

Attachment H

WAMC Efficiency Strategy

30 September 2024



Natural Resources
Access Regulator



Contents

1	Introduction.....	3
1.1	Future efficiency strategies	4
1.1.1	WAMC strategies.....	4
1.1.2	Department strategies.....	6
1.1.3	NRAR strategies.....	8
1.1.4	WaterNSW strategies.....	9
1.1.5	Translating this into efficiency savings.....	11
1.1.6	Accountability for cost efficiency outcomes.....	12
1.2	Previous performance.....	14
1.2.1	Strategies adopted by WAMC agencies collectively	14
1.2.2	Strategies adopted by the department.....	16
1.2.3	Strategies adopted by NRAR.....	16
1.2.4	Strategies adopted by WaterNSW.....	17
1.2.5	Performance against efficiency targets.....	19

1 Introduction

The WAMC agencies (us/we/our), collectively, continually seek to deliver efficiencies across and within water management activities. For a service delivered by multiple agencies, efficiencies can be found in the delivery of specific activities and by removing inefficiencies between each activity and delivery agency.

This document outlines the efficiency strategies we have adopted and encompasses strategies implemented within and between each agency. It builds on the successful delivery of efficiencies that have been introduced over the current determination period, such as the removal of duplication between the agencies through the signing of the Roles and Responsibilities Agreement (RRA).

From these strong foundations we can continue to build further efficiencies to minimise cost increases, while delivering higher quality services and greater value for money. However, as described below, these benefits can only be realised through up front investments.

Our forecast efficiencies can be categorised into three overarching themes:

- Working collectively to improve efficiency and deliver benefits to customers
- Accurate, complete and transparent data; leading to real time data, informed decision making, better service delivery and more cost-effective compliance
- Streamlining routine activities to allow experts to reprioritise and focus our efforts in more productive ways.

One of the foundations of the Efficiency Strategy is the discipline that underpins our case for the efficiency of the costs proposed for each of the WAMC activities and our commitment to prioritisation of key activities. All three WAMC agencies accept and embrace the efficient cost discipline expected by the NSW Government Expenditure Review of Cabinet that:

- The WAMC Proposal represents the total, maximum and efficient costs of WAMC activities 2025-2030 and no supplementary funding by the NSW Government will be provided for any of these activities included in the proposal.
- Should IPART reach the view that a component of a proposed cost is not efficient, WAMC agencies do not expect supplementary funding would be provided by the NSW Government.

The rest of this attachment describes our proposed cost efficiency strategy and reports on productivity improvements already delivered. It is structured to focus on forecast innovations first, including an annual efficiency factor and additional Government savings challenge, and to report on what has already been achieved to provide credibility as to the deliverability of future plans.

Section 1.1 outlines

- future efficiency strategies proposed by us collectively
- what each agency is doing individually to adopt innovations and deliver savings
- how this translates into efficiency savings, including proposing an annual efficiency factor and additional Government savings challenge, and
- what mechanisms will be employed to hold WAMC agencies accountable for achieving the efficiency outcomes.

Section 1.2 reports on

- past productivity improvements we have delivered collectively
 - innovations and savings delivered by the agencies individually, and
 - how we have performed against current period targets.
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1.1 Future efficiency strategies

Our future strategies project from current expenditure levels, which reflect the efficient costs of delivering our required water management outcomes. They build on the strong progress we have made in adopting innovative working methods and driving efficient outcomes in recent years. These gains are discussed in section 1.2.

Successful delivery of efficient outcomes requires us to work towards collective solutions whilst also implementing strategies within each agency.

1.1.1 WAMC strategies

Collectively, we propose a package of restrained investments in new business improvement programs to address two significant impediments to further efficiencies in water resource management and compliance by:

- Renewing ageing information technology systems, which are no longer fit for purpose and do not facilitate the levels of self-service expected by customers.
For example, creating new self-service interfaces that enable some customers to more quickly and cheaply comply with the requirements of the non-metering reforms, and gives all customers access to timely, useful information about their metered usage to manage their compliance and on-site activities.
- Removing barriers to more effective and efficient compliance that are created by a lack of integrated data systems and ineffective data management. This will increase the productivity of skilled staff to deliver other core resource management functions.
For example, consolidating access to all of a customer's Works and Water Access Licences in one portal to enable customers to better manage their water activities, readily access information and monitor self-compliance and a single reference point of trusted information for NRAR compliance activities.

