

Victorian Environmental Water Holder Corporate Plan

2017-18 to 2020-2021



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Overview

The Victorian Environmental Water Holder (VEWH) Corporate Plan 2017-18 to 2020-21 outlines the framework for the VEWH's future performance and provides clear direction for the VEWH's seventh year to the end of its tenth year of operation.

This plan includes the mission, vision, values and behaviours that define what the organisation stands for and what it is striving to achieve.

The VEWH has a niche role – it is the only state-wide organisation working solely in Victoria's environmental watering program. The VEWH make decisions on why, where, when and how its finite volume of available environmental water is used to get maximum benefit for the state's waterways (i.e. rivers, wetlands, estuaries and floodplains) and the wildlife that depends on them.

In implementing this program, it is important to recognise the dynamic nature of the VEWH's work. Seasonal conditions can vary considerably between years; this affects both the environmental water requirements of particular sites (demand) and the availability of environmental water (supply). This results in differing amounts of water being delivered from year to year and variable associated costs. Trade-offs may need to be made about watering actions undertaken in one year, which are provided at the expense of watering actions in the next.

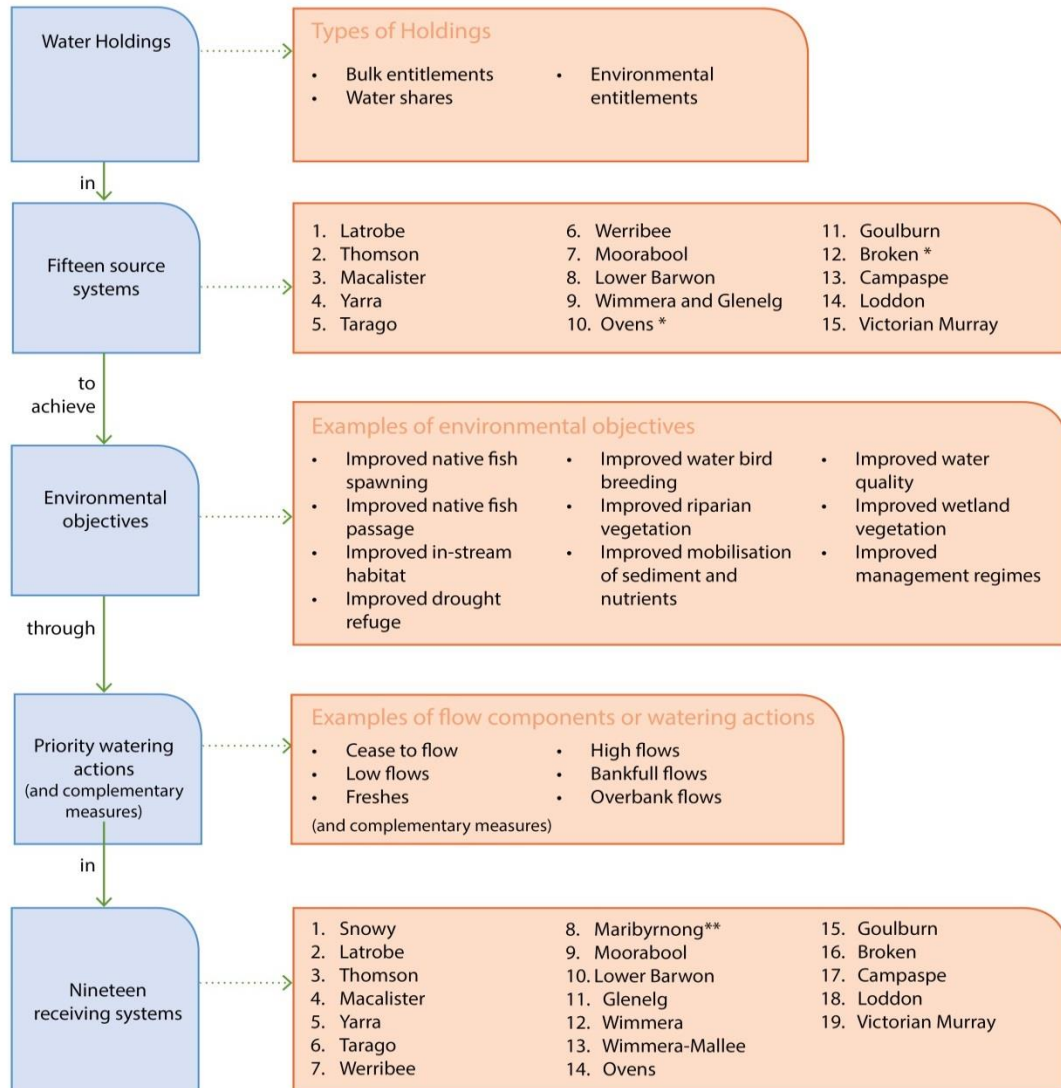
Environmental water is an element of integrated catchment management. Hence, collaborating with program partners is an important focus of the VEWH, and this importance is embedded throughout this plan. Pivotal to the partnership are Victoria's waterway managers - catchment management authorities (CMAs) and Melbourne Water. Potential watering actions are proposed to the VEWH annually, by the waterway managers, based on scientific studies, community knowledge and environmental watering experience. The VEWH draws from these proposals to develop an annual seasonal watering plan, which sets the scope for environmental watering actions that could occur under a range of climatic scenarios (from drought through to wet conditions). By continuing to foster robust and mutually beneficial partnerships, the VEWH can ensure it continues to effectively and efficiently manage Victoria's environmental Water Holdings.

The VEWH continues to foster and build relationships with stakeholders interested in Victoria's environmental watering program. The VEWH recognises the CMAs and Melbourne Water as the 'local faces' of environmental watering, and seeks innovative and effective ways to support and strengthen this local engagement.

This corporate plan sets out the VEWH's roles as defined through its statutory objectives, functions, powers and obligations under the *Water Act 1989* (the Water Act) and the requirements defined in the Ministerial rules, and other relevant legislation. The plan also sets out where the VEWH fits within broader environmental water management. By implementing the corporate plan, the VEWH will seize opportunities to ensure it maximises environmental benefits for Victoria's waterways as the 2017-18 and future seasons unfold.

Figure 1 provides an overview of the VEWH's key concepts.

The Victorian Environmental Water Holder (VEWH) manages:



* The Commonwealth Environmental Water Holder has Water Holdings in these systems, though the VEWH does not. These Holdings are applied via arrangements with the VEWH.

** The Maribyrnong has no formal water entitlement, but water can be purchased for environmental use.

Figure 1 VEWH key concepts

In 2015 and 2016, VEWB completed several reviews to assess the performance, governance and culture of the VEWB after its first five years. These reviews made recommendations on how to improve the VEWB and how to best position the environmental watering program to meet its immediate and future challenges. These recommendations have informed the nine strategic initiatives outlined in this plan that are to be implemented over the next four years.

VEWB and other partners collaborated with the Department of Environment, Land, Water and Planning (DELWP) to help develop *Water for Victoria – Water Plan (2016)*. *Water for Victoria* is a long-term strategy for managing Victoria's water resources. Many of the *Water for Victoria's* new policies are reflected in the VEWB's strategic initiatives for the next four years.

Figure 2 provides an overview of the VEWB's strategic direction.

