Australian Government

MURRAY–DARLING BASIN AUTHORITY

Cost Shares Principles

A summary of the cost sharing basis of the Joint Programs budget

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Acknowledgement of the Traditional Owners of the Murray–Darling Basin

The Murray–Darling Basin Authority pays respect to the Traditional Owners and their Nations of the Murray–Darling Basin. We acknowledge their deep cultural, social, environmental, spiritual and economic connection to their lands and waters.

The guidance and support received from the Murray Lower Darling Rivers Indigenous Nations, the Northern Basin Aboriginal Nations and our many Traditional Owner friends and colleagues is very much valued and appreciated.

Aboriginal people should be aware that this publication may contain images, names or quotations of deceased persons.

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Cost Shares

The Murray-Darling Basin Authority (MDBA) manages the works that are undertaken across the Basin through the Joint Program.

The Joint Program is funded primarily by the Commonwealth, New South Wales, Victoria and South Australia ("Original parties" to the *River Murray Water Agreement 1914*). A fixed contribution is made by Queensland and Australian Capital Territory Governments. NSW, VIC and SA (referred to as the "Controlling States") appoint the State Constructing Authorities (SCA)'s to undertake the construction and maintenance works for the assets across the Basin.

The MDBA prepares the annual budget for the Joint Programs, in liaison with the SCA's which forms the basis of the total funding that is required annually. The contribution required from each Contracting Government to fund the annual budget is determined based on the Cost Share Principles which were first agreed in 1998.

The principles, as agreed by the then, Murray-Darling Basin Commission (MDBC), based the cost sharing of the annual budget based on the consumption and benefit derived by each Controlling State (NSW, VIC and SA) rather than on an equal sharing basis. This was to ensure that the cost share principles worked towards delivering benefits to the Basin as a whole rather than a particular State and ensured that all structures on the Basin were funded in accordance with the consumption of each State.

These principles were last reviewed in 2014 when it was determined by an independent expert that the principles were an appropriate method of working out the Contracting Government contribution shares from the overall Joint Program Budget. The report can be accessed here.

Cost sharing basis

The consumption and benefit derived by the Controlling States are worked out by the quantity of water diverted from the Basin.

Each State (NSW, VIC and SA) is entitled to a capped diversion of water from the Basin Rivers. The cap was determined by the volume of water that would have been diverted under the 1993/94 levels of development on the Basin. This is because consideration was given to how each state had chosen to develop and exploit the Basin resources over the previous 80 years since the original River Murray Waters Agreement was signed in 1914.

The diversion cap is determined based on actual volumes of water, diverted in any year with the assumption the infrastructure that exists on the Basin is that of 1993/1994. The infrastructure of 1993/94 is used as the basis, as an agreement was signed in 1995 to cap the entitlements based on the infrastructure that existed at the time.

Independently audited computer models have been developed to calculate this cap volume. These models also use the actual climatic conditions of the past 100 years to determine the long-term average annual access to water that each state would be entitled to under the Cap rules. This is called the “Long-term average capped state entitlements” (LTCE) for each state.

5 year averages are used to work out how each State exercised their long-term water access entitlements as States are allowed to offset an over/under consumption in a subsequent year. This smoothers out the annual variability.

The LTCE is each State’s average right to access the shared resources of the River Murray system and forms the basis of the Cost sharing principles.

The principles are split between River Murray asset categories and programs and are defined as follows:

Category 1 (major water supply) assets & Other RMO support functions:

Cost type	C’wlth	NSW	Vic	SA
Operations & Maintenance (O&M)	0%	• 70% of costs shared on basis of each state’s percentage shares of total capped Murray system entitlements. • 30% of costs shared on basis of each state’s percentage shares of 5 year average Murray system diversions.		
Investigation & Construction (I&C)	25%	Balance of I&C cost shared between states on same basis as O&M		

Category 2a assets (Locks 10 and 11):

Category 2 assets have a NSW and Victorian local beneficiary component.

