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Restoring the Balance in the Murray-Darling Basin

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The Murray-Darling Basin

The Murray-Darling Basin (the Basin) is an area of national environmental, economic and social significance. It contains Australia's three longest rivers—the Darling, the Murray and the Murrumbidgee—as well as nationally and internationally significant environmental assets, such as wetlands, billabongs and floodplains (Figure S 1). The Basin is Australia's most significant agricultural area, and produces around \$15 billion of produce annually.^[1] It extends across four states and the Australian Capital Territory, and is home to over two million people.

Figure S 1
The Murray-Darling Basin, showing all major rivers



Source: <<http://www.connectedwaters.unsw.edu.au/resources/articles/supermodellingmurray.html>>

Water use and availability

Water in the Basin is used for two broad purposes—for consumption, including meeting critical human needs, and supplying irrigated agriculture and industry; and for the environment, such as allowing natural river flows, inundating floodplains and watering wetlands. There are often competing and sometimes conflicting demands on the available water.

Historically, water availability has been subject to large variations, throughout the year, between years, and over longer periods. Over the past century, a series of dams, weirs and barrages have been constructed across the Basin to store and regulate the flow of water. These storages and regulatory structures provide greater security of supply to users.

From 1997 to 2006, the average water runoff in the Basin was 30 per cent lower than the long-term average^[2], with record low inflows in 2006–07. At 30 June 2010, storage levels across the Basin were at 32 per cent, with wide variation across the catchments. For example, storages in the Gwydir catchment were seven per cent full, while the lower Darling catchment was 88 per cent full (aided by flooding events in the northern Basin). Recent better rainfall, and flooding, across parts of the Basin has boosted overall storage levels.^[3]

Environmental consequences

Prior to better rainfall in late 2010, the reduced inflows of water into the Basin had been attributed to several factors, in particular the prolonged drought that affected large parts of Australia for almost a decade. It is widely recognised that available water has been over-allocated for consumptive purposes, with insufficient water set aside for the environment. Climate change is also expected to result in lower average rainfall over the foreseeable future. The result has been that ecologically important and internationally recognised environmental sites, such as floodplains and wetlands, have been under stress. This stress has had adverse effects on the flora and fauna and overall biodiversity.^[4]

Current water reforms in the Basin

In recent years, there have been a number of reforms in the Basin, aimed at improving the management of water resources and addressing the imbalance between consumptive and environmental water use. Major reforms, which are interrelated, include:

- the passing of the Commonwealth Water Act 2007 on 3 March 2008—key legislation under which different entities are established and reforms implemented;
- the signing in July 2008 of an Intergovernmental Agreement on Murray-Darling Basin Reform, which commits Basin jurisdictions^[5] to new ways of managing water resources in the Basin;
- establishment in December 2008 of the Murray-Darling Basin Authority, which has responsibility for producing the first Basin-wide water sharing and management plan;^[6]
- and establishment of a Commonwealth Environmental Water Holder (CEWH), in April 2008, to use water holdings to protect or restore environmental assets.

These reforms are designed to promote decision-making in the interests of the Basin as a whole. They build on a series of previous initiatives to manage water resources in the Basin, dating back to the 1915 River Murray Waters Agreement. The reforms are also being implemented in the context of the 2004 National Water Initiative (NWI), an intergovernmental agreement signed by all states and territories.

The Basin Plan

The Basin Plan is described as the centrepiece of the Australian Government's water reform agenda.^[7] It aims to provide for the integrated management of all of the Basin's water resources. Some of the functions of the Basin Plan are to:

- set and enforce environmentally sustainable limits on the quantities of surface and groundwater that may be taken away from Basin water resources—these are known as Sustainable Diversion Limits (SDLs);
- set Basin-wide environmental objectives, and water quality and salinity objectives—to be set out in an Environmental Watering Plan;
- develop efficient water trading regimes across the Basin—consistent with one of the principles of the NWI;
- set requirements that must be met by state water resource plans; and
- improve water security for all users of the Basin's water resources.

