and equipment and related depreciation and amortisation expenses are less than projected in the budget.
Expenses <i>Write-down and impairment of assets</i>	Accounting standards require the write-down and impairment of assets that are considered non-recoverable. An assessment of transactions that were considered non-recoverable was undertaken and recognised at year-end. These transactions were not anticipated in the budget.
Own-source revenue <i>Revenue from rendering of services</i>	The budget anticipated the phasing of participants in accordance with Bilateral Agreements. Delays experienced in transitioning participants from existing state and territory programs early in the year impacted revenue received.
Own-source revenue <i>Interest revenue</i>	Interest revenue is derived from the Agency investing cash in short-term deposits. The budget does not assume that cash on hand will be in excess to immediate requirements, whereas a significant amount of surplus cash was held and invested during the year.
Gains <i>Other gains</i>	Other gains primarily reflect in-kind contributions made to the Scheme by Commonwealth, state and territory governments. Other gains are less than budget due to the slower phasing of participants in the Scheme than originally anticipated and therefore the proportion of in-kind services utilised was lower than the targeted amounts agreed in the Bilateral Agreements.

National Disability Insurance Scheme Launch Transition Agency

STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget 2017 \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	2.1A	1,328,287	306,430	245,496
Trade and other receivables	2.1B	204,862	20,884	86,216
Other financial assets	2.1C	-	33,194	-
Total financial assets		1,533,149	360,508	331,712
Non-financial assets				
Buildings (leasehold improvements)	2.2A	33,900	24,301	166,789
Property, plant and equipment	2.2A	391	1,012	347
Intangibles	2.2A	-	-	1,496
Other non-financial assets	2.2C	4,617	10,472	3,275
Total non-financial assets		38,908	35,785	171,907
Total assets		1,572,057	396,293	503,619
LIABILITIES				
Payables				
Suppliers	2.3A	106,792	25,349	70,116
Other payables	2.3B	4,233	2,611	6,911
Total payables		111,025	27,960	77,027
Provisions				
Employee provisions	4.1A	35,563	24,160	28,032
Participant plan provisions	2.4A	505,604	215,852	159,323
Other provisions	2.4B	57,339	2,735	14,250
Total provisions		598,506	242,747	201,605
Total liabilities		709,531	270,707	278,632
Net assets		862,526	125,586	224,987
EQUITY				
Contributed equity		205,733	89,536	205,733
Reserves		5,556	1,881	-
Retained surplus		651,237	34,169	19,254
Total equity		862,526	125,586	224,987

The above statement should be read in conjunction with the accompanying notes.

National Disability Insurance Scheme Launch Transition Agency STATEMENT OF FINANCIAL POSITION as at 30 June 2017

Budget Variances Commentary

Statement of Financial Position

Affected line items	Explanations of major variances
<i>Cash and cash equivalents</i>	Cash and cash equivalents are higher than budget. The Agency has increased cash holdings due to lower than forecast participants entering the Scheme as well as the underutilisation of committed supports. In addition, the Agency's capital budget was markedly underutilised. Major variances for cash and cash equivalents are detailed in the Budget Variances Commentary for the Cash Flow Statement.
<i>Trade and other receivables</i>	The budget did not anticipate significant timing differences in the collection of cash from accounts receivable. As at 30 June 2017, the Agency had \$167.2 million in state and territory Scheme cash contributions outstanding. These amounts are recoverable and in line with the principles as outlined in Commonwealth, state and territory government funding arrangements.
<i>Buildings, property, plant and equipment, other payables and other provisions</i>	The Agency has adopted whole-of-government policies for co-locating service delivery sites within existing Commonwealth property infrastructure, where feasible. As a consequence, investment in property is less than projected in the budget, as are lease related incentives, payables and the provision for restoration obligations.
<i>Intangibles</i>	The delivery of corporate shared services transitioned to the Department of Human Services (DHS) on 1 July 2016 and the Agency is no longer utilising internally-generated, intangible assets. Intangibles were written down to zero as part of the 2015-16 financial statements, however, this was after the publication of the budget.
<i>Other non-financial assets</i>	Other non-financial assets are lower than the budget mainly due to the impairment of some advances paid upfront to participants. This practice has now ceased and the Agency is assessing if further action is required to be undertaken.
<i>Suppliers</i>	The variance is due to a larger than expected reliance on contractors by the Agency during the financial year to assist with transition to full Scheme as well as charges from DHS for secondees and the delivery of services to participants and providers. As a result, there is a higher proportion of outstanding payables for these services at the end of the financial year than was anticipated in the budget.
<i>Employee provisions</i>	An increase in the number of Agency staff has driven the variance in employee leave entitlements. A significant number of employees had previous experience in the Australian Public Service or state or territory public services, transferring any existing leave balances upon commencement.
<i>Participant plan provisions</i>	The budgeted participant plan provision did not account for the expected level of growth in the Scheme. The actual participant plan provision reflects the lower utilisation experienced in 2016-17 than anticipated due to lags in payments and revised utilisation rates for supports expected to have been provided in prior financial years.
<i>Asset revaluation reserve</i>	For the year ended 30 June 2017, the Agency undertook a valuation exercise and leasehold improvement assets were revalued upwards to reflect their estimated fair value. The revaluation increment was not anticipated in the budget.
<i>Retained surplus</i>	Major variances for the retained surplus are detailed in the Budget Variances Commentary for the Statement of Comprehensive Income.

National Disability Insurance Scheme Launch Transition Agency
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2017

	2017	2016	Original Budget 2017
	\$'000	\$'000	\$'000
CONTRIBUTED EQUITY			
Opening balance	89,536	31,780	89,536
Contributions by owners			
Equity injection			
Corporate Commonwealth entity payment	116,197	57,756	116,197
Closing balance	205,733	89,536	205,733
RETAINED SURPLUS			
Opening balance	34,169	18,387	19,254
Comprehensive income			
Surplus/(Deficit) for the period	617,068	15,782	-
Closing balance	651,237	34,169	19,254
ASSET REVALUATION RESERVE			
Opening balance	1,881	-	-
Comprehensive income			
Other comprehensive income	3,675	1,881	-
Closing balance	5,556	1,881	-
TOTAL EQUITY			
Opening balance	125,586	50,167	108,790
Comprehensive income			
Surplus/(Deficit) for the period	617,068	15,782	-
Other comprehensive income	3,675	1,881	-
Total comprehensive income/(loss)	746,329	17,663	-
Contributions by owners			
Equity injection			
Corporate Commonwealth entity payment	116,197	57,756	116,197
Closing balance	862,526	125,586	224,987

The above statement should be read in conjunction with the accompanying notes.

