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**Museum of New Zealand Te Papa Tongarewa
Statement of Performance Expectations
2016/17**

Directory *Te rārangi ingoa*

Museum of New Zealand Te Papa Tongarewa

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Museum of New Zealand Te Papa Tongarewa

Statement of Performance Expectations 2016/17

This *Statement of Performance Expectations* of the Museum of New Zealand Te Papa Tongarewa (Te Papa) for the year ending 30 June 2017 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 –2018*, which provides more information about the context of the Museum's work and its 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 2016/17 financial year.



Evan Williams
Chairman

29 June 2016



Wendy Lai
**Chair of Assurance and Risk
Committee**

29 June 2016

Introduction

This is an exciting time for us as we focus on delivering the future Te Papa. Our ambitious work programme for the next few years builds on our current strengths, our uniqueness as a bicultural institution, and on our world class reputation. It responds to the evolving expectations people have of what a national museum should and could be.

Our commitment to deliver a high quality experience to everyone we interact with is based on five key strategic intentions:

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.*

To deliver on these, Te Papa has developed a work programme based on the following set of priorities:

- Museum Renewal
- Revenue growth
- Iwi engagement
- Digital
- Te Papa Manukau

We are fortunate to have a diverse range of passionate communities engaged with Te Papa. This means our redevelopment programme continues to evolve to ensure we stay ahead of expectations and maintain our reputation as a world leading bicultural institution.

The following pages demonstrate how Te Papa's work contributes to New Zealand's overarching aims in the Arts, Culture and Heritage sector and how we will measure our success during the 2016/17 year.



