

VICTORIAN ENVIRONMENTAL
WATER HOLDER

Annual Report

2016-17

Our mission

Improve the environmental health of rivers, wetlands and floodplains by managing Victoria's environmental Water Holdings and cooperating with partners.

Our values

Collaboration. Integrity.
Commitment. Initiative.



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Year in review

1.1 Chairperson and Executive Officer Report

In 2016-17, the Victorian Environmental Water Holder (VEWH) continued to build on the successes of past years. This annual report provides highlights of the 2016-17 water year within the Victorian environmental watering program, reports on VEWH's performance against the *Corporate Plan 2016-17 to 2019-20* and provides a brief analysis of VEWH's management of Victoria's environmental water entitlements in 2016-17.

Victorian river management has, and always will, hinge around climate and the weather. No matter how we mechanically manage and deliver flows in our largest rivers, the amount of water available to flow through them fundamentally depends on how much it rains, how dry the landscape is and how much water eventually runs off into catchments, waterways and water storages.

Victoria experienced near average rainfall over summer 2016-17, but most of December's rain fell in one day (December 29th) delivering the highest summer daily rainfall on record and triggering flash flooding at several sites across the state.

While Victoria's communities struggled with the floods, a great deal of the water we had planned to release for the environment over spring and summer was not delivered to reduce flood risk or was no longer needed in the 2016-17 year, as sites were watered naturally. Meanwhile some areas of Gippsland had their lowest total summer rainfall on record and water was released to support the plants and animals in this dry time.

This unpredictability demonstrates the importance of Victoria's environmental water managers planning each year for all climate scenarios – from drought through to very wet. It also highlights the need for managers to be able to use water market tools to help plan for these changeable climate shifts.

The VEWH's ability to carryover unused water from one financial year to the next, buy water in times when it is most needed and sell it when it is not, means that Victoria's rivers can be managed sustainably, for current and future generations. In 2016-17 the change to wetter conditions in most of the state meant that only a limited amount of carryover was required to deliver critical water releases in the winter-spring period. As environmental conditions continue to change, carryover will continue to help to meet water needs in 2017-18 and provide security for winter-spring releases should dry conditions eventuate.

Key environmental outcomes from the watering program in 2016-17 include:

- increased native fish migration into Victoria: water for the environment encouraged fish to move from the Lower Darling River into the iconic Murray, and then Goulburn and Campaspe rivers
- an additional 8 GL of water for the environment in the Thomson River
- an environmental flow release into the Glenelg River which, for the first time in south west Victoria, supported both environmental outcomes as well as Aboriginal cultural values
- an improved drying and wetting cycle at Reedy Lake, to reduce dominant reeds that have been choking the wetland and help reinstate a haven for a range of internationally important birds.

Our mission is that the state's rivers and wetlands continue to prosper to provide Victorians with the healthy lifestyles, recreation, wellbeing and amenity which is part of our culture.

Part of this sustainable management is making sure that the VEWH regularly seeks improvements in the way we work, making the most of new information and innovation.

Some of the areas of improvement outlined in the report this year are a review of the VEWH's investment in monitoring, investigations and works. This work ensures that investment is well targeted at knowledge gaps and program needs, effectively complementing activities undertaken by other agencies.

Another advancement has been completion of Australia's first statewide research into community knowledge of, and attitudes towards environmental water. This research aims, to ascertain what communities want and need to know about environmental water and its management. The research will be used to properly target community engagement, develop clearer, more transparent communication and foster a deeper trust with Victorian communities.

Finally, we need to stress that many of the healthy river and wetland outcomes that have been achieved this year could not have been achieved without the help of our stakeholders. Some of the case studies in this report provide evidence of where partners have worked with us and 'above and beyond the call of duty' to help achieve shared benefits for all Victorians. These partnerships have delivered improvements for native fish, healthier plants and trees, resilient wildlife and cleaner water to our landscape. Thank you.

As always, we look forward to working with our stakeholders and Victorian communities in the year ahead.

We are pleased to reaffirm that the VEWH has complied with its legislative and financial requirements in 2016-17 and delivered outcomes against all of its strategic programs.

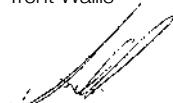
In accordance with the *Financial Management Act 1994*, we are pleased to present the Victorian Environmental Water Holder's Annual Report for the year ending 30 June 2017.

Denis Flett



Chairperson
Victorian Environmental
Water Holder
20 September 2017

Trent Wallis



Co-executive Officer
Victorian Environmental
Water Holder
20 September 2017

Sarina Loo



Co-executive Officer
Victorian Environmental
Water Holder
20 September 2017



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1.2 About the VEWH

Vision, mission and values

The VEWH's vision provides insight and guidance to drive the VEWH's operations in the long term.

Environmental watering for healthy waterways

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.

The vision of the VEWH is supported by a mission statement to:

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

In undertaking its 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 coordinate and maximise environmental outcomes from the delivery of all water
- commissions targeted projects to demonstrate ecological outcomes of environmental watering at key sites and to improve environmental management
- publicly communicates environmental watering decisions and outcomes
- supports the communication and engagement activities undertaken by our program partners.

Manner of establishment and responsible Minister/s

The VEWH was established on 1 July 2011 through an amendment to the *Water Act 1989* (the Water Act) passed by the Victorian Parliament in August 2010. The VEWH is the independent statutory body responsible for holding and managing Victoria's environmental Water Holdings. The use of the Water Holdings for environmental watering is critical in ensuring Victoria's rivers, wetlands and floodplains continue to maintain and improve the environmental benefits that Victorians value. The responsible Minister during the reporting period was the Hon. Lisa Neville MP, Minister for Water.

Objectives, functions, powers and duties

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

- a. maintaining the environmental water reserve in accordance with the environmental reserve objective

- b. improving the environmental values of water ecosystems, including their biodiversity, ecological functioning and water quality, and other uses that depend on environmental condition.

The functions of the VEWH 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 Commonwealth.

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

1.3 Nature and range of services provided

The use of the Water Holdings for environmental watering is critical in ensuring that Victoria's rivers, wetlands and floodplains can continue to provide the environmental benefits communities value most. The VEWH is responsible for making decisions on the most effective use of the Water Holdings, to ensure water is used when and where it is most needed, and delivered in the most efficient and effective way to achieve the best environmental outcomes for the State. The VEWH provides its services under the auspices of six interacting programs: planning, managing, reporting, governance, relationships and learning.

Collaboration is the key to environmental watering success.

Relationships are critical for the VEWH and the Victorian environmental watering program. To carry out its work the VEWH collaborates with a range of program partners to deliver environmental water to sites across Victoria. These partners include waterway managers (catchment management authorities [CMAs] and Melbourne Water), storage managers, land managers and other holders of environmental water available for use in Victoria. Program partners have distinct roles and responsibilities that require partners to work together to achieve environmental watering outcomes, improve management and incorporate learnings. These partnerships are outlined in Figure 1.1.

Waterway managers scope the range of environmental watering options in seasonal watering proposals, including undertaking consultation with key local stakeholders and communities. They order water from storage managers for delivery (where required) and report on the physical and ecological outcomes of environmental watering. The VEWH strengthened its collaboration with waterway managers in 2016-17 through ongoing liaison, regular meetings, site visits and forum participation.

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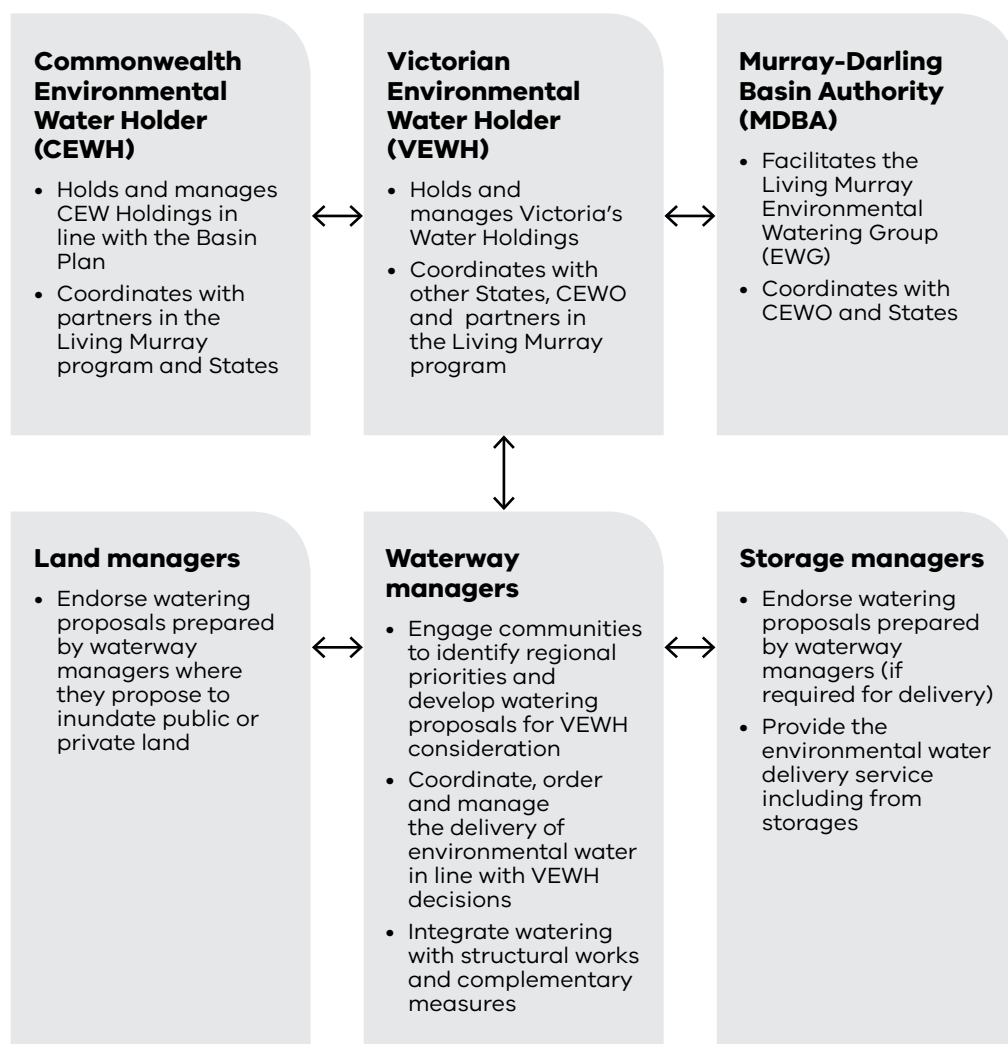
Storage managers release environmental water from water storages and report on the amount of water used. The VEWH continues to build positive and effective relationships with storage managers through ongoing liaison, and by attending bulk entitlement holder committee meetings (where they exist) and other forums. These committees provide a means of consulting all entitlement holders on issues such as entitlement amendments, operating arrangements and tariff reviews, as well as providing a forum for other issues and concerns to be aired.

Land managers may also advise on operations during the planning phase and operate infrastructure to allow water to be delivered to specific wetlands.

Water holders have a role in scoping and prioritisation of watering actions and in reporting. Water holders in Victoria include the VEWH, the Commonwealth Environmental Water Holder (CEWH) and the Murray-Darling Basin Authority (MDBA) as part of the Living Murray program.

The **Department of Environment, Land, Water and Planning** (DELWP) manages Victoria's water resources partnership with a network of government agencies and water authorities. DELWP is responsible for overseeing management of groundwater, catchments and waterways, infrastructure, water saving and re-use projects, flood management, governance and water legislation.

Figure 1.1 Key partnerships and responsibilities



The Southern Connected Basin Environmental Watering Committee, convened by the MDBA, has been established to coordinate the delivery of environmental watering through the connected Murray system. It oversees the use of Living Murray environmental entitlements. During the delivery of environmental water, more specific operational advisory groups are convened to track progress and adapt operations as needed. The VEWH continues to work collaboratively with other Victorian Government agencies to implement the Environmental Watering Plan of the *Murray-Darling Basin Plan*.

Planning for the highest environmental outcomes

As custodian of the Water Holdings, the VEWH carefully considers all of the potential environmental watering needs of rivers and wetlands across the state, as proposed by regional waterway managers. These proposals scope potential environmental watering actions (and associated environmental objectives) in a particular region for that year, considering lessons learned through previous environmental watering.

Year by year and case by case, the VEWH and its program partners also consider opportunities to use environmental water to provide shared benefits (that is, additional social, economic, Aboriginal cultural and recreational benefits) from the water use. For example, holding water in weirs at specific times to help support local rowing regattas. Where possible, the VEWH and its program partners incorporate such opportunities into watering decisions, where they do not compromise environmental outcomes or increase demand on the Water Holdings.

The VEWH collates and summarises the regional seasonal watering proposals into a seasonal watering plan, which previews all potential environmental watering across Victoria for the coming water year under each a range of climate scenarios: drought, dry, average and wet to very wet. This is done to provide options depending on conditions and water availability during the year. The VEWH Commission then meets throughout the year to approve water for delivery in line with the plan.

As the year unfolds, many of the uncertainties associated with seasonal conditions, water availability and operational (delivery) context become clearer, informing decisions about the environmental watering actions that should proceed.



Case study:

Learning by doing: flows woo native fish into Victorian rivers

Managers, scientists and river operators are continually improving their understanding of how flow can be used to support native fish. In 2017 they set themselves a challenge: encourage fish to migrate from the Lower Darling River into the iconic Murray, Goulburn and Campaspe rivers.

An environmental flow was first delivered down the Murray, to stimulate golden and silver perch to move upstream along the Murray through the fishway on Torrumbarry Weir.

Victorian agencies then released flows into the Goulburn and Campaspe rivers, to encourage the fish in the Murray to move up those rivers.

The plan worked. Monitoring showed that juvenile golden and silver perch tagged at Torrumbarry Weir moved up into the Victorian rivers directly in response to the flows delivered.

VEWH Environmental Water Coordinator Keith Chalmers says “this monitoring helps us better understand how best to use water for the environment to repopulate fish in these rivers.”

“There were people working across the southern Murray-Darling Basin to make this work,” he says.

“In Victoria, Goulburn Broken CMA led the coordination effort with North Central CMA, and DELWP’s Arthur Rylah Institute provided advice on what flows to deliver to ensure fish would be happy travellers. Goulburn-Murray Water (GMW) was very supportive, particularly helping plan how Torrumbarry Weir was operated to get the best possible response from native fish while meeting their irrigator demand via diversions to the National Channel, which hadn’t been done before.”

The Murray-Darling Basin Authority and New South Wales Office of Environment and Heritage (NSW OEH) delivered the initial Murray pulse, with the VEW and Commonwealth Environmental Water Holder (CEWH) providing environmental water in the Murray and Goulburn rivers. No environmental water was needed in the Campaspe River. GMW was transferring consumptive water from Lake Eppalock to the Murray at the time, so they ‘shaped’ the delivery as an environmental flow to get the fish response.

It’s worth noting that NSW OEH also delivered environmental flows into the Lower Darling River and Darling Anabranch in 2016-17 for native fish benefits. The Lower Darling River supports one of the most robust populations of Murray cod across the Murray Darling Basin. The environmental flow helped to support a spawning and recruitment of Murray cod. The environmental flow also provided a flow connection between the Menindee Lakes (a critical nursery habitat for golden and silver perch) and the River Murray and thus enabled substantial numbers of juvenile golden perch to move into the River Murray system. Research has shown that these connections are important in helping repopulate other rivers in the southern Murray-Darling basin.