In October 2010, the Murray-Darling Basin Authority (MDBA) released a Guide to the proposed Basin Plan, which sets out proposals for key elements of the upcoming Plan. These include the volume of water to be provided for the environment, and the resulting SDLs for consumptive users. The Guide was released as an additional step in the formal consultation process with stakeholders.^[8] Under the Water Act, the first formal consultation document is the proposed Basin Plan, which the MDBA has announced is due to be released in 2011. This document is to be followed by the final Basin Plan, a legislative instrument, now due for completion in 2012.

Once the final Basin Plan is completed by the MDBA and adopted by the Minister,^[9] it is to be tabled in both Houses of Parliament.^[10] However, as set out in the Water Act, the SDLs will not take full effect until 2014 for most states, and 2019 for Victoria, when existing state water sharing plans expire. Renewed water sharing plans will have to comply with the water management requirements of the Basin Plan.

Restoring the Balance program

The Restoring the Balance (RtB) program^[11] is one of a number of initiatives being implemented under the Australian Government's overarching policy for water reform called Water for the Future. This policy commits more than \$12 billion over ten years to four priority areas: taking action on climate change; using water wisely; securing water supplies; and supporting healthy rivers and wetlands.

The Government has committed \$3.1 billion to the RtB program to purchase permanent water entitlements from willing sellers in the Murray-Darling Basin.^[12] The program commenced in 2007–08, four years before the Basin Plan was originally due to be finalised, and is scheduled to run until 2016–17. The program is administered by the Department of Sustainability, Environment, Water, Population and Communities (the department).^[13]

Since 14 September 2010, the Minister for Sustainability, Environment, Water, Population and Communities has had overall responsibility for the RtB program. Previously, the Minister for Climate Change and Water (and, from March to September 2010, the Minister for Climate Change, Energy Efficiency and Water) was responsible for the program.

Program objectives and purchasing mechanisms

The three announced objectives of the RtB program are to:

- reduce consumptive water use;
- provide water for the environment; and
- through those measures, ease the transition to the upcoming Basin Plan.

To contribute towards rebalancing water use in the Basin, the program purchases permanent water entitlements from consumptive users, such as irrigators. These entitlements are then transferred to the Commonwealth to be used by the CEWH for the environment. However, the purchase of permanent water entitlements, while reducing consumptive use, does not guarantee the same amount of actual water for the environment. The amount of water available for the environment depends, primarily, on the level of rainfall and subsequent inflows into river systems and water storages such as dams.

The principal mechanism that the department has used to purchase water entitlements is by conducting 'discriminatory price' tenders in different parts of the Basin. Seven tenders have been completed as of 30 June 2010. The department has also contributed to the purchase of Toorale station, a property in north-western New South Wales (NSW), by the NSW Government. This has been the only purchase outside a tender process. As of 30 June 2010, the department has purchased entitlements to 863 billion litres of water, at a cost of \$1.37 billion.

Government commitment to acquire environmental water

Following the 2010 Federal election, the Government has formalised its commitment to bridge any remaining gap between the level of water returned to the Basin under existing Water for the Future initiatives, including the RtB program, and the level required to be returned under the final Basin Plan. The Government has provided additional funding of \$310 million per annum from 2014–15 for water entitlement purchases, while noting that the total cost of this commitment cannot be quantified until the Basin Plan is finalised.

Role of the Commonwealth Environmental Water Holder

The establishment of the CEWH was one of the reforms under the Water Act. The role of the CEWH is to manage water entitlements purchased under the RtB program, and from other sources^[14] to benefit the environment. The position of CEWH is currently held by a division head within the department.

In deciding where to use available water, the CEWH's statutory obligation is to 'protect or restore environmental assets of the Murray-Darling Basin, and other areas outside the Basin where the Commonwealth holds water, so as to give effect to relevant international agreements'.^[15] These agreements include Australia's obligations to protect wetlands of international importance, biological diversity and habitats for migratory birds. As of 30 June 2010, the CEWH had allocated some 182 672 megalitres (ML) of Commonwealth environmental water to 34 sites within the Basin. This equates to just over one-third of the volume of Sydney Harbour.