Rick Ellis
Chief Executive
29 June 2016

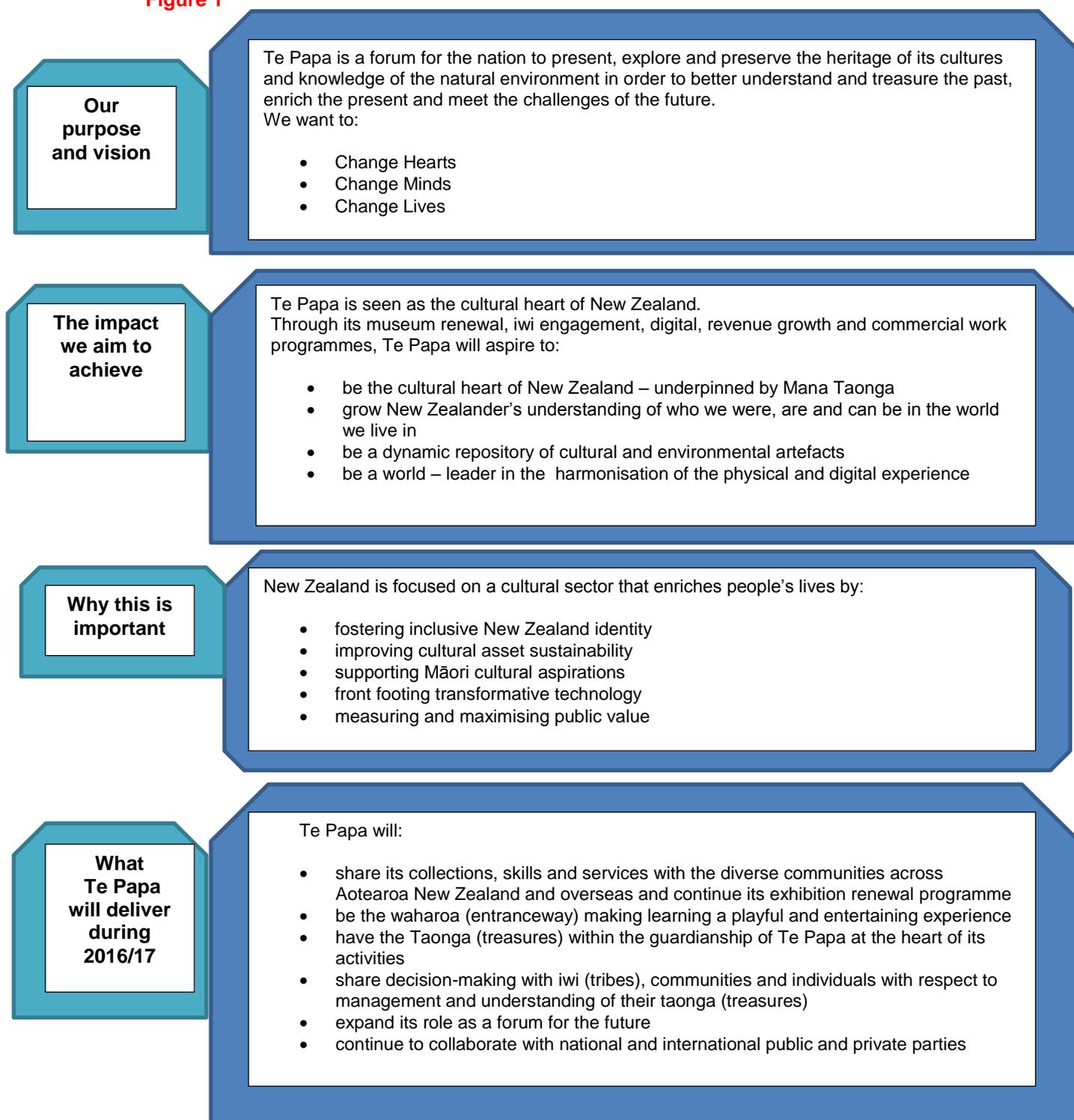


Arapata Hakiwai
Kaihautū
29 June 2016

Part 1: What Te Papa will deliver in 2016/17

Figure 1 provides a system overview of how Te Papa's achievements contribute to the Government's goal for the culture sector of enriching lives and how it intends to fulfil its legislative mandate and role as defined under the Museum of New Zealand Te Papa Tongarewa Act 1992. The key service measures we will use to monitor our effectiveness are on pages 10 to 16. How Te Papa is funded and its financial performance measures are found on pages 17 to 26.

Figure 1



Part 2: How Te Papa is funded

Te Papa is funded from both Crown and non-Crown sources.

Crown Funding

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.

Te Papa is funded for 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.

In 2016/17 Te Papa will receive:

- \$29.475m for the provision of national museum and associated services;
- \$3m of capital expenditure for the acquisition of collection items; and
- \$10m 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.

Te Papa receives a \$3m 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 to provide a compelling visitor experience and protect the collections. The \$10m 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.

Non Crown Revenue

Te Papa receives almost 50% of its total revenue from non-Crown sources.

- \$16m from Commercial
- \$6m from Exhibition revenue, Grants & Investments
- \$4m from Donations & Sponsors

As Te Papa moves into an intensive period of renewal, it is imperative that our commercial revenue streams continue to grow to support this development. By doing this, Te Papa will be able to invest in more activities to help deliver towards our strategic priorities.

Our largest non-Crown revenue category is commercial, which includes corporate functions, food and retail outlets, car parking and tours at the museum, along with national and international touring products.

The hospitality and retail operations generate a significant proportion of Te Papa's revenue, contributing 25% of total revenue. Their success are integral to our continued financial sustainability.

We are also looking to diversify our revenue streams by entering into collaborative relationships and partnerships to explore further fundraising opportunities.

Part 3: Future Focus

In 2016/17 Te Papa begins implementing a multi-year integrated programme of renewal, initiated in 2014/15. This work includes a comprehensive revitalisation of our exhibition spaces, and a transformation of our digital presence. Significant investment from government will also enable Te Papa to undertake an extensive programme of infrastructure upgrades during this period.