In the coming year, we plan to deliver flows that encourage and assist these fish, that have originated from the Darling system, to migrate into the Goulburn and Campaspe rivers and build on this year’s results.

This is a great example of learning by doing: working together to improve how we plan and manage environmental water.

Managing the water portfolio

As much as possible, the VEWL seeks to meet environmental water demands (and avoid water supply shortfalls) by implementing seasonally adaptive planning and efficient use of environmental water. This includes reuse of return flows and use of other water management tools such as carryover and trade. Other options, including working with storage managers to alter the timing and route for delivery of consumptive water, can also help to achieve environmental objectives efficiently without negatively impacting other water users.

Throughout the year, the VEWL assesses environmental water demand compared to available water supply. This includes considering factors such as environmental water demand in the current year (and the following year where known), potential operational opportunities and constraints, and current and forecast water availability and climate conditions.

If a demand-supply assessment indicates a potential surplus of environmental water supply, the VEWL may consider carrying over the water for potential future needs, or selling the water on the market. Any resulting revenue can then be invested in future environmental watering priorities, which could include:

- purchasing water to meet shortfalls in any Victorian system
- technical work to address key knowledge gaps and demonstrate outcomes from environmental watering
- small structural works to improve water efficiency
- other measures to improve the performance of Victoria's environmental watering program.

If, on the other hand, the VEWL identifies potential environmental water supply shortfalls, the VEWL considers whether there are other portfolio management options to help meet the demand. This could include the transfer of water from an environmental entitlement in another system, purchasing water or using carryover to meet future demands. If there is still a shortfall despite these measures, the VEWL, in collaboration with waterway managers (and other water holders if relevant), will consider where water is most needed and how it can be used most efficiently to achieve the best environmental outcomes.

The VEWL may prioritise between actions in a single river or wetland, between different river reaches or wetlands within the same system, and between rivers or wetlands in different systems or regions. Prioritisation decisions are influenced by many factors such as the previous watering history in a river or wetland, environmental or public risk considerations, or seasonal conditions in that region. These decisions can be extremely difficult, often involving trading off the potential risks of one adverse outcome compared to another.

In prioritising one environmental watering action and site over another, the VEWL always seeks to maximise environmental outcomes for Victoria.



Case study:

Working together to provide the right flows at the right time

Communities in the Central Murray region stand to benefit from work being undertaken to improve fish populations in the Loddon River system.

A key to native fish recovery is to use water for the environment to trigger fish to move to feed and breed.

Research has shown that silver perch, yellowbelly and Murray cod need flows of 700-900 megalitres (ML) through Kerang Weir to attract them from the lower Loddon River and River Murray. This flow helps them move through the Kerang Weir fishway and into the Loddon River, Pyramid Creek and into Kow Swamp via a recently built fish lock.

During April and May 2017, North Central CMA, GMW and the VEWB worked together to provide the right flows at the right time and make this happen.

The Loddon River system is heavily modified and primarily used to supply irrigation customers, therefore delivering the right flows at the right time threw up many challenges to the authorities.

- In order to achieve the required flow at Kerang Weir, a release of environmental water from the Loddon River was carefully timed to meet a release of irrigation water from Kow Swamp to Pyramid Creek.
- The delivery was coordinated so that there would be no impact on irrigation supply or water levels in the Kerang Lakes.
- Releases in the Loddon River were cautiously managed to ensure that landholders were not impacted, and landholders were consulted to ensure environmental water was not applied to private land without prior agreement.
- Mid-way through the delivery, releases were adapted to prevent the threat of blue green algae to the Kerang Lakes.

Staff from GMW worked 'above and beyond' the call of duty to manage and account for the water, ensuring that while the environment prospered their customers would not miss out.

The result? Scientists from the Arthur Rylah Institute trapped fish at several locations before and during the flows to test if they were working for fish. They recorded good catches of yellowbelly, silver perch and bony herring at Kerang Weir and at the 'chute' fishway on the Loddon River. Murray cod, yellowbelly and silver perch were trapped and released in the fish lock at Kow Swamp that was built by GMW. Fish that were tagged in the River Murray were detected moving through the various fishways in the system.

The flows add to works undertaken under North Central CMA's *Native Fish Recovery Plan*, which aims to improve flows, habitat and connectivity in waterways, providing benefits for anglers and the community of the Central Murray region. Other initiatives of the plan include introduction of 26 large woody habitat structures in Pyramid Creek, installation of fish screens on irrigation channels to stop fish being lost to irrigation networks, and fencing, weed control and revegetation along river banks. These complementary works are critical to securing the environmental outcomes of water for the environment.

Engaging a diverse range of stakeholders

Engaging environmental watering stakeholders and the public is an important part of the VEW's role. The VEW aims to increase public understanding of the Victorian environmental watering program; promote understanding of environmental watering decision making; and demonstrate effective management of the Water Holdings and improved environmental health. Community representatives and peak body organisations provide significant perspectives to guide us in this work.

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 percent in some Victorian catchments by 2065¹. 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 infrastructure.

Scrutiny of the management and value of environmental watering is only expected to increase. The VEW 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.

Waterway managers have the primary responsibility for engaging local communities on environmental watering. 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. While waterway managers ensure environmental watering primarily protects the most important environmental values to the community, they also consider additional social benefits, such as recreational water needs and Aboriginal environmental benefits of environmental watering.

The VEW supports waterway managers with their local engagement in many ways, ranging from presenting at community meetings to providing tailored communication materials (such as website material, media stories, infographics, diagrams and videos).

At a program-wide level, the VEW directly engages with key state-level stakeholders, informing, consulting and collaborating in matters relating to environmental watering. Forums, such as Environmental Water Matters Forum provide an avenue for drawing together key stakeholder groups and community representatives.

Some highlights of our engagement program this year included:

- forging a strong partnership with Birdlife Australia. In late 2016, the VEW and Birdlife Australia worked together at a National level, to tell the story of how environmental water is playing a critical role in fighting the decline of waterbird populations in Australia's south-east. This work is now continuing with a citizen science monitoring project to involve birdwatchers in monitoring at watered wetlands
- working with Fisheries Victoria and a range of recreational fishing groups to talk about environmental water at the state's first 'Murray Codference'
- undertaking Victoria's first statewide research to hear Victorian views about watering for the environment.

Some communications products the VEW launched in 2016-17 included:

- three hydrograph animations with researchers at the Arthur Rylah Institute, showing how water releases directly support breeding in different species of fish

¹ Potter, N.J., Chiew, F.H.S., Zheng, H., Ekström, M. and Zhang, L. 2016. *Hydroclimate projections for Victoria at 2040 and 2065*. CSIRO, Australia



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- a 'sketch' video to show how important 'timing' is when it comes to environmental flow releases
- an electronic newsletter to distribute news stories, infographics and videos to stakeholders, peak bodies and their members.

The VEWH provides information through a range of avenues including video, web, Twitter and printed material, as well as three printed publications every year – the seasonal watering plan, the annual watering booklet (*Reflections*) and this annual report.

Case study:

Listen up! Hearing Victorian views about water for the environment

The VEWH aspires to a future in which communities understand, accept, support and are actively involved in environmental watering. To move towards this future, the VEWH will avoid water industry jargon, communicate in plain English and provide the kind of information that Victorians want to hear.

In 2016-17, VEWH lead statewide market research to find ways to better engage with Victorians.

The objectives were to:

- conduct qualitative research (focus groups & interviews) and quantitative research (a statewide survey) to thoroughly assess and summarise community knowledge and attitudes relating to environmental water management, its objectives and outcomes
- identify gaps in community knowledge of environmental water and its management
- work out what Victorians want and need to know about environmental water and its management
- identify any emerging barriers or challenges (social, geographic, technological, economic,) to community understanding and acceptance of environmental water
- highlight opportunities to improve knowledge and communication of environmental water matters
- test comprehension of language previously used.

The project included specific research approaches aimed at increasing input from Victoria's Aboriginal communities.

In developing and undertaking this research program, the VEWH have attempted to be as collaborative as possible to ensure that the outcomes of the research are practical and useful for our partners in CMAs, water authorities and beyond.

The project reference group included representatives from most Victorian CMAs, Parks Victoria, DELWP, the CEWO, the Murray Lower Darling Rivers Indigenous Nations, and Murray-Darling Basin Authority, among others.

The outcomes have been eye-opening, confirming the difficulties of understanding Victoria's water system, how water is shared between homes, farms, businesses and nature and understanding the environmental needs of the state's rivers and wetlands. This is a concern across the water industry, not just relevant to water for the environment.

The research has already changed the way VEWH talks and writes about water for the environment and how it is managed. In the coming year, the VEWH will use the research to craft new communication approaches to provide all Victorians with access to understandable information about water for rivers and wetlands.

Providing a stronger voice to Aboriginal Victorians

In 2016, the Victorian Government released *Water for Victoria*, its strategic plan to manage water now and into the future. The strategy implicitly recognises that Victorian Traditional Owners and Aboriginal Victorians have cultural, spiritual and economic connections to water through their relationship to Country and have managed water sustainably over thousands of generations. *Water for Victoria* lays out actions to improve the inclusion of Aboriginal people in waterway management and include Aboriginal values and traditional ecological knowledge in water planning.

In 2016-17 the VEWH continued its strong program of engagement with representatives of Aboriginal communities through:

- Continuation of our partnership with the Wurundjeri Tribe Land and Compensation Cultural Heritage Council and Melbourne Water to undertake a cultural values mapping project for the Yarra River system. Through the project, water-dependent cultural values along the Yarra River system will be documented, together with associated water requirements and objectives for the values. This will enhance the ability of environmental water managers to achieve Aboriginal environmental outcomes for the Wurundjeri in the Yarra River system in both the short-term and the long-term.
- Ensuring Aboriginal values are better considered in the seasonal watering plan and reported in *Reflections*, our annual brochure highlighting the outcomes of environmental water.
- Facilitating conversations between representatives of Aboriginal communities and environmental water managers, to help increase additional cultural benefits from environmental flows (see case study p14, Aboriginal Water Week).
- Undertaking specific research to improve the VEWH's understanding of what Aboriginal communities care about, understand and need to know about water for the environment.
- Participating in the process to appoint an Aboriginal Victorian as the fourth VEWH Commissioner (expected to be complete early in the 2017-18 financial year).



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Case study:

Collaboration brings about inaugural Aboriginal Water Week

For decades, Aboriginal groups have been calling for water rights and meaningful Aboriginal participation in water management across Australia. In 2016, the Victorian Government through *Water for Victoria* committed to better engaging Aboriginal people in how water is managed in Victoria while also building the capacity of Aboriginal groups to achieve their broader water aspirations into the future.

As this commitment affects many Victorian water agencies and Traditional Owner groups, it was time to bring the conversations together.

Victoria's first Aboriginal Water Week was a collaboration between the VEWH, DELWP, Melbourne Water, the Wurundjeri Tribe and Cultural Heritage Council, Barapa Barapa Traditional Owners, Gunditj Mirring Traditional Owners Aboriginal Corporation, Barengi Gadjin Land Council, the Wimmera CMA, the North Central CMA, the Glenelg Hopkins CMA and the CMA Environmental Water Reserve Officers Network.

The week's overarching purpose was to build cross-cultural understanding between water agencies and Traditional Owners and to provide the opportunity to hear from Traditional Owners about their water aspirations. The week also enabled a discussion about 'shared benefits' from environmental watering and what it really means. A key feature of the week was hearing directly from Traditional Owners who have been involved in projects that use the Aboriginal Waterways Assessment, which is a tool that facilitates the incorporation of Aboriginal values in water management.

The week was held between Thursday 25 May and Monday 29 May and included four sessions over three days. Highlights included a Wurundjeri-hosted 'Aboriginal water knowledge sharing' event on Wurundjeri country and a 3-hour interactive session between CMA environmental water staff and Traditional Owner groups. Over the week, there were about 150 unique attendees including representatives from about 13 water agencies and about 10 Traditional Owner Nations.

Learning and reporting demonstrated outcomes

Scientific and community knowledge is used to support key aspects of environmental water management such as understanding:

- understanding what environmental values exist in different regions
- how these values can be supported with environmental water
- whether environmental watering is achieving its objectives.

Environmental water management plans and environmental flow studies capture this information and provide a resource to ensure that environmental water decisions are based on the best available science. Targeted investigations then help to build our knowledge of environmental watering and address any key gaps.

The VEWH and waterway managers also conduct operational monitoring and short-term ecological monitoring to inform management decisions and demonstrate that outcomes have been achieved. This monitoring facilitates adaptive management and ensures environmental water continues to improve the health of rivers and wetlands and the plants and animals they support. The VEWH also reports on when, how and why environmental water is used through this annual report and other key documents.

The Victorian Government, through DELWP, undertakes intervention monitoring through the Victorian Environmental Flow Monitoring and Assessment Program. This program will provide additional certainty and a scientific basis for the long-term ecological response from particular watering actions. An equivalent program for monitoring wetlands is currently being trialled.

The CEWO Long Term Intervention Monitoring Program will also support reporting of outcomes associated with Commonwealth environmental water (and relevant to the Victorian environmental watering program). The Goulburn River is one of the seven selected sites for monitoring of plants, animals and the river bank.

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.

Case study:

Drying out Reedy Lake – restoring the natural cycle.

Environmental water management isn't always about 'adding water'. One of the success stories of 2016-17 involved lowering the water levels of an internationally important wetland.

Healthy wetlands require varying water levels, to help a wide variety of plants and animals with differing water needs. Until this year, Reedy Lake, a wetland in the Lower Barwon River system, was suffering from having too much water for too long. Water levels at the lake had remained high for over a decade allowing reeds to 'choke' the lake and crowd out other important plants and animals. This loss of habitat had been impacting on endangered coastal saltmarsh communities and the number and diversity of internationally important migratory waterbirds the wetland supports.

The wetland had literally had too much to drink and needed a good 'dry'.

Corangamite CMA worked with local community members, the Lower Barwon Advisory Committee, Parks Victoria and the VEWH, to put in place a plan to lower water levels at the lake.

"If we don't act, one of the last remaining areas of endangered coastal saltmarsh communities in the Corangamite Region will be lost, the dominant reeds will choke the wetland, carp will multiply and the wetland will no longer be able to provide a haven for a range of internationally important birds," explained the CMA Chair Alice Knight.

"Lowering water levels at Reedy Lake is an important management action that we believe will mitigate threats to the system and ensure all user groups can continue to use and cherish the lake into the future."

A low-water level regime began in 2016-17 as outlined in the seasonal watering plan. Levels at Reedy Lake are now to be lowered each summer for three years, with full water levels maintained in every fourth year.

Waterway managers, with the support of the VEWH, are keeping a close eye on the lake to see how it responds to the new approach. Monitoring at this site is already showing signs that the low-water level regime is working, with clear evidence of reed reduction.



1.4 VEWH Performance in planning for and managing the Water Holdings

Implementing the Seasonal Watering Plan

The *Seasonal Watering Plan 2016-17* identified 266 potential watering actions across Victoria representing the full scope of actions that could be delivered under a range of planning scenarios. The number of watering actions achieved is always dependent on actual seasonal and operational conditions.

Of the total actions, 255 were required in 2016-17, with the remainder not required because:

- the watering action was intended to address water quality issues or to support a bird breeding event that did not occur;
- some wetlands that were identified for drying were naturally inundated; or
- the watering actions were no longer a priority due to the wet climatic conditions.

Of the watering actions required in 2016-17, 250 actions (98 percent) were fully¹ or partially² achieved; that is, the flow pattern that occurred was largely consistent with the planned pattern and/or there was a likelihood the environmental objectives would be achieved (see Figure 1.2).

