

Northern Victoria
Irrigation Renewal Project

NVIRP

waterforgrowth

Annual Report 2008/09

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Minister for Water

The State Owned Enterprise for Irrigation Modernisation in Northern Victoria trading as Northern Victoria Irrigation Renewal Project (NVIRP), reports to the Victorian Minister for Water. NVIRP is both the project and the name of the organisation tasked with renewing and modernising the irrigation system in northern Victoria.

The Hon. Tim Holding was appointed Minister for Water in August 2007.





we have the right people with the right skills at the right time

Mission

To deliver a modernised irrigation system and generate an estimated 225 gigalitres (GL) of long-term average annual water savings that will help secure the economic, social and environmental future of northern Victoria.

Vision

To have successfully:

- ↘ implemented water distribution and delivery efficiency improvements in generating an estimated 225 GL of long term average annual water savings by 2013-14 for sharing equally between irrigators, the environment and Melbourne within the agreed budget of \$1.004 billion
- ↘ delivered an improved standard and efficiency of water delivery service with modernised connections
- ↘ provided a catalyst for economic development and productivity within the region.

By June 2010 to have successfully:

- ↘ contributed to the 75 GL of saved water to be made available to Melbourne.

What we value

- ↘ **Environment** - We will strive to retain and maintain healthy flora and fauna during the course of the project and once the works are complete.
- ↘ **Community Consultation** - The importance of listening to people and improving the community's input in the planning, design and eventual sharing in the benefits of a modernised irrigation system.
- ↘ **Honesty, Integrity and Transparency** - Integrity, credibility and respect for the community, stakeholders and our colleagues. We will operate with honesty, openness and transparency during the life of the project.
- ↘ **Teamwork and Professionalism** - We believe that success comes through recognising the value of our staff and encouraging that value through professional and personal development.
- ↘ **Sustainability** - We recognise our responsibilities to future generations.
- ↘ **Skills** - We will have the right people with the right skills at the right time.
- ↘ **Goal Orientated** - We are caring, progressive, enjoy our work and use a positive spirit to achieve our goals.
- ↘ **Continuous Improvement and Innovation** - We take pride in our work and actively seek improvement through innovation.
- ↘ **Stakeholder Involvement** - The integral role of our external stakeholders in this project is acknowledged and we will endeavour to build and maintain strong relationships.
- ↘ **Safety** - We value the health, safety and wellbeing of both our staff and those involved in the delivery of the project.
- ↘ **Efficiency and Productivity** - We strive for efficiency and productivity in the execution of our work.

Message from the Chairman



NVIRP has achieved many milestones in its second year.

Another 1,000 regulator gates have been installed in backbone channels, almost 15 kilometres of plastic lining in Central Goulburn channels and hundreds of on-farm connections.

The installation of Total Channel Control (TCC®) technology is pivotal in reducing delivery losses and is a key component for NVIRP to achieve its required water savings.

Staff at NVIRP have engaged extensively with the irrigation community, shire councils and other partner organisations and have developed a strong bond with the system operator Goulburn-Murray Water.

The progress of this project will, even with this drought, turn around a very difficult situation and enhance the delivery of irrigation water through the channel systems in this region.

In December 2008 we engaged our Managing Contractor, Transfield Services Australia, who in turn has employed a number of civil construction companies to carry out our work packages. These contractors in most cases are regional companies or smaller country workforce participants, creating a continuing economic stimulus to regional cities and smaller towns from which products and services are sourced.

NVIRP's Business Case for Stage 1 of the project was finalised and endorsed by Government in June 2009.

A special achievement is that the 2009 Winter Works involving more than 500

personnel on the ground has been achieved with a zero Lost Time Injury record as well as meeting our targets despite a shortened period in which to construct the works.

Water trading in this region has emerged as one way irrigators have responded to increased water security. However, it has also highlighted the need for strategic water delivery. In some cases this will see channels rationalised where delivery shares are limited, or have decreased beyond what is economically sustainable for delivery. These channel systems will need to be closely examined in terms of their future productive viability.

Our progress with Stage 1 of this \$2 billion project has seen the Federal Government request us to prepare a business case for Stage 2. Although Stage 1 is due for completion in 2012, the introduction of the Stage 2 funding will see greater efficiency in proceeding with both projects simultaneously, enhancing the Federal Government's national reform of the Murray Darling Basin.

In an environment of reform in the Basin, NVIRP is improving the efficiency of the irrigation infrastructure, thus enabling the measurement and level of water extraction to be sustainable.

Field days and farm discussion meetings have encouraged landowners to consider new technologies for watering and continued trials are practical examples of what change management options are available. Irrigators are engaging in the concept

of modernisation reform and our Connections Program has promoted a great response from those irrigators and landowners who are underpinning their future in the agricultural industries. Prosperity will be achieved through innovative systems enhancing productivity and new industries will evolve.

NVIRP has continued to apply environmental planning conditions to uphold the Victorian Government commitment that any 'at-risk' sites continue to receive their share of water through environmental watering plans.

The ongoing drought continues to present unprecedented challenges to GMID irrigators and communities and the focus is squarely on incorporating greater efficiency in water use.

I thank my fellow Directors for their support, good governance and strategic direction, which has been extremely valuable to me and the ongoing delivery of the project.

I also acknowledge the enthusiasm and commitment of CEO Murray Smith and his capable team, whose effort and belief is so positive in driving the success of the project and whose dedication has achieved our year two milestones.

A handwritten signature in black ink, appearing to read 'Richard Guy OAM'. The signature is fluid and cursive, written on a white background.

Richard Guy OAM
Chairman

“Assisting landowners with their farm plans to maximise water delivery options on-farm and employing surveyors and designers with local knowledge has been a smart move for NVIRP.”

John Paterson / Pump Consulting at Paterson Pumps, Echuca



Channel G - Central Goulburn

Chief Executive Officer report



Some very significant achievements have been made across all NVIRP program areas during the past 12 months, and here is what I consider to be the highlights of our year.

Our staff levels have increased considerably from last year and we have a very competent workforce in place at our central office location in Shepparton and out in the Goulburn Murray Irrigation Districts (GMID).

The members of the Modernisation Group have been extremely busy with landholder consultations and reporting to Modernisation Consultative Committees in their regions.

Following the engagement of our Managing Contractor (Transfield Services Australia) our works program rolled out as planned. The second year of our program has seen in excess of 1,000 gates installed during the 2009 winter shutdown period, over 670 regulator sites and major control structures have been completed and 14.7 kilometres of channel lining installed.

Almost a kilometer of lining was installed in channel test sites, trialling different methods of construction and channel exit safety measures. We are evaluating the results of these trials now against a range of beneficial and financial criteria.

Our Early Works program which included installing over 1,000 on-farm meters and rationalising 141 metered outlets has been completed by the FutureFlow Alliance.

NVIRP's Connection Program has continued to grow momentum with over 1,100 Farm Irrigation Assessments completed, and over 340 business cases for on-farm works finalised. The program has also seen 117 service

points, 11 kilometres of channel and 38 regulator gates rationalised.

The Planning Group have developed the environmental systems needed for this construction project and obtained approvals including the preparation of five Environmental Water Plans and a Water Change Management Framework.

Of course this year's accomplishments mean little unless we are able to build on the more extensive objectives of works and deliver on water savings, budget and timelines whilst maintaining a high level of community engagement and support.

Based on the works progress to date, I am confident that the long-term annual water savings targets will be achieved.

Without doubt we are operating in a challenging environment given water availability and broader water reform programs that are also testing farming businesses and rural communities. We are acutely aware that this creates uncertainty which can also add to existing tensions. However, we are confident that the strategic investment in irrigation modernisation works is providing for the short and long term future of today and tomorrow's irrigators and Northern Victorian Irrigation communities.

Achieving positive environmental outcomes is also a key platform of NVIRP. The Minister for Planning instrumented conditions on the project to ensure that mechanisms are put in place to minimise impacts and monitor, report and audit project outcomes.

The commitment by the Federal Government to invest up to \$1 billion in Stage 2 of NVIRP allows us to progress a more fully integrated program of

works which will drive down ongoing operation and maintenance costs of the irrigation system whilst delivering improved levels of customer service.

During the year, we facilitated many community meetings to assist, inform and obtain feedback on the NVIRP program. However it is our five community Modernisation Consultative Committees across the GMID that have played a leading role in engaging with the community. We value their advice and their commitment to the project.

Over the year NVIRP has developed strong links with our partner organisations such as DSE, Goulburn-Murray Water (G-MW), Goulburn Broken and North Central Catchment Management Authorities, Department of Primary Industries (DPI), Department of Treasury and Finance (DTF), Regional Development Victoria (RDV), the Industry Capability Network, and the seven shires across the GMID. This has been of great assistance in terms of support, advice and timely feedback required for rolling out the program.

I wish to also acknowledge the support and guidance of my Directors and the sterling effort of our NVIRP team in delivering extremely positive project outcomes under tight timeframes.

A handwritten signature in black ink, appearing to read 'Murray Smith'.

Murray Smith
CEO

Board of Directors



Geoff Akers is the former Chair of the Victorian Farmers Federation Water Council and Murray Dairy and has a strong interest in research and development. He is currently a Board member of Dairy Australia, has a Bachelor of Applied Science, Advanced Diploma of Agriculture and is a dairy farmer at Tallygaroopna milking 500 cows.



Miranda Douglas-Crane has more than 30 years experience in the transport infrastructure, automotive and financial services industries. She is the Executive General Manager Operations for RACV, a Director of Austin Health and the RACV Foundation and a Fellow of the Australian Institute of Company Directors.



Richard Guy OAM (Chair) is a Director of Bendigo Mining Ltd. He is a qualified engineer and plays a prominent role in various community and charitable organisations in Bendigo. He chaired the Bendigo Bank for nearly 20 years through a period of rapid growth including the conversion to Bank status in 1995. He retired from the Bendigo Bank Board in August 2006. Mr Guy was appointed as a Government representative on the Council of LaTrobe University in February 2009.



Peter McCamish is a Director of SD Reid Fruits, a Tasmanian cherry grower and exporter, and a Director of Water for Rivers. He is a former Director of SPC Ardmona Ltd, and has been involved in horticulture in the Goulburn Valley all his working life.



Neil Brennan is Managing Director of Central Highlands Water Corporation; a position he has held for the past 10 years. Prior to that Neil held CEO positions at Western Water and Macedon Region Water Authorities. Neil has been employed in the Victorian Water Industry for some 25 years, and has had various Ministerial appointments to industry committees. Neil is currently a Director on the Board of the Electricity and Water Ombudsman Scheme Victoria (EWOV).



Barry Steggall is the former State Deputy Leader of the National Party and Member for Swan Hill (1983 – 2002). He specialised in water, environment and food industry issues during his Parliamentary career and was a member of the Victorian Water Trust Advisory Council. Mr Steggall is Chairman of both the LaTrobe Groundwater Reference Committee and the Sunraysia Modernisation Reference Group. He is also a member of the Independent Panel for the Sustainable Water Strategies being developed in Victoria.



Terry Francis has international and national experience in road and infrastructure engineering, project management and corporate banking. He is a Director of the Emergency Services Telecommunications Authority, ANZ Specialist Assets Management, ANZ Business Equity Fund, RMIT University and Boom Logistics Limited.

Board meetings and sub committees

Table 1.1 - Directors' Attendance at meetings 2008-2009

BOARD MEETINGS/SUB-COMMITTEES – DIRECTORS' ATTENDANCE					
Director	Meetings				
	Board	Remuneration	Audit/Risk	Modernisation*	NVIRP/G-MW
Total meetings held	17	2	8	2	12
Richard Guy	14	2	6	-	-
Terry Francis	15	-	7	-	-
Miranda Douglas-Crane	14	2	8	-	-
Geoff Akers	15	-	-	2	12
Barry Steggall	16	-	-	2	2 (proxy member)
Peter McCamish	13	2	-	-	10
Neil Brennan (commenced 18 November 2008)	9/9*	-	-	2	-

* Modernisation Committee was formed on 19 May 2009.

The Board Chairman is Ex Officio on all Committees and is able to attend all Board Sub-Committee meetings.

Table 1.2 - Board Committees 2008-2009

BOARD COMMITTEES		
Board Committee	Members	Responsibilities
Audit and Risk Committee	Terry Francis (Chair), Miranda Douglas-Crane, Richard Guy	The Audit and Risk Committee assists the board by reviewing the effectiveness of the management and quality of information and other systems of control within the enterprise; assessing the effectiveness of the internal and external audit; overseeing the appointment of internal auditors and the review of reports from external auditors reviewing the effectiveness of internal controls and reporting and overseeing Treasury Policy.
NVIRP/G-MW Board Coordination Committee	Geoff Akers, Peter McCamish (NVIRP)	The committee assists the board by ensuring the coordination and effective communication of Governance, Policy and strategic matters relating to the modernisation of northern Victoria's irrigation system. The committee considers matters of mutual interest to both organisations. The office of Chair rotates between the four directors with the NVIRP CEO and the G-MW Managing Director also attending meetings.
Modernisation Committee	Barry Steggall (Chair), Neil Brennan, Geoff Akers	The Modernisation Committee assists the Board by ensuring compliance with agreed Board Policy in relation to the Connections Program, as well as seeking appropriate consultation with various stakeholders as the program unfolds to ensure key NVIRP objectives are being achieved by the program.
Remuneration Committee	Richard Guy (Chair), Peter McCamish, Miranda Douglas-Crane	The Remuneration Committee assists the Board by overseeing the adequacy, reliability and effectiveness of NVIRP's organisational structures; the remuneration and related policies including but not limited to performance bonus appraisal criteria and payments. This ensures the organisation's human resource policies are structured to enhance efficiency and productivity. The committee also ensures that the requirements of the Government Sector Remuneration Panel are observed.

History and profile

Ongoing low rainfall across Victoria continues to have a severe adverse impact on water flowing into rivers and water storages, resulting in:

- ↳ cutbacks in allocations to irrigators
- ↳ water restrictions
- ↳ reductions in environmental flows.

To address this adverse impact in 2004 the Victorian Government formulated a long-term plan for water – *Our Water Our Future*. In June 2007 the Victorian Government announced *Our Water Our Future – The Next Stage of the Government's Water Plan*, which described \$4.9 billion of investment in major water infrastructure projects.

On 20 December 2007, the State Owned Enterprise for Irrigation Modernisation in Northern Victoria was established to implement one of the key elements of the above Water Plan. NVIRP's function is to plan, design and deliver the program for modernising the GMID system which covers 65,000km² of which 58,500km² comprises the NVIRP area. This area is shown in Figure 1.1.

The State Owned Enterprise for Irrigation Modernisation in Northern Victoria, trading as Northern Victoria Irrigation Renewal Project ("NVIRP") is a State Body established under the State Owned Enterprise Act 1992 by an Order in Council (Order) dated 20 December 2007. The functions, powers and duties of NVIRP are set out in the Order.



Figure 1.1. Map of the Goulburn Murray Irrigation District

The core objective of our business is to plan, design and deliver the Foodbowl Modernisation Program for modernising the Goulburn and Murray irrigation systems (the Program).

Meeting that objective will require NVIRP to have successfully:

- ↳ implemented water distribution and delivery efficiency improvements in generating an estimated average of 225 GL of annual water savings by 2013-14 for sharing equally between irrigators, environment and Melbourne within the agreed budget of \$1.004 billion
- ↳ delivered an improved standard and efficiency of a water delivery service with modernised connections

- ↳ provided a catalyst for economic development and productivity within the region.

By 2010 to have successfully:

- ↳ contributed to the 75 GL of saved water to be made available to Melbourne.

As documented in this Annual Report considerable effort towards achieving the Government's objectives for the program has been already made including completion of the 2008 and 2009 Winter Works and implementation of the Connections Program.

"I'd heard lots about the Sugarloaf Pipeline but now I can see how the savings can be captured. It was also good to hear about the project from the farmer's perspective."

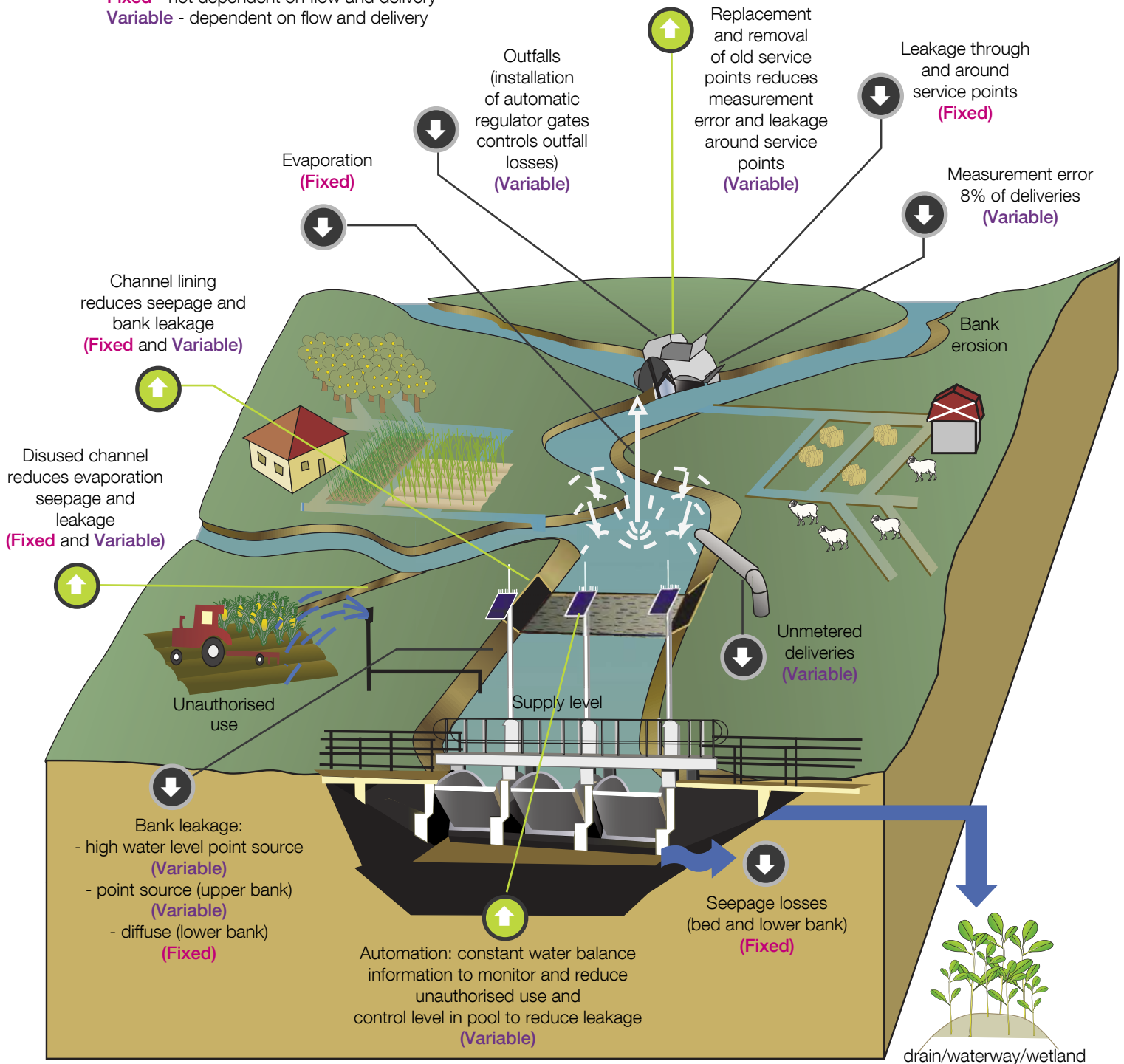
Louise Preece, Stock & Land

Water losses and savings

Water savings are made up of fixed and variable elements

Fixed - not dependent on flow and delivery

Variable - dependent on flow and delivery



Long Term Cap Equivalent: DSE has developed a methodology to define the annual Long Term Cap Equivalent (LTCE) Conversion Factor. The LTCE Factor converts the losses and savings within any one year to be equivalent to the expected long term average under hydrological and operating conditions for the system.