National Disability Insurance Scheme Launch Transition Agency

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2017

Accounting Policy

Equity injections

Amounts received which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in contributed equity in that year.

Transfer to/from other entities

Net assets received from or transferred to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Other distributions to owners

The *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

Budget Variances Commentary

Statement of Changes in Equity

Major budget variances for balances contained in the Statement of Changes in Equity have been included in the budget variances commentary for the Statement of Comprehensive Income and the Statement of Financial Position.

National Disability Insurance Scheme Launch Transition Agency

CASH FLOW STATEMENT

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget 2017 \$'000
OPERATING ACTIVITIES				
Cash received				
Receipts from Government		1,598,466	581,070	1,598,466
State and territory government contributions		1,256,873	268,650	1,793,177
Interest received		13,237	5,035	-
Other		938	17,762	-
Net GST received		27,990	9,909	44,028
Total cash received		2,897,504	882,426	3,435,671
Cash used				
Employee benefits		162,812	107,611	174,762
Supplier expenses		211,681	114,573	489,240
Community partnership costs		134,697	23,774	-
Participant plan expenses		1,457,486	479,680	2,657,043
Grant payments		42,206	10,441	33,284
Total cash used		2,008,882	736,079	3,354,329
Net cash from operating activities	3.1	888,622	146,347	81,342
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of long-term deposits		33,194	219,375	-
Total cash received		33,194	219,375	-
Cash used				
Purchase of property, plant and equipment, and intangibles		16,156	961	116,197
Purchase of long-term deposits		-	252,569	-
Total cash used		16,156	253,530	116,197
Net cash from investing activities		17,038	(34,155)	(116,197)
FINANCING ACTIVITIES				
Cash received				
Corporate Commonwealth entity payment		116,197	57,756	116,197
Total cash received		116,197	57,756	116,197
Net cash from / (used by) financing activities		116,197	57,756	116,197
Net (decrease) / increase in cash held		1,021,857	169,948	81,342
Cash and cash equivalents at the beginning of the reporting period		306,430	136,482	164,154
Cash and cash equivalents at the end of the reporting period	2.1A	1,328,287	306,430	245,496

The above statement should be read in conjunction with the accompanying notes.

National Disability Insurance Scheme Launch Transition Agency

CASH FLOW STATEMENT

for the period ended 30 June 2017

Budget Variances Commentary

Cash Flow Statement

Affected line items	Explanations of major variances
Operating activities <i>State and territory government contributions</i>	Cash from the rendering of services is lower than predicted in the budget. The budget anticipated the phasing of participants in accordance with Bilateral Agreements, however, the delays experienced in transitioning participants from existing state and territory programs during in the year impacted revenue received.
Operating activities <i>Interest received</i>	Interest received is derived from the Agency investing cash in short-term deposits. The original budget does not assume that cash on hand will be in excess to immediate requirements.
Operating activities <i>Net GST received</i>	Net GST received is lower than budget due to the budget assumption that cash flows from the purchase of capital items, supplier expenses and participant expense related payments would be considerably higher.
Operating activities <i>Employee benefits, Supplier expenses, Community partnership expenses</i>	Cash outlays for employee related expenditure were lower due to delays in recruitment and on boarding staff. The Agency also relied on the use of secondees funded on a cost recovery basis. Community partnership costs were lower than budget due to the slower rollout of local area coordinator LAC services and ECEI arrangements. Supplier cash spending is lower than budget due to less services contracted out than anticipated in the budget.
Operating activities <i>Grant payments</i>	The budget comprises Community Inclusion and Capacity Development (CICD) grants, whereas actual payments also include SDF and sponsorship granting activities.
Operating activities <i>Participant plan expenses</i>	Participant plan payments are less than projected in the budget, primarily due to lower than projected utilisation of committed supports and delays in the timing of claims.
Investing activities <i>Proceeds from sales of financial instruments</i>	Proceeds of financial instruments reflect the investment of cash in term deposits with maturities over three months. The budget did not assume cash on hand to be in excess of immediate requirements.
Investing activities <i>Purchase of property, plant and equipment and intangibles</i>	The Agency has adopted whole-of-government policies for co-locating service delivery sites within existing Commonwealth property infrastructure, where feasible. As a consequence, cash outlays for property is less than projected in the budget.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Overview

1. Financial Performance

- 1.1. Expenses
- 1.2. Own-Source Revenue and Gains

2. Financial Position

- 2.1. Financial Assets
- 2.2. Non-Financial Assets
- 2.3. Payables
- 2.4. Other Provisions

3. Funding

- 3.1. Cash Flow Reconciliation

4. Governance, Employees and Relationships

- 4.1. Employee Provisions
- 4.2. Key Management Personnel Remuneration
- 4.3. Related Party Disclosures
- 4.4. Remuneration of Auditors

5. Managing Uncertainties

- 5.1. Contingent Assets and Liabilities
- 5.2. Financial Instruments
- 5.3. Fair Value Measurement

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Overview

General information

The National Disability Insurance Scheme Launch Transition Agency ('the Agency') was established on 29 March 2013 by the *National Disability Insurance Scheme Act 2013* ('the Act'). The Agency became financially independent on 1 July 2013 and is an Australian Government controlled not-for-profit entity.

From 1 July 2013, arrangements were put in place to ensure that the National Disability Insurance Scheme ('the Scheme') could be introduced gradually, ensuring a smooth transition for people with disability and support providers. The Scheme now has operations in all states and territories of Australia with full access to the Scheme commencing progressively from 1 July 2016.

Objectives of the Agency

The objective of the Agency is to operate under the Act, and in conjunction with other legislation, to give effect to Australia's obligations under the Convention on the Rights of Persons with Disabilities. In doing so, the Agency supports the independence and social and economic participation of people with a disability.

The Agency is structured to meet a single Government outcome (Outcome 1):

Individual control and choice in the delivery of reasonable and necessary care and supports to improve the independence, social and economic participation of eligible people with disability, their families and carers, and associated referral services and activities.

The net cost of delivering this outcome at 30 June 2017 was \$981.4M (2016: \$565.29M).

The Agency supports participants in the Scheme to exercise individual choice and control in respect to the delivery of reasonable and necessary supports. This allows people with disabilities, their families and carers to achieve improved outcomes in their lives. It also works to support the wider disability sector to promote better outcomes for people with a disability, in areas such as research and building community awareness.