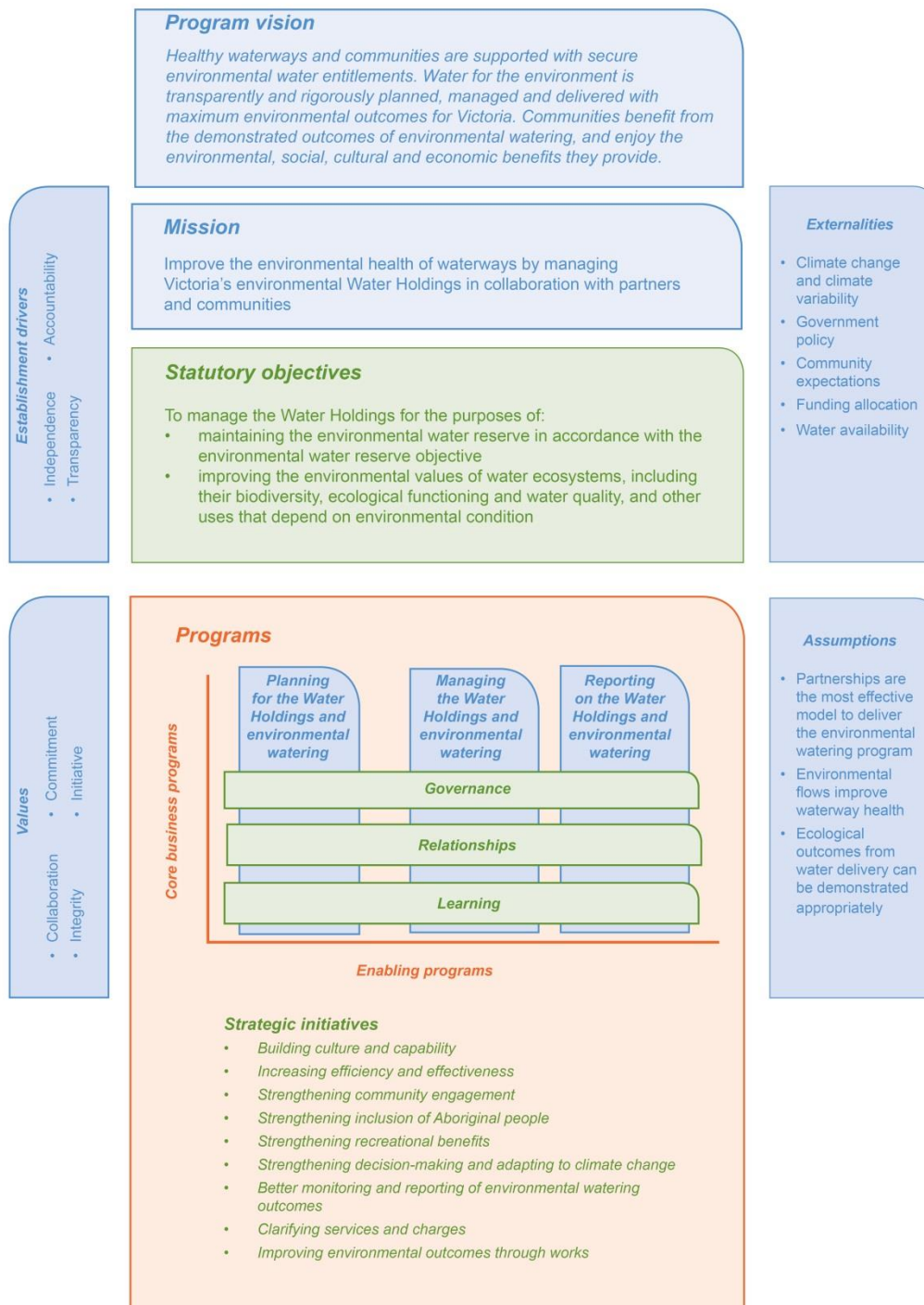


Figure 2 Strategic overview

1 Introduction

The VEWB was established on 1 July 2011 as an independent statutory body responsible for holding and managing Victoria's environmental water entitlements - the Water Holdings (see Table 1). The VEWB is responsible for making decisions on the most effective use of Victoria's Water Holdings. If resources are scarce, this can mean looking across systems to identify the highest priority watering actions in Victoria. The use of the Water Holdings for environmental watering is critical in ensuring that Victoria's waterways can continue to provide the environmental benefits the community values most.

This plan complements the Seasonal Watering Plan 2017-18 in communicating the services delivered by the VEWB in collaboration with its program partners. Where the seasonal watering plan focuses on the scoping of and rationale behind priority watering actions, the Corporate Plan 2017-18 to 2020-21 outlines the VEWB's organisational objectives, programs, planned outputs, performance measures, strategic intent and financial forecasts.

Table 1 The Water Holdings (as at 1 April 2017)

System	Entitlement	Volume (ML)	Class of entitlement
Latrobe	Latrobe River Environmental Entitlement 2011	n/a ¹	Unregulated
	Blue Rock Environmental Entitlement 2013	18,737 ²	Share of inflow
Thomson	Bulk Entitlement (Thomson River – Environment) Order 20053	10,000	High
Macalister	Macalister River Environmental Entitlement 2010	12,461	High
		6,230	Low
Yarra	Yarra Environmental Entitlement 2006 ³	17,000 55	High Unregulated
Tarago	Tarago and Bunyip Rivers Environmental Entitlement 2009	3,0002	Share of inflow
Werribee	Werribee River Environmental Entitlement 2011	n/a ²	Share of inflow
Moorabool	Moorabool River Environmental Entitlement 2010 ³	7,086 ²	Share of inflow
Barwon	Barwon River Environmental Entitlement 2011	n/a ¹	Unregulated
Wimmera and Glenelg	Wimmera and Glenelg Rivers Environmental Entitlement 2010 ^{3,4}	40,560 1,000	Pipeline product Wetland product
Goulburn	Goulburn River Environmental Entitlement 2010	8,851 3,140	High Low
	Environmental Entitlement (Goulburn System – Living Murray) 2007	39,625 156,980	High Low
	Environmental Entitlement (Goulburn System - NVIRP Stage 1) 2012	34,428 ⁵	High
	Bulk Entitlement (Goulburn System – Snowy Environmental Reserve) Order 2004	30,252 8,156	High Low
	Water Shares – Snowy River Environmental Reserve	8,321 17,852	High Low
	Silver and Wallaby Creeks Environmental Entitlement 2006 ³	0	Passing flow only
	Environmental Entitlement (Campaspe River – Living Murray Initiative) 2007	126 5,048	High Low
	Campaspe River Environmental Entitlement 2013	20,652 2,966	High Low
Loddon	Bulk Entitlement (Loddon River – Environmental Reserve) Order 2005 ⁴	10,970 2,024	High Low
	Environmental Entitlement (Birch Creek – Bullarook System) 2009 ^{3, 4}	100	n/a ⁶
	Water Shares – Snowy River Environmental Reserve	470	High
Murray	Bulk Entitlement (River Murray – Flora and Fauna) Conversion Order 1999	29,782 3,894 40,000	High Low Unregulated
	Bulk Entitlement (River Murray – Flora and Fauna) Conversion Order 1999 – Barmah-Millewa Forest Environmental Water Allocation	50,000 25,000	High Low
	Bulk Entitlement (River Murray – Flora and Fauna) Conversion Order 1999 – Living Murray	9,589 101,850 34,300	High Low Unregulated
	Environmental Entitlement (River Murray – NVIRP Stage 1) 2012	25,083 ⁵	High
	Bulk Entitlement (River Murray – Snowy Environmental Reserve) Conversion Order 2004	29,794	High
	Water shares – Snowy Environmental Reserve	14,671 6,423	High Low

Further detail about the Water Holdings can be obtained from the Victorian Water Register (www.waterregister.vic.gov.au).

¹ Use of these entitlements is dependent upon suitable river heights, as specified in both the Latrobe and Barwon environmental entitlements.

² Water is accumulated continuously according to a share of inflows (Blue Rock 9%, Tarago system 10.3%, Werribee system 10%, Moorabool system 11.9%) and this volume represents the maximum that can be stored at any time. The actual volume available in any year varies according to inflows.

³ In addition to volumetric entitlement, the entitlement also includes passing flows.

⁴ In addition to volumetric entitlement, the entitlement also includes unregulated water.

⁵ This entitlement volume is equal to one-third of the total water savings from GMW Connections Project Stage 1, as verified in the latest audit (including mitigation water).

⁶ Allocation against this entitlement is made subject to specific triggers, as specified in the entitlement.

1.1 Key partnerships

The Victorian environmental watering program is undertaken through partnerships between various organisations (see Figure 3).

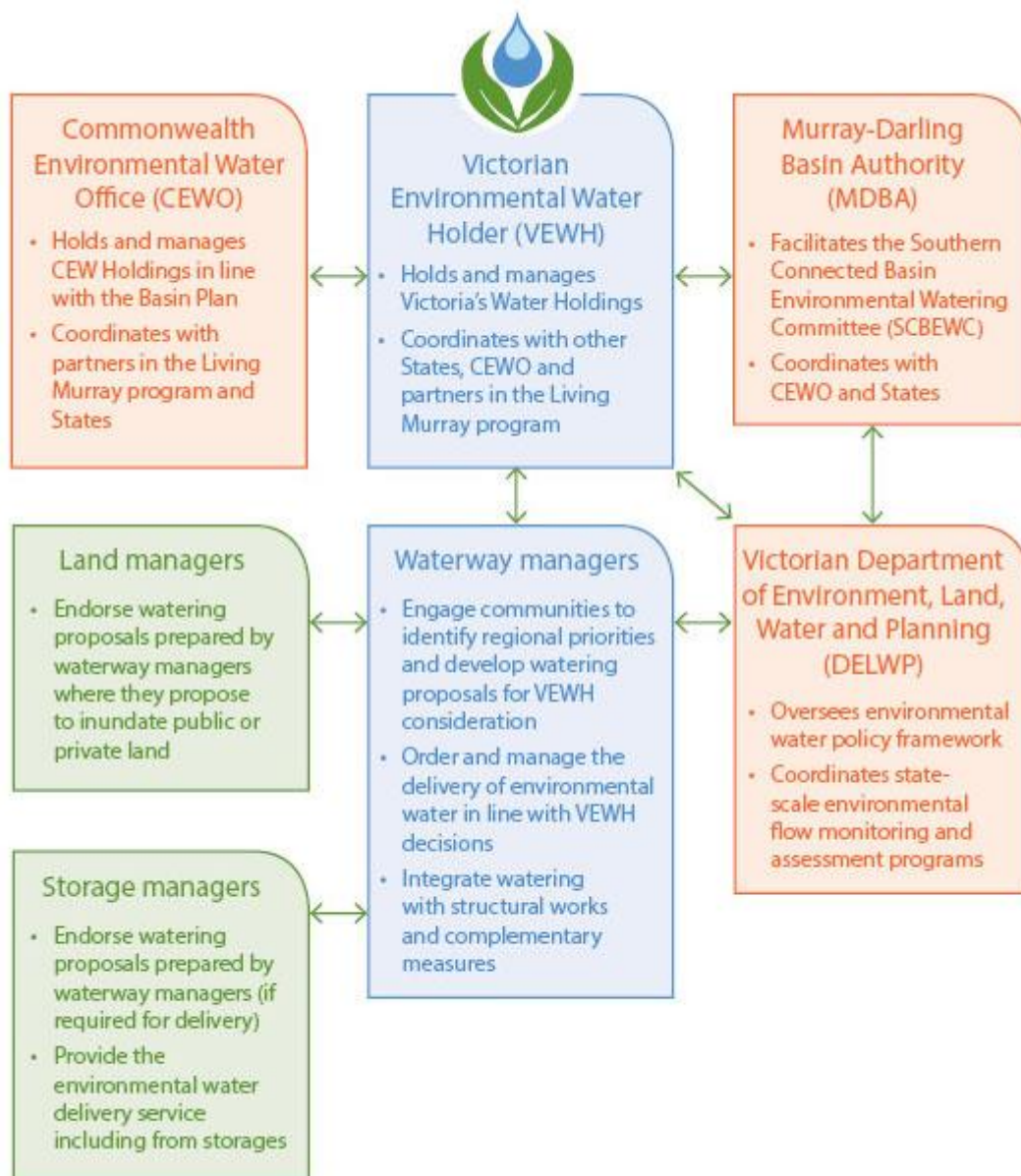


Figure 3 Key partnerships and relationships of the VEWB

Catchment management authorities and Melbourne Water (waterway managers) are the pivotal partners of the VEWB, undertaking the local planning and management of environmental water delivery. They liaise with storage managers, who are responsible for supplying environmental water, and land managers, who manage the sites to which water is applied. Waterway managers are also responsible for undertaking important complementary catchment and waterway management activities, critical to ensuring the success of the watering program.

