

The purpose of Full Cost Decision-making

FCD is intended to ensure that:

- Councils have the information available to make fully informed decisions for the benefit of the overall community, and make efficient use of Council resources. (**Informed decisions**);
- Consumers are given appropriate pricing signals so that they are encouraged to make the best use of Council services/facilities, and avoid any under or over-use. (**Pricing signals**);
- Council managers work within a management framework which encourages them to manage resources efficiently. By incorporating all of the costs that private sector counterparts incur, Council is able to compare the cost of internal service provision with alternative sources and ensure that the most cost-effective service provision is provided to the community. (**Management efficiency**);
- The community is aware of Council decisions made on its behalf; the full cost of those decisions, and is able to assess the efficiency of Council services. (**Decision-making transparency**);
- Subsidies made by the Council are transparent and for the benefit of the overall community. (**Subsidy transparency**);
- Management of the Council assets and infrastructure is efficient. By being aware of the value of the assets, as well as the annual cost required to maintain the asset condition, Council is able to ensure that the assets are maintained in optimal condition for the current and future generations. (**Asset management**).

FCD does not require:

- Outsourcing or competitive tendering. Councils retain full choice as to whether services are best provided by the Council workforce, the private sector or other alternatives. The only requirement is that Council makes these decisions in full awareness of the full comparable costs. (**No outsourcing requirement**);
- Reduction in council services. Council is able to retain current service levels, provided it is satisfied that community is receiving value for money, and that the community requires that level of service at its full cost. (**No service reduction requirement**);
- Charging exorbitant prices. Council is able to continue to subsidise services and charge less than the full cost, provided it is satisfying a carefully considered and fully costed community service obligation, and the decision making process is transparent to the community. Adjustments are included to ensure that consumers are not over-charged. (**No exorbitant prices**).
- Increased administration costs. Most of the additional costing information requirements can be automated within the financial computer systems and the decision-making processes can be accommodated within existing administrative processes such as the budget process. The BMAP project is liaising with Local Government software vendors to ensure that the required automation is available. One off setup costs should be more than offset by the Financial Incentives Package. (**No increased administration costs**).