



**Museum of New Zealand Te Papa Tongarewa
Statement of Performance Expectations
2014/15**

Directory *Te rārangi ingoa*

Museum of New Zealand Te Papa Tongarewa

55 Cable St
PO Box 467
Wellington 6140
New Zealand

Telephone +64 4 381 7000

Email mail@tepapa.govt.nz

Website www.tepapa.govt.nz

Museum of New Zealand Te Papa Tongarewa

Statement of Performance Expectations 2014/15

This *Statement of Performance Expectations* of the Museum of New Zealand Te Papa Tongarewa (Te Papa) for the year ending 30 June 2015 is presented to the House of Representatives.

The purpose of this *Statement of Performance Expectations* is to promote public accountability. It reflects Te Papa's proposed performance targets and forecast financial information, and it is produced in accordance with section 149E of the Crown Entities Act 2004.

The *Statement of Performance Expectations* is a partner document to the *Statement of Intent 2014-18*, which provides more information about the context of the Museum's work and our long-term strategic intentions.

The Board acknowledges responsibility for the preparation of this *Statement of Performance Expectations* which reflects the forecast performance and financial position of Te Papa for the 2014/15 financial year.

Evan Williams



Chairman
28 August 2014

Wendy Lai



Chair of Assurance and Risk Subcommittee
28 August 2014

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Introduction

Te Papa is one of the most visited museums in Australasia and has redefined the visitor's experience of what a museum is all about. Since opening, it has welcomed more than 22 million visitors through its doors, and millions more to its touring exhibitions around New Zealand and the world.

Te Papa tells New Zealand's story and provides access to its collections through exhibitions, loans, touring exhibitions, publications and media, research, digital access, creating national and international impact. The collections are unique in their breadth across disciplines, time, cultures and media, and in their potential to tell the whole story of Aotearoa New Zealand. Te Papa also has a substantial international audience, attracting between 550,000-1 million visitors per annum to exhibitions touring outside New Zealand.

Te Papa's success is built on its interdisciplinary collections; its interactive approach to engaging with audiences; the way it has re-energised the idea of a museum as a place for fun and learning; and its commitment to building strong and effective partnerships. Te Papa has become an international benchmark for how museums can genuinely recognise community involvement with collections, and reconnect cultures with their taonga (treasures).

The way we work recognises that authority for many of our activities rests amongst a diversity of stakeholders whose participation and endorsement underpins the legitimacy of future actions. The organisational model is firmly based on the Treaty of Waitangi partnership, and Te Papa also expresses and recognises the mana and significance of all other peoples who have made Aotearoa New Zealand their home. This embraces tangata whenua (original people of the land), and all immigrant traditions and cultural heritage that enrich Aotearoa New Zealand.

Te Papa's vision and strategic priorities work to these strengths and its unique character as a museum. They also aim to meet demographic, lifestyle, museological and economic changes in New Zealand society. Embedding and operationalising Te Papa's vision *Changing Hearts, Changing Minds, Changing Lives* is a priority over the next four years.

The development of the National Centre of Collections, Exhibitions and Learning in Manukau, in partnership with Auckland institutions is a key priority to achieve these goals over the next four years. As with the original Te Papa concept, New Zealand will once again be at the forefront, internationally, of overturning the traditional concept of the museum, and redefining it as a community-owned space filled with treasures (taonga) and memories that enrich the daily lives of all the people that make up our Nation. The experience will unlock the huge educational potential of the nation's treasures through directed lifelong learning programmes that reconnect communities with their environment and history.

Te Papa understands its public value. Equally, in today's environment, the Museum needs to continue to be smart and make choices around how it functions and where it should direct its focus, staff, and financial resources.

Te Papa's organisational design was changed in 2013 to ensure that staffing was aligned with Te Papa's new vision and strategic priorities. Over the next four years, Te Papa will continue to improve processes and improve its capability to make best use of its people, time and financial resources to create outstanding experiences for the Nation.

Ongoing investment is required to maintain Te Papa's infrastructure and exhibitions to continue providing a compelling visitor experience and protect the collections. The cost of meeting these requirements is currently being met from Te Papa's reserves as government funding has not covered the true cost of depreciation in the past. We welcome the government's recognition of Te Papa's requirements in this respect and the \$8 million one-off capital funding received this year. We look forward to further discussions to resolve the ongoing funding for depreciation issue to ensure the Museum's financial and operational sustainability in the short and longer term.

Te Papa's Board and management are leading work to increase philanthropic giving to support Te Papa's activities, and Te Papa will continue to work closely with sponsors to deliver and develop exciting programmes for visitors. We will explore new ways of increasing self-generated revenue through functions, conferences, retail and other commercial activities which support the museum and create efficiencies in every aspect of our operations.

