

Auditor-General's Report: Planning for Water Infrastructure in Victoria

Introduction

Victoria's prosperity and attractiveness as a place to live, work and do business depend on a secure water supply for residents, businesses, farms and the environment. In November 2007, following ten years of drought, Victoria's water storages were filled to only 26.6 per cent capacity, causing water restrictions across most of the State.

It is critical that water infrastructure planning processes, and the associated governance and funding arrangements, lead to the identification and delivery of effective, economical and efficient solutions. The Department of Sustainability and Environment is Victoria's principal water planning and policy agency and advises the Minister for Water on state-wide water policy, strategic, whole-of-state and regional water planning and the performance of Victoria's water authorities.

The white paper, *Securing Our Water Future Together*, committed the State Government to developing sustainable water strategies for the five Victorian water regions. These strategies will tailor the white paper's principles and actions to the characteristics and challenges facing each region. The Department has completed the sustainable water strategy for the Central Region of Victoria in October 2006.

The lowest recorded inflows to our water storages in 2006 led to the rapid development of the \$4.9 billion *Our Water Our Future—The Next Stage of the Government's Water Plan* in June 2007 (we refer to this as the 'Victorian water plan'). This included the acceleration of major water augmentation projects that had been flagged as longer term prospects in the Central Region strategy.

The audit assessed how well the Department selected, prioritised and monitored water infrastructure projects included within these state-wide and regional strategies.

Conclusions

The white paper set out a sound framework for the sustainable management of water resources across the State. This framework was successfully applied to deliver a sustainable water strategy for the Central Region of Victoria in October 2006.

While the white paper and the Central Region strategy have been viewed positively by stakeholders in the sector, the level of information provided to the community on water supply projects has been inadequate and needs to be improved.

Soon after the publication of the Central Region strategy, it became clear that the unprecedented low inflows of 2006 required immediate and additional actions. To address this situation a \$4.9 billion Victorian water plan was quickly developed over a six-month period. The timelines for finalising the plan were extremely tight and this explains the need to streamline the normal project development processes.

Nevertheless the processes underpinning the Victorian water plan fell short of the standard the Department applied when developing the white paper and the Central Region strategy. In particular, the plan was finalised with:

- minimal stakeholder consultation
- inadequate levels of rigour applied to estimate the costs, benefits and risks of some of the key component projects.

It is incumbent on the Government to provide full, accurate and timely information on its financial commitments and projects put before the community. The Victorian water plan did not provide this information. There were widely varying levels of rigour around the plan's costs and expected water savings benefits. The documentation did not explain this. This is essential information, especially when an emergency situation requires streamlined processes.

The community should be apprised of the processes used to select and prioritise water supply projects. Further, it needs to be set out how the project estimates underpinning the water infrastructure plan will be verified and how this more rigorous information will be made available to the community.

Another water supply challenge emerging is the decision to deliver a desalination plant through a Public Private Partnership and to expand the water grid to augment Melbourne's water supply. This amounts to a 'whole new ballgame'. Decisive action is required to develop governance arrangements to successfully integrate these new and substantial sources with the existing water sources.

Recommendations

The report has ten recommendations directed at improving: the processes used to track the progress of strategies, the information provided to the community about these strategies and the review of water authorities' plans.

For further information:

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The full text of the report is available on the Office's website: <www.audit.vic.gov.au>