



# Central Coast Council Water and Sewer Cost Efficiency Strategy

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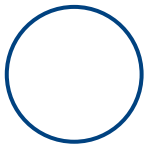
September 2025

Central  
Coast  
Council

Water  
and Sewer

# Table of Contents

|                                                           |    |
|-----------------------------------------------------------|----|
| Executive Summary .....                                   | 3  |
| Introduction.....                                         | 4  |
| Cost Efficiency at Council.....                           | 5  |
| Review of recent performance and achievements .....       | 5  |
| Recent achievements and cost-saving initiatives .....     | 7  |
| How Council's costs compare to other water utilities..... | 9  |
| Council's cost efficiency target .....                    | 13 |
| Productivity growth target for 2027-31 .....              | 13 |
| What Council's target represents.....                     | 14 |
| How Council set its target .....                          | 15 |
| Council's Customer Values .....                           | 15 |
| Current Performance .....                                 | 15 |
| Internal Assessment .....                                 | 15 |
| Comparing Council's target to other benchmarks.....       | 15 |
| Historical Productivity Performance .....                 | 16 |
| Other regulator's decisions .....                         | 17 |
| Council's plan to meet the target .....                   | 20 |
| Council's cost efficiency framework.....                  | 20 |
| Identify .....                                            | 20 |
| Classify .....                                            | 22 |
| Test, Pilot & Deliver.....                                | 23 |
| Evaluate Impact .....                                     | 23 |
| Share, Scale & Repeat.....                                | 23 |
| Council's Next Steps in Driving Efficiency.....           | 24 |
| Digital & Technology.....                                 | 24 |
| Cost Rationalisation .....                                | 25 |
| Maintenance .....                                         | 25 |
| Accountability for efficiency strategy .....              | 26 |
| Abbreviations.....                                        | 27 |



## Executive Summary

Council has provided water and sewer services to the Central Coast community for over 90 years, and today Council continues this legacy by providing water and sewer services to over 350,000 people and more than 150,000 homes and businesses. The service area extends from Summerland Point in the north to Mooney Mooney in the south, east to the Tasman Sea, and west to the border of Wisemans Ferry.

On 1 April 2025, Council's status was removed as a Water Supply Authority under the *Water Management Act 2000*. Water and Sewer services are now legislated under the *Local Government Act 1993* and are regulated by IPART.

Council's vision is to be a trusted service provider for the Central Coast community by placing customers at the centre of all decision-making. To achieve this vision and meet current and future challenges, Council needs to operate efficiently. This is critical to deliver the outcomes Council's customers and community values at the lowest sustainable cost.

Council's water and sewer bills are already among the lowest in NSW, but there are always opportunities to improve. This cost efficiency strategy presents a five-year roadmap to deliver sustained improvements in value for money for the community. It sets an ambitious annual cost savings target, supported by the measures and initiatives Council is putting in place to drive outcomes and ensure transparency and accountability.

This Strategy is part of Council's commitment to transparency, accountability and continuous improvement of water and sewer services. It forms part of Council's 2025 pricing submission to the Independent Pricing & Regulatory Tribunal (IPART).



# Introduction

In recent years, Council and the community have faced numerous challenges, from fluctuating climate conditions, the Covid-19 pandemic, and the cost-of-living crisis. Despite these challenges, Council has continued to deliver quality and reliable water and sewer services, as well as trade waste services while ensuring customer bills remain affordable.

As part of the current determination period, it was acknowledged that increased expenditure was necessary to maintain infrastructure and high-quality and reliable services to the community.

To build on the legacy of delivering essential water services to the Central Coast community, Council has developed this Cost Efficiency Strategy. The strategy will ensure that the community get more for less, easing the cost-of-living pressure experienced by customers.

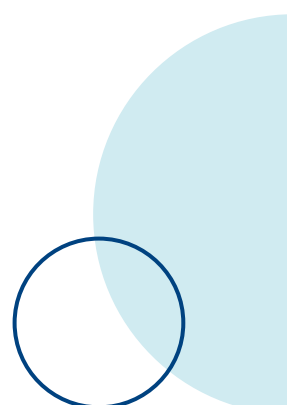
The Delivery Plan 2022-2026 sets a new direction that ensures Council places the community at the centre of all decision-making. It provides a roadmap of how Council will deliver on the promises made and details the key focus areas and the outcomes Council will work to achieve.

Council's key focus areas cover:

- stronger accountability to the community
- ongoing engagement with Council's customers and community to better understand values and priorities,
- improvements to asset and project management framework

As part of Council's commitment to building credibility with its community, the Delivery Plan is regularly reviewed and shared online to make sure Council stays on track to deliver on its commitments.

The Annual performance report evaluates performance across water quality, effective planning, reliable services, environmental focus, quality treatment and affordability. The report offers a yearly overview on water and sewer service metrics and allows customers to monitor long-term trends and observe Council's ongoing accountability.





# Cost Efficiency at Council

## Review of recent performance and achievements

During the current determination period, Council sought to manage its expenditure within the allowances set by IPART.

Figure 1 shows that at the end of the 4-year determination period, Council expects total operating expenditure (opex) to be broadly in line with IPART's allowance. Council's opex underspend compared to the allowance in 2022-23 and 2023-24 is due to the lagged recovery from the impact of Council's financial crisis where expenditure was limited by resourcing and procurement constraints.

In line with Council's 2022 Transition Strategy, resourcing levels continue to increase over the current determination period to enable Council to deliver the required level of service to the community. Council's Transition Strategy aims to improve planned maintenance activities, the capability of Council's people, and enhance asset systems, monitoring and reporting to the community.