The five potential watering actions which were not achieved³ were due to:

- a lack of agreement with landholders for watering private wetlands
- limitations in infrastructure or delivery feasibility.

Of those watering actions that were fully or partially achieved, 136 (54 percent) relied on some contribution of managed environmental water. A drying phase was implemented for two percent of actions, and the remaining 43 percent were achieved through natural flows, unregulated flows or the delivery of consumptive water en route.

Figure 1.3 shows the number of potential watering actions since 2011-12, and the number that were fully or partially achieved either through environmental water deliveries, or natural flows. Each year, the number of potential watering actions has increased, and (except for 2015-16 which was a very dry year) so have the total number of actions achieved. 2016-17 had more potential watering actions than any other year and the highest proportion of actions achieved, with many of these realised through natural flows due to the very high rainfall in winter and spring 2016.

1. The flow pattern that occurred was consistent with the planned parameters for the watering action. There is relative certainty that the environmental objective has been achieved.

2. The flow pattern that occurred was not entirely consistent with, but not materially different from, the planned parameters for the watering action. There is less but still some certainty that the environmental objective has been achieved.

3. An action was not achieved if the flow pattern did not occur at all, or was materially different from the planned parameters for the watering action. There is little to no certainty that the environmental objective was achieved.

Figure 1.2 Achievement of required potential watering actions in 2016-17

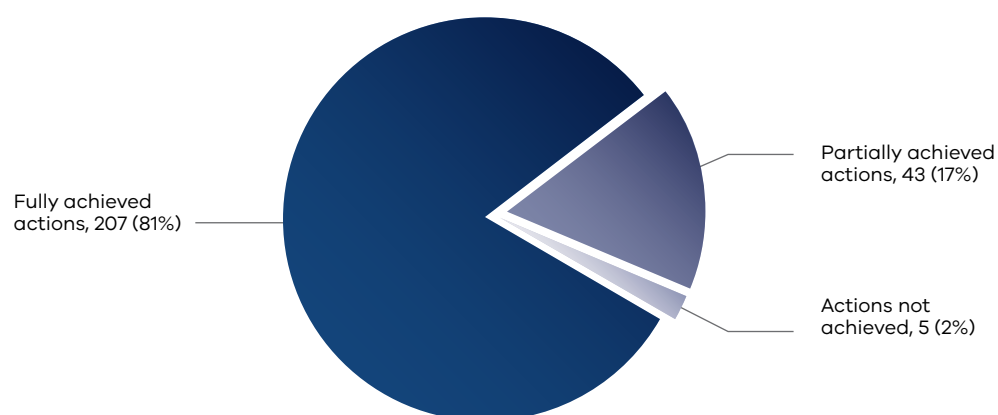
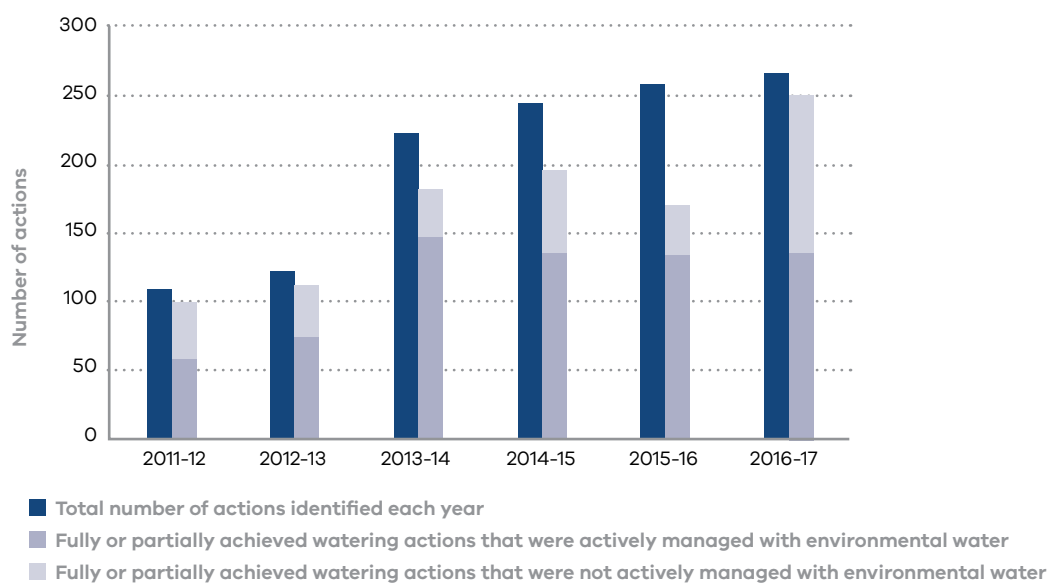


Figure 1.3 Achievement of potential watering actions since 2011-12





The VEWH coordinated delivery of environmental water to 76 river reaches¹ and 51 wetlands (127 sites) across Victoria. The number of sites watered since the VEWH's inception is illustrated in Figure 1.4. The number of sites watered increased substantially in 2013-14 due to:

- an increase in the volume of water held in environmental entitlements
- increased availability of Commonwealth environmental water
- infrastructure improvements that allowed delivery to a larger number of wetland sites.

Since then the number of sites watered has fluctuated each year due to climatic conditions and infrastructure improvements. Fewer wetlands and reaches were actively watered in 2016-17 compared to the previous three years because the objectives for many waterways were met by natural flows.

Figure 1.4 Number of river reaches¹ and wetlands watered since 2011-12

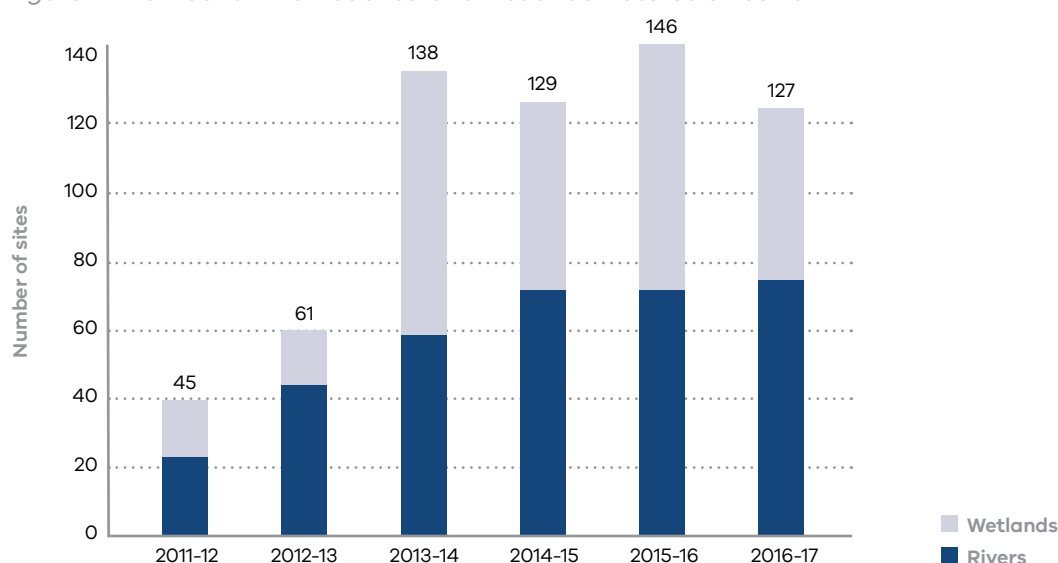


Table 1.1 provides a comparison of some water planning and delivery indicators from 2011-12 to 2016-17. These indicators are not reported against set targets as they are dependent upon seasonal and operational conditions.

¹ Environmental flow river reach

Table 1.1 Comparison of 2016-17 watering performance with previous years

	2011-12 ¹		2012-13		2013-14		2014-15		2015-16		2016-17	
Potential watering actions												
Number of actions and as percentage of total number of actions identified												
Total no. of actions identified	109		122		222		243		258		266	
Total no. of actions required							232		226		255	
Actions fully achieved	68	62.4%	81	66%	91	41%	136	58.6% ² (56%) ³	136	60.2% ² (52.7%) ³	207	81% ² (79%) ³
Actions partially achieved	31	28.4%	30	25%	90	41%	60	25.9% ² (25%) ³	35	15.5% ² (13.6%) ³	43	17% ² (16%) ³
Actions not achieved	10	9.2%	11	9%	41	18%	36	15.5% ² (19%) ³	55	24.3% ² (33.7%) ³	5	2% ² (5%) ³
Contribution of Water Holdings to fully and partially achieved watering actions												
Number of actions and as percentage of total number of fully or partially achieved actions												
Some or all of the watering action actively managed with environmental water	58	59%	74	67%	147	81%	135	69%	135	79%	136	54%
Not actively managed with environmental water ⁴	41	41%	37	33%	34	19%	61	31%	36	21%	114	45%
Other indicators												
Total number of river reaches and wetlands watered	45		63		145		129		146		127	
Total number of seasonal watering statements	47		60		95		59		64		52	
Total number of watering authorisations	-		-		-		1		3		6	
Total number of seasonal watering plan variations	6		8		8		4		3		3	

1. Note that the number of priority water actions in 2011-12 was updated to reflect more accurate data in 2013-14. Note also that this number does not include the Snowy River or the Goulburn-Broken wetlands as in that year they were not considered as a part of the environmental watering program.
2. The method used to calculate the percentage of achievement was changed in 2014-15 to reflect that some priority watering actions were not required. The updated method uses the number of actions required (232 actions required in 2014-15) rather than the number of actions identified (243 actions in 2014-15), to calculate the percentage achievement.
3. These percentages have been included to allow comparison between reporting in previous years and reporting from 2014-15 and 2016-17. They reflect the number of identified actions from the seasonal watering plan that were fully, partially or not achieved as a percentage of the total number of actions in the seasonal watering plan (243 actions identified in 2014-15).
4. Actions that were not actively managed with environmental water include actions that were achieved without the use of environmental water. These could include actions where the site was being intentionally dried, or where the priority watering action was met by unregulated water, consumptive water en route, passing flows, rainfall or water retained in rivers or wetlands from previous years.



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Seasonal watering statements

For environmental watering during the 12 months to 30 June 2017, the VEWH Commission approved 52 seasonal watering statements authorising waterway managers to order water from the Water Holdings and six watering authorisations (see Table 1.1). The watering authorisations enabled the VEWH Office to order water made available by the CEWH and the MDBA in the River Murray. This was similar to the number of statements and watering authorisations approved in previous years.

Variations to the seasonal watering plan

In response to unforeseen circumstances and changing conditions, the VEWH approved three variations to the seasonal watering plan during 2016-17. These variations are an important tool to ensure environmental water management adapts to changing conditions. Variations were made to the plan in the following areas:

- Lower Murray wetlands (Heywoods Lake, Little Heywood Lake and Woorlong Floodplain): The seasonal watering plan was amended (December 2016) to:
 - a) revise the potential watering action to water Heywoods Lake to facilitate watering at Little Heywood Lake
 - b) include Little Heywood Lake, which was prioritised during the year due to the wet conditions
 - c) revise the name of Woorlong Floodplain to Psyche Runner to avoid confusion between sites.
- Northern Region overview: The seasonal watering plan was revised to explain the management of River Murray Increased Flows and its objectives of improved ecological outcomes in the Murray system, at sites in Victoria, New South Wales and/or South Australia (February 2017).
- Loddon (Serpentine Creek): The seasonal watering plan was varied to increase the number of summer-autumn freshes in Serpentine Creek from two to four (April 2017).

The seasonal watering plan, all seasonal watering statements, environmental watering updates and other news are available from www.vewh.vic.gov.au. Anyone interested in receiving this update can email general.enquiries@vewh.vic.gov.au. Information on all the watering activities undertaken in Victoria and the associated environmental outcomes can be found in the annual watering booklet *Reflections* also available on the website.

Managing the Water Holdings

The following section provides information regarding the management of water available under the VEWH's water entitlements. This includes information about water availability, allocations, use, trade, and carryover.

Changes to entitlements

At 30 June 2017, the VEWH Water Holdings comprised 22 entitlements and a number of water shares.

The *Bulk Entitlement (Thomson River – Environment) Order 2005* was amended to provide an additional 8 GL per year, on average, to fulfil water recovery commitments made by the State Government. The water became available in late 2016-17.

The volume of the VEWH entitlements in the Murray and Goulburn systems increased slightly due to water savings achieved under the Goulburn-Murray Water Connections Project Stage 1. These volumes increase each year based on an annual audit of long-term savings achieved to date.

Copies of the VEWH's bulk and environmental entitlements can be obtained from the Victorian Water Register (www.waterregister.vic.gov.au).

Water availability and use

The VEWH had access to a total of 1,045,643.5 ML of environmental water in 2016-17. The volume included allocations to the VEWH in 2016-17, water carried over from 2015-16, water made available by the CEWH and the Living Murray program and water purchases.

In total, 706,467.7 ML was delivered in 2016-17, including 65,551 ML delivered to sites in New South Wales through Victorian accounts. The total included 364,514.2 ML of water made available by the CEWH, 33,676.4 ML by the Living Murray program, and 896.4 ML by Melbourne Water.

Table 1.2 compares net water availability and delivery across Victoria for 2011-12 to 2016-17.

Table 1.2 Water availability and delivery by region and for the state from 2011-12 to 2016-17

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Total volume available (ML)						
Southern Victoria (Gippsland + Central)	75,651	85,050	111,257	108,951	88,263	109,823
Gippsland Region ¹	Not reported separately	Not reported separately	48,124	52,219	48,081	53,648
Central Region ¹			63,133	56,732	40,182	56,176
Western Region	69,211	82,296	60,401	45,347	16,373	53,582
Northern Region ²	575,854	597,789	933,883	840,247	999,130	882,239
Total State³	720,716	765,135	1,105,541	994,545	1,103,766	1,045,644
Total volume delivered (ML)						
Southern Victoria (Gippsland ⁴ + Central)	33,008	41,060	49,130	62,974	40,922	48,478
Gippsland Region ¹⁴	Not reported separately	Not reported separately	27,351	28,872	28,797	20,637
Central Region ¹			21,780	34,102	12,125	27,841
Western Region	18,345	50,277	30,004 ⁵	33,720 ⁵	8,112 ⁵	13,585
Northern Region ²	427,858	345,904	730,543 ⁶	549,073 ⁶	640,498 ⁶	644,405 ⁶
Total State³	479,212	437,242	809,678	645,767	689,532	706,468

1. Reported separately for the first time in 2013-14. Details for Gippsland and Central regions have been included as subtotals of the southern Victoria region for 2013-14.

2. Includes water made available from and delivered on behalf of the Living Murray program and the CEWH, including CEWH water made available for Lake Victoria and Lower Darling River deliveries in New South Wales authorised by VEWH.

3. Note that the region volumes do not add to the total state volume due to rounding.

4. This volume does not include water delivered to the Snowy River from New South Wales, as this is delivered from New South Wales Holdings based on decisions made by the New South Wales Office of Water.

5. This volume does not include water delivered to three Wimmera-Mallee wetlands in Supply System 5 (Cokum Bushland Reserve, Considines and Poyner). In 2013-14, 15.6 ML of water was delivered to all three wetlands from GWMWater's Murray River Bulk Entitlement. In 2014-15 and 2015-16, water was delivered using a water allowance that is held by the VEWH and supplied from GWMWater's Murray River Bulk Entitlement. In 2014-15, 0.5 ML was delivered to Considines and Poyner, and in 2015-16, 16.2 ML was delivered to all three wetlands. Water was not made available in 2016-17.

