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**Museum of New Zealand Te Papa Tongarewa
Statement of Performance Expectations
2015/16**

Directory *Te rārangī ingoa*

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Museum of New Zealand Te Papa Tongarewa

Statement of Performance Expectations 2015/16

This *Statement of Performance Expectations* of the Museum of New Zealand Te Papa Tongarewa (Te Papa) for the year ending 30 June 2016 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.

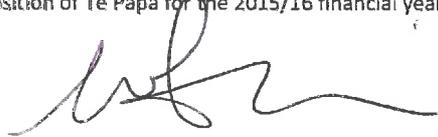
The *Statement of Performance Expectations* is a partner document to the *Statement of Intent 2014-18*, which provides more information about the context of the Museum's work and our long-term strategic intentions.

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 2015/16 financial year.



Evan Williams

Chairman
30 June 2015



Wendy Lai

Chair of Assurance and Risk Subcommittee
30 June 2015

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Introduction

As a national museum with a bicultural foundation, Te Papa is unique in the world. Our vision of changing hearts, changing minds and changing lives recognises that a museum in the twenty first century must mean many things to many people.

We are guardians, we are researchers, and we are story tellers; and we must find a way to reach as many New Zealanders as possible, both within our walls and beyond them.

In 2015, Te Papa is working on setting out an exciting programme of work for the coming years. By 2020 we will redevelop all of the fixed, long-term exhibitions on our floors, many of which have been there since the museum opened in 1998.

This renewal will give every New Zealander a compelling reason to return to Te Papa, to immerse themselves in a truly twenty first century experience. And it will ensure that Te Papa remains at the cutting edge of museums internationally, as it was on opening, when it set a benchmark that has been studied around the world.

Creating digital experiences, both inside the museum and for virtual visitors, will be another major focus in the coming four years. Te Papa has been at the forefront of digitising collections and creating audio visual interactives for visitors. Now, in the era of personal digital devices with incredible capability, we can take digital to the next level.

Our vision is for Te Papa to make New Zealand famous for digital storytelling. This will enhance and personalise the experience for visitors to the museum, and offer those who can't visit in person an experience just as immersive and inspiring.

The platforms we develop in digital will be shared with other New Zealand museums and galleries, so together we can tell the stories of New Zealand and its national collections.

Biculturalism is the heart and soul of Te Papa. Our deep and enduring relationships with iwi are a source of great strength. We work by the principle of mana taonga: that the people whose objects we house have a unique relationship with them. We respect and acknowledge that bond in all the work we do.

Supporting the Crown's Treaty settlement process has been a major focus for us, and we expect to be involved in an even greater number of Treaty settlements in the next four years. The return of the meeting house Te Hau ki Turanga to the Rongowhakaata iwi is emblematic of the scope and importance of this work.

As the national museum, Te Papa is only as strong as the partners it works with. New Zealand has a vibrant gallery and museums sector, each holding unique and vital parts of the nation's collections. In the next four years, Te Papa will work closely with these institutions, to collaborate and share resources, to lead when appropriate, and to support the leadership of others in their areas of strength.

Te Papa works within a fixed envelope of funding from government, so redeveloping the fixed exhibitions and investing in digital requires some trade offs. For example, we will suspend the creation of temporary exhibitions over the next four years, to redirect our resources towards the permanent redevelopment. Activities and events, as well as temporary exhibitions from overseas, will keep the museum vibrant during the redevelopment period.

Te Papa will also focus on increasing its revenues in the next four years. This includes redeveloping the commercial offerings on our premises, and seeking to maintain or increase revenues from international touring exhibitions.

Te Papa is continuing to explore options for a cultural facility in the north of New Zealand. Te Papa has had productive conversations with mana whenua, Pacific communities, and other communities in South Auckland to understand their aspirations for future generations, and how we could contribute to meeting these. Relocating some of Te Papa's collections would also help address seismic risks and storage capacity needs. Options to meet these needs are still under consideration by Government, and no decision has been made.