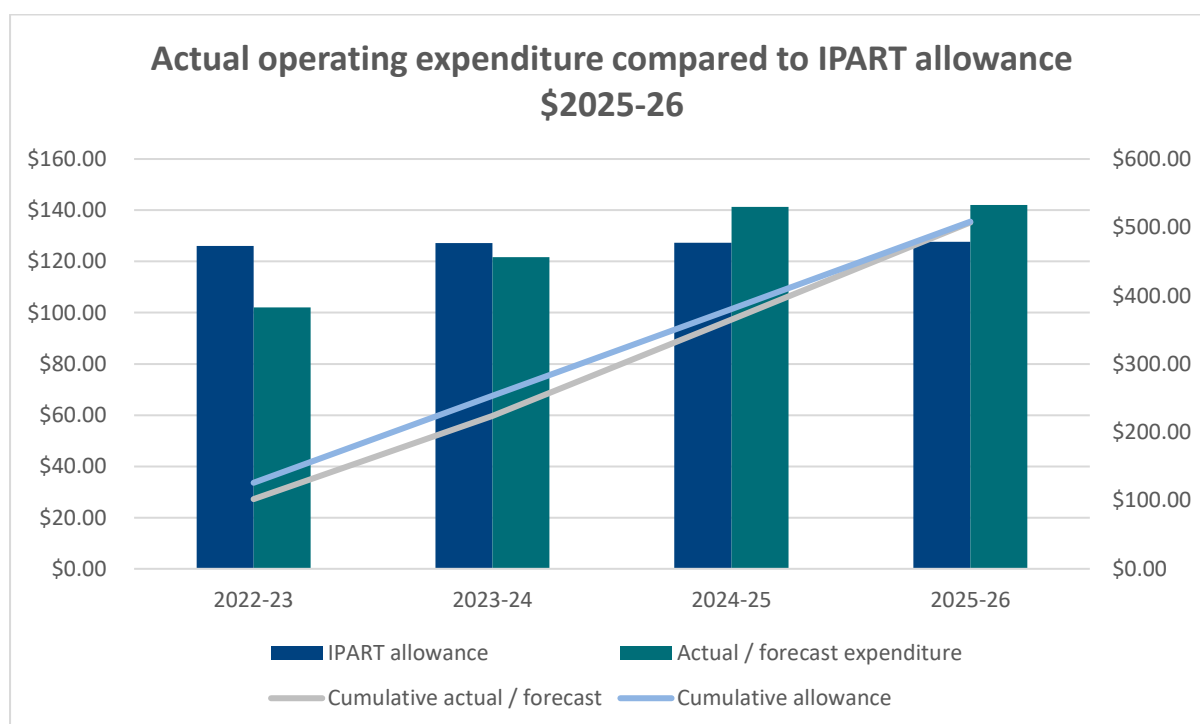


Figure 1: Actual Operating Expenditure compared to IPART Allowance (\$'M, \$2025-26)

Council's opex in the last two years of the determination period will be higher than IPART's allowance, but nevertheless consistent with an efficient level of expenditure required to deliver services to its customers. This related to an increase in contractors for sludge removal at treatment plants, corporate overheads and plant and fleet costs.

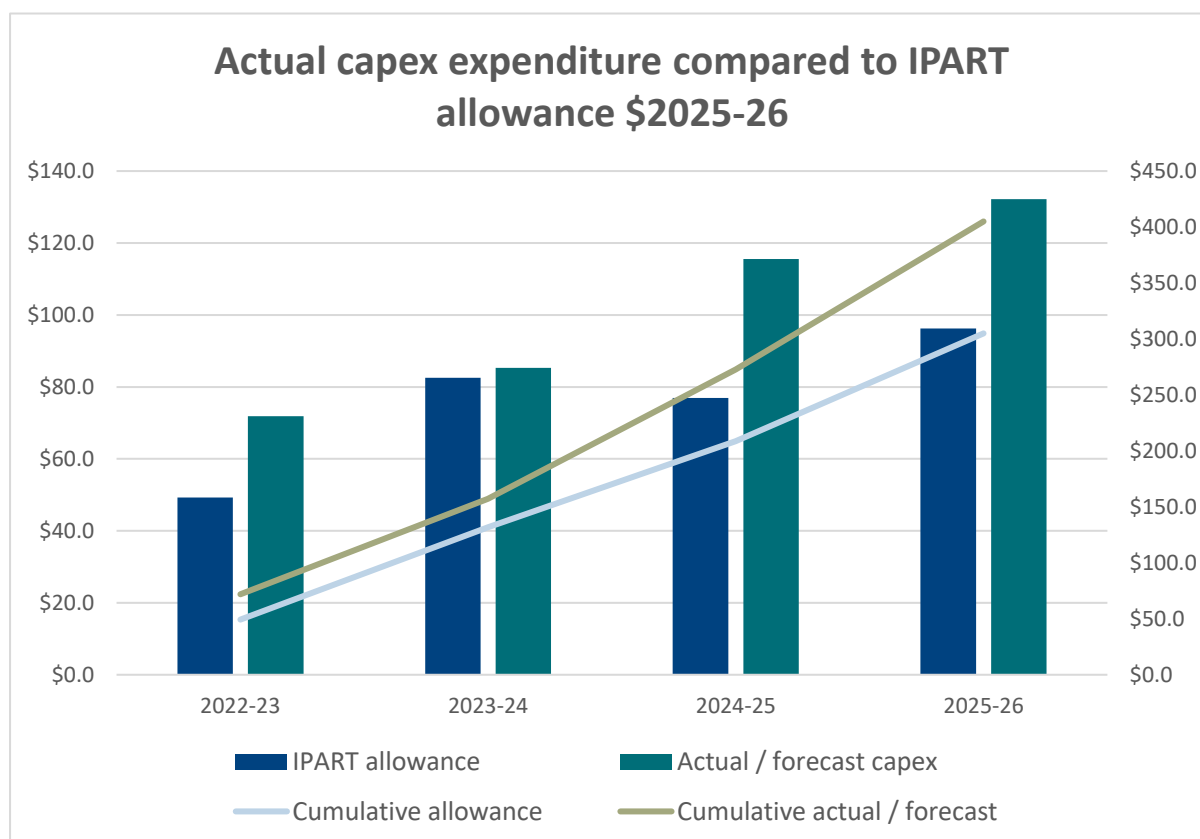


Figure 2 shows Council is projected to exceed IPART's capital expenditure (capex) allowance by around \$100M (32.8%) over the current determination period. This variance arises despite Council's ongoing efforts to manage capital costs through efficiency initiatives and value-for-money assessments. The key drivers of this overspend includes:

- Substantial cost escalation within Council's capital program, particularly in relation to the escalation seen across the industry in construction activities, procurement and supply materials and equipment which saw cost increase outpace general inflation.
- Council is forecasting a \$19.6M over delivery of Water capital expenditure due to its major Mardi Water Treatment Plant Upgrades. The Design and Construct (D&C) contract sum has increased substantially reflecting the volatility, resource constraints, supply chain uncertainties and significant escalation seen in the market since the Gate 2 Business Case. Additionally, the scope of works has moderately changed to reflect the introduction of staging following IPART's challenge in their previous determination (May 2019-2022).
- Council is forecasting a \$80.4M over delivery of Sewer capital expenditure due to increases in construction costs above standardised inflation and the need to increase

expenditure to address poorly performing assets within the network to mitigate risk and ensure service continuity. Key contributors to the over delivery of Sewage expenditure were major Sewage treatment plant upgrades.

- Emergent project needs not foreseen during IPART’s 2022 determination, including works required by the NSW Environmental Protection Authority (EPA) under Pollution Reduction Programs or enforcement notices, particularly for aging or poorly performing sewerage infrastructure. Examples of works include the West Gosford Major (WGMJ) Sewer Rising Main (SRM) having 3 breaks in recent years, triggering prosecution from the EPA in 2024. As part of its commitments made during the prosecution process, Council is delivering the renewal of approximately 2.2km of sewer main of \$20.47M that has been subject to corrosion following its previous condition assessment.
- \$21.4 of the capex allowance overspend is funded by capital contributions, which were used to fund a range of capital projects.