The Agency makes estimates of current and future expenditure as well as identifies and manages financial risks and issues relevant to the financial sustainability of the Scheme. This is achieved by adopting an insurance-based approach, informed by actuarial analysis, to the provision and funding of support for people with a disability. It also regularly reports on the sustainability of the Scheme.

The continued existence of the Agency in its present form and with its present programs is dependent on Commonwealth Government policy, continuing funding by Parliament for the Agency's administration and programs and agreement with state and territory governments.

The Basis of Preparation

The financial statements are general purpose financial statements as required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations reduced disclosure requirements issued by the Australian Accounting Standards Board ('AASB') that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities which are recorded at fair value.

Except where stated, no allowance is made for the effect of changing prices on the results or the financial position of the Agency. The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars, unless otherwise specified.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. There have been other new, revised or amended standards or interpretation that were issued by the Australian Accounting Standards Board prior to the sign off date that are applicable to the current reporting period that had a material effect, or that are not expected to have a future material effect, on the Agency's financial statements.

Future Australian Accounting Standard requirements

The following new, revised and amending standards and interpretations were issued by the Australian Accounting Standards Board prior to the signing of the statement by the Accountable Authority and Chief Financial Officer, which are expected to have a material financial impact on the Agency's financial statements for future reporting periods:

Standard/Interpretation	Application date for the Agency	Nature of impending change/s in accounting policy and likely impact on initial application
AASB 15 <i>Revenue from Contracts with Customers</i> ; AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i> ; AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	1 July 2019	<p>Nature: The revised Standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, replacing AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i>, Interpretation 13 <i>Customer Loyalty Programmes</i>, and Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, Interpretation 18 <i>Transfers of Assets from Customers</i>, and Interpretation 131 <i>Revenue-Barter Transactions Involving Advertising Services</i>. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the expected consideration in exchange for those goods or services.</p> <p>Likely impact: Expected to have minimal impact on the Agency's financial statements as at the date of assessment, the Agency does not earn a significant amount of revenue from contracts with customers.</p>
AASB 16 <i>Leases</i>	1 July 2019	<p>Nature: The revised standard replaces AASB 117 <i>Leases</i> and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with AASB 16's approach to lessor accounting substantially unchanged from its predecessor, AASB117.</p> <p>Likely impact: Expected to have an impact on the recognition, measurement and disclosure of leases.</p>

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Standard/Interpretation	Application date for the Agency	Nature of impending change/s in accounting policy and likely impact on initial application
AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	1 July 2019	<p>Nature: AASB 1058, AASB 2016-7 and AASB 2016-8 clarify and simplify the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15 Revenue from Contracts with Customers. They supersede all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contributions. The requirements of AASB 1058 more closely reflect the economic reality of NFP entity transactions that are not contracts with customers (as defined in AASB 15). The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.</p> <p>Likely impact: Expected to have an impact on the recognition, measurement and disclosure of in-kind gains recognised as a result of the difference between consideration paid and the fair value of services received by the Agency.</p>

All other new, revised and amending standards and interpretations that were issued prior to signing date and are applicable to future reporting periods are not expected to have a material impact on the Agency's financial statements.

Taxation

The Agency is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Events after the reporting period

The Commonwealth and West Australian (WA) governments announced an agreement for a nationally consistent but state-run National Disability Insurance Scheme (NDIS) in Western Australia. The NDIS and WA NDIS trials were set to end on 30 June 2017, however, WA and Commonwealth negotiations are continuing. To ensure people with disabilities are not delayed in accessing the Scheme, interim arrangements have been implemented, and this involves the Agency continuing to operate the WA site.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Financial Performance

This section analyses the financial performance of the Agency for the period ended 30 June 2017.

1.1. Expenses

	2017	2016
	\$'000	\$'000
Note 1.1A: Employee benefits		
Wages and salaries	133,744	88,342
Superannuation		
Defined contribution plans	17,125	10,965
Defined benefit plans	5,456	4,059
Leave and other entitlements	18,126	11,909
Separation and redundancies	562	189
Total employee benefits	175,013	115,464

Accounting Policy

Accounting policies for employee related expenses is contained in Section 4 – Governance, Employees and Relationships.

Note 1.1B: Suppliers

Services rendered

Travel	7,801	5,382
Contractors and consultants	150,070	61,972
Memorandum of Understanding costs ¹	40,966	17,529
Information technology expenses	1,651	644
Property operating expenses	11,142	3,241
Staff recruitment and relocation	2,534	2,892
Other	20,703	10,656
Total services rendered	234,867	102,316

Other suppliers

Minimum lease payments	24,978	10,793
Workers compensation expenses	2,808	1,381
Total other suppliers	27,786	12,174
Total suppliers	262,653	114,490

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	11,466	6,776
Between 1 to 5 years	31,145	14,289
More than 5 years	15,580	7,267
Total operating lease commitments (inc. GST)	58,191	28,332
Less GST recoverable on operating lease commitments	(5,290)	(2,576)
Net operating lease commitments	52,901	25,756

¹ The Agency has in place Memoranda of Understanding that cover the provision of various administrative and operational support services by the Department of Human Services and the Department of Social Services.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Leasing Commitments

The Agency has operating leases over the following assets:

- Property leases – lease payments subject to increases in accordance with CPI or other agreed increment with initial periods of between 1 and 10 years. Some leases have options to extend.
- Motor Vehicles – operating leases over periods up to 36 months that do not have contingent rentals and do not have purchase options available at the end of the lease.

The Agency does not have any significant leasing arrangements in its capacity as a lessor.

Accounting Policy

Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease and where the lessor effectively retains substantially all such risks and rewards. The Agency has not entered into any leasing arrangements that are required to be classified as finance leases.

Operating lease payments are expensed on a straight-line basis over the life of the lease, which is representative of the pattern of benefits derived from the leased assets.

	2017	2016
	\$'000	\$'000
Note 1.1C: Grants		
Public sector		
State and territory governments	16,117	1,939
Private sector		
For profit organisations	538	-
Not for profit organisations	22,449	7,019
Total grants	39,104	8,958

The Agency provides a range of grants to the disability sector and the community in order to promote improved outcomes for people with a disability, their families and their carers. These grants relate to a range of projects including disability research, increased social and community participation, innovation and education.

Note 1.1D: Write-down and impairment of assets

Trade and other receivables	825	78,693
Intangible assets	-	3,102
Property, plant and equipment	1,371	283
Participant Advances	4,727	-
Total write-down and impairment of assets	6,923	82,078

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2017 \$'000	2016 \$'000
<u>Note 1.1E: Community partnership costs</u>		
Early Childhood Early Intervention costs	25,302	-
Local Area Coordination costs	<u>100,385</u>	<u>21,514</u>
Total Community partnership costs	<u>125,687</u>	<u>21,514</u>

Early Childhood Early Intervention Costs

Early Childhood Early Intervention Costs are incurred by the Agency by engaging Early Childhood partners across the nation with the intention of providing quicker and easier supports to children aged between 0-6 years who have a disability or have concerns regarding their development. Expenses from this stream have commenced in the 2016-17 financial year.