Our joint new Digital Business Improvement Strategies (see s4.2 of the pricing proposal) incorporate multiple approaches:

- Water Market System
 - redesigns each water user transaction process to be quicker, cheaper and online through a more connected system available to all 3 water agencies.
 - delivers customer service and cost efficiencies for every transaction now online through transparency and improving cyber security.
 - enhances compliance by linking together all licenses held by a water user, providing visibility of compliance to the water user and NRAR.
- Shared Data Management and Governance

- transforms the data information systems to a higher standard and deliver a central Water Sector Ecosystem data platform, while fixing current systemic access and data quality issues.
- increases information quality and automation, so that self-service platforms will now be possible, thereby lowering costs for all.
- improves the quality, reliability and efficiency of all routine water resource management activities and reduces delays in customer transactions.
- enhances systems and provides more reliable water information means NRAR can better meet its statutory objectives and all 3 WAMC agencies can operate effectively and efficiently.
- Water Compliance System
 - further development of interfaces between NRAR’s water compliance management system and various WaterNSW systems to ingest all customer data, water licensing and approval information and metering data for compliance purposes.
 - faster and cheaper compliance by avoiding current manual business processes, allowing NRAR to identify potential non-compliance more efficiently and effectively, and maintain public confidence.
- Customer Metering Solution
 - builds modern ICT that links on farm and back-office technology to make this information available on a user’s device and to compliance officers and resource managers.
 - boosts incentives for self-compliance by ensuring water users have real time access to their own metering information and supports implementation of the non-urban metering review recommendations. Implementing the recommendations of the metering review has allowed us to allocate the costs of compliance more efficiently and reduce the costs for low-risk water users.
 - NRAR accesses the data they need for enforcement actions, where warranted.

Through the 2025 determination period we will continue to focus on reducing duplication through the RRA while delivering on the priorities of customers. These include a need for greater confidence in how water management and planning decisions are made and enforced; support for an efficient and effective regulator, and support for continued but modest investment in customer services, customer experience and stakeholder engagement. Our efficiency strategies seek to deliver on these and other preferences we have heard through our engagement.

In addition, to joint customer research, over the determination we will investigate the costs and benefits of reducing communication and related costs including opportunities for:

- a single customer enquiries team/call centre (currently 2)
- using the same customer relationship management (CRM) system to consolidate customer contacts into a single system across all WAMC agencies.

1.1.2 Department strategies

The primary objective of the NSW Department of Climate Change, Energy, the Environment and Water (the department) Efficiency Plan¹ is to contain annual WAMC expenditure to levels that are below its 2022/23 actual expenditures, while also delivering a much larger and more complex work program. In 2022/23 actual expenditures for the department's WAMC activities were funded from the 2021 determination and from state and Australian government programs which are ending. This makes the realisation of efficiencies critical and re-prioritisation of expenditures on activities inside that envelope vital for effective water resource management.

The secondary objective of the Efficiency Plan is to focus on data governance and the integration of systems through 4 business improvement programs of the Water Sector Digital Ecosystem. This is the first stage of much larger and ongoing opportunities for efficiency over two determination periods.

The department's Efficiency Plan is linked to the department's Water Group Business Plan.

The department's Water Group Business Plan identifies how the various aspects of working towards sustaining and improving water resources will sometimes come into conflict and seeks to balance these competing demands, while also being realistic about what is achievable and sustainable for staff.

The Business Plan commits to working to sustain and improve water resources, fulfil statutory commitments whilst managing resources and achieving goals. The department proposes to achieve this through key focus areas that inform the prioritisation of work.

Table 1: Department Business Plan key focus areas

Focus areas
Focus area 1: Ensure delivery of our core statutory obligations including adaptation to climate change
Focus area 2: Drive delivery of the Murray Darling Basin Programs and influence the Basin Plan Review
Focus area 3: Improve water security and urban water services for resilient cities, towns and regional and remote communities
Focus area 4: Improve stakeholder trust by fostering innovation and ensuring transparency in water management
Focus area 5: Support delivery of housing priorities and renewable energy zones
Focus area 6: Respect and embed Aboriginal knowledge to care for Country

¹ The department has its own Efficiency Plan that informs its Business Plan and the WAMC Efficiency Strategy (this attachment)

Focus area 7: Improve the health and climate resilience of water sources, catchments and waterways

Focus area 8: Enhance staff experience by prioritising wellbeing

Key initiatives to improve efficiency proposed in the Business Plan include:

- Implementing program assurance governance and integrated program management tools
- Integrating and improving efficiency in Financial Administration
- Creating a fit for purpose, integrated engagement & communications approach
- Redesigning and continuous improvements to key processes
- Introducing a risk-based approach to Water Sharing Plan review and remake and integrated quality assurance
- Planning and prioritising Water Group work program to focus on NSW priorities.