At Te Papa Cable Street, the recently opened *Gallipoli: The scale of our war* is a ground-breaking exhibition of national significance, created by Te Papa working closely with Weta Workshop. A contribution of \$3.6 million from the Lottery Grants Board has ensured the exhibition, which will be open for four years, can be offered free to the public. The exhibition has attracted a large number of visitors in its opening weeks, and is expected to drive strong visitor numbers over its lifespan.

In December 2015, Te Papa marks the 150th anniversary of the founding of the Dominion Museum, the ancestor from which we developed. In those days, a standard part of the museum director's equipment was a shotgun, for acquiring bird specimens.

Times change, and museums change with them. What remains true is the commitment, the expertise and the pride that our people have in the work that we do. We know we are privileged to work with the taonga and the stories that are most precious to New Zealanders.

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 2015/16 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
- \$10.0m 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 percentage of adult visitors reporting a satisfaction rating of 'satisfied' or better for their overall museum experience at Te Papa will 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 and the \$10.0 million capital funding received this year will help address this issue. Te Papa's 15 year Capital Asset Management Plan was presented to Government in 2015, and Te Papa considers this a major achievement to enable ongoing maintenance of our infrastructure.

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 2015/16

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 five 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.

Te Papa's strategic intentions are:

- *Accessing all areas* – Te Papa will share its collections, skills and knowledge with the diverse communities across Aotearoa New Zealand and overseas.
- *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.
- *Housing the treasures* – Taonga (treasures) within the guardianship of Te Papa will be at the heart of the Museum's activities.
- *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).
- *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.

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 *2015/16 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 2015/16

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 second year of this period 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. In the coming year Te Papa will start a programme of refreshing its permanent exhibitions as well as redevelopment of its commercial spaces, this will increase access to more of the collections housed at the Museum and also ensure Te Papa delivers an even better experience for our visitors. In addition, the touring and loans programmes will continue to be important for removing barriers of distance.

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.*

There have been significant demographic and lifestyle changes that have occurred since Te Papa's establishment and while digital access, travelling exhibitions and outreach activities go some way towards meeting these changes, we would like more New Zealanders to connect with Te Papa's collections, knowledge and services. Te Papa intends to evolve in order to best meet the needs of an increasingly diverse population and provide better access, especially for those who may not have had access to Te Papa and the taonga it houses. A key objective in the next year is to focus on identifying ways to provide digital leadership within the Museum sector including further digitisation of the national collections.

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

During 2014, a Long Term Capital Plan was completed which sets out a programme of capital investment that will enable Te Papa to remain a highly desirable destination for New Zealanders and international guests. During 2015/16 there are programmes of investment planned in several areas including building infrastructure maintenance and information technology. Work will also be completed to rectify identified seismic issues within the Tory Street building.

Te Papa continues to concentrate on developing collections that reflect New Zealand now and in the past; this is an essential activity to ensure our history is preserved for future generations.

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).*

As a national museum, Te Papa is committed to building on its bicultural heritage which recognises and acknowledges the special place that tangata whenua have in Aotearoa New Zealand. To support this commitment, in 2015/16, there is a significant programme of Treaty settlement work with iwi claimant groups working in this arena. Te Papa will also continue to work in partnership with iwi, communities, galleries and museums, institutions, and other organisations through National Services Te Paerangi.

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 has an opportunity to be at the forefront of telling stories and reaching New Zealanders digitally and this will be a large focus in the coming year. Te Papa wants to identify many more ways digitally (as well as the existing Collections Online) to engage with significantly more members of the New Zealand public.

There is a continued commitment to utilise many different forums for sharing research as well as collaboration with other organisations to enhance and share important research undertaken by Te Papa. This includes the publishing of Te Papa's scholarly journal ***Tuhinga: Records of the Museum of New Zealand Te Papa Tongarewa***.

Part 3: Assessing our Success and Performance

This section sets out Te Papa's non-financial performance measures for the 2015/16 year. Te Papa's *Annual Report 2015/16* 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 *2015/16 Annual Report*.