Local Area Coordination Costs

Local Area Coordination costs consists of the expenses incurred in funding selected providers of Local Area Coordination services. Arrangements with providers will differ in form and content, according to the Agency's needs.

Local Area Coordinators are required to deliver several types of services including:

- Provision of support to prospective participants to engage with the Scheme, including community awareness;
- Support scheme participants with implementation of their plans; and
- Support scheme participants with full scheme planning and plan reviews.

Accounting Policy

The costs associated with community partnerships are recognised in accordance with contractual arrangements.

<u>Note 1.1F: Participant plan expenses</u>		
Claims received from participant and providers	1,472,761	479,209
Cost of services received in-kind	475,634	190,706
Other movements reflected in participant plan provisions	<u>289,752</u>	<u>52,764</u>
Total participant plan expenses	<u>2,238,147</u>	<u>722,673</u>

Accounting Policy

The costs associated with participant plan expenses are recognised as and when the Agency receives claims from participants and providers. Accounting policies for expenses resulting from adjustment to the participant plan provision is contained in Section 2.4 – Other Provisions.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.2. Own-Source Revenue and Gains

OWN SOURCE REVENUE	2017	2016
	\$'000	\$'000
Note 1.2A: Revenue from rendering of services		
Rendering of services in connection with		
Related parties - contributions from Department of Social Services	6,089	10,231
External parties - contributions from state and territory governments	1,376,526	276,676
Total revenue from the rendering of services	1,382,615	286,907

Accounting Policy

Rendering of services – contributions from Commonwealth, state and territory governments

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date and is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits associated with the transaction will flow to the Agency.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Cash contributions to the Agency from state and territory governments are recognised as revenue when they become payable to the Agency under a signed agreement with the Commonwealth. These include cash contributions outlined in the bilateral agreements for the funding of the National Disability Insurance Scheme.

Unearned revenue

Amounts invoiced in advance are recognised as unearned income in the Statement of Financial Position until the relevant revenue recognition criteria are met.

Note 1.2B: Interest

Cash and deposits	13,802	6,219
Total interest	13,802	6,219

Accounting Policy

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

Note 1.2C: Other revenue

Contribution by Victorian Government ¹	-	13,500
Other	1,379	4,815
Total other revenue	1,379	18,315

¹ The Victorian Government contributed a total of \$25 million between 2014-15 and 2015-16 for establishment costs of the Agency's National Office. The funding agreement between Victoria and the Commonwealth ended on 30 June 2016.

Compensation

The Agency has powers set out in the NDIS Act and the NDIS Compensation Rules to recover amounts of compensation that have been paid to or given up by participants in certain circumstances. The Agency recognises compensation revenue when, and only when both the amount of the compensation can be reliably determined, and the receipt of the compensation is probable.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2017	2016
	\$'000	\$'000
Note 1.2D: Other gains		
Contributions in-kind from Commonwealth, state and territory governments	477,472	197,364
Assets first found	<u>23</u>	<u>143</u>
Total gains	<u>477,495</u>	<u>197,507</u>

Accounting Policy

In-kind contributions

Prior to the commencement of the Scheme, the Commonwealth and each state and territory government had committed to provide (directly or by engaging service providers) items such as disability services, health, family support, education, employment, transport and/or housing to people with a disability. The provision of these services on behalf of the Agency is regarded as an in-kind contribution under Australian Accounting Standards and is accounted for as income from the contribution of services at the date when the services are provided. The fair value of these contributions is the unit cost provided by the jurisdiction which is based on what the jurisdiction has paid under its funding arrangements with the provider.

Resources received free of charge (Contributions in-kind from Commonwealth, state and territory governments)

Resources received free of charge are recognised as own-source income when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been contributed. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements.

Gains and losses from disposal of assets

Gains and losses from the disposal of assets are recognised when control of the asset has passed to the buyer.

Key judgements and estimates

In-kind contributions

The Agency records income in relation to non-cash or in-kind contributions from Commonwealth, state and territory governments at the time when the services are provided to participants. In some cases, the Agency may not have been formally notified that the Commonwealth or a state or territory government has provided or funded a contribution to a participant and in this case the Agency makes an estimate of the amount of in-kind contributions provided to participants during the period but not yet notified to the Agency based on available evidence.

Accounting Policy

Revenue from Government

Funding received from the Department of Social Services (received by the Agency as a Corporate Commonwealth entity payment item) is recognised as Revenue from Government unless the funding is in the nature of an equity injection or a loan.

Funding received from Government up to 30 June 2017: \$1,598.47M (2016: \$581.07M)

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Financial Position

This section analyses the Agency's assets used to conduct its operations and the operating liabilities incurred as a result.

Employee related information is disclosed in the Governance, Employees and Relationships section.

2.1. Financial Assets

	2017	2016
	\$'000	\$'000
Note 2.1A: Cash and cash equivalents		
Cash on hand	803,113	145,294
Term deposits	<u>525,174</u>	<u>161,136</u>
Total cash and cash equivalents	<u>1,328,287</u>	<u>306,430</u>

Accounting Policy

Cash is recognised at its nominal amount and recorded in the Statement of Financial Position. Cash and cash equivalents include cash on hand and term deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Term deposits with maturity greater than three months are classified as other financial assets. As at reporting date, the agency did not hold any term deposits with a maturity date of greater than three month (refer to note 2.1C).