“I can see how important the upgrade is for farmers but also for those supporting the project in some manufacturing or construction way.”

Sam Saracino, Tatura Guardian

Water Losses and Savings Explained

This diagram opposite shows a typical channel and the water losses that might occur from the channel. Water losses can occur for example via evaporation, leakage through banks, seepage, outfalls, unauthorised use, metering errors and leaking meter outlet structures.

Water savings are made when the water losses are permanently reduced by modernisation works. The baseline year from which a reduction in water losses from NVIRP are compared is the 2004-05 water year (called the baseline year). The baseline year of 2004-05 was chosen because the data on the condition of the assets in the irrigation system was considered to be representative of the asset condition pre NVIRP and also because it was a 100 per cent allocation year and the system was operated normally.

The exception was in the Campaspe Region where 2003-04 data is used when 100 per cent allocation occurred.

Water losses in the distribution system will be permanently reduced by the modernisation works NVIRP is undertaking.

Stage 1 of the project targets losses within the irrigation distribution system that include:

- ↳ installation of automatic regulator gates which reduces outfall losses and bank leakage
- ↳ channel remediation such as channel lining to reduce seepage and leakage losses
- ↳ installation of new meters to reduce metering error, unauthorised use, seepage and leakage losses through meter outlets and around old structures

- ↳ rationalisation of disused old smaller channels that have high evaporation, seepage or leakage losses. Channel rationalisation also includes channels replaced by pipelines.

Calculating Water Savings

DSE has developed methods to calculate water savings achieved by the NVIRP works or other modernisation projects in Victoria.

The methods are set out in the *Technical Manual for the Quantification of Water Savings (June 2009)*, publically available from DSE:

www.dse.vic.gov.au. This manual will be reviewed and updated as necessary. The manual provides methods to calculate water savings at several stages of the NVIRP project.

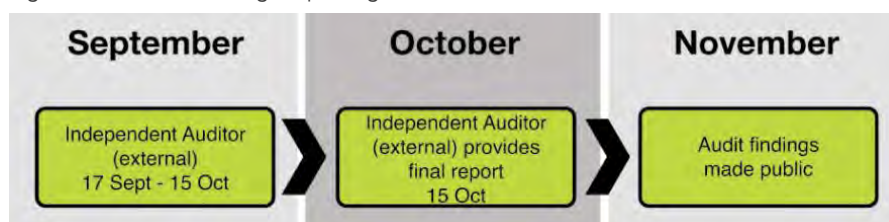
Water savings realised from the 2008-09 works program (15 May 2008 to 14 May 2009) will be verified by an independent external Auditor in accordance with the DSE 'Water Saving Audit Process' and 'Technical Manual for the Quantification of Water Savings'.

In accordance with the published protocols the audited figures will be published following notification to NVIRP and G-MW by the Minister on acceptance of the audit findings. Water savings realised from the 2009-10 works program (15 May 2009 to 14 May 2010) will be verified by the independent auditor in 2010 following an assessment of the water savings by NVIRP and G-MW on completion of the works.

Table 2.1 - Water savings

Irrigation Area	Water Savings (GL) LTCE
Backbone Automation – Gates	63
Backbone Remediation – Channel Lining	42
Backbone Remediation – Channel Remodelling	
Meters - Backbone	51
Meters - Connections	17
Connections - Works	52
Total	225

Figure 2.1 - Water savings reporting timeline



Capital Works

Early Works 2008

NVIRP's initial civil construction works were undertaken last year by the FutureFlow Alliance, when 1,000 regulator gates were installed during the winter shutdown period in 2008. Most of these regulators were installed in the Central Goulburn irrigation district.

During this time over five kilometres of channels were lined with plastic to reduce seepage and leakage losses in the Central Goulburn channels.

The Murray Valley and Torrumbarry communications systems were upgraded to link with the new technology and the gates were fine-tuned to be operational throughout the irrigation season of 2008-09.

At two sites, Waranga Basin Minor off-take and Central Goulburn No 6 channel, significantly larger gates were required and these were manufactured in the United States of America.

These works represented seven per cent of Stage 1 of the modernisation project. FutureFlow continued to install over 1,000 on-farm meters for landowners in the Central Goulburn region up until August 2009.

Modernisation Works 2009-12

Description of Works:

The project works involve the reconstruction, modernisation and automation of the major part of the irrigation network operated by G-MW across five irrigation regions. This covers a project works area of 58,500 km² in the north of the state - refer Figure 1.1 map of the GMID page 11.

The five regions are:

- ↳ Murray Valley
- ↳ Central Goulburn
- ↳ Rochester-Campaspe
- ↳ Torrumbarry
- ↳ Pyramid-Boort.

Project Works (Stage 1) Objectives

- ↳ improving the efficiency, management and operation of the current irrigation system
- ↳ improving existing customer service levels
- ↳ developing an irrigation system that will support agricultural diversity and prosperity and associated regional and community development throughout the regions into the future

- ↳ achieving annualised water savings from the modernised irrigation system for equal distribution to irrigators, the environment and Melbourne's water supply system.

Capital Works Scope

The Capital Works scope includes:

- ↳ the remodelling and refurbishment of the main backbone channels to minimise losses due to excessive water seepage from the irrigation system – the works include reshaping the channels and using a combination of both clay and High Density Polyethylene (HDPE) lining in areas of excessive seepage
- ↳ the installation of automated regulator gate systems in the backbone channels to achieve Total Channel Control (TCC®)
- ↳ the installation of new TCC® integrated meters to irrigator properties replacing the existing outdated Dethridge wheel meters which have served the irrigation system to date.

The Early Works scope (2007-08), Capital Works estimated scope 2008-13 (Stage 1) and the full extent of the Stage 1 program (2008-13) is shown in Table 2.2 on page 16.

“This irrigation renewal work is positive because the system was in need of an upgrade and the Government came forward.”

Mark Hill, Rochester

The 2008-09 Capital Works has two distinct phases comprising:

- (1) the in-channel related works which occur during the non-irrigation period, usually extending from 15 May to 15 August each year. These include de-silting, remodelling and refurbishing the channel as well as installing automated regulator gate systems.
- (2) the irrigation season for the rest of the year when the new meters are generally installed and commissioned.

Project Delivery

The project contracts and works delivery arrangements are shown in Table 2.2 on page 16.



Scope of Capital Works

Table 2.2 - Scope of Capital Works

Region	2008			2009			2010			2011			2012		
	Channel lining (km)	Regulator gates (no.)	Meters installed (no.)	Channel lining (km)	Regulator gates (no.)	Meters installed (no.)	Channel lining (km)	Regulator gates (no.)	Meters installed (no.)	Channel lining (km)	Regulator gates (no.)	Meters installed (no.)	Channel lining (km)	Regulator gates (no.)	Meters installed (no.)
Murray Valley	-	128	-	-	86	117	15	435	455	25	20	495	80	-	170
Central Goulburn	5	759	1040	15	157	378	30	20	150	20	-	150	-	-	70
Rochester	-	22	-	-	395	512	15	26	235	20	10	243	24	-	90
Torrumbarry	-	61	-	-	115	146	15	225	425	20	145	495	38	-	145
Pyramid-Boort	-	21	-	-	268	177	-	240	405	20	35	245	38	-	150
Totals	5	991	1040	15	1021	1330	75	946	1670	105	210	1628	180	-	625

Total channel lining: 380 km (includes Early Works)

Total regulators: 3168, (includes Early Works)

Total meters (backbone and connections): 6293, (includes Early Works)

Note: The quantities shown are planned for each year. Changes may be made on a year to year basis without diminishing the total scope of work. These figures represent the year January – December.

“I think the tour today showed me how the modernisation is happening and it is just as they said it would happen. The benefits are real.”

Michelle Bradley, Seymour Telegraph

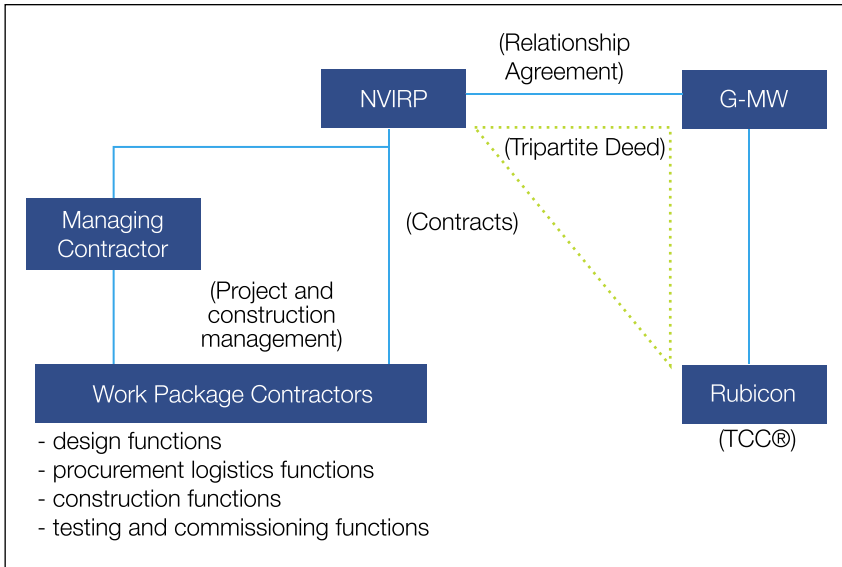


Figure 2.2 - Project delivery arrangements

NVIRP is responsible to G-MW for the modernisation of the designated irrigation system. To achieve this outcome, NVIRP has engaged a Managing Contractor, Transfield Services Australia. Work Package Contractors have also been engaged to undertake the design, supply and construction of the works. These Contractors work under the direct project management and construction supervision of the Managing Contractor.

Rubicon has developed and patented the Total Channel Control (TCC®) system, which has been adopted by G-MW as its fully integrated control system across the irrigation network.

Health and Safety During Construction Works

A key focus of the delivery of the 2008-09 Capital Works is to ensure that the health and safety of the construction workforce, adjoining irrigators and community in each region is the first priority.

To this end, NVIRP has undertaken the following actions:

- in conjunction with the Managing Contractor, Transfield Services Australia, a comprehensive Health and Safety Management Plan has been prepared with the aim of achieving zero Lost Time Injuries (LTI). The plan is under constant monitoring and surveillance by the Managing Contractor across all of the 688 sites which comprise the Winter Works. Particular emphasis has been placed on developing and maintaining a safety culture at the construction work team level on a daily basis

- in conjunction with the Victoria Police, NVIRP advised the community that additional and different traffic is on the road system during construction of the works, reinforcing the need that additional care must be exercised by all road users.

During the 2009 Winter Works NVIRP, TSA and sub-contractors achieved their target of zero Lost Time Injuries.



Modernisation

The focus of the Modernisation Group this year has been to establish the Connections Program. In 2008-09 systems, policies and procedures have been developed that are fundamental to the success of the Connections Program over the coming years, including resourcing of versatile and experienced management and consultation teams to deliver the Program.

A major milestone has been the development of the Connections Program Operational Guidelines, covering all aspects of the program; quality assurance, Farm Irrigation Assessments, incentive payments and other business rules critical to the delivery of a consistent and transparent program.

Extensive stakeholder interaction has been established by the Modernisation Group. Modernisation Consultation Committees (MCC) operated in each of the five irrigation areas. These committees play a significant role in the development and delivery of the Connections Program. The MCCs provide vital feedback on NVIRP's stakeholder interaction and communication strategy as well as project operations and policy development.

In addition to initiation and implementation of the Connections Program, the Modernisation Group has identified and is managing a number of exciting large-scale water savings and modernisation projects, including the Torrumbarry No 5/7 Channel Study (Strategic Transition Pilot Program), Campaspe Irrigation District Future Management Strategy and Rural Residential Pilot Project.

Over the next year, the Modernisation Group will be focusing on business improvement opportunities and further developing systems and processes to assist with decision making and planning. This will support the success of the Connections Program and overall NVIRP objectives.

Achievements – The year at a glance to end of June

Farm Irrigation Assessments

Total	1429
In progress	724
Finalised	705

Rationalisation Outcomes

Km channel rationalised	22.72 km
Service points rationalised	160
Regulator gates rationalised	26

Delivery Shares Relocated

Delivery share transferred to backbone	61.49 ML/day
Number of new connections on backbone	40

Business Cases Developed

Agreed	95
Parked	12
Rejected	0
Under consideration/design	112
Total	219

Connections Program Operational Guidelines

These guidelines provide the policies, procedures and processes for the delivery of the Connections Program. They have been developed in conjunction with Modernisation Consultation Committees and other stakeholders and are used by the Modernisation Group to ensure:

- ↳ an open, transparent and consistent roll-out of the program
- ↳ accuracy of incentive payment calculations
- ↳ compliance with various policies and guidelines.

The guidelines include a quality assurance component. Regular reporting requirements are also embedded into the process.

NVIRP will consult with around 14,000 landowners across the project as the Connections Program is rolled out. This will occur through initial community level forums, followed by small group meetings (targeted where modernisation works are to occur) and then one-on-one sessions through Farm Irrigation Assessments.

Swan Hill and the Tyntynder Flats

A project has also begun north of Swan Hill which aims to look at future opportunities for irrigation properties in the area known as Tyntynder Flats. The objective of this project is to look at opportunities for decommissioning the channel system that dissects the City of Swan Hill. This channel not only has a number of public risk elements but requires significant costly works to bring it up to a modernised standard as it is extremely inefficient. Options to continue and enhance the services provided to the irrigators north of Swan Hill are being developed. The second stage of the project involves developing options for a high number of rural residential properties supplied by the channel through Swan Hill.

While the outcomes may be relatively expensive, the associated benefits with reclaimed land and reduced public risk will be considered in collaboration with relevant stakeholders.

We Are Listening!

Continuous review and improvement will be embedded into the program through regular reviews, workshops, independent advice, internal audits and customer surveys facilitated by the Modernisation Group.

Customer surveys will be undertaken by an independent third party, targeting the Farm Irrigation Assessment process and rationalisation projects.

A detailed Quality Assurance Policy has been developed and will be reported to the NVIRP Board and Modernisation Consultation Committees every three months.

What will be achieved in 2009-10?

- ↘ meet targets
- ↘ look more strategically at the Connections Program
- ↘ finalise, implement and report on Quality Assurance processes
- ↘ talk, listen, consult and adapt
- ↘ provide support and assistance to landowners.



Business Case

Jade Clymo is a dairy farmer in the Calivil area, supplied by the Pyramid-Boort Irrigation System. Mr Clymo and his family have been dairy farming in the Calivil area for almost 30 years. He is keen to continue managing the family farm and pursue ongoing sustainable farming practices into the future.

In consultation with NVIRP Modernisation Coordinators and a Farm Designer, Mr Clymo was able to develop a proposal to convert most of his farm to a modern supply using a pipe and riser system. The project was also dependent on two other landowners agreeing to changes in their supply points. This project resulted in:

- ↘ decommissioning 2.8km of leaky spur channel
- ↘ relocating 3 ML/d delivery share back to a backbone supply
- ↘ eliminating two regulator gates and five backbone service points that were due to be automated during the Winter Works.

All landowners involved were satisfied with the incentive offers made and are now receiving a much improved backbone service to their farm.

"The NVIRP staff were really good to deal with and gave me plenty of time to make a decision. I am now not only receiving a better supply on to my farm, but I have more confidence in the future of irrigation with the way this program is being rolled out," Jade Clymo said.

Community engagement



First Connections Program Approved

In early December 2008 the first NVIRP Connections Program was agreed with Peter Home, a landowner in the Rochester area. This resulted in 0.28 ML/d of delivery share being relocated to the backbone.

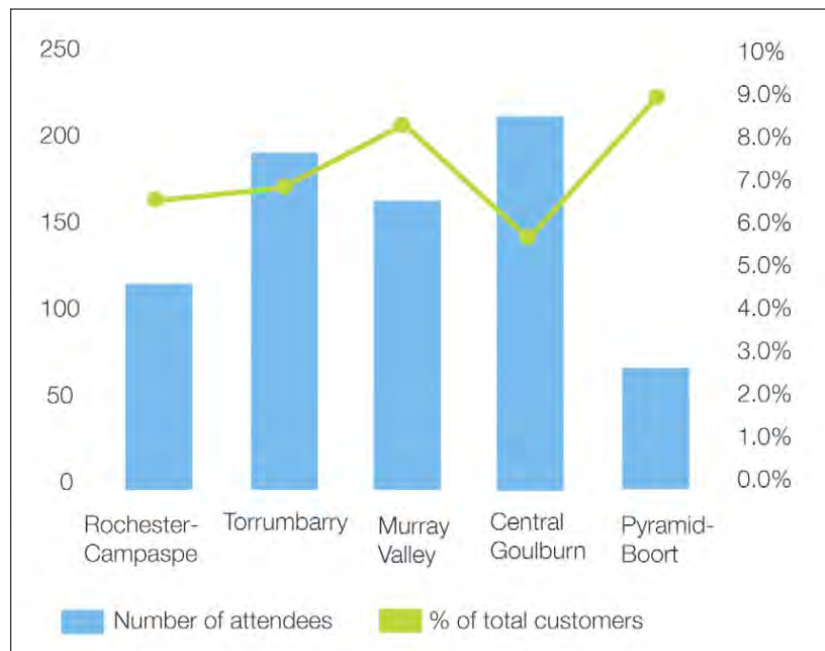


Figure 2.3 - Total number of attendees at community forums

Community Forums – the Road Show

NVIRP held 13 community forums across the GMID during November 2008. An average of almost 60 customers attended each of these sessions, with 737 customers attending in total. This represents less than 10 per cent of all G-MW customers throughout the NVIRP area, which highlights the importance of also providing regular media updates, newsletters, holding

small group meetings, field days and undertaking one-on-one Farm Irrigation Assessments to reach the target audience.

meetings will be held throughout 2009-10 following the Modernisation Works and based on a more strategic connections focus.

Small Group Meetings and Open Days

As a follow-up to the Community Forum Road show, small group meetings have been held for landowners on properties where 2009 Winter Works occurred (see below in Table 2.3). Further group



Left, Nick Raleigh, Manager Consultation with Rochester Modernisation Coordinators Mark Halden, Jacki Tomlinson, Vince Catanese and Frank Urbano.

