

The Price of Cabbages & Kings

Part 1: Context and Theory

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A Controversial Issue

- Central government institutions have valued —
Te Papa, Archives New Zealand, and the National Library of New Zealand
- Many public libraries have valued
- Regional museums resisted

Some Valuations

- NLNZ Heritage Collections \$964m
- Te Papa \$618m
- Archives New Zealand \$513m
- Auckland Museum \$265m
- Auckland Art Gallery \$242m
- Auckland City Libraries \$149m
- Hocken Collections \$110m
- Canterbury University \$25m
- Victoria University Heritage \$11m
- Otago University Library \$9m

Origins of Heritage Collections Valuation

- Accountability, transparency, audit, and the New Public Management (NPM) – 1980s on
- Australia and New Zealand ‘early adopters.’
- Evolution of Generally Accepted Accounting Practice (GAAP)
- Extension of corporate accounting to the public sector
- Cash accounting to accrual accounting – efficient use of measurable resources
- Requirement for public bodies to state all assets and liabilities
 - tangible and intangible

Mandates

- Public Finance Act 1989 (GAAP)
- Financial Reporting Act 1993
- Local Government Act 2002
- NZ Treasury. Valuation Guidance for Cultural and Heritage Assets (November 2002). Based on FRS 3
- NZ IAS-16 Property, plant and equipment (2004).
Replaces FRS 3

Tangible Asset Characteristics

- Tangible assets deemed to include heritage materials.
- Physicality
- Exclusive control by owning organisation
- Economic benefit to the owning organisation - not a liability
- Measurable
- Must outlast the duration of a reporting period
- Heritage collections indefinite life. Not depreciated
- Current collections depreciated – 5 to 50 years

Varieties of Value

- *Trade value* – 30 to 50% of MV
- *Market value* – willing, knowledgeable seller/willing, knowledgeable buyer at arm's length
- *Auction value* – 12 to 15% below MV
- *Insurance value* – 15 to 20% above MV
- *Replacement value* – same as IV
- *Fair value* – hopefully = to MV
- *Best estimate* – Ditto, where market not available
- *Depreciated value* – generally set at 0%
- *Depreciated replacement cost*
- *Premium value* – 15 to 20% extra for an aggregated collection

Arguments Against

- Heritage assets not real assets – liabilities?
- Cost and disruption of valuation
- Difficulty of establishing meaningful values
- Possible calls for asset sales
- No practical value, if assets cannot be sold – often protected by trusts or statute
- High values may deter external funders — ‘asset rich’
- Culturally offensive

Arguments For 1

Organizational Advantages

- Right of public to know
- Increase in net worth of owning bodies
- Important for insurance
- Meets IAS 16

Arguments For 2

Collection Advantages

- Management recognition and good stewardship
- Better management of the collections
- Improved staff knowledge of the collections
- Identification of significant items
- Ultimately, better public service

Valuation Plan 1

- Consult with finance, audit and insurers
- Check on accounting and legal requirements
- Obtain copies of other collection valuations
- Appropriately budgeted for
- Determine scope of heritage collections
- Delineate asset classes
- Determine methodology for each class
- Decide who is to value - internal v. external
- Independent review
- Set out in writing

Valuation Plan 2

This should be a valuation that:

- Meets standard requirements
- Is as comprehensive as practicable
- Follows existing collection structure
- Is based on accurate measurement
- Makes best use of online capability
- Is robustly consistent and verifiable
- Is capable of being easily updated

Major Factors

- Size and complexity of collections
- Existence of expertise — in-house and externally
- Completeness of online cataloguing
- Access to databases and other sources of sales information
- Budget and backfilling

Some Decisions

- Valuation date
- Threshold for individual valuations
- Deposited/loan collections
- Unprocessed collections
- What to do about GST
- Exchange rates

Available Methods

- Item by item
- Averaged item (sampling)
- Refined (stratified) averaged item
 - Horizontal date banded
 - Subject division
- Linear metre
- Whole collection / whole asset class
- Combination of these
- Other ways?

Determinants of Value

- Scarcity
- Condition
- Completeness
- Aesthetic considerations
- Unique features
- Collectability
- Research value

Importance of

- Completeness
- Keeping good records of sources, data and calculations
- Consistency
- Figures that agree
- Sticking to the plan
- Good presentation
- Being ready for audit

Some NZ Issues

- Lack of comparability
- Undervaluation and overvaluation
- Inconsistent treatment and presentation of valuations
- Representing condition
- Coping with market fluctuations
- Frequency of revaluation
- Digital materials
- Future development of:
 - Model valuation
 - Standard values for similar material
 - Valuation training for librarians and archivists