



LEADERSHIP DEVELOPMENT CENTRE

# ANNUAL REPORT

2015/2016

## Hon Paula Bennett, Minister of State Services

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In accordance with section 44(1) of the Public Finance Act 1989, I present, on behalf of the Leadership Development Centre Board of Trustees, the annual report on the operations of the Leadership Development Centre for the year ended 30 June 2016.



PETER HUGHES

*Chair, Leadership Development Centre Board of Trustees*

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## Report from the Chair

New Zealand's State services exist to provide essential public services. These services need to be of the highest quality, meet the needs and expectations of New Zealanders and be delivered as efficiently as possible. To do this, we need our public agencies to be running smoothly, focusing on the needs of their customers and working together to combine their efforts and focus resources to get the best outcomes.

A critical part of making this happen is leadership. Leaders need to be skilled at inspiring and motivating people and managing complex cross-agency work programmes, and they need to have a broad understanding of the system they are part of. Developing the leaders we need cannot just focus on those who are already senior; we also need to be working with the next generations of leaders to help them develop the skills and experience to succeed.

I am very pleased to have taken up the role of Chair of the Leadership Development Centre on 4 July 2016 from previous State Services Commissioner Iain Rennie. This annual report sets out the Leadership Development Centre's (LDC's) achievements in the 2015/16 year under the leadership of Mr Rennie as Board Chair and Rosemary Hannah-Parr as Chief Executive.

The work done by LDC plays a valuable role in developing and supporting leaders at all levels. In the past year, they have made an important contribution to the development of common approaches for leadership and talent development across the State services. This includes the Leadership Success Profile (LSP) and the ground-breaking Leadership Insight. These initiatives give us system-wide information on our people, something that no other government has done.

A key part of Leadership Insight has been the 'so what?', and LDC staff have played a valuable role in leading career and development conversations and helping leaders translate development objectives into practical plans and actions.

Also worth highlighting is the range of high-quality development programmes LDC offers. These are sought by many leaders, recognising they both lift capability in key areas and help leaders at all levels better understand the system and the part they play within it.

The appropriate level for levies, balancing fiscal pressures on member agencies with the need to fund high-quality LDC services, have continued to dominate Board conversations. The Board continue to ensure value for money from all LDC services, ensuring the levies received assist the provision of high-quality training, development and services while making sure levies are kept cost effective and represent clear value.

I would like to acknowledge the leadership of previous Board Chair Iain Rennie and Chief Executive Rosemary Hannah-Parr, who have worked hard to put LDC on a strong and sustainable footing for the future. I would also like to thank the staff of LDC, who are making a real difference to the leadership of the State services, which will have an impact for many years to come.

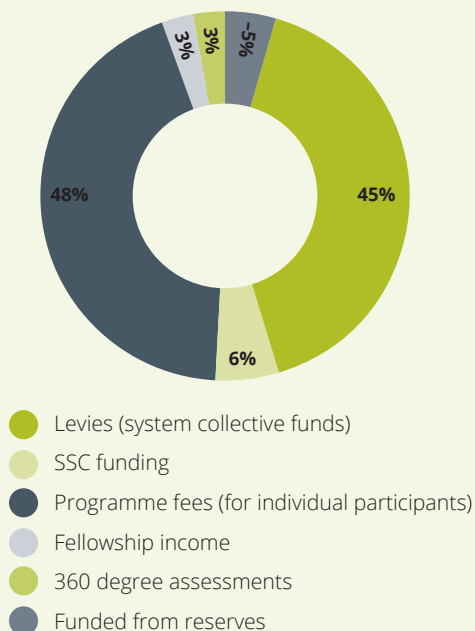
Peter Hughes CNZM  
*Chair, Leadership Development Centre Board*



## Report from the Chief Executive

Today's leaders need to know who is up-and-coming talent and develop those people so they are ready to take on the big roles. Much of the legacy for today's leaders and the future success of the public service will be determined by the quality and quantity of the leaders that follow. Many successful leaders have had someone, at some stage in their careers, who has backed and guided them with their development as they worked through challenging situations to achieve high performance. That support helped them and their teams to excel.

### Aligning LDC business to system leadership priorities



LDC is a membership organisation and 45 per cent of our revenue in 2015/16 came from membership levies. When taken together with programme fees (user pays), which provided 48 per cent of our revenue, we are almost entirely funded through our interactions with member agencies.

Supporting all chief executives to take a system view of talent is key to bringing forward the next generation of senior leaders. LDC is well positioned to play a key role in identifying and developing future leaders through focusing on its own key roles.

The *in agency role* will see tools and resources shared collaboratively across the public sector. It is no longer acceptable for there to be high levels of duplication and reinvention across the system. LDC works with agencies to facilitate increased collaboration to deliver world-class and consistent development for current and future leaders. LDC is well underway with working with the system to build/buy once and re-use multiple times. This is a priority for next year.

Taking an *all of system* approach to leadership further supports collaboration and sharing across the system. Increasing the return on investment for leadership development across the system, through a consistent evaluation framework and targeted approach to sharing of resources is the goal.

Analytics and evidence is leading change government and its use in leadership identification and investment is a key role of the LDC's *intel hub* function. We are using and sharing leading research across the sector to inform decisions regarding leadership development.

## Leadership Insight

Leadership Insight is a new component of the system-wide talent management approach that has been developed by the State Services Commission, together with chief executives and LDC. In essence, it identifies strengths and weaknesses against the Leadership Success Profile, allowing targeted development interventions for the right people at the right time. During the 2015/16 year, the assessment phase of the programme was rolled out to invited senior leaders. More than 300 second- and third-tier leaders took part, offering rich information about development needs at individual, agency and system levels.

At the request of their chief executives, LDC worked directly with 80 senior leaders from different agencies, as they turned their assessment findings into highly relevant development plans. The added value of this work has been the ability to provide the chief executives with additional information about their cohort of leaders, allowing the individual assessments to build a picture of the collective leadership within an agency.

At the end of March 2016, with over half the Leadership Insight invitees having completed their 360° assessments, LDC began working closely with the State Services Commission and Cerno, our 360° assessment provider, to provide a comprehensive report on the collective findings arising from the assessment phase. These findings, unsurprisingly, were not significantly different from those previously highlighted through the Assessment for Development (AfD). What is new is our understanding of the individuals' aspirations, readiness and potential for more challenging leadership roles.

Since individuals were assessed against the demands of their current role, the assessment phase has also provided a picture of the leadership complexity of many of our senior roles. The public sector will benefit from this, with a better understanding of how best to cluster roles, based on their leadership complexity rather than the traditional 'tier' driven approach.

We construct agency reports for organisations that have more than six 360° assessment reports at the same organisational level. In 2016/17, we created four of these reports for agencies.

25

different agencies participated in the 360° assessment surveys in 2016/17.

## TMIS

In the 2015/16 year, LDC was a part of the cross-sector reference group that provided guidance about a new Talent Management Information System (TMIS) procured by the State Services Commission in collaboration with other agencies.

With the data from the TMIS, we are able to identify commonalities between leaders more effectively and pinpoint their development needs. This data will allow LDC, as well as the wider system, to be better informed and make more intelligent investment decisions and move away from the current ad hoc nature of leadership development – enabling us to identify development needs and opportunities more precisely.

## Working with and for chief executives

### Evidence-based development

We periodically produce agency- and system-level reports from 360° assessment data.

This work is an important part of LDC's role as an 'intel hub', where we work with senior teams and chief executives to translate raw data into information that can shape organisational development priorities.

LDC also keeps up to date with the latest available leadership research. The most noticeable theme emerging from research at present is the need for senior leaders to develop a greater digital capability. While this was, for a long time, strictly the domain of IT, there is an emerging need for all public sector leaders to have some competency in this area. Digital leadership capability allows leaders to connect to their customer base and to New Zealanders at large.

### Auckland campaign

In response to a growing demand for greater collaboration between Auckland public servants and their Wellington counterparts, LDC implemented a promotional programme targeted at the Auckland sector in July 2016. A range of promotional activities were aimed at increasing awareness of LDC's role in system-wide leadership development and the programmes and supporting resources available.

A set of information videos were developed, which were viewed by an audience of nearly 60,000 in Auckland alone. A series of 'Learning Labs' (previously known as clinics) were launched based on topics of most interest to the Auckland audience, as prompted by a stakeholder survey conducted by the State Services Commission policy office in May 2016. Participant numbers doubled from 20 to over 50 within two months. LDC continues to run Learning Labs in Auckland, taking note of the participants' evaluations and suggestions for future topics of interest.

Three months after the first promotion in Auckland, the LDC website has seen the number of Auckland public sector visitors triple. Across all relevant age groups (25–34, 35–44 and 55–64 years), visitor numbers have doubled, and returning visitor numbers have increased in Auckland by 42 per cent. Data analytics monitor all visitor numbers and behaviours, providing LDC with a comprehensive picture of trends and, more importantly, an indication of where to focus the ongoing activities and initiatives to attract the Auckland public sector market.

### Moving premises

For LDC, 2016 was also the year in which we moved from Maritime Tower to a more central location in Lambton Quay. With our lease of the Maritime Tower premises expiring and utility costs and rents increasing, the Board decided it was time to look at more cost-effective accommodation options.

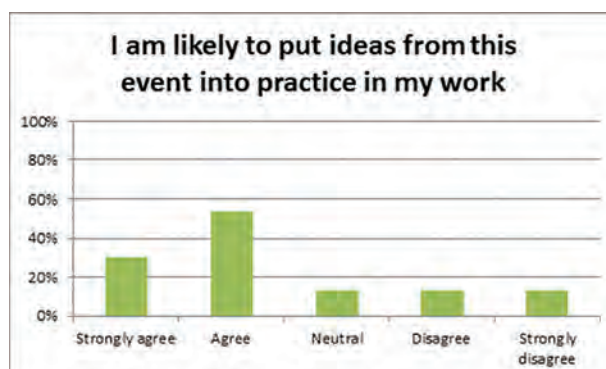
We also took the opportunity to bring some of our programmes and events in house. The larger space available in our new premises allows us to accommodate up to 50 guests for events such as coaching sessions, meetings with stakeholders, our refurbished Learning Labs, as well as celebrations such as the Leadership Development Programme (LDP) graduation.