6. This volume includes 70 ML delivered to the Ovens River from CEWH Holdings.



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Tables 1.3, 1.4, 1.5 and 1.6 summarise the water availability and use under VEWH entitlements in 2016-17 in the Gippsland, Central, Western and Northern regions respectively. Further commentary on changes to the VEWH entitlements, water availability and carryover and trade of water allocation is provided to accompany the tables.

Return flows

In some systems, environmental water delivered through upstream sites can be used again downstream. This helps to ensure environmental water is used efficiently and effectively to achieve optimal environmental benefits.

The VEWH's access to return flows is enabled through rules in its environmental entitlements. Reuse of return flows is also available to the CEWH and MDBA when the VEWH delivers water on their behalf.

In 2016-17, a total of 229,296.6 ML was recredited to the VEWH accounts for return flows delivered through upstream sites to the River Murray. This included:

- 162,521 ML from the Goulburn River
- 30,586 ML from the lower Broken Creek
- 4,189 ML from the Campaspe River
- 32,001 ML from the River Murray, Barmah Forest and Hattah Lakes.

Of the total volume of return flows, 13,470.1 ML was reused at Gunbower Creek in Victoria. The remaining volume of return flows continued to flow down the River Murray to South Australia (see administrative transfers in trade section below).

Carryover into 2017-18

At the end of 2016-17, 339,245.8 ML of environmental water remained available to the VEWH. This represents 32 percent of the VEWH's net water availability last year. It includes the large volumes of water held in the Victorian share of the Barmah-Millewa Environmental Water Allocation in the Murray system (112,900 ML), and water held on behalf of the Living Murray program (50,427.3 ML) which require joint decision making with other environmental water managers over access and use.

Of the total water remaining in the VEWH's accounts, 3,015.6 ML of water allocation was forfeited because some entitlement and allocation rules do not allow water to be carried over into the new season.

The remaining volume (336,230.2 ML) will be carried over and may be available for use in 2017-18, subject to carryover rules and conditions (for example, evaporation and potential loss to storage spills).

Water donations

In 2016-17 there were no donations into VEWH accounts.

Trade

Water trading allows the VEWH to move water to the systems where it is most needed, and to smooth out some of the variability in water availability across systems and across years. The following types of trade are used by the VEWH:

- administrative water transfers of the VEWH allocation (for example, for carryover or water delivery)
- administrative water transfers with other environmental water holders
- administrative water transfers as part of the Snowy River water recovery project
- commercial water allocation trade (selling and purchasing water allocation).

Administrative water transfer refers to movement of water between water accounts held in different parts of the system (mostly across northern Victoria) to facilitate watering actions or optimise carryover. Aside from the administration fee, these transfers have no financial consideration, and are the most common trades the VEWB undertakes. Administrative trade is vital for optimising environmental water use across Victorian systems. It provides opportunities to manage the VEWB portfolio throughout the season, and can assist in achieving the highest priority watering actions across multiple catchments.

Administrative transfers of VEWB allocation

Transfers of VEWB allocation of note include 'VEWB carryover – allocation trades' that were undertaken at the end of the year to make best use of carryover capacity and minimise risk of carryover spilling in 2017-18. For example, 10,059 ML was traded from the Campaspe system to the Goulburn system.

Administrative transfers with other environmental water holders

One of the VEWB's important roles is to coordinate with other Murray-Darling Basin environmental water holders (the CEWB, MDBA and environmental water managers in New South Wales and South Australia) to optimise the benefits of all environmental water delivery in and from Victorian waterways.

In most cases, when Commonwealth or Living Murray water is to be delivered in Victoria, the CEWB and MDBA transfer the agreed amount of water to the VEWB. That water is held by the VEWB until used or transferred back.

Water transfers between environmental water holders occurs to:

- transfer water to the VEWB after it has been committed for use in Victorian sites by other water holders
- facilitate the efficient and coordinated delivery of environmental water in Victoria
- maximise environmental water availability
- return unused water
- account for delivery of environmental water to South Australia.

In 2016-17, the following transfers with other water holders occurred:

- Commonwealth environmental water – a net total of 351,107 ML of Commonwealth allocation was transferred into the VEWB's accounts for use in northern Victorian and lower New South Wales systems. This water was used for priority watering actions in the River Murray, Lower Darling River, Lake Victoria, Goulburn, Loddon and Broken systems, Hattah Lakes and Gunbower Creek. A total of 40,000 ML of Commonwealth allocation held in VEWB accounts was transferred to South Australia to meet downstream environmental demands. Following the completion of environmental watering, 4,938 ML of unused Commonwealth environmental water was returned to the CEWB.
- Living Murray environmental water – a net total of 5,890 ML of Living Murray allocation was transferred to accounts held by the VEWB to contribute to priority watering actions in the Goulburn River and at Living Murray 'icon sites', including the Barmah Forest and Wallpolla Island. This total includes 10,000 ML of Living Murray allocation that was transferred to the South Australian Murray system from accounts held by the VEWB to meet priority watering actions in the Lower Lakes, Coorong and Murray Mouth.
- Delivery of return flows to South Australia – a net total of 215,826.5 ML of return flows was recredited from VEWB accounts to South Australia for reuse in the South Australian Murray system (for example, in the Lower Lakes, Coorong and Murray Mouth). Of the return flows recredited, 142,443.3 ML was Commonwealth environmental water, 30,000 ML Living Murray water and 43,383.2 ML VEWB water.



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Administrative transfers as part of the Snowy River water recovery project

Victorian environmental water available for use in the Snowy system is held by the VEWH in the Murray, Goulburn and Loddon systems. This water is made available for environmental flows in the Snowy River via a substitution method whereby environmental water in northern Victoria replaces water that was earmarked for transfer from the Snowy to the Murray system to support consumptive water demands. That is, the water under the entitlements shown in Table 1.6 is made available in the Murray, Goulburn and Loddon systems to support consumptive water demands in the Murray system. The equivalent volume of water is set aside for the environment in the Snowy system. Trade is the mechanism used to account for this substitution.

In 2016-17, the VEWH traded 85,910.4 ML to the Snowy inter-valley transfer account. The subtotals traded from each system were as follows:

- Murray system – 44,959.8 ML
- Goulburn system – 40,480.6 ML
- Loddon system – 470.0 ML

The volumes were equivalent to allocations made to the VEWH from 1 July 2016 to 31 January 2017.

Commercial allocation trade

In the central region, Melbourne Water and the VEWH jointly funded the purchase of 304 ML of licence allocation to allow environmental watering in the Maribyrnong system in 2016-17.

In the Northern Region in 2016-17, the VEWH sold 20,000 ML of water allocation in the Murray and Goulburn systems. In the Western Region in 2016-17, the VEWH purchased 5,000 ML of water allocation in the Wimmera-Avon system.

No purchase or sale of allocation occurred in the Gippsland Region in 2016-17.

Table 1.3 VEWH water account summary in the Gippsland Region in 2016-17

VEWH Water Holdings 2016-17 – Gippsland Region												
River system	Entitlement	Reliability	Entitlement volume at 1 July 2016 (ML)	Carryover from 2015-16 (ML)	Carryover lost to spill (ML)	Allocation (ML)	Net Share of inflows (ML)	Net transfer (ML)	Adjustment (ML) ¹	Total available water (ML)	Use (ML)	Closing balance (ML)
				A	B	C	D	E	F	G = A-B+ C+D+E+F	H	I = H + G
Latrobe	Latrobe River Environmental Entitlement ²	Unregulated	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Blue Rock Environmental Entitlement	Share of inflows	9% inflows	15,780.0	0.0		2,811.4	743.7	0.0	19,335.1	-3,712.7	15,622.4
		High	10,000.0 ML + 3.9% inflows ³	113.0	0.0	10,000.0	7,650.0	1.0	0.0	17,764.0	-10,326.0	7,438.0
Thomson	Thomson River Bulk Entitlement	Passing flows	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Macalister	Macalister River Environmental Entitlement	High	12,460.9	2,144.8		12,460.9			0.0	14,605.7	-5,901.6	8,704.1
		Low	6,229.5	1,245.9	-548.9	1,245.9			0.0	1,942.9	-697.0	1,245.9
Gippsland Region total				19,283.7	-548.9	23,706.8	10,461.4	744.7	0.0	53,647.7	-20,637.3	33,010.4

1. Corrections and alterations to account for water lost and gained from internal spills, evaporation, over-releases and changes in storage volume.

2. Use of this entitlement is dependent on suitable river heights, as specified in the entitlement.

3. The amendment to the Thomson River Bulk Entitlement was completed 1 June 2017 and the 3.9% of inflows became available on that date.

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Table 1.4 VEWH water account summary in the Central Region systems in 2016-17

VEWH Water Holdings 2016-17 – Central Region													
River system	Entitlement	Reliability	Entitlement volume (ML) or percentage of inflows at 1 July 2016	Carryover from 2015-16 (ML)	Carryover lost to spill (ML)	Allocation (ML)	Net share of inflows (ML)	Adjustments (ML) ¹	Net trade (ML)	Return flows (ML)	Total water available (ML)	Use (ML)	Closing balance (ML)
				A	B	C	D	E	F	G	H = A+B+C +D+E+F+G	I	J = H+I
Tarago	Tarago and Bunyip Rivers Environmental Entitlement	Share of inflows	10.3% inflows	1,648.0			1,770.0	184.0	0.0		3,602.0	-1,952.0	1,650.0
		Passing flows	N/A	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Yarra	Yarra River Environmental Entitlement	High	17,000.0	24,278.0		17,000.0			0.0		41,278.0	-21,544.0	19,734.0
		Passing flows	N/A	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Werribee	Werribee River Environmental Entitlement	Share of inflows	10% inflows	1,399.3	-32.0		1,832.6	-476.0	0.0	479.0	3,202.9	-1,179.4	2,023.5
		Passing flows	N/A	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maribyrnong	Water use registration	N/A	N/A						896.4	0.0	896.4	-896.4	0.0
		N/A	N/A			0.0			304.4		304.4	-304.0	0.4
Moorabool	Moorabool River Environmental Entitlement	Share of inflows	11.9% inflows	730.4				6,161.7	0.0		6,892.1	-1,965.0	4,927.1
		Passing flows	N/A	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Barwon	Barwon River Environmental Entitlement ²	Unregulated	N/A	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Central Region total				28,055.7	-32.0	17,000.0	3,602.6	5,869.7	1,200.8	479.0	56,175.8	-27,840.8	28,335.0

1. Corrections and alterations to account for water lost and gained from internal spills, evaporation, over-releases and changes in storage volume.

2. Use of this entitlement is dependent on suitable river heights, as specified in the entitlement.

Table 1.5 VEWH water account summary in the Western Region in 2016-17

VEWH Water Holdings 2016-17 – Western Region										
System	Entitlement	Reliability	Entitlement at 1 July 2016	Carry over from 2015-16 (ML)	Allocation (ML)	Net spills (ML)	Net Trade (ML)	Total water available (ML)	Water Use (ML)	Closing balance (ML)
				A	B	C	D	E = A + B + C+D	F	G = E + F
Wimmera and Glenelg	Wimmera Glenelg Rivers Environmental Entitlement 2010	Wimmera-Mallee pipeline product High-reliability	40,560.0	6,359.6	40,560	0.0	5,000.0	51,919.6	-13,465.9	38,453.7
		Wimmera-Mallee wetlands High-reliability ¹	1,000.0	662.0	1,000.0	0.0	0.0	1,662.0	-118.9	1,543.1
		Passing flows								
Western Region total ²				7021.5	41,560	0.0	5,000.0	53,581.5	-13,584.8	39,996.7

¹ The reliability of the Wimmera-Mallee wetlands entitlement is lower than the Wimmera-Mallee pipeline product, but is still 'high-reliability' compared to other entitlements in the Wimmera.

² Note that the system volumes do not add to the total regional volume due to rounding.

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Table 1.6 VEWH water account summary in the Northern Region in 2016-17

VEWH Water Holdings 2016-17 – Northern Region															
Entitlement	Reliability	Entitlement at 1 July 2016	Carryover from 2015-16 (ML)	Carryover spill (ML) ¹	Allocation (ML)	Allocation lost to spill (ML)	Return flow recredit (ML) ²	Net transfer CEW (ML) ³	Net transfer TLM (ML) ³	Net transfer VEW ^H (ML) ³	Donations (ML)	Net trade VEW ^H (ML) ⁴	Total water available (ML)	Water use (ML)	Closing balance (ML)
			A	B	C	D	E	F	G	H	I	J	K = A - B + C + D + E + F + G + H + I - J	L	M = K+L
Murray system															
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999	High	29,782.3	12,630.6	-12,630.6	29,782.3	0.0	199,296.6	75,000.0	0.0	-207,347.1	0.0	0.0	96,731.8	-96,729.6	2.2
	Low	3,893.6	3,625.5	0.0	194.7	0.0	0.0	83,061.8	0.0	-715.1	0.0	0.0	86,166.9	-84,870.7	1,296.2
	Unreg	40,000.0	0.0	0.0	35,831.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	35,831.5	-35,831.5	0.0
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999 - River Murray Increased Flows	N/A	N/A	N/A	N/A	50,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50,000.0	-50,000.0	0.0
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999 - Barmah-Millewa Environmental Water Allocation	High	50,000.0		-50,000.0	50,000.0	-39,368.5 ⁵									
	Low	25,000.0	236,300.0	-25,000.0	25,000.0	0.0	N/A	0.0	0.0	0.0	0.0	0.0	196,931.5	-84,031.5	112,900.0
	High	9,589.0	9,337.8	-9,337.8	9,589.0	0.0	0.0	0.0	5,890.0	0.0	0.0	0.0	15,479.0	-10,000.0	5,479.0
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999 - Living Murray	Low	101,849.9	53.0	-53.0	5,092.5	0.0	30,000.0	0.0	-30,000.0	0.0	0.0	0.0	5,092.5	-782.3	4,310.2
	Unreg	34,300.0	0.0	0.0	2,894.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,894.1	-2,894.1	0.0
Environmental Entitlement (River Murray - NVIRP Stage 1) 2012 ⁶	N/A	25,082.7	11,392.0	0.0	15,018.4	0.0	0.0	0.0	0.0	22,235.7	0.0	-4,003.0	44,643.1	-20,929.2	23,713.9
Bulk Entitlement (River Murray - Snowy Environmental Reserve) Conversion Order 2004 ⁷	High	29,794.0	1,191.8	-1,191.8	29,794.0	0.0	0.0	0.0	0.0	-29,794.0	0.0	0.0	0.0	0.0	0.0
Water shares - Snowy River Environmental Reserve ⁷	High	14,670.9	62.6	-62.6	14,670.9	0.0	0.0	0.0	0.0	-14,670.9	0.0	0.0	0.0	0.0	0.0
	Low	6,423.4	494.8	0.0	321.2	0.0	0.0	0.0	0.0	-494.9	0.0	0.0	321.1	0.0	321.1
Broken system															
Broken system water use registration	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