Part 1: Output Class: Museum Services

Controlling and maintaining a museum, developing collections and making those collections accessible, caring for the collections, creating exhibitions, conducting research into matters relating to collections, providing education and information services, and providing national services in partnership with other museums.

Te Papa is funded through *Vote: Arts, Culture and Heritage* under the *Museum Services* output class. Te Papa's monitoring department is the Ministry for Culture and Heritage.

In 2014/15 Te Papa will receive:

- \$29.6m for the provision of national museum and associated services;
- \$3.0m of capital expenditure for the acquisition of collection items; and
- \$8.0m one-off capital expenditure for the renewal and improvement of Te Papa's assets to support the delivery of services.

The primary services (outputs) Te Papa provides are exhibitions, events, research, and learning programmes. People all over New Zealand and the world can enjoy and benefit from these services, whether they are at Te Papa in Wellington, visiting a touring exhibition in a regional or international centre, or tapping into online resources. The amount of time that people spend at Te Papa and reported learning experiences demonstrate their level of engagement and the quality of their experiences. In order to provide many of these services, Te Papa must continue building and caring for its collections, and developing knowledge around them to share with general and specialised audiences. Te Papa is also responsible for returning ancestral remains to their communities of origin through the Karanga Aotearoa Repatriation programme on behalf of the Government. This relies on the support and involvement of iwi and overseas institutions.

Te Papa receives a \$3.0 million Government Capital Grant for collection development each year. Te Papa uses this grant, in addition to a number of special purpose funds, to collect items that have, or might grow to have, iconic value for New Zealand and which document, illustrate and explore the natural and cultural heritage of New Zealand and those parts of the world that have contributed to our identity.

Ongoing investment is required to maintain Te Papa's buildings and exhibitions to continue providing a compelling visitor experience and protect the collections. The \$8.0 million one-off capital funding received this year will help address this issue and we look forward to further discussions with Government about ongoing funding for depreciation costs.

Te Papa does not propose to supply any class of outputs in the financial year that is not a reportable class of outputs.

Part 2: What Te Papa will deliver in 2014/15

Te Papa's performance framework, overleaf, shows how Te Papa's activities contribute to cultural sector goals, and the Te Papa vision.

Te Papa's vision is *Changing Hearts, Changing Minds, Changing Lives*. To help achieve this vision, Te Papa has adopted six strategic intentions that identify and deliver Te Papa's legislative functions, who the Museum aims to service, and what it is about Te Papa's approach that is unique. The relationship between the functions and how these are delivered provide the basis for Te Papa's choice of outputs and performance measures.

Te Papa's strategic intentions and the associated outputs are diverse, and all are aligned with the Government and cultural sector outcomes (as set out in the Ministry for Culture and Heritage's *2014-18 Strategic Intentions*):

- **Create:** Cultural and sporting activity flourishes
- **Engage:** Engagement in cultural and sporting activities is increasing
- **Preserve:** Culture can be enjoyed by future generations
- **Excel:** Athletes, artists and organisations achieve excellence

The impacts that Te Papa is seeking to achieve through its outputs are:

- New Zealanders are more engaged in cultural and contemporary issues through participation in Te Papa events, outreach, exhibitions and activities
- Collections are developed and preserved for present and future users
- Iwi (tribes) and communities are increasingly engaged with their histories, traditions, taonga and collections in partnership with Te Papa
- Visitors have a better understanding of Aotearoa New Zealand's heritage, arts, sciences, and culture through Te Papa's collections, knowledge and research

Successfully delivering the outputs ensures that Te Papa achieves both its vision and the impacts and outcomes for the cultural sector. Performance measures have been chosen to track progress towards these impacts and additional narrative will be provided in the *2014/15 Annual Report* to demonstrate our outputs and achievements. Te Papa's performance information reflects agreed outputs with the Minister for Arts, Culture and Heritage.

