

Off-farm Efficiency Program Victoria State-led Lower Murray Water - Water Efficiency Project

FEDERATION FUNDING AGREEMENT – ENVIRONMENT

Table 1: Formalities and operation of schedule	
Parties	Commonwealth Victoria
Duration	This Schedule is expected to expire on 30 June 2024*.
Purpose	<p>This Schedule will support the Victorian Lower Murray Water (LMW) Water Efficiency Project (Victorian LMW-WEP).</p> <p>The Victorian LMW-WEP will recover an estimated 2.5 gigalitres (GL) of Long-Term Average Annual Yield (LTAAY), with the transfer of water entitlements equivalent to 1.8 GL LTAAY of water to the Commonwealth.</p> <p>The Victorian LMW-WEP will better prepare the LMW rural water delivery network for the future, by upgrading irrigation channels and improving metering to reduce water seepage. The additional water savings will be retained by Victoria and shared to deliver increased urban water security for LMW customers and outcomes for Traditional Owners.</p> <p>This Schedule is approved on the basis that the Victorian LMW-WEP project and activities identified satisfy s86AD of the Water for the Environment Special Account (WESA) (in Pt 2AA of the <i>Water Act 2007</i>) and has been assessed using socio-economic assessment criteria agreed by the Murray–Darling Basin Ministerial Council and completed by Victoria.</p> <p>This Schedule acknowledges that the project details, including the final completion date, may be subject to change via mutual agreement between Victoria and the Commonwealth.</p> <p>A hold-point and review of the project will be undertaken in March 2023. This will inform a joint Commonwealth and Victorian decision on whether the project remains achievable and should proceed (this is outlined in Milestone 2).</p> <p>The Victorian LMW-WEP project has two main components:</p> <ul style="list-style-type: none"> (a) Treat approximately 27 km of irrigation channel to improve efficiency and service delivery, including plastic lining as well as piping where reconfiguration opportunities exist. (b) Treat approximately 700 meter outlets through decommissioning or replacement with modern accurate meters.

<p>Estimated financial contributions</p>	<p>The Commonwealth will provide an estimated total financial contribution to Victoria of \$37.9 million (GST exclusive) in respect of this Schedule.</p> <p>Table 1: Estimated financial contributions</p> <table border="1"> <thead> <tr> <th>Estimated budget (\$ million)</th> <th>2022-23</th> <th>2023-24</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Estimated total budget</td> <td>14.0</td> <td>23.9</td> <td>37.9</td> </tr> <tr> <td>Less Estimated Commonwealth Contributions</td> <td>14.0</td> <td>23.9</td> <td>37.9</td> </tr> <tr> <td>Balance of State Contributions</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> </tbody> </table>	Estimated budget (\$ million)	2022-23	2023-24	Total	Estimated total budget	14.0	23.9	37.9	Less Estimated Commonwealth Contributions	14.0	23.9	37.9	Balance of State Contributions	0.0	0.0	0.0
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<p>Additional terms</p>	<p>Hold-point review</p> <ol style="list-style-type: none"> Should a Commonwealth and Victorian decision be made to not proceed further with the project in March 2023, any reasonable project expenses incurred prior to 31 March 2023 will be met by the Commonwealth. An independently audited expenditure report detailing costs incurred in the Milestone 1 period will be provided by June 2023 to enable acquittal. Any funding already paid by the Commonwealth to Victoria under this schedule that is in excess of these costs will be returned to the Commonwealth. If required, Victoria will provide an invoice for any outstanding costs, payable by the Commonwealth within 30 days of receipt. If the parties agree to discontinue, the project and this agreement will be terminated with effect from the date the discontinuation costs are paid. <p>Funding</p> <ol style="list-style-type: none"> Total funding from the Commonwealth to Victoria under this Schedule will be up to the maximum amount of \$37.9 million with any project costs above this amount provided by Victoria. Victoria will provide a report of income and expenditure as required by the Performance Milestones in Table 2 of this Schedule. The audit report is to include a financial report that contains a statement of payments and receipts in respect of the Victorian LMW-WEP project that must be certified by a person undertaking the role of Chief Financial Officer of the Organisation (or a comparable role) and that includes a statement that the financial accounts are true and fair. A final report, and final audited financials, will be provided within 24 months of the expiry of this schedule or within six months of practical completion of the project (whichever comes first). The final report is to be accompanied by evidence of transfers of water entitlements equivalent to 1.8 GL LTAAY to the Commonwealth and evidence of on ground works completed and verified – approximately 700 outlets and 27 km channel treated 																

6. The Commonwealth acknowledges that project activities (including but not limited to construction works, water audits, verification activities, and the transfer of additional water savings) will continue beyond the expiry date of this Schedule and milestone payments. Victoria agrees to provide the Commonwealth reports on the progress of these activities at six monthly intervals until project completion.

Project terms

7. Victoria will be responsible for ensuring that, for the purposes of certifying practical completion, the Victoria LMW-WEP project will:

- (a) Be complete and free from defects or omissions, except for defects or omissions that are minor in nature, that Victoria cannot reasonably fix, or by fixing, will significantly inconvenience users of the works;
- (b) Not cause any legal or physical impediment to the use of occupation of the property and the works for the designated use; and
- (c) Be fit for the designated use.