VEWH Water Holdings 2016-17 – Northern Region

Entitlement	Reliability	Entitlement at 1 July 2016	Carryover from 2015-16 (ML)	Carryover lost to spill (ML) ¹	Allocation (ML)	Allocation lost to spill (ML)	Return flow recredit (ML) ²	Net transfer CEW (ML) ³	Net transfer TLM (ML) ³	Net transfer VEW ⁴ (ML) ³	Donations (ML)	Net trade VEW ⁴ (ML) ⁴	Total water available (ML)	Water use (ML)	Closing balance (ML)
Goulburn system															
Environmental Entitlement (Goulburn System - NVIRP Stage 1) 2012 ⁶	N/A	34,428.0	30,749.8	0.0	21,400.0	0.0	0.0	0.0	0.0	11,704.7	0.0	-15,997.0	47,857.5	-13,429.6	34,427.9
	High	8,851.0	8,272.3	0.0	8,851.0	0.0	0.0	0.0	-1,645.5	0.0	0.0	0.0	15,477.8	-15,477.7	0.1
	Low	3,140.0	2,983.0	0.0	0.0	0.0	0.0	191,367.4	0.0	165.2	0.0	0.0	0.0	194,515.6	-191,375.5
Environmental Entitlement (Goulburn System - Living Murray) 2007	High	39,625.0	12,247.6	0.0	39,625.0	0.0	0.0	0.0	-12,188.0	0.0	0.0	0.0	39,684.6	-20,000.0	19,684.6
	Low	156,980.0	3,591.5	0.0	0.0	0.0	0.0	0.0	12,188.0	0.0	0.0	0.0	15,779.5	0.0	15,779.5
Bulk Entitlement (Snowy - Environment) Order 2005 ⁷	High	30,252.0	1,512.6	0.0	30,252.0	0.0	0.0	0.0	0.0	-31,764.6	0.0	0.0	0.0	0.0	0.0
	Low	8,156.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water shares – Snowy River Environmental Reserve ⁷	High	8,320.9	395.2	0.0	8,320.9	0.0	0.0	0.0	0.0	-8,716.0	0.0	0.0	0.1	0.0	0.1
	Low	17,852.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Silver and Wallaby Creeks Environmental Entitlement 2006	Passing flows	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Campaspe system															
Campaspe River Environmental Entitlement 2013	High	20,652.0	11,264.2	-11,264.2	20,652.0	0.0	0.0	0.0	0.0	-10,224.4	0.0	0.0	10,427.6	-5,550.8	4,876.8
	Low	2,966.0	0.0	0.0	2,966.0	0.0							2,966.0	0.0	2,966.0
Campaspe River withheld passing flow account ⁸	Passing flows	N/A	2,008.3	-2,008.3	250.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	250.0	0.0	250.0
Environmental Entitlement (Campaspe River - Living Murray Initiative) 2005	High	126.0	20.2	-20.2	126.0	0.0	0.0						126.0	0.0	126.0
	Low	5,048.0	0.0	0.0	5,048.0	0.0	0.0						5,048.0	0.0	5,048.0
Coliban River withheld passing flow account ⁸	Passing flows	N/A	296.4	-296.4	742.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	742.0	0.0	742.0

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VEWH Water Holdings 2016-17 – Northern Region

Entitlement	Reliability	Entitlement at 1 July 2016	Carryover from 2015-16 (ML)	Carryover lost to spill (ML) ¹	Allocation (ML)	Allocation lost to spill (ML)	Return flow recredit (ML) ²	Net transfer CEW (ML) ³	Net transfer TLM (ML) ³	Net transfer VEW (ML) ³	Donations (ML)	Net trade VEW (ML) ⁴	Total water available (ML)	Water use (ML)	Closing balance (ML)
			A	B	C	D	E	F	G	H	I	J	K = A - B + C + D + E + F + G + H + I + J	L	M = K + L
Loddon system															
Bulk Entitlement (Loddon River – Environmental Reserve) Order 2005	High	2,000.0	2,000.0	-2,000.0	2,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,000.0	0.0	2,000.0
	High	1,480.0	703.0	0.0	777.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,480.0	-740.0	740.0
	Trigger based	7,490.0	2,524.3	0.0	7,490.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10,014.3	-10,014.3	0.0
Loddon River withheld passing flow account ⁸	Low	2,024.0	0.0	0.0	0.0	0.0	0.0	1,678.0	0.0	0.0	0.0	0.0	1,678.0	-1,678.0	0.0
	Passing flows	N/A	126.4	-126.4	218.5	-218.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loddon River deficit and reimbursement account	Trigger based	N/A	3,199.0	-3,199.0	1,699.0	-1,699.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water shares – Snowy River Environmental Reserve ⁷	High	470.0	58.0	0.0	412.0	0.0	0.0	0.0	0.0	-470.0	0.0	0.0	0.0	0.0	0.0
Environmental Entitlement (Birch Creek – Bullarook System) 2009	Trigger based	100.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	100.0
Northern Region Total		720,346.7	357,039.9	-117,190.2	419,118.0	-41,286.0	229,296.6	351,107.2	-25,755.5	-270,091.4	0.0	-20,000.0	882,238.6	-644,334.8	273,903.8

1. If system storages spill, some or all of the available carryover may be deemed to be 'lost' through that spill.
2. Return flows provisions in entitlements allow environmental water to be delivered to achieve outcomes in multiple systems. For example, these rules allow water to be delivered through the Goulburn or Campaspe systems, and then be recredited for delivery in the Murray system (minus losses) to meet environmental objectives in downstream sites, such as Hattah Lakes near Mildura, or the Lower Lakes in South Australia.
3. Administrative transfers between allocation bank accounts are required to facilitate the use of water across river and wetland systems, and to enable the use of water made available by the Commonwealth Environmental Water Holder and the Living Murray program in Victoria. A positive transfer value indicates there has been a net transfer of allocation into the specified entitlement; while a negative value indicates a net transfer of allocation out of the specified entitlement. Net transfers by the VEW represent transfers of water to the Snowy River entitlements and transfers of water to South Australia to facilitate delivery in the River Murray.
4. Negative net trades indicate a net sale of water allocation, while positive net trades indicate a net purchase of water allocation.
5. A small portion of this volume was lost due to evaporation losses during the year in accordance with Barmah-Millewa Environmental Water Allocation accounting rules.
6. Total entitlement volume and allocation includes mitigation water allocated for the purposes of watering specific environmental sites that have been identified through GMW Connections Project environmental approvals processes. The entitlement volume increased in December 2016.
7. Allocation to water entitlements held in trust for the Snowy River is traded out of VEW environmental accounts to supply consumptive users, who would otherwise have been supplied through water diverted from the Snowy River to the Murray system. By reducing consumptive demand on Snowy resources, this water can be used to increase environmental flows in the Snowy and Murray rivers.
8. Under entitlement rules, the VEW and the storage manager can agree to temporarily reduce passing flows and release the withheld volume at a later date. These rules allow some flexibility in the timing of passing flow delivery, which can help increase environmental outcomes without impacting on other water users.

Case study:

Northern Water Allocation Trade

The VEWH sold 20,000 ML of water in northern Victoria over a three month period from January to March 2017.

The beginning of 2015-16 started as one of the driest years on record and, having considered all available forecasts, the VEWH carried over sufficient water to insure against continuing dry weather in 2016-17. However, the conditions changed and Victoria experienced an extremely wet spring in 2016. The resulting high rainfall meant many environmental sites were watered naturally and the VEWH's environmental water allocation could be considered for trade. The possibility of this sale had been flagged in the VEWH's Annual Trade Strategy, which is publically released at the beginning of each financial year¹.

As part of its water portfolio management, the VEWH regularly assesses its environmental water demand and supply position throughout the year. This assessment considers factors such as environmental condition and the need for water, current and forecast climate conditions and water availability, carryover capacity and market conditions. Once the VEWH was confident that it could meet all the planned environmental targets in 2016-17, and be well prepared for 2017-18, the decision to sell was announced in January 2017. VEWH undertakes its trading activity in a manner than avoids significant impacts on the market. For example, the VEWH sold the 20,000 ML over a long period of time, rather than placing all the water on the market at once.

The full 20,000 ML was sold from early January to the end of March 2017. The water was sold from the Goulburn (15,997 ML) and Murray (4,003 ML) systems. In total, 86 individual trades were completed, with an average parcel size of 233 ML, and an average price of around \$50/ML. Net revenue from the sale was \$979,074².

These funds, like any revenue raised through environmental water trading, can be used to:

- purchase allocation at a different time or in a different system
- fund small structural works to improve water use efficiency
- invest in technical work to address key knowledge gaps and demonstrate outcomes from environmental watering
- invest in other measures to improve the performance of Victoria's environmental watering program.

The VEWH is working with program partners to identify the best projects to invest trade revenue into.

With Victoria continuing to experience a highly variable and unpredictable climate, trade and carryover are proving critical to prepare and manage for extremes in weather and water availability.

¹ The VEWH's annual trading strategy provides an overview of potential allocation trading activities that may be undertaken by the VEWH in the southern Murray-Darling Basin. It aims to provide the public with a broad understanding of how the VEWH plans to conduct trades throughout the year. It can be found on the VEWH's website, www.vewh.vic.gov.au

² Reported in the Financial Statements inclusive of the broker and exchange fees (gross \$1,000,319).



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1.5 Key VEWH initiatives and projects

Key tasks which contribute to the achievement of the VEWH's vision and continuous improvement are captured as priority outputs in the *Corporate Plan 2016-17 to 2018-2019*. Progress on these priorities (listed in italics below) has been made.

Further document, refine and effectively communicate the decision making processes for the use, carryover and trade of water to optimise environmental outcomes.

In 2016-17, the VEWH 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 catchments and lower water allocations.

Undertake statewide research to improve understanding of community expectations and knowledge of environmental water management to better define communication needs.

In 2016-17, the VEWH completed statewide research to improve understanding of community expectations and knowledge of environmental water management to facilitate better communication (see p12 for market research case study). This information will directly inform how the VEWH will talk to the community about water for the environment and build support for the program.

Continue to clarify and refine the roles and responsibilities of VEWH and partner organisations.

In 2016-17, the VEWH worked with DELWP to clarify the roles and responsibilities for environmental water management in relation to governance, policy, planning and delivery, communications and monitoring. The next step is to communicate these roles to other partner organisations in the environmental water program.

Further refine administrative arrangements to maximise regional decision making, as appropriate.

In 2016-17, the VEWH initiated two reviews of administrative arrangements to streamline processes. The VEWH scoped a review of current practices for reporting on water use and entitlements, for further implementation in 2017-18. The VEWH clarified and documented internal procedures for authorisation of water use through seasonal watering statements.

Further develop the VEWH's program of investment in monitoring and technical projects to maximise alignment and complementarity with other environmental flow and wetland monitoring and assessment programs, and investigation and works investment in Victoria.

In 2016-17 the 'monitoring stocktake' was completed to review existing monitoring projects and programs relevant to environmental watering and develop an approach to guide VEWH investment in monitoring for 2017-18 to 2019-20. The stocktake and its implementation outlines the principles for VEWH's program of investment in monitoring and technical projects and ensures complementarity with other environmental flow and wetland monitoring and assessment programs, and investigation and works investment in Victoria. Whilst some scoping has been completed, projects will be progressively identified and committed through 2017-18.

The VEWH continues to commit to and implement structural works and metering projects that will help to improve the outcomes from the environmental watering program. In 2016-17 metering improvements to establish or upgrade 13 meter sites across western Victoria, undertaken in collaboration with GWMWater, experienced significant delays. Three of the 13 sites were completed in the year, with the remaining 10 sites in the detailed design phase and a high priority for completion in 2017-18. In 2016-17 the VEWH also committed \$1 million to the Gunbower Channel Screens pilot project. This project will design and construct screens to prevent loss of native fish to irrigation channels and offtakes.

Continue to work closely with policy developers, other environmental water holders, waterway and storage managers, to clarify environmental watering service needs and the associated charging arrangements.

Action 3.7 of *Water for Victoria* seeks to determine clear, transparent and equitable charging arrangements (service levels and process) for environmental water services. Throughout 2016-17 the VEWH has worked closely with policy makers and waterway managers to clarify environmental watering services needs and associated charging arrangements. The VEWH has actively contributed to the initial stages of the DELWP led project to inform the Government's approach to charging for environmental water and to the price reviews for the regulatory period 2018-23 for five of Victoria's water corporations. The VEWH will continue to be actively involved in these processes during 2017-18, including working with water corporations to discuss and agree on appropriate services and service levels.

1.6 Strategic performance indicators (non-financial)

Four strategic performance indicators were included as part of the VEWH *Corporate Plan 2016-17 to 2019-20*. Table 1.7 outlines the VEWH's performance against these indicators in 2016-17.

Table 1.7 Strategic performance against key indicators

Performance indicator	Target %	Achievement %
<i>Water Act 1989</i> , other legislative, Ministerial rules and Water Holdings obligations fulfilled on time	100	95
Priority outputs delivered within committed timeframes	100	100
Planned outputs effectively delivered within committed timeframes	85	89
Programs evaluated for effectiveness in achieving goals and opportunities for improvement identified and previously identified opportunities for improvement acted on	100	100

For 2016-17, the VEWH achieved 95 percent for the performance indicator '*Water Act 1989*, other legislative, Ministerial rules and Water Holdings obligations fulfilled on time' as shown in Table 1.7. The VEWH complied with all the relevant provisions in the *Water Act*, the *Public Administration Act 2004* and the *Financial Management Act 1994*. The VEWH also complied with the Ministerial rules that were made on 23 June 2014 under section 33DZA of the *Water Act*. The VEWH did not meet all Water Holdings obligations, as some operating arrangements in the Northern Region have not yet been finalised. In 2016-17 significant progress was made on operating arrangements for the Loddon and Bullarook systems, with the remaining operating arrangements targeted for completion in 2017-18. In 2016-17 all metering programs for Water Holdings in Victoria were submitted to the Minister for approval.

In 2016-17, the Corporate Plan identified a total of 34 outputs, 6 of which were considered priority outputs.

Priority outputs have been assessed as 100 percent achieved for 2016-17, acknowledging the significant progress that has been made towards these areas of improvement. Further work to implement priorities related to refining the decision-making framework, clarifying roles and responsibilities and refining administration arrangements, has been incorporated into 2017-18 work planning or identified in the VEWH *Corporate Plan 2017-18 to 2020-21*. The VEWH will continue to improve the planning and implementation of priorities identified in the corporate plan through the development of annual and multi-year milestones.

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The achievement for planned outputs for 2016-17 is 89 percent. Highlights include:

- the continued cooperative relationships with partners to identify innovative ways to deliver priority watering actions and improve outcomes that could not be achieved in isolation (see p 8 and 10 for case studies)
- improvements to the process for developing the seasonal watering proposals and plan, in response to new *Water for Victoria* government policy directions. The *Seasonal Watering Plan 2017-18* now includes a greater emphasis on integrated catchment management, greater recognition of the role of traditional owners in environmental water management and specific opportunities to use environmental water to provide additional social, economic, Aboriginal cultural and recreational benefits
- input provided to the amendment of the Thomson River bulk entitlement, and the development of the upper Barwon River environmental entitlement, for consideration by the Minister in 2017-18.

All strategic programs were evaluated for effectiveness for 2016-17, with opportunities for improvement captured. Key improvements have been captured as strategic initiatives in the *Corporate Plan 2017-18 to 2020-21*.

1.7 Five year financial summary

Table 1.8 below provides a financial summary for VEWH operation in 2016-17.