In carrying out his statutory functions, the CEWH receives administrative support from within the department's Water Group, input from state government agencies and other parties, and scientific advice from an expert committee. For certain functions, including deciding where to use available water, the CEWH can be directed by the Secretary of the department and the Minister. The CEWH will also be required to act in accordance with the Environmental Watering Plan (EWP), which is being produced as part of the Basin Plan. The EWP is designed to safeguard existing environmental water, plan the recovery of additional water, and coordinate the use of environmental water across the Basin.

Audit objective and scope

The objective of the audit was to assess whether the department's processes for purchasing water entitlements were well-administered, and whether sound arrangements were in place to support timely and effective decisions by the CEWH on the use of available water.

The audit examined key aspects of the first four tenders for the RtB program. These tenders provided coverage across the Basin and resulted in expenditure in excess of \$1 billion. The 2008–09 tenders included the largest single purchase under the program—\$303 million to Twynam Agricultural Group. The audit also examined the Commonwealth's contribution to the purchase of Toorale station, the only purchase outside a tender process.

For the CEWH's functions, the audit focused on the decision-making process for allocating available water to environmental sites in the first two years, 2008–09 and 2009–10. This period was characterised by a relatively modest volume of available water. In recognition of this, the ANAO also assessed the CEWH's preparedness for managing a steep increase in environmental water holdings.

Overall conclusion

The \$3.1 billion RtB program is the largest ever water entitlement purchasing initiative in Australia. It is part of a broader set of water reforms aimed at providing the sustainable use of water resources in the Murray–Darling Basin. The program is being implemented before the additional watering needs of the environment are identified under the final Basin Plan. The decision to implement the RtB program before the Basin Plan is finalised was to provide more immediate benefits for the environment and to help 'ease the transition' towards the Plan. In seeking to provide these benefits, the department has also had to manage the uncertainty about how much water is needed for the environment, and where that water is most needed.

In the first few years of the RtB program to 30 June 2010, the department purchased 863 gigalitres (GL) of permanent water entitlements, at a cost of \$1.37 billion (or nearly half the total program budget). These purchases have enabled the CEWH to allocate some 182 GL of water to some 34 sites within the Basin. The purchase and use of water entitlements has advanced the program's objectives of reducing consumptive water use, providing water for the environment and easing the transition to the upcoming Basin Plan. Recent better rainfall, and flooding, over large parts of the Basin means that more water will be available for the environment in the foreseeable future than was the case in the first few years of the RtB program, when water allocations were generally lower than long-term averages.

Purchasing water entitlements

Overall, the department has established adequate arrangements to administer the RtB program, ahead of the Basin Plan. Decisions on where to buy entitlements have been informed by the best information available at the time. In late 2009, the department sought to align its purchasing approach with the MDBA—albeit no formal arrangements were in place throughout the program. Similarly, although the CEWH makes decisions on where to use available water, the department has not established formal protocols to seek the CEWH's input on environmental priorities; and no formal input was provided in the first four tenders examined by the ANAO. Advice on environmental priorities was provided to the RtB program from within the department's Water Group. At the outset of the program, the knowledge base on environmental watering needs was limited to well-known sites. As a result, the advice provided did not encompass an extensive assessment of watering needs across the whole Basin. In developing the Guide to the proposed Basin Plan, the MDBA has identified some 2442 key environment assets. The department advised that it will draw on this information to better target future purchasing activity.

The department developed and documented a clear approach to identifying and assessing value for money, and meeting other procurement principles. The decision to use discriminatory price tenders as the principal purchasing mechanism took appropriate account of the department's obligation to provide open and fair treatment of potential sellers, while also providing a good basis to assess and select the best value offers. For each tender, the department identified clear criteria to assess the value for money of offers, which addressed both the expected benefits and known costs of purchasing entitlements. In practice, price benchmarks play the central role in discriminating between offers, and the department's processes for identifying current market information have improved since the start of the program.

