Murray–Darling Basin – Sustainable Communities

FEDERATION FUNDING AGREEMENT - ENVIRONMENT

<table>
<tr><th colspan="2">Table 1: Formalities and operation of schedule</th></tr>
<tr><td>Parties</td><td>Commonwealth
Victoria</td></tr>
<tr><td>Duration</td><td>This Schedule is expected to expire on 31 December 2029</td></tr>
<tr><td>Purpose</td><td>To provide funding to Victoria to develop and deliver community adjustment assistance, in line with the principles at Attachment A, to Murray-Darling Basin communities to minimise socio-economic impacts from the recovery of water towards the 450 gigalitres of additional environmental water under the Murray-Darling Basin Plan 2012 (Cth) (Basin Plan).</td></tr>
<tr><td>Estimated financial contributions</td><td>The Commonwealth will provide an estimated total financial contribution to Victoria of $150 million in respect of this Schedule.
<table>
<tr><th>Table 1
($ million)</th><th>2026-27</th><th>2027-28</th><th>2028-29</th><th>Total</th></tr>
<tr><td>Estimated total budget</td><td>50.0</td><td>55.0</td><td>45.0</td><td>150.0</td></tr>
<tr><td>Less estimated National Partnership Payments</td><td></td><td></td><td></td><td></td></tr>
<tr><td>- Victoria</td><td>50.0</td><td>55.0</td><td>45.0</td><td>150.0</td></tr>
<tr><td>Balance of non-Commonwealth contributions</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
</table></td></tr>
<tr><td>[Additional terms]</td><td>a) A Steering Committee, comprising Commonwealth and Victoria officials will be formed to ensure alignment with the program objectives and other implementation activities under the Basin Plan.
b) The Commonwealth will provide Victoria with information about its approach to water purchases, any socio-economic impact analysis and any related information from consultation activities to assist Victoria to focus its program delivery.
c) Victoria will make total funding of $140 million available to Murray-Darling Basin communities over the life of the Schedule.</td></tr>
</table>

	d) Victoria will be provided a further $10 million for delivery costs including: i. planning and administration costs including for consultation, delivery and reporting activities, and, ii. to facilitate regional, place-based engagement and support for communities and local government to identify and develop opportunities for integrated water recovery and / or community adjustment initiatives. e) Program design, consultation, delivery and reporting requirements are outlined at **Attachment A**. f) Commonwealth funding of $140 million for communities is provided to invest in a combination of: i. no-regrets investment to support Murray-Darling Basin communities for transition to a future with less consumptive water, and, ii. adjustment assistance integrated with water recovery programs (including Commonwealth water purchase) to mitigate adverse socioeconomic impacts. g) Victoria will publish its Final Report as outlined at **Attachment A** no later than 6 months after the completion of this Schedule. h) The Commonwealth reserves the right to publish all materials arising from this Schedule. i) Victoria and the Commonwealth may, by mutual agreement, vary the performance milestones, funding amounts and associated dates in this Schedule.

Output	Performance milestones	Due	Pmt FY	Payment
	Execution of Schedule	On execution	2026-27	$5,000,000
Program Design and Delivery	Commonwealth approval of Implementation, Consultation, and Monitoring and Evaluation Plans detailed at Attachment A	19 October 2026		$5,000,000
Program Guidelines (early investment)	Commonwealth approval of early investment program guidelines	26 October 2026		$5,000,000
Program Guidelines (substantive)	Commonwealth approval of substantive investment program guidelines	5 April 2027		$35,000,000
Reporting	Commonwealth Acceptance of First Annual Progress Report covering 2026-27 (Attachment A)	31 October 2027	2027-28	$55,000,000
	Commonwealth Acceptance of Second Annual Progress Report covering 2027-28 (Attachment A)	31 October 2028	2028-29	$40,000,000
Program Guidelines (final)	Commonwealth approval of final investment program guidelines	31 October 2028	2028-29	$5,000,000
Reporting	Commonwealth Acceptance of third Annual Progress Report covering 2028-29 (Attachment A)	31 October 2029	2029-30	-
Final Reporting	Commonwealth Acceptance of Final Report & Financial acquittal (Attachment A)	31 December 2029	2029-30	-
			Total Funding	**$150,000,000**

The Parties have confirmed their commitment to this schedule as follows:

Signed *for and on behalf of the Commonwealth of Australia by*

Senator The Hon Murray Watt
Minister for the Environment and Water

2 /10 /2026

Signed *for and on behalf of the State of Victoria by*

The Hon Michaela Settle
Minister for Water

20/09/2026

Attachment A

Principles

1. Victoria will develop and deliver community adjustment assistance to Murray-Darling Basin communities to minimise socio-economic impacts from the recovery of water towards the 450 gigalitres of additional environmental water under the Murray-Darling Basin Plan 2012 (Cth) (Basin Plan) in accordance with the principles outlined below.

    a. Diversification and Resilience

        - Support transition of regional communities to achieve a wide range of socio-economic outcomes.
        - Support jobs and sustainable economies in a future with less consumptive water.

    b. Place-based

        - Place based investment focused on communities within catchments impacted by water recovery towards the 450 GL of water for the environment.
        - Engage local people as active participants in the development of adjustment measures.

    c. Proportionality

        - Proportional investment into communities that considers the potential drivers of adverse impacts and anticipated or observed impacts from water recovery.

    d. Co-design

        - Co-design across government.
        - Consultation with communities, First Nations, local government, and regional industries.

    e. Strategic alignment

        - Consistent with the Commonwealth Regional Investment Framework and the National Agreement on Closing the Gap.
        - Strategically aligned with regional priorities, including by supporting existing regional development plans and aligning with First Nations priorities, where possible.

    f. Transparency and integrity

        - Directed towards clear outcomes and objectives.
        - Value for money.