Table 1.8 Financial summary

	2016-17	2015-16	2014-15	2013-14	2012-13
Government contributions / grants	10,776,507	11,032,066	11,603,223	6,735,668	3,814,190
Other income	0	59,010	42,150	30,565	23,695
Sale of water allocation	1,000,319	74,831	1,635,607	0	552,605
Interest	109,199	193,972	182,489	119,864	49,668
Total revenue	11,886,025	11,359,879	13,463,469	6,886,097	4,440,158
Employee benefits	(1,632,990)	(1,554,971)	(1,176,834)	(803,516)	(653,733)
Grants (water delivery and management)	(2,104,435)	(3,293,025)	(2,320,867)	(1,205,865)	(382,855)
Environmental water holdings and transaction expenses	(5,134,180)	(5,403,501)	(4,995,326)	(2,210,926)	(1,471,600)
Supplies and services	(1,001,390)	(947,599)	(958,920)	(723,980)	(322,751)
Total expenditure	(9,872,995)	(11,199,096)	(9,451,947)	(4,944,287)	(2,830,939)
Total assets¹	11,216,171	8,911,507	9,856,729	4,829,609	2,508,345
Total liabilities	733,919	457,832	1,561,005	541,141	157,882

1. Environmental entitlements are issued by the Minister for Water under section 48B of the Water Act, through an order published in the Victoria Government Gazette. The VEWH does not recognise environmental entitlements that have been gifted to it by the Victorian Government (or other Victorian Government entities) as an intangible asset, as they do not satisfy the recognition criteria of AASB 138 Intangible Assets and Financial Reporting Direction 109A Intangible Assets. Separately acquired water entitlements do meet the recognition criteria of AASB 138 and FRD 109A and would be recognised as an intangible asset. There were no separately acquired water entitlements in 2016-17.

While the Water Holdings are not recognised or accounted for as an asset for accounting purposes, the VEWB considers the Holdings to be significant and extremely valuable.

In 2014-15, Policy 8.8 in the *Victorian Waterway Management Strategy* was implemented for the first time, requiring environmental water holders to pay the applicable charges for the storage and delivery of environmental water. Previous policy had provided an exemption of some of these charges. This resulted in a significant increase in the VEWB's expenditure from 2014-15 onwards, and a corresponding increase in funding received from the Environmental Contribution. In 2016-17 the water corporation price review process and the development of water charges policy for water corporations and environmental water holders (see section 1.5) commenced. The outcomes of these review and policy processes have the potential to significantly affect the costs of VEWB operations from 1 July 2018.

Since the first year of operation, environmental water holdings and transaction expenses have slightly increased as additional environmental water entitlements have been created, resulting in additional water storage and delivery costs.

1.8 Current year financial review

The VEWB achieved an overall surplus result of \$2.0 million at the 30 June 2017.

In anticipation of dry conditions, the VEWB forecasted higher than expected demand of environmental water throughout the 2016-17 financial year. However, as the year progressed expected seasonal conditions changed and many parts of Victoria experienced a wet spring, leading to water delivery costs that were \$1.3 million lower than anticipated at the beginning of the year. The VEWB regularly assesses its environmental water demand and supply position. At the start of the year, costs are estimated based on available data. As the year progresses the seasonal conditions become more certain and estimates can be refined. Whilst improvements in forecasts continue to be made over time, delivery costs are expected to vary from year to year in accordance with seasonal conditions and environmental priorities, thus affecting the volume of water delivered and the costs associated. The surplus will be committed to strategic and CMA projects in 2017-18.

Also contributing to the unexpected surplus was the delay in the upgrades to bulk water meters and associated structures in the Western Region. The remaining \$1.0 million investment was delayed due to additional time required to design and implement agreed works. This is expected to be expended in 2017-18.

1.9 Performance against key performance indicators (financial)

Four key financial performance indicators and associated targets were included in the *Corporate Plan 2016-17 to 2019-20*. Table 1.9 outlines the performance against these indicators and shows that in 2016-17 all targets were met apart from the 'Variance of actual expenditure to budgeted expenditure is within the target range'. Actual expenditure was significantly lower than budgeted due to unexpected seasonal conditions, fewer than expected grant payments and savings realised throughout the year.



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Table 1.9 Financial performance against key indicators

Performance indicator	Target	Achievement
Variance of actual expenditure to budgeted expenditure is within the target range, and actions taken to mitigate significant variances	<10%	-28% ¹
Internal cash investment strategy reviewed, and actions taken to address significant variances in interest received	Quarterly	Achieved
Final financial accounts are completed within statutory timeframes	100%	100%
Office operations ¹ expenditure as a percentage of total expenditure is within the target range	<33%	26%

1.10 Significant changes in financial position

In 2016-17, there were no significant changes in financial position.

1.11 Significant changes or factors affecting performance

There were no significant changes or factors that affected the VEWH's performance during the reporting period.

1.12 Capital Projects

The VEWH does not manage any capital projects.

1.13 Subsequent events

There were no events occurring after the balance date which may significantly affect the VEWH's operations in subsequent reporting periods.

¹ Commonwealth expenditure is not included as it is difficult to predict and will be balanced by the associated unbudgeted revenue. The 2016-17 variance is due to unexpected seasonal conditions and a delay in the upgrades to the bulk water meters and associated structures in the Western Region.

² Office operations includes staff and other operating costs such as audit and insurance costs.

Governance and organisational structure

2.1 Organisational structure

Commissioners and office

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 2.1).

Under section 33DS of the Water Act, the environment Minister can give the VEWH written directions in relation to its functions, powers and duties. The Minister did not give the VEWH any written directions in 2016-17.

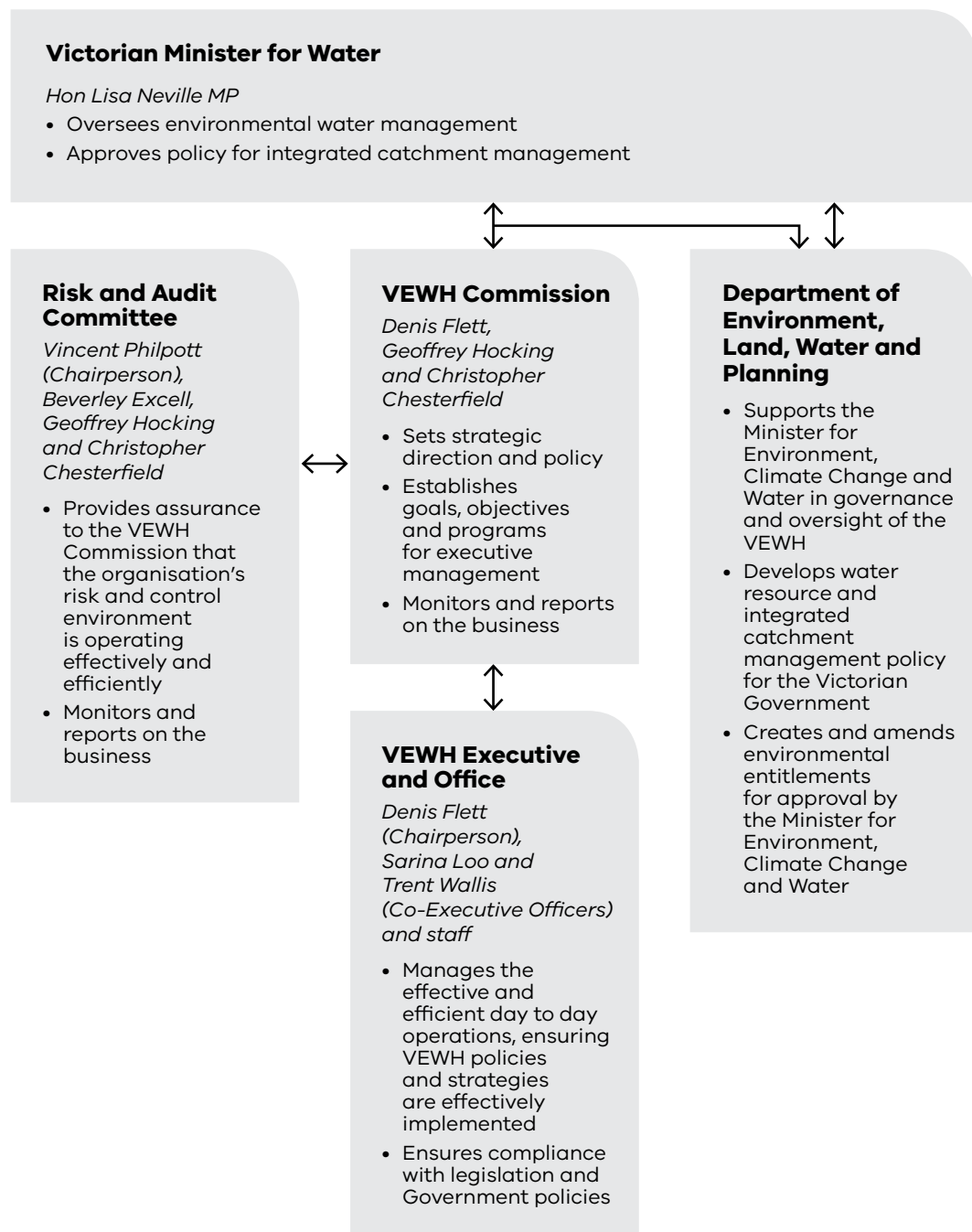
The environment Minister also has the power to develop rules under section 33DZA of the Water Act to guide specific elements of VEWH operations. The Minister has made rules under this section in relation to VEWH which came into effect on the 23 June 2014.

The Chairperson has an executive role, and together with the Executive Officer, performs the VEWH Executive functions. The Executive is responsible for managing the effective and efficient day-to-day operations of the VEWH, ensuring its policies and strategies are effectively implemented, and that the VEWH complies with legislation and government policies.

From February 2017, the Executive Officer position was jointly held by two senior waterway management industry employees who will share the role for twelve months while the incumbent officer takes leave (see case study on p42).

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Figure 2.1 Governance structure, as at 30 June 2017



2.2 Governing Commission

The VEWH Commissioners are appointed by Governor in Council, upon recommendation of the environment Minister, under the Water Act, Commissioners must have knowledge or experience in one or more of the following fields – environmental management, sustainable water management, economics or public administration. The Commission is responsible for setting strategic direction, establishing goals, objectives and programs for executive management, and monitoring the business.

The VEWH is comprised of three part-time Commissioners. The Commissioners in 2016-17 were:

- **Denis Flett** (*Chairperson*)
Denis has extensive experience in the Australian water sector, in water engineering, management, leadership, governance and consulting. Denis was the foundation chief executive of GMW and a Victorian Commissioner on the former Murray-Darling Basin Commission. Denis has significant knowledge of Victorian river systems, particularly in northern Victoria.
- **Geoffrey Hocking** (*Deputy Chairperson*)
Geoff has a strong management background in natural resources, public administration, community and organisational development. He is currently a Director of the Gippsland Ports Board and a Director of the Gunai-Kurnai Traditional Owner Land Management Board. He was previously Chief Executive Officer of the West Gippsland CMA, through which he developed significant knowledge of river systems in southern Victoria. Geoff has held senior managerial positions at Gippsland Water, Latrobe Shire Council and the Australian Securities Commission.
- **Christopher Chesterfield** (*Commissioner*)
Chris has had 25 years in the Victorian water industry, primarily in waterway management. He has extensive experience in sustainable water resource and environmental water management as well as solid business management experience as General Manager Waterways Group at Melbourne Water.

In May 2014, the Governor in Council reappointed Denis Flett and Geoff Hocking, and appointed Chris Chesterfield for a five-year term commencing 1 July 2014. In 2016-17, all Commissioners attended the strategy session and 9 ordinary meetings. All Commissioners participated in Out of Session decisions on 10 additional occasions throughout the year.

In 2017, the VEWH Commission will be strengthened with the appointment of a fourth Commissioner; an Aboriginal Victorian. This appointment is required under Action 10.8 of Water for Victoria and reflects the Victorian Government 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 in early 2017-18.

2.3 Risk and Audit Committee membership and roles

In 2016-17, Risk and Audit Committee (RAC) members were:

- Geoffrey Hocking, Chairperson to 20 September 2016, member from 21 September 2016
- John Howson (independent) (*term ended 20 September 2016*)
- Vincent Philpott, Chairperson (independent) (*term commenced 21 September 2016*)
- Beverley Excell (independent) (*term commenced 21 September 2016*)
- Christopher Chesterfield.

The RAC is an independent body established in accordance with the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*. It provides assurance to the VEWH Commission that the organisation's risk and control environment is operating effectively and efficiently. Members are appointed by the VEWH Commission, usually for a two-year period and are subject to the RAC terms of reference. Meetings are held quarterly and at other times as required. In 2016-17 the committee met five times.

2.4 Occupational Health and Safety

The VEWH is committed to ensuring that all employees, contractors and visitors are provided with the use of facilities, equipment, education and training to minimise and prevent workplace injury and illness.

VEWH staff are employed by DELWP and as part of the arrangement VEWH staff agree to abide by DELWP's regulations and policies associated with occupational health and safety. VEWH staff have access to a range of programs provided by DELWP, including training and development programs, ergonomic assessment, counselling services through the Employee Assistance Program and well-being programs.

The use of a common framework for managing specific workplace hazards is a critical part of the Office's strategy for managing health and safety. Hazards and incidents are reported through the DELWP POSSUM system. A full report on the hazards, incidents and performance for DELWP for the year is available from DELWP's *Annual Report 2016-17*.

Workforce data

3.1 Public sector values and employment principles

The VEWH has introduced policies and practices that are consistent with the codes and standards issued by the Victorian Public Sector Commission (VPSC). The approach provides for fair treatment, equal opportunity and early resolution of work place issues. VEWH has advised its employees on how to avoid conflicts of interest, how to respond to offers or gifts and how it deals with misconduct.

The VEWH applies the public sector employment principles of merit, fair and reasonable treatment and equal employment opportunity as set out in the *Public Administration Act 2004*. Selection processes ensure the applicants are assessed fairly and equitably against specified selection criteria.

VEWH staff abide by the values and employment principles of DELWP, as set out in relevant policies and procedures. VEWH staff conduct themselves in accordance with the *Code of Conduct for Victorian Public Service Employees*.

Valuing our people

In 2016-17 the VEWH undertook a review of culture, organisational structure and how its people work together, to inform the development of the first People Strategy. This strategy aims to foster a motivated and high-performing office, understand and support both individual staff members career aspirations and broader industry capability, and ensure the VEWH's capability continues to match the organisation's evolving needs.

A People Committee was formed to aid the implementation of the VEWH's People Strategy's 'motivate and cultivate' focus area. One of the committee's first tasks will be promoting reward and recognition within the organisation.

Diversity and inclusion

The VEWH recognises DELWP's *Diversity and Inclusion strategy* and program, which includes the reduction of inequality and disadvantage, the sharing of prosperity and the building of stronger more inclusive communities, with opportunities for all. The VEWH is focused on building an inclusive workplace where the full potential of Commissioners and staff is utilised, diversity is valued and diversity of thought is the catalyst for innovation and service delivery.

The VEWH aligns with the flexible working policies of DELWP and sees working flexibility, such as working remotely, part-time arrangements and job-sharing, as an important component of the desired workplace.



SECTION THREE

Case study:

A Flexible Executive Team

Why have one brain when you can have two? The VEWH made flexibility in the workplace work to its advantage in early 2017, by appointing Dr Sarina Loo and Trent Wallis as Co-executive Officers.

Sarina and Trent were appointed in January to head up the executive team while incumbent Executive Officer Beth Ashworth takes leave.

Sarina and Trent have complementary strengths and extensive industry networks: Sarina has worked with DELWP for 10 years and led the development of the Victorian Waterways Management Strategy while Trent has 15 years' experience with the Mallee CMA and Corangamite CMA and has recently driven the Rivers 2040 project under the Victorian Government's Water for Victoria Plan.