Te Papa's Performance Expectations for 2015/16

PERFORMANCE MEASURE	2013/14 ACTUAL	2014/15 TARGET (PREVIOUS YEAR)	2015/16 TARGET	NOTES
ACCESSING ALL AREAS				
Visits to Te Papa Cable Street per year	1,289,353	1.35 million	1.35 million	This target will remain static for 2015/16 financial year as Te Papa will be focusing on permanent exhibition redevelopment so will have fewer short term exhibitions to attract repeat visitation over this period.
2014/15 measure - number of visits to Te Papa website	1,491,285	1.3 million	n/a	This measure was revised for the 2015/16 financial year and has been provided for comparison only.
Number of visits to Te Papa websites	2,190,443	2.4 million (estimate)	2.5 million	This revised measure counts visits to the following Te Papa websites: <ul style="list-style-type: none"> • Te Papa - www.tepapa.govt.nz • Collections- www.collections.tepapa.govt.nz • Arts - www.arts.tepapa.govt.nz • Blog - www.blog.tepapa.govt.nz • Channel - www.channel.tepapa.govt.nz • Gallipoli- www.gallipoli.tepapa.govt.nz • NZ Birds Online- www.nzbirdsonline.org.nz • Squid - www.squid.tepapa.govt.nz • Te Papa Store - www.tepapastore.co.nz
Number of New Zealand regions where Te Papa collections are shared (through touring and loans)	New measure	8	8	'New Zealand regions' are as defined in the Local Government Act 2002.
CONNECTING WITH PEOPLE				
Percentage of adult NZ visitors indicating they have learned something about NZ during their visit	82%	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	0	<4	<4	

PERFORMANCE MEASURE	2013/14 ACTUAL	2014/15 TARGET (PREVIOUS YEAR)	2015/16 TARGET	NOTES
public access				
Collection items acquired in the previous financial year are registered and stored to ensure they meet Te Papa requirements.	New measure	100%	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	5	5	5	
Number of workshops, including targeted workshops on caring for taonga, delivered by National Services Te Paerangi	33	30	25	The target for this measure will reduce in 2015/16 to enable a period of transition to a more partnership-focused range of outreach services. Furthermore, NSTP intends to provide a reduced number of workshops that are high quality and high impact, particularly in the area of supporting museums to understand the Treaty settlement process and the post-Treaty settlement environment.
Number of projects developed by National Services Te Paerangi in partnership with museums, galleries and iwi.	47	25	30	The target for this measure will reduce in 2015/16 to enable a period of transition to a more partnership-focused range of outreach services. Additionally this allows NSTP to focus on development of online resources, continuing work on 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	91	80	80	

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 2015/16.

Te Papa's *Statement of Performance Expectations* covers the period 1 July 2015 to 30 June 2016. The financial information contained in the *Statement of Performance Expectations* is a forecast for the purposes of Public Benefit Entities International Public Sector Accounting Standards (PBE FRS) 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 \$52.3 million against total cash costs of \$46.4 million, delivering a cash contribution (EBITDA) of \$5.9 million. After allowance for depreciation and amortisation of \$12.7 million, the budget deficit is \$6.8 million. Allowance is made for a capital expenditure plan of \$11.6 million on infrastructure (of which \$10 million would be funded by the Crown), and an additional \$3 million on exhibition redevelopment.

An additional \$1 million of expenditure has been included in 2015/16 to ensure we have the right resources at our disposal to deliver on our redevelopment strategy.

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.\$16.5 million of uncommitted revenue, which at this stage is yet to be "locked in" – this represents c.30% of total revenue budgeted for 2015/16;
- Achieving targeted operating cost savings as Te Papa realigns itself with the new strategic priorities and implementing a number of policy and procedural changes to support these savings;
- The total capital expenditure plan within the 2015/16 budget makes an allowance for an amount of \$14.6 million and whilst the assumption is that Te Papa 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 2015/16;
- Meeting other non-financial Key Performance Indicators such as visitor numbers and satisfaction.