Collaborative and continuous learning leading to process and system improvements delivers efficiencies in groundwater monitoring, water take monitoring, water management planning and water management works. For example, we are using programming that reduces the need for costly supercomputer time. We are rolling out templates, such as for floodplain management plans (including map templates), to save time and resources in these periodic plan development and implementation activities.

In relation to introducing a risk-based approach for Water Sharing Plan review and remake, we are implementing tools that allocate effort based on the categorisations of plan requirements, supported by detailed schedules and streamlined WSP Implementation programs, and Monitoring, Evaluation and Reporting Plans. We work closely with the Natural Resources Commission to ensure, to the maximum extent possible given the constraints of the WMA, inefficient peaks in effort and deadlines are minimised.

In relation to planning and prioritising the work program we have identified savings in water take monitoring and water management planning. We are successively merging the 13 Murray Darling Basin Valley models into 8 models, which will reduce the number of models that require maintenance.

Wider access to more accurate data realises efficiencies across most activity forecasts including surface water monitoring, groundwater monitoring, water take monitoring, water management implementation and water management works. We are presenting information in interactive (publicly available) mapping products to reduce the time taken answering unnecessary queries.

We have also identified efficiency gains resulting from innovation and automation of activities in water take monitoring and water management implementation. Specifically, we are pioneering the use of AI assistants to progress efficiency measures and to mitigate under resourcing.

These efficiencies are discussed in more detail in the summary of WAMC activities and costs at Attachment F to the pricing proposal.

The department's cost-build up process demonstrated that without the discipline of its Efficiency Plan annual average WAMC expenditure forecasts would have risen to nearly \$100 million by the start the 2025 determination period. The department's initiatives realise efficiencies and re-

prioritise activities so that expenditures are inside that envelope, while delivering effective water resource management. Through this prioritisation the department has reviewed, rescope and investigated options for deferral, to ensure that a larger and more complex program of statutory activities can be delivered at expenditure levels that are below its 2022/23 actual expenditures.

Data governance and integration are the necessary foundation for water resource science, modelling and monitoring activities that rely upon quality assured data to be efficient. Once quality assured data is in place through 4 business improvement programs of the Water Sector Digital Ecosystem, second stage efficiencies can be realised in the next determination period. During the 2025 determination period, the department will investigate and scope its 2030 Stage 2 Efficiency Plan including opportunities for:

- standard scenarios and other strategies for modelling uplift
- monitoring, evaluation and reporting (MER) prioritisation
- data insights and additional self-service
- further process automation
- improving the licensing conditioning processes
- streamlining processes for water accounting changes and available water determinations.

One of the foundations of the Efficiency Strategy is the discipline accepted by the department that underpins our case for the efficiency of proposed costs and our commitment to prioritisation of key activities. We accept and embrace the efficient cost discipline expected by the NSW Government Expenditure Review of Cabinet that:

- The WAMC Proposal represents the total, maximum and efficient costs of WAMC activities 2025-2030 and no supplementary funding will be provided for any of these activities included in the proposal by the NSW Government.
- Should IPART reach the view that a component of a proposed cost is not efficient, WAMC agencies do not expect supplementary funding would be provided by the NSW Government.

1.1.3 NRAR strategies

Section 10 of the NRAR Act 2017 sets NRAR's principal objectives to be effective, efficient, transparent, accountable and to maintain community confidence in the enforcement of water management laws. That is, NRAR already has a statutory duty to be efficient, which is actively pursued through structure and functions across NRAR.

NRAR has committed to a 3% per annum efficiency gain. The efficiencies will largely be driven by the investment into enabling services:

- continued investment into intelligence and spatial and data analytics and technologies to ensure our programs target the highest compliance risks, and "boots on the ground" are deployed to the right locations.
- continuous improvement through orderly review of our processes and practices in accordance with our ISO 9001 accredited Quality Management System.
- championing improvements to policy settings where it would support compliance and enforcement.

- investment into staff capabilities, as capable staff are also more efficient and effective.
- investment into ICT to better automate and expedite functions, expected to save 5FTE over the price determination.

This efficiency commitment exceeds the public sector efficiency standard. By the final year of the 2025 determination period, the cumulative impact of this efficiency target is projected to result in a cost reduction of over \$4 million (equivalent to approximately 19 FTE).