TE PAPA'S PERFORMANCE FRAMEWORK					
Government's goal for the cultural sector			New Zealand's culture enriches our lives		
Te Papa's vision			Changing Hearts, Changing Minds, Changing Lives		
Te Papa's purpose	Te Papa is a forum for the nation to present, explore, and preserve the heritage of its cultures and knowledge of the natural environment in order to better understand and treasure the past, enrich the present, and meet the challenges of the future				
Cultural sector outcomes	Create	Preserve	Engage	Excel	
Cultural sector priorities	Fostering inclusive New Zealand identity	Improving cultural asset sustainability	Supporting Māori cultural aspirations	Front footing transformative technology	Measuring and maximising public value
Impact Te Papa is seeking to achieve	New Zealanders are more engaged in cultural and contemporary issues through participation in Te Papa events, outreach, exhibitions and activities	Collections are developed and preserved for present and future users	Iwi (tribes) and communities are increasingly engaged with their histories, traditions, taonga and collections in partnership with Te Papa	Visitors have a better understanding of Aotearoa New Zealand's heritage, arts, sciences, and culture through Te Papa's collections, knowledge and research	
Te Papa's strategic intentions	Impact on the Nation				
	<i>Accessing all Areas</i>	<i>Connecting with People</i>	<i>Housing the Treasures</i>	<i>Sharing Authority</i>	<i>Being a Forum for the Future</i>
Te Papa's outputs and activities	<ul style="list-style-type: none"> • Sharing collections • Increasing access • Exhibitions experience • Audience engagement 	<ul style="list-style-type: none"> • Developing collections • Care and management of collections • Mitigating risk 	<ul style="list-style-type: none"> • Sharing skills • Sharing authority • Repatriation programme • Supporting Canterbury 	<ul style="list-style-type: none"> • Cultural and intellectual leadership • Sharing research • Lifelong learning • Environmental impact 	

Figure 1.

Te Papa's outputs and activities in 2014/15

Te Papa's *Statement of Intent 2014-18* sets out our intentions for the next four years. Key activities that Te Papa will focus on during the first year are:

Accessing all areas – *Te Papa will share its collections, skills and knowledge with the diverse communities across Aotearoa New Zealand and overseas.*

Te Papa is committed to improving access to the Museum's collections. National and international touring and the loans programme will continue to be important for removing barriers of distance. In addition, items on display at Te Papa are being rotated more frequently to showcase more of the collections, art exhibitions are being curated in a manner suitable for touring in modular components to regional museums and galleries, and the digital access and experience of collections will be improved online and on mobile devices.

Te Papa's proposal for a National Centre in Manukau, Auckland will in partnership with Auckland War Memorial Museum, the Auckland Art Gallery, the Auckland Council, iwi, pasifika and local groups create a nationally significant, community-focused, cultural infrastructure project in the heart of South Auckland, where the need for such a significant cultural, social and economic investment is great.

Connecting with People – *Te Papa will be a waharoa (entranceway) making learning a playful and entertaining experience. Te Papa will set the highest possible standards for an integrated experience.*

Te Papa will meet different audience needs and learning styles by providing a variety of differentiated learning and exhibition experiences that are informed by visitor research and our national audience segmentation model. Te Papa will increase audience engagement by creating exciting, immersive exhibitions for visitors and improving interaction through dynamic programmes and events that are developed in collaboration with community groups.

Housing the treasures – *Taonga (treasures) within the guardianship of Te Papa will be at the heart of the Museum's activities.*

Te Papa will ensure that the collections are at the heart of Te Papa's activities by maintaining the safety and quality of the collections while also ensuring that Te Papa's collections are accessible and can be shared with the nation. Developing collections that reflect New Zealand now and in the past, is an essential activity to ensure our history is preserved for future generations. Te Papa's collection development plans will be updated to reflect our new focus on collecting intangible cultural heritage, contemporary culture, archaeology, and science and technology.

Sharing Authority | Mana Taonga – *Te Papa will share decision-making with iwi (tribes) communities and individuals with respect to management and understanding of their taonga (treasures).*

The philosophy of mana taonga is led and embedded in Te Papa by the Kaihautū. The philosophy will be put into practice through the Iwi Exhibition Programme; developing partnerships with whānau (families), hapū (sub-tribes), iwi, Māori groups, communities, organisations and individuals to contribute to a greater understanding about taonga; and co-creating and collaborating with communities for events and exhibitions. Engaging with iwi in the Treaty of Waitangi settlement process will be a significant work stream.

Te Papa will continue to work in partnership and support individuals, iwi, communities, galleries and museums, institutions, and other organisations through National Services Te Paerangi. Te Papa will also support the Canterbury Cultural Collections Recovery Centre (CCCRC) through sponsorship of an administrator for the Centre. A training plan has been developed for CCCRC organisations with the first workshop to be delivered in September 2014.

Being a forum for the future – *As a cultural and intellectual leader Te Papa will signpost pathways to the future by initiating, hosting and engaging in debates that explore a wide range of contemporary issues.*

Te Papa's events, blogs, talks, exhibitions and research stimulates discussion and debate around questions and issues about our history, contemporary society, culture, art, science, and the environment. As a neutral, yet authoritative shared public space, Te Papa operates as a forum in the frontline of public debate, provoking thought in the community, tackling tough issues and providing a safe, physical and intellectual space in which to do this.