The budget depreciation charge of \$12.7 million is based on timing and classification of capitalisations at the time the budget was prepared.

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 FY2015 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 2015.

Prospective Statement of Comprehensive Revenue and Expense

	30 June 2016 \$000's
Revenue	
Crown funding	29,574
Investment income	1,560
Commercial revenue	14,678
Sponsorship revenue	3,256
Other exhibition revenue	1,350
Other revenue	1,886
Total Revenue	<u>52,304</u>
Cost of Commercial Goods Sold	5,376
Gross Margin	<u>46,928</u>
Expenses	
Salaries and wages	25,897
Building operating costs	5,622
Exhibition operating costs	1,324
Advertising and general office expenses	1,491
Consultants	1,230
Other expenses	5,435
Total Expenses	<u>40,999</u>
Earnings before depreciation and amortisation	<u>5,929</u>
Depreciation and amortisation	12,727
Total comprehensive revenue and expense	<u><u>(6,798)</u></u>

Prospective Statement of Changes in Equity

	30 June 2016 \$000's
Balance at 1 July	1,244,957
Total comprehensive revenue and expense for the year	(6,798)
Capital contribution	13,000
Balance at 30 June 2016	<u>1,251,159</u>

Prospective Statement of Financial Position

	30 June 2016
	\$000's
Assets	
Current Assets	
Cash and cash equivalents	4,402
Short term investments	7,500
Debtors and other receivables	1,540
Prepayments	617
Inventories	1,209
Publications WIP	139
Total Current Assets	15,047
Non-Current Assets	
Financial assets	18,384
Property, plant and equipment	377,352
Collections	848,113
Intangible assets	1,990
Fixed assets WIP	4,408
Total Non-Current Assets	1,250,247
Total Assets	1,265,294
Liabilities	
Current Liabilities	
Creditors and other payables	3,851
Revenue in advance	7,822
Employee entitlements	2,012
Total Current Liabilities	13,685
Non-Current Liabilities	
Employee entitlements	450
Total Non-Current Liabilities	450
Total Liabilities	14,135
Net assets	1,251,159
Equity	
General funds	478,143
Other reserves	773,016
Total Equity	1,251,159

Prospective Statement of Cash Flows

	30 June 2016
	\$000's
Cash flows from operating activities	
Receipts from crown revenue	29,574
Interest received	600
Receipts from other revenue	20,773
Payments to suppliers	(20,576)
Payments to employees	(25,897)
Net cash from operating activities	4,474
Cash flows from investing activities	
Purchase of property, plant and equipment	(13,436)
Purchase of intangibles	(1,551)
Purchase of collections	(3,000)
Net cash from investing activities	(17,987)
Cash flows from financing activities	
Capital contribution from Crown	13,000
Net cash from financing activities	13,000
Net increase in cash and cash equivalents	(513)
Cash and cash equivalents at the beginning of the year	4,555
Cash and cash equivalents at the end of the year	4,042

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 2016 and were approved by the Museum of New Zealand Te Papa Tongarewa Board on 24 April 2015.

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 PBE IPSAS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. 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 thousand dollars (\$000). 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 in substance 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.

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

Services provided to third parties on commercial terms are exchange transactions. Revenue from these services is recognised in proportion to the stage of completion at balance date.

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 statement of comprehensive revenue and expense 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.

Land is measured at fair value and buildings are measured at fair value less accumulated depreciation. All other assets classes are measured at cost, less 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 revenue and expense. 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 revenue and expense 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. WIP is recognised at cost less impairment and is not depreciated.

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) 3 to 150 years (0.67% - 33%)
- 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 to 5 years (20% - 33%)
- Long-term Exhibitions 2.5 to 15 years (6.67% - 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 to 10 years (10% - 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 revenue and expense 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.

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 accounted for as defined contribution superannuation schemes and are recognised as an expense in 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 benefits that are due 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, 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

Employee benefits that are to be settled beyond 12 months after the end of period in which the employee renders the related service, such as long service leave and retirement gratuities, 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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