Te Manawa

art science history PALMERSTON NORTH

STATEMENT OF INTENT

for

TE MANAWA MUSEUMS TRUST

2017/18 – 2019/20

CONTENTS

CONTACT DETAILS

Registered Office:	Palmerston North City Council	**Legal Status**	Te Manawa Museums Trust is a Council-Controlled Organisation (CCO) for the purposes of the Local Government Act 2002 and operates as a charitable trust under the Charitable Trust Act 1957. It is a not-for-profit CCO.
	Civic Administration Building		
	The Square, Palmerston North		
Website:	www.temanawa.co.nz		
Phone:	(06) 355-5000		
Email:	enquiries@temanawa.co.nz		
Main Contact:	Andy Lowe	**Second Contact:**	John Fowke
Role in CCO:	Chief Executive	**Role in CCO:**	Chairman
Address	Te Manawa Museums Trust	**Address:**	c/- Te Manawa Museums Trust
	Private Bag 11055		Private Bag 11055
	Palmerston North		Palmerston North
Phone:	06 351-4492	**Phone:**	021 466 425
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INTRODUCTION

Te Manawa is focussed on sustainability in the widest sense - sustainability of our treaty partner relationships, sustainable external revenue streams, new, safe and sustainable places for our activities and a sustainable programme of world leading exhibitions.

The *Frida Kahlo: Her Photos* exhibition showed that we continue to attract an audience from within and outside our core region - the 'Frida Carload' showed this in great style. Frida proved to be a great image leader for us and further cemented our reputation, prompting TVNZ to remark with some surprise that Frida was only visiting Palmerston North.

As we head towards 2020 our exhibition programme will continue to deliver on this promise. We have some exciting plans for locally developed and international exhibitions and discussions have started on a cultural centre concept in association with Rangitāne.

PNCC are working with us on the seismic strengthening of our facilities and we will be taking the opportunity to add to the sustainability of our structures, enhancing our entrances as well as providing more access to our collections in the style of our recent visible sculpture store - taking our collections to our population in new ways.

Later this year our Board will take the opportunity to refresh our objectives and key to this will be our contribution to a prosperous city. Our strategic intent to lead the sector in our region will lead to increasing contact with other regional cultural institutions such as the Sargeant and Puke Ariki.

We will host the Museums Aotearoa conference this year in a major coup for Te Manawa - Rangitāne are assisting us, enabling us to showcase the history and cultural values of our region as well as the vision for the future of the museum sector- inclusion.

In continuing our programmes of activities we are appreciative of the ongoing support from PNCC and MDC, councillors and officers, Iwi, Societies, the Team at Te Manawa and the community as they continue to encourage and support our programmes and exhibitions and overall growth.

John Fowke
Chairman, Te Manawa Museums Trust
Feb 28th 2017

OUR VISION

A museum for art science and history
without boundaries

MISSION

We will partner with communities, thought leaders, change makers and supporters, to inspire, broker and deepen connections among them, and with our worlds' tangible and intangible treasures, so that we can create and deliver relevant, engaging programmes and experiences with and for our communities.

Te Manawa will make a difference by:

- Connecting people with each other and unlocking the riches of our taonga/treasures, mātauranga/knowledge and kōrero/stories;
- Incubating ideas through collaboration and experimentation;
- Presenting knowledge of our region and beyond; providing a mirror for our communities and a lens to the world;
- Amplifying possibilities and potential, with and for our communites;
- Challenging boundaries, and responding proactively to change.

OUR VALUES

Kaitiakitanga

We are passionate about the taonga/ treasures we care for on behalf of the community, and their power to inform and transform us, now and into the future.

Courageous and experimental

We are committed to making a real and positive difference, thinking clearly and openly about how Te Manawa can best evolve to achieve this – and when and how we need to think outside the box, and be brave, daring and fearless in our thinking and actions.

Open and inclusive

The concept of *TĀTOU / WE* together is central to everything we do – acknowledging the mana of each person and the collective mana of all.

Open communication – the ability to listen actively, with respect, and to frame relevant questions that will unlock meaning, insights and value – underpins our culture.

Smart and strategic

Our responsibility to our communities means we are strategic about where we are going and smart, rigorous and pragmatic about how we will get there.

Our decisions are based on prioritising and growing our resources and monitoring outcomes, with a focus on building our ability to impact and achieve sustainable success.

Generous and entrepreneurial

We believe our communities are part of a world full of the possibilities, talent, solutions and insight our future relies on.

To realise this potential we are generous in our approach - our ability to have fun, enjoy life and value each other underpins the spirit of entrepreneurship that drives us forward.

OBJECTIVES OF THE TE MANAWA MUSEUMS TRUST DEED

Established 30 August 1999

- To provide governance of an organisation which is a regional museum complex, advancing interest in art, heritage and science (including interactive science)
- To provide study, educational and enjoyment opportunities through acquiring, conserving, researching, communicating and exhibiting material evidence of people and their environment
- To develop, promote, enhance and maintain collections to make them relevant to the peoples of the Manawatū and New Zealand
- To recognise and act in accordance with the principles of the Treaty of Waitangi and to involve and give special attention to the history of the Tangata Whenua in the Region
- To ensure that the facility functions as a valued professional education resource and community asset for the citizens of Palmerston North and the Manawatū Region
- To encourage and support the kindred Societies in accordance with the objects of this Trust Deed
- To recognise the organisation's location in the Manawatū and to be aware of the Regional focus

KEY PRIORITIES FOR 2017/18, 2018/19 and 2019/20

- Strong Treaty partnerships
- External revenue streams
- New, safe and sustainable spaces
- World-leading exhibitions

KEY STRATEGIC OBJECTIVES FOR 2017/18, 2018/19 and 2019/20

1. To maintain, clarify, expand and diversify partnerships and relationships

- Develop a Te Manawa partnership and relationship strategy and plan – including social, cultural, economic and environmental sectors
- Develop and progress prioritised partnerships and relationships
- Consolidate and increase the value of Te Manawa to Palmerston North City, Manawatū and the wider region
- Consolidate and expand Rangitāne and other Iwi partnerships and relationships across social, cultural, economic and environmental sectors
- Maintain and expand the value of Te Manawa to educational agencies and vice versa, including LEOTC (learning and education outside the classroom), Massey University, UCOL (Universal College of Learning), Te Wānanga o Aotearoa, Kura Kaupapa Māori, Institute of the Pacific United New Zealand (IPU New Zealand), schools, Kōhanga, pre-schools,etc.