Table 2.3 - Community meetings

Irrigation area	Date	Number of meetings	Number of attendees
Rochester-Campaspe	December 2008	23	253
Pyramid-Boort	February 2009/ April 2009	7	110
Torrumbarry	February 2009	7	222
Murray-Valley	March 2009	Open Day	23

Our stakeholders

Banking Industry
Capital Works Suppliers
Catchment Management Authorities
Department of Primary Industries
Department of Sustainability and Environment
Department of Treasury and Finance
Emergency Services
Federal Government
Foodbowl Unlimited

FutureFlow Alliance (Early Works)
Goulburn-Murray Water
Industry Groups
Irrigators
Local Communities
Land Occupiers
Local Governments
Media
Melbourne Water

Other Irrigation Bodies
Other Projects in Region
Regional Development Victoria
Rubicon Systems Australia
Special Interest Groups
The Environment
Unions
Utilities
Vic Roads
Yorta Yorta Joint Body

Community Engagement

Leitchville Field Day – October 2008

NVIRP's first community engagement was to consult with irrigators at the Leitchville Field Day, where discussions were had on how the backbone channels were identified. Maps identifying the backbone channels were displayed for the first time.

Elmore Field Days – October 2008

NVIRP participated in the three days of the Elmore Field Days and used this as an opportunity to show the regional maps of the planned backbone. NVIRP staff engaged with irrigators who were interested in planning their future farming operations. Several irrigators had bought neighbouring properties and wanted to ensure they were on the backbone or close by.

Tatura International Dairy Show – January 2009

NVIRP attended International Dairy Week. The Modernisation Group took a site and their presence was promoted by the event organisers as an opportunity to engage with dairy farmers. As a condition of our participation NVIRP was able to present one of the heifer championship ribbons.

Seymour Alternative Farming Expo – February 2009

Many visitors to the expo engaged with staff to learn more about the project. They were most interested in how the savings were captured and when Melbourne would receive its water through the Sugarloaf Pipeline.

Stanhope Field Days – April 2009

This field day presented a further opportunity to have modernisation discussions with landowners and visitors interested in the project. Modernisation Coordinators were able to discuss metering and connection options with landowners, as well as reconfiguration opportunities.

Sugarloaf Pipeline Alliance/NVIRP information sessions May 2009

Two information days were set aside to support the communications and stakeholder relations staff of Sugarloaf Pipeline Alliance. The day at Yarra Glen and the evening at Yea were well publicised in the Weekly Times and local papers stating that NVIRP would be there as well to discuss matters such as water savings. NVIRP staff and two dairy farmers attended.

Irrigation Expo – May 2009

NVIRP organised a two day Irrigation Expo at the Elmore Field Day site. The background was to build on existing relationships with landowners and on-farm irrigation suppliers and create new opportunities for discussion with Modernisation Coordinators.

The event was advertised widely. Presentations were given during the two days by CRC Irrigation Futures, Padman Stops and Rubicon Systems. NVIRP's CEO also gave an informal presentation with the opportunity for questions and answers. Attendance was constant on both days and it is estimated that about 150 attended. Most people engaged with

Modernisation Coordinators throughout the two days and sought advice on their irrigation options. With the success of the Expo, NVIRP would consider this opportunity to engage with landowners again in 12 months' time as the suppliers were keen to exhibit again.

Padman Stop's Field Day at Bill Gread's property – May 2009

Over 200 landowners attended this field day at Katunga to see how fast flow stops manufactured by John Padman operated in a field trial demonstration.

Modernisation Coordinators from the Murray Valley were on hand to discuss irrigation farm design options with landowners.

A surprise visit by Premier John Brumby gave a higher profile to the field day and his passionate impromptu presentation gave irrigators no doubt how much he supports irrigation modernisation and NVIRP.

Customer feedback is important to NVIRP. We strongly encourage customers to contact NVIRP's information line on 1300 163 006.



Sashing a heifer at the International Dairy Show, Geoff Simkin Modernisation Coordinator Murray Valley





Photo captions are to be found on the last page



Other Engagement

NVIRP continued to present at various forums to inform stakeholders and obtain feedback. This included an agency briefing on 10 December 2008 at the Kyabram Dairy Centre, which was attended by CMA, DPI, local government, industry bodies, urban water authorities, G-MW and rural councillor representatives.

As an initiative of the North-Central based DPI team, two Bankers' Breakfasts were held in Kerang and Boort in March 2009 which targeted bankers, accountants, lawyers, stock and land agents and shire representatives in the Torrumbarry and Pyramid-Boort irrigation areas.

Farm Design Workshops have been held regularly to promote the Modernisation Works and ensure consistent messages are delivered. Modernisation Group Managers are also represented on the following committees:

- ↘ Goulburn Broken CMA Shepparton Irrigation Region (SIR) Modernisation Subcommittee
- ↘ North Central Irrigation Modernisation Technical Group
- ↘ Water Technology Cluster
- ↘ Centre for Agriculture, Irrigation and Land Management Irrigation Industry Reference Group
- ↘ Goulburn Valley Water Rural
- ↘ Residential Working Group.

Presentations on NVIRP were also provided to RDV, local government economic development representatives and DPI community relationship managers.

Modernisation Consultation Committees

NVIRP has established five Modernisation Consultation Committees, one in each of the irrigation areas in which NVIRP operates.

These committees are used to provide input and guidance on the NVIRP project as it unfolds and is delivered, as well as promote community awareness and ownership. The committees have been developed to represent the diversity of irrigator and stakeholder perspectives and assist NVIRP to understand the issues and expectations of the community.

NVIRP funds the out-of pocket costs of these committee members to attend each meeting.

As well as providing guidance on the overall program, these committees are encouraged to evaluate local issues and develop solutions that assist local communities.

Highlights over the last year have been:

- ↘ successful consultancy for the development of a Future Management Strategy for the Campaspe Irrigation District
- ↘ revisitation of the original Torrumbarry Reconfiguration and Asset Modernisation Strategy (TRAMS) documents to ensure continued alignment with the NVIRP program
- ↘ development of a modernisation plan for the Murray Valley Irrigation Area and initiation of a project to investigate long-term capacity constraints
- ↘ facilitation of a number of field days and support for the NVIRP Expo

- ↘ expansion of the TRAMS traffic light concept
- ↘ development of the Strategic Transition Project, to ensure that rural restructure occurs in a systematic manner
- ↘ development of a policy that is providing landowners with more time to consider the opportunities available through the NVIRP program
- ↘ instigation of a project to determine the distance from the backbone of all service points within the NVIRP area
- ↘ ensuring the rollout and management of landholder expectations in Central Goulburn between Early Works and NVIRP year two works
- ↘ facilitation of public consultation meetings held in each irrigation area
- ↘ hosting the NVIRP Board to promote the exciting works undertaken in the Rochester-Campaspe region
- ↘ continual feedback on community issues and evaluation of Farm Irrigation Assessments on a monthly basis.

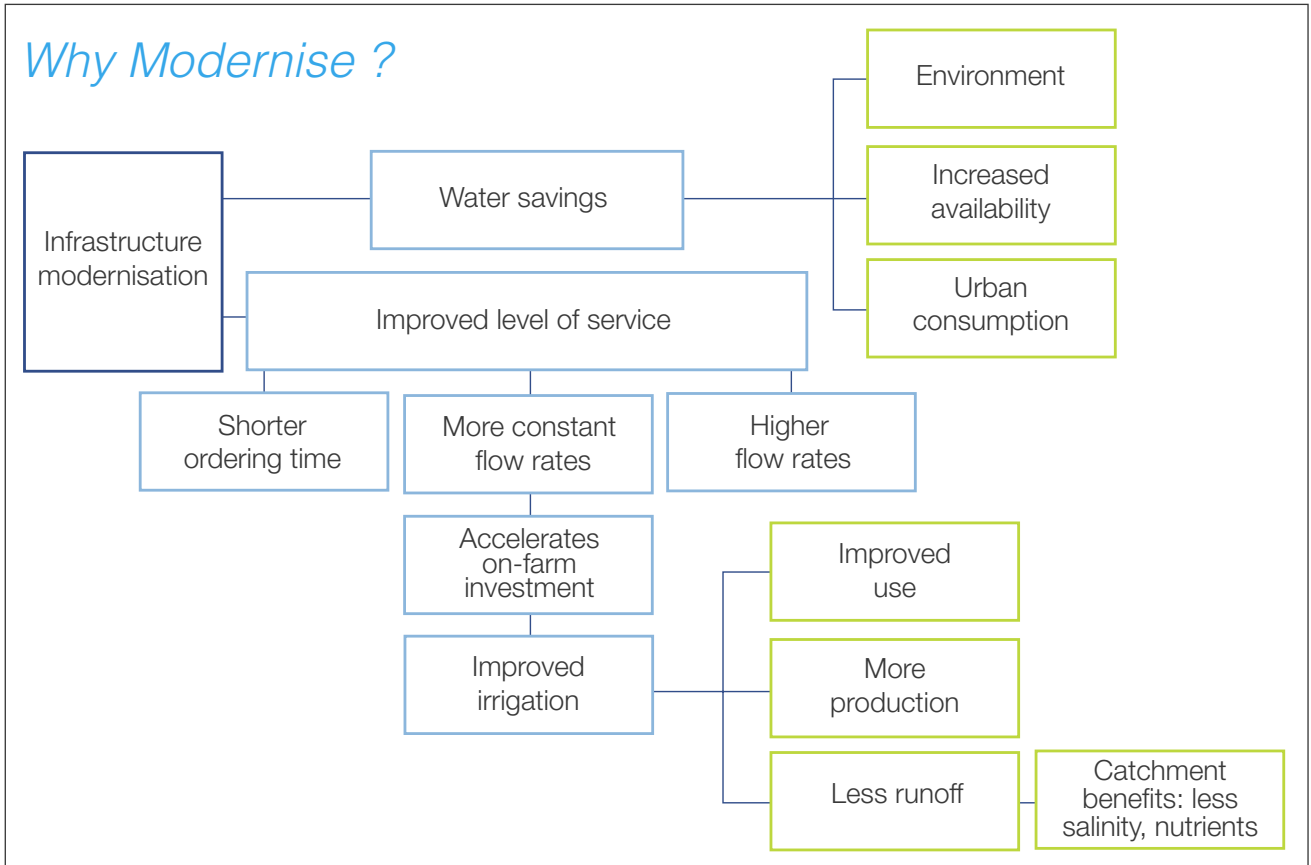


Figure 2.4 - Modernisation diagram

On-farm

Distance from Backbone

After a request from a Modernisation Consultation Committee the data in Table 2.4 was commissioned through the G-MW GIS system. The data shows that 91 per cent of all service points (meters) are within three kilometers of a backbone. This data was presented to each Modernisation Consultation Committee with all areas being relatively consistent – the range of service points within three kilometers was 85 per cent (Pyramid-Boort) to 96 per cent (Central Goulburn) across the five irrigation areas.

Farm Irrigation Assessments

Farm Irrigation Assessments are an integral part of the consultation program. The process keeps property owners advised of project developments and provides the necessary support to make informed decisions on modernisation and rationalisation for their properties.

Assessments maximise rationalisation outcomes, facilitate meter selection, encourage a greater acceptance of connection incentives, reduce modernisation costs, improve farm operations and optimise service levels.

An assessment involves a visit to a property to consider opportunities available through the modernisation program on the farm-side of the service point. If a Whole Farm Plan has been developed, this can provide valuable input. Customer involvement throughout the process is essential.

A Dethridge wheel will only be replaced once a Farm Irrigation Assessment has been undertaken. Where adverse farm implications are identified, the meter replacement can be deferred until a plan to address these implications is developed and any remediation works identified.

Distance from Backbone	1km	2km	3km	4km	5km
Inside	10,691	14,142	15,660	16,352	16,755
Outside	6,425	2,974	1,456	764	361
Total	17,116	17,116	17,116	17,116	17,116
% inside	62%	83%	91%	96%	98%

Table 2.4 - Backbone data

Remediation works may be on either the channel side or the farm side of the outlet. In addition, underutilised or redundant infrastructure can be identified and rationalised. In some cases, rationalisation also assists with maximising service point size through a redistribution of delivery shares.

The process is undertaken by accredited Farm Designers, with NVIRP Consultation Staff case-managing the process. Seventeen farm design companies, involving 40 on-farm consultants, were engaged for the 2008-09 program.

The following update is provided in relation to the Farm Irrigation Assessment program.



Matt Daniels and Farm Irrigation Designer John Edwards

Table 2.5 Farm irrigation assessment rollout

Irrigation area	Commenced	Number of companies*	Number of designers
Rochester	12 Jan 2009	8	12
Pyramid-Boort	16 March 2009	6	10
Torrumbary	23 March 2009	4	8
Murray-Valley	30 March 2009	2	4
Central Goulburn	1 April 2009	5	6

* Some companies are in multiple areas.

Support for Whole Farm Plans

NVIRP has agreed with both the Goulburn Broken and North Central CMA to partially fund Whole Farm Plans (WFP). This includes where initial WFPs need to be modified due to the modernisation works on individual properties.

Providing Time for Planning

After listening to community concerns a process was developed to defer works under some circumstances to provide property owners with more time to consider their options. This is particularly important where significant rationalisation is being considered. However, any deferral must be assessed against the potential disruption to the works program and any additional costs.

The NVIRP Board agreed to allow the deferral of works if landowners needed more time to plan and consider their options. The policy will provide a balance between an optimal works program, generating targeted water savings, generating appropriate on-farm outcomes and longer term Whole of Life cost considerations.

Improving the Service provided

NVIRP will provide a fully-automated water distribution operating system, supplying near on-demand water to irrigators with modernised connections. For those farms that connect to this modernised backbone, significant improvements in farm irrigation practices and efficiencies will be possible. In conjunction with G-MW and partner agencies, NVIRP continues to develop and evaluate a number of service enhancement initiatives, that will result in shorter ordering times, higher and more constant flow rates and greater consistency. It will also increase farm efficiency and generate water savings through productivity increases.

Soil Moisture Monitoring

DPI is trialing soil moisture monitoring in conjunction with a number of regional partners including NVIRP, G-MW, Murray Dairy, RDV, Fruit Growers Victoria and the Water Technology Cluster. Twelve sites have been identified across the GMID and 11 service providers have installed soil moisture monitoring systems. The objective is to assess the capability of the monitoring technology and how the technology can be used by the farmer in the irrigation sequencing decision-making process.



Case Study

John Hewitt is a committed Lockington irrigation farmer. As a member of both the Rochester-Campaspe Water Services Committee and NVIRP's Modernisation Consultation Committee, John has been involved in the development of modernisation plans for the Rochester area. Mr Hewitt is concerned that in the rush to modernise irrigation infrastructure some structures will be replaced where the new structures will not be required into the future.

"I understand and support the need to modernise irrigation infrastructure and to rationalise under-utilised infrastructure if we are to remain a viable irrigation community," Mr Hewitt said. "However it must be done with a common sense approach. Farmers need time to consider all their options, discuss issues with their neighbours and be comfortable with the decisions made."

“People of the Goulburn Murray systems have great advantages in modernising their own farm infrastructure under this project.”

Cr Frank Oliver, Campaspe Shire

Surface Irrigation Evaluation Technology

NVIRP, in conjunction with the Cooperative Research Centre for Irrigation Futures, has funded a demonstration of surface irrigation evaluation technology looking at water use efficiency at different flow rates. Seven trial sites were chosen throughout the GMID, taking into account different soil types and farming enterprises. The results of this project are due in August 2009.



Left John Wenske and Bill Williamson representing the Cooperative Research Centre for Irrigation Futures.

Rural Residential Property Supply

NVIRP, Goulburn Valley Water, G-MW and the Greater Shepparton City Council have formed a working group to develop principles to apply to rural residential properties in the future. These principles will develop options for the potential future water supply of small holdings throughout the GMID. Once draft principles are developed input will be sought from other urban water authorities, shire councils and stakeholders.

Consolidating Properties

Farms across northern Victoria are being consolidated into larger holdings as a result of Stage 1 of the Victorian Government’s \$1 billion irrigation modernisation program. Landowners have become aware that value can be added by consolidating adjacent properties. This has allowed NVIRP to rationalise significant lengths of channel whilst providing financial incentives for on-farm improvements.

By consolidating farming operations, NVIRP’s financial incentives may improve the viability of farming enterprises.

Strategic Transition

On a more strategic outlook, some irrigation areas are experiencing significant readjustment as water trades out of the region and farming practices change. A pilot project in Torrumbarry is being developed to provide options to assist farmers to adjust to changes that are occurring.

An integrated support package will be developed and, where possible, choices will be provided to landowners. The project will access the benefits of targeted water or land purchases or transfers, which result in the decommissioning of unviable irrigation infrastructure. Alternative land use options will be developed. The 5/7 channel in the Torrumbarry region currently services eighteen properties through 16 kilometers of channel and has been the focus for this pilot project.

Campaspe Irrigation District Future Management Strategy

A Future Management Strategy for the Campaspe Irrigation District has been identified by the Rochester-Campaspe Modernisation Consultation Committee (MCC) as a key action to help evaluate a number of competing pressures and potential opportunities in the district. The project is in its infancy. Eighty per cent of landowners responded to the customer survey that will develop a number of options for this region. A community based reference group has been established to assist with this project.



Maurie Bennett’s farm, Torrumbarry region
Photo: Justin McManus

Planning and environment

The Planning Group manages all environmental matters, monitors, reviews and reports on the progress of water savings achievements and investigates opportunities to enhance customer service by further refining the proposed network of public infrastructure.

The project requires successful collaboration with a number of Victorian and Federal government agencies, CMA's and G-MW customers, local government organisations, Aboriginal communities, environmental and community groups.

The Planning Group is responsible for:

- ↘ Achieving the objective of net environmental gain for the project including establishing all necessary environmental, cultural heritage and municipal planning approvals and undertaking required audits to demonstrate compliances
- ↘ estimating, calculating, verifying and auditing all water savings generated by the project in accordance with the state wide water savings Protocol
- ↘ determining the extent of the modernised, automated network of backbone channels including undertaking system enhancement reviews resulting in further refinement of the backbone and improved customer service.

The *Environment Effects Act 1978* states that where proposed works may have a significant effect on the environment, either a proponent or a decision-maker may refer these works (or project) to the Minister for Planning for advice as to whether an Environment Effects Statement (EES) is required.

NVIRP submitted a referral to the Minister for Planning on 20 February 2009 and received a determination from the Minister for Planning on 14 April 2009 stating that NVIRP did not require an EES pursuant to NVIRP complying with six conditions. NVIRP's environmental documentation structure is outlined in Figure 2.5 - Environmental framework structure page 30.

Full details of NVIRP's Referral document, the accompanying support documents and the Minister for Planning's decision can be viewed on the NVIRP website www.nvirp.com.au/planningandenvironment.aspx. Additional written advice from the Expert Review Panel can also be viewed on the website.

Environmental Management System (EMS)

The EMS provides the framework for identifying and assessing NVIRP's environmental aspects and impacts along with programs for continual improvement that achieve specified environmental objectives and targets. NVIRP has adopted an EMS that is consistent with ISO 14001:2004 as its process to manage environmental obligations. This document describes NVIRP's EMS and in particular, how NVIRP addresses the principles and elements of ISO 14001:2004.