Note 2.1B: Trade and other receivables

Goods and services receivables in connection with

Related parties	425	12,421
External parties	<u>197,785</u>	<u>22,580</u>
Total goods and services receivables	<u>198,210</u>	<u>35,001</u>

Other receivables

Statutory receivables (GST)	5,056	1,317
Other	2,166	1,455
Participant and provider receivables	<u>309</u>	<u>782</u>
Total other receivables	<u>7,531</u>	<u>3,554</u>
Total trade and other receivables (gross)	<u>205,741</u>	<u>38,555</u>

Less impairment allowance

Goods and services	<u>879</u>	<u>17,671</u>
Total impairment allowance account	<u>879</u>	<u>17,671</u>
Total trade and other receivables (net)	<u>204,862</u>	<u>20,884</u>

Trade and other receivables expected to be recovered

No more than 12 months	<u>204,862</u>	<u>20,884</u>
Total trade and other receivables (net)	<u>204,862</u>	<u>20,884</u>

Trade and other receivables aged as follows

Not overdue	204,552	15,415
Overdue by		
0 to 30 days	223	3,700
31 to 60 days	35	365
61 to 90 days	13	144
More than 90 days	<u>918</u>	<u>18,931</u>
Total trade and other receivables (gross)	<u>205,741</u>	<u>38,555</u>

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2017

	Goods and services \$'000	Total \$'000
Opening balance	17,671	17,671
Amounts written off	(17,449)	(17,449)
Increase/(decrease) recognised in net surplus	657	657
Closing balance	879	879

Movements in relation to 2016

	Goods and services \$'000	Additional Scheme contributions \$'000	Total \$'000
Opening balance	-	-	-
Amounts written off	(13,695)	(47,327)	(61,022)
Increase recognised in net surplus	31,366	47,327	78,693
Closing balance	17,671	-	17,671

Participant and provider receivables

Participant and provider receivables include balances that have been invoiced for recovery and those that will be offset against future claims. Building a robust and mature assurance and compliance program remains a key priority for the Agency, with work continuing through 2016-17 as participant numbers grew from 30,281 at 30 June 2016 to 96,772 on 30 June 2017. This assurance program will scale commensurate with growth in the Scheme, noting that at Full Scheme participant numbers are expected to be around 460,000. While not yet at the desired end state, progress during 2016-17 included: endorsement of an Integrated Assurance Framework; introduction of a Quality Assurance Program focussed on quality of decision making and payment quality and accuracy; development of ICT functionality to support quality checking (released in September 2017); development, endorsement and early implementation of a program of work targeting payment integrity; and establishment of a formal accountability structure for assurance and compliance.

An expanded review of payments to providers was conducted. This review covered payments to providers in the first three quarters of the year. Extrapolation of the results suggests the potential for an error rate of about 2.1% of total claims from providers. Recovery action, in accordance with the Agency's Debt Management Procedures, has commenced where payment errors have been detected. Work (including site visits) is ongoing during quarter two of 2017-18 for those providers who have not yet responded to requests to verify the accuracy of payments. The Agency will continue to strengthen assurance and compliance processes during 2017-18.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2017 \$'000	2016 \$'000
Note 2.1C: Other financial assets		
Deposits	-	33,194
Total other financial assets	-	33,194
Total other financial assets - are expected to be recovered in:		
No more than 12 months	-	33,194
Total other financial assets	-	33,194

Accounting Policy

The Agency classifies all of its financial assets owing to their nature and purpose at the time of recognition. Financial assets are recognised and derecognised upon trade date.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables' and are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Agency has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The Agency classifies other investments as held-to-maturity.

The Agency held-to-maturity investments are recognised in the Statement of Financial Position as term deposits and have been disclosed in note 2.1A. At 30 June 2017 there are eleven term deposits maturing at different dates within the next three months. Interest rates range from 2.41% to 2.51%, payable upon maturity.

Effective interest method

Interest income is recognised on an effective interest rate basis. The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets impairment - financial assets are assessed for impairment at the end of each reporting period.

Financial assets carried at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an impairment allowance. The loss is recognised in the Statement of Comprehensive Income.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.2. Non-Financial Assets

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2017

	Buildings (leasehold improvements)	Property, plant & equipment	Computer software internally developed	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2016				
Gross book value	43,254	2,403	1,888	47,545
Accumulated depreciation and impairment	(18,953)	(1,391)	(1,888)	(22,232)
Net book value 1 July 2016	24,301	1,012	-	25,313
Additions				
Purchase or internally developed	15,371	-	-	15,371
Assets first found	-	23	-	23
Depreciation expense	(8,079)	(639)	-	(8,718)
Revaluations in other comprehensive income	3,675	-	-	3,675
Impairment recognised in net cost of services	-	-	-	-
Other movements				
Disposals – gross book value	(1,664)	(26)	(1,888)	(3,578)
Disposals – accumulated depreciation	296	21	1,888	2,205
Write offs	-	-	-	-
Revaluation adjustments – gross book value	(26,336)	-	-	(26,336)
Revaluation adjustments – accumulated depreciation	26,336	-	-	26,336
Net book value 30 June 2017	33,900	391	-	34,291
Net book value as of 30 June 2017 represented by:				
Gross book value	34,300	2,400	-	36,700
Accumulated depreciation and impairment	(400)	(2,009)	-	(2,409)
	33,900	391	-	34,291

All items of property, plant and equipment and intangible assets were assessed for indications of impairment as at 30 June 2017 and no indicators of impairment were found. No property, plant and equipment is expected to be sold or disposed of within the next 12 months. Buildings (leasehold improvements), property, plant and equipment are measured at their estimated fair value in the financial statements. Refer to Note 5.3 for further details.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Non-financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$5,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by the Agency where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Agency's leasehold improvements with a corresponding provision for the 'make good' obligation recognised.

Revaluations

Following initial recognition at cost, items of property, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. The Agency's policy is to conduct valuations with sufficient frequency to ensure that the carrying value of items do not differ materially from their fair value at each reporting date. The Agency's leasehold improvements are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation. The fair value measurements of the Agency's leasehold improvements as at 30 June 2017 were performed by Australian Valuation Solutions ('AVS'), independent valuers. AVS have appropriate qualifications and recent experience in the fair value measurement of similar assets in the Government sector.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a

class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset was restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets (other than freehold land and properties under construction) are written-off to their estimated residual values over their estimated useful lives using the straight-line method of depreciation. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. The table below outlines the depreciation rates applying to each class of depreciable asset based on the following useful lives:

Asset class	Useful life
Property, plant and equipment	3 to 10 years
Buildings (leasehold improvements)	Lesser of 10 years or the lease term

Impairment

All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Agency were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or its disposal. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales processed and the carrying amount of the asset and is recognised in profit or loss.