This major work programme will be by far the greatest transformation that Te Papa has undertaken since opening in 1998. The scope and scale of the programmes of work will require careful management and coordination. This is a once in a generation opportunity to set a new standard for what New Zealanders, and the world, can expect from a national museum.

As a result of this significant change of focus, this year's *Statement of Performance Expectations* reflects a transitional year, as we work to adapt our performance framework to reflect these new work streams. Our upcoming *Statement of Intent* will fully reflect this new strategic direction.

During the year, Te Papa will pilot Mahuki, its innovation hub. This provides a place for innovative New Zealand companies to work with Te Papa, generating ideas and products for the cultural sector. These will be shared with New Zealand galleries and museums, and may also have the potential for export to international markets.

New exhibitions must be built on a strong intellectual foundation, and on broad engagement with communities. Throughout the course of Te Papa's renewal, our scholarly and research work will continue, with a particular focus on the intellectual underpinnings of the new exhibitions in history, matauranga Māori, art, science, and Pacific cultures.

To achieve these ambitions, Te Papa must continue to grow its revenue base. This means exploring new commercial offerings that can engage and delight audiences with New Zealand experiences and products.

Many museums close during periods of renewal. Te Papa will remain open throughout, with exhibition closures phased to ensure that visitors are still able to enjoy a world class experience.

Part 4: Assessing Te Papa's Service Performance

This section sets out Te Papa's non-financial performance measures for the 2016/17 year.

Te Papa reviews a wide range of performance information in order to inform its decision-making.

Table 1: What key indicators tell us

Measuring	tells us ...	so that Te Papa can
the number of physical and online visitors to Te Papa and their satisfaction with their experience	how relevant our services and exhibitions are across a range of audiences, nationally and internationally	better understand its visitor profile and trends to improve its offerings to the public going forward.
the care of Te Papa's collections	how well we are managing our precious assets	ensure they are protected for future generations.
the progress of Te Papa's repatriation programme	how effective Te Papa is delivering on its role in the Government's repatriation of Kōiwi Tāngata (Māori ancestral remains)	adjust the programme as required.
the quality and reach of Te Papa's services across New Zealand	what impact Te Papa is having at local and regional levels to promote sector aims	adapt and evolve its service delivery model.
the impact of Te Papa's research	how well expertise and knowledge is being shared with wider audiences	align its research with audience demand.

Te Papa's 2016/17 Annual Report will provide detailed information on:

- the depth, breadth and diversity of Te Papa's reach – nationally and internationally, onsite and online
- the contribution Te Papa makes to New Zealand through sharing its collections and expertise, its research, and supporting the Karanga Aotearoa Repatriation Programme
- how decision-making is shared with iwi, communities and individuals in the management of the New Zealand's treasures
- the progress of Te Papa's Museum Renewal and Digital programmes.

Te Papa's Service Performance Expectations for 2016/17

The following pages define Te Papa's service level commitments to its stakeholders and how it will measure its performance against these. The cost of delivering these measures is contained in Part 5.

Te Papa's Future Commitments

The Museum Renewal Programme and the launching of Te Papa's Innovation Hub – Mahuki – are in the early stages. The following interim measures have been established to demonstrate progress in these areas.

Te Papa's Museum Renewal	
Performance Measure	Target
Investment decisions and plans approved by Te Papa's Board	By 30 November 2016
Baseline performance measures developed	By June 2017

Mahuki – Te Papa's Innovation Hub	
Performance Measure	Target
Five innovation events that catalyse and support innovation across Wellington and New Zealand's creative and technology sectors	By 30 June 2017
Teams participating in the 2016/17 programme	8

Scope

ACCESSING ALL AREAS and CONNECTING WITH PEOPLE: Te Papa will share its collections, skills and knowledge with the diverse communities across Aotearoa New Zealand and overseas. It will be a waharoa (entranceway) making learning a playful and entertaining experience. Te Papa will set the highest possible standard for an integrated experience.