The overriding principle of the EMS is to achieve the following outcomes:

- ↘ compliance with Government policy
- ↘ compliance with legislation
- ↘ control of risk
- ↘ continual improvement.

Ongoing review of the EMS is undertaken to ensure NVIRP compliance and currency with environmental legislation.

Environmental Management Framework (EMF)

The first condition of the Minister's response required that NVIRP develop a Construction Environmental Management Framework prior to commencing any capital works involving either the removal of native vegetation or direct construction impacts on wetlands or waterways. A number of strategies were included in this framework to address issues related to the management of native vegetation, flora and fauna and cultural heritage. Figure 2.5 Environmental framework structure page 30.

This framework was approved by the Minister for Planning on 29 May 2009 after consultation with the Minister for Environment and Climate Change.

Environmental Management Plan (EMP)

The Environmental Management Plan (EMP) describes the environmental management process that Transfield Services Australia as Managing Contractor will adopt. All Work Package Contractors will be required to undertake their works in accordance with the EMP. The EMP was approved by the Secretary of DSE on 29 May 2009 as part of NVIRP's compliance with Condition 1 of the Minister's response.

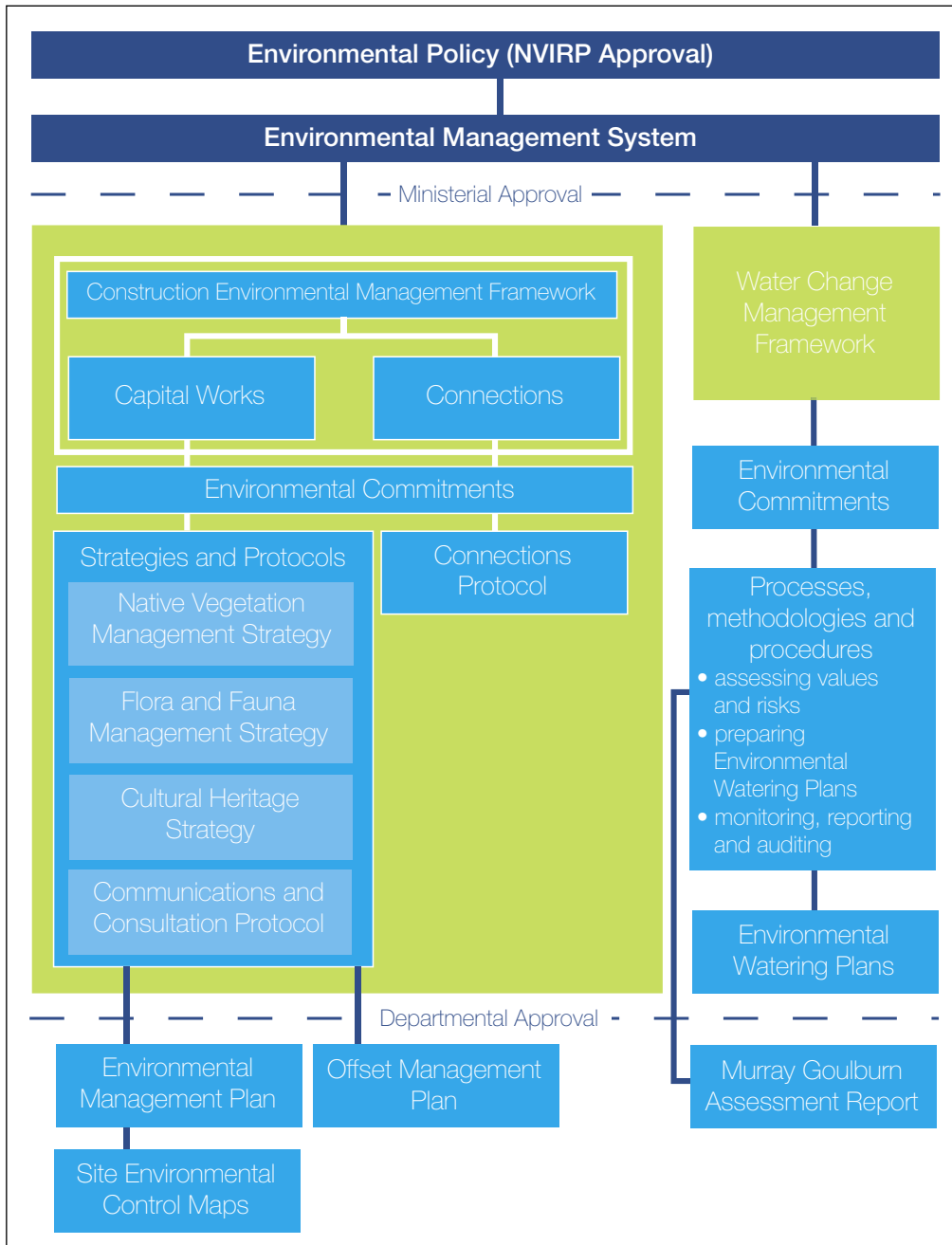


Figure 2.5 Environmental framework structure

The purpose of the EMP is to detail the methods for achieving the key environmental objectives for the Capital Works:

- establishing and implementing management strategies that address environmental risks, safeguards and issues
- managing design, construction and commissioning activities for the project to comply with all Victorian and local government legislative requirements, statutory approvals/licences and NVIRP requirements
- implementing activity-specific environmental planning procedures and practices, including pollution prevention and resource conservation, so capital works are undertaken with due consideration for the community.

The EMP has been prepared in accordance with:

- NVIRP's Environmental Management System (EMS)
- NVIRP Construction Environmental Management Framework (CEMF), approved by the Minister for Planning in consultation with the State Minister for Environment and Climate Change
- the conditions of approval for the Section 20(4) Planning Scheme Amendment
- the international standard for environmental management systems AS/NZS ISO 14001:2004 'Environmental Management Systems'
- consultation with NVIRP, DSE and the EMS Steering Committee (comprising DSE, GM-W and DPI representatives).

A separate EMP will be developed for each year's program of Capital Works.

Expert Review Panel

Condition 2 of the Minister's response required NVIRP to establish an Expert Review Panel to provide advice on hydrological and related ecological changes due to the implementation of NVIRP. The panel membership, endorsed by the Minister for Environment and Climate Change, includes:

Denis Flett (Chairperson)
Dr Terry Hillman
Dr Jane Roberts

This panel meets to review and provide advice to the Minister and Departmental Secretary on reports prepared by NVIRP.

Water Change Management Framework

In response to Condition 3 of the Minister's response, NVIRP developed a Water Change Management Framework to describe how the project will protect aquatic and riparian ecological values, through the management of water allocations and flows that may be impacted by NVIRP within the modernised GMID. The framework outlines processes and methodologies for assessing associated ecological risks to wetlands, waterways and groundwater dependent eco-systems caused by hydrological changes arising from NVIRP.

Importantly, processes and methodologies for preparing Environmental Watering Plans (EWPs) to mitigate potential impacts on wetlands and waterways 'at risk' from the operation of NVIRP are outlined. EWP's have been prepared for Lake

Elizabeth, Johnson's Swamp, Lake Murphy, Campaspe River and Lodden River, as these were potentially impacted by the operation of the 2009 works (Condition 5).

The Water Change Management Framework and the EWP, were approved by the Minister for Water following advice from the Expert Review Panel.

Case Study - Channel Automation

The majority of water savings in 2008-09 have been achieved for example through the reduction of outfall losses.

In the relevant NVIRP works area where automatic regulators were installed outfall losses have dropped from about 35 GL in 2004-05 to about 2.2 GL in 2008-09, based on measured outfalls. The automatic gates have reduced excess water in the channel system that usually spilled as an outfall loss.

Automatic gates provide online adjustment and balancing of flow in the channel system matching customer demands. Regulator gates now allow flow monitoring along the channel system and water losses are measured and monitored at the outfall structures.

Water savings are achieved from reducing losses that previously spilled over the outfalls.

“We teach the students skills to save water on-farm, and the tour showed us that the capital costs of saving water and improving the delivery system are also part of a profitable future.”

Peter Juers, Industry Trainer
National Centre for Dairy Education Australia
Go-TAFE – Shepparton

NVIRP Caring for Country

NVIRP’s relationship with the Aboriginal community and their connection to country is important.

NVIRP has recognised the importance of the Yorta Yorta Peoples’ right to protect Yorta Yorta cultural heritage and has engaged four Aboriginal Site Monitors to work with NVIRP construction crews on work sites throughout the region.

The engagement of Aboriginal Monitors such as those from the Yorta Yorta People assist in managing the cultural heritage environment in areas where the irrigation upgrade works are taking place.

During June 2009 two of the Aboriginal Monitors, Wade Smith and Shaun Atkinson worked at the Waranga Major off-take alongside the crew from Comdain Civil Constructions Pty Ltd. They observed the works to ensure any cultural heritage findings were preserved.

“We have identified some of the trees close to this off-take as having significant scarring in them, which means that tribal members would have inhabited this region. These works could uncover discarded tools like broken axe heads and skinning tools,” Wade Smith said.

“Our role is to monitor the areas we believe were populated and where artefacts could be found especially here along the Wanalta Floodway which would have been home to a very plentiful food supply. If we were to find any artefacts at this site, work would stop to allow us to engage an archaeologist to identify, record and date the find. It would be expected that these items would then be placed in safe keeping, probably at Barmah, where we have a Yorta Yorta Peoples’ cultural exhibit.”



Aboriginal Monitors, Wade Smith (left) and Shaun Atkinson

- ↳ identifying suitable habitats prior to relocation of fauna
- ↳ ensuring that injury or risk to fauna is managed and reported as required
- ↳ maintaining the preparation and submission of verbal and documented reporting within the prescribed timeframes (24 hours and 48 hours respectively) to the Department of Environment, Water, Heritage and the Arts (DEWHA) and DSE throughout the engagement.

Flora and Fauna Protection

Several initiatives have been undertaken to ensure fish and wildlife protection and relocation during works programs.

These include:

- ↳ having a study conducted by the Arthur Rylah Institute for Environmental Research on the potential impact on threatened species with findings being incorporated into the Environmental Watering Plans and site environmental assessments
- ↳ facilitating appropriate communication between the Wildlife Specialist and Environmental Manager
- ↳ ensuring that only officers trained in handling will be authorised to handle fauna, in compliance with the wildlife handling permits
- ↳ ensuring all fauna encountered will be treated humanely and ethically in accordance with the relevant codes under the *Prevention of Cruelty to Animals Act 1986*

Governance

The State Owned Enterprise for Irrigation Modernisation in Northern Victoria, trading as Northern Victoria Irrigation Renewal Project (NVIRP) is a State Body established under the *State Owned Enterprise Act 1992* by an Order in Council (Order) dated 20 December 2007.

NVIRP is directly responsible to the Minister for Water (Responsible Minister) with governance and policy support from DSE. The Minister for Water, in consultation with the Treasurer on appropriate matters, has responsibility for new policies related to the NVIRP program and oversees the Board.

The Treasurer (Shareholder Minister) is primarily responsible for the commercial, financial and project risk management and associated conduct of NVIRP. Department of Treasury and Finance (DTF) supports the Treasurer in his shareholding Ministerial capacity through monitoring the financials of NVIRP and taking a “banker’s” perspective on the project in protecting the State’s investment and providing an ongoing due diligence role in regard to commercial and project/financial risks.

NVIRP’s internal and external governance frameworks have been developed to support the delivery of the project. At the internal level the organisation is governed through the Board and its established sub-committees (Audit & Risk, Remuneration and Modernisation) and Governance Charter. Externally, NVIRP and G-MW Boards have established a Joint Board Sub-Committee which together with a formalised Relationship Agreement provides the basis for a cooperative approach to the project by NVIRP and G-MW.

NVIRP is also required to meet its various reporting obligations established by DSE as the responsible portfolio department and DTF as the shareholder’s representative.

Board

NVIRP is an independently governed authority led by an independent, skills based Board.

The Board is responsible for the strategic planning and management of NVIRP’s affairs.

In accordance with Section 9 of the establishing Order, NVIRP is required to have a Board of Directors consisting of not less than four and not more than nine Directors. The composition of the Board requires that members have qualifications and experience relevant to the operations of NVIRP.

The Board is composed of seven members that have been appointed for a two year term (ending January 2010).



Members of the Board left to right (front) Barry Steggall, Richard Guy OAM (Chair), Terry Francis, standing: Geoff Akers, Neil Brennan, Peter McCamish, Miranda Douglas-Crane

Project governance

The project involves a number of different stakeholders. The consultation and management of these relationships takes a number of forms including various committees and forums.

Figure 3.2 NVIRP Committees reporting flow on page 42 provides an outline of the various key governance bodies that have been established by NVIRP.

Compliance

Managing compliance is an integral part of good corporate governance, ethics and meeting community expectations. NVIRP reports to a number of Government entities, which involve independent verification and public reporting.

Freedom of Information Act 1982

The *Freedom of Information Act 1982* allows the public a right of access to documents held by NVIRP.

NVIRP has a comprehensive website that endeavours to satisfy the information needs of individuals. We are committed to ensuring information is reasonably accessible to all members of the public.

For the 12 months ending 30 June 2009, NVIRP received three Freedom of Information requests for access to documents. All three requests were from members of Parliament.

Of the three requests received, one proceeded to internal review. This request and a subsequent request have progressed to the Victorian Civil and Administrative Tribunal following lodgement of an appeal by the applicant. The third request was still being processed.

Applications under the *Freedom of Information Act 1982* should be made in writing including a fee of \$23.40, addressed to:

Mr Harry De Jong
FOI Delegate
NVIRP
PO Box 1665
Shepparton VIC 3632

Further charges may be payable depending on the complexity and nature of the request.

Building Act 1993

NVIRP does not own or control any government buildings and consequently no matters are required to be notified for purposes of compliance with the building and maintenance provisions of the *Building Act 1993*.

Information Privacy Act 2000

NVIRP is subject to the *Information Privacy Act 2000* and is committed to protecting the privacy of all personal information it collects in a responsible and transparent manner.

NVIRP has a Privacy Policy to ensure only appropriate information is collected and protects against misuse of private information. No privacy related complaints were received for the reporting year.

Further information can be obtained by contacting the Executive Manager Governance & Corporate Planning on 1300 163 006.

Whistleblowers Protection Act 2001

The *Whistleblowers Protection Act 2001* came into effect on 1 January 2002. The Act is designed to protect people disclosing information about serious

wrongdoing in the Victorian Public Sector and to provide a framework for the investigation of these matters. The protected disclosure coordinator for DSE acts as an agent for NVIRP to receive disclosures under the Act, and applies DSE procedures in managing disclosures.

There were no disclosures made to NVIRP or referred to the Ombudsman in 2008-09, nor did NVIRP refuse to investigate any disclosures.

Disclosures of improper conduct by NVIRP or its employees may be made to:

Ms Jennifer Berensen
Manager, Privacy and Legislation
Projects and Protected Disclosure
Coordinator
Department of Sustainability and
Environment
PO Box 500
East Melbourne VIC 3002

Telephone: 03 9637 8697
Facsimile: 03 9637 8128
Email:
jennifer.berensen@dse.vic.gov.au

The Ombudsman Victoria
GPO Box 469
Melbourne VIC 3001
Telephone: 03 9613 5212
Toll free: 1800 500 509

Compliance

Public Administration Act 2004

The *Public Administration Act 2004* specifies a number of employment and conduct principles that must be observed by public sector organisations and their employees.

The following principles are observed by NVIRP management and staff.

Employers must ensure that:

- ↘ employment decisions are based on merit
- ↘ employees are treated fairly and reasonably
- ↘ equal employment opportunity is provided
- ↘ human rights as set out in the *Charter of Human Rights and Responsibilities Act 2006* are upheld
- ↘ public sector employees have a reasonable avenue of redress against unfair or unreasonable treatment.

Employees must demonstrate:

- ↘ responsiveness
- ↘ integrity
- ↘ impartiality
- ↘ accountability
- ↘ respect
- ↘ leadership
- ↘ commitment to human rights.

The Code of Conduct for the Victorian Public Sector is issued to all NVIRP employees at their induction, to actively promote and maintain integrity and conduct standards.

Further information regarding the Code of Conduct is available from the State Services Authority's website: www.ssa.vic.gov.au.

Contract Reporting

NVIRP is required to notify the Minister for Water and Treasurer if it proposes to enter into a contract or agreement which:

- ↘ exceeds \$5 million in total value
- ↘ may outlive the life of the NVIRP SOE, or have ongoing liability implications after the entity is wound up.

During 2008-09 NVIRP reported on the following contracts/agreements:

- ↘ Reconfiguration Program Transfer Agreement
- ↘ Managing Contractor Agreement

Pecuniary Interest

Board members and all nominated officers have completed declarations of pecuniary interests. The Board has extended the requirement for nominated officers to complete a declaration to include all staff with an annual expenditure delegation limit of \$20,000 or more.

National Competition Policy

NVIRP complies with the legislative requirements and principles agreed under the National Competition Policy.

Availability of other information

Additional information relevant to Financial Reporting Direction 22B of the FMA 1994 is held at NVIRP's office and is available on request, subject to the *Freedom of Information Act 1982*:

- ↘ a statement that the declaration of private interests was completed by relevant officers
- ↘ details of shares held in subsidiaries
- ↘ publications and how these can be obtained
- ↘ changes in prices, fees, charges, rates and levies charged
- ↘ major external reviews
- ↘ major Research and Development activities
- ↘ official overseas travel
- ↘ major promotional, public relations and marketing activities
- ↘ assessments and measures undertaken to improve OH&S
- ↘ a general statement on industrial relations
- ↘ details of time lost through industrial accidents and disputes
- ↘ a list of major committees.