## World-class leadership expertise

### Revised evaluation framework

The 2015/16 year saw the completion of a revised evaluation framework for LDC's programmes and events. This forms part of our endeavours to take a more customer-centric focus on our products and services. We identified a need to gather information in a systematic format to analyse our end users' experiences and the outcomes for them. We wished to evaluate the delivery and content of our offerings and their impact on leaders. Initially, we will be examining the programmes area, with a view to expanding the evaluation process in the future. This forms part of LDC's increased focus on data and analytics, which has informed our work over the year.

As an example, we are now evaluating the impact of our Learning Labs and producing consistent analysis.





## Assessments

In the 2014/15 year, a revision of the LSP was completed. This year, we used that revised LSP to examine and update the core capabilities of the 360° assessment, which is used across LDC's leadership development options. We implemented the new framework into the Qualtrics platform, which we have begun using to facilitate the 360° assessments. We exceeded our target of 250 assessments, with 287 completed in the 2015/16 financial year.

In response to feedback from our customers, we have created a new 360° assessment for individuals in thought-leadership roles.

## LDC programmes – system and agency

### Fellowships

Two Fellowship categories are open to candidates wishing to make proposals: 'Better Public Services' and 'Developing the capability of public sector leaders'. The two Fellowship categories each have one or more themes. These align with the Fellowships' aim to help senior leaders build on their personal leadership goals. They also reflect topic areas that are relevant to the leaders' agencies and the system and will result in performance improvements in the public sector. Each theme provides a valuable focus for study and research and may demonstrate how others have approached similar challenges.

One Fellowship was awarded this year to Jayne Russell, General Manager, Employer Services, Ministry of Social Development, for her proposal 'Leadership that builds sustainability, research and connections' under the 'Better Public Services' theme.

## LDC review

In June 2016 the LDC Board commissioned a review of LDC. The reviewer recommended a number of system changes for leadership development in the public sector that could potentially impact the institutional arrangements for the leadership development functions currently delivered by LDC. The current LDC strategy, with the three roles has largely been confirmed. The review highlights that the mechanism for delivery on this strategy needs to be well aligned to system priorities more broadly and particularly to system talent and leadership development priorities. The State Services Commissioner is considering the review recommendations.

## In appreciation

For LDC, 2015/16 was the year that Leadership Insight was rolled out across the core public sector leadership development. The insights from that assessment process have been eagerly anticipated by our staff and providers as we contemplate a talent development system built upon greater evidence of our members' needs.

We have been embedding the new strategy approved by the Board in 2015, which is built around our 'key enabler' (intel hub), 'all of system' and 'in agency' functions. The Leadership Insights report reaffirms the need for a vehicle to deliver leadership (and management) programmes, tools and resources to not only the core public service but also the wider State sector.

To everyone who have been part of the implementation of our strategy, our Board, our providers, our member agencies, our programme participants and most importantly our dedicated and enthusiastic staff, I thank you all.



Rosemary Hannah-Parr  
Chief Executive, Leadership Development Centre

# Achievements and impact

## Leadership development and facilitation

Typical target participation

TIER  
1

### Chief Executive Development

LDC focused on advice, and delivered two chief executive-specific events during 2015/16.

### Leadership Development Programme (LDP)

LDP is for senior leaders who have been identified by their chief executives as being proven high performers with a strong potential for delivering successfully in larger complex roles. Nineteen leaders, from cohorts 3 and 4, graduated in 2015/16.

### LDC Fellowships

The LDC Fellowship programme aims to develop stronger links to the whole-of-system leadership and talent development work. We announced one Fellow for the 2015/16 year.

### Leadership in Practice (LiP)

Our LiP programme continued to be a flagship programme for LDC. LiP targets leaders who are making the transition from leading people to leading leaders. Three cohorts commenced during 2015/16 with 48 participants.

TIERS  
2 & 3

TIERS  
3 & 4

### Action Learning Groups (ALGs)

ALGs are a series of theme-based learning sessions that can be tailored to suit individuals and agencies. The content is participant driven and facilitated by one of LDC's providers. Two groups commenced during 2015/16.

TIERS  
4 & 5

### Management in Action (MiA)

Our MiA programme, for new managers and managers wanting to develop core management skills, was run for both inter-agency groups, as well as being tailored to agency-specific needs. Two open MiA cohorts commenced during 2015/16 as well as three programmes tailored to individual agency priorities.

LDC designs and delivers a range of programmes and events for two main customer groups:

1. System leaders
2. Agencies

*In addition to these programmes, LDC held 10 Learning Labs during 2015/2016 on topics presented by experts. These brief events are open to all LDC members. They aim to give participants a theoretical and practical understanding of a relevant leadership topic.*

### MPI Directors Programme

The MPI Directors Programme is a blended learning programme over an 18 month period. It was designed as a tailored version of LDP to specially meet the development requirements of MPI Directors. One MPI programme began 2016.

### Building Capable Managers (BCM)

BCM is a development programme designed for new managers formed out of a well-established programme within MFE. Two BCM programmes commenced in the 2015/16 year (for Central Agencies and Natural Resources Sector).

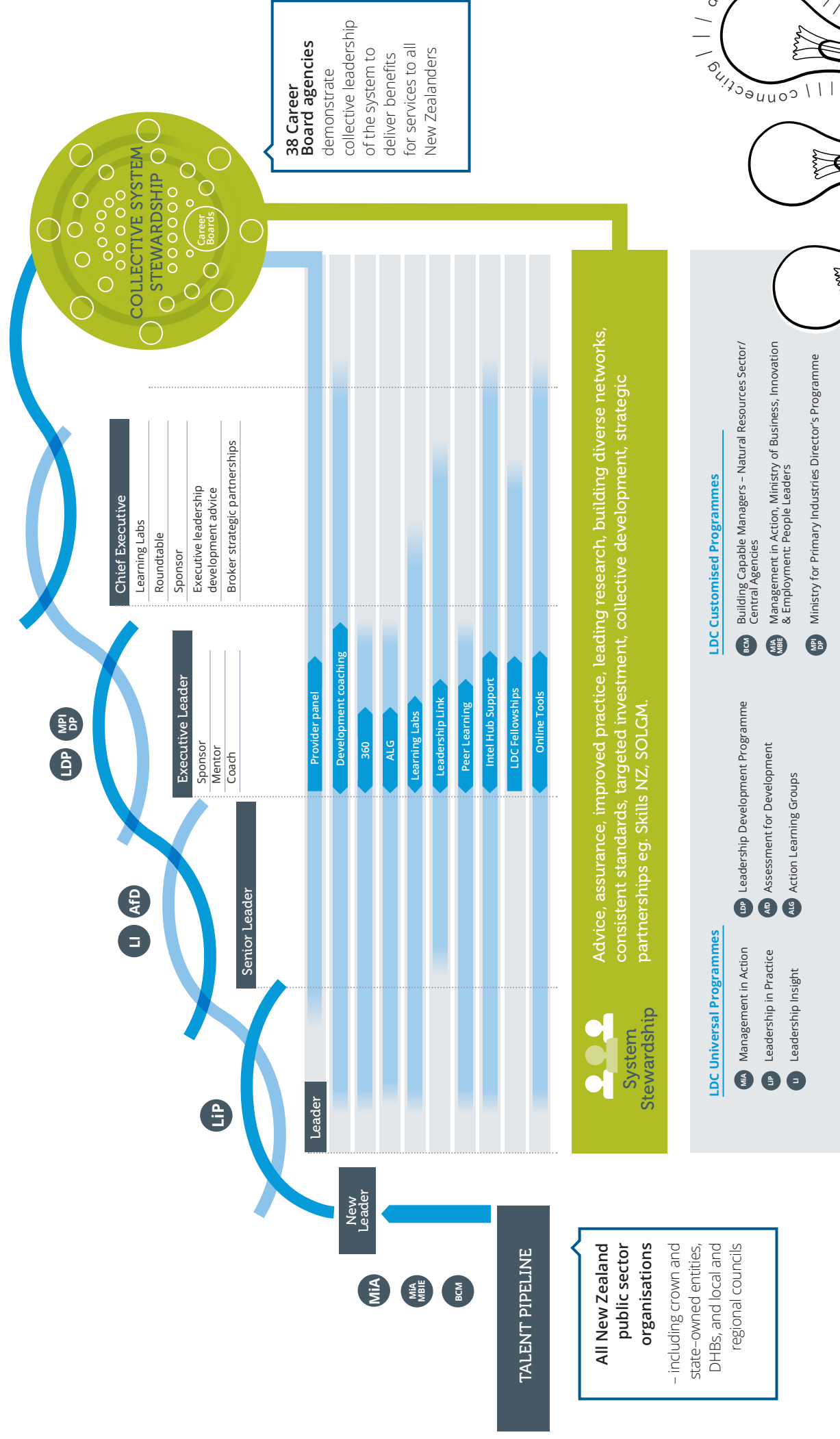
### MiA MBIE People Leaders

MiA MBIE People Leaders is a programme tailored out of the LDC Management in Action programme. It targets new MBIE managers. One programme was offered in 2016.