The VEWB works closely with other water holders to ensure coordinated and effective use of the available environmental water resources, including the Commonwealth Environmental

Water Holder (CEWH), the Murray-Darling Basin Authority (MDBA) through the Living Murray Program, and other states. System-scale coordination between all water holders is facilitated through the Southern Connected Basin Environmental Watering Committee (SCBEWC), convened by the MDBA, which was established to coordinate the delivery of environmental watering through the connected Murray system and oversee the use of environmental entitlements held under the Living Murray Program.

The VEWB also works closely with DELWP who oversees the environmental water policy framework and coordinates state-scale environmental flow monitoring and assessment programs.

1.1.1 Community and stakeholder engagement

Waterway managers are the watering program's primary link with local communities and regional stakeholders. A review of engagement practices in 2015 demonstrated that waterway managers engage local communities and a broad range of key stakeholders throughout all stages of the environmental water management cycle; when planning watering activities (and prioritising them at a regional level), delivering environmental water and then reporting on its benefits.

In the planning stage, waterway managers ensure watering protects the environmental values of most importance to the community, as well as considering additional shared community benefits – such as helping to meet recreational needs and considering Aboriginal environmental benefits of watering.

At a program-wide level, the VEWB frequently engages with a range of key state-level stakeholders, informing, consulting and collaborating in matters relating to environmental watering. The VEWB does this through mechanisms such as the *Victorian Environmental Water Matters Forum* and state-wide forums and workshops in addition to ongoing and regular interactions.

This engagement is strongly supported and complemented by other partners including water storage managers, land managers, such as Parks Victoria, and federal agencies, such as the CEWO and MDBA, whose engagement is often targeted at a larger geographic scale.

1.2 Statutory objectives, functions, powers and obligations

The VEWB's statutory powers and obligations are described in section 33DC of the Water Act. The overarching objectives of the VEWB are to manage the Water Holdings for the purposes of:

- a) maintaining the environmental water reserve in accordance with the environmental water reserve objective
- b) improving the environmental values of water ecosystems, including their biodiversity, ecological function and water quality, and other uses that depend on environmental condition.

The functions of the VEWB described in section 33DD of the Water Act are to:

- a) apply and use water in the Water Holdings and otherwise exercise rights in the Water Holdings in accordance with the Water Act

- b) acquire and purchase rights and entitlements for the Water Holdings and dispose of and otherwise deal in rights and entitlements in the Water Holdings in accordance with the Water Act
- c) plan for the purposes of paragraphs (a) and (b)
- d) enter into any agreements for the purposes of paragraphs (a) and (b)
- e) enter into any agreements for the purposes of the co-ordination of the exercise of rights under any water right or entitlement held by another person, including the CEWH
- f) enter into any agreements with any person for the provision of works by that person to enable the efficient application or use of water in the Water Holdings.

Furthermore, section 33DE of the Water Act states “the Water Holder has the power to do all things necessary or convenient to be done for, or in connection with, or incidental to, the performance of its functions, powers and duties.”

The Water Act also describes the planning framework and reporting requirements that the VEWB is required to operate within. This includes the requirement to develop:

- a four-year corporate plan
- an annual seasonal watering plan
- seasonal watering statements as required
- an annual report (required under the *Financial Management Act 1994*).

Waterway managers also have responsibilities in this planning framework, which are summarised in Figure 4. These aspects of the VEWB's business are dealt with in considerable detail in the Seasonal Watering Plan 2017-18. Regional waterway strategies and environmental water management plans developed by waterway managers, in consultation with local communities, are integral parts of the planning framework. While these documents are not directly used by the VEWB in its decision making, they form the building blocks or critical inputs for the seasonal watering proposals developed annually by waterway managers. As such, they are the foundation documents for the seasonal watering plan, and are important reference material for the VEWB.

Other key pieces of legislation under which the VEWB has obligations include:

- the *Financial Management Act 1994*: which sets out the requirement to ensure appropriate financial management practice is implemented and maintained, and a consistent standard of accountability and financial reporting is achieved
- the *Public Administration Act 2004*: which sets out the requirement to ensure good governance in the Victorian public sector and to foster effective, efficient, integrated and accountable service delivery.



Figure 4 The environmental water planning framework

1.3 Governance arrangements

The VEWB is headed up by a Commission – a Chairperson and at least two part time Commissioners - responsible for setting the strategic direction and policy of the organisation. The Commission is accountable for establishing goals, objectives and programs for executive management, as well as monitoring the business.

To date, the VEWB Commission has consisted of three part-time Commissioners, currently:

- Denis Flett (Chairperson)
- Geoff Hocking (Deputy Chairperson)
- Chris Chesterfield (Commissioner).

These three were appointed by Governor in Council, upon recommendation of the environment Minister. Under the Water Act, Commissioners must have knowledge of, or experience in, one or more of the following fields – environmental management, sustainable water management, economics or public administration. The Commissioners' current terms of appointment commenced on 1 July 2014 and will conclude on 30 June 2019.

Welcoming a fourth Commissioner

In 2017, the VEWH Commission will be strengthened with the appointment of a fourth Commissioner; an Aboriginal Victorian. This appointment was set out in *Water for Victoria* and reflects the Victorian Government's priority to lift the representation of Aboriginal Victorians on boards and committees.

The process for appointing the new Commissioner is underway and expected to be complete early in the 2017-18 financial year. Strengthening the inclusion of Aboriginal people in environmental water management is a priority for the VEWH and has been included as a Strategic Initiative for focus throughout the next four years and beyond (for further information, see Strengthening Inclusion of Aboriginal Victorians, page 23).

The VEWH has an instrument of delegation in place which sets the approval levels required for all business activities. The Commission is supported by a staff of natural resource and water management experts, as well as communication and business management specialists, guided by an Executive Officer and a small executive team.

In 2017-18, the Executive Officer position will be jointly held by two senior waterway management industry employees who will share the role for twelve months while the incumbent officer takes leave. The VEWH will make the most of this opportunity to explore methodologies enabling flexible working arrangements within the organisation.

The VEWH reports directly to the Minister for Water. DELWP has a role in governance oversight of the VEWH, advising the Minister on its performance. DELWP also has a role supporting the Minister in creating and amending water entitlements (see Figure 5).

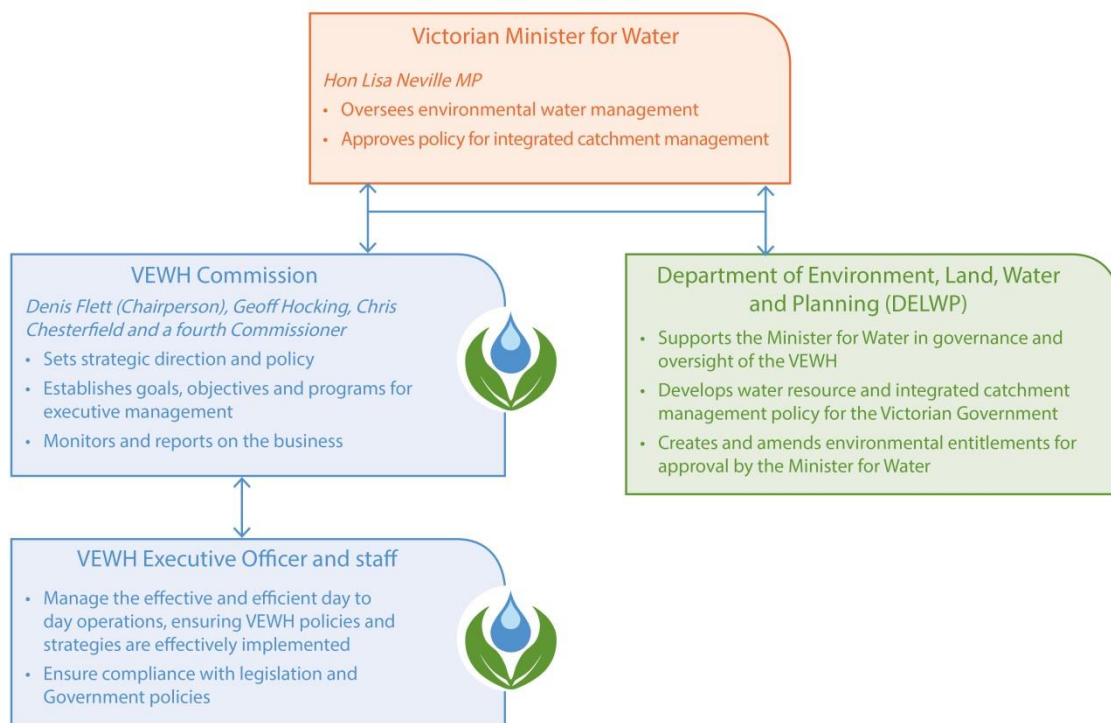


Figure 5 Governance structure

1.4 Government policy context

The VEWH operates under Ministerial rules developed under section 33DZA of the Water Act to guide specific elements of VEWH operations. These rules came into effect on the 23 June 2014, and are available on the VEWH website.