The department has established, and generally followed, standard processes to assess applications and transfer legal ownership to the Commonwealth. The tenders were conducted in accordance with the applicable purchasing strategy, guidelines and evaluation criteria endorsed by an internal project board and approved by the then Minister. Documentation has progressively improved across the tenders, and, overall, the tenders have been conducted in accordance with procurement principles. Although avoidable delays occurred during the 2008–09 tenders in finalising acceptable offers, the department has since taken a number of steps to better manage internal processing times. However, external factors can still affect the overall time it takes to transfer entitlements to the Commonwealth.

The \$303 million purchase of Twynam's entitlements provided a significant opportunity for the department to reduce the over-allocation of entitlements, and benefit from future water allocations. In the event that large offers are received in the future, more explicit consideration should be given to quantifying administrative savings and demonstrating claimed 'immediate' environmental benefits to justify paying a price premium above established price benchmarks.

The total volume of permanent water entitlements secured has been achieved by purchasing entitlements at a much faster pace than was contemplated in the original funding profile for the ten-year program. Accelerated purchasing has enabled the department to significantly advance the program's objective of reducing consumptive water use. The water recovery targets in the Guide to the proposed Basin Plan, while subject to ongoing consultation, indicate that significantly more water is required for the environment than has been recovered under the RtB program and other water recovery initiatives. Therefore, even with accelerated spending, the key risk of purchasing more water than required has so far been avoided.

The Guide also indicates that, overall, the department has concentrated purchasing in catchments where the largest volumes of water need to be recovered for the environment. Moreover, the Guide provides a more reliable basis on which to manage these risks in the lead-up to the Basin Plan. Although purchasing strategies were developed for each tender, it is now timely for the department to develop a formal purchasing strategy for the program that includes an assessment of the current and future risks facing the program and an evaluation of past purchasing practices. A formal strategy would need to be regularly revised to take account of the Basin planning process, and the Government's commitment to purchase all environmental water required under the final Basin Plan.

Decisions on the use of environmental water

As the manager of the Commonwealth's water entitlements, the CEWH plays a vital role in delivering tangible environmental outcomes from the significant expenditure incurred under the RtB program and Water for the Future. In the initial period examined by the ANAO (2007–08 to 2008–09), adequate arrangements were established within the department to support timely and effective decisions by the CEWH. The main exception was variability in the quality of information used to inform water decisions, although the department has recognised the need to improve this aspect of the decision-making process.

The faster pace of purchasing entitlements under the program has enabled a larger volume of water entitlements to be transferred to the Commonwealth, for use by the CEWH. However, lower water allocations during the initial years of the RtB program, due mainly to the drought, limited the immediate benefits for the environment. As the RtB program and other water recovery initiatives progress, the CEWH will be responsible for managing much larger volumes of water. In response, the department has initiated a range of measures to check that processes remain 'fit for purpose', and to manage the risks associated with larger volumes of water. These measures include trialling new tools and methods for prioritising watering options, and long-term arrangements for water delivery and monitoring the effectiveness of watering environmental sites. The publication of the Environmental Watering Plan under the Basin Plan is also expected to provide a more structured framework to guide the operations of the CEWH, and to better inform other stakeholders such as state environmental water managers.

Overall, the CEWH's processes provided reasonable assurance that allocated water was delivered as specified. As well, sufficient monitoring information was obtained, albeit of variable quality, to indicate whether intended ecological responses were being achieved (at least in the short term). The monitoring information provided the basis for the CEWH's outcomes report for 2008–09. Along with other measures, this report has aided the transparency of Commonwealth watering actions in the Basin.

The CEWH is ultimately responsible for achieving environmental outcomes from the RtB program and other initiatives—and may eventually hold at least 27 per cent of all entitlements in the Basin.^[16] Therefore, it is particularly important that current and future initiatives are implemented in a timely and effective manner, and are well-coordinated with the RtB program and related water recovery initiatives.

The ANAO has made two recommendations. The first one relates to the administration of the RtB program, and is directed at aligning ongoing purchasing strategies with the better information available under the Basin planning process. The second recommendation relates to the CEWH's functions, and is aimed at providing greater transparency and certainty for delivery partners on future cost-sharing arrangements.