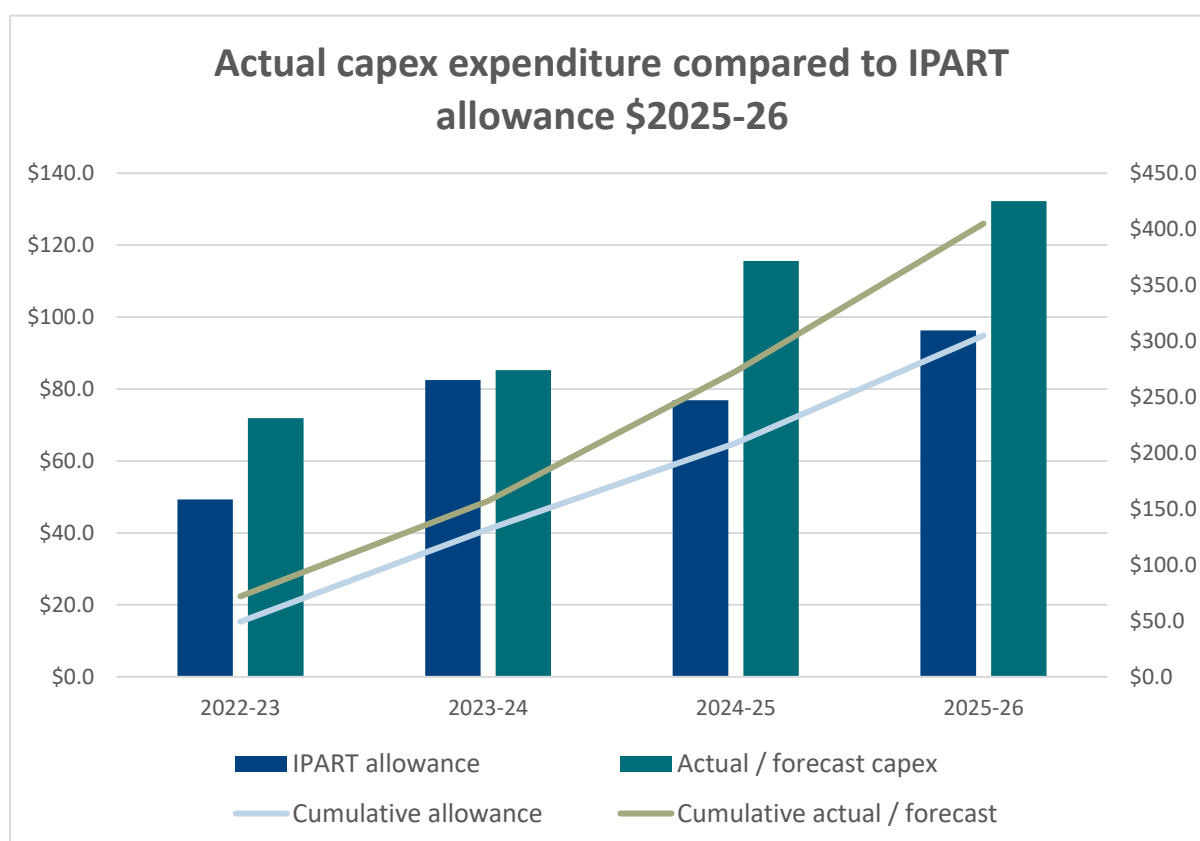


Figure 2: Actual Capital Expenditure compared to IPART Allowance (\$'M, \$2025-26)

## Recent achievements and cost-saving initiatives

Throughout the current determination period, Council’s focus has been on improving service delivery to the community while ensuring prudent and efficient use of resources. Opportunities to adopt more innovative approaches have also been actively pursued.

These efforts have resulted in cost savings of approximately \$7.62 million per annum (\$2025-26), as summarised in Table 1 and discussed further below.

*Table 1: Estimated savings from efficiency measures in the current regulatory period (\$2025-26)*

| Initiative                                | Estimated saving (p.a.) |
|-------------------------------------------|-------------------------|
| Procurement & contract management         | \$4.79M                 |
| Sewer pump station and treatment plants   | \$0.87M                 |
| Alarm rationalisation                     | \$0.27M                 |
| State government demand response          | \$1.03M                 |
| Sewage Treatment Plant improvements       | \$0.22M                 |
| Value engineering – Mains renewal program | \$0.44M                 |
| <b>Total</b>                              | <b>\$7.62M</b>          |

### **Procurement and contract management - \$4.79M per annum**

The Water and Sewer Directorate has implemented a range of contractor panels to achieve time efficiencies in the tendering, contract approval and award phases, to ensure capital works are delivered using the most efficient strategies available. Several long-term contracts for delivery of capital projects and programs were implemented, negating the need to tender individually for services required on an ongoing basis.

### **Sewer pump station and treatment plants – standardisation and packaging \$0.87M per annum**

Over the current determination period, Council has begun standardising specifications across sewer pump stations (SPS). This has improved efficiency across various processes reducing variability, reducing completion times and increased productivity. In addition, Council has implemented contract packaging across multiple sites related to both SPS and Sewage Treatment Plants (STPs).

### **Alarm rationalisation - \$0.27M per annum**

This project applied a constant methodology of controlling Council's sewer and water pump stations (SWPS), control valves and reservoirs to reduce the volume of alarms being generated from a single site and develop & implement a consistent Supervisory Control and Data Acquisition (SCADA) template across all assets. This included using SCADA to optimise chemical dosing at sewer pumping stations (SPS) and a chemical dosing unit report that allows for quick and easy access to 35 sites enabling real time monitoring of chemical storage levels.

### **NSW Government demand response - \$1.03M per annum**

This NSW Government initiative allows large business with high energy use to provide firming capacity to supply and demand during grid emergencies or periods of high demand. The Firming Capacity program can provide revenue streams to Council thereby reducing



energy expenditure. Commercial and Industrial energy users are rewarded for being on standby and for reducing their energy usage, when called upon. It involves switching off or "curtailment" of selected loads at six of Council's STPs during periods of high electricity grid demand.

### **Sewage Treatment Plant improvements - \$0.22M per annum**

The replacement of diffusers at Bateau Bay Treatment Plant has reduced aeration hours from 22.5 hours per day down to approximately 16 hours per day, resulting in energy savings. The diffuser replacement has improved the performance of the plant and reduced impacts on the environment.

## **Value engineering – Mains renewal program \$0.44M per annum**

Council successfully tested new, innovative condition assessment technology for water and sewer pressure pipelines. This technology improves strategic and tactical decision-making for planned renewals and upgrades. In addition, it reduces water outages and decreases environmental and safety risks during pipeline maintenance and repair works. The new assessment technology offers numerous advantages with a focus on customers, cost efficiency and the environment.

The technology sends pulses between existing surface fittings to detect issues in the pipe walls' integrity, all while the water continues to flow within the pipes to our customers. This improves water and sewer service reliability for our community as it is not necessary to always turn off the mains and disrupt water services during larger pipeline assessments. This allowed Council to perform the site works related to condition assessment of these critical sewer mains within a couple of days with minimal environmental impacts. No excavation was needed to physically expose the mains for pipeline scanning as is done with older condition assessment techniques.