System  
leaders

Agencies

## Leadership Development Centre customer experience

















## Income & Expenditure Summary

	Full Year Budget	Full Year Spend	Variance
<b>Total revenue</b>	\$3,861,595	\$3,722,628	\$138,967
<b>Total expenditure</b>	\$4,146,211	\$3,534,781	\$611,430
<b>Net surplus (deficit)</b>	(\$284,616)	\$187,847	(\$472,463)
	<b>30 June 2016</b>	<b>Budget</b>	<b>Variance</b>
<b>Net Working Capital</b>	\$1,498,416	\$1,294,981	\$203,435
<b>Ratio</b>	1.33	1.46	0.13

## Key Enabler: Lead leadership thinking

	Full Year Budget	Full Year Spend	Variance
<b>Revenue</b>	\$830,737	\$750,247	\$80,490
<b>Expenditure</b>	\$1,090,134	\$731,914	\$358,220

Deliverables	2015-16 Target	Snapshot
Analysis of current capability and the future requirements of New Zealand public service leaders	One system-level analysis report using available data (360° assessment, development conversations, TMIS and AfD)	
	250 360°s completed	
System-level analysis for Career Boards	One system-level analysis report using Leadership Insight data, including recommended development solutions, for Career Boards	 <b>Waiting on TMIS</b>
Agency-level analysis for core agency chief executives	Reports informed by development assessment data (e.g. Leadership Insight, 360) provided to all agencies where sufficient number of people have completed such assessments	
	At least one debrief per agency report with CE/senior leadership team/HROD	
	Membership survey – qualitative measure (feedback)	
Review programme monitoring and evaluation, and test programme rating	Evaluation framework reviewed	
	Revised evaluation framework applied to all LDC leadership development interventions	
	Benchmark year for overall programme rating target based on weighted averages of facilitation, LSP alignment and application of learning based on new evaluation framework	
Share leading practice research and thinking	24 research requests	
	Membership survey – qualitative measure (feedback)	
	Leading practice advice papers for Career Boards as requested	
	Two LDC White Papers produced. Final drafts complete	
	550 number of e-letter downloads and/or website hits for research articles	



**On track**



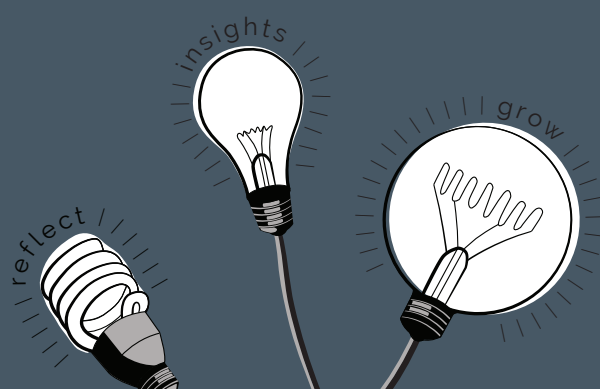
**Ongoing**



**Waiting**



**Complete**



## All of System: Deliver leadership development for identified leaders

	Full Year Budget	Full Year Spend	Variance
<b>Revenue</b>	\$2,358,363	\$2,296,404	\$61,959
<b>Expenditure</b>	\$2,157,438	\$2,261,962	(\$104,524)

Deliverables	2015–16 Target	Snapshot
Deliver LDC assessment and development planning tools and processes aligned with the revised LSP	Realign and relaunch LSP360° with revised LSP	
	Realign and relaunch AfD with revised LSP	<b>Waiting on assessment framework</b>
	Realign LDC toolkits with revised LSP	
Implement a relationship management framework for talented individuals identified by Career Boards (commencing with Leadership Insight)	Framework established and in place	
	6-month report to Board summarising activity, key themes and any resulting actions	
Offer cross-system programmes, events and clinics, and manage quality control of LDC programmes (sometimes customised) delivered by agencies	Number of programmes commenced:	
	• 3 Leadership in Practice (LiP)	
	• 2 Management in Action (MiA) including blended-learning approach pilot	
	• 1 Leadership Development Programme (LDP)	
	• Leadership Link moved out of pilot phase and into final version	
	• 12 clinics/events aligned with LDC's quarterly themes and/or sharing system experiences and leading practice, e.g. Fellows, IPANZ	
	• 3 Fellowships granted	
Co-design the Building System Leaders Initiative (BSLI) framework (managers of managers transition from individual contributor to system-focused leaders focused)	BSLI design on hold	<b>Waiting on Leadership Insight data</b>
	First BSLI cohort in place for 1 July, 2016	<b>Postponed until 2017 FY</b>

## In Agency: Grow and strengthen the leadership system

	Full Year Budget	Full Year Spend	Variance
<b>Revenue</b>	\$672,495	\$675,977	(\$3,482)
<b>Expenditure</b>	\$898,640	\$540,905	(\$357,735)

Deliverables	2015–16 Target	Snapshot
Develop and implement a framework to assess, advice and assure agency leadership development practice, including an assessment of how agency talent management practices and policies reinforce leadership development investment	Talent management maturity model completed and revised as part of Talent Management toolkit	
	Talent management maturity assessment/sessions completed for 8 agencies (including 2 of 'top 4', and 4 of next 7)	
With the State Services Commission, finalise the design of Leadership Insight (the common assessment and benchmarking process for senior leaders) and lead the delivery of the development planning component, including toolkits and online support development	Leadership Insight design phase completed and launched to Tier 2	
	Survey at end of Leadership Insight process to targeted group of participants	
	Online support developed for each of the 16 capability areas including an additional 9 toolkits	

## Leadership Development Centre Business Strategy: 2015–2019

### VISION

The public sector has a world-class leadership system and a pool of talented current and future leaders.

### MISSION

Our mission is to deepen the pool of leaders who have the ability to lead the public sector and achieve results for New Zealanders.

### LDC's ROLES

LDC was established by the State Services Commissioner and public service chief executives to help support them undertake their leader development responsibilities. Therefore LDC works in partnership with the State Services Commissioner and public sector chief executives to foster high quality public sector leaders by making the right investment in the right people at the right time. LDC is well positioned to advise on, design, develop, commission and deliver leading practice and relevant approaches for leadership development. Assessment is central to each of LDC's roles, providing high quality research and data to inform chief executive discussions, decisions and implementation.

Over the next four years LDC will focus on three core roles:

### IN AGENCY

Growth and Strengthen the Leadership System

**LDC aims to develop consistency in the way individuals are developed in agencies. LDC will do this by:**

- Providing common diagnostic tools for agencies.
- Providing feedback and challenging chief executives on their agency's leadership development practices.
- Creating resources, systems, processes, modules and tools for agencies to use for developing leaders and leadership.
- Sharing leading practice examples.
- Working with the wider State Services.

### KEY ENABLER

Lead Leadership Thinking

**As the system intel HUB, LDC:**

- Knows leading and best practice (research, relationships and thinking).
- Interprets for the NZ context – evidence based.
- Analyses data to inform priorities for leadership development.
- Shares the information and uses it to challenge and inspire.

### ALL OF THE SYSTEM

Leadership Development for Identified Leaders

**LDC will partner with chief executives to identify and develop leaders by providing:**

- Assurance that the right people receive the right development at the right time to maximise the return on investment.
- Advice to the Career Boards on the development needs at both a system and individual level.
- Advice to chief executives on leading practices in development planning (IDPs).
- Information on the right investment and interventions.
- Quality standards through developing common and consistent approaches to assessment, development and investment planning.
- For the system, the design, development, commissioning and delivery of interventions.

# Statement of service performance

FOR THE YEAR ENDED 30 JUNE 2016

**In 2015, the Board adopted a new strategy that articulated three roles for LDC:**

**Key enabler – intel hub**

LDC will rely on evidence from New Zealand public sector leadership data and leading research to inform leading practices and leadership development investment. This reflects the increased focus on 'big data' and analytics to inform decisions regarding leadership development investment for individuals, agencies and the broader public service.

**All of system**

LDC will assess, advise and deliver interventions to cultivate system leadership behaviour and assure bench strength for future leadership development. A priority is for LDC to be the people development contact and principal adviser for Career Boards – for both chief executives seeking to invest in the Career Boards process and leaders in the Career Boards cadre.

**In agency**

LDC will work with agencies on their internal leadership development practices to help mature talent management systems, processes and people. This includes sharing leading practices from higher performing agencies across the public sector.

**Our statement of performance expectations for 2015/16 reflects these three roles as our outputs.**

## LEADERSHIP DEVELOPMENT CENTRE

## Cost of service statement

FOR THE YEAR ENDED 30 JUNE 2016

ALL FIGURES PRESENTED ARE STATED IN NEW ZEALAND DOLLARS

	2016 ACTUAL				2016 BUDGET			
	REVENUE		EXPENDITURE		REVENUE		EXPENDITURE	
	\$		\$		\$		\$	
OUTPUT CLASS								
In Agency								
Development Agency Talent Management Framework	51,850		34,661		52,927		88,508	
Agency Talent management Support	366,891		368,964		363,428		495,299	
Resource Development	257,236		137,280		256,140		314,832	
Total In Agency	675,977	18%	540,905	15%	672,495	17%	898,639	22%
All of System								
Transition of managers to Senior Leaders	52,122		428,603		55,911		198,212	
Building System Leadership Initiative	436,134		51,511		429,419		307,193	
Development of BSLI Group	235		5,458		918		23,249	
Develop Key Individuals – Career Board Cadre	394,729		241,461		390,329		406,860	
Delivery of System Interventions (outside BSLI)	1,361,061		1,477,654		1,428,687		1,125,294	
CE Development	52,123		57,275		53,099		96,630	
Total All of System	2,296,404	62%	2,261,962	64%	2,358,363	61%	2,157,438	52%
Intel Hub								
Intel Hub Analysis	371,270		328,033		450,333		494,051	
Evaluate Effectiveness	55,551		110,122		54,993		119,514	
Research	198,119		269,636		197,919		332,132	
Fellowship	125,307		24,123		127,492		144,437	
Total Intel Hub	750,247	20%	731,914	21%	830,737	22%	1,090,134	26%
Total	3,722,628	100%	3,534,781	100%	3,861,595	100%	4,146,211	100%



## Output 1: Key enabler: Lead leadership thinking

KEY DELIVERABLES	2015/16 TARGET	2015/16 ACTUAL	NOTES
1. Conduct comprehensive analysis of the current capabilities and future requirements of leaders in the New Zealand public service (including consideration of system-wide Leadership Insight data, AfD and LSP360° assessment data, research and insight).	One system-level analysis report produced using available data (360° assessment, development conversations, TMIS and any AfD)	Completed	
	250 360° assessments completed	287 completed	
2. Prepare and present system-level analysis for consideration by Career Boards, including identification of system development priorities and recommended development solutions.	One system-level analysis report produced using Leadership Insight data, including recommended development solutions, presented to Career Boards	Completed	Key findings were summarised in a report and presented to Career Boards and at open presentations to the public sector.
3. Prepare and present agency-level analysis for consideration by core agency chief executives, including the identification of agency development priorities and recommended development solutions.	Reports informed by development assessment data (e.g. Leadership Insight, 360° assessment data) provided to all agencies where a sufficient number of people have completed such assessments	Completed	Agencies provided with reports included Department of Corrections, Crown Law, New Zealand Customs Service, Ministry of Education, Ministry of Health, Ministry for Pacific Peoples, Serious Fraud Office and Statistics New Zealand.
	At least one debrief per agency, reporting to the chief executive/senior leadership team/human resources and organisation development	On track	Debriefs were conducted with chief executives and senior staff. This is ongoing.
	Membership survey – qualitative measure (feedback)	Completed	Interviews were conducted with a range of member agencies, resulting in the Customer experience infographic (see page 9).