Key findings by chapter

Developing a water purchasing framework (Chapter 2)

At \$3.1 billion over ten years, the RtB program involves substantial funding and is part of a broader set of reforms that includes the Basin Plan and the establishment of the CEWH. Key considerations for the department in developing and maintaining a purchasing framework for the program are to:

- manage uncertainty about how much additional water is required for the environment, and to reduce consumptive use, ahead of the Basin Plan being finalised;
- ensure that purchased entitlements can provide maximum benefit for the environment, recognising that the CEWH makes decisions on where to use the available water purchased under the program;
- and demonstrate that 'value for money' has been achieved with program funds, as well as adhering to other procurement principles, including providing fair access for potential sellers of water entitlements.

Managing purchasing risks ahead of the Basin Plan

Keys risks for the department in implementing the RtB program are the prospect of buying more water for the environment than is ultimately required when the Basin Plan is finalised, and concentrating purchasing in areas that are considered to be lower priority for water recovery efforts under the Basin Plan. These risks were identified in the individual purchasing strategies for the four tenders examined by the ANAO. These strategies were considered and approved by an internal project board within the department's Water Group. The then Minister was also briefed on the purchasing approach undertaken for each of the tenders.

At the outset of the RtB program, the department did not have access to the same quality of scientific knowledge and socio-economic analysis that is underpinning the Basin Plan, and which is being progressively collected and analysed by the MDBA. However, the department's decisions on where to purchase water, and how much water to purchase, have been informed by drawing on the available scientific data—in particular, the Sustainable Rivers Audit produced by the former Murray-Darling Basin Commission, and the CSIRO's Water Availability in the Murray-Darling Basin. Both reports came out in 2008, after the first Basin-wide tender. These reports are also being used by the MDBA in producing the Basin Plan. In late 2009, the department also sought to align its purchasing approach with the MDBA—albeit no formal arrangements were in place previously or since.

The water recovery targets foreshadowed in the Guide to the proposed Basin Plan in October 2010, while subject to ongoing consultation, indicate that the key purchasing risks facing the department are unlikely to eventuate. In fact, in most catchments, significantly more water needs to be acquired than has currently been purchased under the RtB program, or through other water recovery measures. Moreover, the targets in the Guide indicate that the department has concentrated its purchasing in the three catchments where the environmental need is the greatest.

Coordinating the water purchase and water use functions

All permanent water entitlements purchased under the RtB program are transferred to the Commonwealth, for use on the environment. The CEWH therefore plays a vital role in delivering tangible environmental outcomes from the significant expenditure incurred under the RtB program.

There is no protocol or other formal arrangements between the department and the CEWH to provide a documented and agreed basis for gaining maximum benefits for the environment. For the four tenders examined, there was also no evidence of formal input from the CEWH on environmental priorities to guide the development of purchasing strategies. In particular, the CEWH did not provide advice on the type of entitlements that would be needed to meet the watering needs of priority sites.

Advice on environmental priorities was provided from elsewhere within the department's Water Group; but the advice was limited to well-known sites and did not provide a more comprehensive coverage across the Basin. Better information is now becoming available under the Basin planning process.

Basis for determining 'value for money' of purchased entitlements

The approved strategies for all four tenders examined by the ANAO explicitly recognised the need to provide a basis for achieving value for money. For each tender, the department identified clear criteria to assess the value for money, which addressed both the expected benefits and known costs of purchasing entitlements. Although the evaluation criteria evolved after the first tender, they essentially involved considering the:

ability [of entitlements] to provide more water in a catchment where scientific evidence indicates that water needs to be recovered for the environment; capacity to deliver the water for an environmental benefit; and costs involved in purchasing the entitlement (predominantly based on the market price). The department sought external advice on the most appropriate mechanisms to purchase permanent water entitlements. The decision to use discriminatory price tenders broadly follows the approach taken in a previous water recovery initiative called The Living Murray. The department also considered that tenders would be the best approach to achieve value for money, while also adhering to other procurement principles.