1.1.4 WaterNSW strategies

Key outcomes of WaterNSW's strategic priority "*Delivering Operating Excellence*" are to provide affordable water services through operational excellence. The business has and continues to address this through ongoing strategic initiatives. One of these was a revised operating model which brought together complementary areas of the business to streamline decision-making and provide clearer accountabilities. Another is the cost transformation program, which has been particularly targeted at identifying and sustainably eliminating operating expenditure costs.

Over the past 2 years WaterNSW has permanently removed \$19.7 million of operational expenditure from the entire business. Of this, \$17.8 million was specifically against core (regulated operating expenditure) activities. This reduction was against a baseline target set in 2022 of \$21.6 million.

For WaterNSW's WAMC services, cost savings are reflected attributable either as a percentage share of these corporate cost savings (consistent with the WaterNSW cost allocation model), or direct savings (i.e. through initiatives that fit wholly within the WAMC services).

As a result, to appreciate the cost efficiency delivered by WaterNSW for the WAMC services, reference is made to the entire enterprise approach by WaterNSW to its cost transformation program. That information is contained in a detailed Attachment to the WaterNSW Bulk Water submission.

Over the next regulatory determination, WaterNSW is proposing a cumulative efficiency target of 1% of total operating expenditure per year across all of its regulated activities to ensure that customers continue to receive benefit from the transformation program over the next 5 years and to provide a strong incentive on WaterNSW to continue to find productivity improvements.

Efficiency measures of WaterNSW include:

- better use of technology, including the Digital Roadmap (Digital Business Improvement Strategies), field mobility technology, IOT sensing for gauges and sensors, automation of metering, etc
- enhanced and centralised processes for recruitment of staff and use of contractors, to subject such expenditure to greater scrutiny and maximise value for money.
- enhanced procurement strategies for digital software, licences and specialist services, including vendor rationalisation
- operational efficiencies, such as from remote operation, revised asset planning processes and data driven development of maintenance plans, improved knowledge repository to train staff and retain IP and centralised operational safety training where appropriate
- enhanced capability of staff, including improved contract management capability and multi-skilling of field-based employees

- review of opportunities to divest of, consolidate or maximise the value of property through leasing or other revenue raising opportunities.

Progress on the cost transformation program, and all other strategic initiatives of WaterNSW, are reported to the Board every quarter. It is also regularly discussed at Executive level to maintain momentum, agree targets and support specific activities to reduce expenditure.

Several other strategic initiatives will help support the WaterNSW cost transformation program. These include:

- Strategic workforce plan - we are embarking on a further revision of our strategic workforce plan. Which is focussed on determining the skills and capabilities that the business will need in the years to come and how best to secure these.
- Digitally enhanced Services – deployment of digital systems that enable greater customer online capability, support field-based communications and productivity, and provide stronger data management and analytics capabilities will all contribute to improved efficiencies. Our program to deliver on these efficiencies is outlined in the Technology Roadmap.

We will also continue to invest in remote based sensing and telemetry to reduce the number of occasions site visits are required. The speed of these changes will depend on the amount of funding available to support this activity and changed requirements for additional monitoring services under the new Operating Licence. Nevertheless, we remain committed to reducing costs through these changes.

The cumulative efficiency target of 1% of operating expenditure per annum equates to an average of approximately \$1.6 million per year, or \$7.8 million over the five-year period. The target aligns with the profile of the cost transformation program that requires up-front investment in many cases, the benefits of which are often realised over time.



Figure 1 Cost transformation initiatives by category

Combined with base year savings, the annual efficiency target leads to combined savings of \$19.2 million over the upcoming five-year determination period.

1.1.5 Translating this into efficiency savings

As described above, we are implementing a range of measures to ensure we deliver our work program at lowest possible cost. Our efficiency measures comprise those initiatives we have already identified, a further reduction per year to reflect continuing efficiencies and an additionally applied Government savings challenge.

The Government savings challenge reflects our commitment to prioritising key activities and performing these activities more efficiently. Our activity narratives outline enhancements to the processes for developing, reviewing and implementing water sharing plans and other water management plans and policies, including more efficient stakeholder consultation processes. We also plan to make improvements to project and data management systems, including the development of standardised templates and are investigating amalgamated models and plans to reduce costs. Throughout the period we will continue to drive innovation and continuous improvement to identify further savings while maintaining delivery of our statutory obligations.