Intangibles

The Agency has no intangible assets.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2.2B: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2016

	Buildings (leasehold improvements) \$'000	Other property, plant & equipment \$'000	Computer software internally developed \$'000	Total \$'000
As at 1 July 2015				
Gross book value	37,747	2,298	3,555	43,600
Accumulated depreciation and impairment	(11,284)	(842)	(139)	(12,265)
Net book value 1 July 2015	26,463	1,456	3,416	31,335
Additions:				
By purchase	3,829	396	-	4,225
Assets first found	-	143	-	143
Revaluations in other comprehensive income	1,881	-	-	1,881
Depreciation and amortisation expense	(7,766)	(805)	(315)	(8,886)
Impairment recognised in net cost of services	-	-	(1,589)	(1,589)
Disposals:				
Write offs	(106)	(178)	(1,512)	(1,796)
Net book value 30 June 2016	24,301	1,012	-	25,313
Net book value as of 30 June 2016 represented by:				
Gross book value	43,254	2,403	1,888	47,545
Accumulated depreciation and impairment	(18,953)	(1,391)	(1,888)	(22,232)
	24,301	1,012	-	25,313

All items of property, plant and equipment and intangible assets were assessed for indications of impairment as at 30 June 2016. As part of a transition to the delivery of shared services by the Department of Human Services (DHS), the Agency will no longer be utilising some of its intangible assets. As a result, an impairment expense of \$1.6 million was recorded during the year.

No items of property, plant and equipment or intangibles are expected to be sold or disposed of within the next 12 months.

Buildings (leasehold improvements), property, plant and equipment are measured at their estimated fair value in the financial statements. Refer to Note 5.3 for further details.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2017 \$'000	2016 \$'000
Note 2.2C: Other non-financial assets		
Participant advances ¹	6,910	7,060
Participant plan prepayments ²	1,591	275
Other prepayments	843	3,137
Impairment provision - other non-financial assets	<u>(4,727)</u>	<u>-</u>
Total other non-financial assets	<u>4,617</u>	<u>10,472</u>
Other non-financial assets expected to be recovered		
No more than 12 months	4,141	10,427
More than 12 months	<u>476</u>	<u>45</u>
Total other non-financial assets	<u>4,617</u>	<u>10,472</u>

No indicators of impairment were found for other non-financial assets.

¹ Participant advances represent payments that have been made to self-managed participants in the Scheme in advance of support being provided.

² Participant plan prepayments represent payments that have been made to providers in advance of supports being utilised by participants.

2.3. Payables

	2017 \$'000	2016 \$'000
Note 2.3A: Suppliers		
Trade creditors and accruals	105,961	24,912
Operating lease rentals	<u>831</u>	<u>437</u>
Total suppliers	<u>106,792</u>	<u>25,349</u>
Suppliers expected to be settled		
No more than 12 months	106,402	25,000
More than 12 months	<u>390</u>	<u>349</u>
Total suppliers	<u>106,792</u>	<u>25,349</u>
Settlement is usually made for suppliers within 30 days.		
Note 2.3B: Other payables		
Salaries and wages	1,255	471
Superannuation	189	75
Lease incentives	2,717	2,065
Other	<u>72</u>	<u>-</u>
Total other payables	<u>4,233</u>	<u>2,611</u>
Other payables expected to be settled		
No more than 12 months	1,985	883
More than 12 months	<u>2,248</u>	<u>1,728</u>
Total other payables	<u>4,233</u>	<u>2,611</u>

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.4. Other Provisions

	2017 \$'000	2016 \$'000
Note 2.4A: Participant plan provisions		
Participant plan provisions	<u>505,604</u>	<u>215,852</u>
Total participant plan provisions	<u>505,604</u>	<u>215,852</u>

The valuation of the participant provision was undertaken as at 30 June 2017 by the Scheme Actuary.

All participant provisions are expected to be settled within 12 months.

No liability is recorded for any participant supports to be provided in future reporting periods as the relevant recognition criteria are not met.

Note 2.4B: Other provisions

Scheme contributions provision	54,227	-
Provision for restoration obligations	<u>3,112</u>	<u>2,735</u>
Total other provisions	<u>57,339</u>	<u>2,735</u>

Other provisions expected to be settled

No more than 12 months	54,878	1,437
More than 12 months	<u>2,461</u>	<u>1,298</u>
Total other provisions	<u>57,339</u>	<u>2,735</u>

The Agency has 19 (2015-16: 16) agreements for the leasing of premises which have provisions requiring the entity to restore the premises to their original condition at the conclusion of the lease. The Agency has made a provision to reflect the present value of this obligation.

Reconciliation of provisions

	Participant plan provision \$'000	Provision for restoration \$'000	Participant advances provision \$'000	Scheme contribution provision \$'000	Total \$'000
Carrying amount 1 July 2016	215,852	2,735	-	-	218,587
Additional provisions made	497,685	622	4,727	54,227	557,261
Amounts reversed	(131,127)	(689)	-	-	(131,816)
Amounts used	(76,806)	-	-	-	(76,806)
Unwinding of discount or change in discount rate	-	444	-	-	444
Closing balance 30 June					
2017	<u>505,604</u>	<u>3,112</u>	<u>4,727¹</u>	<u>54,227</u>	<u>567,670</u>

¹Refer to note 2.2C.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Accounting Policy

The Agency makes a provision for the reasonable care and support for participants provided during the period but not yet notified to the Agency. The provision represents the best estimate of the amount based on available evidence in relation to rates of expenditure by participants and is informed by actuarial analysis.

Key judgements and estimates

Participant plan provisions

The Agency recognises a liability for the costs of reasonable care and support at the time that services are provided to participants in the Scheme. Due to the administrative processes associated with receiving and processing claims at the end of an accounting period, the Agency may not have been notified of the full value of all services provided during that period. Therefore, the Agency records a provision for the reasonable care and support for participants provided during the period but not yet notified to the Agency based on its best estimate of the outstanding liability using the guidance in accounting standards and information on committed supports contained within participant plans, the claims received by the Agency over time relating back to committed supports and the expected utilisation of committed supports within participant plans.

As at 30 June 2017, the expected utilisation of committed support provision raised by financial years is as follows:

2013-14: 65.0%

2014-15: 75.0%

2015-16: 76.5%

2016-17: 75.0%

Given that limited historical information is available in relation to participant claims history and the rapid period of growth of the Scheme, estimates of the participant plan provision includes allowances for uncertainty based on discussions with jurisdictions and may require material adjustment in future accounting periods. The weighted average term to settlement is three months and no allowance has been made for discounting these costs.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Funding

This section identifies the Agency funding structure.