Purchasing water entitlements (Chapter 3)

With the exception of Toorale station, all permanent water entitlements have been purchased through a tender process. For the four tenders examined by the ANAO, the department established, and generally followed, consistent processes to assess applications and transfer legal ownership to the Commonwealth. The time taken to process applications—and hence provide entitlements for the CEWH to use on the environment—is affected by a range of internal and external factors, including state trade restrictions.^[17] During the 2008–09 tenders, avoidable delays (arising from budget-related issues) were experienced in finalising some acceptable offers. The department has since taken a number of steps to better manage its internal processing times, including establishing a panel of conveyancing providers to assess legal matters, and running shorter tenders with announced budgets and closing dates.

The tenders examined were conducted in accordance with the applicable purchasing strategy, and the guidelines and evaluation criteria were endorsed by the project board and approved by the then Minister. To promote adherence to procurement principles, an evaluation plan was developed for each tender and external probity advice was obtained. Adequate documentation was maintained to evidence the decision-making processes for each tender. In September 2010, the department initiated an upgrade to its tender-management system, replacing the less functional product that was used for the first seven tenders.

For the largest purchase under the program, \$303 million to Twynam, additional measures were undertaken to assess some risks associated with this purchase, and to provide assurance on the potential benefits of the purchase. The premium paid for the entitlements (10 per cent above normal benchmarks) was in line with project board guidelines, which were approved by the then Minister. However, contrary to the department's rationale for paying this premium price, the lower reliability entitlements purchased did not provide 'immediate' benefits for the environment, due to lower water allocations in the following period. Nevertheless, the department is well-placed to reap significant benefits when more water is available for the environment, which is presently the case due to recent better rainfall.

The purchase of Toorale station presented opportunities for the department to benefit from a large parcel of water entitlements at a strategic location in the Basin. The purchase also presented significant risks and administrative overheads for the department, compared to standard tender purchases. In particular, the Toorale entitlements are not currently managed under a water sharing plan, which reduces the security of available water. Also, the water entitlements are legally owned by the NSW Government, not the Commonwealth, and 'water shepherding' arrangements are required to direct the available water to specific environmental sites beyond Menindee Lakes. Nevertheless, an agreement is in place to transfer ownership of entitlements to the Commonwealth, when a water sharing plan is in place. And reasonable measures have been taken to promote the best use of available water from Toorale's entitlements.

Decisions on the use of environmental water (Chapter 4)

The period of the CEWH's functions examined by the ANAO was characterised by relatively small volumes of water. Through both choice and necessity, the CEWH operates under a 'cooperative' watering approach with water managers and other stakeholders across the Basin. The CEWH has a Special Account^[18] to fund the management of Commonwealth water holdings.

The CEWH has established criteria to assess the merits of watering actions. These were developed in consultation with key stakeholders. Ahead of the final Basin Plan, the CEWH has also developed a broader framework for determining water use, which was also subject to consultation. To further the principle of using the best available science, the CEWH established an expert committee to provide advice on the use of environmental water, and watering proposals. These proposals were almost exclusively provided by state agencies.

Based on the sample of watering decisions examined, all proposals were examined by departmental staff using the approved criteria and, in all cases, advice was provided by the expert committee. Nevertheless, there was variability on the quality of the (scientific) data provided to support states' watering proposals. The collection and assessment of information was not aided by templates or guidelines from the department, although more consistent approaches are now being developed and trialled.

In preparation for the steep increase in the Commonwealth's water holdings, the department has initiated a range of measures to better manage the risks associated with larger volumes of water. This includes:

- trialling or using new methods and tools for identifying and prioritising watering options;
- working with the MDBA on an environmental asset database; and
- making improvements to the register of environmental water holdings.

At the time of the audit, these initiatives had not yet been fully implemented.

Water delivery, monitoring and reporting (Chapter 5)

In the period examined, all water that was allocated by the CEWH was delivered to sites by external parties (mainly catchment management authorities). Likewise, the outcomes of those watering events were also monitored and reported on by external parties.

Overall, the CEWH's processes provided reasonable assurance that allocated water was delivered as specified. As well, sufficient monitoring information was obtained, albeit of variable quality, to indicate whether intended ecological responses were being achieved (at least in the short term). The monitoring information provided the basis for the CEWH's outcomes report for 2008–09. Along with other measures, this report has aided the transparency of Commonwealth watering actions in the Basin.