KEY DELIVERABLES	2015/16 TARGET	2015/16 ACTUAL	NOTES
4. Review the system of monitoring and evaluating programmes. Evaluate specific leadership development interventions to test overall programme rating.	Evaluation framework reviewed	Completed	
	Revised evaluation framework applied to all LDC leadership development interventions	Ongoing	Surveys are conducted at the beginning, mid-point and end of all programmes and following all LDC-run events. The evaluation framework is being rolled out across programmes to ensure consistency.
	Benchmark year for overall programme rating target based on weighted averages of facilitation, LSP alignment and application of learning based on new evaluation framework	Ongoing	Inconsistent application across programmes has prevented this. However, evaluation is being progressively rolled out across programmes.
5. Share leading and best-practice research and thinking.	24 research requests	39 requests	
	Membership survey – qualitative measure (feedback)	Completed	Evaluations for programmes and events offer an avenue for members to provide direct feedback to LDC.
	Leading practice advice papers produced for Career Boards on an as-requested basis	Completed	Three papers were requested and produced: 'Enhancing people performance', 'Critical experiences for leadership development' and 'Unconscious bias – overview and vendors'.
	Two White Papers produced	Completed	These have been produced and finalised but are yet to be published. Our promotional and publishing approach needs to be reviewed in light of our social media approach before publication occurs.
	550 e-letter downloads and/or website hits for research articles	12,220 e-letter downloads 1158 click-throughs to research items	Our system records both e-letter downloads (recorded when the e-letter is opened) and click-throughs to research articles. Many more people have opened our e-letters than we targeted for.  However, the number of research article click-throughs demonstrates that people are interested in the research we provide and are accessing it through e-letter links.

## Output 2: All of system: Deliver leadership development for identified leaders

KEY DELIVERABLES	2015/16 TARGET	2015/16 ACTUAL	NOTES
6. Realign, relaunch and deliver LDC assessment and development planning tools and processes that are aligned with the revised Leadership Success Profile. This will provide clarity for development priorities against system expectations and enable improved analysis and reporting.	Realign and relaunch LSP360° with revised LSP	Completed	Launched July 2015. LDC has also designed and launched a LSP Essentials 180 (manager and self-assessment) and a LSP360° for professional specialist leaders (non-people leaders).
	Realign and relaunch AfD with revised LSP	On hold	This was postponed until Leadership Insight was complete. A request for a procurement process is currently being initiated.
	Realign LDC toolkits with revised LSP	Completed	Nine toolkits were created and launched in early December 2015 to supplement existing toolkits, which were reviewed and aligned to the LSP.
7. Establish and implement a relationship-management framework for talented individuals, who have been identified through the Career Boards process (commencing with the Leadership Insight process), to support development planning and provide ongoing advice and challenges.	Framework established and in place	Completed	A framework document has been produced and is available for internal reference.
	6-monthly report to the Board summarising activity, key themes and any resulting actions	On track	Development planning has occurred, with 80 individuals' summary activities having been reported to the Board. Ongoing support will be established once the Career Boards confirms individuals.
8. Offer cross-system leading practices and relevant programmes, events and clinics and oversee the quality of LDC programmes delivered (and/or customised) by agencies.	3 Leadership in Practice (LiP)	3	Includes cohorts 49, 50 and 51.
	2 Management in Action (MiA)	4	Includes open programme cohort 5; Ministry of Business, Innovation and Employment cohorts 5 and 6; and Education New Zealand cohort 1.
	1 Leadership Development Programme (LDP)	1	Includes cohort 5.
	Leadership Link moved out of pilot phase and offering finalised	On hold	We are not currently actively seeking participants for Leadership Link.

KEY DELIVERABLES	2015/16 TARGET	2015/16 ACTUAL	NOTES
<i>Continued</i>			
8. Offer cross-system leading practices and relevant programmes, events and clinics and oversee the quality of LDC programmes delivered (and/or customised) by agencies.	12 clinics/events aligning with LDC's quarterly themes and/or sharing system experiences and best practice, e.g. Fellows, Institute of Public Administration New Zealand (IPANZ)	24	<i>This includes Career Boards events.</i>
	3 Fellowships granted	2	<i>Only two submissions were of sufficient quality to merit Fellowships. Only one will be taken up as the second recipient has now left the public sector.</i>
	3 targeted development activities for chief executives and senior teams	3	<i>This includes 'The innovation architect' with Paddy Miller; 'Leadership for change agents' with Paul Porteous and 'Who wants to be a chief executive? Truth, lies and statistics...' with multiple facilitators.</i>
9. Co-design (with representatives from the public service and other centres of excellence) the framework for the delivery of the Building System leaders Initiatives (BSLI) to assist "managers of managers" transition from individual contributor, to collaborative, collective leaders focussed on system outcomes.	BSLI design completed	On hold	<i>Formally put on hold by the Board in late December 2015 pending the outcome of Leadership Insight initiative.</i>
	First cohort ready to go 1 July 2016	On hold	<i>In the 2016/17 year, BSLI is likely to be replaced as a concept.</i>

### Output 3: In agency: Grow and strengthen the leadership system

KEY DELIVERABLES	2015/16 TARGET	2015/16 ACTUAL	NOTES
10. Develop and implement a framework to assess, advise and assure agency leadership development practices (including capability, processes and systems), incorporating an assessment of how agency talent management practices and policies reinforce leadership development investment (e.g. selection, reward and recognition practices and policies).	Talent management maturity model completed and revised as part of the Talent Management toolkit	Completed	The Talent Management toolkit was completed early 2016.
	Talent management maturity assessment sessions completed for 8 agencies (including 2 of the top 4 plus 4 of the next 7)	On track	Agencies include the Department of Conservation, Inland Revenue, Land Information New Zealand, Statistics New Zealand, Ministry for the Environment, Ministry of Justice and the Department of Corrections.
11. With the State Services Commission, finalise the design of a common assessment and benchmarking process for senior leaders (Leadership Insight) and lead the delivery of the development planning component, including the development of toolkits and online support.	Leadership Insight design phase completed and launched to tier 2	Completed	Launched in 2015.
	Survey at the end of the Leadership Insight process to targeted group of participants	On track	Leadership Insight has not yet been completed. It will be completed once it moves into the next stage.
	Online support developed for each of the 16 capability areas, including an additional 9 toolkits	Completed	The following 9 toolkits were added: Achieving Ambitious Goals, Curious, Engaging Others, Enhancing Organisation Performance, Enhancing System Performance, Enhancing Team Performance, Leading Strategically, Leading at the Political Interface and Managing Work Priorities.

## Revised Evaluation Framework

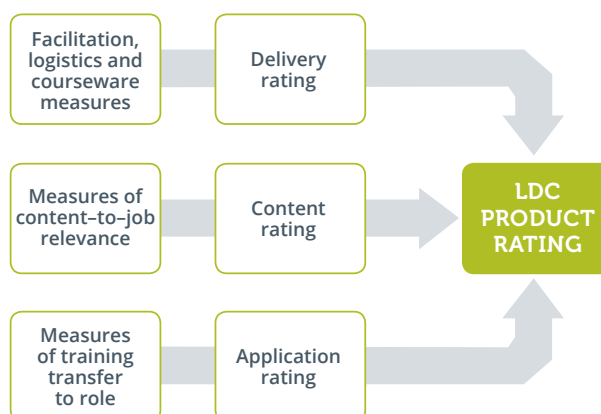
One of LDC's key pieces of work for the 2015/16 year has been the creation and implementation of an evaluation framework. The implementation of this framework will enable the organisation to analyse and report on the effectiveness of leadership development options. It will also enable LDC to refine and improve areas where products and deliverables are not fully meeting the requirements of the Leadership Success Profile.

All LDC leadership development options should align to the LSP, which has been deemed to be the model for good leadership. Although most of the leadership development activities and services offered will not cover all 16 LSP capability areas, they should focus on the capability areas that they do address.

The evaluation framework's scope includes all mechanisms by which LDC delivers deliberate leadership development opportunities. This includes programmes, Learning Labs, Action Learning Groups (ALGs), leadership events and Fellowships.

Each service or product that is delivered by LDC facilitators will incorporate an evaluation structure based on three dimensions. These dimensions are derived from research by CEB Corporate Leadership Council™ into the key drivers of learning, applying learning and job performance for leadership programmes:

1. Delivery (facilitation and logistics)
2. Content relevance
3. Extent of application.



Each dimension will be more or less relevant, depending on the specifics of the programme or event being evaluated. However, each service that LDC delivers will consist of all three dimensions and will be evaluated as such.

All of LDC's leadership development options will be evaluated across their lifespan in a way that is relevant to the specific service or activity. This will allow us to monitor those options and update and refine them consistently as necessary.

## Independent Auditor's Report

### To the readers of Leadership Development Centre's financial statements and performance information for the year ended 30 June 2016

The Auditor-General is the auditor of the Leadership Development Centre (LDC). The Auditor-General has appointed me, Chrissie Murray, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of LDC on her behalf.

### Opinion on the financial statements and the performance information

We have audited:

- the financial statements of LDC on pages 25 to 45, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of LDC on pages 14 to 19.

In our opinion:

- the financial statements of LDC:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2016; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards with reduced disclosure requirements.
- the performance information:
  - presents fairly, in all material respects, LDC's performance for the year ended 30 June 2016, including for each class of reportable outputs:
    - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
    - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

### State sector leadership development review

Without modifying our opinion, we draw attention to the disclosures made in note 1 on page 29 about the state sector leadership development review currently being considered by the State Services Commissioner. The validity of the going concern assumption on which LDC's financial statements have been prepared depends on decisions to be made by the State Services Commissioner as part of this review. We consider the disclosures to be adequate.