Te Papa is New Zealand's national museum, with a clear purpose of being a forum for the nation to present, explore and preserve the heritage of New Zealand's culture and knowledge. The volume, demographics and experience of visitors provide Te Papa with knowledge on how it is delivering on this purpose. A range of data on Te Papa's visitor profile is collected, analysed and used to inform decisions on future service provision. The measures below are a subset of the indicators Te Papa uses to inform its service delivery in this area.

Physical visits to Te Papa				
Performance measure	2014/15 Actual	2015/16 Target	2016/17 Target	Notes
The number of visits to Te Papa	1,556,164	1.35 million	1.45 million	
The percentage of adult visitors surveyed	97%	95%	95%	

Physical visits to Te Papa				
Performance measure	2014/15 Actual	2015/16 Target	2016/17 Target	Notes
reporting a satisfaction rating of “satisfied” to “extremely satisfied” for overall museum experience during their visit				

Online visits to Te Papa				
Performance Measure	2014/15 Actual	2015/16 Target	2016/17 Target	Notes
The number of visits to Te Papa’s websites	2,249,373	2.5 million	2.8 million	This measures visits to: www.tepapa.govt.nz www.collections.tepapa.govt.nz www.arts.tepapa.govt.nz www.channel.tepapa.govt.nz www.galipoli.tepapa.govt.nz www.nzbirdsonline.org.nz www.squid.tepapa.govt.nz www.tepapastore.co.nz
The top 10 most visited Te Papa website pages delivering core information or services meet accessibility standards	New measure	New measure	95%	Accessibility is measured in accordance with Web Content Accessibility Guidelines 2.0. http://www.w3.org/WAI/intro/wcag.php and Government Chief Information Officer Standards.

Te Papa’s Social Media presence				
Performance Measure	2014/15 Actual	2015/16 Target	2016/17 Target	Notes
The number of unique users per month on Facebook who have seen content from, or associated with, Te Papa	New measure	New measure	400,000	
The number of times per month that content associated with @ Te_Papa is displayed in the feeds of Twitter users	New measure	New measure	100,000	

Te Papa's collections shared across New Zealand				
Performance Measure	2014/15 Actual	2015/16 Target	2016/17 Target	Notes
The number of New Zealand regions where Te Papa's collections are shared through touring and loans	9	8	8	New Zealand regions are as defined in the <i>Local Government Act 2002</i> . The regions where Te Papa's collections were shared during 2016/17 will be provided in the Annual Report.
The percentage of collections that are shared in New Zealand through touring and loans, in accordance with Te Papa's policy ¹	New measure	New measure	100%	

Digitisation of Te Papa's collections				
Performance Measure	2014/15 Actual	2015/16 Target	2016/17 Target	Notes
The total number of Te Papa's collections that are digitised	New measure	New measure	1,020,000	Digitised means the information which has been converted from an analogue format to a digital format as per the Council of Australasian Museum Directors' definition.
The total number of collections made available through <i>Collections Online</i>	New measure	New measure	775,000	

¹ Prior to any loan being made, a venue facility report is prepared to ensure suitability and safety. This is used to draft a unique loan agreement. Prior to a loan being made, each item has a condition report. When they are returned, a second condition report is made to determine any deterioration or damage.

Scope

HOUSING THE TREASURES: Taonga (treasures) within the guardianship of Te Papa will be at the heart of the Museum's activities.

As the guardians of New Zealand's national treasures, and under the Museum of New Zealand Te Papa Tongarewa Act 1992 – Te Papa must develop, conserve, and house securely the collections in the Board's care. The measures below are a subset of the indicators Te Papa uses to inform its service delivery in this area.