2. To clarify and develop the Te Manawa programmes and approach in response to better understanding the communities

- Better understand the needs, preferences and values of communities
- Ensure the Te Manawa story and brand is strategic and clear, and is effectively communicated and promoted
- Develop a range of innovative experience products (including exhibition, virtual, online, events, education, etc.) that ensure the focused and strategic use and activation of the Te Manawa collections
- Review and replenish long-term galleries to increase physical and virtual access to collections

3. To professionally manage and maintain all Te Manawa assets

- Ensure appropriate collection development, management and research standards are achieved and maintained
- Develop and manage the facilitities in a way that optimises community connection, access, safety and use while meeting mandatory standards
- Plan and implement collections movements in line with seismic strengthening of collections storage areas
- Upgrade art gallery

4. To consolidate and build the separate and collective capability of staff, governance and core stakeholders

- Build staff capability to deliver and build the value of the Te Manawa model
- Enhance bicultural practices across all activities
- Consolidate and build the value of Te Manawa to the kindred Societies and volunteer base

5. **To maintain, grow and diversify the revenue sources**

- Develop and implement a fundraising strategy that secures ongoing funding for Te Manawa activities
- Ensure fundraising and sponsor-partnership are integrated into operational planning and priorities

KEY PERFORMANCE INDICATORS FOR 2017/18, 2018/19 and 2019/20

	2017/18 Budget	2018/19 Budget	2019/20 Budget
Te Manawa Experience			
Number of visits including e-visits to Te Manawa	172,000	174,000	176,000
Number of visits to Te Manawa exhibitions at other venues	100,000	100,000	100,000
On line reach*	160,000	162,000	164,000
Total visits to Te Manawa experience	**432,000**	**436,000**	**440,000**
Financial			
Third Party Revenue	$577k	$580k	$582k
Satisfaction			
Visitor Satisfaction (Te Manawa surveys)	>96%	>96%	>97%
Community Satisfaction (PNCC Communitrak Survey) (undertaken biennially)	-	85%	-

*'Online reach' is here defined as the number of visitors who see or are exposed to to what Te Manawa puts online.

'Online visits' are where visitors engage or interact with online Te Manawa products; they click on links or hotpoints, go deeper into website beyond the splash page, like or dislike or respond in other ways to digital content.

PLANNED ACTIVITIES FOR 2017/18, 2018/19 and 2019/20

1. To maintain, clarify, expand and diversify partnerships and relationships

Planned activities	Outputs (KPIs)		
	2017/18	2018/19	2019/20
Develop a Te Manawa relationship strategy and plan – including social, cultural, economic and environmental sectors	Review of strategic partnerships is undertaken Opportunities to reaffirm, reframe and develop partnerships are identified and planned for	A Relationship Implementation Plan is developed Strategically important partnerships are demonstrated through reported collaborative activities	Te Manawa vision is embedded in a multi-year strategic partnership Agreement with accountable and complementary outputs
Develop and progress prioritised partnerships and relationships	1 new prioritised partnership is identified and developed 1 international partnership confirmed and 2 further options identified	1 national partnership becomes multi-year 1 new high value mid to long-term partnership developed A survey to measure benefit, experienced by external partners in their relationship with Te Manawa is developed	New partnerships are developed External partners are invited to respond to the survey developed in 2018-19 and 95% of them recognise benefit from their relationship with Te Manawa
Consolidate and increase the value of Te Manawa to Palmerston North City, Manawatū and the wider region	Develop concept for a collaborative project with Council Contribute to achievement of education outcomes for the wider region through learning programmes	Implement collaborative project with Council Contribute to achievement of education outcomes for the wider region through learning programmes	Develop new project Contribute to achievement of education outcomes for the wider region through learning programmes
Consolidate and expand Rangitāne and other iwi partnerships and relationships across social, cultural, economic and environmental sectors	Review the partnership document with Rangitāne and assess against joint goals identified in the document Undertake a research project to assess measurable impacts of Te Manawa activities on Māori	1 new project signed off by Rangitāne and planning underway Develop 1 major initiative to increase Māori participation in/with Te Manawa	Deliver the new project against the goals of the partnership with Rangitāne Two new partnerships with kaupapa Māori organisations prioritised and under development
Maintain and expand the value of Te Manawa to educational agencies and vice versa, including LEOTC (learning and education outside the classroom), Massey University, UCOL (Universal College of Learning), Te Wānanga o	Compliance with Ministry of Education LEOTC contractual agreement (with additional outputs reported in all key activities). Apply for a new LEOTC contract with Ministry of Education	Compliance with Ministry of Education LEOTC contractual agreement (with additional outputs reported in all key activities)	Compliance with Ministry of Education LEOTC contractual agreement (with additional outputs reported in all key activities)

1. To maintain, clarify, expand and diversify partnerships and relationships			
Planned activities	**Outputs (KPIs)**		
	2017/18	**2018/19**	**2019/20**
Aotearoa, Kura Kaupapa Māori, Institute of the Pacific United New Zealand (IPU New Zealand), schools, Kohanga, pre-schools,etc.	Develop new learning hub concept	Align new programmes with learnng hub concept	Evaluate learning hub outcomes against stated objectives

2. To clarify and develop the Te Manawa programme offer and approach in response to better understanding the communities			
Planned activities	**Outputs (KPIs)**		
	2017/18	**2018/19**	**2019/20**
Better understand the needs, preferences and values of communities	Develop effective mechanisms for visitor survey and feedback Develop process for communities to be included in project development and review	Implement findings from community and visitor surveys	Marketing activities and practices are reviewed to ensure they continue to target specific customer needs and interests Implement findings from community and visitor surveys
Ensure the Te Manawa story and brand is strategic and clear, and is effectively communicated and promoted	The Te Manawa story is featured in digital media, on 3 front-page stories in the local print media, 2 national print media stories and 1 primetime TV story Exhibitions, programmes and activities embrace the 'Te Manawa story'	The Te Manawa story is featured in digital media, on 3 front-page stories in the local print media, 2 national print media stories and 1 primetime TV story A biennial review of the extent to which exhibitions, programmes and activities embrace the 'Te Manawa story' is completed)	The Te Manawa story is featured on national and international news Findings of the Te Manawa story review are implemented
Review and replenish long-term galleries to increase physical and virtual access to collections	Refresh Journeys Manawatū exhibition Santa's Cave concept development and plan for centenary programme completed A semi-permanent exhibition for Gallery 1 in Art Gallery developed and delivered Social Space installed– Gallery 3 in Art Gallery Concept development and planning for redevelopment of history, tangata whenua, and natural environment exhibitions completed in relation to seismic strengthening works	Refresh Te Rangi Whenua exhibition, incorporating one innovative interpretive engagement initiative Implement Santa's Cave centenary programme Refresh Kids TM Refurbish Totaranui historic house	Continue refresh of Te Rangi Whenua

