

Cost recovery and charging for goods and services policy

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1. Title

Cost recovery and charging for goods and services

2. Introduction

The National Museum of Australia (the Museum) is a major cultural institution charged with researching, collecting, preserving and exhibiting historical material of the Australian nation. The Museum focuses on the three interrelated areas of Aboriginal and Torres Strait Islander history and culture, Australia's history and society since European settlement in 1788 and the interaction of people with the environment.

Established in 1980, the Museum is a publicly funded institution governed as a statutory authority in the Commonwealth Arts portfolio. The Museum's building on Acton Peninsula, Canberra opened in March 2001.

3. Scope

3.1 Description

This policy sets out the arrangements, processes and responsibilities for charging by the Museum of fees for programs, exhibitions, goods or services.

It includes:

- instances where the Museum is paid for a contracted arrangement (for example, a catering contract)
- instances where a third party collects the fee or charge
- exhibition entry fees and charges
- activities which do not result in a net return
- cost recovery of services provided to contractors or other entities.

3.2 Purpose

The Museum is funded from Government appropriation and revenue generated from other sources. Such revenue includes the net return from activities where a cost is recovered or a charge for a good or service is received.

This policy provides a context for all activities in the Museum where a price or fee is determined. It contains a set of principles to guide the development of new activities and manage existing activities.

The purpose is to optimise available net revenue opportunities. In some instances this may involve minimising the net cost of an activity.

3.3 Rationale

The *National Museum of Australia Act 1980* section 7(2) subsections (ja) and (jb) allow the Museum to charge fees for services rendered and to raise money for purposes relating to the functions listed in section 6 of the Act.

The Museum needs to be consistent in its approach to cost recovery and charging fees for goods or services. This may include weighing up different business objectives.

The Museum is subject to the Commonwealth Cost Recovery Guidelines for Information Agencies. All business unit managers should be aware of these requirements as they apply to Museum activities.

Business unit managers should seek advice from the Chief Finance Officer on the application of goods & services tax to specific activities.

4. Principles or guidelines

4.1 Products

Museum managers should assess all revenue activities to determine their relevance to the Museum's functions.

In assessing relevance, regard should be had to the Museum's functions as listed in the *National Museum of Australia Act 1980*, the outcome and outputs listed in the Portfolio Budget Statement and the Strategic Plan. A risk assessment should be undertaken for all revenue activities to assess both the financial and non financial risk of a specific activity.

All exhibitions and programs should be fully examined to determine potential related commercial opportunities.

4.2 Pricing

The Commonwealth Cost Recovery Guidelines for Information Agencies sets out a framework to assist agencies to design and implement appropriate cost recovery arrangements.

To ensure adherence to Government policy and to meet goods and services tax requirements, all activity pricing should be reviewed by the Chief Finance Officer:

- before any final decision is made to undertake an activity involving cost recovery or the sale of a good or service, and
- prior to commencing any promotion.

This will also allow revenue and cost budget estimates to be monitored and adjusted where appropriate.

Pricing decisions will involve an assessment of full Museum costs, the proposed/potential unit quantities and unit prices. Full Museum costs means all related costs for the entire activity including promotion and distribution and not just the incremental cost.

Pricing for temporary exhibitions developed by the Museum, travelling exhibitions display and entry fees, and temporary exhibitions developed by other entities will be assessed as part of the exhibition assessment process. Similar to other revenue activities, the Chief Finance Officer will provide advice to assist the Executive in making decisions and ensuring a consistent pricing approach for all activities.

The Chief Finance Officer is responsible for developing and maintaining financial models and standard charge rates.

4.3 Promotion

To maximise the organisational benefit of an activity, including potential revenue, business unit managers in consultation with the Manager *Marketing* should assess the appropriate level and placement of promotional activities. In determining appropriate levels of promotion, the cost of promotional activities should be assessed against incremental benefits.

All promotional activities should involve the General Manager *Public Programs and Audience Development* or the Manager *Marketing* before being implemented. Similarly, any contact with the media must be coordinated with the Director *Public Affairs*.

4.4 Distribution

Consideration should be given to the best way of distributing and delivering activities. It may be possible for a product to be distributed through different distribution channels. For example a publication could be sold through the Museum shop, through a wholesaler, through e-commerce or as part of a package related to entry to a temporary exhibition.

Assessment of different distribution options should be developed by business unit managers and assessed by the Chief Finance Officer when reviewing proposed activity pricing, including cost recovery. It is possible that different prices may be set for different distribution channels.

5. Definition of terms

Full Museum cost

- all related costs for a particular activity including promotion and distribution.

Incremental cost

- the additional expenses less additional revenue for a particular activity.

Net return

- the surplus or deficit after calculating all direct revenues and all direct expenses.

6. Definition of responsibilities

Director

- issue procedures consistent with this policy.

Director and general managers

- determine appropriate activities, pricing strategies and rates, product promotion and distribution
- consider this policy when deciding on the application of other relevant policies.

Chief Finance Officer

- developing and implementing this policy consistent with Council directives
- provide advice to Executive and business managers on application of policy and pricing proposals (including application of goods and services tax)
- provide staff awareness and training sessions
- develop and maintain costing models and standard charge rates
- Museum point of contact with Department of Finance and Administration and the Australian Taxation Office.

Manager *Marketing*

- coordinate advertising and promotional activities.

Director *Public Affairs*

- coordinate media activities.

Business unit managers

- develop proposals consistent with this policy.

7. References

The legislation, regulations and guidelines relevant to this policy include:

A New Tax System (Goods & Services) Act 2000

Commonwealth Authorities and Companies Act 1997

Commonwealth Cost Recovery Guidelines for Information Agencies

National Museum of Australia Act 1980

8. Implementation

8.1 Coverage

This policy applies to all business units in the Museum and all activities where a price is determined for cost recovery or sale of a good or service.

8.2 Other related policies

- communication policy
- exhibition policy
- publishing policy
- public program policy.

8.3 Exclusions

This policy does not apply to investment and Museum sponsorship activities.

8.4 Monitoring

This policy will be administered by the Chief Finance Officer in association with individual business unit managers. This policy will be referred to when developing annual and project budgets. Implementation and application of this policy may be subject to an internal audit review.

Where necessary, the Chief Finance Officer will convene a consultative working group to address issues and where appropriate draft changes to this policy.

This policy will be reviewed in July 2007.