Our audit was completed on 31 October 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and explain our independence.

### Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of LDC's financial statements and performance information 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 LDC's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported performance information within LDC's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### Responsibilities of the Board

The Board is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- present fairly LDC's financial position, financial performance and cash flows; and
- present fairly LDC's performance.

The Board's responsibilities arise from the Public Finance Act 1989 and the Crown Entities Act 2004.

The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

### Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

### Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

As disclosed in LDC's Annual Report, the Office of the Controller and Auditor General along with a number of other agencies is a subscriber to LDC.

Other than the audit, we have no relationship with or interests in LDC.



Chrissie Murray  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand



LEADERSHIP DEVELOPMENT CENTRE  
**FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2016

LEADERSHIP DEVELOPMENT CENTRE

## Statement of responsibility

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FOR THE YEAR ENDED 30 JUNE 2016

We are responsible for the preparation of Leadership Development Centre's financial statements and statement of performance, and the judgements made in them.

We are responsible for any end-of-year performance information provided by Leadership Development Centre under section 19A of the Public Act 1989.

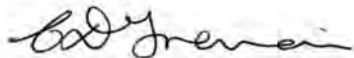
We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operations of Leadership Development Centre for the year ended 30 June 2016.



Peter Hughes  
Chair

31 October 2016



Carolyn Tremain  
Deputy Chair

31 October 2016

## LEADERSHIP DEVELOPMENT CENTRE

**Statement of comprehensive revenue and expense**

FOR THE YEAR ENDED 30 JUNE 2016

ALL FIGURES PRESENTED ARE STATED IN NEW ZEALAND DOLLARS

	NOTES	ACTUAL 2016 \$	BUDGET 2016 \$	ACTUAL 2015 \$
<b>REVENUE</b>				
Revenue from membership levies	2	1,548,997	1,540,000	1,302,794
Revenue from State Services Commission	2	200,000	200,000	200,000
Interest revenue	3	112,933	114,000	112,381
Other revenue	4	1,860,698	2,007,595	2,045,235
<b>Total revenue</b>		<b>3,722,628</b>	<b>3,861,595</b>	<b>3,660,410</b>
<b>EXPENDITURE</b>				
Personnel costs	5	1,697,911	1,693,566	1,629,425
Depreciation and amortisation expense	6, 7	97,294	106,807	149,195
Other expenses	8	1,739,576	2,345,838	2,325,070
<b>Total expenditure</b>		<b>3,534,781</b>	<b>4,146,211</b>	<b>4,103,690</b>
<b>SURPLUS/(DEFICIT) BEFORE TAXATION</b>		<b>187,847</b>	<b>(284,616)</b>	<b>(443,280)</b>
Income tax	9	–	–	–
<b>Surplus/(deficit) after taxation</b>		<b>187,847</b>	<b>(284,616)</b>	<b>(443,280)</b>
<b>Other comprehensive revenue and expense</b>		<b>–</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive revenue and expense</b>		<b>187,847</b>	<b>(284,616)</b>	<b>(443,280)</b>

Explanations of major variances against budget are provided in Note 26.  
The accompanying notes form part of these financial statements.

## LEADERSHIP DEVELOPMENT CENTRE

## Statement of financial position

AS AT 30 JUNE 2016

ALL FIGURES PRESENTED ARE STATED IN NEW ZEALAND DOLLARS

	NOTES	ACTUAL 2016 \$	BUDGET 2016 \$	ACTUAL 2015 \$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	10	758,721	478,685	897,506
Receivables	11	2,365,533	1,192,542	1,948,270
Investments	12	2,350,000	2,350,000	2,400,000
Prepayments		24,856	61,250	84,445
<b>Total current assets</b>		<b>5,499,110</b>	<b>4,082,477</b>	<b>5,330,221</b>
<b>Non-current assets</b>				
Property, plant and equipment	13	9,764	19,804	21,161
Intangible assets	14	63,868	71,951	144,960
<b>Total non-current assets</b>		<b>73,632</b>	<b>91,755</b>	<b>166,121</b>
<b>Total assets</b>		<b>5,572,742</b>	<b>4,174,232</b>	<b>5,496,342</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	15	3,600,643	2,674,637	3,713,174
Provisions	17	299,429	–	287,151
Employee entitlements	16	100,622	104,615	103,571
<b>Total current liabilities</b>		<b>4,000,694</b>	<b>2,779,252</b>	<b>4,103,896</b>
<b>Non-current liabilities</b>				
Provisions	17	–	8,245	8,245
<b>Total non-current liabilities</b>		<b>–</b>	<b>8,245</b>	<b>8,245</b>
<b>Total liabilities</b>		<b>4,000,694</b>	<b>2,787,497</b>	<b>4,112,141</b>
<b>Net assets</b>		<b>1,572,048</b>	<b>1,386,735</b>	<b>1,384,201</b>
<b>EQUITY</b>				
Accumulated surplus/(deficit) – General funds	18	1,332,852	1,252,110	1,267,576
Accumulated surplus/(deficit) – Fellowship funds	18	239,196	134,625	116,625
<b>Total equity</b>		<b>1,572,048</b>	<b>1,386,735</b>	<b>1,384,201</b>

Explanations of major variances against budget are provided in Note 26.  
The accompanying notes form part of these financial statements.

## LEADERSHIP DEVELOPMENT CENTRE

**Statement of changes in equity**

FOR THE YEAR ENDED 30 JUNE 2016

ALL FIGURES PRESENTED ARE STATED IN NEW ZEALAND DOLLARS

	NOTES	ACTUAL 2016 \$	BUDGET 2016 \$	ACTUAL 2015 \$
<b>BALANCE AT 1 JULY</b>				
General funds		1,267,576	1,554,726	1,722,399
Fellowship funds		116,625	116,625	105,082
<b>Total balance at 1 July</b>		<b>1,384,201</b>	<b>1,671,351</b>	<b>1,827,481</b>
<b>Total comprehensive revenue and expense for the year</b>		<b>187,847</b>	<b>(284,616)</b>	<b>(443,280)</b>
<b>Balance at 30 June</b>		<b>1,572,048</b>	<b>1,386,735</b>	<b>1,384,201</b>
Accumulated surplus/(deficit) – General funds		1,332,852	1,252,110	1,267,576
Accumulated surplus/(deficit) – Fellowship funds		239,196	134,625	116,625
<b>Balance at 30 June</b>	18	<b>1,572,048</b>	<b>1,386,735</b>	<b>1,384,201</b>

*Explanations of major variances against budget are provided in Note 26.  
The accompanying notes form part of these financial statements.*

## LEADERSHIP DEVELOPMENT CENTRE

## Statement of cashflows

FOR THE YEAR ENDED 30 JUNE 2016

ALL FIGURES PRESENTED ARE STATED IN NEW ZEALAND DOLLARS

	NOTES	ACTUAL 2016 \$	BUDGET 2016 \$	ACTUAL 2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from State Services Commission		200,000	200,000	200,000
Interest received		103,846	113,916	112,148
Receipts from other revenue		3,078,373	3,432,751	3,804,506
Payments to suppliers		(2,030,649)	(2,338,286)	(2,215,795)
Fellowship awards		–	(108,000)	(127,274)
Payments to employees		(1,531,092)	(1,641,373)	(1,577,580)
Goods and services tax (net)		(4,458)	(95,390)	111,739
<b>Net cash flows from operating activities</b>		<b>(183,980)</b>	<b>(436,382)</b>	<b>307,744</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from maturity of investments		5,100,000	3,000,000	5,300,000
Purchase of investments		(5,050,000)	(2,750,000)	(5,700,000)
Purchase of property, plant and equipment		(4,805)	(20,000)	(2,235)
Purchase of intangible assets		–	(12,440)	(9,160)
<b>Net cash flows from investing activities</b>		<b>45,195</b>	<b>217,560</b>	<b>(411,395)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(138,785)</b>	<b>(218,822)</b>	<b>(103,651)</b>
Cash and cash equivalent at the beginning of the year		897,506	697,507	1,001,157
<b>Cash and cash equivalents at the end of the year</b>	10	<b>758,721</b>	<b>478,685</b>	<b>897,506</b>

Explanations of major variances against budget are provided in Note 26.  
The accompanying notes form part of these financial statements.

## LEADERSHIP DEVELOPMENT CENTRE

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

**NOTE 1: STATEMENT OF ACCOUNTING POLICIES****Reporting Entity**

The Leadership Development Centre (LDC) has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements for LDC are for the year ended 30 June 2016, and were approved by the Board on 31 October 2016.

**Basis of Preparation**

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

In June 2016 the LDC Board commissioned a review of LDC. The reviewer recommended a number of system changes for leadership development in the public sector that could potentially impact the institutional arrangements for the leadership development functions currently delivered by LDC. The current LDC strategy, with the three roles has largely been confirmed. The review highlights that the mechanism for delivery on this strategy needs to be well aligned to system priorities more broadly and particularly to system talent and leadership development priorities. A recommendation under consideration is that the functions of LDC be transferred to a branded business unit within the State Services Commission. If that were to happen then the Trust is likely to be disestablished. The State Services Commissioner is considering the review recommendations.

As no decisions about the future of the Trust have been made, there is no change in the measurement or classification of the assets or liabilities within these financial statements and LDC has continued to adopt the going concern assumption in the preparation of these financial statements.

**Statement of compliance**

The financial statements of LDC have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand ("NZ GAAP").

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards with Reduced Disclosure Requirements (RDR). The criteria for Tier 2 is when entity has expenditure of less than \$30 million and does not have public accountability.

These financial statements comply with PBE accounting standards.

**Presentation and currency rounding**

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar (NZ\$).

**Summary of Significant Accounting Policies****Revenue**

The specific accounting policies for significant revenue items are explained below:

**Non-exchange and exchange revenue**

The PBE accounting standards include standards on exchange revenue (PBE IPSAS 9) and non-exchange revenue (PBE IPSAS 23). The PBE accounting standards also include requirements to disclose certain information about exchange and non exchange revenue and balances. The exchange and non-exchange revenue has been separately disclosed in the notes.