These ambitious targets result in annual efficiencies and factors as shown in Table 2 and Table 3.

Table 2: WAMC's proposed operating expenditure efficiencies (\$ million, \$ 2024-25)

		2025-26	2026-27	2027-28	2028-29	2029-30
The department	Baseline operating expenditure*	98.9	98.9	98.9	98.9	98.9
	Efficiency strategy initiatives	-5.7	-5.8	-5.8	-5.8	-5.8
	Continuing efficiencies	-1.0	-1.9	-2.8	-3.5	-4.2
	Government savings challenge	-16.8	-13.4	-21.7	-17.1	-20.7
	Proposed operating expenditure (post efficiencies)	75.4	77.9	68.6	72.5	68.3
WaterNSW	Baseline operating expenditure	29.8	31.0	32.3	31.8	29.5
	Efficiencies	-0.9	-1.4	-1.8	-1.9	-1.7
	Proposed operating expenditure (post efficiencies)	28.9	29.5	30.5	29.9	27.8
NRAR	Baseline operating expenditure*	40.4	40.4	40.4	40.4	40.4
	Efficiency strategy initiatives & continuing efficiencies	0.0	-1.1	-1.1	-1.0	-1.0
	Government savings challenge	-2.0	-5.6	-7.4	-8.6	-9.6

	Proposed operating expenditure (post efficiencies)	38.4	36.0	34.1	32.8	31.9
Total WAMC efficiencies (\$m)		26.5	29.1	40.5	38.0	42.9

* Using 2023-24 to reflect the ongoing efficient costs of delivering WAMC's services over the current determination period

Table 3: WAMC's proposed operating expenditure efficiency factors

		2025-26	2026-27	2027-28	2028-29	2029-30
The department	Efficiency strategy initiatives	-6%	-6%	-6%	-6%	-6%
	Continuing efficiencies	-1%	-2%	-3%	-4%	-4%
	Government savings challenge	-18%	-14%	-23%	-18%	-22%
	Total efficiency factor	-24%	-21%	-31%	-27%	-31%
WaterNSW	Efficiencies	-3%	-5%	-6%	-6%	-6%
	Total efficiency factor	-3%	-5%	-6%	-6%	-6%
NRAR	Efficiencies	0%	-3%	-3%	-3%	-2%
	Government savings challenge	-5%	-14%	-19%	-22%	-24%
	Total efficiency factor	-5%	-11%	-16%	-19%	-21%
Total WAMC efficiencies		16%	17%	24%	22%	25%

To ensure our capital expenditure forecasts reflect the efficient costs of completing the projects we will continue to apply our stringent governance framework as described in section 1.2.5.

WaterNSW's imposes capital efficiency targets tailored to valleys. Initial project cost estimates have been reduced by factors of between 2.5% and 4.0% to provide the proposed capital expenditure forecasts.

The department's W07-01 Water Management works activities and costs summary, at Attachment F, includes information about proposed efficiencies for its Riverworks, Salt Interception Scheme and WAMC asset management activities. Examples include improved processes to help streamline planning approvals of Riverworks; and communication upgrades to enable remote system monitoring of Salt interception schemes; and implementation of Asset Management Plans for WAMC assets to better prioritise renewal costs and reduce downtime.

1.1.6 Accountability for cost efficiency outcomes

WAMC agencies have committed to achieving these efficiencies and the service outcomes that deliver customer value.

Our pricing proposal, which has been prepared after extensive consultation with customers, defines specific outcomes that we will work to achieve over the upcoming determination period. These outcomes are supported by output measures and activities and are clearly defined targets to be delivered within the funding envelope.

The department's Business Plan identifies governance principles to enable the delivery of commitments while providing a mechanism to manage individual capacity and risk. This ensures that efficiency and delivery outcomes are achieved.