2	To clarify and develop the Te Manawa programme offer and approach in response to better understanding the communities		
Develop a range of innovative experience products (including exhibition, virtual, online, events, education etc) that ensure the focused and strategic use and activation of the Te Manawa collections	Develop one collections online theme that reflects the distinctive characteristics of our community	Two new collections online themes are developed	Review digital strategy and collections on-line facility
	Develop a touring exhbition concept that embraces the unique Te Manawa story	Showcase a touring exhibition that integrates the Te Manawa story	Develop a touring exhbition concept that embraces the unique 'Te Manawa story'
	Develop the 'Museum shop' concept so that the shopping experience is integral to the total visitor experience and shop product responds to Te Manawa programmes and collections	Commence implementation of the 'Museum shop' concept; Initiate any required planning to implement structural changes to the 'Museum shop' concept (if required)	Implement any required structural changes to the museum shop
	Business Case on the viability and sustainability of a Rangitāne Cultural Centre completed [pending funding of that process]	Design approach and Concept Design for Cultural Centre completed, • shows how physical and digital elements of the concept link • visitor and stakeholder awareness and brand testing completed	Fundraising target achieved for implementation of Cultural Centre
	A minimum of 21,000 visitors participate in activities during the year	A minimum of 22,000 visitors participate in activities during the year	A minimum of 22,500 visitors participate in activities during the year International awards for 'making a difference' are scoped and entry requirements considered against Te Manawa values and priorities
	Deliver 3 co-created activities with community partners	Deliver 3 co-created activities with community partners	Deliver 3 co-created activities with community partners

3. To professionally manage and maintain all Te Manawa assets

Planned activities	Outputs (KPIs)		
	2017/18	**2018/19**	**2019/20**
Ensure appropriate collection development, management & research standards are achieved and maintained	All items are acquired in accordance with Te Manawa policy and processes Quality of care and preservation of collections in Te Manawa's care demonstrated by no irreparable losses or damages caused as a result of handling by staff, and minimal (< 5) cases of irreparable damage occurring as a result of public access Art collections are revalued for market and insurance purposes	All items are acquired in accordance with Te Manawa policy and processes Quality of care and preservation of collections in Te Manawa's care demonstrated by no irreparable losses or damages caused as a result of handling by staff, and minimal (< 5) cases of irreparable damage occurring as a result of public access Heritage collections are revalued for market and insurance purposes	All items are acquired in accordance with Te Manawa policy and processes Quality of care and preservation of collections in Te Manawa's care demonstrated by no irreparable losses or damages caused as a result of handling by staff, and minimal (< 5) cases of irreparable damage occurring as a result of public access
Develop and manage the facilities in a way that optimises community connection, creativity, access, safety and use while meeting mandatory standards	Maximise the creative opportunities made available as a result of required seismic strengthening Refurbish Wilkins Theatre	One unique and experimental collections storage concept is developed in line with the required seismic strengthening	One unique and experimental collections storage concept is implemented in line with the required seismic strengthening
Plan and implement collections movements in line with seismic strengthening of collections storage areas	Project Plan indicating movements, resources and costs completed with PNCC staff, including analysis of off-site storage requirements, and approved by PNCC	Packing of heritage collections undertaken Appropriate off-site facility identified and rental agreement signed	Packing of heritage collections undertaken Movement of heritage collections undertaken and monitored Seismic strengthening of West block and Pitt Street stores, including new mobile storage systems and possible visible storage element
Upgrade art gallery	Fundraising strategy developed	Initial implementation of Fundraising strategy	Initial concept designs prepared

4. To consolidate and build the separate and collective capability of staff, governance and core stakeholders			
Planned activities	**Outputs (KPIs)**		
	2017/18	**2018/19**	**2019/20**
Build staff capability to deliver and build the value of the Te Manawa model	Knowledge, skills and attributes required to implement the Te Manawa vision are identified. Staff development needs are reviewed. Staff development plans are in place.	90% of development plans achieved	90% of development plans achieved
Enhance bicultural practices across all activities	Te Manawa provides Treaty of Waitangi training programme Staff attend bicultural development training and one other key training	Te Manawa provides Treaty of Waitangi training programme Staff attend bicultural development training and one other key training	Te Manawa provides Treaty of Waitangi training programme Staff attend bicultural development training and one other key training
Consolidate and build the value of Te Manawa to the kindred Societies and volunteer base	Develop a unified 'Friends' concept that ties in with a TM volunteer programme. Review volunteer involvement at Te Manawa and create one innovative method of volunteer engagement	Develop a collaborative concept with the Friends of Te Manawa Implement changes to strategy and process for volunteer involvement at Te Manawa	Develop a collaborative concept with the Friends of Te Manawa Review innovative method of volunteer engagement and create one other

5. To maintain, grow and diversify the revenue sources			
Planned activities	**Outputs (KPIs)**		
	2017/18	**2018/19**	**2019/20**
Develop and implement a fundraising strategy that secures ongoing funding for Te Manawa activities	Review fundraising strategy	Priortise sources of revenue	Implement changes to fundraising strategy
Ensure fundraising and sponsor-partnerships are integrated into operational planning and priorities	1 sponsor of single project moved to being multiple project partnerships Sponsorship and Fundraising budgets are met Sponsorship and fundraising revenue is secured across a range of activities including exhibitions, events and capital expenditure	1 sponsor of single projects moved to being multiple project partnerships Sponsorship and Fundraising budgets are met Sponsorship and fundraising revenue is secured across a range of activities including exhibitions, events and capital expenditure	Successful multiple partnership projects achieved Sponsorship and Fundraising budgets are met Sponsorship and fundraising revenue is secured across a range of activities including exhibitions, events and capital expenditure

GOVERNANCE STATEMENTS

Te Manawa Museums Trust Board is established and governed by Te Manawa Trust Deed; available on request from the Executive Assistant of Te Manawa.

SIGNATURES

This Statement of Intent was approved by the Te Manawa Museums Trust Board on:
Date: 28 June 2017

John Fowke, Chairman, Te Manawa Museums Trust Board

Te Manawa Museums Trust – Board of Trustees' composition:

Te Manawa

art science history PALMERSTON NORTH

Te Manawa Museums Trust

Statement of Intent (Financials)
For the years ended 30 June 2018, 2019 & 2020

June 2017

Contents

Budget Assumptions and Comments:

Revenue

1. **Palmerston North City Council (PNCC) Funding:**

PNCC Operating Grant

2017/18: $3,045,605 (2016/17 plus 1.4%)*
2018/19: $3,088,243 (2017/18 plus 1.4%)*
2019/20: $3,131,479 (2018/19 plus 1.4%)*

* Consistent with the CPI rate of 1.4% at 31 December 2016 and advised by PNCC.

2. **Interest Revenue:**

Interest Income has been based on average bank balances remaining between $879k and $1,055k (the approximate required level to preserve Te Manawa tagged reserves) with weighted average bank interest rates forecast at 2.5%.

3. **Other Operating Revenue:**

Other Operating Revenue is forecast to increase from the 2016/17 budget, with increased targets for fundraising and sponsorship.