Saving the Planet – *Te Papa will engage and excite by conducting leading edge research and by modelling environmentally responsible practices that are smart accessible and inspiring.*

Te Papa's Science curators carry out and share research that adds to knowledge about New Zealand's environment, past and present. During the year, an external panel will work with Te Papa scientists and collection managers to develop the Proposition for Science and new directions for the Museum's research and public engagement programmes.

Te Papa is committed to making the museum as environmentally friendly as possible. To improve energy consumption, Te Papa is carrying out a three year Continuous Energy Optimisation programme including trialling energy efficiency initiatives, reducing waste and developing green initiatives (such as identifying spaces of a green roof).

Refer to the *Statement of Intent 2014-18* (www.tepapa.govt.nz) for more specific details about what these programmes will encompass.

Part 3: Assessing our Success and Performance

This section sets out Te Papa's non-financial performance measures for the 2014/15 year. Te Papa's *Annual Report 2014/15* will report on performance against these measures and targets.

Te Papa's measures reflect performance in a broad range of organisational outputs. The measurements provided are those considered most relevant to external stakeholders. The measures seek to demonstrate, at a high level, the main activities of the Museum and how they are being delivered.

The measures chosen take account of quality, quantity and coverage. Quality measures reflect a standard of delivery, customer satisfaction, or demand for Te Papa products and services. Quantity measures reflect a level of output or provision of services with no specific quality requirement.

Some of Te Papa's measures reflect external demand for Te Papa's products and services. Demand measures provide a proxy for both quality and quantity since the number of people who choose to use Te Papa products and services is partly determined by the quality of their experience and Te Papa's reputation. These measures are used mainly for visitation. For this reason, Te Papa counts the total number of visitors and interviews a sample to monitor the quality of their visit.

Coverage measures the accessibility of Te Papa products and services geographically and demographically. This applies to tours, internet-based offerings, and services which are provided outside of Wellington.

Supporting the externally focused measures, Te Papa also has internally focused priorities that aim to help develop Te Papa's capabilities to deliver for the Nation. These priorities will help the Museum to invest, learn and empower its staff, and help the Museum be successful in business in order to support our public-facing functions and operations. Te Papa will report on these as part of its organisational health and capability reporting in the *2014/15 Annual Report*.

Te Papa's Performance Expectations for 2014/15

PERFORMANCE MEASURE	2012/13 ACTUAL	2013/14 TARGET (PREVIOUS YEAR)	2014/15 TARGET	NOTES
ACCESSING ALL AREAS				
Visits to Te Papa Cable Street per year	1,311,550	1.35 million	1.35 million	
Number of visits to Te Papa website	1,491,285	1.1 million	1.3 million	
Number of regions where Te Papa collections are shared (through touring and loans)	New measure	New measure	8	
CONNECTING WITH PEOPLE				
Hours spent at Te Papa	New measure	2.6 million	2.6 million	
Repeat NZ visitors to Te Papa (%)	4.05%	Minimum of 3.75 repeat visits by New Zealanders every year	Minimum of 3.75 repeat visits by New Zealanders every year	
Percentage of adult NZ visitors indicating they have learned something about NZ during their visit	78%	85%	85%	
Percentage of adult visitors reporting a satisfaction rating of 'satisfied' to 'extremely satisfied' for the overall museum experience.	98%	95%	95%	
HOUSING THE TREASURES				
Minimal cases of irreparable damage caused by public access	0	<4	<4	

PERFORMANCE MEASURE	2012/13 ACTUAL	2013/14 TARGET (PREVIOUS YEAR)	2014/15 TARGET	NOTES
Collection items acquired in the previous financial year are registered and stored to ensure they meet Te Papa requirements.	New measure	New measure	100%	'Acquired' means those collection items obtained by purchase, commission, gift, bequest, exchange, collection development loan, or field collection and is associated with an approved acquisition proposal. 'Registration' means the process of assigning a number to a collection item and recording data about that item in Te Papa's collection information management system. 'Stored' means a collection item that is appropriately protected to mitigate movement, abrasion and collision and is housed in a secure and environmentally controlled space.
SHARING AUTHORITY				
Number of international institutions from which repatriations are completed each year	6	5	5	
Number of workshops, including targeted workshops on caring for taonga, delivered by National Services Te Paerangi	49	44	30	The target for this measure has reduced for the 2014/15 year, in order for NSTP to focus on developing its new long-term strategy. Specifically, repositioning the New Zealand Museums Standards Scheme as a development tool for museums and exploring ways to better align Te Papa's outreach programmes.
Number of projects developed by National Services Te Paerangi in partnership with museums, galleries and iwi.	48	45	25	The target for this measure has reduced for the 2014/15 year, in order for NSTP to focus on developing its new long-term strategy. Specifically, repositioning the New Zealand Museums Standards Scheme as a development tool for museums and exploring ways to better align Te Papa's outreach programmes.
BEING A FORUM FOR THE FUTURE				
Number of scholarly and popular publications produced by Te Papa staff	97	80	80	
SAVING THE PLANET				
Reduce Te Papa's carbon footprint by 2.5% (to be reported every 3 years).	3,348 t CO2e	To be reported every three years (in 2015/16)	To be reported every three years (in 2015/16)	