Department's Business Plan Governance Principles

- We will not commence any new activity without clear funding pathways and identified available resources to complete the work. While there are times when projects must begin without final funding approval, a project will not proceed from Idea (Gate 0) into Planning (Gate 1) without at least a seed funding source.
- Activities will not be approved without a clear understanding of impacts to existing priorities for the Water Group.
- The Executive Leadership Team (ELT) will lead the review and approval of any new activity or changes to existing activities that has ramifications across divisions or to external stakeholders. The ELT will agree the approach to ensure minimal disruption across the Water Group portfolio of activities, including any delegation to subgroups or committees based on the associated risk, resource impact, cost impact associated with the project.
- We will minimise disruption to our people during change, enabling them to have a clear view of their priorities and focus on the tasks at hand.
- Where work is either unfunded, underfunded or no longer delivering the desired outcomes, it will be reviewed by the ELT with a focus on ceasing the work.
- The business plan will be regularly reviewed by the ELT, and efforts will be adjusted where required to ensure our focus areas continue to be delivered upon.
- Our public reporting of performance against water management outcomes will ensure we are held accountable for achieving these outcomes (i.e., that cost reductions do not come at the expense of service levels). Our proposed outcomes reporting also incorporates performance measures to ensure WAMC services efficiently deliver value for customers and the community. These performance measures are outlined in chapter 2 and Attachment E to the pricing proposal.
- We will also be held accountable to the Government (and the broader community) if its actual expenditure is higher than allowances, as our water management activities are non-discretionary (required by legislation) and therefore the Government will have to fund the difference between the customer share of our IPART allowance (to be recovered via prices) and our actual expenditure.

1.2 Previous performance

In its final report for the 2021 determination IPART applied ambitious catch-up and continuing efficiency adjustments to WAMC's forecast operating expenditure, reflecting the anticipated efficiencies achievable across the sector and those needed to be achieved over time to catch up with a company operating at the efficiency frontier.

The efficiencies gained in delivering WAMC services over the 2021 determination are demonstrated through the delivery of higher quality services within a challenging operating environment. We have made significant progress and delivered efficiency gains while overcoming major disruptors such as:

- Major fish death events, requiring more engagement and diverting policy and modelling resources.
- Legal matters relating to the remake of the Commonwealth Water Act, intellectual property and climate change modelling, resulting in delays and additional work to deliver outcomes.
- The COVID 19 pandemic, hindering our ability to engage on Regional Water Strategies.

The following sections describe the strategies adopted over the current determination period and quantify how they have contributed to the efficiency targets.

1.2.1 Strategies adopted by WAMC agencies collectively

WAMC agencies, in combination, have focused on the core efficiency objective of reducing duplication. We have implemented 4 major initiatives to reduce duplication over the current determination period.

Roles and Responsibilities Agreement

With the negotiation, and then implementation, of the Roles and Responsibilities Agreement (RRA) we have laid the foundation for ongoing productivity improvements and a long-term framework to avoid duplication between WAMC agencies.

The RRA sets out in detail how we will work together to avoid duplication and deliver value to customers and taxpayers.

Since taking effect in June 2021, the RRA has enabled:

- Enhanced collaboration between agencies across a range of strategic and operational areas.
- Implementation of new data sharing protocols for equitable access to the same evidence base for water resource decisions which all agencies rely upon.
- A structured framework for us to:
 - Leverage the information technology investment of another agency thereby reducing total costs for customers and taxpayers.
 - Jointly undertake customer research and engagement that avoids customer confusion and reduce costs.
 - Improve licensing and approvals processes that enhances customer and resource management outcomes.

Planning for and investing in joint WAMC information technology

The RRA has facilitated all 3 agencies leveraging the critical investments made by WaterNSW in the Water Market System to:

- Delivering new improved digital processing of Works Approvals that are administered by the department.
- Developed a joined-up Water Sector Digital Ecosystem Roadmap, to prepare a business case for even greater collaboration over the 2025 Determination through the Digital Business Improvement Strategies. As detailed below.

A similar approach has allowed wider use of the investment made by department in a 'single front door' for licensing and approvals under the Water Management Act and Environmental Planning and Assessment Act.

- The new 'front door' is customer centric. Through a series of simple questions, customers are directed to the online system or the right form that they need, rather than needing to digest complex information.
- Development of the front-door and updates of licensing and approvals information on government web sites was funded by the NSW Government through the \$14.7 million Water Licensing and Improvement Program.

Joint WAMC customer research and engagement to reduce confusion and avoid duplication

We have implemented a joined-up approach to customer research and engagement programs, particularly in the second half of the current determination period.

The first NSW Joint water sector customer, community, and stakeholder research program was implemented in early 2023, delivering a comprehensive, baseline of both quantitative and qualitative insights on how we are delivering value through our interlinked water management and planning responsibilities. A version of this research program will be replicated on a 2-year basis, which will contribute to WAMC outcomes reporting, and support agency-led engagement in a more coordinated, efficient way.

Four regionally based Water Working Groups were established to inform preparation of WaterNSW's Bulk water and WAMC pricing proposals, to both inform and consult with customers and community on our water management and planning responsibilities, seek views on preferred investment levels for some WAMC services where there is discretion, as well as views on price caps for the next determination period.