4. **Net Collection Movements**

The level of donated collection assets is maintained at prior years' level ($25,000).

The prospective financial statements do not provide for a forecast net movement in the market value of collection, due to data not being readily available for assumptions regarding the future market value of collections assets. Revaluation of collection assets is a non-cash item. The revaluation of Art Collection will take place during 2017/18 financial year and the Heritage Collection revaluation is planned to take place in 2018/19 financial year.

The allocated budget for purchasing new art and heritage collection items has been maintained at $50,000 per year, as a result of Te Manawa commitment to increase its collection base.

Expenditure

5. **Payroll:**

The Payroll budget for 2017/18 incorporates requirements of the new remuneration system adopted by Te Manawa. It also provides for a slight temporary increase in resources to focus on the collection on-line project and support tasks associated with revaluation of art and heritage collections which will take place over the next two financial years.

6. **Operating Expenditure:**

Operating costs have been budgeted for the next three years based on current contractual commitments, as well as anticipated savings in facilities maintenance costs (i.e. cleaning, repairs and maintenance, security and administrative costs). It also provides for increases in the value of collection insurance.

The table below provides an analysis of operating expenses by function:

Operating Expenditure	Budget 2016/17 $	*Forecast* *(as at 31 Jan 2017)* 2016/17 $	Budget 2017/18 $	Budget 2018/19 $	Budget 2019/20 $
Other Operating Expenditure					
Assets and Systems					
Collection	75,110	63,165	79,330	84,371	85,341
Facilities	293,980	326,633	327,183	330,773	334,624
Corporate Services	116,888	143,028	124,134	125,471	126,830
	485,978	**532,826**	**530,646**	**540,614**	**546,795**
People & Partnerships					
Education	22,110	41,367	16,050	16,275	16,503
Public Programmes & Events	40,200	102,691	40,200	40,763	41,333
Communications	79,320	123,716	73,360	74,387	75,428
Visitors' Host	34,040	50,915	34,620	35,105	35,596
Volunteers	1,150	1,152	1,150	1,166	1,182
	176,820	**319,841**	**165,380**	**167,695**	**170,043**
Concepts & Engagement					
Other operating expenditure	295,290	629,627	307,304	440,951	414,055
	295,290	**629,627**	**307,304**	**440,951**	**414,055**
Executive					
Other operating expenditure	113,750	134,534	95,210	116,555	117,919
	113,750	**134,534**	**95,210**	**116,555**	**117,919**
Payroll	**2,141,194**	**2,024,150**	**2,194,326**	**2,195,962**	**2,225,812**
Depreciation/Amortisation	**327,114**	**330,551**	**358,067**	**221,229**	**242,106**
Assets Written Off	**-**	**1,412**	**-**	**-**	**-**
Total Operating Expenditure	**3,540,146**	**3,972,941**	**3,650,934**	**3,683,006**	**3,716,730**

7. Occupancy Costs:

Te Manawa has received notice of some suppliers' intention to increase costs. An inflation adjustment of 1.4% has been applied consistently.

General insurance costs (i.e. other than collection insurance) have been forecasted based on actual quotes adjusted for inflation. The forecast energy is based on actual consumption trend adjusted for inflation. The increase in Facilities' forecast and budgeted operating costs for the next three years is due to external contractors being employed for cleaning services (the budget for the current year provides for cleaning services as part of payroll). The cleaning contracts are planned for at a slightly reduced level of service in order to maintain an effective cost.

8. PNCC Leases and Service Level Agreements:

It has been assumed that there will be no increase in charges from PNCC in relation to service level agreements - IT, vehicles and phones.

The Trust has a contract with PNCC to lease the premises in which activities are situated, effectively on a rent-free basis. The term of the current lease will expire on 30 June 2018, and the assumption is that the rent free will continue for the next years as well. PNCC also provides human resources advisory services free of charge to Te Manawa with a market price of $24k per year.

9. **Depreciation:**

The forecast depreciation for next financial years is based on the planned plant and equipment additions, the upgrade of the semi-permanent exhibitions (Manawatu Journeys and Te Rangi Whenua) and the new Art Gallery Social Space planned to be opened in 2017/18 financial year (refer to Note 12 for more information on planned capital expenditure).
Depreciation expense is forecast to decrease significantly in year 2018/19 as a result of the semi-permanent exhibitions upgraded back in 2011 being fully depreciated by the end of 2017/18 financial year.

10. **Operating Surplus/(Deficit) before Collection Movements:**

Operating net deficits have been budgeted for 2017/18 (-$28.3k), 2018/19 (-$14.4k) and 2019/20 (-$3.7k). Tight management of operating expenditure will be required to achieve the budgeted results. Revenue generation opportunities must be sought to ensure that sufficient operating cash surpluses are produced going forward.

STATEMENT OF FINANCIAL POSITION:

11. **Cash & Short Term deposits:**

Cash & Cash Equivalents (including term deposits with a maturity of up to 3 months) are budgeted to remain relatively consistent at between $845k and $963k. This is sufficient to meet the current Trust's budgeted obligations and commitments.

A short term deposit with maturity of up to 6 months has been budgeted for during next year, in line with current forecast, to benefit from higher interest rates. However this is subject to cash available from meeting our third party revenue target for next financial year.

12. **Planned Capital Expenditure:**

The annual operating grant is insufficient to fund both operating costs and retention of the value of Te Manawa's fixed assets base. Therefore, in order to avoid significant decline of fixed assets base in the future, one of Te Manawa's financial strategy is to gradually build up its collection and revenue generating touring exhibition reserves, and carefully plan for its capital expenditure.

Forecast for the year includes a significant capital project i.e. Te Manawa signature project *Topp Twins* touring show, which is mostly funded from the semi-permanent exhibition reserve and fundraising. There have been significant art collection items purchased during current financial period which were funded from reserves (refer Note 14 below for more information).