VEWH chairperson Denis Flett says they are well suited to working together in a co-management arrangement and the organisation will benefit from their combined skills and experiences.

He says, "Sarina brings strengths in leadership, governance, influence and negotiation. She has a sound conceptual and policy understanding of environmental water management and is a strategic thinker and planner."

"Trent brings very strong technical skills and a breadth of experience in executive leadership, operational environmental water planning, delivery and budget management. He has strategic catchment planning as well as practical governance experience."

Sarina works Monday to Wednesday and Trent Wednesday to Friday, with Wednesday a critical overlap day to align with internal staff and commission meetings.

This arrangement means people can contact either Sarina or Trent about matters because they share joint authority for the role and operate with a joint email account. Sarina says, "On returning from maternity leave I wanted to work three days a week. It's fantastic that the VEWH has been innovative and supportive of me working flexibly in a senior role."

Trent says, "I'm really excited about this co-management role that the VEWH has supported, which provides a great opportunity to build broader experience within the industry, within a flexible workplace environment."

Performance management

Office staff participated in DELWP's performance management and progression system. The performance management system aims to align VEWH objectives with employee performance: building and enhancing capability through the planning, management and reward of employee performance.

3.2 Comparative workforce data

On 30 June 2017, the VEWH employed 14 staff (12.8 Full Time Equivalent) compared to 13 staff (12.2 FTE) on 30 June 2016. The increase in 0.6 FTE between June 2016 and June 2017 is due to an interim Executive Officer required to fulfil the role on a short-term basis. The proportion of women was 79 percent in 2017 compared to 85 percent on 30 June 2016.

Table 3.1 Workforce data¹

	June 2017							June 2016 ²	
	All employees		Ongoing			Fixed term and casual		All employees	
	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE	Number (headcount)	FTE
Demographic data	Gender								
	Male	3	3.0	2	0	2.0	1	1.0	2
	Female	11	9.8	4	5	7.8	2	2.0	11
	Age								
	15-24	0	0.0	0	0	0.0	0	0	0.0
	25-34	4	4.0	2	0	2.0	2	2	4.0
	35-44	7	6.1	4	3	6.1	0	0	7
	45-54	2	1.9	0	1	0.9	1	1	1.9
	55-64	1	0.8	0	1	0.8	0	0	1
	65+	0	0.0	0	0	0.0	0	0	0.0
Classification data	VPS 1-6 grades	14	12.8	6	5	9.8	3	3.0	13
	VPS 1	0	0.0	0	0	0.0	0	0.0	0
	VPS 2	0	0.0	0	0	0.0	0	0.0	0
	VPS 3	1	0.8	0	1	0.8	0	0.0	1
	VPS 4	5	5.0	4	0	4.0	1	1.0	6
	VPS 5	4	3.5	1	2	2.5	1	1.0	4
	VPS 6	4	3.5	1	2	2.5	1	1.0	2
	Senior employees	0	0.0	0	0	0.0	0	0.0	0
	Total employees	14	12.8	6	5	9.8	3	3.0	13

1. All figures reflect employment levels during the last full pay period in June of each year. Excluded are those on leave without pay or absent on secondment and external contractors/consultants.
2. In 2015-16, a breakdown of figures by classification was not reported.

Other disclosures

4.1 Local Jobs First – Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires public bodies and departments to report on how they have fostered industry development and implemented the Local Jobs First – Victorian Industry Participation Policy (Local Jobs First – VIPP). This applies to procurement and project activities valued at over \$3 million in metropolitan Melbourne and for statewide projects, and \$1 million in regional Victoria.

In 2016-17, the VEWH did not enter into any contracts to which the Local Jobs First – VIPP applies.

4.2 Government advertising and expenditure

In 2016-17 the VEWH had no government campaign expenditure.

4.3 Consultancy expenditure

The VEWH maintains a register of contracts, including consultancies.

Consultancies over \$10,000

In 2016-17, there were five consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2016-17 in relation to these consultancies was \$200,288 (excl. GST) and is detailed in Table 4.1.

Table 4.1 Consultancies over \$10,000

Consultant	Purpose of the consultancy	Start Date	End Date	Total Project Fees Approved (Excl GST) \$	Total Expenditure in 2016/17 (Excl GST) \$	Future Expenditure (Excl GST) \$
Arthur Rylah Institute	Synthesis of knowledge of flow responses for key biota	7/10/2016	20/12/2016	15,520	15,520	nil
Edge consulting and Training services	Organisational review and people strategy development	21/11/2016	9/12/2016	28,380	28,380	nil
Orima Research Pty Ltd	Market research to identify knowledge of and attitudes to environmental water	13/12/2016	30/06/2017	105,467	106,013	nil
Riverness Pty Ltd	Environmental watering prioritisation framework	3/10/2016	9/12/2016	39,675	39,675	nil
Shinewing	Internal audit 2016-17	2/05/2017	30/06/2017	10,700	10,700	nil

Consultancies under \$10,000

In 2016-17, there were two consultancies engaged during the year, where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2016-17 in relation to these consultancies were \$16,682 (excl. GST).

4.4 Information and Communication Technology expenditure

For the 2016-17 reporting period, the VEWH had a total Information and Communications Technology (ICT) expenditure of \$142,669, with the details shown in Table 4.2.

Table 4.2 ICT expenditure

All operational ICT expenditure	ICT expenditure relating to projects to create or enhance ICT capabilities		
Business as usual (BAU) expenditure	Non-business as usual (non – BAU) expenditure (Total operational and capital expenditure)	Operational expenditure	Capital expenditure
\$127,549	\$15,120	\$15,120	Nil

'ICT expenditure' refers to the VEWH's costs in providing business-enabling ICT services within the current reporting period. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure.

'Non-BAU ICT expenditure' relates to extending or enhancing VEWH's current ICT capabilities. 'BAU ICT expenditure' is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

In 2016-17, ICT support from DELWP shared services is no longer provided at a nominal consideration. This was previously reported under "Payments for shared services" and is now fully categorised as an IT expense.

4.5 Major contracts

The VEWH did not enter into any contracts greater than \$10 million in value during 2016-17.

4.6 Freedom of information

The *Freedom of Information Act 1982* allows public access to documents held by government entities such as the VEWH. A person can make a Freedom of Information (FOI) request by writing to DELWP's Freedom of Information Manager, on the contact details below:

FOI & Privacy Unit

Department of Environment, Land, Water and Planning
PO Box 500
EAST MELBOURNE VIC 8002
foi.unit@delwp.vic.gov.au

An application fee of \$28.40 applies.

The VEWH's Authorised Officer is the DELWP's Freedom of Information Manager. The Authorised Officer will determine whether to release requested documents.

The VEWH did not receive any FOI requests in this reporting period.

4.7 Building Act 1993

The VEWH does not own or control any governmental buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.



SECTION FOUR

4.8 National Competition Policy

Under the National Competition Policy (NCP), the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- The benefits of the restriction to the community outweigh the costs; and
- The objectives of the legislation can only be achieved by restricting competition.

The VEWH continues to comply with the requirements of the NCP.

Competitive neutrality requires government to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government business with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

VEWH is working to ensure that Victoria fulfils its requirements on competitive neutrality reporting.

4.9 Protected Disclosures Act 2012

Compliance with the Protected Disclosures Act 2012

The *Protected Disclosure Act 2012* (PD Act) enables people to make disclosures about improper conduct by public officers and public bodies. The PD Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

What is a 'protected disclosure'?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body. The VEWH is a 'public body' for the purposes of the PD Act.

What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources; or
- risk to public health or safety or the environment; or
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

How do I make a 'Protected Disclosure'?

You can make a protected disclosure about the VEWH or its Commission, officers or employees by contacting DELWP or the Independent Broad-Based Anti-Corruption Commission on the contact details provided on p 47. Please note that the VEWH is not able to receive protected disclosures.

How can I access the VEWH's procedures for the protection of persons from detrimental action?

The VEWH applies DELWP's established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about the VEWH or its employees. You can access DELWP's procedures on its website at:

<https://www2.delwp.vic.gov.au/our-department/protected-disclosures>

Contacts

Kim Reeves

Protected Disclosure Coordinator
Department of Environment, Land, Water and Planning
PO Box 500
East Melbourne 8002
Telephone: 1800 903 877
email: protected.disclosures@delwp.vic.gov.au

or

The Independent Broad-based Anti-corruption Commission (IBAC)

Level 1, North Tower
459 Collins Street
Melbourne Vic 3000
GPO Box 24234, Melbourne, VIC 3001
Telephone: 1300 735 135
Website: www.ibac.vic.gov.au

Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

4.10 Compliance with the enabling legislation

Water Act

The VEWH's compliance against the *Water Act 1989* is summarised in 1.6 of this report.

Public Administration Act

The *Public Administration Act 2004* provides a framework for good governance in the Victorian public sector and in public administration generally in Victoria. The VEWH operates in line with the standards detailed in the *Public Administration Act 2004*.

4.11 Office-based environmental impacts

The VEWH office integrates environmental sustainability into its decision-making and operates within DELWP's Environmental Management System (EMS). The EMS reduces impact on the environment from office-based activities related to water, energy and paper consumption, waste production, transport and purchasing.

The VEWH prefers to purchase paper stock with a recycled content of 80 percent and encourages practices to reduce paper consumption, such as default duplex printing and use of mobile devices which enable on-screen reading.

As the office is co-located with DELWP at 8 Nicolson Street, East Melbourne, the VEWH does not collect its own environmental impact data. A full report on the environmental impact of 8 Nicholson Street is available from DELWP's *Annual Report 2016-17*.

4.12 Availability of other information

Additional information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by the VEWH and are available on request subject to provisions of the *Freedom of Information Act 1982*.



SECTION FOUR

- details of publications produced by the VEWH about the activities of the VEWH and how these can be obtained
- details of major promotional, public relations and marketing activities undertaken by the VEWH to develop community awareness of the services provided by the VEWH
- a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the VEWH.

The information is available on request from:

Executive Officer, Victorian Environmental Water Holder

Telephone: (03) 9637 8951

Email: general.inquiries@vewh.vic.gov.au

Information that is not applicable to the VEWH

The following information is not relevant to the VEWH for the reasons set out below:

- a declaration of shares held by senior officers (*No shares have ever been issued by the VEWH*).
- details of overseas visits undertaken (*No Commission members or senior executives took overseas work related trips*)
- details of major external reviews carried out on the VEWH (*None undertaken*)
- details of major research and development activities undertaken by the VEWH (*None undertaken*)
- details of changes in prices, fees, charges, rates and levies charged (*None applied*).


4.13 Risk management attestation

In line with the *Victorian Government Risk Management Framework* issued by the Department of Treasury and Finance, the VEWH implements appropriate strategies and practices to ensure strategic and operational risks are identified, assessed and mitigated as appropriate.

Key strategic risks have been identified in the VEWH risk register and are reviewed by the Risk and Audit Committee and the VEWH Commission regularly. Operational risks have been identified in the planning and delivery of environmental water. Operational risks and mitigating actions are captured and agreed in the seasonal watering proposals developed by program partners for the *Seasonal Watering Plan 2016-17*, and the relevant operating arrangements, where applicable. Operational risks, including inter-agency risks, were managed by partners in line with the *Victorian Environmental Watering Program Risk Management Framework*.

I, Denis Flett, certify that the Victorian Environmental Water Holder has complied with the Ministerial Standing Direction 3.7.1– Risk Management Framework and Processes. The VEWH's Risk and Audit Committee has verified this assurance.

Denis Flett



Chairperson
Victorian Environmental Water Holder

20 September 2017

Financial statements

– 30 June 2017





SECTION FIVE

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Comprehensive operating statement for the financial year ended 30 June 2017

	Notes	2017 \$	2016 \$
Income from transactions			
Government grants	2.1	10,776,507	11,032,066
Fair value of services received free of charge or for nominal consideration	2.1	0	59,010
Sale of water allocation	2.1	1,000,319	74,831
Interest	2.1	109,199	193,972
Total income from transactions		11,886,025	11,359,879
Expenses from transactions			
Employee expenses	3.1	(1,632,990)	(1,554,971)
Grants (water delivery and management)	3.2	(2,104,435)	(3,293,025)
Environmental water holdings and transaction expenses	3.3	(5,134,180)	(5,403,501)
Supplies and services	3.4	(1,001,390)	(947,599)
Total expenses from transactions		(9,872,995)	(11,199,096)
Net result from transactions (net operating balance)		2,013,030	160,783
Other economic flows included in net result			
Other gains/(losses) from other economic flows	3.5	15,547	(2,830)
Total other economic flows included in net results		15,547	(2,830)
Comprehensive result		2,028,577	157,953

The comprehensive operating statement should be read in conjunction with the notes to the financial statements.

SECTION FIVE

Balance sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
Assets			
Financial assets			
Cash and deposits	5.1	3,468,952	5,822,999
Receivables	4.1	763,505	740,585
Investments	5.2	6,950,000	2,300,000
Total financial assets		11,182,457	8,863,584
Non-financial assets			
Prepayments	4.2	33,714	47,923
Total non-financial assets		33,714	47,923
Total assets		11,216,171	8,911,507
Liabilities			
Payables	4.3	283,774	93,843
Provisions	3.1.1	450,145	363,989
Total liabilities		733,919	457,832
Net assets		10,482,252	8,453,675
Equity			
Accumulated surplus/(deficit)		10,482,252	8,453,675
Net worth		10,482,252	8,453,675
Commitments for expenditure	5.3		
Contingent assets and contingent liabilities	6.3		

The balance sheet should be read in conjunction with the notes to the financial statements.

Statement of changes in equity for the financial year ended 30 June 2017

	Accumulated surplus \$	Total \$
Balance at 1 July 2015	8,295,722	8,295,722
Comprehensive result	157,953	157,953
Balance as at 30 June 2016	8,453,675	8,453,675
Comprehensive result	2,028,577	2,028,577
Balance as at 30 June 2017	10,482,252	10,482,252

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

Cash flow statement for the financial year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts			
Receipt from government		10,781,263	10,717,220
Receipt from other entities		1,000,319	74,831
Interest received		109,199	177,365
GST recovered from ATO		0	45,358
Total receipts		11,890,781	11,014,774
Payments			
Payment of grants and other transfers		(1,968,810)	(3,761,146)
Payments to suppliers and employees		(7,575,703)	(8,555,504)
GST recovered from ATO		(50,315)	0
Total payments		(9,594,828)	(12,316,650)
Net cash flows from operating activities	5.1	2,295,953	(1,301,876)
Cash flows used in investing activities			
Payments for investments		(4,650,000)	0
Net cash flows used in investing activities		(4,650,000)	0
Net increase in cash and cash equivalents		(2,354,047)	(1,301,876)
Cash and cash equivalents at the beginning of the financial year		5,822,999	7,124,875
Cash and cash equivalents at the end of the financial year	5.1	3,468,952	5,822,999

The cash flow statement should be read in conjunction with the notes to the financial statements.



Notes to the financial statements

1. About this report

1.1 Reporting entity

The Victorian Environmental Water Holder (VEWH) is an independent, statutory office of the State of Victoria. Its principal address is:

Victorian Environmental Water Holder
8 Nicholson Street
Melbourne 3000

1.2 Basis of preparation

The financial report was authorised for issue by the Chairperson – Denis Flett and Business Manager – Monica Lui on 20 September 2017

1.3 Compliance

These financial statements:

- are presented in Australian currency and prepared in accordance with historical cost convention. Amounts have been rounded to the nearest \$1 unless otherwise stated;
- have the accrual basis of accounting applied; assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid; and
- have been prepared on a going concern basis and in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS), which include Interpretations issued by the Australian Accounting Standards Board (AASB).