The VEWH operates within Victorian Government policy. Key policy documents influencing the VEWH from a Victorian context include the *Victorian Waterway Management Strategy* (VWMS) (2013), regional sustainable water strategies and *Water for Victoria - Water Plan* (2016). *Water for Victoria* is a plan for a future with less water as Victoria responds to the impact of climate change and a growing population. The actions set out in *Water for Victoria* support a healthy environment, a prosperous economy with growing agricultural production, and thriving communities. Implementation of the actions will improve future operations of the water and catchment management industry, including the VEWH. Many of the *Water for Victoria*'s new policies are reflected in the VEWH's strategic initiatives for the next four years (see pages 20-28).

Water for Victoria recognises that protecting and improving waterway health is a long-term commitment. The full benefits of strategic long-term investments in waterway health may not be realised for 30 years or more. Waterway managers have collectively identified 36 priority waterways across the state that will be the focus of 30-year plus large-scale projects. A map of Victoria showing these priority waterways can be found in *Water for Victoria*. A focus on large-scale, long-term projects across Victoria provides the opportunity to trial and

communicate a state-wide monitoring approach to better understand the outcomes from integrated waterway health works.

Providing water for the environment is just one element of integrated catchment management. Integrated catchment management is a holistic way of managing land, water and biodiversity from the top to the bottom of a catchment. Improving integrated catchment management will provide significant benefits for our waterways. To ensure maximum outcomes from environmental watering programs, complementary works are often needed. *Our Catchments, Our Communities (2016)* is the first state- wide strategy for integrated catchment management in Victoria. The strategy will achieve more effective community engagement, better connections between different levels of planning, and strengthened regional catchment strategies. The strategy will also clarify roles, strengthen accountabilities and coordination, and improve monitoring, evaluation and reporting. CMAs will lead 10 new integrated catchment management projects across the state from 2016 to 2019, in collaboration with catchment management partners. Projects are under development in each region and some involve environmental watering actions.

Providing water for the environment is critical to supporting Victoria's biodiversity. In early 2017, the Victorian Government released Victoria's biodiversity plan, *Protecting Victoria's Environment – Biodiversity 2037*. Coupled with reviews of the *Flora and Fauna Guarantee Act (1988)* and native vegetation clearing regulations, the biodiversity plan will ensure that Victoria has a modern and effective approach to protecting and managing Victoria's biodiversity.

The Murray-Darling Basin Plan (Basin Plan) is another key reform influencing the operation of the VEWB, particularly in relation to its planning and reporting framework in northern and western Victorian systems, which form part of the Murray-Darling Basin. The VEWB continues to work closely with the Victorian Government and other agencies to implement the Basin Plan.

1.5 Operational context

There are a number of factors that influence the success of the Victorian environmental watering program, including:

- seasonal or climatic conditions, which affect both the environmental water requirements of particular sites (demand) and the availability of environmental water (supply) in a given year
- decisions by other water holders on the use of their environmental water
- State and Commonwealth government decisions on water resource policy
- resources, knowledge and capability within the VEWB and its program partners
- operating rules associated with the water delivery network, including the trialling of potential changes to historic practice and delivery patterns
- funding availability
- charges associated with management of the Water Holdings and delivery of environmental water.

Environmental water is managed adaptively throughout the year, to take account of these factors. To prepare for the year ahead, the VEWB and its partners plan for water use and availability under a range of seasonal condition scenarios (see the Seasonal Watering Plan 2017-18). For example, watering actions identified as priorities in the drought and dry

scenarios aim to protect the most critical values, while watering actions in wet scenarios aim to stimulate breeding and recruitment. These plans also consider the different risks that may need to be managed and mitigated as the season unfolds.

The VEWB is able to use this planning to inform its decisions about environmental water needs for the current and following seasons, and take steps to manage its environmental water supply availability using tools such as trade and carryover to ensure water is available when and where it may be needed. The VEWB continues to refine the application of consistent prioritisation criteria to commit water from the Water Holdings on a State-wide basis (see Strategic Initiative, 'Strengthening decision making and adapting to climate change', page 25).

2 Statement of corporate intent

2.1 Mission, vision and values.

The VEWH is at the hub of a statewide partnership which plans, manages, delivers and evaluates environmental water use. As the only organisation in Victoria wholly dedicated to environmental water management, the VEWH's mission is clear:

Mission

Improve the environmental health of waterways by managing Victoria's environmental Water Holdings in collaboration with partners and communities.

In undertaking this mission, the VEWH:

- Makes decisions on the most effective use of the Water Holdings, including use, carryover and trade.
- Liaises with other water holders to ensure coordinated use of all sources of environmental water.
- Authorises waterway managers to implement watering decisions.
- Works with storage managers to maximise environmental watering outcomes and to contribute to the optimisation of multiple benefits from the delivery of water.
- Commissions targeted projects to demonstrate ecological outcomes of environmental watering at key sites and to improve environmental water management.
- Publicly communicates environmental watering decisions and outcomes.
- Supports the communication and engagement activities undertaken by our program partners.

The VEWH's vision reflects its leadership role in the Victorian Environmental Watering Program, outlining environmental watering as well as organisational aspirations.

Program vision:

Healthy waterways and communities are supported with secure environmental water entitlements. Water for the environment is transparently and rigorously planned, managed and delivered with maximum environmental outcomes for Victoria. Communities benefit from the outcomes of environmental watering, and enjoy the environmental, social, cultural and economic benefits they provide.

Organisational vision:

The VEWH is recognised for its capability and collaborative culture. Collaboration occurs because we care about our people and our partners, and understand that working together we can achieve more. We provide leadership for the environmental watering program, and are committed to initiative and improving capability. We act with integrity and are respected in what we do and how we do it.

Values:

The VEWH's culture is fundamental to the way we deliver our work – collaboratively, with initiative, commitment and integrity. The VEWH's expected core values, attitudes and behaviours are described in Table 2.

Table 2 VEWH values, attitudes and behaviours

Values	Attitudes and behaviours
Collaboration	<p>We place an emphasis on engagement, with our partners and stakeholders and within our own organisation.</p> <p>We understand that by working together we achieve more.</p> <p>We seek opportunities to engage, collaborate and improve understanding.</p> <p>We regularly seek, listen to and respect different perspectives.</p> <p>We consider how our decisions affect others.</p> <p>We appreciate that we are a small part of a big endeavour.</p> <p>We are clear on our role and understand and respect the role of our partners.</p> <p>We are cooperative, approachable and we keep people informed.</p> <p>We create and maintain effective networks.</p> <p>We share and celebrate success.</p>
Initiative	<p>We are innovative and open to new ideas.</p> <p>We are proactive and learn by doing.</p> <p>We seek new efficiencies in the way we do our work.</p> <p>We aspire to be leaders in what we do.</p> <p>We are knowledgeable and share our learnings.</p> <p>We make time to think strategically and creatively.</p> <p>We try new things in order to learn.</p> <p>We consider the bigger picture (social, cultural, economic, landscape and multi-year perspectives) for the best environmental protection of Victoria's waterways and wildlife.</p> <p>We invest in new knowledge and capability.</p>
Commitment	<p>We value healthy waterways</p> <p>We maintain a strong focus on the VEWH's objectives and mission.</p> <p>We proactively respect and support government policies and initiatives relevant to our work.</p> <p>We are passionate about our work.</p> <p>We focus on strategic outcomes, as well as operational and opportunistic ones.</p> <p>We focus on agreed priorities and how we can add value.</p> <p>We are responsive and have a 'can do' attitude.</p> <p>We work hard and have fun along the way.</p> <p>We are dedicated and we persevere.</p> <p>We regularly review and evaluate to self-improve and demonstrate our commitment to getting better.</p> <p>We are committed to the wellbeing and safety of employees and the partners and communities we work with.</p>
Integrity	<p>We are accountable for our actions.</p> <p>We are trustworthy and reliable.</p> <p>We explain the rationale for our decisions.</p> <p>We communicate honestly and openly.</p> <p>We do what we say we will do and follow through on our promises.</p> <p>We regularly review our operations to learn from our successes and mistakes.</p>

3 Business Plan

3.1 Critical core business (planned outputs)

The VEWH's planned outputs under each of its core business programs for 2017-18 are outlined in Table 3. These programs are critical to meeting our statutory requirements and include Planning, Managing, Reporting, Governance, Relationships and Learning.

Table 3 VEWH program goals and planned outputs for 2017-18

<p><i>Program 1: Planning for the Water Holdings and environmental watering ("Planning")</i></p> <p>It is through this program that the VEWH fully scopes out the potential watering actions for the coming year and inputs to the foundation documents which underpin them.</p> <p><i>Goal:</i> Clear and rational planning that facilitates sound and timely decision making.</p> <p><i>Planned outputs for 2017-18:</i></p> <ul style="list-style-type: none"> 1.1 Oversight of the development and refinement of environmental flow studies and environmental water management plans, as required. 1.2 Seasonal Watering Plan 2018-19: issued by 30 June 2018. 1.3 Victorian contributions made to Murray-Darling Basin environmental water planning through the Southern Connected Basin Environmental Watering Committee and Commonwealth planning documents, as required. 1.4 Planning requirements under the Murray-Darling Basin Plan implemented as required, including annual submission of State annual environmental watering priorities by 31 May 2018, and input made to the development of the annual Basin environmental watering priorities.
<p><i>Program 2: Managing the Water Holdings and environmental watering ("Managing")</i></p> <p>It is through this program that the VEWH makes decisions on the most effective use of Water Holdings, including use, carryover and trade, and authorises and supports waterway managers to undertake priority watering actions.</p> <p><i>Goal:</i> Sound and timely decisions made and activities undertaken that enable environmental watering in priority river reaches, wetlands and floodplains.</p> <p><i>Planned outputs for 2017-18:</i></p> <ul style="list-style-type: none"> 2.1 Input made to the development of new and amendment of existing environmental water entitlements, as required. 2.2 Ongoing demand-supply analyses undertaken to inform option assessment and timely decisions about use, carryover and trade. 2.3 Carryover and trade strategies developed and implemented, as required. 2.4 Environmental watering actions negotiated with other water holders and implemented via Victorian processes, as required. 2.5 Seasonal watering statements issued and publically communicated with the associated rationale as required. 2.6 In-season environmental water planning and delivery support to waterway and storage managers provided as required (e.g. Operational Advisory Groups). 2.7 Operating arrangements for the northern region systems developed and operating arrangements for any new environmental entitlements progressed by 30 June 2018. 2.8 Metering programs updated as required.