The budgets for the next three financial years include the following significant capital projects (excluding collection acquisitions):

2017-18 Financial Year	**Budget**
	$
Front of House furniture renewals	4,000
New ventilation for the workshop	15,000
Collection online - Digital interactive software	30,000
Social Space in the Art Gallery (commenced during 2016/17 financial year)	91,300
Plant and Equipment renewals	10,000
Wayfinding signage	7,000
Wilkins Theatre refurbishment and technology upgrade	30,000
Manawatu Journeys selected interactives upgrade, including Soundscape	50,000
Total:	**237,300**

2018-19 Financial Year	Budget $
Stage 1 Collection storage - new drawer units for collection on paper	12,000
Upgrade of computer hardware and monitors	10,000
Interactive online collection hardware for the Art Gallery	30,000
Plant & Equipment renewals	10,000
New exhibition cases	20,000
Internal sound system for public areas	30,000
Kids Te Manawa selected spaces refurbishment	40,000
Stage 1: Te Rangi Whenua refresh	30,000
Totaranui Historic House refurbishment	40,000
Total:	**222,000**

2019-20 Financial Year	Budget $
New integrated financial accounting, booking and shop sales software	60,000
Plant & Equipment renewals	10,000
Stage 2 Collection storage - new drawer units for collection on paper	12,000
Stage 2: Te Rangi Whenua refresh	80,000
Upgrade of computer hardware and monitors	10,000
Earthquake Storage	100,000
Total:	**272,000**

A summary of the budgeted capital acquisitions by type of assets is presented below:

Planned Capital Expenditure Summary	*Budget 2016/17 $*	*Forecast 2016/17 $*	Budget 2017/18 $	Budget 2018/19 $	Budget 2019/20 $
Software	*23,000*	*17,250*	*24,000*	-	*60,000*
Leasehold Improvements	*39,000*	*40,570*	*126,300*	*40,000*	-
Computer Hardware	*7,500*	*6,660*	*16,000*	*10,000*	*10,000*
Exhibitions	*35,000*	*187,746*	*50,000*	*120,000*	*80,000*
Furniture & Fittings	*21,500*	*9,290*	*4,000*	-	-
Plant & Equipment	*35,500*	*65,943*	*17,000*	*52,000*	*122,000*
Collection Assets (Purchased)	*67,000*	*82,783*	*50,000*	*50,000*	*50,000*
Total planned assets additions	228,500	410,242	287,300	272,000	322,000

13. STATEMENT OF CASHFLOWS:

Forecast net cash flows from operating activities are sufficient to cover the planned capital expenditure for the 2017/18 financial year. During the 2018/19 and 2019/20, the budgeted operational expenses will increase as a result of international exhibitions to be hosted by Te Manawa.

Te Manawa has also planned for significant refurbishments of the semi-permanent exhibitions that will make our long term galleries more vibrant and engage more visitors. We are however relying significantly on third party revenue in order to achieve this and thus, third party revenue will remain a focus.

14. STATEMENT OF CASH BALANCES & RESERVES:

Careful managing of resources will be required to maintain positive untagged reserves over next years, in order to both meet our operational costs and gradually increase our semi-permanent and touring exhibition capabilities. Year 2018/19 marks the beginning of Te Manawa campaign of raising funds for the full redevelopment of the Art Gallery.

There is also an increased reliance on third party revenue to meet the forecast level of operating costs and allow for the strategic reserves to be built up.

The tables below indicate the way Te Manawa intends to gradually build up its strategic reserves within the constraint of maintaining positive untagged reserves.

Endowment Fund	2016/17 Budget	Forecast at 30/06/17	Budget transfers in/(out)	2017/18 Budget	Budget transfers in/(out)	2018/19 Budget	Budget transfers in/(out)	2019/20 Budget
*Clevely Fund	12,409	11,074	200	11,274	200	11,474	200	11,674
Total Endowment Funds	12,409	11,074	200	11,274	200	11,474	200	11,674

*Roy E Clevely Trust - 60% of net income per year for the general purposes of the Museum and in particular but without limitation for the acquisition of artefacts and materials including especially oral history recordings relating to pioneering and early development in the Manawatū-Rangitikei and neighbouring districts.

Specific Reserves	2016/17 Budget	Forecast at 30/06/17	Budget transfers in/(out)	2017/18 Budget	Budget transfers in/(out)	2018/19 Budget	Budget transfers in/(out)	2019/20 Budget
Collection Development	29,634	24,961		24,961	-	24,961	-	24,961
Historical Building Maintenance	19,081	19,081	-	19,081	-	19,081	-	19,081
Semi-Permanent Exhibition Development Reserve	267,416	123,002	35,000	158,002	35,000	193,002	35,000	228,002
Total Specific Reserves	316,131	167,044	35,000	202,044	35,000	237,044	35,000	272,044

The Collection Development fund has been reduced during current period as a result of a significant art acquisition (i.e. Shane Cotton). Future replenishment of the collection reserve will be achieved by transferring any unspent annual collection budget to collection reserve.

The Semi-permanent exhibition reserve is designed for the purpose of securing funding tor future semi-permanent exhibition refresh and/or internally developed and built Te Manawa touring shows. The reserve will partially fund the development and build of *Topp Twins* touring show during current period.

The table below indicates the impact of forecast cash balances upon the forecast tagged and untagged reserves.

Te Manawa Museums Trust
Budget Statement of Cash Balances and Reserves
For three years ended 30 June 2018, 2019 & 2020

	Budget 2016/17 $	*Forecast 2016/17 $*	Budget 2017/18 $	Budget 2018/19 $	Budget 2019/20 $
Cash and Cash Equivalents	1,011,514	660,130	844,600	962,633	878,992
Short Term Deposits	-	210,000	210,000	-	-
Total Cash	**1,011,514**	**870,130**	**1,054,600**	**962,633**	**878,992**
Represented By:					
Cash Commitments:					
Suppliers and Sundry Payables	*202,000*	*250,083*	260,833	215,000	215,000
Employee Entitlements	*167,000*	*167,000*	167,000	167,000	167,000
	369,000	***417,083***	**427,833**	**382,000**	**382,000**
Less Operating Cash Receivable:					
Customers and Sundry Receivables	*41,500*	*25,700*	25,000	25,000	25,000
Interest Receivable	*700*	*3,500*	1,600	1,600	1,600
	42,200	***29,200***	**26,600**	**26,600**	**26,600**
Endowment Funds					
Clevely Fund	*12,409*	*11,074*	11,274	11,474	11,674
	12,409	***11,074***	**11,274**	**11,474**	**11,674**
Specific Reserves					
Collection Development Fund	*29,634*	*24,961*	24,961	24,961	24,961
Historical Building Maintenance Reserve	*19,081*	*19,081*	19,081	19,081	19,081
Semi-Permanent Exhibitions Development & Revitalisation	*267,416*	*123,002*	158,002	193,002	228,002
	316,131	***167,044***	**202,044**	**237,044**	**272,044**
Working Capital Provision	***250,000***	***330,000***	**330,000**	**330,000**	**330,000**
Tagged Reserves	***905,340***	***896,001***	**944,551**	**933,918**	**969,118**
Untagged Reserves	***106,174***	***(25,871)***	**110,049**	**28,715**	***(90,126)***
Total Cash	***1,011,514***	***870,130***	**1,054,600**	**962,633**	**878,992**