Cost type	C'wlth	NSW	Vic	SA
Operations & Maintenance (O&M)	0%	• 50% of costs shared on basis of each state's percentage shares of total capped Murray system entitlement (reflecting general public benefits). • 50% of costs shared equally by NSW and Vic (reflecting local/specific benefits)		
Investigation & Construction (I&C)	25%	Balance of I&C cost shared between states on same basis as O&M		

Category 2b assets (Locks 1 -8):

Category 2b assets have a South Australian local beneficiary component.

Cost type	C'wlth	NSW	Vic	SA
Operations & Maintenance (O&M)	0%	• 50% of costs shared on basis of each state's percentage shares of total capped Murray system entitlement (reflecting general public benefits). • 50% of costs met by SA (reflecting local/specific benefits)		
Investigation & Construction (I&C)	25%	Balance of I&C cost shared between states on same basis as O&M		

Salt Interception Schemes:

For schemes with a shared salinity impact benefit the relevant state meets a share of all costs in proportion to the salinity benefit accruing to the state. The remaining costs are shared as follows:

Cost type	C'wlth	NSW	Vic	SA
Operations & Maintenance (O&M)	0%	Costs shared equally between all states		
Investigation & Construction (I&C)	25%	Balance of I&C cost shared between states on same basis as O&M		

Murray mouth connectivity (Dredging):

Cost type	C'wlth	NSW	Vic	SA
Operations & Maintenance (O&M)	All costs shared equally between the States and the Commonwealth			
Investigation & Construction (I&C)	All costs shared equally between the States and the Commonwealth			

Environmental Works and Measures:

Cost type	C'wlth	NSW	Vic	SA
Operations & Maintenance (O&M)	0%	Costs shared equally between all states		
Investigation & Construction (I&C)	Investigations and constructions shared as per a special agreement under Inter-Governmental Agreements (IGAs). (Commonwealth funded construction of assets created under The Living Murray program)			

River Murray Operations Management:

Cost type	C'wlth	NSW	Vic	SA
Operations & Maintenance (O&M)	25%	The balance of costs shared between states based on the same overall percentage shares of the remainder of the program		

Non RMO Programs:

Cost type	C'wlth	NSW	Vic	SA
Operations & Maintenance (O&M)	After allowing for the fixed amount contributions by the Queensland and ACT governments, the balance is shared equally between other three states and Commonwealth			

ACT and Queensland make nominal contributions towards activities that derive a direct benefit for their Jurisdictions.

Corporate overheads:

Costs are apportioned on a pro-rata basis of the number of employees working on each function.

Revenue from Joint Program activities:

- 25% of revenue is shared by the Commonwealth
- The balance of revenue is shared between states based on the same overall percentage share of costs for the remainder of the program

Underspends in the Joint Programs Budget

Any underspends in the Joint Program's budget at the end of a particular financial year are made up of either:

1) ***"Genuine" Underspends –*** These underspends arise due to certain projects not going ahead, genuine efficiencies achieved when undertaking works, actuals being less than projected estimates for the project due to cheaper alternatives or the scope of work being reduced from the original estimates

2) ***"Committed" Underspends –*** These arise due to works which are underway but have not been completed as per schedule within a given financial year. These funds are committed to a particular project and are carried into forward years to be utilised against the relevant project.

Genuine underspends are returned to the Original parties (Commonwealth, NSW, VIC and SA) on an annual basis. The ratio in which Genuine underspends are returned is based on the application of the same Cost Share principles to the Actual Expenditure in a given financial year. This ensures a fair and consistent approach in ensuring the Original Parties to the agreement are only contributing to projects based on the actual expenditure against those projects.

The Genuine underspend amounts are available to the Contracting Governments in case they need to undertake special projects on the Basin or if they want to offset their Contributions in any year from their share of the previously underspent funds.

Review of Cost Share Principles

The review of the cost share principles was last done in 2014 based on the recommendation of the Ministerial Council (MinCo) on 15 November 2013. The full report ("Review of Cost Shares for Joint Activities") is available on the MDBA website.

The report recommended undertaken another review in 5 years' time and the MDBA management is currently considering engaging an independent body to reassess the Cost share principles.

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