This information is available on written request from:

Chief Executive Officer
NVIRP
PO Box 1665
Shepparton VIC 3632

Workforce data

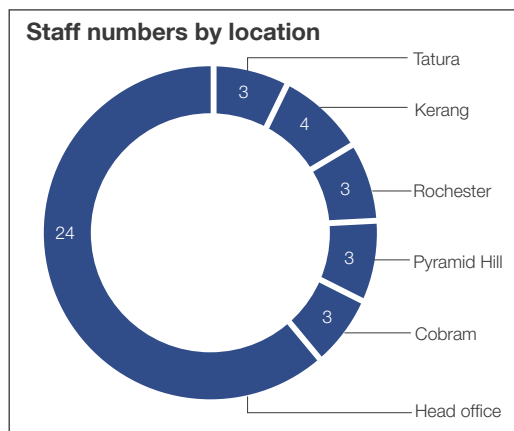
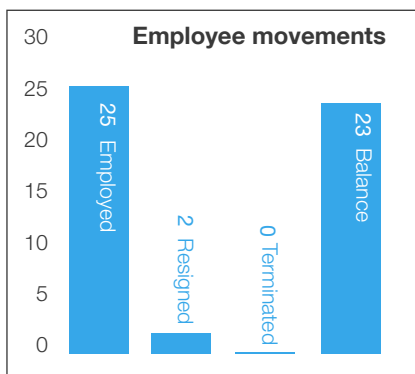
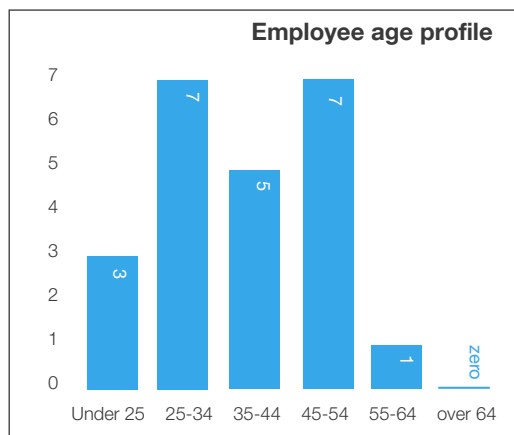
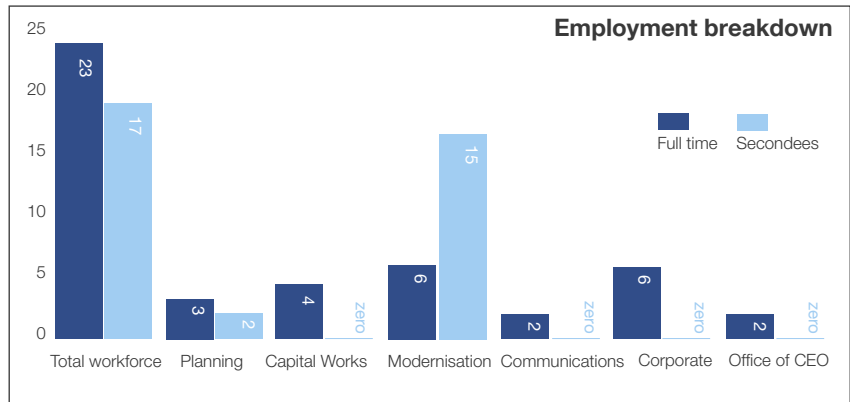
Human Resources

NVIRP's approach to people management is dynamic. It focuses on continual improvement and providing an environment where staff have a sense of belonging with the ability to work as part of a diverse group of individuals, delivering organisational objectives as a team.

In the coming year, NVIRP will implement an improved learning and development program, adopt a strategic approach to recruitment and further promote an organisational culture of learning and development.

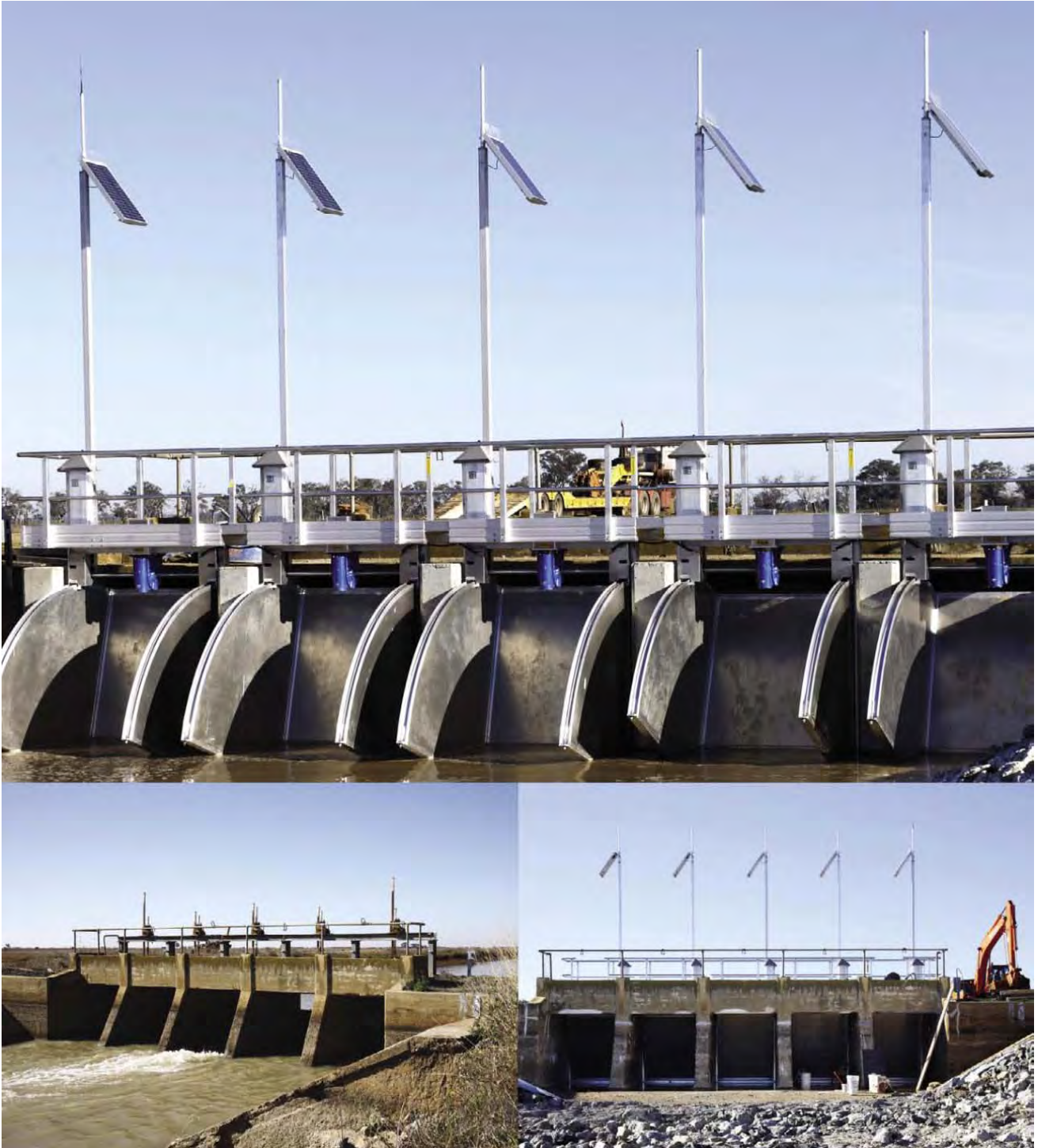
Workforce Data

During the past 12 months NVIRP has built a capable workforce by attracting skilled and talented employees with the drive and commitment to see the project through to fruition. Last year's annual report noted that NVIRP was in the start-up phase, with only one employee. NVIRP can now report that it has successfully appointed 40 people to its workforce as at 30 June 2009. This figure comprises 23 direct employees and 17 secondees.



“The tour clarified to me the big picture on water. How everything fits together and how important the modernisation is for the irrigators.”

Jennifer Garrett, Benalla Ensign



Regulators at Pyramid-Boort: before, during and after automation

Table 3.1 - Statement of workforce data

	2007-2008			2008-2009		
	Number of staff at 30/06	Male	Female	Number of staff at 30/06	Male	Female
Executive Officers (salary greater than \$127,721)	1	1	0	4	4	0
Senior Management (salary less than \$127,721)	0	0	0	8	6	2
Administration Staff	0	0	0	11	0	11
Secondees	0	0	0	17	15	2
Totals	1	1	0	40	25	15

Learning & Development

Success comes through recognising the value of staff and encouraging that value through professional and personal development.

NVIRP has adopted a culture of learning across the organisation, which has seen all employees complete compulsory training throughout the year. In addition, many staff have made a commitment to ongoing professional and personal development, which has enabled them to deliver the best outcomes for the organisation.

In the coming 2009-10 year, NVIRP will reaffirm its commitment to learning and development by forming strategic partnerships with registered training organisations to develop a quarterly staff training program. This will allow NVIRP to utilise the skills developed within the organisation through succession planning and the retention of valuable organisational knowledge in the future.

Future Leaders

NVIRP is sponsoring two participants in the Fairley Leadership Program in 2009, 2010 and 2011. The program, now in its 12th year, aims to create future leaders in a changing environment. There are currently two "Fairley Fellows" in NVIRP's workforce, with another staff member and irrigator participating in the 2009 program.



"I feel very lucky to have the opportunity to work and learn at NVIRP."
Sara Mould, Trainee.

Youth and Traineeships - Building the community's future workforce

Recognising the importance of young people in the community, NVIRP has provided individuals with the opportunity to participate in a traineeship program. The traineeship has given them the knowledge and skills to further develop their employability. This year NVIRP appointed one staff member to take part in Certificate III in Business, allowing flexibility to learn and earn at the same time.

Barpirdhila Program

In conjunction with Transfield Services Australia (TSA) we have engaged in a program to support young Indigenous people to complete secondary school to the stage necessary to qualify for tertiary education, a traineeship or apprenticeship and to then guarantee their placement in a company as a graduate trainee or apprentice. The support is for three years with the opportunity to extend further.

On site man hours worked: 175,000

Lost Time Injuries recorded: Nil

Occupational Health and Safety

NVIRP values Occupational Health and Safety within the office environment and across the entire project delivery. This is demonstrated through the development of policies and procedures that promote a safe environment for staff. NVIRP staff members are invited to take part in the consultation process and provide valuable input by joining the NVIRP Occupational Health and Safety Committee. In addition, staff are encouraged to take responsibility for their own health, safety and wellbeing and that of those around them.

Key OH&S initiatives undertaken in the 2008-09 year include:

- ↳ design and development of office accommodation taking into consideration ergonomics, lighting and facilities that provide a safe working environment
- ↳ consideration for the health and wellbeing of employees, such as the provision of influenza vaccinations
- ↳ establishment of OH&S Committee which meets on a monthly basis and consults with management staff on a range of issues
- ↳ regular workplace audits to identify and address any workplace risks.

Enterprise Bargaining Agreement

NVIRP has developed, negotiated and implemented the NVIRP Agreement 2008 which became operational on 28 May 2009. The agreement takes into account the most recent changes implemented on 1 July 2009 through the *Fair Work Act*, with all non executive staff members working within the boundaries set out by this agreement.

Merit, Privacy and Equity

NVIRP is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of key selection criteria and other accountabilities without discrimination. NVIRP's ongoing policy development ensures that programs consider issues relating to women, youth and people from Indigenous and culturally and linguistically diverse backgrounds.

On completion of the 2009 Winter Works program 175,000 man hours on work sites were recorded with zero Lost Time Injuries, which is a testament to Transfield Services Australia's management of the work packages under NVIRP's guidance.



Left to right: Paul Ritchie TSA, Murray Smith CEO, Garry Seaborne EM Capital NVIRP and Felipe Villafraide TSA.

Organisational chart

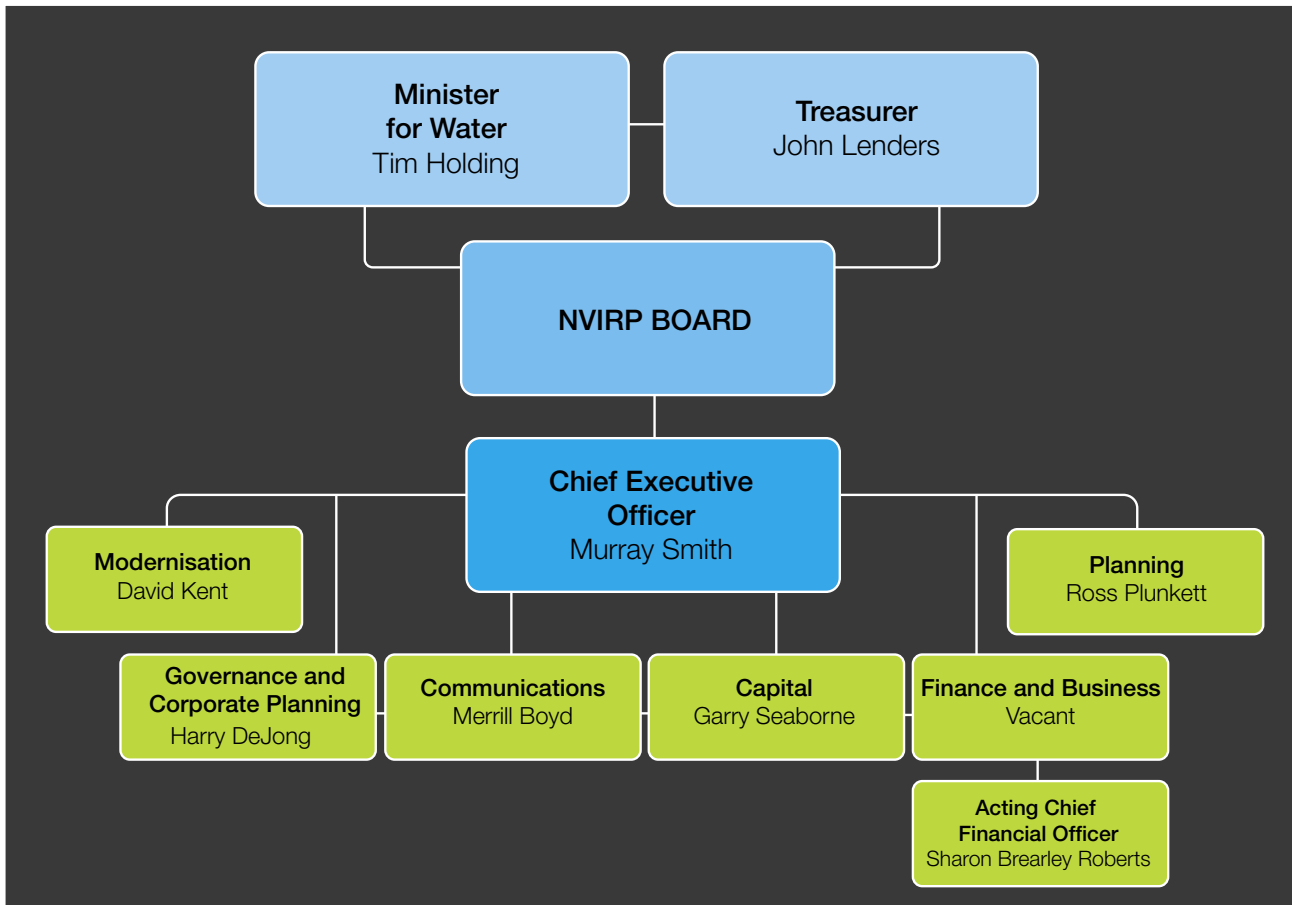


Figure 3.1 - Organisational chart to executive level, September 2009

Committees

"I hope that the NVIRP Steering Committee will help us identify our major issues here in the Campaspe region and with general consultation we will all be able to find a direction forward for the Campaspe irrigators."

Bruce Macague, Rochester

Inter Agency Committee

The Victorian Government is a key stakeholder through its central and portfolio agencies. This includes:

- ↳ the project's principal funding managers DSE and DTF, who have a role to ensure that their investment will deliver the agreed outcomes
- ↳ central and related agencies with a longer-term interest in the modernisation outcomes such as DPI (in its interaction with the irrigation community) and RDV (in driving economic development of the region)
- ↳ Department of Premier and Cabinet (DPC) who have an interest from an overall Government performance aspect and inter-governmental policy management.

To support the key central agency relationships, an Inter Agency Committee (IAC) has been established to:

- ↳ provide a senior key Government agency perspective and assess issues for NVIRP
- ↳ identify and facilitate any approvals or consents that may be required at a central level or remove hurdles or barriers that are impeding the project's progress.

Membership of the committee is drawn from NVIRP, DSE, DTF, DPC, DPI and RDV with the NVIRP CEO as its chair.

Technical Advisory Group (TAG)

NVIRP has convened a TAG with representation from NVIRP SOE (Chair), DSE, DPI, G-MW, Catchment Management Authorities (Goulburn Broken and North Central), irrigator representatives and technical advisors to NVIRP.

The role of the TAG is to:

- ↳ provide advice on technical issues concerning the delivery of the project
- ↳ provide a forum to facilitate communication between the agencies represented on the TAG
- ↳ streamline NVIRP decision-making through more efficient consultation and better coordinating agency input
- ↳ provide a forum for input and awareness on matters to be referred to the NVIRP Board
- ↳ as required, provide advice and assist in the decision-making process before papers are submitted to the NVIRP Board
- ↳ through its members, keep each of the agencies represented on the TAG informed on the direction, scope and progress in implementing NVIRP
- ↳ enhance the value of NVIRP task delivery by ensuring coordination with other projects and programs being delivered by the TAG member agencies in the GMID.

Modernisation Committees

Modernisation Consultation Committees have been established in each of the five irrigation areas that are under NVIRP's responsibility. Representation is generally community based, with agency staff appointed based on relevant issues impacting on the

specific irrigation area. The committees were originally established by G-MW as part of the Reconfiguration Program but have transferred across to NVIRP as part of the overall Modernisation Program.

The Modernisation Committees have the following functions:

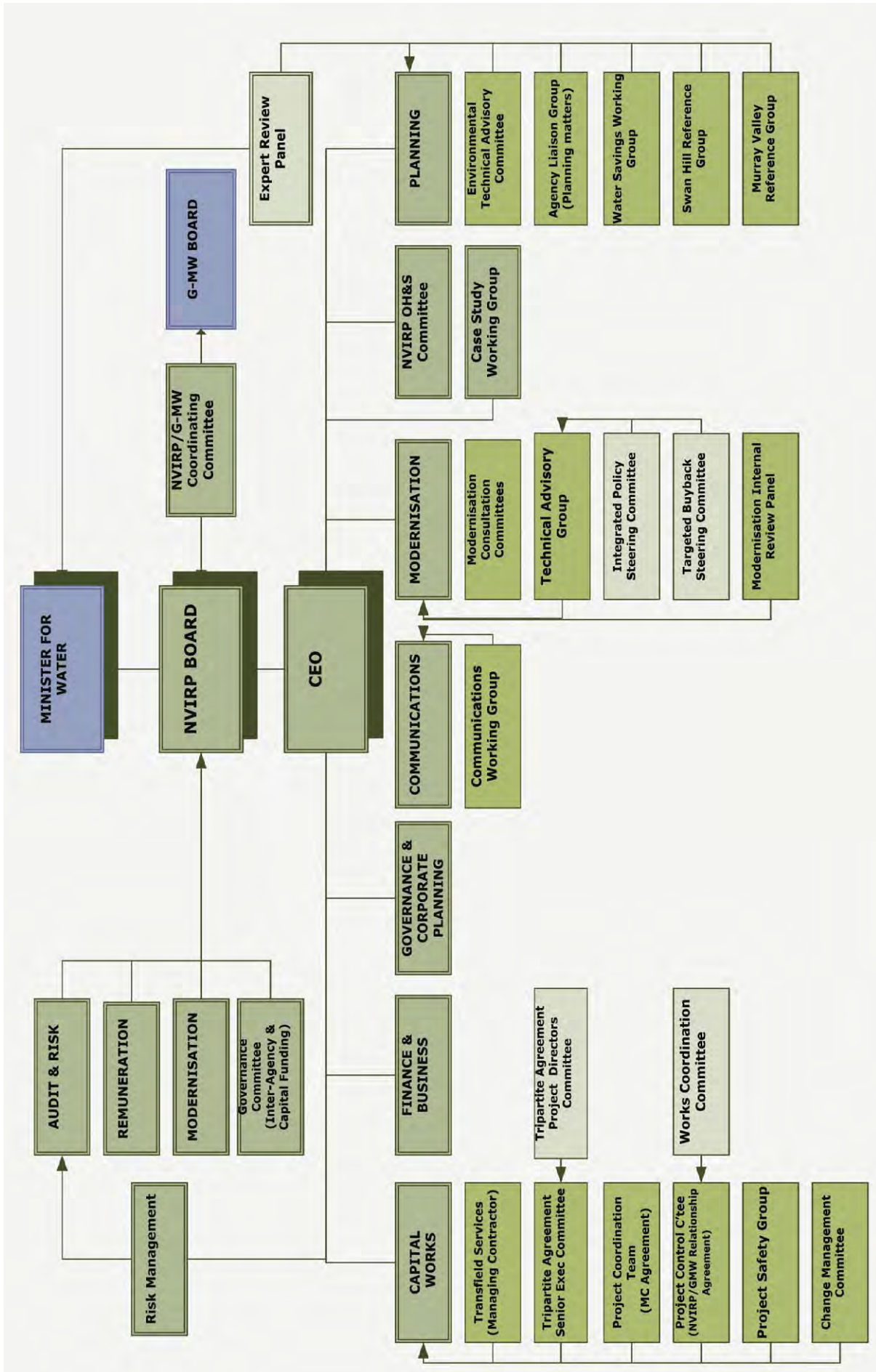
- ↳ provide input and guidance on the project development and delivery and promote community ownership of the project
- ↳ provide advice to NVIRP on various aspects of the project
- ↳ represent the diversity of irrigator and stakeholder perspectives and assist NVIRP and those involved in the project to understand the issues and expectations of the community
- ↳ provide input into the development of consultation strategies that meet stakeholder needs and assist in irrigator communication
- ↳ report back to representative bodies as deemed appropriate.