Improve licensing and approvals processes to reduce duplication and improve customer and resource management outcomes

As identified in IPART's final report for the 2021 determination, we undertook a review of licensing functions to avoid duplication and inefficiencies. Over the course of the current determination period we:

- Transferred all licensing functions from NRAR to department, thereby reducing the number of WAMC agencies involved in licensing processes and avoiding the risks of NRAR conflicts of interest in compliance activities.
- Implemented the \$14.7 million Water Licensing and Improvement Program with processing efficiencies for specific transactions realised by the department.

1.2.2 Strategies adopted by the department

Over the current determination period, the department has realised efficiencies as both financial savings and productivity improvements. Our proposal to the 2021 determination includes proposed savings of around \$9 million per year of additional costs through process redesigns and operational improvements.

Key efficiency activities have included:

- NSW Government funded Water Licensing Improvement Program. Resulting in:
 - Mapping and implementing more streamlined online processes for Water Supply Work and Use Approvals and Amendments under the Water Management Act administered by the department through the WaterNSW Water Market System
 - More streamlined processes for Environmental Planning and Assessments Act assessment undertaken by the department, now all through the department of Planning Housing and Industry's (DPHI) E-Planning Portal.
 - Better service and reduced customer confusion through more effective web content and a new 'single' front door for all water license and approvals across the Water Management Act and Environmental Planning and Assessments Act, which has unlocked efficiencies across all WAMC agencies.
- Reduced advertising costs for WAMC related activities by reducing duplication and removing inefficient obligations.
- Commenced the initial implementation of the department's new risk-based approach to the renewal of statutory water sharing plans, starting with those plans due to be remade by June 2026, with benefits to be realised over the 2025 Determination period.

Other efficiency initiatives by activity are described in the summary of WAMC activities and costs at Attachment F.

Current period savings are reflected in the department's forward and ongoing WAMC cost base as avoided cost increases for the specific licensing and consent transactions where digital and process improvements have maintained cost levels for improved services.

1.2.3 Strategies adopted by NRAR

Over the current determination period NRAR has continued to innovate and deliver on the NSW Government's commitment to best practice regulation. NRAR has incorporated these efficiencies, invested in proactive compliance functions to lift compliance rates, and responded to our community and water user research. NRAR's regulatory policy, published in 2021, outlines a risk-based and outcomes-focused approach to regulation to ensure resources are applied to their greatest effect. Including:

- use of education, engagement, outreach and communications as the most cost-efficient means of driving compliance and having the most effective reach, noting that:
 - an outreach interaction costs about 10% of an investigation and enforcement action, and
 - enforcement for serious and deliberate non-compliance will always remain a cornerstone of NRAR’s work
- utilising outreach officers to provide a greater physical presence on the ground in line with customer service delivery expectations at the lowest cost
- use of intelligence, and technologies to ensure our programs target the highest compliance risks, and “boots on the ground” are deployed to the right locations,
- use of spatial and data analytics to undertake desktop assessments across significant numbers of licences and properties more efficiently than would be achieved with on-ground officers, examples include the use of satellites to monitor over
 - 1300 groundwater approvals bore extraction limits,
 - 1300 potential floodplain harvesting capable dams
 - 22,000 irrigated properties for unapproved water storage
- design of programs to leverage external resources to increase NRAR’s reach at efficient cost, such as partnerships with NSW TAFE to develop and deliver online water law modules
- continuous improvement through orderly review of our processes and practices in accordance with our ISO 9001 accredited QMS, and where some assurance activities focus on potential efficiency gains
- establishment of communication channels to more effectively target and achieve message penetration amongst target demographics resulting
- a restructure of NRAR based on a better understanding of compliance in NSW and the needs and expectations of the community.