**Exchange transactions****Revenue from programmes and event fees**

Agency members pay a fee to attend programmes and events. Programmes usually run over a period from nine months up to two years. Non-member agencies pay member rates plus 30%.

Revenue from programmes and event fees are recognised by reference to the stage of completion of the transaction at the end of the reporting period. The stage of completion is determined by the most appropriate method to reliably measure the services performed.

Revenue is recognised when earned and is reported in the financial period to which it relates.

**Interest revenue**

Interest revenue is recognised using the effective interest method.

**Non-exchange transactions****Revenue from State Services Commission (SSC)**

LDC has been provided with funding from SSC for the specific purposes of the Commission as set out in its founding legislation and the scope of the relevant government appropriation. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding.

SSC funding is recognised as revenue in advance when invoiced. Revenue is recognised each month across specific output areas.

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### *Revenue from membership levies*

Membership levies are invoiced annually. The purpose of the levy is to provide various services to develop leadership for New Zealand. It benefits the public sector leadership system generally and the value received by agencies from LDC's information and resources and assessment and advice functions.

Member subscriptions is recognised as revenue in advance when invoiced. Revenue is recognised each month across specific output areas.

### *Revenue from fellowship contributions*

Revenue from fellowship contributions are invoiced on annual basis. The funds will be used to award selected senior government leaders to build their personal leadership development goals and those of their agency and the system and make performance improvements to the public sector. It may include formal and/or practical experience, and/or research and study on leadership or management development, in New Zealand or overseas.

Fellowship contribution is initially recognised as revenue in advance when invoiced. Revenue is recognised each month.

### *Revenue for system investment funds*

Revenue for system investment funds are contribution from government agencies. This funding would provide increased capacity for LDC to deliver system wide initiatives particularly the design and establishment of new initiatives. One of these is an initiative designed to build a strong cohort of system leaders. This will, over time, lead to the delivery of a strong and deep leadership pipeline for both the public sector and NZ Inc.

Revenue for investment funds are invoiced annually and initially recorded as revenue in advance. Revenue is recognised each month.

### *Fellowship grant expenditure*

Fellowship grants awarded are recognised as expenditure at the time the awards are approved by LDC subject to any unfulfilled conditions or milestones.

### *Foreign currency transactions*

Foreign currency transactions are translated into New Zealand dollars at the exchange rate ruling at the date of payment. Monetary assets and liabilities at balance date are translated at the year end exchange rates.

### *Operating Leases*

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lease.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

### *Receivables*

Short-term receivables are recorded at their face value, less any provision for impairment.

A receivable is considered impaired when there is evidence that LDC will not be able to collect the amount due.

The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

### *Investments*

Investments in bank term deposits are initially measured at amount invested.

After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

### *Property, plant and equipment*

Property, plant and equipment consists of the following asset classes: leasehold improvements, furniture and fixtures, office equipment and computer equipment. All asset classes are measured at cost less accumulated depreciation and impairment losses.

### *Additions*

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to LDC and the cost of the item can be measured reliably.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised as its fair value as at the date of acquisition.

### *Disposals*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.



## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### *Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to LDC and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

### *Depreciation*

Depreciation is provided on a straight-line basis on all property, plant and equipment, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Leasehold improvements	6 years	16.7%
Furniture and fixtures	4 years	25.0%
Office equipment	4 years	25.0%
Computer equipment	4 years	25.0%

Leasehold improvements are depreciated over the unexpired period of the lease or estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

### *Intangible assets*

#### *Software acquisition and development*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of systems and programmes, and directly associated with the provision of services to customers are recognised as an intangible assets only when it is probable that the future economic benefits will flow to LDC and the cost of the item can be measured reliably.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

### *Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised.

The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	33%
System development	33%

### *Impairment of property, plant, and equipment and intangible assets*

LDC does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

### *Non-cash-generating assets*

Property, plant, and equipment and intangible assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

### *Payables*

Short-term payables are recorded at their face value.

### *Employee entitlements*

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date.

Employees entitlements are classified as a current liability.

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### *Superannuation schemes*

Obligations for contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme and are recognised as an expenses in the surplus or deficit as incurred.

### *Provisions*

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### *Equity*

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components. Disaggregation of funds are based on the net results of fellowship and general transactions.

- accumulated surplus/(deficit) – general funds; and
- accumulated surplus/(deficit) – fellowship funds.

### *Good and Service Tax (GST)*

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expenses.

The net amount of GST recoverable from, or payable to the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST related to investing and financing activities is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### *Income tax*

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary

differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax base used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

### *Budget figures*

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by LDC for the preparations of the financial statements.

The Board approved the LDC's budget on 30 July 2015.

### *Cost allocation*

LDC has determined the cost of outputs using the cost allocation system as outlined below.

Direct costs are those costs directly attributed to an output. Indirect costs are those that cannot be identified in an economically feasible manner with a specific output.

Direct costs are charged directly to outputs. Indirect costs are charged to output based on cost driver and related activity. Personnel costs are charged on the basis of actual time incurred. Other indirect costs are assigned to outputs based on the proportion of direct staff costs for each output.

There have been no changes to the cost allocation methodology since the date of the last audited financial statements.

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### NOTE 2: REVENUE FROM MEMBERSHIP LEVIES AND STATE SERVICES COMMISSION (SSC) FUNDING

Revenue from membership levies and SSC funding are classified as non-exchange transactions.

### NOTE 3: INTEREST REVENUE

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Interest revenue	106,933	108,000	106,381
Fellowship interest revenue	6,000	6,000	6,000
<b>Total interest revenue</b>	<b>112,933</b>	<b>114,000</b>	<b>112,381</b>

Interest revenue is recognised using the effective interest method. It is classified as exchange transactions.

### NOTE 4: OTHER REVENUE

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
<b>Other revenue under exchange transactions</b>			
Bespoke programme	414,528	261,240	630,711
Leadership in practice	552,232	549,174	489,733
System advisory	105,036	184,150	257,600
Leadership Insight	37,631	50,000	–
Leadership development programme	204,377	303,455	254,777
Other revenue	58,679	137,019	141,552
Transition programme	71,867	126,150	82,133
Action learning groups	28,342	21,407	70,479
<b>Total other revenue under exchange transactions</b>	<b>1,472,692</b>	<b>1,632,595</b>	<b>1,926,985</b>
<b>Other revenue under non-exchange transactions</b>			
Fellowship contributions	118,250	120,000	118,250
System investment funds	269,756	255,000	–
<b>Total other revenue under non-exchange transactions</b>	<b>388,006</b>	<b>375,000</b>	<b>118,250</b>
<b>Total other revenue</b>	<b>1,860,698</b>	<b>2,007,595</b>	<b>2,045,235</b>

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### NOTE 5: PERSONNEL COSTS

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Salaries and wages	1,481,530	1,582,477	1,530,477
KiwiSaver employers contribution	29,516	33,190	33,031
Employer superannuation contribution tax (ESCT)	11,966	14,224	14,072
Increase/(decrease) in employee entitlements	(2,949)	12,525	13,840
Staff training and team activities	12,335	20,000	13,816
Temporary and contractor staff	121,932	10,000	9,405
General personnel	9,960	8,150	6,709
ACC levies	2,261	8,000	4,210
Recruitment	23,280	5,000	3,865
Redundancy pay	8,080	–	–
<b>Total personnel costs</b>	<b>1,697,911</b>	<b>1,693,566</b>	<b>1,629,425</b>

### NOTE 6: DEPRECIATION EXPENSE

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Leasehold improvements	–	–	38,987
Furniture and fixtures	174	174	174
Office equipment	1,781	2,025	1,216
Computer equipment	14,247	19,158	13,825
<b>Total depreciation expense</b>	<b>16,202</b>	<b>21,357</b>	<b>54,202</b>

### NOTE 7: AMORTISATION EXPENSE

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Computer software	1,504	1,505	10,586
System application	79,588	83,945	84,407
<b>Total amortisation expense</b>	<b>81,092</b>	<b>85,450</b>	<b>94,993</b>

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### NOTE 8: OTHER EXPENSES

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
<b>MAINTENANCE</b>			
Computer and IT services	163,694	160,958	130,700
Premises maintenance	1,191	1,000	2,055
	<b>164,885</b>	<b>161,958</b>	<b>132,755</b>
<b>COMMUNICATION</b>			
Photocopying	29,685	15,000	14,266
Printing and publication	20,678	12,500	42,782
Postage, freight and couriers	16,559	2,500	4,463
Publications and information bought	13,202	52,596	31,106
Website	7,790	10,000	–
Phone and internet charges	4,122	18,400	19,782
Corporate subscription	2,484	500	3,983
	<b>94,520</b>	<b>111,496</b>	<b>116,382</b>
<b>TRAVEL</b>			
Accommodation and meals	66,065	58,500	78,830
Air travel	14,605	3,840	20,204
Transport fares, car rental, mileage and parking	5,440	1,500	5,659
	<b>86,110</b>	<b>63,840</b>	<b>104,693</b>
<b>PROFESSIONAL FEES</b>			
External experts	35,447	147,000	117,130
Audit fee for financial audit	36,022	34,000	35,016
	<b>71,469</b>	<b>181,000</b>	<b>152,146</b>
<b>CONTRACTORS</b>			
Contractors	917,915	1,255,692	1,052,328
	<b>917,915</b>	<b>1,255,692</b>	<b>1,052,328</b>
<b>MARKETING AND STAKEHOLDER RELATIONS</b>			
LDC corporate resources	122,996	112,000	101,947
Stakeholder communications	16,561	110,000	–
Sponsorship	11,349	10,000	10,000
	<b>150,906</b>	<b>232,000</b>	<b>111,947</b>
<b>FELLOWSHIPS</b>			
Fellowship awarded	–	108,000	111,330
Fellowship costs	1,679	–	1,377
	<b>1,679</b>	<b>108,000</b>	<b>112,707</b>

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### NOTE 8: OTHER EXPENSES CONTINUED