Key Stakeholders

Collaboration between stakeholders is vital for the project to succeed. Strong partnerships are required with G-MW, irrigators and many other key stakeholders to maximise the benefits the project will bring to the region.

The project will have a significant impact on communities in the GMID by providing a more sustainable future for the region and facilitating, assisting and supporting regional development. New partnerships will develop as the project evolves with an aim to further optimise the social, economic and environmental benefits.

Figure 3.2 - NVIRP Committees reporting flow



Corporate environmental sustainability

NVIRP will continue to enhance its environmental performance and approach to environmental sustainability through reduced:

↘ water consumption through strict monitoring ↘ energy consumption and greenhouse emissions ↘ waste through avoidance, reuse and recycling ↘ fleet related energy through improved fuel efficiency.

The table below reflects the data relating to administrative activities only. Information has not been provided for 2007-2008, as this was NVIRP's inception year and meaningful data was not available.

Table 3.2 - Environmental Data Report

	Indicator	Unit	2008-09
Energy			
E1	Total energy usage (including Green Power)	Megajoules	222,312
E2	Greenhouse gas emissions associated with energy use	Tonnes CO ₂ e	75
E3	Percentage of electricity purchased as Green Power	% of total electricity consumption	Nil
E4	Units of office energy used per Full Time Employee (FTE)	Megajoules/FTE	9,666
E5	Units of office energy used per unit of office space	Megajoules/m ²	330
Waste			
Ws1	Total units of office waste disposed of by destination	Kilograms	4,392
	↘ landfill		3,120
	↘ recycling		1,220
	↘ compostable		52
Ws2	Units of office waste disposed of per FTE	Kilograms/FTE	191
	↘ landfill		136
	↘ recycling		53
	↘ compostable		2
Ws3	Recycling rate	% of total waste	29%
Ws4	Greenhouse gas emissions associated with waste disposal	Tonnes CO ₂ e	3
Paper			
P1	Total units of A4 equivalent copy paper used	Reams	989
P2	Units of AUD\$ equivalent copy paper used per FTE	Reams/FTE	43
P3	Percentage of recycled content of copy paper purchased	%	Nil
Water			
W1	Total units of metered water consumed (metered potable water from a town water supply)	Kilolitres	464
W2	Units of metered water consumed in office per FTE	Litres/FTE	20
W3	Units of metered water consumed in office per unit of office space	Litres/m ²	1
Transportation			
T1	Total energy consumption segmented by vehicle type	Megajoules	442
	↘ unleaded		405
	↘ diesel		37
T2	Total vehicle travel associated with entity operations segmented by vehicle type	Kilometres	383,093
	↘ unleaded		350,054
	↘ diesel		33,039
T3	Total greenhouse gas emissions from vehicle fleet segmented by vehicle type	Tonnes CO ₂ -e	43
	↘ unleaded		40
	↘ diesel		3
T4	Greenhouse gas emissions from vehicle fleet per 1,000km segmented by vehicle type	Tonnes CO ₂ -e/1,000km	0.043
	↘ unleaded		0.040
	↘ diesel		0.003
T5	Total distance travelled by air	Kilometres	5,210
T6	Employees regularly (>75% of work attendance days) using public transport, cycling, walking or car pooling to and from work or working from home by locality type (regional area).	% of total employees	Nil

Financial summary

Table 3.3 - Financial summary 2008-2009

	2009 \$'000	2008 \$'000
Revenue from Government (a)	14,788	6,494
Other income and revenue	329	23
Total income	15,117	6,517
Total expenses	(15,520)	(2,263)
Net result of the period	(403)	4,254
Net cash flow from operations	7,939	6,652
Total assets	133,483	6,802
Total liabilities	25,751	2,548

NVIRP's first period of operation commenced 21 December 2007. As a result, only two periods of data are available.

(a) Revenue from Government includes both Output and Special Appropriations.

Table 3.4 - Funding summary 2008-2009

Funding	Total Project Budget \$M	Expenditure		
		2009 \$M	2008 \$M	Total
Operational Expenditure	50.4	11.5	2.3	13.8
Project Funding	841.1	42.4	-	42.4
Funding to NVIRP	891.5	53.9	2.3	56.2
Early Works Funding (DSE/G-MW)	113.0	(b)	(b)	(b)
Total	1,004.5			

(b) Expenditure associated with Early Works has and will be recorded in the Financial Statements of G-MW and DSE.

Current year financial review

Overview

- ↘ Revenue from government was \$8.3 million higher than 2007-08, resulting from an increase in output funding of \$4.2 million and the recognition of \$4 million special appropriation for project costs incurred during the year.
- ↘ The net loss for the period of \$0.4 million compared to the surplus of \$4.2 million in the prior year is due to NVIRP being operational for the full financial year. Costs expected to be incurred in 2007-08 were actually incurred in 2008-09. The shortfall was funded from the carried forward surplus of the previous year.

Net assets increased by \$103.5 million from 2007-08. The increase is represented by:

- ↘ \$103.8 million in capital contributions from DSE which was reflected by the following changes in assets and liabilities during the period, offset by the loss for the period
- ↘ \$38.4 million construction work in progress representing costs incurred to date that are expected to result in an asset or enhance an asset held by G-MW, which will be transferable to G-MW
- ↘ \$82.2 million increase in cash and cash equivalents due to the timing of the flow of funds associated with the funding deeds between the DSE and NVIRP
- ↘ \$15.1 million increase in payables related to the Winter Works for the 2008-09 period.

Financial Performance and Business Overview

NVIRP was established to plan, design and deliver a project to modernise the irrigation system in the GMID, accordingly it does not generate revenue. The revenue recorded results from government contributions to the project and any interest earned on the funds received.

Contributions towards the operation of NVIRP as an entity are recognised as revenue in the period in which they are due and receivable under the funding deed. For 2008-09 this amount was \$10.7 million. Contributions towards the delivery of the project for expenditure that cannot be transferred to G-MW, is recognised according to the stage of completion of the project delivery at the end of the financial year. The amount that is not recorded as revenue is represented as unearned revenue within the liabilities section of the balance sheet.

The net loss for the period of \$0.4 million resulted from costs which had been expected to be incurred in 2007-08 actually being incurred in 2008-09. The shortfall was funded from the carried forward surplus from the prior year.

Financial Position – Balance Sheet

Net assets increased by \$103.5 million to \$107.7 million mainly from increases in total assets of \$126.6 million, comprising an \$87.2 million increase in financial assets and \$39.4 million increase in non-financial assets. This was offset by an increase in total liabilities of \$23.2 million.

The increase in financial assets is mainly from cash and cash equivalents due to the timing of funds flows associated

with the funding deeds between DSE and NVIRP.

The increase in non-financial assets is mainly due to construction work in progress representing costs incurred to date, which are expected to result in an asset or enhance an asset held by G-MW.

The increase in payables is related to the Winter Works for the 2008-09 period.

Cashflows

The overall cash surplus of \$82.2 million for the 2008-09 financial year was a net increase of \$75.6 million compared to the previous year. This additional cash was as a result of contributions received from DSE towards the funding of the project and contributions resulting from the Reconfiguration Program Transfer Agreement.

Cash outflows used in investing activities were \$27.6 million higher than the prior year due to NVIRP directly funding the Winter Works for the 2008-09 period.

Cash inflows from financing activities were \$101.9 million compared to zero in the prior period. The timing of contributions under the funding deeds were constructed to ensure that sufficient cash was available to NVIRP to meet its obligations under the agreed construction schedules. The contributions at 30 June 2009 represent funding in relation to the 2008-09 Winter Works period of \$70.2 million and funding under the Reconfiguration Program Transfer Agreement of \$31.7 million.

Risk management and risk attestation

Risk Management

NVIRP has a Risk Management Plan and Risk Register in place, prepared in accordance with the Australian/New Zealand Risk Management Standard AS4360. The Risk Register was initially prepared from risks identified through the business case processes. Subsequent development of the Risk Register has occurred throughout the development and delivery of the project including conducting workshops with various stakeholders.

The risk framework provides a consistent and solid foundation on which to identify, assess, measure, manage and report risks.

The NVIRP Board and management are continuing to develop the risk management framework, including the strategic risk and holistic risk management framework.

Attestation by Chair in relation to Risk Management at NVIRP

I Richard Guy, certify that the Northern Victoria Irrigation Renewal Project (NVIRP) has project risk management processes in place consistent with the Australia/New Zealand Risk Management Standard AS4360. An internal control system is also in place that enables executives to understand, manage and satisfactorily control material risk exposures.

The Audit and Risk Committee verifies this assurance and that the risk profile of NVIRP has been critically reviewed within the last 12 months.



Richard Guy
Chairman

15 September 2009

Consultancies

Table 3.5 - Consultancies

Consultant	Project	Total approved NVIRP project fee \$'000	Expenditure 2008-09 \$'000	Future commitments \$'000
Evans and Peck	Business Case - Capital Program Delivery Advisor	401	243	0
Hydro Environmental Pty Ltd	Business Case - Engineering and Technical Advisor	320	240	0
KPMG	Business Case - Project Management Advisor	481	261	0
RMCG	Business Case - Customer Connections Advisor	628	450	0
PricewaterhouseCoopers	Business Case - Risk Management Advisor	474	344	0
CDL	Business Case - Financial Advisor	409	409	0

Total approved project fees and expenditure for 2008-09 excludes GST.
No consultancies of less than \$100,000 were awarded during the reporting period.

Definition of consultancies

An arrangement where an individual or organisation is engaged to:

- i. provide expert analysis and advice which facilitates decision making
- ii. perform a specific one off task
- iii. perform a task involving skills and perspective that would not normally be expected to reside within the entity.

They must meet all three criteria to be classified as consultants.

Victorian Industry Participation Policy (VIPP)

The *Victorian Industry Participation Policy Act 2003* requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy.

During 2008-09, NVIRP commenced six contracts totalling \$12,572,785 in value to which the Victorian Industry Participation Policy (VIPP) applied. All contracts are for regional projects.

The commitments by contractors under the VIPP included:

- ↳ 100 per cent local content
- ↳ 262 full-time equivalent jobs including 221 new jobs
- ↳ transfer of irrigation construction skills, safety systems and environmental and cultural awareness training.

The benefits include increased local employment and a boost to the regional economy.

State Owned Enterprise for Irrigation Modernisation in
Northern Victoria – trading as NVIRP (Northern Victoria
Irrigation Renewal Project)

FINANCIAL REPORT

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Comprehensive Operating statement for the financial year ended 30 June 2009

	Note	2009 \$	2008 \$
Income from transactions			
Government Grants	2(a)	14,788,448	6,494,000
Interest	2(b)	329,015	23,278
Other income	2(c)	68	22
Total Income from transactions		15,117,531	6,517,300
Expenses from transactions			
Employee benefits	3(a)	1,960,395	205,714
Depreciation and amortisation	3(b)	48,534	391
Finance costs	3(c)	1,360	559
Project costs	3(d)	4,018,448	-
Other operating expenses	3(e)	9,492,074	2,056,736
Total expenses from transactions		15,520,811	2,263,400
Net result from transactions (net operating balance)		(403,280)	4,253,900
Comprehensive result		(403,280)	4,253,900

The above comprehensive operating statement should be read in conjunction with the accompanying notes.

Balance sheet as at 30 June 2009

	Note	2009 \$	2008 \$
Assets			
Financial assets			
Cash and cash equivalents	15(a)	88,865,269	6,637,643
Receivables	4	5,197,258	150,935
Total financial assets		94,062,527	6,788,578
Non-financial Assets			
Construction Work in Progress	5	38,461,333	-
Prepayments		199,719	-
Property, plant and equipment	6	759,840	14,144
Total non-financial assets		39,420,892	14,144
Total assets		133,483,419	6,802,722
Liabilities			
Payables	7	17,606,307	2,546,264
Provisions	9	153,003	2,558
Unearned Revenue	8	7,991,462	-
Total liabilities		25,750,772	2,548,822
Net assets		107,732,647	4,253,900
Equity			
Accumulated surplus		3,850,620	4,253,900
Contributed capital		103,882,027	-
Total equity		107,732,647	4,253,900
Commitments	12		
Contingent liabilities and contingent assets	13		

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity for the financial year ended 30 June 2009

	<i>Equity at 1 July 2008</i>	<i>Total comprehensive result</i>	<i>Transactions with owners in their capacity as owners</i>	<i>Equity at 30 June 2009</i>
	\$	\$	\$	\$
Accumulated surplus/(deficit)	4,253,900	(403,280)	-	3,850,620
	4,253,900	(403,280)	-	3,850,620
Contributions by owners				
Capital Appropriations	-	-	103,882,027	103,882,027
	-	-	103,882,027	103,882,027
Total equity at end of financial year	4,253,900	(403,280)	103,882,027	107,732,647
	<i>Equity at 1 July 2007</i>	<i>Total comprehensive result</i>	<i>Transactions with owners in their capacity as owners</i>	<i>Equity at 30 June 2008</i>
	\$	\$	\$	\$
Accumulated surplus/(deficit)	-	4,253,900	-	4,253,900
Total equity at end of financial year	-	4,253,900	-	4,253,900

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statement for the financial year ended 30 June 2009

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Receipts			
Receipts from Government		22,789,000	7,113,183
Goods and Services Tax recovered from the Australian Tax Office		2,812,087	-
Interest received		365,533	23,278
Other receipts		68	22
Total receipts		25,966,688	7,136,483
Payments			
Payments to suppliers and employees		(17,407,187)	(483,783)
Goods and Services Tax paid to the Australian Tax Office		(619,182)	-
Interest and other costs of finance paid		(1,360)	(522)
Total payments		(18,027,729)	(484,305)
Net cash flows from/(used in) operating activities	15(b)	7,938,959	6,652,178
Cash flows from investing activities			
Payment for property, plant and equipment		(794,231)	(14,535)
Interest from investments		248,974	-
Payments for Construction Work in Progress		(27,119,672)	-
Net cash flows from/(used in) investing activities		(27,664,929)	(14,535)
Cash flows from financing activities			
Proceeds from capital contributions by State Government		101,953,596	-
Net cash flows from/(used in) financing activities		101,953,596	-
Net increase/ (decrease) in cash and cash equivalents		82,227,626	6,637,643
Cash and cash equivalents at the beginning of the financial year		6,637,643	-
Cash and cash equivalents at the end of the financial year	15(a)	88,865,269	6,637,643

There were no non cash transactions during the period.

The above cash flow statement should be read in conjunction with the accompanying notes.

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Notes to the financial statements

For the financial period ended 30 June 2009

Note 1. Summary of accounting policies

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared on an accrual basis in accordance with the Financial Management Act 1994 and applicable Australian Accounting Standards and Interpretations (AASs). AASs include Australian equivalents to International Financial Reporting Standards.

In complying with AASs, the entity has, where relevant, applied those paragraphs applicable to not for profit entities.

(b) Basis of Accounting

General

Historical Cost Convention

The financial statements have been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

Critical Accounting Estimates

In the application of AASs, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods.

Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented for the period ended 30 June 2008.

Note 1. Summary of accounting policies (continued)

(c) Scope and presentation of financial statements

Early adoption of AASB 101 (September 2007)

As a result of a state wide policy to improve consistency in public sector reporting, the Entity has revised the presentation of its complete set of financial statements to align with the AASB 1049 presentation format, used in the Financial Report for the State and the general government sector. In addition, the Entity has also early adopted the September 2007 version of AASB 101.

In keeping with AASB 101 (September 2007) this complete set of financial statements includes the following changes:

- (a) the notion of:
- 'a complete set of financial statements' rather than using 'financial report';
 - 'changes in equity' rather than 'movements in equity'; and
 - 'transactions with owners in their capacity as owners' rather than 'transactions with owners as owners'.

- (b) references to equity holders as owner.

Some of the changes applied to the financial statements and notes as a result of alignment to AASB 1049 that are allowable under the AASB 101 (September 2007) include the following:

- extended operating statement incorporating non-owner changes in equity, which is now referred to as comprehensive operating statement;
- items being presented by liquidity order in the balance sheet;
- the inclusion of a limited number of Government Finance Statistics (GFS) classifications, such as income or expenses from transactions, and other economic flows; and
- a glossary of terms included in the notes explaining certain terms, including GFS terms adopted.

Comprehensive operating statement

The comprehensive operating statement includes items previously included in the statement of changes in equity. Income and expenses in the comprehensive operating statement are separated into either 'transactions' or 'other economic flows'.

Balance sheet

Items of assets and liabilities in the balance sheet are:

- ranked in liquidity order;
- aggregated into financial and non financial assets;
- classified according to GFS terminology, but retain measurement and disclosure rules under existing accounting standards applicable to the Department; and
- current versus non current assets and liabilities are disclosed in the notes where relevant.

Note 1. Summary of accounting policies (continued)

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non owner and owner equity opening balance at the beginning of the year to the closing balance at the end of the year, showing separately movements due to amounts recognised in the comprehensive result and amounts recognised in equity related to transactions with owners in their capacity as owners.