Caring for Te Papa's collections				
Performance Measure	2014/15 Actual	2015/16 Target	2016/17 Target	Notes
The percentage of new collection acquisitions recorded	100%	100%	100%	Recorded means that each collection acquisition is assigned a number and a location code.
The percentage of collection items located in secure and environmentally controlled spaces	New measure	New measure	100%	This includes collection store, exhibition gallery and conservation lab.
The number of cases of irreparable damage caused by public access	< 4	< 4	< 4	
The percentage of loan requests responded to within five days of receipt	New measure	New measure	100%	Te Papa's response includes an acknowledgement of the request to the borrower, and an official log of the request and notification to staff.

Scope

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).

Te Papa is funded to support the Government's programme of repatriation of Koiwi Tangata. Te Papa also has a role in assisting other New Zealand museums, institutions and organisations. The measures below are a subset of the indicators Te Papa uses to inform its service delivery in this area.

Te Papa's contribution to the Government's Karanga Aotearoa Repatriation Programme				
Performance measure	2014/15 Actual	2015/16 Target	2016/17 Target	Notes
The number of international institutions from which repatriations are completed each year	5	5	2 ²	The institutions Te Papa worked with during 2016/17 will be provided in the Annual Report.
The percentage of repatriations completed in accordance with international standards	New measure	New measure	100%	Repatriations are conducted in accordance with the <i>International Council of Museums Code of Ethics 2004</i> .

Using Te Papa's knowledge and expertise to support museums, galleries and iwi				
	2014/15 Actual	2015/16 Target	2016/17 Target	Notes
The number of museums, galleries and iwi supported by National Services Te Paerangi	New measure	New measure	250 - 275	
The number of community workshops and partnership projects run by National Services Te Paerangi	New measure	New measure	35	
The percentage of museums, galleries and iwi that recommend engagement with Te Papa to others	New measure	New measure	90%	

² Te Papa is working on resource intensive repatriations with two institutions during 2016/17.

Scope

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.

Under the Museum of New Zealand Te Papa Tongarewa Act 1992 – Te Papa must conduct research in to any matter relating to its collections or associated areas of interest and to assist others in such research. The measure below is one that Te Papa uses to inform its service delivery in this area.

Sharing Te Papa's knowledge and expertise publically				
Performance Measure	2014/15 Actual	2015/16 Target	2016/17 Target	Notes
The number of publications, presentations and forums Te Papa has participated in, nationally and internationally ³	New measure	New measure	75	

³ Heads of Disciplines and Senior Curators have responsibility for maintaining publication and presentation standards in magazines, forums and events that are not peer reviewed. This is primarily an internal peer review from suitable qualified colleagues. Academic articles in peer reviewed journals maintain their own processes appropriate to the individual academic discipline and these requirements vary dependent on the publishing requirements of the journals concerned.

Part 5: 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 2016/17.

Te Papa's *Statement of Performance Expectations* covers the period 1 July 2016 to 30 June 2017. 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 2016/17 budget for Te Papa is based on total revenue of \$55.3 million against total operating costs of \$48.8 million, delivering a cash contribution (EBITDA) of \$6.5 million. After allowance for depreciation and amortisation of \$13 million, the budget deficit is \$6.5 million. Allowance is made for a capital expenditure plan of \$21 million. This includes \$10 million for infrastructure which is funded by the Crown, \$7 million for exhibition renewal and \$4 million to create the next touring exhibition.

Assumptions to financial statements

The budget places Te Papa in a position where it can maintain financial sustainability but begin to invest in planned initiatives to deliver on our strategic priorities.

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

- Achieving physical visitation levels of 1.45 million people per annum and increasing our digital presence.
- Managing and co-ordinating resources to deliver on the significant programme of work
- The total capital expenditure plan within the 2016/17 budget makes an allowance for an amount of \$21 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 2016/17;

The budget depreciation charge of \$13 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 2015/16 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 2016.