Te Manawa Museums Trust

Prospective Statement of Comprehensive Revenue and Expenses

For three years ended 30 June 2018, 2019 & 2020

	Notes	Budget	*Forecast*	Budget	Budget	Budget
		2016/17 $	***2016/17*** *(as at 31 Jan '17)* $	**2017/18** $	**2018/19** $	**2019/20** $
Operating Revenue						
PNCC Operational Grant	1	2,965,049	3,003,554	3,045,605	3,088,243	3,131,479
Interest Received	2	20,000	28,023	22,400	22,400	22,400
Other Revenue	3	526,306	927,947	554,671	558,000	559,104
Total Operating Revenue		**3,511,355**	**3,959,523**	**3,622,676**	**3,668,644**	**3,712,983**
Operating Expenditure						
Personnel Costs	5	2,141,194	2,024,150	2,194,326	2,195,962	2,225,812
Operating	6	753,710	1,269,672	750,082	913,833	893,045
Occupancy Costs	7	236,390	265,419	266,721	270,245	274,029
PNCC Leases & SLA's	8	81,738	81,738	81,738	81,738	81,738
Depreciation/Amortisation	9	327,114	330,551	358,067	221,229	242,106
Assets Written Off		-	1,412	-	-	-
Total Operating Expenditure		**3,540,146**	**3,972,941**	**3,650,934**	**3,683,006**	**3,716,730**
Operating Surplus/(Deficit) Before Collection Movements	**10**	**(28,791)**	**(13,418)**	**(28,258)**	**(14,363)**	**(3,747)**
Collection Movement Revenue						
Custodial Assets		5,000	5,000	5,000	5,000	5,000
Donated Assets		20,000	21,342	20,000	20,000	20,000
Collection Movement Expenses						
Custodial Assets Returned		-	-	-	-	-
Net Collection Movements	4	**25,000**	**26,342**	**25,000**	**25,000**	**25,000**
Net Surplus/(Deficit)		**(3,791)**	**12,924**	**(3,258)**	**10,637**	**21,253**
Other Comprehensive Revenue and Expenses		-	-	-	-	-
Total Comprehensive Revenue and Expenses		**(3,791)**	**12,924**	**(3,258)**	**10,637**	**21,253**

The accompanying notes and accounting policies form part of the prospective financial statements.

Te Manawa Museums Trust

Prospective Statement of Financial Position

As at 30 June 2018, 2019 & 2020

	Notes	Budget 2016/17 $	*Forecast 2016/17* $	Budget 2017/18 $	Budget 2018/19 $	Budget 2019/2020 $
Assets						
Current Assets						
Cash at Bank	11	1,011,514	660,130	844,600	962,633	878,992
Stock of Merchandise		30,000	30,000	30,000	30,000	30,000
Recoverable from Non-Exchange Transactions		41,500	25,700	25,000	25,000	25,000
Receivable from Exchange Transactions		700	3,500	1,600	1,600	1,600
Prepayments		-	147,610	19,000	-	-
Short Term Deposit	11	-	210,000	210,000	-	-
Total Current Assets		1,083,714	1,076,940	1,130,200	1,019,233	935,592
Non-Current Assets						
Intangible Assets		42,992	27,077	41,371	28,933	59,709
Property Plant & Equipment:						
Computer Hardware		21,370	20,327	21,830	19,292	20,061
Exhibitions		502,287	649,235	463,062	483,097	466,304
Furniture & Fittings		67,280	59,947	45,218	28,143	14,476
Leasehold Improvements		111,030	140,787	260,941	262,584	224,472
Plant & Equipment		148,677	178,321	151,704	162,848	229,769
Collection Assets (Owned)		7,464,985	7,493,168	7,563,168	7,633,168	7,703,168
Collection Assets (Custodial)		7,166,806	7,161,806	7,166,805	7,171,805	7,176,805
Work in Progress		29,200	29,200	-	-	-
Total Non-Current Assets	12	15,554,627	15,759,867	15,714,099	15,789,870	15,894,764
Total Assets		**16,638,341**	**16,836,807**	**16,844,299**	**16,809,103**	**16,830,356**
Current Liabilities						
Payables under Exchange Transactions		160,000	160,000	160,000	160,000	160,000
Deferred Non-Exchange Revenue		-	32,083	45,833	-	-
Employee Benefits		167,000	163,991	164,000	164,000	164,000
GST Payable (Receivable)		42,000	58,000	55,000	55,000	55,000
Total Current Liabilities		369,000	414,074	424,833	379,000	379,000
Non-Current Liabilities						
Employee Benefits		-	3,009	3,000	3,000	3,000
Total Non-Current Liabilities		-	3,009	3,000	3,000	3,000
Total Liabilities		**369,000**	**417,083**	**427,833**	**382,000**	**382,000**
Equity						
Trust Equity		10,547,302	10,831,391	10,809,114	10,770,656	10,746,093
Retained Surplus Current Year	10	(3,793)	12,923	(3,258)	10,637	21,253
Asset Revaluation Reserve	14	5,397,292	5,397,292	5,397,292	5,397,292	5,397,292
Specific Reserves	14	316,131	167,044	202,044	237,044	272,044
Endowment Funds	14	12,409	11,074	11,274	11,474	11,674
Total Trust Funds		**16,269,341**	**16,419,724**	**16,416,466**	**16,427,103**	**16,448,356**
Total Liabilities and Trust Funds		**16,638,341**	**16,836,807**	**16,844,299**	**16,809,103**	**16,830,356**

The accompanying notes and accounting policies form part of the prospective financial statements

Te Manawa Museums Trust

Prospective Statement of Cash Flows

For three years ended 30 June 2018, 2019 & 2020

	Notes	Budget 2016/17 $	Forecast 2016/17 $ *as at 31 Jan 2017*	Budget 2017/18 $	Budget 2018/19 $	Budget 2019/20 $
Cash Flows from Operating Activities						
Cash was provided from:						
PNCC Grants		2,965,049	3,003,554	3,045,605	3,088,243	3,131,479
Other Revenue		526,306	981,121	569,121	512,168	559,104
Interest		20,000	24,523	24,300	22,400	22,400
		3,511,355	4,009,197	3,639,026	3,622,811	3,712,983
Cash was disbursed to:						
Payroll		2,141,195	2,043,011	2,194,326	2,195,962	2,225,812
Suppliers		1,071,838	1,689,726	969,930	1,246,816	1,248,812
Net GST Outflow (Inflow)		-	7,020	3,000	-	-
		3,213,033	3,739,757	3,167,256	3,442,778	3,474,624
Net Cash Flows from Operating Activities*		**298,321**	**269,439**	**471,770**	**180,033**	**238,359**
Cash Flows from Investing Activities						
Cash was provided from:						
Sale of Assets		-	-	-	-	-
Cash was disbursed to						
Purchase of Intangible Assets - Software		23,000	17,250	24,000	-	60,000
Purchase of Leasehold Improvements		39,000	40,570	126,300	40,000	-
Purchase of Computer Hardware		7,500	6,660	16,000	10,000	10,000
Purchase of Exhibitions		35,000	187,746	50,000	120,000	80,000
Purchase of Furniture & Fittings		21,500	9,290	4,000	-	-
Purchase of Plant & Equipment		35,500	65,943	17,000	52,000	122,000
Purchase of Collection Assets		67,000	82,783	50,000	50,000	50,000
Net Acquisition of Investments		-	6,707	-	(210,000)	-
Net Cash Flows from Investing Activities	13	**(228,500)**	**(416,949)**	**(287,300)**	**(62,000)**	**(322,000)**
Net Cash Flows from Financing Activities		-	-	-	-	-
Net Increase/(Decrease) in Cash Held	13	69,821	(147,510)	184,470	118,033	(83,641)
Opening Cash Balances		941,693	807,640	660,130	844,600	962,633
Closing Total Cash Balances		**1,011,514**	**660,130**	**844,600**	**962,633**	**878,992**