The CEWH has recognised the need to establish longer term arrangements with external partners and stakeholders to accommodate much larger volumes of water in coming years. Key initiatives include the development of a Monitoring, Evaluation and Reporting (MER) framework, which will be guided by the Basin Plan; and the execution of bilateral agreements with state governments on joint water delivery and monitoring activities. However, the department has yet to formalise with delivery partners and stakeholders the basis on which costs will be shared in the long-term.

Summary of the department's response

The department's overall response to the audit is provided below.

Department of Sustainability, Environment, Water, Population and Communities

The Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) notes that the ANAO has concluded that overall the Department has established adequate arrangements for the administration and implementation of the Restoring the Balance in the Murray-Darling Basin (RtB) program. SEWPaC acknowledges the ANAO's suggestion that there could be potential benefits from a closer and more formalised relationship with the Commonwealth Environmental Water Holder (CEWH). The Department will develop such a relationship with the CEWH to assist with the administration of the RtB program.

The Department notes ANAO's assessment of the adequacy of the CEWH's arrangements for use of Commonwealth environmental water. SEWPaC agrees with the ANAO's recommendation that better articulation of roles, responsibilities and the principles for sharing delivery, monitoring and reporting costs in the long-term, would provide more certainty to external delivery partners. As the ANAO notes, at least with respect to the monitoring and reporting costs, this could be done as part of the Monitoring, Evaluation and Reporting Framework being developed.

Contact information

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[1] Murray-Darling Basin Authority, Guide to the proposed Basin Plan: Volume 1, Australian Government, Canberra, 2010, p. 13.

[2] CSIRO, Water availability in the Murray-Darling Basin, CSIRO, Canberra, 2008, p. 22.

[3] At 11 November 2010, total storage levels across the Basin were 74 per cent according to figures produced by the Murray-Darling Basin Authority.

[4] Murray-Darling Basin Authority, *op. cit.*, Chapter 3.

[5] Queensland, New South Wales, Victoria, South Australia and the Australian Capital Territory.

[6] The Basin Plan was originally scheduled to be finalised by the MDBA in 2011. However, the latest indications are that the Plan may now be finalised in 2012.

[7] Wong, P (Minister for Climate Change and Water), Crucial reforms approved for Murray-Darling Basin, media release, Parliament House, Canberra, 4 December 2008.

[8] Following the release of the Guide, two Parliamentary committees, one from each House of Parliament, have been asked to inquire into aspects of the management of the Murray-Darling Basin and the development of the Basin Plan.

[9] The Minister responsible, under the Administrative Arrangements Order, for administering the Water Act 2007. Currently, the Minister for Sustainability, Environment, Water, Population and Communities.

[10] Under the Legislative Instruments Act 2003 (Cth), the Basin Plan can be disallowed by either House of Parliament.

[11] A similar program was also proposed under the former Coalition Government's \$10 billion National Plan for Water Security, released in 2007.

[12] The Government has stated that it will not compulsorily acquire water entitlements, and that the purpose of the RtB program is to purchase permanent entitlements, not to purchase seasonal water allocations.

[13] Formerly, the Department of the Environment, Water, Heritage and the Arts.

[14] Water entitlements are also acquired through the department's Sustainable Rural Water Use and Infrastructure program. Entitlements may also be gifted to the Commonwealth, and have been.

[15] Water Act 2007 (Cth) sub-section 105(3).

[16] In the Guide to the proposed Basin Plan (page 132), a 27 per cent reduction of surface water is proposed across the Basin under Scenario 1. In line with the Government's commitment to acquire all the entitlements needed to meet this reduction, the CEWH may be required to manage the 27 per cent of water that corresponds to this reduction.

[17] Victoria has in place a rule that restricts the amount of entitlement trades that can take place across the state in a year.

^[18] The Special Account was established under the Water Act for the purposes of the FMA Act 1997. The FMA Act states that a Special Account is an appropriation mechanism that sets aside amounts within the Consolidated Revenue Fund for expenditure for special purposes.

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