## **How Council's costs compare to other water utilities**

Econometric benchmarking is a statistical method that can be used to assess the relative operational cost efficiency of Council compared to other water utilities. Council undertook econometric benchmarking (Stochastic Frontier Analysis) using data from the National Performance Report (NPR) published by the Bureau of Meteorology. The NPR data includes Australian water utilities' pricing, expenditure, service quality and service level and scale.

Council assessed the average efficiency by which utilities achieve their outputs using opex over the 2008-09 to 2023-24 period. Council considered alternative models including with all outputs selected (connections, network length and volume, in addition to the time trend) along with a specification selected via an iterative procedure on the statistical basis of 'goodness of fit' (in all cases this was 'connections' only).

As shown in Table 2, over the past 15 years, Council has exhibited a high efficiency score of 79% on average for water supply and 92% for wastewater. As shown in Table 3, the estimated efficiency score of Council places it in the 85<sup>th</sup> percentile overall, i.e. in the top 15% of water utilities.

Table 2: Estimated efficiency of CCC using SFA

| Estimated efficiency – wastewater |                  |                     | Estimated efficiency – water supply |                     |
|-----------------------------------|------------------|---------------------|-------------------------------------|---------------------|
| Sample                            | Connections only | All drivers of opex | Connections only                    | All drivers of opex |
| Major only                        | 95.0%            | 93.1%               | 78.3%                               | 74.1%               |
| Large & major                     | 90.1%            | 88.8%               | 84.8%                               | 78.8%               |

Table 3: Estimated efficiency ranks of CCC using SFA

|               | Estimated efficiency – wastewater | Estimated efficiency – water supply |
|---------------|-----------------------------------|-------------------------------------|
| Sample        | Connections only                  | Connections only                    |
| Major only    | 85 <sup>th</sup> percentile       | 89 <sup>th</sup> percentile         |
| Large & major | 79 <sup>th</sup> percentile       | 88 <sup>th</sup> percentile         |

While the evidence suggests that Council has on average, incurred efficient opex over the 2009-2024 period, a key issue is whether Council's base year opex is efficient. To assess this, Council obtained the benchmarked estimated opex for water and wastewater individually with 75% efficiency in real \$2025-26.<sup>1</sup>

The estimated opex for water and wastewater was obtained using the average of the large/major and major only estimates to obtain a final point estimate for water and wastewater opex. Due to the statistical uncertainty of the economic model, Council applied an upper and lower bound to the estimated opex. If Council's actual base opex falls within the upper and lower bound, it would be deemed to be sufficiently efficient. Table 4 below provides the comparison of the estimated opex to Council's actual base opex.

Table 4: Comparison of Council's benchmarked estimated opex to actual base opex (\$2025-26, \$M)

|              | Upper bound  | Midpoint     | Lower bound | Actual base opex |
|--------------|--------------|--------------|-------------|------------------|
| Water        | 73.3         | 63.3         | 54.7        | 65.4             |
| Wastewater   | 67.2         | 64.4         | 59.2        | 67.9             |
| <b>Total</b> | <b>140.5</b> | <b>127.8</b> | <b>114</b>  | <b>133.3</b>     |

<sup>1</sup> A 0.75 efficiency score benchmark is used by the Australian Energy Regulator for electricity distribution businesses.

The comparison of the estimated efficient opex to the actual base opex indicates that Council's actual base opex for combined water and wastewater falls within the upper and lower bound obtained from benchmarking analysis, suggesting that Council's proposed base opex is deemed efficient. Sewer is marginally above the upper bound, however, customer prices and impact is ultimately based on the total combined opex, therefore, the total opex falling within the benchmarked upper and lower bounds is a key indicator of cost sustainability and efficiency. Thus, it can be concluded that Council's opex has not only been efficient over the 2009-2024 historical period, Council's proposed base opex is adequately efficient to be used towards the next determination period.

The NPR also provides data on a large variety of other indicators, including service quality, bills, and pricing and customer performance. Figure 3 provides the most recent data from 2023-24 that Council's water and wastewater operating costs per property are among the lowest of the 16 major water utilities.



## Operating Cost per Property

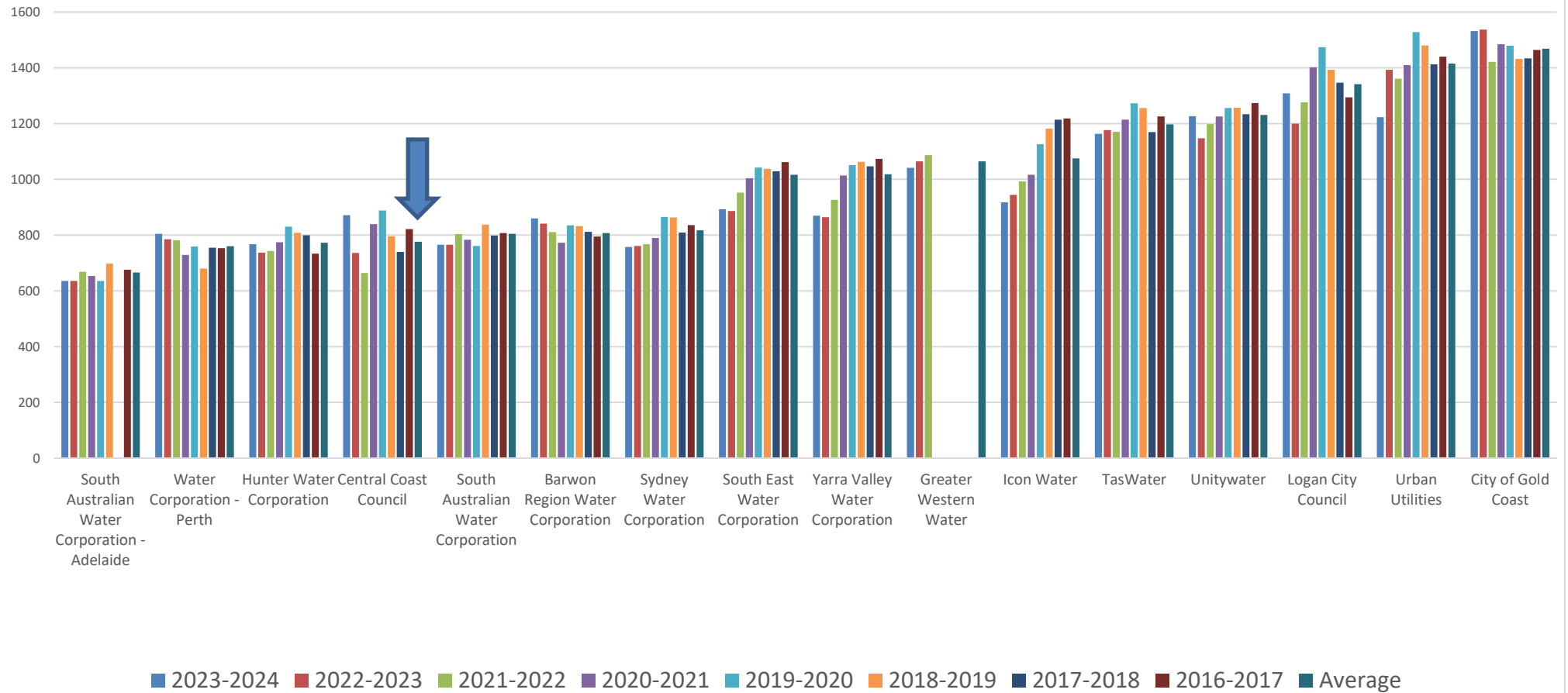


Figure 3: Operating cost per property for major water utilities (\$/Property)



# Council's cost efficiency target

## Productivity growth target for 2027-31

Council has set a cost efficiency target of 0.7% per annum for its forecast operating and capital expenditure over the upcoming determination period. This equates to \$31.6M in total cost savings over this period (Table 5).