- Transparency through administration and evaluation.

g. Evidence-based

- Underpinned by a transparent evidence base supported by multiple lines of inquiry.

Consultation

2. Victoria will develop a Consultation Plan to inform program design and development.
3. The Consultation Plan will detail how place-based consultations will occur in the Victoria Murray-Darling Basin, including (at a minimum) the role of local governments, key regional leaders, community members, industry representatives, and First Nations groups in those consultations.
4. The Consultation Plan will be informed by consultations already undertaken by Victoria that are relevant to the programs under this Agreement.
5. Victoria will provide insights and feedback as they arise about socioeconomic impacts and may provide suggestions or ideas to improve the implementation of the 450 GL program.
6. Victoria will advise the Commonwealth on the timing and location of consultations.
7. The Commonwealth may also attend these forums to participate in discussion on Commonwealth water recovery programs, where mutually agreed.
8. The Consultation Plan will include, at a minimum, a description of:
    a. The overall approach to consultation and engagement
    b. The roles and responsibilities of each party (Commonwealth and Victoria) with respect to consultation of community adjustment assistance under the 450 GL program.
    c. The planned consultation activities and the phasing of those activities
    d. Which places and people have already been consulted prior to the execution of this Schedule, and which people will be targeted for consultation and when in the future.
    e. How Victoria will provide insights to the Commonwealth about community impacts and water recovery opportunities, and
    f. Reporting on consultation activities, including the publication of a "What We Heard Report".

Implementation Plan

9. Victoria will develop an Implementation Plan for the development and delivery of community adjustment assistance, which will, at a minimum:

a. Define the program objectives and scope, aligned to the Principles and Focus Areas
b. Include project outcomes, milestones deliverables
c. Include risks and mitigation strategies
d. Include an annual Budget

10. The Commonwealth will work with Victoria and provide information about the water purchase program where possible (subject to commercial, probity, privacy and market sensitivities) to assist in the design and delivery of community adjustment assistance.
11. Through the program Steering Committee Victoria will consult with the Commonwealth on proposed projects and programs and provide regular updates.

Announcements, Media and Communications

12. Victoria will consult the Commonwealth on the dates of any announcement of program or project funding and formally notify the Commonwealth at least one week ahead of announcement.
13. All funding announcements and signage will be joint announcements, unless otherwise agreed, and acknowledge Commonwealth funding.

Monitoring and Evaluation Plan

14. Victoria will collect and use data appropriate for monitoring and evaluating the effectiveness of community adjustment assistance measures.
15. Victoria will develop a Monitoring and Evaluation Plan which will, at a minimum:
    a. Set out targets and KPIs to measure performance outcomes.
    b. Describe the target populations, datasets, collection methods, activities to be measured, and methods of analysis.
    c. Include outcomes, indicators and measures that can be used to report on progress.
    d. Detail the evaluations to be conducted, including the timing and nature or reports and their alignment with the annual and final reports detailed below.

Annual Progress Reports

16. Victoria will complete Annual Progress Reports, which will cover, at a minimum:
    a. A summary of feedback received which may include, but is not limited to, feedback from communities, regions and industry, both through formal consultations and other interactions where feedback was received about the community adjustment assistance or broader 450 GL program.

b. Reporting against the targets and KPIs set out in the Monitoring and Evaluation Plan

c. The communities / regions that received funding, which projects were funded and the funding amounts.

d. Analysis of the effectiveness of community adjustment assistance delivered as scheduled in the Monitoring and Evaluation Plan, where evaluation has occurred and data is therefore available.

17. Victoria will report expenditure through the Annual Progress Reports and will include expenditure detailed by region and/or program and any unspent amounts.

18. Victoria annual expenditure reporting will be certified by the Chief Financial Officer of the relevant Victorian agency / agencies as being correct. Annual expenditure reports will be independently audited in accordance with relevant Australian Auditing Standards.

19. Annual Progress Reports will cover the period of 12 months commencing 1 July each year and will be provided to the Commonwealth no later than the statutory date the relevant Victoria delivery agency is also required to provide its Annual Report to its Minister or the Victorian Treasurer.

Sustainable Communities Program Mid-Point Review

20. Victoria will participate in the Sustainable Communities Program mid-point review that is scheduled to occur with participating jurisdictions after 31 October 2026. The mid-point Review will consider the progress of water recovery across jurisdictions and any implications for the Sustainable Communities Program, including the proportionality principle.

Final Report

21. The Final Report will cover, at a minimum:

a. A summary of the communities / regions that received funding and the amounts.

b. A complete list of all projects funded amounts, locations and completion status.

c. With reference to the targets/KPIs set out in the Monitoring and Evaluation plan, an overall analysis of the effectiveness of support.

d. A final audited Financial Acquittal, approved by the Chief Finance Officer from the relevant Victorian agency.

22. Final reports and Financial Acquittals are to be provided to the Commonwealth before the end date of this Schedule as per the Milestone Table.