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
<b>GENERAL EXPENSES</b>			
Operating lease expense	140,678	147,200	425,151
Catering	34,338	35,152	43,599
Venue and equipment hire	22,554	13,500	36,183
Relocation costs	18,380	–	–
Cleaning	12,021	13,000	12,349
Office and kitchen supplies	9,888	9,000	13,280
Electricity	4,557	6,000	3,629
General expenses	3,777	2,000	2,058
Insurance	2,620	3,000	2,620
Minor assets	1,822	1,000	568
Bank fees	1,259	1,800	1,881
Archive expenses	198	200	146
Loss on disposal of fixed assets	–	–	648
	<b>252,092</b>	<b>231,852</b>	<b>542,112</b>
<b>Total other expense</b>	<b>1,739,576</b>	<b>2,345,838</b>	<b>2,325,070</b>

### NOTE 9: TAX EXPENSES

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Surplus/(deficit) before tax	187,847	(284,616)	(443,280)
Plus/(less) tax effect of:			
Non-assessable revenue – membership levies			–
Associated membership costs			–
Accounting depreciation	97,294	106,807	149,195
Tax depreciation	(85,172)	(121,051)	(69,754)
Disposal of fixed assets	(174,900)	–	–
Holiday pay closing	100,622	104,615	103,751
Holiday pay opening	(103,751)	(103,571)	(89,731)
Revenue and expense audit adjustment	–	–	299,429
<b>Adjusted surplus/(deficit) before tax</b>	<b>21,940</b>	<b>(297,816)</b>	<b>(50,390)</b>
Tax @33%	7,240	(98,279)	(16,629)
Plus/(less tax effect of: Non-deductible expenditure	(7,240)	98,279	16,629
<b>Total expense</b>	<b>–</b>	<b>–</b>	<b>–</b>
Net surplus/(deficit)	187,847	(284,616)	(443,280)
Tax at 33%	61,990	(93,923)	(146,282)

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### NOTE 9: TAX EXPENSES CONTINUED

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Plus/(less) tax effect of:			
Non-deductible expenditure	(54,749)	(4,356)	129,654
Non-deductible income	–	–	–
Tax loss not recognised	(7,240)	98,279	16,629
<b>Tax expense</b>	<b>–</b>	<b>–</b>	<b>–</b>
Current tax	–	–	–
Adjustments to current tax in prior years	–	–	–
Deferred tax	–	–	–
<b>Tax expense</b>	<b>–</b>	<b>–</b>	<b>–</b>

A deferred tax asset has not been recognised in relation to tax losses of \$9,327,168 (2015 \$9,197,036).

### NOTE 10: CASH AND CASH EQUIVALENTS

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Cash at bank – cheque account	270,535	216,788	352,437
Cash at bank – savings account	488,068	261,697	344,890
Petty cash	118	200	179
Term deposits with maturities less than 3 months	–	–	200,000
<b>Total cash and cash equivalents</b>	<b>758,721</b>	<b>478,685</b>	<b>897,506</b>

Assets recognised in an exchange transaction that are not subject to restrictions.

### NOTE 11: RECEIVABLES

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
<b>RECEIVABLES UNDER EXCHANGE TRANSACTIONS</b>			
Debtors	156,738	171,542	534,359
Accrued interest	24,003	15,000	14,916
Accrued income	–	–	3,590
<b>Total receivables under exchange transactions</b>	<b>65,503</b>	<b>186,542</b>	<b>552,865</b>
<b>RECEIVABLES UNDER NON-EXCHANGE TRANSACTIONS</b>			
Debtors – membership levies, fellowship and SSC funding, system investment funds	2,184,792	1,006,000	1,395,405
<b>Total receivables under non-exchange transactions</b>	<b>2,300,030</b>	<b>1,006,000</b>	<b>1,395,405</b>
<b>Total receivables</b>	<b>2,365,533</b>	<b>1,192,542</b>	<b>1,948,270</b>

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### NOTE 12: INVESTMENTS

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Term deposits	2,350,000	2,350,000	2,400,000
<b>Total investments</b>	<b>2,350,000</b>	<b>2,350,000</b>	<b>2,400,000</b>

There is no impairment provision for investments.

### NOTE 13: PROPERTY, PLANT AND EQUIPMENT

Movements for each class of property, plant and equipment are as follows:

	Leasehold improvements \$	Furniture and fixtures \$	Office equipment \$	Computer equipment & \$	Total \$
<b>COST OR VALUATION</b>					
Balance at 1 July 2014	327,819	100,215	20,375	57,294	505,703
<b>Balance at 30 June 2015</b>	<b>327,819</b>	<b>100,215</b>	<b>22,610</b>	<b>57,294</b>	<b>507,938</b>
Balance at 1 July 2015	327,819	100,215	22,610	57,294	507,938
Additions	–	–	1,912	2,893	4,805
Disposals/Write-Offs	(327,819)	(28,998)	(2,990)	(1,741)	(361,548)
<b>Balance at 30 June 2016</b>	<b>–</b>	<b>71,217</b>	<b>21,532</b>	<b>58,446</b>	<b>151,195</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>					
Balance at 1 July 2014	288,832	99,780	17,709	26,254	432,575
<b>Balance at 30 June 2015</b>	<b>327,819</b>	<b>99,954</b>	<b>18,925</b>	<b>40,079</b>	<b>486,777</b>
Balance at 1 July 2015	327,819	99,954	18,925	40,079	486,777
Depreciation expense	–	174	1,781	14,247	16,202
Elimination on disposal	–	–	–	–	–
Disposals/Write-Offs	(327,819)	(28,998)	(2,990)	(1,741)	(361,548)
Reversal of impairment losses	–	–	–	–	–
<b>Balance at 30 June 2016</b>	<b>–</b>	<b>71,130</b>	<b>17,716</b>	<b>52,585</b>	<b>141,431</b>
<b>CARRYING AMOUNTS</b>					
<b>At 1 July 2014</b>	<b>38,987</b>	<b>435</b>	<b>2,666</b>	<b>31,040</b>	<b>73,128</b>
<b>At 30 June and 1 July 2015</b>	<b>–</b>	<b>261</b>	<b>3,685</b>	<b>17,215</b>	<b>21,161</b>
<b>At 30 June 2016</b>	<b>–</b>	<b>87</b>	<b>3,816</b>	<b>5,861</b>	<b>9,764</b>



## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### NOTE 14: INTANGIBLE ASSET

Movements for each class of intangible asset are as follows:

	Acquired software \$	Internally generated software \$	Total \$
<b>COST</b>			
Balance at 1 July 2014	30,295	253,245	283,540
<b>Balance at 30 June 2015</b>	<b>31,895</b>	<b>260,805</b>	<b>292,700</b>
Balance at 1 July 2015	31,895	260,805	292,700
Additions	–	–	–
Disposals/Write-Offs	–	–	–
<b>Balance at 30 June 2016</b>	<b>31,895</b>	<b>260,805</b>	<b>292,700</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES</b>			
Balance at 1 July 2014	19,227	33,520	52,747
<b>Balance at 30 June 2015</b>	<b>29,813</b>	<b>117,927</b>	<b>147,740</b>
Balance at 1 July 2015	29,813	117,927	147,740
Amortisation expense	1,504	79,588	81,092
Disposals/Write-Offs	–	--	--
Impairment losses	–	--	--
<b>Balance at 30 June 2016</b>	<b>31,317</b>	<b>197,515</b>	<b>228,832</b>
<b>CARRYING AMOUNTS</b>			
<b>At 1 July 2014</b>	<b>11,068</b>	<b>219,725</b>	<b>230,793</b>
<b>At 30 June and 1 July 2015</b>	<b>2,082</b>	<b>142,878</b>	<b>144,960</b>
<b>At 30 June 2016</b>	<b>578</b>	<b>63,290</b>	<b>63,868</b>

There are no restrictions over the title of LDC's intangible assets, nor are any intangible assets pledged as security for liabilities.

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### NOTE 15: PAYABLES

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
<b>PAYABLES UNDER EXCHANGE TRANSACTIONS</b>			
Creditors	127,883	278,333	321,805
Accrued expenses	95,274	52,785	83,543
Revenue in advance – Leadership in Practice (LiP)	251,410	104,664	234,798
Revenue in advance – Leadership Development Programme (LDP)	90,530	151,601	215,024
Revenue in advance – Bespoke Programme	130,772	2,977	167,085
Revenue in advance – System Advisory Services (SAS)	143,599	–	140,700
Revenue in advance – Transition	–	–	71,867
Revenue in advance – Action Learning Groups	45,050	–	22,778
Revenue in advance – Others	–	–	15,014
<b>Total payables under exchange transactions</b>	<b>884,518</b>	<b>590,360</b>	<b>1,272,614</b>
<b>PAYABLES UNDER NON-EXCHANGE TRANSACTIONS</b>			
GST payable	363,209	272,277	367,667
Revenue in advance – Membership Levies	2,012,041	1,500,000	1,516,137
Revenue in advance – State Services Commission (SSC)	200,000	200,000	200,000
Revenue in advance – System Investment Funds	–	–	244,756
Revenue in advance – Fellowship contributions	140,875	112,000	112,000
<b>Total payables under non-exchange transactions</b>	<b>2,716,125</b>	<b>2,084,277</b>	<b>2,440,560</b>
<b>Total payables</b>	<b>3,600,643</b>	<b>2,674,637</b>	<b>3,713,174</b>

### NOTE 16: EMPLOYEE ENTITLEMENTS

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Annual leave	100,622	104,615	103,571
<b>Total employee entitlements</b>	<b>100,622</b>	<b>104,615</b>	<b>103,571</b>

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### NOTE 17: PROVISIONS

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
<b>CURRENT PORTION</b>			
Operating lease expenses	299,429	–	287,151
<b>Total current portion</b>	<b>299,429</b>	<b>–</b>	<b>287,151</b>
<b>NON-CURRENT PORTION</b>			
Lease make-good	–		8,245
<b>Total non- current portion</b>	<b>–</b>	<b>8,245</b>	<b>8,245</b>
<b>Total provisions</b>	<b>299,429</b>	<b>8,245</b>	<b>295,396</b>

#### *Operating lease expenses*

LDC had provided a provision for operating lease expenses of \$299,429 for the financial years 2009 – 2016.