Part 4: Prospective Financial Statements

This section identifies Te Papa's expected revenue and proposed expenses for the Museum Services class of outputs and sets out Te Papa's forecast financial statements for 2014/15.

Te Papa's *Statement of Performance Expectations* covers the period 1 July 2014 to 30 June 2015. The financial information contained in the Statement of Intent is a forecast for the purposes of International Financial Reporting Standard (IFRS) 42.

The financial information contained in the *Statement of Performance Expectations* has been prepared to assist Parliament consider Te Papa's planned performance. It may not be appropriate to use this information for other purposes.

The prospective financial statements are based on assumptions as to future events that Te Papa reasonably expects to occur at the time this information was prepared. The actual results may vary from the information presented and this variation may be material.

Te Papa is a Crown entity established by the Museum of New Zealand Te Papa Tongarewa Act 1992. The principal functions of Te Papa as set out in this Act include controlling and maintaining a museum, developing collections and making those collections accessible, caring for the collections, creating exhibitions, conducting research into matters relating to the collections, providing education and information services, and providing national services in partnership with other museums. No changes to Te Papa's principal functions are expected in the period of this *Statement of Performance Expectations*.

Expected revenue and proposed expenses for the class of outputs

The 2015 budget for Te Papa is based on total revenue of \$51.0 million against total cash costs of \$44.7 million, delivering a cash contribution of \$6.3 million. After allowance for depreciation and amortisation of \$12.2 million, the budget deficit is \$5.9 million. Allowance is made for a capital expenditure plan of \$12.4 million.

The cash contribution and net deficit compares favourably with previous net deficits over the last 5 years ranging between \$6.4 million and \$12.3 million, which in turn have provided for cash contributions of between \$0.6 million and \$6.3 million over the same period.

Assumptions to financial statements

The budget places Te Papa in a position where it can achieve short term financial viability and fiscal responsibility whilst building longer term strategic, financial and operational sustainability.

Nonetheless the budget is particularly reliant on managing the following assumptions:

- Achieving a further c.\$16.0 million of uncommitted revenue, which at this stage is yet to be "locked in" – this represents c.31% of total revenue budgeted for 2014/15;
- Achieving targeted operating cost savings and implementing a number of policy and procedural changes to support these savings;
- The total capital expenditure plan within the 2015 budget makes an allowance for an amount of \$12.4 million and whilst the assumption is that Te Papa's will deliver on that level of capital expenditure the precise allocation of the amount between categories of expenditure (e.g. facilities, IT, exhibitions and other fixed assets) will be finalised and managed throughout 2014/15.
- Meeting other non-financial Key Performance Indicators such as visitor numbers and satisfaction.

The budget depreciation charge of \$12.2 million is based on a series of assumptions around the make-up and value of Te Papa's fixed assets at the time the budget was prepared and subsequently approved by the Board of Te Papa.

Included in the capital expenditure programme for 2014/15 is an initial amount to develop a long-term exhibition to commemorate the First World War – this represents Te Papa's contribution to this exhibition.

At the time the budget was approved, grant and sponsorship funding for this project from third parties had yet to be fully confirmed and accordingly the budget excludes any recognition of this funding.

Accordingly, it is likely that the actual results for 2014/15 will vary from the budget figures to reflect the receipt of any external funding for this exhibition.

Opening balance sheet figures on which the budget is based are likely to change as a consequence of financial activity through the last quarter of FY2014 and will also be subject to audit in due course. This will include the revaluation of the categories of collections due for revaluation as at 30 June 2014 as well as the Land and Buildings revaluation.