As a risk based modern regulator, NRAR strives for efficiency in all its activities. Importantly NRAR pivots and allocates resources where the consequences of noncompliance are greatest and where the likelihood of non-compliance is highest. While these best principles drive the application of innovative approaches to achieve NRAR’s regulatory core purpose; it is also prudent and necessary for NRAR to fulfil its other NRAR Act objectives of being an effective, accountable and transparent regulator that ensures community confidence (and water user social licence) in water management

1.2.4 Strategies adopted by WaterNSW

The largest contributors to savings during the 2021 IPART determination were the streamlining of senior management roles, reduced property leasing costs and reductions in contract labour. All of which benefited the WAMC services, to varying degrees. Material benefits attributable to WAMC services are summarised below:

Property

A key area of focus on cost efficiency opportunities was on WaterNSW’s accommodation needs. Post COVID WaterNSW adopted a hybrid working model, where non-field-based employees could

split their work time between office and home-based working. One of the benefits of this new way of working is a reduction in the number of fixed or dedicated workstations and hence office size. This has allowed us to reduce the office footprint in our head office at Parramatta. We have relinquished one of three floors in the office and no longer use fixed desk locations. Further property consolidations include amalgamation of the Dubbo office and depot into one site, and merger of Newcastle and Maitland offices into one site, and a reduction in our accommodation in our Sydney CBD office. In all cases this has led to a reduction in lease costs. To date this has resulted in reduced leasing costs of \$1.5 million per annum.

We are investigating other similar options which we will pursue where they make both economic and operational sense. However, the scale of these will be much smaller than those already completed.

Procurement

Another key area of focus has been on procured goods and services. The emphasis being on both need and cost of goods and services.

To date we have reduced the number and scope of software licences and leases, which at an enterprise level has resulted in \$1.826 million in savings. In some cases, these have been because software systems are no longer required, in others it was based on utilisation or agreeing enterprise rather than seat-based licences. Review of licence use is now an on-going activity.

We have also negotiated reductions in rates or the scope of some contracted services as contract periods ended. Relevantly for the WAMC services, these have included reduced rates on analytical laboratory services, for water quality monitoring and testing totalling \$0.537 million. Other procurement savings include reduction in cellular modem costs, mail-house services, and some certification processes, totalling \$0.543 million.

In some cases, the volume of work has offset the reduction in rates. However, without those reductions future costs would be higher. An example is in the laboratory services where we have had an increase in the number of samples being analysed primarily due to increased rainfall and the need for more regular water quality monitoring that this has created.

Through a recent centralised agreement for hiring of contract labour the business has much greater transparency on contractor costs than was historically the case. In the past hiring managers were able to use a range of potential sources of contract hire, this made it difficult to ensure that rates were competitive and whether the option of using contract labour was the right option. We cannot effectively quantify the benefit of this approach in part because of the historical approach's fragmented nature. However, with better control and oversight now this should yield longer-term benefits.

Process Reviews

We reviewed the assessments and approvals process for flood works, and groundwater access. The review included assessing the necessity and efficiency of key processes and the structure of the relevant business unit. This led to a revision of some processes and resulted in a reduced number of people required to deliver the services. The overall saving from this activity amounted to \$0.9 million, which benefits the WAMC services directly.

1.2.5 Performance against efficiency targets

Whilst WAMC expenditures have exceeded the efficient levels determined by IPART in 2021 this has been due to the delivery of higher quality services within a challenging operating environment, as described above.

Table 4: WAMC's performance against operating expenditure efficiency factors, allowed vs actual (\$'000, \$nominal)

	2021-22	2022-23	2023-24	2024-25
Allowed opex	69,051	73,126	72,911	74,446
Actual opex	100,281	125,560	159,088	174,216
Variance (\$)	31,230	52,434	86,177	99,750
Variance (%)	45%	72%	118%	134%

Our capital expenditure exceeded IPART's capital expenditure allowances over the current determination period. This is despite the rigorous project governance framework that is applied to all projects. Specifically:

- subjecting potential capital projects to robust and proportionate options analysis and cost benefit analysis, including the consideration of non-capital options
- consulting with customer groups on key capital projects, to consider customer views in addition to our legislative responsibilities, risks and benefits to the broader community
- monitoring the conditions of assets to inform decisions about asset maintenance, renewal and replacement
- robustly market testing and competitively procuring capital projects or elements of these projects, where possible
- drawing on competitively procured actual capital expenditure figures from similar projects to inform cost forecasts, and subject cost forecasts to internal and external expert review
- generally, adopting a P50 approach to forecasting capital expenditure, which means that our proposed expenditure represents the most likely outcome, with an equal likelihood of project costs being higher or lower than forecast, and does not include unnecessary contingency costs
- employing fit for purpose contracting arrangements and delivery pathways and achieve project management efficiencies through the optimal allocation and resourcing of projects.

Table 5: WAMC's performance against capital expenditure efficiency factors, allowed vs actual (\$'000, \$nominal)

	2021-22	2022-23	2023-24	2024-25
Allowed capex	9,501	10,298	11,426	8,980
Actual capex	12,010	7,081	4,242	19,587