Prospective Statement of Comprehensive Revenue and Expenses

for the year ended 30 June 2017

	\$000's
Revenue	
Crown funding	29,574
Investment income	1,292
Commercial revenue	15,952
Sponsorship revenue	4,080
Other exhibition revenue	1,823
Other revenue	2,552
Total revenue	55,273
Cost of Commercial Goods Sold	5,352
Gross margin	49,921
Expenses	
Salaries and wages	25,668
Building operating expenses	5,866
Exhibition operating expenses	1,453
Advertising and general office expenses	3,383
Consultant expenses	1,429
Travel expenses	1,080
IT Maintenance and support expenses	1,026
Other expenses	3,556
Total expenses	43,461
Earnings before depreciation and amortisation	6,460
Depreciation and amortisation	13,000
Total comprehensive revenue and expense	(6,540)

Prospective Statement of Changes in Equity

for the year ended 30 June 2017

	\$000's
Balance at 1 July	1,285,797
Total comprehensive revenue and expense for the year	(6,540)
Capital contribution	13,000
Balance at 30 June 2017	<u>1,292,257</u>

Prospective Statement of Financial Position

as at 30 June 2017

	\$000's
Assets	
Current assets	
Cash and cash equivalents	822
Short term investments	5,000
Debtors and other receivables	646
Prepayments	437
Inventories	1,306
Publications WIP	38
Total current assets	<u>8,249</u>
Non-current assets	
Financial assets	18,251
Property, plant and equipment	384,803
Collections	883,392
Intangible assets	3,247
Fixed assets WIP	5,360
Total non-current assets	<u>1,295,053</u>
Total Assets	<u>1,303,302</u>
Liabilities	
Current liabilities	
Creditors and other payables	3,866
Revenue in advance	4,054
Employee entitlements	2,639
Total current liabilities	<u>10,559</u>
Non-current liabilities	
Employee entitlements	486
Total non-current liabilities	<u>486</u>
Total liabilities	<u>11,045</u>
Net assets	<u>1,292,257</u>
Equity	
General funds	493,898
Other reserves	798,359
Total Equity	<u>1,292,257</u>

Prospective Statement of Cash Flows

for the year ended 30 June 2017

	\$000's
Cash flows from operating activities	
Receipts from crown revenue	29,574
Interest received	1,292
Receipts from other revenue	24,389
Payments to suppliers	(23,418)
Payments to employees	(26,540)
Net cash from operating activities	<u>5,297</u>
Cash flows from investing activities	
Purchase of property, plant and equipment	(19,616)
Purchase of intangibles	(1,693)
Purchase of collections	(3,000)
Net cash from investing activities	<u>(24,309)</u>
Cash flows from financing activities	
Capital contribution from Crown	13,000
Net cash from financing activities	<u>13,000</u>
Net increase in cash and cash equivalents	<u>(6,012)</u>
Cash and cash equivalents at the beginning of the year	6,834
Cash and cash equivalents at the end of the year	<u><u>822</u></u>

Statement of Accounting Policies

REPORTING ENTITY

The Museum of New Zealand Te Papa Tongarewa (“Te Papa”) is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing Te Papa’s operations includes the Crown Entities Act 2004 and the Museum of New Zealand Te Papa Tongarewa Act 1992. Te Papa’s ultimate parent is the New Zealand Crown.

These prospective financial statements are for the Museum of New Zealand Te Papa Tongarewa. They are for the year ending 30 June 2017 and were approved by the Board on 20 April 2016.

BASIS OF PREPARATION

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

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”). These prospective financial statements have been prepared in accordance with Tier 1 PBE accounting standards. These prospective financial statements comply with PBE accounting standards.

Presentation currency and rounding

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Critical accounting estimates and assumptions

In preparing these prospective financial statements, Te Papa has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

Revenue from the Crown

Te Papa is partially funded by the Crown. This funding is restricted in its uses for the purpose of Te Papa meeting the objectives specified in the Statement of Intent. Te Papa considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement. The fair value of the revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangement.

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.

Grants received

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.