Cash flow statement

The cash flow statement classifies flows by operating, investing and financing activities in accordance with AASB 107 *Cash Flow Statements*. There were no significant changes due to alignment of the Entity's financial statements presentation formats to AASB 1049

(d) Reporting entity

The financial report covers the State Owned Enterprise for Irrigation Modernisation in Northern Victoria trading as NVIRP, Northern Victoria Irrigation Renewal Project ("Entity") an individual reporting entity. The Entity is a State body, established pursuant to an Order in Council made under the State Owned Enterprise Act 1992. Its principal address is:

State Owned Enterprise for Irrigation Modernisation in Northern Victoria
461 Wyndham St
Shepparton VIC 3630

(e) Objectives and funding

The Entity's objectives are to plan, design and deliver the Program for modernisation of the Goulburn and Murray irrigation systems.

Stage 1 of the Program, which is expected to be completed during 2012-13, will cost \$1.004 billion. Refer to note 12 for further details.

The 2008-09 financial year was the first year of NVIRP's involvement in capital works, the comparative period was for only 1 month of operation.

(f) Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Entity and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the balance date and the date the statements are authorised for issue where the events relate to condition which arose after the reporting date and which may have a material impact on the results of subsequent years.

Note 1. Summary of accounting policies (continued)

(g) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow. Commitments and contingent assets or liabilities are presented on a gross basis.

(h) Income from transactions

Government Contributions

Government grants and contributions are recognised as operating revenue (unless designated as contributions) on receipt or when an entitlement is established, whichever is the sooner, and disclosed in the comprehensive operating statement as government contributions.

Interest revenue

Interest revenue is recognised when interest is earned.

Contract revenue

The entity recognises contract revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Entity. Revenue for the provision of the project to deliver a modernised irrigation system is recognised based on a percentage of completion basis. The portion of revenue received in advance which is not recognised using the percentage of completion basis is recorded as unearned revenue within Current Liabilities.

(i) Expenses

Employee benefits

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements and superannuation contributions. These are recognised when incurred.

Superannuation – defined benefit plans

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by the Entity to the superannuation plan in respect to the current services of current Entity staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

The Department of Treasury and Finance centrally recognises the defined benefit liability or surplus of most Victorian government employees in such funds.

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the accrual of benefits during the reporting period. Note 10 provides further details.

Note 1. Summary of accounting policies (continued)

Superannuation – defined contribution plans

The amount charged to the comprehensive operating statement in respect of defined contribution superannuation plans represents the contributions made by the Entity to the superannuation plan in respect to the current services of current Entity staff. Superannuation contributions are made to the plans based on the Superannuation Guarantee legislation. The amount charged to the comprehensive operating statement in respect of defined contribution superannuation plans represents the accrual of benefits during the reporting period. Note 10 provides further details.

Depreciation and amortisation

Depreciation is provided on plant and equipment. Depreciation is on a straight-line basis so as to allocate the cost, net of their residual values, over their expected useful lives or the life of the project, whichever is shorter, commencing from the time the asset is held ready for use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. Note 6 provides details on the estimated useful lives that are used in the calculation of depreciation on plant and equipment.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. Note 6 provides details on the estimated useful lives that are used in the calculation of depreciation on leasehold improvements.

(j) Supplies and services

Supplies and services generally represent the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Entity. These items are recognised as an expense in the reporting period in which they are incurred.

(k) Cash and deposits

Cash and deposits, including cash equivalents comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of amounts of cash and are subject to insignificant changes in value.

For cashflow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as interest bearing liabilities on the balance sheet.

(l) Receivables

Receivables consist predominantly of debtors in relation to accrued investment income and GST input tax credits recoverable.

Receivables are recognised initially at fair value and subsequently measured at amortised cost less any accumulated impairment.

Note 1. Summary of accounting policies (continued)

(m) Leases

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating Leases

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

(n) Non-Financial Assets

Construction work in progress

Costs associated with the Entity's delivery of a modernised irrigation system which result in an asset or enhance a fixed asset held by G-MW will be recorded as Construction Work In Progress. The balance of Construction Work in Progress represents the costs incurred to date less the value of assets or asset enhancements transferred to G-MW during the period.

Property, plant and equipment

Plant and equipment are measured at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

(o) Liabilities

Payables

Payables represent liabilities for goods and service provided to the Entity that are unpaid at the end of the financial year. Payables are initially recognised at fair value and arise when the Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

Unearned Revenue

Funding for the delivery of the project to modernise the irrigation system is received in advance. That portion of the funds which is not recognised as revenue, when using the percentage of completion methodology, is recognised as unearned revenue. The balance of unearned revenue represents funds advanced to date less amounts recognised as revenue for the project to date.

Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Note 1. Summary of accounting policies (continued)

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

- **Current liability unconditional LSL** (representing 7 or more years of continuous service for VPS staff and 10 and more years of continuous service for executives) is disclosed as a current liability even where the entity does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months

The components of this current LSL liability are measured at:

- present value – component that the Entity does not expect to settle within 12 months; and
- nominal value – component that the Entity expects to settle within 12 months

- **Non current liability – conditional LSL** (representing less than 7 years of continuous service for VPS staff and less than 10 years of continuous service for executives) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

This non current LSL liability is measured at present value.

(iii) Employee benefits on-costs

Employee benefits on-costs, including payroll tax, are recognised separately from provision for employee benefits.

(p) Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value, and inclusive of the GST payable.

(q) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(r) Equity

Contribution by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

(s) Rounding of amounts

Amounts in the financial report have been rounded to the nearest dollar, unless otherwise stated.

Note 1. Summary of accounting policies (continued)

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises Departments and other entities of their applicability and early adoption where applicable.

As at 30 June 2009, a number of standards and interpretations had been issued that were not mandatory for financial year ending 30 June 2009. The Entity has not adopted these standards for this reporting period. Listed below are the standards which may have some applicability to the Entity and the possible impact on the financial statements.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on financial statements
<i>AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038].</i>	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 Jan 2009	Impact expected to be insignificant.
<i>AASB 2008 5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs5, 7 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]</i>	A suite of amendments to existing standards following issuance of IASB Standard Improvements to IFRSs in May 2008. Some amendments result in accounting changes for presentation, recognition and measurement purposes.	Beginning 1 Jan 2009	Impact is being evaluated.
<i>AASB 2008 9 Amendments to AASB 1049 for Consistency with AASB 101</i>	Amendments to AASB 1049 for consistency with AASB 101 (September 2007) version.	Beginning 1 Jan 2009	Not applicable to public sector entities except for certain presentation formats.

Note 2. Income and transactions

	2009	2008
	\$	\$
Income		
(a) Revenue from Government		
Government Grants	14,788,448	6,494,000
Total revenue from Government	14,788,448	6,494,000
(b) Interest		
Interest on deposits	329,015	23,278
Total interest	329,015	23,278
(c) Other		
Total other revenue	68	22

Note 3. Expenses from transactions

	2009	2008
	\$	\$
Expenses		
(a) Employee benefits:		
Post employment benefits		
• Defined contribution superannuation plans	103,873	1,514
• Defined benefit superannuation expense	8,966	-
Board Remuneration	271,335	165,144
Salaries and wages	1,576,221	39,056
Total employee benefits	1,960,395	205,714
(b) Depreciation and amortisation		
Depreciation of non-current assets	48,534	391
Total depreciation and amortisation	48,534	391
(c) Interest expense		
Other finance costs	1,360	559
Total finance costs	1,360	559
(d) Project Costs		
Planning, design and on farm works	4,018,448	-
Total project costs	4,018,448	-
(e) Other expenses		
<i>Supplies and services</i>		
Purchase of supplies and consumables	331,387	30,563
Purchase of services	8,907,020	2,022,090
Total supplies and services	9,238,407	2,052,653
<i>Operating lease rental expenses:</i>		
• Minimum Operating lease payments	253,667	4,083
Total operating lease rental expenses	253,667	4,083
Total other expenses	9,492,074	2,056,736

Note 4. Receivables

	2009	2008
Current receivables	\$	\$
Amounts due from Victorian Government	2,500,000	-
Other receivables	-	1,205
	2,500,000	1,205
Statutory		
GST input tax credit recoverable	2,697,258	149,730
Total current receivables	5,197,258	150,935

(a) Nature and extent of risk arising from receivables

Please refer to Note 14(b) for the nature and extent of credit risk arising from receivables.

Note 5. Construction Work in Progress

	2009	2008
Non-Current	\$	\$
Construction Work in Progress		
At Cost	38,461,333	-
Total Construction Work in Progress	38,461,333	-

Note 6. Property, plant and equipment

	2009	2008
Non-Current	\$	\$
Property, plant and equipment		
At Cost	808,765	14,535
Accumulated depreciation	(48,925)	(391)
	759,840	14,144

Movements in carrying amounts

	2009	2008
Property, plant and equipment	\$	\$
Opening balance	14,144	-
Additions	794,230	14,535
Disposals	-	-
Depreciation expense	(48,534)	(391)
Closing balance	759,840	14,144

The following useful lives of assets are used in the calculation of depreciation:

Plant and equipment	3-5 years
Leasehold improvements	3-5 years

Note 7. Payables

	2009	2008
Current payables	\$	\$
Amounts payable to other government agencies	857,061	-
Supplies and services and construction work in progress ^(a)	16,565,296	1,955,132
	17,422,357	1,955,132
Statutory	-	-
Taxes payable	183,950	591,132
Total payables	17,606,307	2,546,264

Note:

(a) *The average credit period is 30 days. No interest is charged on the other payables for the first 30 days from the date of the invoice.*

(a) **Maturity analysis of payables**

Please refer to table 14.4 in Note 14 for the ageing analysis of payables.

(b) **Nature and extent of risk arising from payables**

Please refer to Note 14 for the nature and extent of risks arising from payables.

Note 8. Unearned Revenue

	2009	2008
Current	\$	\$
Unearned revenue	7,991,462	-

Unearned revenue represents the portion of the funding not capitalised, directly related to project costs, received to date which has not been recognised as revenue when applying the stage of completion methodology to revenue recognition. The stage of completion methodology used is the percentage completion basis, calculated as the percentage of total funding substantially related to connections to costs for connections incurred to date.

Note 9. Provisions

	2009	2008
	\$	\$
Current		
Employee benefits ^(a) (Note 9(a))		
Unconditional and expected to be settled within 12 months ^(b)	120,773	2,103
Unconditional and expected to be settled after 12 months	-	-
	120,773	2,103
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled within 12 months ^(b)	19,740	-
Unconditional and expected to be settled after 12 months	-	-
	19,740	-
Total current provisions	140,513	2,103
Non-current		
Employee benefits ^(a) (Note 9(a))	10,815	455
Provisions related to employee benefit on-costs	1,675	-
Total non-current provisions	12,490	455
Total provisions	153,003	2,558

(a) Employee benefits^(a) and related on-costs

	2009	2008
	\$	\$
Current employee benefits		
Annual leave entitlements	52,028	2,103
Unconditional long service leave entitlements	68,745	-
Non-current employee benefits		
Conditional long service leave entitlements	10,815	455
Total employee benefits	131,588	2,558
Current on-costs	19,740	-
Non-current on-costs	1,675	-
Total on-costs	21,415	-
Total employee benefits and related on-costs	153,003	2,558

Notes:

- (a) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.
- (b) The amounts disclosed are nominal amounts.

Note 10. Superannuation

Employees of the Entity are entitled to receive superannuation benefits and the Entity contributes to both nominated defined benefit and defined contribution plans.

The defined benefit plan(s) provide benefits based on years of service and final average salary.

The Entity does not recognise any defined benefit liability in respect of the plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial statements.

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of the Entity.

The name and details of the major employee superannuation funds and contributions made by the Entity are as follows:

Fund	Paid Contribution for the Year		Contribution Outstanding at Year End	
	2009	2008	2009	2008
	\$	\$	\$	\$
Defined benefit plans:				
Emergency Services and State Superannuation Fund- revised and new	8,966	-	-	-
New Defined contribution plans:				
VicSuper	55,288	-	-	-
Vision Super	15,077	-	-	-
Other	39,200	1,514	-	1,383
Total	118,531	1,514	-	1,383

The above amounts were measured as at 30 June of each year, or in the case of employer contributions they relate to the years ended 30th June.

The bases for contributions are determined by the various schemes.

Note 11. Leases

Disclosures for lessees – operating leases

Leasing arrangements

Operating leases relate to office accommodation with lease terms of 5 years, with an option to extend for a further 2 x 2 years. The Entity does not have an option to purchase the leased asset at the expiry of the lease period.

Operating leases also relate to motor vehicles, with varying lease terms not exceeding 3 years. The Entity does not have an option to purchase the leased assets at the expiry of the lease period.

	2009	2008
	\$	\$
Non-cancellable operating leases payable		
Not longer than 1 year	348,280	15,000
Longer than 1 year and not longer than 5 years	733,318	-
Longer than 5 years	-	-
	1,081,598	15,000

Note 12. Commitments

Under the Victorian Government's 2007 "Our Water Our Future" – The Next Stage of the Government's Water Plan, the State announced \$1.004 billion funding (including \$113 million paid directly to G-MW) for Stage 1 of the Northern Victoria Irrigation Renewal Project to upgrade the Goulburn Murray Irrigation District Irrigation System in Northern Victoria. Funding is to be provided by the State Government, via The Department of Sustainability and Environment ("DSE") \$604 million, Melbourne Water Corporation ("MWC") \$300 million and Goulburn Murray Water ("G-MW") \$100 million. \$113 million was provided directly to G-MW to complete the early works program, the receipt of and expenditure of these funds is accounted for by G-MW and will not be recorded in the financial statements of NVIRP.

NVIRP will receive \$50.4 million to meet its direct operating costs and \$841.1 million for project works (excluding the \$113 million paid directly to G-MW). The funding for the project works will be received as 2 streams - \$265.5 million will be recorded as revenue and matched to expenses substantially related to connections in accordance with AASB 111 Construction Contracts and \$575.6 million will be received as capital contributions and recorded as Construction Works in Progress until such time as the works are transferred to G-MW the owners of the assets. Upon transfer capital contributions and assets will be reduced by the value of the assets to being transferred.

At 30 June 2009 the position is as follows:

	Total Committed	Received	Balance
	\$	\$	\$
Operational Funding	50,415,000	17,264,000	33,151,000
Project Funding ^(a)	841,101,020	82,112,000	758,989,020
Total Committed directly to NVIRP	891,516,020	99,376,000	792,140,020

Note:

(a) The Funding Deed between the State and NVIRP allowed for up to \$85million start up funding to be paid by 30 June 2009. \$45 million was received before 30 June 2009 with the balance of \$40 million received by August 2009.

	2009	2008
	\$	\$
(a) Commitments for receipt of Revenue		
(i) Operational Funding Commitments		
Receivable:		
Not longer than one year	9,062,000	-
Longer than one year and not longer than five years	24,089,000	-
Longer than five years	-	-
Total operational funding revenue commitments	33,151,000	-
(ii) Project Funding Commitments		
Receivable:		
Not longer than one year	268,969,000	-
Longer than one year and not longer than five years	490,020,020	-
Longer than five years	-	-
Total project funding revenue commitments	758,989,020	-

Funding deeds for funds other than operational funds received in 2007/08 were not in place at 30 June 2008.

Note 12. Commitments (continued)

(b) Commitments for Expenditure	2009	2008
	\$	\$
(i) Capital expenditure commitments		
<i>Project Works</i>		
Payable:		
Not longer than one year	40,656,758	-
Longer than one year and not longer than five years	13,500,359	-
Longer than five years	-	-
Total capital expenditure commitments	54,157,117	-
(ii) Other expenditure commitments		
<i>Specialist advisory services</i>		
Payable:		
Not longer than one year	4,365,178	-
Longer than one year and not longer than five years	435,729	-
Longer than five years	-	-
Total other expenditure commitments	4,800,907	-
(iii) Lease commitments		
Non-cancellable operating lease commitments are disclosed in Note 11 to the financial statements.	1,081,598	-
Total commitments for expenditure (inclusive of GST)	60,039,622	-
Less GST recoverable for the Australian Taxation Office	5,458,147	-
Total commitments for expenditure (exclusive of GST)	54,581,475	-

All amounts in the commitments for receipt of revenue note are nominal amounts. No GST is receivable on these amounts. All amounts shown in the commitments for expenditure note are nominal amounts inclusive of GST.

Note 13. Contingent assets and Contingent Liabilities

No contingent liabilities or assets existed at the date of the report.

Note 14. Financial instruments

(a) Financial risk management objectives and policies

The Entity's principal financial instruments comprise of:

- cash assets
- receivables (excluding statutory GST recoverable)
- payables (excluding taxes payable)

Details of the significant accounting policies and methods adopted for the recognition and measurement, of income and expenses are disclosed in Note 1 to the financial statement for each class of financial asset, financial liability and equity instrument.

The main purpose in holding financial instruments is to prudently manage the Entity's financial risks within the Government policy parameters.

Table 14.1: Categorisation of financial instruments

	Carrying amount	
	2009	2008
Financial Assets	\$	\$
Cash and cash equivalents	88,865,269	6,637,643
Receivables	2,500,000	-
Total Financial Assets^(a)	91,365,269	6,637,643
Financial liabilities		
Payables at amortised cost	17,422,357	1,955,132
Total Financial Liabilities^(b)	17,422,357	1,955,132

Notes:

(a) The amount of receivables disclosed here exclude statutory receivables (i.e. GST input tax credits recoverable)

(b) The total amount of financial liabilities disclosed here exclude statutory payables (i.e. Taxes payable)

Table 14.2: Net holding gain/(loss) on financial instruments by category

	2009	2008
Financial Assets	\$	\$
Cash and deposits	329,015	23,278
	329,015	23,278
Financial Liabilities	-	-
Payables at amortised cost	-	-

Note 14. Financial instruments (Continued)

The net holding gains or losses disclosed above are determined as follows:

- For cash and cash equivalents, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;
- For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.

(b) Credit risk

Credit risk arises from the financial assets of the Entity which comprise cash and cash equivalents, and other receivables. The Entity's exposure to credit risk arises from the potential default of counter parties on their contractual obligations resulting in financial loss to the Entity. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Entity's financial assets is minimal because the majority of receivables relate to GST on accrual raised and receivables from the State.

Except as otherwise detailed in the following table, the carrying amount of financial assets recorded in the Financial Report, net of any allowances or losses, represents the Entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Table 14.3: Ageing analysis of financial assets^(a)

	Carrying amount \$	Not past due and not impaired	Past due but not impaired				Impaired financial assets \$
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$	
2009							
Cash or cash equivalents	88,865,269	88,865,269	-	-	-	-	-
Receivables	2,500,000	2,500,000	-	-	-	-	-
	91,365,269	91,365,269	-	-	-	-	-

	Carrying amount \$	Not past due and not impaired	Past due but not impaired				Impaired financial assets \$
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$	
2008							
Cash or cash equivalents	6,637,643	6,637,643	-	-	-	-	-
	6,637,643	6,637,643	-	-	-	-	-

Note:

- (a) Ageing analysis of financial assets excludes types of statutory financial assets (e.g. Amounts owing from Victorian Government and GST input tax credit recoverable).

Note 14. Financial instruments (Continued)

(c) Liquidity risk

Liquidity risk arises when the Entity is unable to meet its financial obligations as they fall due. The Entity operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets and dealing in highly liquid markets.