3.1. Cash Flow Reconciliation

	2017	2016
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per		
Cash Flow Statement	1,328,287	306,430
Statement of Financial Position	<u>1,328,287</u>	<u>306,430</u>
Discrepancy	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net (cost of)/contribution by services	(981,398)	(565,288)
Revenue from Government	1,598,466	581,070
Adjustments for non-cash items		
Assets first found	(23)	(143)
Depreciation and amortisation	8,718	8,886
Net write-down of non-financial assets	1,371	3,385
Accrued purchase of buildings and plant and equipment	787	(3,264)
GST on investing activities	-	-
Movements in assets and liabilities		
Assets		
Decrease/(increase) in net receivables	(183,978)	63,049
(Increase)/decrease in net other non-financial assets	5,855	(6,198)
Liabilities		
Increase/(decrease) in employee provisions	11,403	8,648
Increase/(decrease) in other provisions	54,604	93
Increase/(decrease) in participant plan provisions	289,752	52,764
Increase/(decrease) in supplier payables	81,443	11,327
(Decrease)/increase in participant plan payables	-	(2,632)
(Decrease)/increase in other payables	<u>1,622</u>	<u>(5,350)</u>
Net cash from operating activities	<u>888,622</u>	<u>146,347</u>

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Governance, Employees and Relationships

This section describes a range of employment and post-employment benefits provided to our employees and our relationships with other key people.

4.1. Employee Provisions

	2017	2016
	\$'000	\$'000
Note 4.1A: Employee provisions		
Leave	<u>35,563</u>	<u>24,160</u>
Total employee provisions	<u>35,563</u>	<u>24,160</u>
Employee provisions expected to be settled		
No more than 12 months	11,558	7,957
More than 12 months	<u>24,005</u>	<u>16,203</u>
Total employee provisions	<u>35,563</u>	<u>24,160</u>

Accounting Policy

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits expected within twelve months of the end of the reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Agency is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Agency's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2017. The estimate of the present value of the liability for long service leave takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

Agency's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other superannuation funds held outside the Australian Government. The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The Agency makes employer contributions to employee superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government of the superannuation entitlements of the Agency's employees. The Agency accounts for these contributions as if they were contributions to defined contribution plans in accordance with AASB 119.

The liability for superannuation recognised as at the balance date represents outstanding superannuation contributions at the end of the period.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4.2. Key Management Personnel Remuneration

	2017	2016
	\$'000	\$'000
Short-term employee benefits		
Salary	6,118	5,371
Other allowances ¹	367	662
Total short-term employee benefits	6,485	6,033
Post-employment benefits		
Superannuation	699	613
Total post-employment benefits	699	613
Other long-term employee benefits		
Annual leave accrued	518	302
Long-service leave accrued	481	67
Total other long-term employee benefits	999	369
Total	8,183	7,015

¹ Other allowances include vehicle and relocation allowances.

Note 4.2 represents the Agency's actual Board Members and senior executive remuneration expenses on an accrual basis. The total number of key management personnel that are included in the above table is 44 (2015-16: 31).

4.3. Related Party Disclosures

Related party relationships:

The Agency is an Australian Government controlled entity and is governed by an independent Board of Directors. Related parties to the Agency are the Department of Social Services (DSS), Department of Human Services (DHS), the Board and Independent Members and key management personnel which includes Senior Executive Service Band 2 personnel and above.

There were no loans to any key management personnel or related parties during the period (2015-16: Nil).

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. These transactions have not been separately disclosed in this note. Where the Agency has had interactions with DSS and DHS, the financial impact of such interactions have been disclosed in sections 1 and 2 of the financial statements.

The following transactions with the key management personnel have occurred during the financial year: Ms Sandra Birkenleigh, a member of the NDIA Board, is a Council member of the University of the Sunshine Coast (USC). During the financial year the Agency engaged the USC for consultancy, review and co-design services valued at \$174,818. This is Ms Birkenleigh's first year as a member of the NDIA Board.

Ms Estelle Pearson, a member of the NDIA Board, is a Principal in Finity Consulting Pty Ltd. Payments to the value of \$15,285 for operational actuarial support and home modifications model were made to Finity Consulting Pty Ltd. The payments related to consulting services provided by Finity up to 31 August 2016, which was before Ms Pearson joined the NDIA Board. This is Ms Pearson's first year as a member of the NDIA Board.

Ms Andrea Staines, a member of the NDIA Board, is a Board member of UnitingCare Queensland. The UnitingCare Community is a service group of UnitingCare Queensland and as such, the UnitingCare Queensland Board is commissioned by the Uniting Church in Australia with the governance and leadership of its health and community services. The Agency made payments to the value of \$500,000 from the Community Inclusion Capacity Development Program for work in relation to set up of Early Childhood Early Intervention services in

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Queensland and payments to the value of \$3,606,585 for the Early Childhood Early Intervention services in Queensland to the Uniting Church in Australia Property Trust (Q.) represented by UnitingCare Community. This is Ms Staines' first year as a member of the NDIA Board.

Bruce Bonyhady AM (former Chairman of the Board) is a lifetime member of the Association for Children with a Disability. During the financial year the Agency provided grant payments of \$227,500 to the Association for Children with a Disability as part of the Sector Development Fund and the Community Inclusion and Capacity Development programme (Value of such payments made in 2015-16: \$46,500).

Rhonda Galbally AO, a member of the NDIA Board, is an Adjunct Professor at Deakin University. During the financial year the Agency provided grant payments of \$1,887,588 to Deakin University as part of the Community Inclusion and Capacity Development programme and payments of \$44,379 for staff learning and development. (The value of payments made to Deakin University in 2015-16 was \$4,686).

Martin Laverty, a member of the NDIA Board, is a Council Member of the National Rural Health Alliance. No payments were made to National Rural Health Alliance in the current financial year. (The value of payments made to National Rural Health Alliance in 2015-16 was \$25,120).

John Walsh, a member of the NDIA Board, is a member of the Innovative Workforce Fund Independent Advisory Group at National Disability Services. During the financial year the Agency provided grant payments of \$534,500 as part of the Community Inclusion and Capacity Development programme and payments of \$120,000 for Communication and Engagement project. No such payments were made in 2015-16.

Sarah Johnson, the Scheme Actuary of the Agency, is the proprietor of Sarah Consulting Pty Ltd. During the financial year the Agency made payments of \$346,678 to Sarah Consulting Pty Ltd for scheme actuarial work. During the 2015-16 financial year, the Agency made payments of \$368,182.

Carolyn Hogg, Chief Operating Officer Advisor, is the proprietor of Aquasora Pty Ltd. During the financial year the Agency made payments of \$641,820 to Aquasora Pty Ltd advisory work. During the 2015-16 financial year, the Agency made payments of \$520,500.

Marie Johnson, Head of the NDIA Technology Authority, is the Managing Director and Chief Digital Officer of Centre for Digital Business Pty Ltd. During the financial year the Agency made payments of \$1,093,950 to the Centre for Digital Business Pty Ltd for the delivery of information technology advisory services. During the 2015-16 financial year, the Agency made payments of \$993,470.