Program 3: Reporting on the Water Holdings and environmental watering ("Reporting")

It is through this program that the VEWB will communicate the environmental watering undertaken and the carryover and trade decisions made, and demonstrate and communicate the ecological outcomes achieved at key sites.

Goal: Effective management of the Water Holdings and improved environmental health demonstrated.

Planned outputs for 2017-18:

3.1 Web updated:

- weekly with details of river systems receiving environmental water
- monthly with details of water deliveries
- quarterly with details of recent and planned watering
- annually with seasonal watering plan information, environmental objectives and shared benefits.

3.2 Reflections reporting on watering actions and celebrating achievements of environmental outcomes and shared community benefits, published by 31 October 2017.

3.3 Regular plain-English updates, news stories, issues and achievements published on the website.

3.4 Quarterly e-newsletter developed and delivered to stakeholders.

3.5 Reporting arrangements with waterway managers reviewed and updated by 31 December 2017.

3.6 Reporting requirements under the Murray-Darling Basin Plan implemented as required, including input to the statement of assurance by 31 August 2017 and the monitoring and evaluation report by 31 October 2017.

Program 4: Governance

It is through this program that the VEWB will ensure its corporate responsibilities are met, and sound decision making is supported, including minimising risks to safety and well-being.

Goal: Provide good governance to ensure independence, transparency and accountability, and to manage risks.

Planned outputs for 2017-18:

4.1 Governance charter reviewed by 31 December 2017 and updated as required.

4.2 Corporate risk management processes and strategy implemented and reviewed by 30 June 2018 and risk register updated as required.

4.3 Safety and well-being incidents tracked via incident register and reported by 30 June 2018.

4.4 Annual Report 2016-17 developed and tabled in Parliament in accordance with timelines provided by DELWP.

4.5 Corporate Plan 2018-19 submitted to the Minister for Water by 30 April 2018, a summary made publicly available by 30 June 2018 and regular reviews of implementation undertaken.

4.6 Commission performance assessed, improvement planned and report submitted to the Minister for Water by 31 August 2017.

Program 5: Relationships

It is through this program that the VEWB will engage its key program partners and stakeholders and inform the general community.

Goal: Effective working relationships and informed communities that facilitate and support effective environmental watering.

Planned outputs for 2017-18:

5.1 Activities undertaken to build and maintain effective, collaborative relationships with and between waterway managers, storage managers, CEWO, MDBA, DELWP and Minister.

5.2 Local community engagement by waterway managers promoted and supported as required, including through attendance at Environmental Water Advisory Group or similar meetings.

5.3 Rolling four-year communication and engagement strategy and annual work plan developed and implemented as required.

5.4 Regular engagement undertaken with state-wide authorities, stakeholders and peak interest groups.

Program 6: Learning

It is through this program that the VEWH will adapt its management, and influence others' management, on the basis of new knowledge and experience.

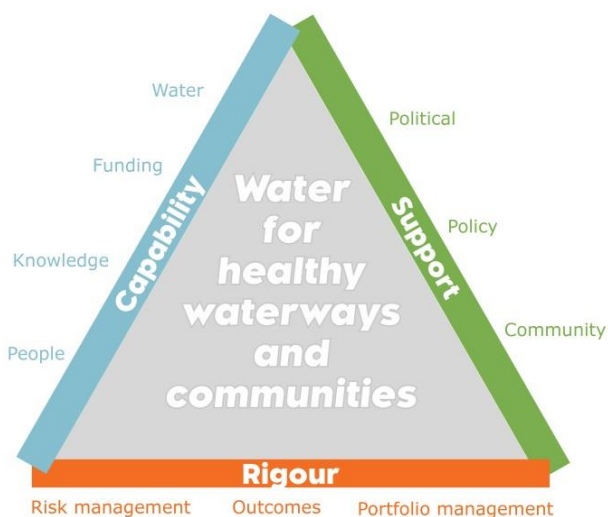
Goal: A leading role taken in improving environmental water management.

Planned outputs for 2017-18:

- 6.1 Learning from monitoring and technical work funded by VEWH documented and shared with program partners and stakeholders by 30 September 2017.
- 6.2 Contributions made to broader monitoring programs, learnings considered and adaptations made (for example the Victorian Environmental Flows Monitoring and Assessment Program (VEFMAP), Wetland Monitoring Assessment Program (WetMAP), and CEWO long-term intervention monitoring) as required.
- 6.3 Capacity built amongst Commissioners, staff and program partners.

3.2 Strategic initiatives

The VEWH and other partners collaborated with the DEWLP to help develop *Water for Victoria*. In helping shape the plan's future focus for environmental water management, the VEWH drew from its operational experience as well as three reviews it had instigated in 2015. These reviews assessed the performance of the VEWH's first five years and identified a number of strategic initiatives to improve the VEWH's performance and to best position the environmental watering program to meet its immediate and future challenges.



Throughout 2016-17, the Commission strengthened the long-term strategic direction of the VEWH underpinned by three themes to improve the capability, support and rigour of our work (Figure 6). A suite of improvements have now been identified to help deliver on the VEWH's vision and the *Water for Victoria* actions. These include nine strategic initiatives addressed over the four-year life of this Corporate Plan. The actions for 2017-18 to progress the nine strategic initiatives have been identified and a multi-year implementation plan is under development.

Figure 6 Themes of strategic direction for the VEWH

3.2.1 Building culture and capability

Strategic Initiative 1: Building Culture and Capability

Goal: We will work to build and maintain our knowledge and experience, and drive a culture which reflects our values.

Strong culture is the foundation of an effective organisation. For the VEWH to continue to make the best decisions on environmental water use in Victoria, it is important that its culture, capability and knowledge continue to be strengthened. In 2016/17 the VEWH began implementing its People Strategy, designed to support the needs of a motivated and high-performing team and ensure the VEWH's capability continues to match the organisation's evolving needs. Implementation included: sourcing more appropriate accommodation; completing an organisational culture review; refining reporting lines; undertaking a skill and knowledge audit (alongside a workforce assessment); and establishing a People Committee dedicated to enhancing workforce development, wellbeing and organisational culture. Additionally, the VEWH aims to ensure that existing corporate knowledge is captured, minimising the disruption of any future workforce succession.

In 2017/18 to progress this initiative, the VEWH will:

- a) Continue to implement the People Strategy.
- b) Strengthen professional development and industry exchange opportunities, including sponsoring staff on industry leadership programs.
- c) Undertake an organisational culture assessment.
- d) Improve the cultural awareness, flexible work arrangements and diversity of the workforce.
- e) Introduce a digital stakeholder / relationship management system, to facilitate engagement with communities and partners.

3.2.2 Increasing efficiency and effectiveness

Strategic Initiative 2: Increasing efficiency and effectiveness

Goal: We will work with our partners to strengthen and refine the environmental watering program to ensure that program operations are as efficient and effective as possible.

The VEWH has undergone significant evolution since its establishment in 2011. Increased staff, funding and water holdings have been required due to a range of expanding responsibilities, and obligations. DELWP will lead a review of the VEWH to build on the achievements made in the first five years of VEWH's operation and secure future environmental outcomes in the face of climate change.

There are many agencies involved in delivering the Victorian environmental watering program, with waterway managers, storage managers, land managers, environmental water holders and DELWP playing key roles. While policies and processes have been developed, and the roles and responsibilities between the VEWH and its partner organisations refined, there is still some scope for optimising the way we work together. This was highlighted to the VEWH by its partners through the *Strategic review of VEWH Organisational Performance in 2015/16* (Woodwater, 2015).

The VEWH, waterway managers and other stakeholders undertake a significant amount of reporting on water use and entitlement management. This reporting has evolved in the last five years. Now that effective management systems and processes are embedded, it is timely to reduce and streamline both the reporting the VEWH receives from waterway managers and the reporting that the VEWH completes.

In 2017/18, to progress this strategic initiative, the VEWH will:

- a) Participate in the DELWP review to strengthen the Victorian Environmental Water Holder (contributes to *Water for Victoria* action 3.5).
- b) Work with program partners to clarify roles and responsibilities to maximise program effectiveness (contributes to *Water for Victoria* action 8.1).
- c) Identify opportunities to streamline and improve reporting to and from the VEWH (contributes to *Water for Victoria* action 10.11).

3.2.3 Strengthen community engagement

Strategic Initiative 3: Strengthening community engagement

Goal: We will improve understanding of community expectations and knowledge of environmental water management.