* In accordance with generally accepted accounting practice, the cash inflow from grants to fund capital expenditure is disclosed under Cash Flows from Operating Activities, whilst the application of cash to fund capital expenditure is disclosed under Cash Flows from Investing Activities.

The accompanying notes and accounting policies form part of the prospective financial statements

Notes to the Prospective Financial Statements

1 Statement of Accounting Policies

REPORTING ENTITY

Te Manawa Museums Trust (the Trust) is a charitable trust incorporated in New Zealand under the Charitable Trusts Act 1957 and is domiciled in New Zealand. The Trust is controlled by Palmerston North City Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint more than 50% of the Board of Trustees.

The Trust was incorporated on 20 August 1999, from that date, the Trust assumed responsibility for art works and heritage assets transferred to its care but held on behalf of others. From 1 July 2000 the Trust commenced leasing the premises and managing the institution under agreements entered into with the Palmerston North City Council. The principal place of business is 326-336 Main Street, Palmerston North.

The primary objective of the Trust is to provide interactive experience in art, science and history through acquiring, conserving, researching, developing, communicating and exhibiting material evidence of people and their environment, rather than making a commercial return. Accordingly, the Trust has designated itself as a public sector public benefit entity for the purposes of Public Benefit Entity Accounting Standards (PBE Standards).

BASIS OF PREPARATION

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

Statement of Compliance

The prospective financial statements of the Trust have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable Financial Reporting Standards, as appropriate for Tier 2 public sector public benefit entities, for which all reduced disclosure regime exemptions have been adopted.

The Trust qualifies as a Tier 2 Public Sector PBE reporting entity as it is not publicly accountable and as for the two most recent reporting periods it has had between $2m and $30m operating expenditure.

The reporting period for these prospective financial statements is the year ending 30 June 2018, 30 June 2019 and respectively 30 June 2020. The prospective financial statements are presented in New Zealand dollars, unless otherwise stated.

Measurement Base

The measurement basis applied is historical cost, modified by the revaluation of collection assets as identified in this summary of significant accounting policies. The accrual basis of accounting has been used unless otherwise stated.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted

There are no standards, amendments, and interpretations, issued but not yet effective that have not been early adopted, and which are relevant to the Trust.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

Revenue may be derived from either exchange or non-exchange transactions.

Revenue from Non-exchange transactions

Revenue from non-exchange transactions arises from transactions that are not exchange transactions. In non-exchange transactions, the Trust either receives value from or gives value to another party without directly giving or receiving approximately equal value in exchange.

Approximately equal value is considered to reflect a fair or market value, which is normally commensurate with an arm's length commercial transaction between a willing buyer and willing seller. Many of the services that the Trust provides for a fee are charged at below market value as they are subsidised by Palmerston North City Council operational grant, sponsorship, government/non-government grants. Other services operate on a cost recovery or breakeven basis and are not considered to reflect a market return. Most of the Trust's revenue is therefore categorised as non-exchange.

This includes PNCC grants, transfers from government/non-government entities, donations, donated/vested and custodial collection items, sponsorship, in kind sponsorship, revenue from services supplied at subsidised price.

Specific accounting policies for major categories of revenue from non-exchange transactions are outlined below:

Grants

Grants received from PNCC are the primary source of funding to the Trust and are restricted for the purposes of the Trust meeting its objectives as specified in the Trust's trust deed.

Revenues from non-exchange transactions with Council/other government/non-government entities are measured at fair value and recognised when the event occurs and the asset recognition criteria are met, if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Trust and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount if conditions of the grant are not met, deferred income is recognised instead of revenue, and recognised as revenue when conditions of the grant are satisfied.

Rendering of services

Revenue from the rendering of services is recognised when the transaction occurs to the extent that a liability is not also recognised. For these transactions the revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

All revenues from rendering of services are non-exchange, with the exception of revenue from Venue Hire which is classified as exchange transaction.

Vested or donated physical assets

Where a physical asset is gifted to or vested in the Trust for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Such income is recognised when control over the asset is obtained, unless there is a use or return condition attached to the asset.

The fair value of vested or donated physical assets is determined by reference to the market value of comparable assets available.

'In Kind' Sponsorship

The Trust receives sponsorship 'in kind' by way of goods and services provided at discounted or nil charge. Where the fair value of these goods and services can be reliably measured, the income (and expense) is recognised as 'sponsorship - in kind' in the period in which the goods or services are received or there is a binding arrangement to receive the goods.

Volunteer Services

Volunteer services received are not recognised as revenue or expenditure as the Trust is unable to reliably measure the fair value of the services received.

Revenue from Exchange transactions

Sales of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Trust.

Interest Income

Interest income is recognised using the effective interest method.

Advertising Costs

Advertising costs are expensed when the related service has been rendered.

Borrowing Costs

Interest expense is recognised using the effective interest rate method. All borrowing costs are expensed in the period in which they are incurred.

Depreciation and amortisation

Depreciation of property, plant and equipment and amortisation of intangible assets are charged on a straight-line basis over the estimated useful life of the associated assets.

Leases

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Trust will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Leases

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

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are presented within borrowings as a current liability in the statement of financial position.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of a receivable is established when there is objective evidence that the Trust will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the receivable is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of an impaired receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Financial Assets

Financial assets are categorised into the following four categories: financial assets at fair value through surplus or deficit; held-to-maturity investments; loans and receivables; and financial assets at fair value through other comprehensive revenue and expense. The classification depends on the purpose for which each investment was acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

The fair value of financial instruments traded in active markets is based upon the quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows are used to determine fair value for the remaining financial instruments.

a) Financial Assets at Fair Value through Surplus or Deficit

This category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading. After initial recognition they are measured at their fair values. Gains or losses due to change in fair value are recognised in the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

c) Held to Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets. After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

d) Financial Assets at Fair Value through Other Comprehensive Revenue and Expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into this category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

Impairment of financial assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and receivables, and held-to-maturity investments

Impairment is established when there is evidence that the Trust will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for 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 amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Property, Plant and Equipment

Items of property, plant and equipment are stated at historical or deemed cost, less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Additions

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

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

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

Work in Progress

All assets constructed by Trust are initially recorded as work in progress. Work in progress is recognised at cost less impairment and it is not depreciated. Upon completion, these assets are transferred to their relevant asset class and depreciation commences.