8. Victoria will, where there is a shortfall between the final water audit and the total amount agreed in this schedule, make up this shortfall and ensure the full equivalent of 1.8 GL LTAAY of water entitlements are transferred to the Commonwealth.

Table 2: Performance requirements, reporting and payment summary		
Performance milestones	Report due	Payment
Milestone 1 - Completed <ul style="list-style-type: none"> • Initial Report including: <ul style="list-style-type: none"> ○ Progress and timing for the engagement of the project director and associated project management resources ○ Project systems and processes ○ Commonwealth-State governance arrangements ○ Project management plan, risk plan and plan/progress toward achieving project approvals and permits for start conditions 	On execution of agreement	\$7,600,000
Milestone 2 – Hold-point review - Completed <ul style="list-style-type: none"> • Completion of the 2023 Review and written agreement of both parties to proceed with project. 	31 March 2023	nil
Milestone 3a – project not proceeding <ul style="list-style-type: none"> • If agreement to proceed is not reached, Victoria will acquit project costs (from agreement execution to 31 March 2023) including through an independent financial audit. 	By 30 June 2023	As per clause 1 of the additional terms.
Milestone 3b* – project proceeding - Completed <ul style="list-style-type: none"> • Progress Report #1 against the following performance benchmarks: <ul style="list-style-type: none"> ○ Progress against the project management plan – including statistics on the status of procurements (number, value, status) and status of all on ground works (planned, commencing, underway, completed) ○ Work Health and Safety outcomes and responses and risks management and treatments ○ Regional stimulus outcomes (FTEs, local spend information, contracts awarded/to be awarded) ○ Stakeholder Engagement Report ○ Income and expenditure report ○ Governance report (number of meetings, major discussions, risk) 	31 March 2023	\$6,400,000

<p>Milestone 4*</p> <ul style="list-style-type: none"> ● Progress Report #2 against the following performance benchmarks: <ul style="list-style-type: none"> ○ Progress against the project management plan ○ On ground works completed-cumulative construction outcomes – approximately 20 outlets treated, approximately 4 km channel treated ○ Estimated 0.3 GL LTAAY works completed cumulative. ○ Workplace Health and Safety outcomes and responses and risks management and treatments, ○ Regional stimulus outcomes (FTEs, local spend information, contracts awarded/to be awarded) ○ Stakeholder Engagement Report ○ Income and expenditure report. ● Governance report (number of meetings, major discussions, risk). ● Issue of independent audit of income and expenditure report for the LMW Project ending 30 June 2023. 	<p>10 November 2023</p>	<p>\$6,200,000</p>
<p>Milestone 5*</p> <ul style="list-style-type: none"> ● Progress Report #3 against the following performance benchmarks: <ul style="list-style-type: none"> ○ Progress against the project management plan ○ On ground works completed-cumulative construction outcomes – approximately 150 outlets treated, approximately 4 km channel treated ○ Estimated 0.5 GL LTAAY works completed cumulative. ○ Workplace Health and Safety outcomes and responses and risks management and treatments, ○ Regional stimulus outcomes (FTEs, local spend information, contracts awarded/to be awarded) ○ Stakeholder Engagement Report ○ Income and expenditure report. ● Governance report (number of meetings, major discussions, risk). 	<p>31 March 2024</p>	<p>\$10,200,000</p>
<p>Milestone 6*</p> <ul style="list-style-type: none"> ● Progress Report #4 against the following performance benchmarks: <ul style="list-style-type: none"> ○ Progress against the project management plan ○ On ground works procured-cumulative construction outcomes – approximately 250 	<p>10 May 2024*</p>	<p>\$7,500,000</p>

<p>outlets treated, approximately 20 km channel treated</p> <ul style="list-style-type: none"> ○ Evidence of works procured to achieve 1.8 GL LTAAY ○ Workplace Health and Safety outcomes and responses and risks management and treatments, ○ Regional stimulus outcomes (FTEs, local spend information, contracts awarded/to be awarded) ○ Stakeholder Engagement Report ○ Income and expenditure report. <ul style="list-style-type: none"> ● Proposed Final Report template ● Governance report (number of meetings, major discussions, risk). ● Evidence of transfer of water entitlements equivalent to 0.3 GL LTAAY to the Commonwealth ● Commitment from Victoria to transfer additional water entitlements equivalent to 1.5 GL LTAAY to the Commonwealth 		
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**Victoria's delivery of Milestones 3b, 4 and 5; and the water recovery of 1,800 ML LTAAY; will be contingent on a hold-point and review of the project in March 2023 to inform a joint Commonwealth and Victorian agreement to continue the project.*

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

Signed for and on behalf of the
Commonwealth of Australia by



The Honourable Tanya Plibersek MP
Minister for the Environment and Water

Date: 19 / 10 / 23

Signed for and on behalf of the
State of Victoria by



Hon Lily D'Ambrosio MP
Acting Minister for Water

~~The Honourable Harriet Shing MP
Minister for Water~~

Date: 22 / 12 / 2023