Prospective Statement of Comprehensive Income

	30 June 2015
	\$m
Revenue	
Crown funding	29.6
Interest income	1.2
Commercial revenue	13.5
Sponsorship revenue	3.1
Other exhibition revenue	1.4
Other revenue	2.2
Total Revenue	51.0
Cost of Commercial Goods Sold	4.6
Gross Margin	46.4
Expenses	
Salaries and wages	25.1
Building operating costs	6.0
Exhibition operating costs	1.5
Advertising and public relations	1.1
Administrative & general office expenses	1.6
Consultants	1.4
Other expenses	3.3
Total Expenses	40.0
Cash Contribution	6.3
Depreciation expense	12.2
Net Surplus/(Deficit)	(5.9)

Prospective Statement of Changes in Equity

	30 June 2015
	\$m
Equity at Beginning of the Year	1,186.3
Net Operating Deficit	(5.9)
Total Recognised Revenues and Expenses for the Year	(5.9)
Crown Capital Injection	11.0
Equity at End of the Year	1,191.4

Prospective Statement of Financial Position

	As at 30 Jun 2015
	\$m
Assets	
<i>Current Assets</i>	
Cash and cash equivalents	3.0
Short term investments	1.0
Debtors and other receivables	2.3
Prepayments	0.7
Inventories	1.0
Publications WIP	0.1
Total Current Assets	8.1
<i>Non-Current Assets</i>	
Financial assets	17.0
Property, plant and equipment	335.8
Collections	835.6
Intangible assets	0.1
Fixed assets WIP	3.9
Total Non-Current Assets	1,192.3
Total Assets	1,200.5
Liabilities	
<i>Current Liabilities</i>	
Creditors and other payables	2.5
Other revenue in advance	3.4
Employee entitlements	2.9
Total Current Liabilities	8.9
<i>Non-Current Liabilities</i>	
Employee entitlements	0.2
Total Non-Current Liabilities	0.2
Total Liabilities	9.0
Net Assets	1,191.4
Equity	
General funds	460.5
Other reserves	730.9
Total Equity	1,191.4

Prospective Statement of Cash Flows

	30 June 2015
	\$m
Cash flows from operating activities	
Receipts from Crown revenue	29.6
Interest received	0.3
Receipts from other revenue	19.7
Payments to suppliers	(18.0)
Payments to employees	(25.0)
Other operating revenue	(1.6)
Net cash from operating activities	5.0
Cash flows from investing activities	
Purchase of property, plant and equipment	(12.4)
Purchase of collections	(3.0)
Net cash from investing activities	(15.4)
Cash flows from financing activities	
Capital contribution from Crown	11.0
Net cash from financing activities	11.0
Net increase in cash and cash equivalents	0.6
Cash and cash equivalents at the beginning of the year	2.4
Cash and cash equivalents at the end of the year	3.0

Statement of Accounting Policies

REPORTING ENTITY

The Museum of New Zealand Te Papa Tongarewa is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. Te Papa seeks to achieve successful financial outcomes and does this by offering experiences and products that contribute to the sustainability of the Museum.

These prospective financial statements are for the Museum of New Zealand Te Papa Tongarewa. They are for the year ending 30 June 2015 and were approved by the Museum of New Zealand Te Papa Tongarewa Board on 28 August 2014.

BASIS OF PREPARATION

Statement of Compliance

These prospective financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP"). The financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. These prospective financial statements for the year ending 30 June 2015 are the first to be prepared for Te Papa in accordance with public entity financial reporting standards (PBE Standards). The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement base

The financial statements have been prepared on a historical cost basis, except where modified by the revaluation of certain items of property, plant and equipment, and collections, and the measurement of equity investments and derivative financial instruments at fair value.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest million dollars (\$m). The functional currency of Te Papa is New Zealand dollars.

Changes in Accounting Policy

There have been no changes in accounting policies in the prospective financial statements.

Use of accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Board to exercise judgement in the application of the entity's accounting policies. Estimates and associated assumptions are based on historical experience and other factors, as appropriate to the particular circumstances.

Non-government grants

Te Papa must exercise judgement when recognising grant income to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each grant contract.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue from the Crown

Te Papa is partially funded through revenue received from the Crown, which is restricted in its uses for the purpose of Te Papa meeting its objectives as specified in the Statement of Performance Expectations. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

Other grants

Non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants received in advance, and recognised as revenue when conditions of the grant are satisfied.

Interest

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

Rental income

Lease receipts under an operating sub-lease are recognised as revenue on a straight-line basis over the lease term.

Sale of publications

Sales of publications are recognised when the product is sold to the customer.

Provision of services

Revenue derived through the provision of services to third parties is recognised in proportion to the stage of completion at the balance date. The stage of completion is assessed by reference to survey of work performed.

Vested assets

Where a physical asset is gifted to or acquired by Te Papa for nil or nominal cost, the fair value of the asset received is recognised as income. Such assets are recognised as income when control over the asset is obtained.