Paul O'Connor, the Chief Risk Officer, was a non-executive director of Australian Network on Disability until 23 November 2016. During the financial year The Agency made payments of \$100,050 to the Australian Network on Disability for membership and staff training services in 2016-17. During the 2015-16 financial year, the Agency made payments of \$5,000 since Paul O'Connor joined the NDIA.

No Board members played any part in Agency decisions in relation to the transactions noted above.

Registered Service Providers

Participants who elect to have their plan managed by the Agency must select a registered service provider to deliver the supports in their plan. To become a registered service provider an organisation must submit an application to the Agency which is assessed against the criteria specified in Part 3 of *National Disability Insurance Scheme (Registered Providers of Supports) Rules 2013*. Directors of the Agency are not involved in decisions to accept or reject applications to register as a service provider.

Several Board Members of the Agency play an active role in the disability sector and may have relationships with registered and/or potential service providers. Participants exercise choice and control in selecting service providers for the funded supports in their individualised plans and consequently payments made by the Agency to service providers for participant supports are not considered to be related party transactions.

There were no other related party transactions during the period.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4.4. Remuneration of Auditors

	2017	2016
	\$'000	\$'000
Note 4.4A: Remuneration of auditors		
Fair value of services received		
Financial statement audit services	<u>755</u>	<u>737</u>
Total Remuneration of Auditors	<u>755</u>	<u>737</u>

The Agency's auditor is the Australian National Audit Office (ANAO).

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. Managing Uncertainties

This section analyses how the Agency manages financial risks within its operating environment.

5.1. Contingent Assets and Liabilities

Quantifiable Contingencies

As at 30 June 2017, the Agency had no quantifiable contingencies (2016: \$nil).

Unquantifiable Contingencies

As at 30 June 2017, the Agency had no unquantifiable contingencies (2016: \$nil).

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

5.2. Financial Instruments

	2017	2016
	\$'000	\$'000
Note 5.2A: Categories of financial instruments		
Financial assets		
Held-to-maturity investments		
Term deposits	-	33,194
Total held-to-maturity investments	-	33,194
Loans and receivables		
Cash and cash equivalents	1,328,287	306,430
Other receivables	5,292	1,415
Total loans and receivables	1,333,579	307,845
Total financial assets	1,333,579	341,039
Financial liabilities		
At amortised cost		
Supplier payables	106,792	25,349
Other payables	4,233	2,611
Total financial liabilities	111,025	27,960

No financial instruments have transferred between categories during the period.

The carrying amount of the Agency's financial instruments shown above represents their fair value.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Accounting Policy

Financial liabilities

Financial liabilities, including supplier and other payables, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

	2017	2016
	\$'000	\$'000
Note 5.2B: Net gains or losses on financial assets		
Held-to-maturity investments		
Interest revenue	78	2,169
Net gain on held-to-maturity investments	78	2,169
Loans and receivables		
Interest revenue	13,724	4,050
Net gain on loans and receivables	13,724	4,050
Net gain from financial assets	13,802	6,219

There were no other gains or losses on financial liabilities or assets during the period.

Note 5.2C: Credit risk

The Agency's primary credit risk exposure arises from the Agency's business interactions on credit with other receivables. The credit quality of receivables is risk assessed by management taking into account their financial position, past experience, other factors and compliance with the Agency's credit terms.

The Agency assessed the risk of the default on payment and has not created an impairment allowance on receivables considered financial instruments as all amounts are regarded as recoverable.

The following table illustrates the Agency's maximum exposure to credit risk, excluding any collateral or credit enhancements.

	2017	2016
	\$'000	\$'000
Other receivables	5,292	1,415
Total	5,292	1,415

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired	Not past due nor impaired	Past due	Past due
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Other receivables	5,080	1,415	212	-
Total	5,080	1,415	212	-

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5.2D: Liquidity risk

The Agency manages liquidity risk by continuously monitoring the forecast and actual cashflows associated with financial assets and financial liabilities. All financial liabilities shown in the Statement of Financial Position as at 30 June 2017 are expected to fall due within 12 months.

Note 5.2E: Market risk

The Agency holds basic financial instruments that do not expose the Agency to certain market risks. The Agency is not exposed to 'currency risk' or 'other price risk'.

The only interest-bearing items on the balance sheet are certificates of deposit. All certificates bear interest at a fixed interest rate and will not fluctuate due to changes in the market interest rate.

	2017 \$'000	2016 \$'000
Note 5.2F: Financial assets reconciliation		
		Notes
Total financial assets as per Statement of Financial Position	1,533,149	360,508
Less: non-financial instrument components		
Receivables from Commonwealth, states and territories	(194,941)	(35,783)
Additional Scheme Contributions	-	(47,327)
Statutory receivables	(5,056)	(1,317)
Other receivables	(452)	(40)
Receivables impairment allowance	879	64,998
Total non-financial instrument components	(199,570)	(19,469)
Total financial assets as per financial instruments	1,333,579	341,039
	5.2A	

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5.3. Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value.

The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Note 5.3A: Fair value measurements for recurring fair value measurement assets

Level 2 and Level 3 fair value measurements - valuation technique and the inputs used for assets and liabilities 2016

	Fair value measurements at the end of the reporting period		For level 2 and 3 fair value measurements	
	2017 \$'000	2016 \$'000	Category (Level 1, 2 or 3)	Valuation Technique ¹ Inputs used
Non-financial assets				
Buildings (leasehold improvements)	33,900	24,301	3	Depreciated replacement cost Cost prices, depreciation rates
Property, plant and equipment	391	1,012	3	
Total non-financial assets	34,291	25,313		

Accounting Policy

The Agency deems transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period.

Key judgements and estimates

Buildings (leasehold improvements), property, plant and equipment are measured at their estimated fair value in the financial statements.

National Disability Insurance Scheme Launch Transition Agency NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5.3B: Reconciliation for recurring level 3 fair value measurements Recurring Level 3 fair value measurements - reconciliation for assets

	Non-financial assets				
	Leasehold improvements		Property, plant and equipment		Total
	2017	2016	2017	2016	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	24,301	26,463	1,012	1,456	25,313
Purchases	15,371	3,829	-	396	15,371
Revaluations in other comprehensive income	3,675	1,881	-	-	3,675
Assets first found recognised	-	-	23	143	23
Write offs	(1,368)	(106)	(5)	(178)	(1,373)
Depreciation	(8,079)	(7,766)	(639)	(805)	(8,718)
Closing balance	33,900	24,301	391	1,012	34,291

Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Refer to Note 2.2A for information on the Agency's revaluation policy.