Table 5: Council's 2027-31 cost efficiency target (\$2025-26)

| 2027-31 (5-year total)        | Opex           | Capex          |
|-------------------------------|----------------|----------------|
| <b>0.7% efficiency target</b> | \$18.4 million | \$13.2 million |

Council's target of 0.7% p.a. is compounding, meaning the efficiencies found in one year must be continued in the following years of the determination. Figure 4 and Figure 5 show the 0.7% efficiency target on opex and capex respectively over the upcoming determination period, resulting in \$31.6M in savings over the total period.

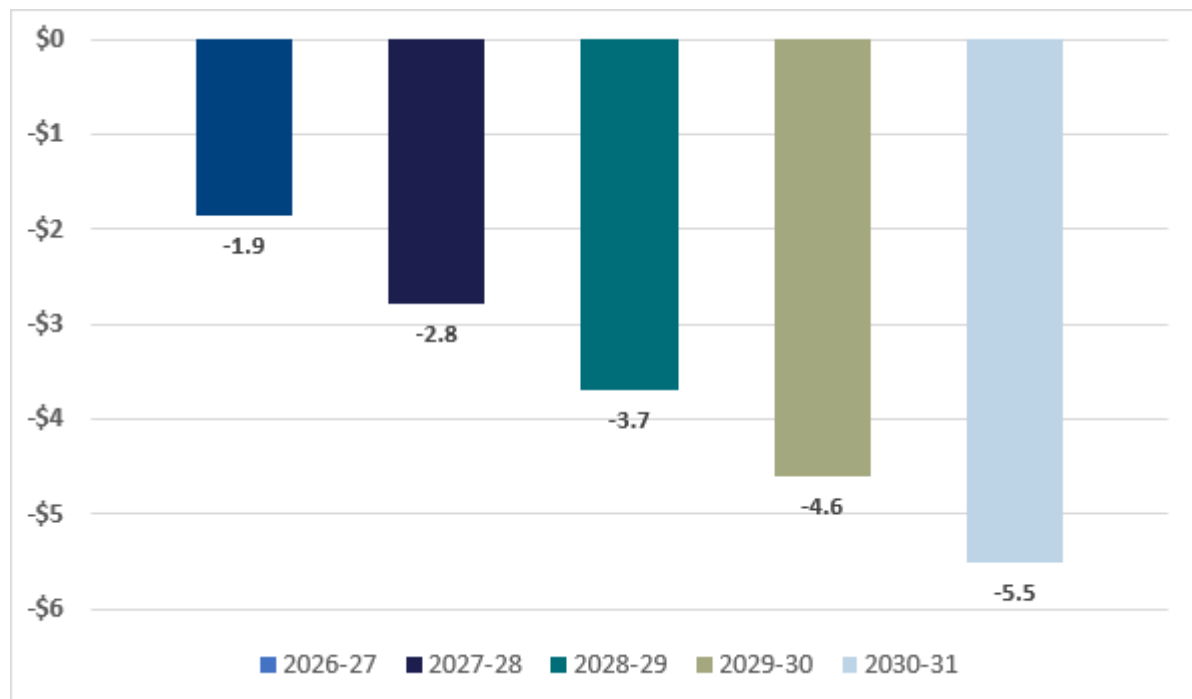


Figure 4: Operating expenditure efficiency target (\$M, \$2025-26)

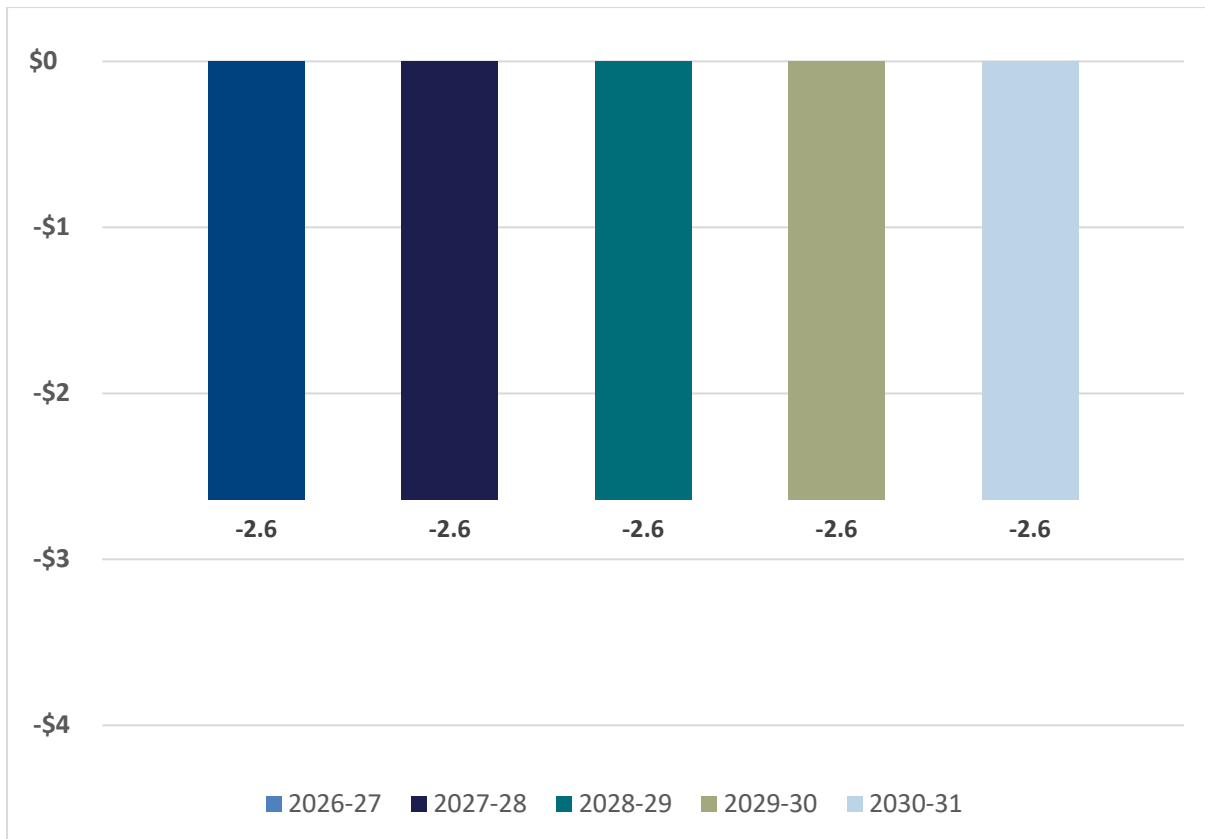


Figure 5: Capital expenditure efficiency target (\$M \$2025-26)

## What Council's target represents

Council's cost efficiency target represents a challenge to improve efficiency over time through technology, innovation, and better work practices. It reflects 'continuing efficiency' (also called 'ongoing efficiency' or 'frontier shift') and means, if achieved, Council would keep pace with the most efficient businesses over time.