Restricted Reserves

Te Papa receives bequests from private individuals for collection acquisitions. Where they are discretionary they are recognised as revenue once received. Where the funds are subject to restrictions on use, such funds are identified as restricted reserves.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with domestic banks and other short-term, highly liquid investments, with original maturities of three months or less and which are subject to an insignificant risk in changes in value.

Financial Instruments

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method less any provision for impairment. A provision for impairment is established when objective evidence of collection is doubtful. When a debtor is considered uncollectible, it is written off against the provision.

Financial assets at fair value through the surplus or deficit

Financial assets are recognised at fair value through the surplus or deficit. Purchases and sales of financial assets are recognised on trade-date, the date on which Te Papa commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Te Papa has transferred substantially all the risks and rewards of ownership. Te Papa classifies its financial assets as either fair value through the comprehensive income statement or loans and receivables. The classification depends on the purpose for which the investments were acquired.

Bonds

Te Papa has invested in fixed-rate bonds defined as:

“a fixed rate bond is a type of debt instrument with a fixed coupon (interest) rate that is payable at specified dates before bond maturity. Due to its fixed nature, the fixed-rate bond is not susceptible to fluctuations in interest rates, and is therefore viewed as a security that does not possess a significant amount of interest rate risk”.

Under the restrictions stated in the Crown Entities Act 2004 section 161 the “Restrictions on acquisition of securities are as follows:

- 1) A Crown entity must not acquire securities other than –
 - a) a debt security denominated in New Zealand dollars that is issued by a registered bank, or by any other entity, that satisfies a credit-rating test that is specified in either regulations made under this Part or a notice in the Gazette published by the Minister of Finance
 - b) a public security
 - c) as provided in section 160.
- 2) This section does not apply to any money, security, or credit balance in a bank account held by a Crown entity on trust for any purpose or for another person.
- 3) This section does not prohibit a Crown entity from acquiring subsidiaries or shares if section 96 or, as the case may be, section 100 allows the acquisition.”

Inventories

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average cost method. The write-down from cost to current replacement cost or net realisable value is recognised through the surplus or deficit in the period when the write down occurs.

Accounting for foreign currency transactions

Foreign currency transactions (including those for which forward exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised through the surplus or deficit.

Property, plant and equipment

Property, plant and equipment asset classes consist of land, non-residential buildings, land improvements, furniture and fittings, plant and equipment, motor vehicles, computer hardware and long term exhibitions.

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

Revaluations

Land and buildings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least every 3 years. Fair value is determined from market-based evidence by an independent valuer. Specialised asset classes are carried at depreciated replacement cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. Additions between revaluations are recorded at cost.

Accounting for revaluations

Te Papa accounts for revaluations of property, plant and equipment on a class of asset basis. The result of the above revaluations are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of comprehensive income. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised through the surplus or deficit will be recognised first in the statement of comprehensive income up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

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 Te Papa and the cost of the item can be measured reliably. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

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 included through the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds.

Depreciation

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

- Non residential Buildings (including components) 5 to 90 years (1.1% - 20%)
- Leasehold improvements 5 to 10 years (10% - 20%)
- Furniture and Fittings 3 to 15 years (6.67% - 33%)
- Plant and Equipment 5 to 50 years (2% - 20%)
- Computer Hardware 3 years (33%)
- Long-term Exhibitions 2.5 to 15 years (6.67% to 40%)
- Motor vehicles 5 years (20%).

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 software for internal use by Te

Papa are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Staff training costs on computer software are recognised through the surplus or deficit when incurred. Costs associated with the maintenance of Te Papa's website are recognised through the surplus or deficit 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 through the surplus or deficit.

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

- Acquired computer software 3 years (33%).

Collections

Te Papa's collections are recorded at cost or valuation, with the exception of the Natural Environment collections, which are shown at replacement cost. Collections are valued annually with each class of collections valued once every three years. Acquisitions to collections between revaluations are recorded at cost. The result of the above revaluations are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed through the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised through the surplus or deficit will be recognised first through the statement of comprehensive income up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Impairment of non-financial assets

Collections, property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where Te Papa would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised through the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised through the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised through the surplus or deficit, a reversal of the impairment loss is also recognised through the surplus or deficit.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Revenue received in advance

Te Papa receives grants from organisations for scientific research projects. Under NZ IFRS funds are recognised as revenue when the conditions of the contracts have been met. A liability reflects funds that are subject to conditions that, if unfulfilled, are repayable until the condition is fulfilled. Te Papa also receives operational revenue in advance. This is included as a liability in the prospective statement of financial position.

Superannuation schemes

Defined contribution schemes

Contributions to Kiwisaver and Government Superannuation Fund are recognised as personnel expenses through the surplus or deficit as incurred.