The use of water is a key matter of public interest, which will only grow in importance as climate change progresses. Modelling now predicts that streamflows could reduce by around 50 per cent in some Victorian catchments by 2065. This has serious consequences for everyone - households, industry, agriculture, recreation, cultural values, liveability, waterway health, native plants and wildlife. Climate change will also bring more extreme events including drought, floods and heatwaves, which can increase human and environmental demand for water, and impact on productivity and also infrastructure.

Scrutiny of the management and value of environmental watering is only expected to increase. The VEWH aims to meet this public need by improving the transparency around its decision-making and providing clearer, more accessible information about the rationale and benefits of environmental watering.

Given this, the VEWH aspires to a future in which communities understand, accept, support and are actively involved in environmental watering.

In 2016-17, the VEWH launched a new map-based website to provide information to Victorians about what, where and why environmental watering is happening. We also carried out Australia's first statewide market research to understand community knowledge of, and attitudes to, environmental water. The research will enable us to improve the way we communicate about environmental watering to Victorians, to improve understanding of the value of environmental water and provide information to communities in a language they understand.

In 2017/18, to progress this strategic initiative, the VEWH will:

- a) Use the findings of Victoria's first statewide market research into community knowledge and attitudes of environmental water to develop new communication approaches. VEWH's rolling four-year communication and engagement strategy will be updated to reflect the new communication approaches.

3.2.4 Strengthening inclusion of Aboriginal people

Strategic Initiative 4: Strengthening inclusion of Aboriginal people

Goal: We will support Traditional Owner and Aboriginal participation in environmental water planning and management.

Aboriginal people have cultural, spiritual and economic connections to land, water and resources through their ancient and enduring connection to Country. They have managed land and water sustainably over thousands of generations. Connectedness to land, waters and resources on Country is important for Aboriginal health and wellbeing.

VEWH strives to strengthen our recognition of the enduring connection Traditional Owners have to water and our understanding of the values and aspirations Aboriginal people bring to environmental water planning and management. The VEWB is committed to better understanding the unique perspectives and communication and engagement wants and needs of Aboriginal people to facilitate this. In 2016-17, the VEWB's statewide market research into community attitudes and knowledge of environmental water included specific engagement with Aboriginal Victorians for this purpose.

The VEWB is also committed to supporting Traditional Owner Nations and waterway managers (and other agencies) to build relationships. These relationships will be the first step to better understand the values and aspirations Aboriginal people have when it comes to environmental water management at a regional scale.

A number of local cultural mapping projects are underway. For example, the VEWB has co-invested (with Melbourne Water) in a specific cultural values mapping project to include Wurundjeri objectives in Environmental Water Management Plans and seasonal watering proposals for the Yarra River. The VEWB, Melbourne Water and the Wurundjeri Tribe Land and Compensation Cultural Heritage Council are in their second year of this project. Through the project, it is hoped that water-dependent cultural values along the Yarra River system will be documented together with associated water requirements and objectives for these values. Drawing on information from local cultural values mapping projects and waterway manager relationships with Traditional Owner groups, the VEWB is working to consider Aboriginal objectives (which may result in Aboriginal environmental outcomes¹) in its annual seasonal watering plan.

In 2017/18, to progress this strategic initiative, the VEWB will:

- a) Support the establishment of the VEWB's 4th Commissioner, an Aboriginal Victorian (contributes to *Water for Victoria* action 10.8).
- b) Facilitate a program of knowledge sharing and improve cultural awareness within the Victorian environmental water program.

¹ 'Aboriginal environmental outcomes' are benefits for Aboriginal people that arise from water delivered for the environment. That is, benefits from healthier rivers and wetlands, such as increased fish populations, more reeds for harvest and more bird breeding events. The term 'Aboriginal environmental outcomes' arose to distinguish it from 'cultural flows' which are cultural water entitlements owned by Aboriginal people to be used for any purpose including economic objectives.

- c) Further progress the Wurundjeri Cultural Values Project, with Melbourne Water and the Wurundjeri Tribe Land and Compensation Cultural Heritage Council.
- d) Encourage the inclusion of Aboriginal values and objectives in seasonal watering proposals, which will subsequently enable inclusion of Aboriginal values and objectives in seasonal watering plans (contributes to *Water for Victoria* action 6.2).

3.2.5 Strengthening recreational benefits.

Strategic Initiative 5: Strengthening recreational benefits

Goal: We will support the wellbeing of communities who enjoy the social and recreational benefits our waterways provide, by considering recreational values in the way we manage environmental water, without compromising environmental objectives.

Environmental watering is often essential to maintain and improve waterway health. Beyond the benefits for plants, wildlife and broader environmental health, watering also intrinsically provides broader social and recreational benefits to communities, such as improving amenity for fishing, camping and canoeing.

Many 'shared benefits' from environmental watering are inherent - for example, healthy rivers provide recreational wellbeing, cultural and economic benefits to communities. In some cases shared community benefits can be actively maximised in an operational sense by making decisions around the way we store, deliver and use environmental water (such as holding water in weirs at specific times to help support local rowing regattas). Where possible, environmental water managers look for opportunities to maximise shared benefits provided environmental outcomes are not compromised.

In 2017/18, to progress this strategic initiative, the VEWB will:

- a) Develop a strategic work program (incorporating research, communication and engagement) to continue to better capture, consider and communicate the social and recreational values and benefits of environmental watering (contributes to *Water for Victoria* action 7.1).
- b) Contribute to the evolution and progression of the consideration of recreational values in waterway planning (contributes to *Water for Victoria* action 7.1).

3.2.6 Strengthening decision making and adapting to climate change.

Strategic Initiative 6: Strengthening decision making and adapting to climate change.

Goal: We will refine the prioritisation and decision making framework for the use, carryover and trade of water to optimise environmental outcomes at a landscape scale in a changing climate.

Climate change modelling shows that by 2065, average annual streamflows will reduce by about 50 percent in some Victorian catchments. Reductions in streamflows of this scale will have serious consequences for water availability across Victoria and decisions about environmental water use will need to shift in complexity.

In 2016/17, the VEWB undertook work to describe in detail how decisions about environmental watering are currently made, based on regional priorities put forward in waterway manager's seasonal watering proposals in consultation with local communities.

The VEWH now intends to further develop and refine the decision-making framework including consideration of how statewide environmental water decisions could be made in a water-restricted future, with drier streams and lower water allocations.

VEWH's aim is to put in place a statewide 'watering blueprint', based on a strong climate change adaptation policy, including annual and in-season water use planning, trade, carryover and drought contingency processes. The 'watering blueprint' should articulate what can be achieved with available environmental watering options and place environmental watering priorities and decisions within a robust integrated catchment management framework.

To be effective, the prioritisation framework will require extensive collaboration with waterway managers, state and federal agencies and research organisations. The framework will be developed over the four year life of this Corporate Plan.

In 2017/18, to progress this strategic initiative, the VEWH will:

- a) Partner with waterway managers and DELWP to consolidate a statewide vision for waterways under a changed climate, and articulate the role of environmental water as part of an integrated catchment management approach to realising that vision (contributes to *Water for Victoria* action 3.5).
- b) Scope the development of a state-wide environmental water prioritisation framework.

3.2.7 Better monitoring and reporting of environmental watering outcomes

Strategic Initiative 7: Better monitoring and reporting of environmental watering outcomes

Goal: We will develop a clear framework and investment plan for monitoring, to ensure we increase knowledge for decision making and can source information to publically report on the outcomes of environmental watering in Victoria.

The State's environmental water monitoring programs are primarily the remit of DELWP, which coordinates the Victorian Environmental Flows Monitoring Assessment Program and Wetland Monitoring Program, as well as funding waterway monitoring within CMAs. The VEWH has historically supplemented this with investment in a number of 'event' monitoring projects (i.e. monitoring the effects of a particular release).

The VEWH requires all of these monitoring and research projects for two key reasons:

- 1) To improve decision making: Increasing our knowledge of environmental water management and its outcomes increases the efficacy of our work. The more we know, the more effective our decision making can be.
- 2) To report to communities: Public reporting of the outcomes of watering for the environment provides transparency to our work and aims to improve understanding of the rationale and benefits of the environmental watering program.

In 2016/17 the VEWH undertook a 'stocktake' and analysis of environmental water monitoring in Victoria. It is keen to ensure that its investments in this area not only complement other monitoring programs but add value to its mandated decision making, about the best use of environmental water.

In 2017/18, to progress this strategic initiative, the VEWH will:

- a) Set strong principles for monitoring investment to ensure our investments are aligned and complement other environmental flow and wetland monitoring and assessment programs (contributes to *Water for Victoria* action 3.9).
- b) Improve annual state-wide reporting by drawing on event-based, process-based, observational and community reporting (contributes to *Water for Victoria* action 3.9).
- c) Contribute to the evolution and progression of DELWP's waterway monitoring programs (contributes to *Water for Victoria* action 3.9).
- d) Support the establishment of a waterway research hub (contributes to *Water for Victoria* action 3.9).

3.2.8 Clarifying services and charges

Strategic Initiative 8: Clarifying services and charges

Goal: We will work closely with our partners to establish clear environmental water storage and delivery services and charging arrangements to provide certainty for the water management industry.

The government requires environmental water holders to pay applicable charges for the costs incurred by storage and system operators to store and deliver environmental water. For example, Victorian Environmental Water Holder costs for storage, delivery and carryover charges in 2015-16 were \$5 million across the state. The Victorian Environmental Water Holder, Commonwealth Environmental Water Holder and Murray-Darling Basin Authority collectively pay around \$12 million per year in water corporation charges. While charges have been applied to all environmental water entitlements since 1 July 2014, there are varying approaches to charging across different water corporations.

The DELWP is leading the implementation of Action 3.7 of *Water for Victoria* to determine service levels and clear, transparent and equitable charging arrangements for environmental watering.