Council's target does not include 'catch up' efficiency. This is considered as part of Council's proposed base year expenditure. During the last determination IPART heavily relied on economic benchmarking to set Council's operating expenditure allowance. As noted above, Council considers base year expenditure to be efficient.

## How Council set its target

IPART's expectations are that Council sets a realistic, yet challenging cost efficiency target.

In setting the target of 0.7% per annum Council considered:

- the needs of customers
- council's current performance
- an internal assessment of cost efficiency opportunities over the next determination period
- broader productivity performance of the Australian economy
- other regulatory decisions

## Council's Customer Values

A critical issue that customers and the community communicated to Council is the cost-of-living crisis and the importance of affordable water and sewer services. This highlights the importance of ensuring Council's investment decisions are prudent and efficient to keep prices as low as possible while maintaining the level of service that the community needs.

Around 30% of households in the Central Coast region are classified 'low income' (gross weekly household income less than \$800, 2021 Census). While affordability challenges can affect anyone, it is these households that are the most vulnerable in the community. Council provides financial assistance programs and payment plans to assist vulnerable members of the community

## Current Performance

As noted in the benchmarking to other water utilities section, Council's base opex is already broadly efficient. The efficiency target of 0.7% ensures Council continues to move with efficient frontier over time.

## Internal Assessment

Council undertook a bottom-up assessment of operational and capital expenditure cost saving initiatives and the estimated value of these opportunities. In doing so, Council was able to determine what was a realistically achievable efficiency target. These initiatives are described in a section below.

## Comparing Council's target to other benchmarks

In setting a target of 0.7% p.a. Council has also considered:

- Historical productivity performance in the water services and general market sector of the Australian economy obtained from economic benchmarking and multi-factor productivity reported by the Australian Bureau of Statistics (ABS).
- Comparison to efficiency targets set by a range of economic regulators.

## Historical Productivity Performance

Past productivity performance in the economy and the utility sector can provide a guide to future productivity performance and therefore an appropriate efficiency target for Council.

As shown in Table 6, economic benchmarking results indicate that over the past 15 years, relevant water utilities have on average seen a small productivity improvement in wastewater services and a small reduction in productivity in water services.

Table 6: Estimated continuous efficiency using SFA

|               | Wastewater     | Water          |
|---------------|----------------|----------------|
| Sample        | Financial year | Financial year |
| Major only    | 0.35%          | -0.24%         |
| Large & Major | 0.20%          | -0.73%         |

Note: Positive values represent a reduction in opex due to efficiency gain

These results have been compared to data released by the ABS of industry multi-factor productivity (MFP). As shown in Figure 6, over the past 29 years, the 'utility sector' which includes 'water services' along with electricity, gas, and waste, has consistently lagged behind the broader market sector.

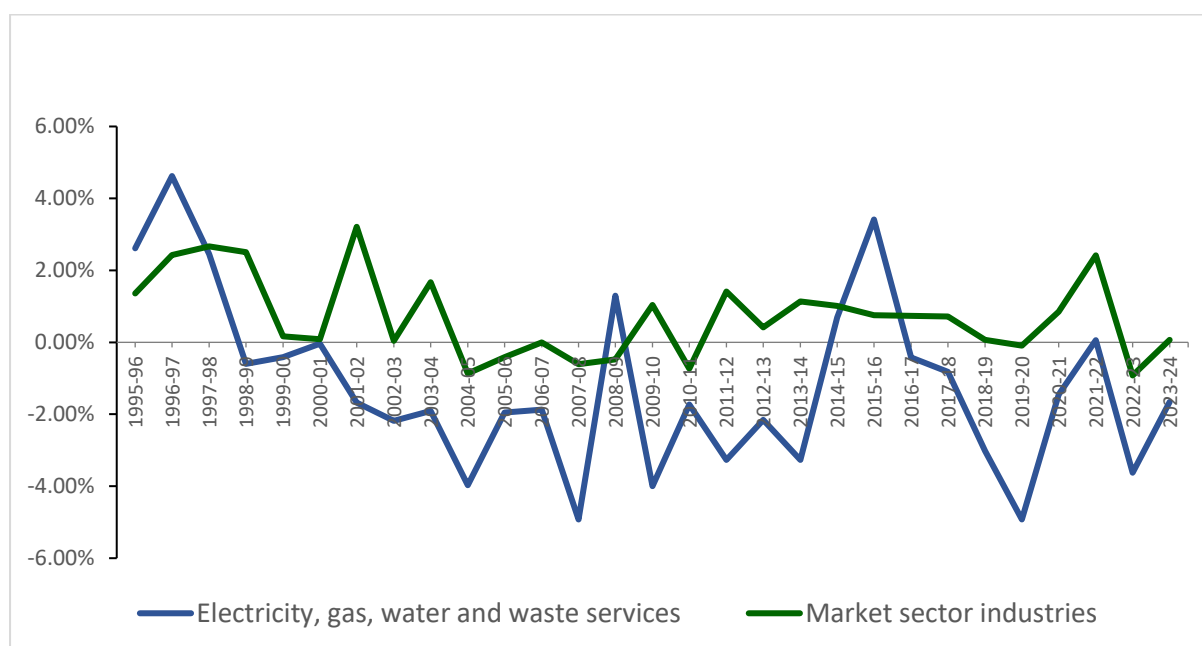


Figure 6: Multi-factor productivity on hours worked basis

Based on Figure 6, the utility sector achieved a long-term average annual change in multi-factor productivity<sup>2</sup> of -1.20%, whereas the market sector of the economy achieved a long-term average annual change of 0.71% respectively (Table 7).

<sup>2</sup> Multi-factor productivity measures how efficiently an industry turns inputs (like labour, capital, and materials) into outputs

Table 7: Multi-factor productivity long-term average annual change in utility sector and market sector

|                | MFP on hours worked basis |
|----------------|---------------------------|
| Utility sector | -1.20%                    |
| Market sector  | 0.71%                     |

Despite declining utility sector productivity, Council's 0.7% p.a. target is in line with the long-term average annual change in MFP in the market sector of the Australian economy. Using the broad market sector to inform Council's target is inherently challenging, as the productivity performance of the market sector has been influenced by strong performance by sectors including manufacturing and agriculture, forestry and fishing that have little relevance to water and wastewater.<sup>3</sup>

## Other regulator's decisions

Comparing the target of 0.7% to other efficiency targets set by other regulators provides insight into the appropriateness of Council's target. This comparison includes IPART's previous efficiency targets set for other water businesses, as well as targets set for interstate and overseas water businesses and interstate electricity businesses (Table 8).