Provisions

Te Papa recognises a provision 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 expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount

rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Employee entitlements

Short-term employee entitlements

Employee entitlements that Te Papa expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

Te Papa recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent Te Papa anticipates it will be used by staff to cover those future absences.

Te Papa recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years of entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- The present value of the estimated future cash flows.

Goods and Services Tax (GST)

All items in the prospective 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 expense. 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 relating to investing and financing activities, is classified as an operating cash flow in the prospective statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Te Papa is exempt from the payment of income tax in terms of section 20 of the Museum of New Zealand Te Papa Tongarewa Act 1992. Accordingly, no charge for income tax has been provided for.

Cost allocation

All costs incurred are allocated to Te Papa's single output class: Museum Services. There have been no changes to the cost allocation methodology since the date of the last audited financial statements.

Glossary

Te Papa honours te reo Māori alongside English as an official language of New Zealand and many te reo Māori language terms are used throughout this document. Simple translations have been used throughout the text to enable understanding, and fuller translations are provided below.

Hapū A sub-tribe. Most iwi are comprised of two or more hapū. Hapū also means pregnant.

Iwi An iwi is a Māori tribe descended from a common named ancestor or ancestors, and is usually comprised of a number of hapū.

Kōiwi tangata Human remains. Te Papa does not consider kōiwi tangata to be collection items. Te Papa negotiates with overseas museums for the return of Māori and Moriori human remains and works closely with iwi for their return home. Kōiwi tangata are treated with the utmost respect at all times.

Learning One of Te Papa's three philosophies. People learn in different ways, and Te Papa provides a range of experiences to meet visitors' different learning needs and styles. For staff, Te Papa will provide a supportive learning environment. The ability of staff to meet visitor needs will be developed through an appreciation of differences and openness to new ideas and providing time for reflection on events, outcomes, practices, and processes.

Mana Authority, power and prestige. Mana refers to an extraordinary power, essence or presence that may be inherited through genealogical connections, or acquired through actions. Te Papa should show leadership and act with integrity at all times.

Mana taonga Mana taonga recognises that taonga, which includes objects, narratives, languages, as well as all forms of cultural expression have mana; that taonga have whakapapa relationships with their source communities, as well as connections to the environment, people and places. Mana taonga recognises the authority derived from these relationships and the innate spiritual values associated with them. Respecting and expressing knowledge, worldviews and learning systems including matauranga Māori - the views, explanations and perspectives of the nature of the world, as known and informed by Māori, is an important dimension of mana taonga. The principle is an empowering one that enables Te Papa to acknowledge the richness of cultural diversity and to design and disseminate models of co-operation, collaboration and co-creation that shares authority and control with iwi and communities, whilst recognising, embracing and representing the changing demographics of Aotearoa New Zealand.

Mātauranga Māori is a dynamic and evolving system of knowledge used by Tangata Whenua to explain, interpret and understand the world in which they live. It is framed by whakapapa (genealogy) and whanaungatanga (relationships) between all things and is evidenced through kōrero-ā-whānau, ā-hapū, ā-iwi (narratives and history of whānau, hapū and iwi), karakia (prayer/incantation), waiata (songs) and knowledge arising from interaction with Te Ao Tū Tonu (the universe) and Te Ao Tūroa (the natural environment/world). Te Papa works closely with Māori to share knowledge and experiences.

Museology Best practice in museum development and implementation. Te Papa's unique and world-leading museology recognises the role of communities in enhancing the care and understanding of the collections and taonga, which in turn drives our approach and access to research. Collections are seen as part of living cultures that provide a gateway to understanding how other people live and

uniquely view their world. Te Papa works in collaboration with communities and individuals to deliver exhibitions and experiences that are current, meaningful and relevant nationally and globally.

Tangata whenua The indigenous or first people of the land. Māori are regarded as the tangata whenua of Aotearoa, New Zealand.

Taonga Treasure or property that holds value. Taonga embraces any cultural items of significance or value and can include a diverse range of material, from the most highly prized tribal taonga - such as ancestral carvings, personal ornaments, garments, and weaponry - to 'worked' material such as fragments of flaked stone from archaeological excavations, bird bone, mammal bones, and shell. Language, waiata (songs) and karakia (incantations, prayers) are also regarded as important taonga.

Toi moko Preserved tattooed Māori heads. Also referred to as mokomokai.

Whānau Family or extended family.

Whanaungatanga Relationships. Whanaungatanga embraces whakapapa (genealogy) and focuses on relationships, and support people give to each other. Te Papa works collaboratively with colleagues and communities, internally and externally, respecting and honouring each other's mana, expertise and perspectives.



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