There may be different levels of service provided for environmental water, most often in water delivery systems. Government needs to consider the revenue requirements of water corporations to maintain future infrastructure needs. The VEWH agrees that a fair and reasonable contribution to system costs should be made by all users in line with the level of service received. A collaborative planning process that involves all relevant parties will allow environmental water holders to engage in the process of service definition, cost allocation, and provide transparency and accountability.

The Essential Services Commission is responsible for approving the price proposals of water corporations for regulated services, consistent with policy set by government. Government has agreed that the following principles will apply to charging arrangements for environmental water:

- prices for services to environmental water holders will reflect costs
- prices will reflect the level of services received
- prices will provide signals for the efficient and sustainable use of water infrastructure
- prices will not deter environmental watering.

In 2017/18, to progress this strategic initiative, the VEWH will:

- a) Contribute to the DELWP policy processes to ensure clear, transparent and equitable charging arrangements (service levels and prices) are developed (contributes to *Water for Victoria* action 3.7).
- b) Work with water corporations to refine environmental water service definitions and charging arrangements, including through water pricing reviews for the Essential Services Commission.

3.2.9 Improving environmental outcomes through works

Strategic Initiative 9: Improving environmental outcomes through works

We will pursue key complementary works and measures to improve the effectiveness and outcomes of Victoria's environmental watering activities.

Healthy environmental water regimes are critical for river and wetland health – but are only part of the picture. At times, the benefits of environmental watering can be limited by issues such as proliferation of weeds and pests or physical constraints to delivering water. In some cases, it may make sense for the VEWH to invest in works to improve the effectiveness of environmental water. For example, installing infrastructure to better target and control the way water is delivered may improve the efficiency of environmental water use in a waterway and lead to more benefits at the site or across the catchment from the same amount of water. VEWH will also continue to work alongside program partners, including DELWP and waterway managers under the Victorian Waterway Management Framework to ensure water management and complementary works and measures contribute to broader integrated catchment and waterway health outcomes.

In 2017-18 the VEWH will progress this initiative by:

- a) Investing in an innovative project to develop and construct channel off-take and pump screens in Gunbower Creek to prevent native fish loss to the irrigation system.
- b) Defining principles for a future program of investment to improve environmental water outcomes through complementary works and measures (contributes to *Water for Victoria* action 3.5).
- c) Contribute to the planning, development and progression of program partner waterway works and measures projects that maximise the effectiveness of environmental water outcomes (contributes to *Water for Victoria* action 3.5).

3.3 Corporate policies and strategies

The following sections describe the overarching corporate policies and strategies that the VEWH will implement in undertaking its functions. These include:

- financial management
- human resource management
- information systems management
- risk management.

3.3.1 Financial management

Financial resources will be sought and managed to ensure that statutory functions can be effectively undertaken. Appropriate practice will be implemented and maintained to ensure efficient and accountable financial management.

To ensure appropriate practice, the VEWH will comply with requirements under the Financial Management Act 1994, the Standing Directions of the Minister for Finance 2016 under the Financial Management Act 1994, and the Department of Treasury and Finance's Financial Management Compliance Framework. Relevant requirements include those relating to:

- the Trust Fund and Accounts
- financial statements and budget updates
- budget management
- financial transactions
- accounting procedures
- asset registers
- risk management strategies
- financial reporting, including annual reports
- audit
- supply management and procurement.

For administrative efficiency, the VEWH will use DELWP's systems and processes for financial transactions, and in doing so, agrees to abide by DELWP's relevant regulations and policies. This arrangement is formalised through a service level agreement, which will be updated as required.

The VEWH will ensure any cash investments are undertaken in line with government policy and the VEWH's approved investment business rule.

3.3.2 Human resource management

Human resources will be secured and effectively managed to ensure that statutory functions can be effectively undertaken, and appropriate human resource practice will be implemented and maintained to ensure fair and reasonable employment processes and treatment of staff. Flexible working arrangements will be supported where appropriate.

To ensure appropriate practice, the VEWH will comply with requirements under the *Public Administration Act 2004*, the Victorian Public Sector Employment Standards, the *Equal Opportunity Act 1995*, and the *Protected Disclosures Act 2012*. Relevant requirements include those relating to:

- workforce planning
- recruitment

- remuneration
- termination
- occupational health, wellbeing and safety
- protected disclosures.

The VEWH will use staff seconded from DELWP or any other public agency or authority and in doing so, agrees to abide by the relevant regulations and policies, unless varied by agreement. These arrangements are formalised through written agreements with the relevant agencies and authorities, which will be updated as required.

3.3.3 Information systems management

Information systems and practice will be implemented and maintained to ensure that information held or generated by the VEWH is soundly managed, and is accessible as required, usable and trusted.

To ensure appropriate practice, the VEWH will comply with requirements under the *Financial Management Act 1994*, the *Information Privacy Act 2000* and the *Freedom of Information Act 1982*. Relevant requirements include those relating to:

- publication of documents
- access to unpublished documents
- record keeping.

The VEWH will maintain records of its decision making, and will make all documents required to be developed under the Water Act publicly available.

For administrative efficiency, the VEWH will use DELWP's information technology systems and processes, and in doing so, agrees to abide by DELWP's relevant regulations and policies. This arrangement is formalised through a service level agreement, which will be updated as required.

3.3.4 Risk management

Risk management strategy and practice will be implemented and maintained to ensure that strategic and operational risks are identified, assessed and mitigated as required. To ensure appropriate practice, the VEWH will also comply with requirements under the *Financial Management Act 1994*, relating to risk management strategies.

Risk assessment and treatment are an integral part of the planning, management and reporting activities undertaken by the VEWH and its watering partners. Active risk management at the strategic and operational levels provides confidence that the VEWH will be able to meet strategic objectives and associated operational targets and goals. The VEWH regularly promotes risk awareness, including considering risk in seasonal watering decisions. The VEWH maintains insurance policies to cover certain risks which cannot be further minimised and periodically reviews the appropriateness of these policies.

Risk management principles of the VEWH are aligned with the eleven principles underpinning the Australia/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines) and the Victorian Government Risk Management Framework. The Chairperson (Accountable Officer) will attest on an annual basis via the annual report to the appropriate management of risk, to meet the

requirements of the *Financial Management Act 1994*. The Victorian Auditor-General's Office assesses if these requirements are being met.

VEWH's Risk and Audit Committee (RAC), provides independent oversight of strategic, financial and corporate management. The RAC assists the VEWB Commission by ensuring:

- risks to the organisation are identified and monitored effectively, and systems are in place to manage those risks
- a reliable system of internal control is maintained, to ensure effective governance including compliance with laws and regulations
- annual accounts provide an accurate representation of the organisation's financial position.

In 2016-17 RAC membership was renewed, with two new external independent members joining the committee. RAC continues to provide oversight of progress against internal audits, and recommendations from audits completed in prior years. It has developed the Internal audit charter and plans to identify future areas of internal audit focus.

The Victorian Environmental Watering Program Risk Management continues to focus on shared risks – those risks that are at the interface between the different partners. The approach supports partners to manage inter-agency risks as required by the Victorian Government Risk Management Framework. In 2016/17 the VEWB has again worked with partners to assess environmental water risks, identify mitigation measures and assign a lead responsibility for the measures. This joint risk assessment informs the development of the seasonal watering proposals and forms a basis for risk management in the coming water year. The framework also provides an approach for partners to jointly respond to incidents and encourages collaboration and learning in relation to risk management.

The VEWB will continue to include risk management roles and responsibilities in the operating arrangements as they are progressively finalised or updated.

The VEWB has developed a risk appetite statement that communicates the amount and type of risk the VEWB is willing to accept to achieve environmental outcomes for waterways. It includes strategic risks, which may significantly impact on the achievement of the VEWB's outcomes and objectives, are long term in nature and are not limited to a site or system scale. The appetite is determined for risks with a high or medium risk rating, is aligned with the strategic programs and is reviewed annually.

Information on the assessment, controls (i.e. those actions that are already in place) and treatments (i.e. those actions still to be put in place) for both strategic and operational risks is recorded in the VEWB risk register.

3.4 Performance indicators

The VEWH will assess our performance against the program and financial indicators and targets identified in Table 4 to be reported in the VEWH annual report.

Table 4 Program and financial performance indicators

Performance indicator	Target
<i>Water Act 1989</i> , other legislative, Ministerial rules, and Water Holdings obligations fulfilled on time	100%
Planned outputs effectively delivered within committed timeframes	100%
Agreed strategic improvement actions for the current financial year effectively delivered within committed timeframes	80%
Variance of actual expenditure to budgeted expenditure is within the target range, and actions taken to mitigate significant variances	<10%
Internal cash investment strategy reviewed, and actions taken to address significant variances in interest received	Quarterly
Final financial accounts are completed within statutory timeframes	100%
Office operations ¹ expenditure as a percentage of total expenditure is within the target range	<25%

¹ Office operations includes staff and other operating costs such as audit and insurance costs.

4 Financial projections

4.1 Assumptions

4.1.1 Water Holdings

The charges paid for the storage and delivery of environmental water are determined by government policy and water corporation planning and tariff strategy processes. The financial projections for these charges over the period of the Corporate Plan assume a continuation of the arrangements in place in 2016-17 plus CPI. It is worth noting that the scheduled Essential Services Commission review of pricing may alter future charges, which would affect the forward budget estimates. Any pricing changes will be incorporated in the budget estimates for 2017-18 and beyond.