Donated assets

Where a physical asset is gifted to or acquired by Te Papa for nil consideration or at a subsidised cost, the asset is recognised at fair value and the difference between the consideration provided and fair value of the asset is recognised as revenue. The fair value of donated assets is determined as follows:

- For new assets, fair value is usually determined by reference to the retail price of the same or similar assets at the time the asset was received; and
- For used assets, fair value is usually determined by reference to market information for assets of a similar type, condition, and age.

Interest revenue

Interest revenue is recognised using the effective interest method.

Sponsorship in kind

Sponsorship in kind exists where an asset or service is provided by a third party in exchange for branding association or other non-cash benefits provided by Te Papa. This occurs through open market negotiations, and the fair market value of the asset/service provided is recognised as revenue to Te Papa, with an equal value recognised as the expense incurred in providing the associated benefits.

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.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars (the functional currency) using the spot exchange rates at the date 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 in the statement of comprehensive revenue and expenses.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on 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.

Leases**Operating leases**

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease

term. Lease incentives received are recognised in the statement of comprehensive revenue and expenses as a reduction of rental expense over the lease term.

Receivables

Short term receivables are recorded at their face value less any provision for impairment. A receivable is considered impaired when there is evidence that Te Papa will not be able to collect the amount due. The amount of impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

Investments

Bank deposits

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

Inventories

Inventories held for sale or use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value. The cost of purchased inventory is determined using the weighted average cost method. The amount of any write down for the loss of service potential or from cost to net realisable value is recognised in the statement of comprehensive revenue and expenses in the period of the write down.

Property, plant and equipment

Property, plant and equipment consists of the following asset classes: land, non-residential buildings, land improvements, furniture and fittings, plant and equipment, motor vehicles, computer hardware and exhibitions.

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation and impairment losses. All other asset 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.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued. Land and building revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expenses and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expenses but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expenses.

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. Work in progress is recognised at cost less impairment and is not depreciated.

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the statement of comprehensive revenue and expenses. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds.

Subsequent costs

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

The costs of day-to-day servicing of property, plant, and equipment are recognised in the statement of comprehensive revenue and expenses as they are incurred.

Depreciation

Depreciation is accounted for 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 150 years (0.67% to 20%) |
| • Land improvements | 5 to 50 years (2% to 20%) |
| • Furniture and fittings | 3 to 30 years (3.33% to 33%) |
| • Plant and equipment | 3 to 25 years (4% to 33%) |
| • Computer hardware | 3 to 10 years (10% to 33%) |
| • Exhibitions | 1.5 to 15 years (6.67% to 66%) |
| • Motor vehicles | 5 to 10 years (10% to 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 and employee costs. Staff training costs on computer software are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with the maintenance of Te Papa's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised through the statement of comprehensive revenue and expenses. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

- Acquired computer software 2-10 years (10% to 50%)

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. Collection valuations are programmed annually to ensure that each class of collections is valued once every three years. Acquisitions to collections between revaluations are recorded at cost. The net revaluation results 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 not recognised in other comprehensive revenue and expenses but is recognised in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised through the statement of comprehensive revenue and expenses will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expenses. In the Board's opinion, as the collections tend to have an indefinite life and are generally not of a depreciable nature, depreciation is not applicable.

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 may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

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

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the statement of comprehensive revenue and expenses.

The reversal of an impairment loss is recognised in the statement of comprehensive revenue and expenses.

Payables

Short-term payables are recorded at their face value.

Revenue received in advance

Te Papa receives grants from organisations for specific research projects and specific exhibitions. Under PBE IPSAS 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 statement of financial position.

Employee entitlements

Short-term employee entitlements

Employee entitlements that Te Papa expects 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, and sick leave.

Te Papa recognises a liability for sick leave to the extent that 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.

A liability and expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the 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 to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlement information; and
- The present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution superannuation schemes and are recognised as an expense in the statement of comprehensive revenue and expenses as incurred.

Goods and services tax (GST)

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

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 mātauranga 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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