<sup>3</sup> Productivity Commission (2025), Annual Productivity Bulletin, p 11.

Table 8: Other regulator's decisions on continuing efficiency

| Regulator                                                                                                                        | Industry                 | Specific to continuing efficiency? | Industries considered                                                                                   | Comment                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------------|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| IPART<br>(0.7% to 0.8% pa compounding)                                                                                           | Water                    | Yes                                | Market sector long-term multi-factor productivity based on ABS data                                     | Based on Gross Value Added multi-factor productivity                                                                                       |
| Essential Services Commission (ESC)<br>Victoria<br>2023 water price reviews<br>(~ 1% to 2% pa) <sup>4</sup>                      | Water                    | No                                 | Up to each business to propose a target                                                                 | Under PREMO, water businesses may receive a financial reward through the cost of capital, in part due to the size of the efficiency target |
| Essential Services Commission of South Australia (ESCOSA)<br>2024 SA Water determination<br>(0.8% p.a. compounding) <sup>5</sup> | Water                    | Yes                                | Market sector long-term multi-factor productivity based on ABS data                                     | ESCOSA reference IPART's approach in their final report for SA Water                                                                       |
| Australian Energy Regulator (AER)<br>(0.5% p.a. compounding) <sup>6</sup>                                                        | Electricity distribution | Yes                                | Econometric analysis of electricity and gas business productivity                                       |                                                                                                                                            |
| Energy Regulation Authority Western Australia (ERA WA)<br>(2% p.a. compounding) <sup>7</sup>                                     | Electricity distribution | No                                 | Electricity distribution                                                                                | ERA's final decision indicates that the 2% includes some catch up efficiency in the base year                                              |
| Ofwat UK<br>PR24 Frontier Shift<br>(1% p.a. compounding) <sup>8</sup>                                                            | Water                    | Yes                                | Selected comparator industries (e.g. construction, transportation, chemicals, machinery, manufacturing) | Ofwat's consultant estimates both Gross Output and Value Added measures of productivity                                                    |
| Commerce Commission NZ<br>0% p.a. <sup>9</sup>                                                                                   | Electricity distribution | Yes                                | Electricity distribution and selected other industries                                                  |                                                                                                                                            |

<sup>4</sup> <https://www.esc.vic.gov.au/water/water-prices-tariffs-and-special-drainage/water-price-reviews/water-price-review-2023>

<sup>5</sup> <https://www.escosa.sa.gov.au/ArticleDocuments/22067/20240625-Water-SAWRD24-SAWaterRegulatoryDetermination2024-FinalDetermination-StatementOfReasons.pdf.aspx?Embed=Y>

<sup>6</sup> <https://www.aer.gov.au/system/files/Opex%20productivity%20growth%20review%202018%20-%20Final%20decision%20-%20208%20March%202019.pdf>



The table above shows efficiency targets that range from 0% to 2% per annum. However, these targets are not all directly comparable to Council's target. The upper ends of these targets are in jurisdictions where targets are not purely focussed on continuing efficiency – they also include catch up efficiency.

Box 1 summarises the arrangements in Victoria and Western Australia where this is the case.

**Box 1: Efficiency targets that include catch up and continuing efficiency**

In Victoria, 14 water businesses had price reviews with the ESC in 2023. These businesses generally proposed efficiency targets between 1% to 2% p.a. However, these targets include catch up and continuing efficiency.

The ESC uses the base-step-trend approach to set opex allowances. Specifically, the ESC observes the actual level of opex incurred by the business in the base year (normally the penultimate year of the current regulatory period) and then:

- removes any non-controllable expenditure;
- removes any one-off or non-recurring expenditure items incurred in that year; and
- removes any further ongoing cost savings or efficiency commitments that will be realised in the final year of the current regulatory period

The ESC adopts the resulting adjusted level of actual base year opex as an appropriate starting point from which to forecast opex over the next regulatory period. The ESC does not make any adjustment for catch-up efficiency to the actual base year opex incurred by the business. Rather, the catch-up efficiency target is incorporated into the ongoing efficiency target.

Likewise, the 2% target set by the ERA in Western Australia for Western Power also includes both catch up and continuing efficiency. The ERA noted that Western Power could achieve greater operating expenditure efficiencies in its base operating expenditure.

Where targets are specific to continuing efficiency, they tend to be lower, between 0% to 1%. These also tend to have a narrower focus on either utilities only or selected sectors most relevant to utilities, rather than all market sectors.

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<sup>7</sup> <https://www.erawa.com.au/cproot/23187/2/Final-Decision---Attachment-06---Operating-expenditure.PDF>

<sup>8</sup> <https://www.ofwat.gov.uk/wp-content/uploads/2024/12/CEPA-Frontier-Shift.pdf>

<sup>9</sup> [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0025/363283/EDB-DPP4-Final-decision-Reasons-paper-Attachment-C-Operating-Expenditure-20-November-2024.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0025/363283/EDB-DPP4-Final-decision-Reasons-paper-Attachment-C-Operating-Expenditure-20-November-2024.pdf)

# Council's plan to meet the target

Council is committed to achieving its efficiency target and recognises that this requires a collective effort across all areas of the business. This section describes the framework that Council has implemented to deliver on its efficiency goals.

## Council's cost efficiency framework

Council has developed a cost efficiency framework built on a continuous improvement cycle, designed to identify, implement, and assess efficiency initiatives. Its cyclical nature ensures Council remains proactive in seeking opportunities to operate more efficiently, consistently delivering high-quality services at the lowest sustainable cost to customers.

### Identify

Council has put in a robust and structured process to identify cost efficiencies across the business. These include:

- Establishing a dedicated Assessment & Performance for Efficiency Excellence (APEX) team within water and sewer that is responsible for the ongoing identification, implementation, and monitoring of efficiencies and reporting of efficiency initiatives.
- The APEX team will consult with subject matter experts and cross-functional teams to identify, review, and map the key processes within water and sewer.
- These key processes will be evaluated and challenged by the APEX team to identify areas of waste and inefficiencies, and cost efficiency opportunities with subject matter experts and cross-functional teams.
- Regular evaluation and alignment of business cases and Cost-Benefit Analysis (CBA) with 3Cs framework to ensure cost efficiency optimisation of opex and capex
- Introduce and encourage an innovative 'Small Changes, Big Gains' mindset across individuals and teams with solutions to doing more with less.

## Box 2: Value Stream Mapping and TIMWOOD to identify waste

To identify inefficiencies and improve service delivery, Council plans to use two proven tools in combination: Value Stream Mapping (VSM) and TIMWOOD.

VSM is a method for mapping out the steps involved in delivering a service or completing a process from start to finish. This helps teams:

- understand how work flows through a system,
- identify delays, handovers, or unnecessary steps,
- spot where value is added and where it is not.