DSE provides the sole source of NVIRP future funds under two funding agreements - the NVIRP Operational Funding Agreement (operating funds) and the Funding Agreement (capital project funds). These agreements provide funding, subject to appropriation being made available for the project and NVIRP meeting, to the satisfaction of DSE, a number of obligations including performance milestones and reporting. NVIRP has regular and significant capital and operating payables under contracts and agreements with providers and contractors. As a result of these funding arrangements, NVIRP has a liquidity risk were its funding to be delayed. The risk cannot be quantified and is mitigated through cashflow management.

The following table discloses the contractual maturity analysis for the Entity's financial liabilities:

Table 14.4: Maturity analysis of financial liabilities

	Carrying amount \$	Nominal amount \$	Maturity dates ^(a)			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
2009						
Payables						
Amounts payable to other government agencies	857,061	857,061	-	857,061	-	-
Other payables	16,565,296	16,565,296	16,565,296	-	-	-
	17,422,357	17,422,357	16,565,296	857,061	-	-

	Carrying amount \$	Nominal amount \$	Maturity dates ^(a)			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
2008						
Payables						
Other payables	1,955,132	1,955,132	1,955,132	-	-	-
	1,955,132	1,955,132	1,955,132	-	-	-

Note:

(a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities

(d) Market risk

The Entity's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraphs below.

Interest rate risk

The Entity has interest bearing assets with its exposure to interest rate risk not considered significant.

Note 14. Financial instruments (Continued)

Table 14.5: Interest rate exposure of financial instruments

	Interest rate exposure				
	Weighted average effective interest rate %	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non-interest rate \$
2009					
Cash and deposits					
Cash at bank	5	56,855,678	-	56,855,678	-
Cash on deposit with Treasury Corporation Victoria	2.98	32,009,591	-	32,009,591	-
Receivables	-	2,500,000	-	-	2,500,000
		91,365,269	-	88,865,269	2,500,000
Payables					
Other payables	-	17,422,357	-	-	17,422,357
		17,422,357	-	-	17,422,357
2008					
Cash and deposits					
Cash at bank	7	6,637,643	-	6,637,643	-
		6,637,643	-	6,637,643	-
Payables					
Other payables	-	1,955,132	-	-	1,955,132
		1,955,132	-	-	1,955,132

(e) Fair value

The Entity does not have any financial assets or liabilities as at 30 June 2009 that are stated other than at fair value.

Note 15. Cash flow information

(a) Reconciliation of cash and cash equivalents

	2009	2008
	\$	\$
Cash at bank	56,855,678	6,637,643
Cash on deposit with Treasury Corporation of Victoria	32,009,591	-
Balance as per cash flow statement	88,865,269	6,637,643

All cash at bank and deposits with TCV are on call.

(b) Reconciliation of net result for the period to net cash flows from operating activities

	2009	2008
	\$	\$
Net result for the period	(403,280)	4,253,900
Non-cash movements:		
Depreciation and amortisation of non-current assets	48,534	391
Movements in assets and liabilities:		
(Increase)/decrease in current receivables	(1,157,027)	(187,020)
(Increase)/decrease in other current assets	(199,718)	-
(Decrease)/increase in current payables	1,472,025	2,582,349
(Decrease)/increase in current provisions	137,954	2,103
(Decrease)/increase in other current liabilities	8,027,979	-
(Decrease)/increase in non-current provisions	12,492	455
Net cash flows from/(used in) operating activities	7,938,959	6,652,178

Note 16. Responsible persons

The names of persons who were Responsible Persons at any time during the period 1 July 2008 to 30 June 2009 are:

The Hon T Holding MP	Minister for Water
Mr Richard Guy OAM	Chairman
Mr Geoffrey Akers	Board Member
Mr Neil Brennan (Appointed 6 October 2008)	Board Member
Mrs Miranda Douglas-Crane	Board Member
Mr Terrence Francis	Board Member
Mr Peter McCamish	Board Member
Mr Barry Steggall	Board Member
Mr Murray Smith	Chief Executive Officer (Accountable Officer)

Remuneration of Responsible Persons

The numbers of Responsible Persons are shown below in their relevant income bands (excluding the Responsible Minister):

Remuneration Band	2009	2008
\$0 to \$9,999	1	1
\$10,000 to \$19,999	-	4
\$30,000 to \$39,999	5	1
\$40,000 to \$49,999	-	1
\$100,000 to \$109,999	1	-
\$290,000 to \$299,999	1	-
	8	7

In calculating the disclosures above income includes base salary and superannuation.

Total remuneration (including superannuation) received or due and receivable to the Responsible Persons from the reporting entity amounted to \$590,775 (2008 \$147,830). The Ministers remuneration is disclosed in the Financial Statements of the Department of Premier and Cabinet.

The significant movements compared to prior year have resulted from the prior year being only a part period of operation.

Transactions with Responsible Persons

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to disclose.

Note 17. Remuneration of executives

The number of executive officers, other than Ministers and accountable officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

A number of executives received bonus payments during the year. The employment contracts allow for an annual bonus payment based on pre determined Key Result Areas.

Income Band	Total Remuneration		Base Remuneration	
	2009 No.	2008 No.	2009 No.	2008 No.
\$100 000 – 109 999	-	-	2	-
\$110 000 – 119 999	1	-	1	-
\$120 000 – 129 999	2	-	1	-
\$130 000 – 139 999	-	-	-	-
\$140,000 - \$149,999	1	-	-	-
Total numbers	4	-	4	-
Total amount	509,879		455,840	

In the prior period there were no executives other than those included in the responsible persons note.

Note 18. Remuneration of auditors

	2009 \$	2008 \$
Victorian Auditor-General's Office and Audit of the financial report		
Audit or review of the financial report		
Paid	10,000	-
Payable	21,000	22,500
	31,000	22,500

Note 19. Subsequent events

Subsequent to balance date discussions have taken place between DSE, G-MW and NVIRP, being relevant parties to the Reconfiguration Program Transfer Agreement. It has been proposed to return an estimated \$24 million of the original \$31 million transferred to NVIRP during the financial year. The impact of this transaction will be a reduction of contributed capital of \$24 million and a reduction of cash assets of \$24 million.

Note 20. Glossary of terms

Backbone

Larger capacity water supply channels (carriers and trunks) that will form the nucleus of a modernised and automated water supply system to efficiently transport large volumes of water direct to customer service points.

Capital Contributions

Additions to net assets which have been designated as contributions by owners.

Comprehensive result

Total comprehensive result is the change in equity for the period other than changes arising from transactions with owners. It is the aggregate of net result and other non-owner changes in equity.

Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non cancellable contractual or statutory sources.

Connections

Public or private, piped or open channels, that allow individual properties, or a cluster of properties, to receive water from the Backbone (i.e. to be connected to the Backbone).

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature. While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non reciprocal transfers.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Note 20. Glossary of terms (continued)

Grants for on-passing

All grants paid to one institutional sector (e.g. a State general government) to be passed on to another institutional sector (e.g. local government or a private non profit institution).

Financial statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (Sept 2007), which means it may include the main financial statements and the notes.

Interest revenue

Interest revenue includes interest received on bank term deposits, interest from investments, and other interest received.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non owner changes in equity'.

Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Non-financial assets

Non financial assets are all assets that are not 'financial assets'.

On farm works

Works to be carried out on a landowner's property downstream of a service point (i.e. downstream of meter).

Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

Receivables

Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

Reconfiguration Program Transfer Agreement

The agreement between DSE, G-MW and NVIRP to allocate funds for the reconfiguration of irrigation infrastructure and generation of water recovery and savings between G-MW and NVIRP.

State Owned Enterprise for Irrigation Modernisation in Northern Victoria Statutory Certification

We certify that the attached financial report for the State Owned Enterprise for Irrigation Modernisation in Northern Victoria has been prepared in accordance with Standing Direction 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes forming part of the financial report, presents fairly the financial transactions during the period ended 30 June 2009 and the financial position of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria at 30 June 2009.

We are not aware of any circumstance which would render any particulars included in the financial report to be misleading or inaccurate.

We authorise the attached financial report for issue on 15 September 2009.




Richard Guy OAM
Chair

Melbourne
15 September 2009



Murray Smith
Chief Executive Officer

Melbourne
15 September 2009



Sharon Brearley Roberts
Acting Chief Financial Officer

Melbourne
15 September 2009

INDEPENDENT AUDITOR'S REPORT

To the Board Members of State Owned Enterprise for Irrigation Modernisation in Northern Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2009 of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the statutory certification has been audited.

The Board Member's Responsibility for the Financial Report

The Board Members of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria for the year ended 30 June 2009. The Board Members of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the State Owned Enterprise for Irrigation Modernisation in Northern Victoria website.

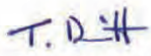
Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria as at 30 June 2009 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
17 September 2009

for 
D D R Pearson
Auditor-General

Disclosure Index

General information

NVIRP Auditors
Victorian Auditor-General's Office
Level 24
35 Collins Street
Melbourne VIC 3000

Disclosure index

The 2008-09 Annual Report of the Northern Victoria Irrigation Renewal Project is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the entity's compliance with statutory disclosure requirements.

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“Taking the politics out of the irrigation modernisation project and talking with the irrigators, I can see how positive they are about what it means for their future. I can also see how this is strengthening the Goulburn Valley region.”

Geoff Dobson, Mayor Greater Shepparton

List of acronyms

CEMF	Construction Environmental Management Framework
CMA	Catchment Management Authority
DPC	Department of the Premier and Cabinet
DPI	Department of Primary Industries
DSE	Department of Sustainability and Environment
DTF	Department of Treasury and Finance
EEP	Environmental Effects Plan
EES	Environmental Effects Statement
EMS	Environmental Management System
GMID	Goulburn Murray Irrigation District
G-MW	Goulburn-Murray Water
IAC	Inter Agency Committee
LTCE	Long Term Cap Equivalent
LTI	Lost Time Injuries
MCC	Modernisation Consultation Committees
MVIA	Murray Valley Irrigation Area
PRG	Project Reference Group
RDV	Regional Development Victoria
SOE	State Owned Entity
TAG	Technical Advisory Group
TAC	Technical Advisory Committee
TCC	Total Channel Control®
TRAMS	Torrumbarry Reconfiguration and Asset Modernisation Strategy
VIPP	Victorian Industry Participation Policy
WPC	Work Package Contractors
WFP	Whole Farm Plan

Glossary

Allocation or water allocation: the allocation of water for use in a particular irrigation season. Seasonal allocations will depend on how much water is available in storage. As an example, if seasonal water allocation during a drought was only 50 per cent, an entitlement holder with a 100 ML high-reliability water share would be allocated 50 ML of water for use.

Automation: a system of remotely controlled regulators and gates (FlumeGates™) that are linked to a computerised system. The computerised system automates the ordering, delivery and measurement of supply in water irrigation channels. This automation may include customer service points.

Automation Works: all works associated with the installation and commissioning of the FlumeGates™ and the Total Channel Control (TCC®) software.

Backbone: Larger capacity water supply channels (carriers and trunks) that will form the nucleus of a modernised and automated water supply system to efficiently transport large volumes of water directly to customer service points.

Baseline year: 2004/05 is the baseline year that water losses and savings are measured against. During this year, irrigators received 100 per cent of delivery share.

Capital Works: all works on G-MW owned infrastructure that will ultimately be managed and owned by G-MW. Connections: public or private, piped or open channels that allow individual properties, or a cluster of properties, to receive their water from the backbone.

Customer supply point or customer service point: point on the public water supply system where a customer receives water, usually through a meter.

Delivery share: gives an irrigator an entitlement to have water delivered to land in an irrigation district and a share of the available water flow in a delivery system. Delivery shares are linked to land and stay with the property if the water share is traded away. Delivery share may be traded to other landowners supplied from the same channel, or to channel systems where capacity is available or relinquished through a termination payment being made to the water corporation.

Distribution losses: water losses that occur as a result of the distribution of irrigation water. Causes of these losses include evaporation, seepage, metering error and leaks in irrigation infrastructure.

Early Works: were completed by the FutureFlow Alliance for NVIRP. Works included the installation of 1,000 gates and 1,040 meters from May 2008 to August 2009.

Gigalitre GL: one GL is one billion litres or 1,000 ML.

GMID: the Goulburn Murray Irrigation District is the water supply system operated by Goulburn-Murray Water taking in 68,000 square kilometres of land. It is bordered by the Great Dividing Range in the south to the Murray River in the north, stretching from Corryong in the east downriver to Nyah. The region includes the state's major irrigation districts divided into six management areas including Shepparton, Central Goulburn, Rochester-Campaspe, Pyramid-Boort, Murray Valley and Torrumbarry.

“Following our bus tour, members of the Hume Economic Development Network were able to discuss how the modernisation will leverage the region’s existing agribusiness and food production and processing strengths. Once the project is completed, this world-class irrigation system will cement the Goulburn Murray Irrigation District as not just Victoria’s, but Australia’s premier foodbowl.”

Tammy Atkins, Regional Manager - Hume Region
Industry Capability Network (ICN) Victoria

Irrigation district: an area with defined boundaries where water is allocated for irrigation under the control of local or state authorities (e.g. a water corporation such as Goulburn-Murray Water) or other body as defined in the *Water Act (1989)*.

LTCE: Long Term Cap Equivalent water volume. This is the calculation of an annual water volume (delivery, loss or saving) that could result from average deliveries relative to long-term historical climatic sequences. It is the equivalent volume of water determined by modelling the same climatic sequence as was used to determine the long-term high and low reliability water shares for the basin in question. The Murray Darling Basin Authority’s CAP computer models determine the potential contribution to the long-term average flows after applying any agreed caps on diversions in the relevant river basin. This volume is determined using more than 100 years of data and is consistent with the sequence used to determine Bulk Water Entitlements. A LTCE multiplier is used to convert specific annual volumes to LTCE volumes, by multiplying the variable component of those figures by the specific factor that relates to that type of annual water volume to the expected long-term volume.

Megalitre ML: one ML is equivalent to 100 mm of water over a hectare, or 1 Olympic size swimming pool or 1,000,000 litres.

Modernisation Works: works on irrigation infrastructure to increase efficiency and improve the level of service for irrigation customers. These works include, but are not limited to, the installation of automated FlumeGates™, automated meter outlets and the use of the Total Channel Control (TCC®) software systems to manage the ordering and delivery of water.

Rationalisation: removal or decommissioning of redundant irrigation structures, including meters and sections of channel.

Reconfiguration planning: detailed planning to identify redundant infrastructure involving customers in the process to determine how assets can be decommissioned.

Stage 1: this part of the project will aim to secure estimated long-term savings of up to 225GL annually by December 2012, to be shared equally between the environment, irrigators and Melbourne. Stage 1 of the project will deliver a renewed backbone for the water distribution system. Twenty-five per cent of delivery shares not on the backbone will be modernised by the end of 2012 and up to 50 per cent of customer supply points will also be upgraded by December 2012.

Stage 2: The Commonwealth Government will contribute up to \$1 billion for Stage 2 works, which are expected to deliver a further 200GL of water savings through the modernisation of irrigation infrastructure in the GMID. The Stage 2 investment is subject to a due diligence assessment and delivery of half the gains as additional environmental flows, with the other half being returned to irrigators.

Total Channel Control (TCC®): this is the installation of automatic control gates, communications networks and advanced control and management software to provide near on demand water supply for customers.

Whole Farm Plan: a WFP is a holistic approach to running a farm and maps out the best way to manage the economic, environmental and social factors.

Winter Works: performed during the winter shutdown period each year between 15 May and 15 August. Works include the installation of FlumeGates™ and plastic lining.

“The improved delivery of water in the Goulburn and Murray valleys and the savings associated with NVIRP are a win-win and our catchment can’t wait to share in the 175 gigalitres.”

Bill O’Kane, CEO Goulburn-Broken Catchment Management Authority

“It’s great to work with farmers and watch them open their eyes to the possibilities of what irrigation modernisation will do for their farm.”

Clair Haines, Undera, Connections Manager, NVIRP

“Modernisation – it needed to be done!”

Russell Pell, Wyuna, Chair, Central Goulburn Modernisation Group

Photo captions (left to right) from page 22

1. NVIRP Modernisation staff discuss the rationalisation of this channel.
2. Minister for Water Tim Holding was on hand to witness Jason Keath sign the NVIRP documentation to rationalise his delivery outlets, watched by his wife Sharon and Modernisation Coordinator Stephen Arthur (seated).
3. Governor General Ms Quentin Bryce AC viewed the irrigation renewal project in Central Goulburn irrigation area.
4. Premier John Brumby and Minister for Regional and Rural Development Jacinta Allan at the Food Bowl dinner Shepparton.
5. Federal Minister for Water Senator Penny Wong visited the NVIRP office to discuss Stage 2 with NVIRP Chair Richard Guy and CEO Murray Smith.
6. At the Industry briefing in Echuca TSA staff Nicole Perry, John Fitzgerald, Glen Munro and Shah Abdul-Rahman are pictured with CEO Murray Smith (2nd from left).
7. Signing the Relationship Agreement are (standing) G-MW Managing Director David Stewart, Director Barry Steggall, (front) Chair G-MW Stephen Mills, Minister for Water Tim Holding and NVIRP Chair Richard Guy.
8. Modernisation EM David Kent (r) with Tim Shanahan North Central CMA and his father.
9. Inspecting a new regulator in Central Goulburn Channel 9, Mrs Jan de Kretser, Director Peter McCamish, Governor of Victoria Professor David de Kretser and CEO Murray Smith.
10. Former AFL football star Billy Brownless calls into the NVIRP stand in the city.
11. Director Peter McCamish (l) talks about the irrigation upgrade to a visitor at the Seymour Alternative Farming Expo.
12. The Governor General Ms Quentin Bryce AC.

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1. Standing proudly on the 1,000th gate for the 2009 winter works, EM Capital Works, Garry Seaborne and CEO Murray Smith.
2. G-MW Chair Stephen Mills, Governor General Ms Quentin Bryce AC, NVIRP Chair Richard Guy and Melbourne Water Chair Mrs Cheryl Batagol taken during the Governor General’s tour of the irrigation modernisation.
3. International Dairy Show Tatura, left CEO Murray Smith with NVIRP Director Geoff Akers and his prize Jersey cow Loxleigh Astound Iris 8.
4. Premier John Brumby speaking at an irrigation field day at Katunga.
5. Professor David de Kretser AC, Governor of Victoria.
6. Cr Chris Hazelman, Director Peter McCamish and Greater Shepparton Mayor Geoff Dobson.
7. Sugarloaf Pipeline Project Director Rod Clifford with CEO Murray Smith at the Goulburn River.
8. Members of the Murray River Group of Councils.
9. CEO Murray Smith and Director Miranda Douglas-Crane.
10. Chair of Murray Valley MCC Dudley Bryant hands their future charter to NVIRP Chair Richard Guy.
11. Directors Terry Francis and Neil Brennan on the Rochester modernisation tour.
12. Federal Minister for Agriculture, Fisheries and Forestry Tony Burke and NVIRP Director Geoff Akers at a dairy discussion morning.
13. Premier John Brumby and NVIRP Director Barry Steggall.

Plan Design Deliver

Phone 1300 163 006 or write to:
PO Box 1665, Shepparton Vic 3632
www.nvirp.com.au