Subsequent costs

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

The costs of day-to-day servicing of property, plant, and equipment are recognised as an expense as they are incurred.

(a) Furniture, Equipment and Exhibits

Furniture, equipment and exhibits (excluding art and heritage collections) are valued at cost less accumulated depreciation and impairment losses.

Depreciation
Assets are depreciated on a straight-line basis at rates that will write off their cost less any estimated residual value over the expected useful life of the asset. The useful lives of major classes of assets have been estimated as follows:

Computer Hardware	1 to 5 years
Exhibitions	2 to 10 years
Furniture & Fittings	4 to 10 years
Leasehold Improvements	4 to 10 years
Office Equipment	4 to 10 years
Plant	4 to 20 years

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

(b) Collection Assets

As the Heritage Collection and Art Collection assets are intended to have an indefinite life, they are held in trust in perpetuity for the benefit of the public.

The Heritage Collection and Art Collection have not been depreciated, as it is the Trust's policy to maintain the collections in their current state, in accordance with the Trust's Collection Policies.

All additions to the Heritage and Art Collection are recorded at cost. These additions will be revalued in accordance with the Trust's Valuation Policy. Donated objects are recorded at fair value, or depreciated replacement cost, or nil value if considered unrealisable or irreplaceable.

Custodial Collection Assets are objects within the Heritage and Art Collections not formally owned by the Trust, where the Trust has assumed all the rights and obligations of ownership. Within the Heritage Collection this is limited to items on loan for an indefinite period, excluding works on loan from other Museums and Cultural organisations. In relation to the Art Collection, the nature of artworks and anecdotal evidence suggests that there is a high likelihood of request for return of loaned assets, irrespective of the loan period, therefore only items on loan from the Te Manawa Art Society Inc. are recognised as custodial assets. These assets are held and maintained by the Trust by agreement with the owners.

Revaluation

The Art Collection assets are revalued to fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by *Art + Object* Auckland as at 30 April 2015. Trust's policy is to revalue the Art Collection assets every three years.

The Heritage Collections assets are revalued to fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by *Webb's* Auckland as at 30 June 2015. Trust's policy is to revalue the Heritage Collection assets every four years to ensure that their carrying amount does not differ materially from fair value.

All other asset classes are carried at depreciated historical cost.

Accounting for Revaluations

The results of revaluing are credited or debited to an asset revaluation reserve. Where this results in a debit balance in the asset revaluation reserve, this balance is charged to the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in a previous year surplus or deficit, will be recognised first in the surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve.

Intangible Assets

Recognition and measurement

Intangible assets are initially measured at cost, except for Intangible assets acquired through non-exchange transactions (measured at fair value).

All of the Trust's intangible assets are subsequently measured in accordance with the cost model, being cost (or fair value for items acquired through non-exchange transactions) less accumulated amortisation and impairment, except for the items which are not amortised and instead tested for impairment such as Intangible assets with indefinite useful lives, or not yet available for use. The Trust has no intangible assets with indefinite useful lives.

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 are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

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

Costs associated with development and maintenance of the Trust's website are recognised as an expense when incurred.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in surplus or deficit as incurred.

Amortisation

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each amortisable intangible asset. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of.

The estimated useful lives are as follows:

Software	1 to 7 years
Website	3 to 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment of property, plant and equipment and intangible assets

For the purpose of impairment of Property, plant and equipment and intangible assets, which are carried at cost less accumulated depreciation and impairment losses, the Trust classifies its items of property plant and equipment and intangibles as non-cash generating assets, as these are not held with the primary objective of generating a commercial return, but rather for service delivery purposes and to deliver to Trust's public benefit objectives. 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 amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use for non-cash-generating assets

For Trust's non-cash generating assets, value in use is determined 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.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows. The Trust does not currently hold property plant and equipment and intangible assets in this category.

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

Creditors and Other Payables

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

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs, if any. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after balance date or if the borrowings are not expected to be settled within 12 months of balance date.

Employee Entitlements

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken at balance date. Sick leave has not been included, as the amount of accumulated sick leave that is anticipated to be taken in future periods is not considered to be material.

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 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.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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 in 'finance costs'.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for trade receivables and payables, which are stated 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 statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

The Trust is exempt from Income Tax by virtue of its charitable status.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- Trust's contributed capital;
- Retained earnings;
- Restricted reserves;
- Collections revaluation reserve;

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Trust.

Restricted reserves include those subject to specific conditions accepted as binding by the Trust and which may not be revised by the Trust without reference to the Courts or a third party (i.e. endowment funds). Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Trust's decision. The Trust may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Trust.

Critical Accounting Estimates and Assumptions

In preparing these prospective financial statements, the Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, Plant and Equipment Useful Lives and Residual Values

The Trust reviews the useful lives and residual values of its property, plant and equipment annually. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Trust to consider a number of factors including the physical condition of the asset, expected period of use of the asset by the Trust, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the surplus or deficit and the carrying amount of the asset in the statement of financial position. The Trust minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The Trust has not made significant changes to past assumptions concerning useful lives and residual values.

PUBLIC BENEFIT ENTITY PROSPECTIVE FINANCIAL STATEMENTS (PBE FRS 42)

The Trust has complied with PBE FRS 42 in the preparation of these prospective financial statements. In accordance with PBE FRS 42, the following information is provided:

(i) Description of the nature of the entity's current operation and its principal activities

The Trust is a Council Controlled Organisation, as defined in the Local Government Act 2002. The Trust's principal activities are outlined within this Statement of Intent.

(ii) Purpose for which the prospective financial statements are prepared

It is a requirement of the Local Government Act 2002 to present prospective financial statements that span over 3 years and include them within the Statement of Intent. The purpose of the Statement of Intent is to state publicly the activities and intentions of Te Manawa for the year and the objectives to which these activities will contribute. Prospective financial statements are revised annually to reflect updated assumptions and costs.

(iii) Bases for assumptions, risks and uncertainties

The financial information has been prepared on the basis of best estimate assumptions as the future events which the Trust expects to take place. The Trust has considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined within this Statement of Intent.

(iv) Cautionary Note

The financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

(iv) Other Disclosures

The prospective financial statements have been authorised by the Board for delivery to the Palmerston North City Council on 29 June 2017. The Trust is responsible for the prospective financial statements presented, including the assumptions underlying prospective financial statements and all other disclosures. The Statement of Intent is prospective and as such contains no actual operating results.