4.1.2 Inter-annual seasonal variability

Seasonal conditions, such as temperature, rainfall and inflows, influence environmental water supply and demand. The supply of environmental water includes the amount of water allocated to environmental water entitlements, but also takes into account the amount and timing of unregulated flows that occur naturally in rivers and wetlands and other flows in the system. The demand for environmental water is determined by the environmental objectives, which vary under different seasonal conditions; for example, less water is likely to be required under drought conditions as the objective in drought years is to protect refuges for plant and animal populations, while in average and wet years, more water is required to maximise recruitment, migration and connectivity.

These financial statements assume 'average' seasonal conditions over the four-year period. Seasonal variability will then be addressed through carry forward of unexpended revenue and water trade.

4.1.3 Revenue

The VEWB is largely funded through the 2016-17 Budget Initiative *Improving the Health of Waterways in regional Victoria* (Environmental Contribution Tranche 4). Funding arrangements span from 2016-17 to 2019-20. The VEWB will need to negotiate for funding beyond 2019-20 as part of the next tranche of Environmental Contribution funding. The VEWB has also committed some of the funding provided to the Victorian Government by the Australian Government to implement elements of the Murray-Darling Basin Plan. This funding provides for the appointment of staff who will implement the VEWB's Basin Plan obligations.

The VEWB receives interest revenue from cash investments, and revenue from the sale of water allocation in years of surplus supply (see 'Water trade' below). This revenue can be used to invest in future environmental watering priorities, including water purchase to meet shortfalls in any Victorian system, or investment in measures or investigations to improve the performance of Victoria's environmental watering program.

4.1.4 Carry forward

The VEWB has a Trust Account, which provides the ability to carry forward unexpended revenue. This is critical in order for the VEWB to manage inter-annual seasonal variability,

and the associated volatility and unpredictability in Water Holdings management. As described in the previous section, the VEWB budget has been developed on the assumption of 'average' seasonal conditions and water availability. It is important that the VEWB can carry forward to ensure sufficient funding to provide for conditions which are above or below average. For example, in a year of above average water availability, carryover and delivery (irrigation channel access and pumping) charges may be above average. However, there is a threshold where severe and extended flooding will significantly reduce the need for active environmental water delivery, so channel access and pumping charges may be below average. In a year of below average water availability, a reduced volume of environmental water will be in storage and delivered, so costs may be reduced. However, a greater proportion of water may be required to be pumped due to low river levels, so pumping costs may be higher. Therefore, it is assumed that VEWB operations costs will be managed across the next four years to ensure financial resources are available according to seasonal conditions.

4.1.5 Water trade

The VEWB has the ability to trade its water entitlements and allocations. The VEWB's experience to date with water allocation trade demonstrates that trade revenue is a variable revenue source. At this stage, it is also assumed that water trade will be used to address inter-annual seasonal variability (i.e. water sales in one year will result in revenue which will be required to purchase water in a future year). Thus the financial statements assume that net trade revenue will be spent on water purchases in 2017-18 and forward years, in the event that there is insufficient water to meet critical or priority environmental needs. If this does not eventuate, the funds may be used to invest in monitoring, technical or small structural works, or other priorities to improve our waterways.

4.1.6 Delivery of water for other water holders

The VEWB holds some water entitlements in trust for The Living Murray program, which is an interstate initiative aimed at improving the health of the River Murray. The Living Murray program is coordinated by the MDBA, who also pays the costs associated with the entitlement management and delivery of this water. As the water is held in the VEWB's allocation bank accounts, these charges are paid by the VEWB and the costs are recouped in full from the MDBA. It is difficult to predict what these charges will amount to in the coming year, as they depend largely on the prioritisation of watering actions by partners in The Living Murray program. As such, these financial statements assume no net revenue (or cost) associated with The Living Murray program.

CEWO also transfers water to the VEWB's allocation bank accounts for delivery. Some of the costs associated with Commonwealth Water Holdings, such as headworks charges, are paid directly by CEWO to Goulburn-Murray Water. However, associated delivery-based charges are paid by the VEWB and recouped in full from CEWO where appropriate. It is difficult to predict what these charges will amount to, as they depend largely on the prioritisation of watering actions by CEWO. As such, these financial statements assume no net revenue (or cost) associated with Commonwealth environmental water.

4.1.7 Assets and liabilities

The VEWB does not own any non-financial assets, such as water delivery infrastructure, or office equipment (which is sourced from DELWP).

4.2 Statement of financial performance

Table 5 Statement of financial performance

	Budgeted (\$'000) ¹	Forecast (\$'000) ²	Budgeted (\$'000)			
	2016-17	2016-17	2017-18	2018-19	2019-20	2020-21
Revenues						
Government contributions / grants ³	6,942	8,750	8,750	10,100	9,100	10,287
Interest ⁴	135	98	173	150	131	119
Sale of goods ⁵	0	1,000	0	0	0	0
Other income ⁶	0	1,965	0	0	0	0
TOTAL	7,077	11,813	8,923	10,250	9,231	10,406
Expenditures						
Employee benefits	1,920	1,646	1,965	2,085	2,129	2,175
Grants (water delivery and management) ⁷	3,202	2,443	4,890	3,489	3,559	3,166
Environmental water holdings and transactions ⁸	3,614	5,058	3,734	3,844	3,955	4,054
Other operating expenses ⁹	4,229	2,885	1,277	1,194	1,219	1,146
Water purchases ¹⁰	275	164	600	600	600	600
TOTAL	13,240	12,196	12,466	11,212	11,462	11,141
Net result from transactions	-6,163	-383	-3,543	-962	-2,231	-735
CARRY FORWARD¹¹	802	8,071	4,528	3,566	1,335	600

¹ 2016-17 Budget did not include revenue from sales of water allocation, or revenue and expenditure from the Living Murray program and Commonwealth Environmental Water for entitlement charges and water delivery costs associated with delivery of their Water Holdings.

² Projected year end position, as estimated at end February 2017.

³ The 2016-17 budget assumed a reduction in revenue received as part of the 2016-17 to 2019-20 Environmental Contribution Tranche 4 (EC4) funding bid through use of \$2.5m in surplus funds carried forward from previous years to partially offset the bid. \$2.5m of surplus funds will now be applied across the four years of the funding agreement to partially offset the total amount of funding provided. No funding for 2020-21 is guaranteed but assumes funds provided for budgeted costs in the previous year plus CPI.

⁴ Interest for 2016-17 has been calculated based on 2016-17 estimated total for part of the year (8 months), extrapolated out for a full year. Estimated interest in out-years is based on estimated revenue and the average percentage of interest earned in previous years.

⁵ Estimated total revenue to be received in 2016-17. Estimated revenue for the forward years is not provided as the quantum of water allocation sold in any year is difficult to estimate.

⁶ Revenue from the Living Murray program or Commonwealth Environmental Water, for entitlement charges and water delivery costs associated with delivery of their Water Holdings, is not included in forward estimates from 2017-18 to 2020-21 as these are difficult to predict and are balanced by the associated unbudgeted expenditure (see notes 7 and 8).

⁷ Includes grants to catchment management authorities and water corporations for water delivery and management costs. The amount for 2016-17 includes delivery and management costs of the Living Murray and Commonwealth Environmental Water entitlements. These costs are not included in the out-years (see note 6). 2017-18 onwards includes grants paid for monitoring and technical projects. Some expenditure for monitoring and technical work budgeted for 2016-17 has been carried forward into 2017-18 (see note 9).

⁸ Forecast amount in 2016-17 includes VEWH entitlement charges, as well as entitlement charges associated with delivery of Living Murray and Commonwealth Environmental Water entitlements. These latter costs are not included in the out-years (see note 6).

⁹ 2016-17 includes monitoring, investigations and office operations. 2017-18 includes office operation costs and some technical work. The majority of monitoring and technical work is paid as a grant, therefore the budget for future years is reflected against the grant line (see note 7).

¹⁰ Amount in 2016-17 relates to water purchased in 2016-17. It is also assumed that water trade will be used to address inter-annual seasonal variability (ie. water sales in one year will result in revenue which will be required to purchase water in a future year). Thus the financial statements assume that net trade revenue will be spent on water purchases in 2017-18 and forward years.

¹¹ The total forecast carry forward for 2016-17 of \$8,071m is the sum of cumulative carry forward to end 2015-16 of \$8,454m less forecast net result of \$-383m for 2016-17. It is assumed the 2016-17 carry forward will be used in 2017-18 for project commitments relating to monitoring and technical work continuing into 2017-18 and to continue to offset of total funds to be received through EC4 funding.

4.3 Summary of planned programs

Table 6 Summary of planned programs

Program	Proposed expenditure (\$'000)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Planning, reporting, governance, engagement, and office operations (Programs 1, 3, 4 and 5) ¹	2,662	2,601	2,737	2,795	2,858
Entitlement charges, water delivery costs and investigations (Programs 2 and 6)	9,534	9,865	8,475	8,667	8,283
TOTAL	12,196	12,466	11,212	11,462	11,141

4.4 Balance sheet

Table 7 Balance sheet²

	Estimated (\$'000) ²	Budgeted (\$'000)			
	2016-17	2017-18	2018-19	2019-20	2020-21
<i>Financial assets</i>					
Cash	8,071	4,528	3,566	1,335	600
Receivables	472	519	571	629	691
TOTAL	8,543	5,047	4,137	1,964	1,291
<i>Current liabilities</i>					
Payables	0	0	0	0	0
Leave provisions	232	256	281	310	340
<i>Non-current liabilities</i>					
Long service leave	240	263	290	319	351
TOTAL	472	519	571	629	691
NET ASSETS	8,071	4,528	3,566	1,335	600
TOTAL EQUITY	8,071	4,528	3,566	1,335	600

¹ Including staff, Commission remuneration, insurance, audit etc.

² Projected year end position, as estimated at 28 February 2017.