By laying out a process, VSM enables Council to see inefficiencies clearly and target areas for improvement. TIMWOOD is a structured way to classify the most common types of waste found within mapped processes. The seven categories covered by TIMWOOD are:

- **T – Transportation:** Unnecessary movement of materials, transportation of data, spare parts, information, or staff between depots and job sites.
- **I – Inventory:** Holding more stock like chemical stock, over-ordered materials, or unused inventory
- **M – Motion:** Excessive movement by personnel or equipment due to inefficiencies in layout or systems. Examples include field crew walking back and forth to get tools not stored correctly
- **W – Waiting:** Idle time due to delays, bottlenecks, or resource unavailability. Examples include waiting on supervisor approval to repair leaks or main breaks
- **O – Overproduction:** Producing outputs before they are needed or more than immediate demand. Examples include hiring additional staff before network expansion or renewal programs require
- **O – Over-processing:** Performing extra steps, checks, or delivering features. Examples include doing unnecessary tests or processes
- **D – Defects:** Outputs that fail to meet standards or require corrective action. Examples failing assets due to lack of preventative maintenance.

### Box 3: Introducing Kaizen – Small Changes, Big Gains

Kaizen is a structured, continuous improvement approach where everyone in Council, regardless of role, regularly seeks small, practical improvements in how work gets done. That might mean:

- saving a few seconds of a task,
- streamlining steps so fewer approvals are needed,
- repositioning tools for easier access, or
- simplifying language in communications.

All these small changes, when added up and compounded over time, can deliver significant efficiency gains. Kaizen ensures that even the smallest of improvements remain top-of-mind for teams seeking to enhance performance.

## Classify

Council will be categorising and classifying each business improvement opportunity by efficiency type. This will help guide setting quantitative and qualitative KPI's to ensure goals translate to measurable outcomes. Council's types of efficiency include:

1. **Avoided Costs** – Identifying and eliminating unnecessary spending or acting now to avoid future expenditure. An example could be not overstaffing low demand sites or increasing preventative maintenance measures to prevent future outages.
2. **Cost Reduction** – Finding smarter ways to do the same (or more) work at a lower cost. For example, switching to energy-efficiency systems such as variable speed drives to reduce electricity costs.
3. **Productivity Improvements** – Delivering better customer and community (or employee) outcomes or service without increasing spending. This might include using new technology, improving processes, or reallocating resources to areas that will have the greatest impact.

## **Test, Pilot & Deliver**

Council has developed an effective delivery process to ensure opportunities translate to clear outcomes. Council's delivery process:

- Assigns "Champions of Change" to the appropriate peoples and teams, with clear roles and responsibilities.
- Ensures stakeholders responsible for the delivery of cost efficiencies will be empowered with cost-benefit tools, business cases, delivery templates, and milestone tracking to pilot improvements.
- Provides support to those responsible for the delivery of cost efficiencies.
- Enables successful pilots (based on quantitative and qualitative KPIs) to be scaled where appropriate.

## **Evaluate Impact**

Council plans to regularly evaluate the success and performance of efficiency initiatives. This process ensures:

- Regular assessment of quantitative and qualitative KPI's to determine the success of the initiative.
- Documentation of lessons learned for future improvement cycles and regulatory reporting. This will allow for robust and adaptable implementation of future initiatives, whilst learning from past failures.

## **Share, Scale & Repeat**

Council plans to communicate and promote successful initiatives and lessons learned through internal channels and replicate what works across functions. By regularly sharing the achievements of initiatives and the teams responsible, Council aims to promote a culture of continuous improvement that will benefit its community.

## Council's next steps in driving efficiency

Council has identified several efficiency initiatives to pursue for the 2026-27 to 2030-31 determination period. Table 9 below lists the summarised initiatives that could be implemented over the upcoming determination period, subject to further investigation. Furthermore, Council's cost efficiency framework will guide Council to identify and deliver further efficiency initiatives throughout the upcoming determination period to meet the 0.7% target.

Table 9: Initial opex and capex efficiency initiatives over 2026-27 to 2030-31

| Initial opportunities identified | OPEX             | CAPEX          |
|----------------------------------|------------------|----------------|
| Digital & Technology             | \$9.2M - \$11.2M |                |
| Cost Rationalisation             | \$3.4M - \$5.7M  |                |
| Maintenance                      | \$2.3M           |                |
| Project Delivery                 |                  | \$1.4M         |
| <b>Yet to be identified</b>      | Up to \$1.4M     | Up to \$11.8M  |
| <b>Total</b>                     | <b>\$18.4M</b>   | <b>\$13.2M</b> |

### Digital & Technology

Digital and technological innovation is a major path to achieving efficiency improvements required to drive better outcomes for Council's customers and community, whilst keeping bills low. Council is seeking to implement a variety of technologies to improve processes at a lower cost, including but not limited to:

- The use of technologies such as acoustic scanning, ROV and S-GATE valves to facilitate Council's capacity to detect and prevent asset leaks and enable proactive maintenance of assets to eliminate unnecessary waste and larger, more expensive replacements.
- Digital monitoring systems to provide real time data-driven decision making which will improve service delivery for customers and reduce excessive expenditure to complete tasks.

## Cost Rationalisation

Council is investigating opportunities to reduce expenditure by finding methods to achieve the same outcome with less inputs, including but not limited to:

- Energy cost optimisation, by operating major sites during off-peak periods, effectively reducing energy costs without compromising essential operations
- Reducing the number of staff deployed to undertake reactive and preventative maintenance operations, achieving the same outcome whilst halving the cost.
- Evaluating the cost-effectiveness of insourcing key functions currently performed by external contractors, to reduce inefficiencies, improve information flow, and enhance internal capability

## Maintenance

In the current determination as part of the Transition Strategy, Council has made significant progress in shifting from reactive to preventative maintenance. These efforts will be further expanded in the upcoming determination period by proactively targeting repeat incident areas and implementing solutions that reduce avoidable site visits and costly rework.

For example, the introduction of controlled hydrants on dead-end water mains will reduce the need for planned outages and customer disruptions during maintenance, improving crew efficiency and response times. Similarly, addressing repeat sewer discharge incidents through early intervention and targeted follow-up work orders will generate measurable efficiency savings and improve service outcomes.



## Accountability for efficiency strategy

For the upcoming determination period, Council will improve its accountability to the community based on feedback from recent engagement programs and in alignment to IPART 3Cs framework. The procedures and reporting processes Council is putting in place include:

- Putting customers and community at the forefront of business decisions through the incorporation of customer and community impact into business cases.
- Management accountability through the Executive Leadership Team (ELT) to deliver the cost-efficiency strategy.
- Performance reporting to the ELT via the Performance Report
- Strengthening organisational accountability by expanding on performance metrics, such as annual updates on achieving cost-efficiency targets, expenditure linked to customer values and performance against environmental regulations.

Council will hold itself accountable to its customers and community by:

- Publishing the Strategy on Council's website
- Reporting Council's expanded accountability metrics annually to its customers
- Communicating Council's efficiency performance to its broader customer base via existing channels
- Regularly reporting on Council's performance to IPART.



# Abbreviations

IPART            Independent Pricing and Regulatory Tribunal



## Water and Sewer Cost Efficiency Strategy

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