In August 2015, the LDC received a request from its landlord at Maritime Towers for additional payments associated with its accommodation lease, for the six-year period 2009 to 2016. LDC is disputing this request. A provision has been recognised for the invoiced amount, but any payment is subject to negotiation. The LDC is clear that the lease would not have been renewed from October 2012 had operating expenses been invoiced annually.

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### NOTE 18: EQUITY

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
<b>ACCUMULATED SURPLUS/(DEFICIT) – GENERAL FUNDS</b>			
Balance at 1 July	1,267,576	1,554,726	1,722,399
Surplus/(deficit) for the year	65,276	(302,616)	(454,823)
<b>Balance at 30 June</b>	<b>1,332,852</b>	<b>1,252,110</b>	<b>1,267,576</b>
<b>ACCUMULATED SURPLUS/(DEFICIT) – FELLOWSHIP FUNDS</b>			
Balance at 1 July	116,625	116,625	105,082
Surplus/(deficit)	122,571	18,000	11,543
<b>Balance at 30 June</b>	<b>239,196</b>	<b>134,625</b>	<b>116,625</b>
<b>Total equity</b>	<b>1,572,048</b>	<b>1,386,735</b>	<b>1,384,201</b>

### EQUITY – FELLOWSHIP

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Fellowship funds at 1 July	116,625	116,625	105,082
<b>REVENUE</b>			
Contributions from members	118,250	120,000	118,250
Interest revenue allocated	6,000	6,000	6,000
<b>Total revenue</b>	<b>124,250</b>	<b>126,000.00</b>	<b>124,250</b>
<b>EXPENDITURE</b>			
Fellowship awarded	–	108,000	111,330
General costs	1,679	–	1,377
<b>Total expenditure</b>	<b>1,679</b>	<b>108,000</b>	<b>112,707</b>
<b>Surplus/(deficit)</b>	<b>122,571</b>	<b>18,000</b>	<b>11,543</b>
<b>Balance at 30 June</b>	<b>239,196</b>	<b>134,625</b>	<b>116,625</b>

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### NOTE 19: COMMITMENTS AND OPERATING LEASES

#### *Operating leases as lessee*

The future aggregate minimum lease payments to be paid under non-cancellable operating lease are as follows:

	Actual 2016 \$	Actual 2015 \$
Not later than one year	149,137	34,500
Not later than one year and not later than five years	385,271	–
Later than five years	–	–
<b>Total operating lease commitments</b>	<b>534,408</b>	<b>34,500</b>

LDC leases a new space in Prime Property Tower in May 2016. The lease will expire in January 2020 and the renewal dates are in August & November 2019.

LDC has assumed that it will not vacate the premises at the lease renewal date. There are no restrictions placed on LDC by any of its leasing arrangements.

There were no capital commitments as at 30 June 2016. (2015 \$0)

### NOTE 20: CONTINGENT ASSETS AND LIABILITIES

LDC has no contingent assets or contingent liabilities as at 30 June 2016. (2015:\$0)

### NOTE 21: RELATED PARTY TRANSACTIONS

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect LDC would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

### KEY MANAGEMENT PERSONNEL COMPENSATION

	Actual 2016 \$	Actual 2015 \$
<b>LEADERSHIP TEAM</b>		
Remuneration	437,223	562,134
Full-time equivalent members	2.61	3.00
<b>Total key management personnel remuneration</b>	<b>437,223</b>	<b>562,134</b>
<b>Total full-time equivalent personnel</b>	<b>2.61</b>	<b>3.00</b>

### NOTE 22. TRUSTEES REMUNERATION

Trustees work in an honorary capacity and receive no remuneration (2015:Nil).

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### NOTE 23: EMPLOYEE REMUNERATION

	Actual 2016 \$	Actual 2015 \$
<b>TOTAL REMUNERATION PAID OR PAYABLE</b>		
\$100,000 – \$109,999	1	1
\$110,000 – \$119,999	–	1
\$120,000 – \$129,999	2	1
\$130,000 – \$139,999	–	–
\$140,000 – \$149,999	–	–
\$150,000 – \$159,999	–	1
\$170,000 – \$179,999	–	1
\$220,000 – \$229,000	–	1
\$230,000 – \$239,999	1	–
<b>Total employees</b>	<b>4</b>	<b>6</b>

### NOTE 24 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance date.

### NOTE 25: FINANCIAL INSTRUMENTS

#### *Financial instrument categories*

The carrying amounts of financial assets and liabilities categories are as follows:

	Actual 2016 \$	Actual 2015 \$
<b>LOANS AND RECEIVABLES</b>		
Cash and cash equivalents	758,721	897,506
Receivables	2,365,533	1,948,270
Investments – term deposits	2,350,000	2,400,000
<b>Total loans and receivables</b>	<b>5,474,254</b>	<b>5,245,776</b>
<b>FINANCIAL LIABILITIES MEASURED AT AMORTISED COST</b>		
Payables (excluding income in advance and GST payable)	223,157	405,348
<b>Total financial liabilities measured at amortised cost</b>	<b>223,157</b>	<b>405,348</b>

## Notes continued

FOR THE YEAR ENDED 30 JUNE 2016

### NOTE 26: EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variances from the LDC's budgeted figures in the statement of intent are as follows:

#### *Statement of comprehensive revenue and expense*

##### *Revenue*

The total revenue was less than budgeted by \$139,000. The major area that contributed to the variance is the other revenue. This variance is mainly due to the different mix of programmes completed during the year. The Bespoke programmes and Leadership in Practice were the key revenue sources for the year, providing \$156,000 more revenue than budgeted for. The Leadership Development programme was below budget by \$99,000 mainly due to LDP6 being postponed to the next financial year to ensure it will reflect the Leadership Insight findings. The System Advisory is below budget by \$79,000. Revenue from 360s and other assessments are allocated to this output class.

##### *Expenditure*

Total expenditure was below budget by \$611,000. The major areas that contributed to the variance were the other expenses.

Professional fees and contractors were below budget by \$112,000 and \$338,000 respectively. The decision to halt work on BSLI until Leadership Insight starts to provide data is the main reason for deferral of expenditure in these items.

Marketing and stakeholders expenses were below budget by \$81,000 due to delays in campaign costs which were held over for the next financial year.

Fellowship expenses were below budget by \$106,000. Two fellowships were awarded for this financial year, one which will be taken up in 2016/17. The other awardee has subsequently left the public sector.

#### *Statement of financial position*

##### *Current assets*

Current assets were more than budgeted by \$1,417,000 mainly due to increase in receivables (2016/17 membership levies) as compared to the budget.

Receivables were higher than budgeted by \$1,276,000 due to delay in receiving payments. The majority of this is for outstanding membership levies. Invoices were sent in June 2016 rather than in May 2016 as budgeted.

##### *Liabilities*

Current liabilities were above budget by \$1,221,000 mainly due to a significant increase in payables and provision for operating lease expenses.

Payables were above budget by \$926,000 mainly due to an increase in revenue in advance for 2016/17 membership levies and fellowship contributions. In addition, other programmes such as Leadership in Practice, bespoke and system advisory work, were invoiced earlier than expected. In addition, GST payable was more than budget by \$91,000 due to the increase in receivables.

A provision for operating lease expenses of \$299,000 has been set up as a payable but with a nil budget.

##### *Equity*

Total equity which comprises of general and fellowship funds were more than budgeted by \$185,000, mainly due to an increase in receivables brought by the increase in charging membership levies and fellowship contributions.

#### *Statement of cash flows*

Overall net cash flow for the year ended 30 June 2016 was above budget by \$280,000 as a result of less and prudent spending.





# Appendix A: Directory



**OFFICE** Leadership Development Centre  
Level 13  
Prime Property Tower  
88 Lambton Quay  
Wellington

**POSTAL ADDRESS** PO BOX 2460  
Wellington 6140  
**p** 64 4 473 2222  
**f** 64 4 473 2223  
**w** [www ldc.govt.nz](http://www ldc.govt.nz)  
**e** [info@ldc.govt.nz](mailto:info@ldc.govt.nz)

**Auditor** Chrissie Murray  
Audit New Zealand  
Wellington  
On behalf of the Controller and Auditor-General

**Banker** Westpac Bank, Wellington

## Appendix B: LDC member agencies 2015/16

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- Antarctica New Zealand
- Canterbury Earthquake Recovery Authority
- Careers New Zealand
- Civil Aviation Authority
- Commerce Commission
- Creative New Zealand
- Crown Law Office
- Department of Conservation
- Department of Corrections
- Department of Internal Affairs
- Department of the Prime Minister and Cabinet
- District Health Boards: Capital & Coast, Hutt Valley, Wairarapa
- Earthquake Commission
- Education Review Office
- Electoral Commission
- Environmental Protection Authority
- FairWay Resolution Limited
- Health Promotion Agency
- Health Quality & Safety Commission New Zealand
- Housing New Zealand
- Human Rights Commission
- Inland Revenue
- Land Information New Zealand
- Maritime New Zealand
- Ministry for Culture & Heritage
- Ministry for Pacific Peoples
- Ministry for Primary Industries
- Ministry for the Environment
- Ministry for Women
- Ministry of Business, Innovation and Employment
- Ministry of Defence
- Ministry of Education
- Ministry of Foreign Affairs and Trade
- Ministry of Health
- Ministry of Justice
- Ministry of Social Development
- Ministry of Transport
- Museum of New Zealand Te Papa Tongarewa
- Nelson City Council
- New Zealand Customs Service
- New Zealand Defence Force
- New Zealand Fire Service
- New Zealand Post
- New Zealand Productivity Commission
- New Zealand Qualifications Authority
- New Zealand Symphony Orchestra
- New Zealand Trade and Enterprises
- New Zealand Walking Access Commission
- NZ Transport Agency
- Office of the Auditor-General
- Office of the Clerk
- Parliamentary Counsel Office
- Parliamentary Service
- Pharmaceutical Management Agency (PHARMAC)
- Real Estates Agents Authority
- Serious Fraud Office
- Social Policy Evaluation and Research Unit (Superu)
- State Services Commission
- Statistics New Zealand
- Tertiary Education Commission
- Te Aho o te Kura Pounamu – The Correspondence School
- Te Māngai Pāho
- Te Puni Kōkiri
- The Treasury
- Tourism New Zealand