Accounting policies are selected and applied in a manner ensuring the resulting financial information satisfies the concepts of relevance and reliability.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed such as superannuation expense and employee benefits provisions. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

2. Funding delivery of our services

Introduction

A description of the nature of VEWH's operations and its principal activities as included in the Report of Operations.

Structure

2.1 Summary of income that funds the delivery of services

2.1 Summary of income that funds the delivery of services:

	2017 \$	2016 \$
Government grants		
Grants from DELWP ⁽ⁱ⁾	8,750,000	8,791,079
Grants from Commonwealth ⁽ⁱ⁾	2,026,507	2,240,987
Total government grants	10,776,507	11,032,066
Fair value of services received free of charge or for nominal consideration		
Services (included rent, office equipment and IT services) ⁽ⁱⁱ⁾	0	59,010
Total fair value of services received free of charge or for nominal consideration	0	59,010
Sale of water allocation		
Sale of water allocation ⁽ⁱⁱⁱ⁾	1,000,319	74,831
Total sale of water allocation	1,000,319	74,831
Interest		
Interest from cash, deposits and investments ^(iv)	109,199	193,972
Total interest	109,199	193,972

- ⁽ⁱ⁾ Income from grants (other than contributions by owners) is recognised when the VEWH gains control over the contribution.
For reciprocal grants, the VEWH is deemed to have assumed control when the Commission is satisfied its performance obligations under the terms of the grant have been met. For non-reciprocal grants, the Commission is deemed to have assumed control when the grant is receivable or received. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.
- ⁽ⁱⁱ⁾ Services received free of charge or for nominal consideration are recognised at their fair value when control is obtained over them, irrespective of whether these are subject to restrictions or conditions recognised when a fair value can be reliably determined.
- ⁽ⁱⁱⁱ⁾ Income from the sale of water allocation is recognised as income when the VEWH no longer has ownership nor control of the water allocation.
- ^(iv) Interest income includes interest received on bank term deposits and other investments and unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period

3. The cost of delivering services

Introduction

This section provides an account of the expenses incurred by the VEWH. In section 2, the funds that enable the provision of services were disclosed and in this section the cost associated with provision of services are recorded.

Structure

- 3.1 Employee expenses
 - 3.1.1 Employee related provisions
 - 3.1.2 Superannuation
- 3.2 Responsible persons, remuneration of executives, and related parties
- 3.3 Grants (water delivery and management)
- 3.4 Environmental water holdings and transaction expenses
- 3.5 Supplies and services
 - 3.5.1 Audit fees
- 3.6 Other economic flows included in net result

3.1 Employee Expenses

	2017 \$	2016 \$
Employee expenses		
Salary and wages	(1,202,655)	(1,153,601)
Superannuation	(130,860)	(119,280)
Annual and long service leave	(208,320)	(201,447)
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	(91,155)	(80,643)
Total employee expenses	(1,632,990)	(1,554,971)

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members that are paid or payable during the reporting period.

Termination benefits

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the VEWH is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

3. The cost of delivering services (continued)

3.1.1 Employee related provisions

	2017 \$	2016 \$
Current provisions		
Employee benefits - annual leave		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	157,115	127,233
Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	1,428	3,924
Employee benefits – long service leave		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	29,202	26,715
Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	141,230	100,227
Total employee benefits	328,975	258,099
Provisions for on-costs (Note 3.1.1(a))		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	28,945	24,339
Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	22,369	16,466
	51,314	40,805
Total current provisions	380,289	298,904
Non current provisions		
Employee benefits ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	60,387	56,200
Provisions for on-costs ⁽ⁱⁱⁱ⁾	9,469	8,885
Total non current provisions	69,856	65,085
Total provisions	450,145	363,989

⁽ⁱ⁾ Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.

⁽ⁱⁱ⁾ The amounts disclosed are nominal amounts.

⁽ⁱⁱⁱ⁾ The amounts disclosed are discounted to present values.

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

3. The cost of delivering services (continued)

Movement in provision for on-costs

	On costs 2017 \$
Opening balance	49,690
Additional provisions recognised	45,817
Reduction arising from payments/other sacrifices of future economic benefits	(36,863)
Reductions resulting from re-measurement or settlement without cost	(248)
Unwind of discount and effect of changes in the discount rate	2,387
Closing balance	60,783
Current	51,314
Non current	9,469
Total	60,783

Provisions for on-costs such as payroll tax, workers' compensation and superannuation are recognised separately from provision for employee benefits.

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because VEWH does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As VEWH expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid where this is expected to be wholly settled within 12 months or at present value where this is expected to be wholly settled in more than 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is nonvesting, an expense is recognised in the Statement of Comprehensive Income as it is taken. Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component

Long service leave

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where VEWH 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:

- undiscounted value – VEWH expects to wholly settle within 12 months; and
- present value – if VEWH does not expect to wholly settle within 12 months.

3. The cost of delivering services (continued)

Conditional LSL 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.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

3.1.2 Superannuation

The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by the VEWH are as follows:

Fund	Paid contribution for the year		Contribution outstanding at year end	
	2017 \$	2016 \$	2017 \$	2016 \$
Contribution plans:				
Victorian Superannuation Fund – Vic Super Scheme	69,923	68,899	5,413	992
Various other	51,535	48,688	3,989	701
Total	121,458	117,587	9,402	1,693

Employees of the VEWH are entitled to receive superannuation benefits.

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of VEWH.

The Department of Treasury and Finance (DTF) in their Annual Financial Statements disclose, on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

3.2 Responsible persons, remuneration of executives and related parties.

The following table lists persons who held the positions of ministers and responsible persons of VEWH:

Minister for Water.....	The Hon. Lisa Neville	1 July 2016 to 30 June 2017
Chairperson	Denis Flett	1 July 2016 to 30 June 2017
Deputy Chairperson.....	Geoffrey Hocking.....	1 July 2016 to 30 June 2017
Commissioner	Christopher Chesterfield.....	1 July 2016 to 30 June 2017

3. The cost of delivering services (continued)

Remuneration of responsible persons

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the Department of Parliamentary Services' Financial Report.

	2017 No.	2016 No.
Income band		
\$30,000 - \$39,999	2	2
\$100,000 - \$109,999	1	1
Total	3	3

Remuneration of executive officer

The authority does not have any executive officers that meet the definition of FRD 21C disclosures of responsible persons and executive officers, other than ministers and the accountable officer, during the reporting period.

Related parties:

VEWH is a wholly owned and controlled entity of the State of Victoria.

Related parties of VEWL include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Key Management Personnel (KMP):

Includes names, position titles for KMPs

Denis Flett Chairperson 1 July 2016 to 30 June 2017
 Geoffrey Hocking Deputy Chairperson 1 July 2016 to 30 June 2017
 Christopher Chesterfield Commissioner 1 July 2016 to 30 June 2017

During the year, outside of normal citizen type transactions there were no related party transactions that involved KMP, their close family members and their personal business interest with the VEWL.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories:

3. The cost of delivering services (continued)

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment is ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

	2017 \$	2016 ^(a) \$
Remuneration of Key Management Personnel (KMP)		
Short-term benefits	170,773	NA
Post-employment benefits	21,322	NA
Other long-term benefits	3,986	NA
Termination benefits	0	NA
Share-base payments	0	NA
Total remuneration ^(b)	196,081	181,801
Total number of executives ^(c)	3	3
Total annualised employee equivalent (AEE) ^(d)	.7	.7

^(a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to prior year's financial statements for executive remuneration for the 2015-16 reporting period.

^(b) Remuneration represents the expenses incurred by VEWH in the current reporting period for the employee, in accordance with AASB 119 Employee Benefits.

^(c) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure.

^(d) Annualised employee equivalent is based on the time fraction worked during the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full-time working days per week (this is generally five full working days per week).

Significant transactions with government-related entities

The VEWH received operating grants from the following government related entities.

	Purpose	\$
Department of Environment Land Water and Planning	Funding for VEWH staff costs and administration	2,540,000
Department of Environment Land Water and Planning	Funding for the delivery of the VEWH entitlement management and delivery project	6,210,000

3. The cost of delivering services (continued)

The VEWH provided funding to the following government related entities for the delivery of the VEWH entitlement management and delivery project:

	\$
Goulburn Murray Rural Water Corporation	4,960,248
Mallee Catchment Management Authority	265,180
Southern Rural Water	319,919
Corangamite Catchment Management Authority	253,630
Grampians Wimmera Mallee Water	506,780
North East Catchment Management Authority	384,020

3.3 Grants (water delivery and management)

	2017 \$	2016 \$
Grants (water delivery and management)		
Grants to water corporations	(1,062,297)	(783,443)
Grants to catchment management authorities	(912,138)	(2,484,582)
Grants to private individuals, businesses and non-profit organisations	(30,000)	(25,000)
Grants to Commonwealth State Territory and Local Governments	(100,000)	0
Total grants (water delivery and management)	(2,104,435)	(3,293,025)

Grant expenses are contributions of the Department's resources to another party for specific or general purposes where there is no expectation that the amount will be repaid in equal value (either by money, goods or services).

Grants can either be operating or capital in nature. 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.

Grant expenses are recognised in the reporting period in which they are paid or payable. Grants can take the form of money, assets, goods, services or forgiveness of liabilities.

3.4 Environmental water holdings and transaction expenses

	2017 \$	2016 \$
Environmental water holdings and transaction expenses		
Water storage fees	(4,963,983)	(5,381,264)
Water purchases	(153,441)	(10,170)
General delivery expenses (including statutory fees)	(16,756)	(12,067)
Total environment water holdings and transaction expenses	(5,134,180)	(5,403,501)

Environmental water holdings and operating transactions are recognised in the reporting period in which they are paid or payable. These include transactions such as headwork charges, including associated spillable water charges and transaction costs associated with water allocation transfers and trades.

3. The cost of delivering services (continued)

3.5 Supplies and services

	2017 \$	2016 \$
Supplies and services		
Community awareness and publicity	(88,325)	(488)
Contract and professional services	(476,761)	(548,663)
General expenses	(135,087)	(101,178)
IT expenses	(105,266)	(30,177)
Motor vehicle expenses	(12,380)	(11,455)
Office and accommodation	(96,651)	(120,775)
Office expenses	(7,018)	(12,030)
Payments for shared services	(3,714)	(59,906)
Postage and telephone	(21,774)	(16,066)
Travel and subsistence	(54,414)	(46,861)
Total supplies and services	(1,001,390)	(947,599)

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when the inventories are distributed.

3.5.1 Audit fees

	2017 \$	2016 \$
Victorian Auditor General's Office		
Audit of the financial statements	5,800	5,700
Total Audit fees	5,800	5,700

3.6 Other economic flows included in net result

	2017 \$	2016 \$
Other gains/(losses) arising from other economic flows		
Net gains/(losses) arising from revaluation of employee benefits	15,103	(2,386)
Gains/(losses) on loans and receivables	444	(444)
Total other gains/(losses) from other economic flows	15,547	(2,830)

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- reclassified amounts relating to available for sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument.

4 Other assets and liabilities

Introduction

This section sets out those assets and liabilities that arose from the VEWH controlled operations.

Structure

4.1 Receivables

4.1.1 Ageing analysis of contractual receivables

4.2 Prepayments

4.3 Payables

4.3.1 Maturity analysis of contractual payables

4.1 Receivables

	2017 \$	2016 \$
Current receivables		
Contractual		
Trade receivables	270,831	416,391
Provision for doubtful debts	0	(444)
Accrued income	72,723	17,448
Total contractual receivables	343,554	433,395
Statutory		
Amounts owing from DELWP	392,719	307,190
GST input tax credit recoverable	27,232	0
Total statutory receivables	419,951	307,190
Total current receivables	763,505	740,585
Total receivables	763,505	740,585

Contractual receivables are classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

4 Other assets and liabilities (continued)

4.1.1 Ageing analysis of contractual receivables

The following table discloses the ageing only of contractual receivables that are past due but not impaired.

			Past due but not impaired			
	Carrying amount \$	Not past due and not impaired \$	Less than 1 month \$	1 - 3 months \$	3 months – 1 year \$	1-5 years \$
2017						
Receivables						
Trade receivables	270,831	270,831	270,831	0	0	0
Total	270,831	270,831	270,831	0	0	0
2016						
Receivables						
Trade receivables	415,947	411,951	0	0	3,996	0
Total	415,947	411,951	0	0	3,996	0

4.2 Prepayments

	2017 \$	2016 \$
Prepayments		
Prepaid Expenses	33,714	47,923
Total prepayments	33,714	47,923

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

4.3 Payables

	2017 \$	2016 \$
Current payables		
Contractual		
Trade creditors	3,522	9,393
Accrued grants and transfers	135,624	0
Other accrued expenses	141,193	58,728
Total contractual payables	280,339	68,121
Statutory		
Taxes payable	1,199	947
GST input tax credit payable	0	23,082
Superannuation payable	2,236	1,693
Total statutory payables	3,435	25,722
Total current payables	283,774	93,843
Total payables	283,774	93,843

4 Other assets and liabilities (continued)

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. This includes trade creditors and other accrued expenses. Trade creditors represents liabilities for goods and services provided to VEWH prior to the end of the financial year that are unpaid and arise when VEWH becomes obliged to make future payments in respect of the purchase of those goods and services.

Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, as they do not arise from a contract. Statutory payables, such as taxes payable and superannuation payable

4.3.1 Maturity analysis of contractual payables

The following table discloses the contractual maturity analysis for VEWH's contractual payables.

	Maturity dates						
	Carrying amount \$	Nominal amount \$	Less than 1 month \$	1 - 3 months \$	3 months – 1 year \$	1-5 years \$	5+ years \$
2017							
Payables:							
Trade creditors ⁽ⁱ⁾	3,522	3,522	638	0	2,884	0	0
Accrued grants and transfers	135,624	135,624	135,624	0	0	0	0
Accrued expenses	141,193	141,193	141,193	0	0	0	0
Total	280,339	280,339	277,455	0	2,884	0	0
2016							
Payables:							
Trade creditors ⁽ⁱ⁾	9,393	9,393	9,393	0	0	0	0
Accrued expenses	58,728	58,728	58,728	0	0	0	0
Total	68,121	68,121	68,121	0	0	0	0

⁽ⁱ⁾ The average credit period is 30 days. No interest is charged on the trade creditors or other payables for the first 30 days from the date of the invoice. Thereafter, interest may be charged at differing rates determined by the individual trade arrangements entered.

5 How we financed our operations

Introduction

This section provides information on the sources of finance utilised by the VEWH during its operations.

Structure

- 5.1 Cash
- 5.2 Investments
- 5.3 Commitments for expenditure
- 5.4 Leases

5.1 Cash

	2017 \$	2016 \$
(a) Reconciliation of cash and cash equivalents		
Funds held in trust – cash	2,338,952	1,392,999
Funds held in trust – fund held in deposits	1,130,000	4,430,000
Total cash and deposits disclosed in the balance sheet	3,468,952	5,822,999
Balance per cash flow statement	3,468,952	5,822,999
(b) Reconciliation of net result for the period		
Comprehensive result	2,028,577	157,953
Non-cash movements		
Net gain/ (loss) arising from reduction of employee benefits	(15,103)	2,386
Net gain/ (loss) on financial instruments	(444)	444
Movements in assets and liabilities		
(Increase)/Decrease in receivables	(45,557)	(286,095)
(Increase)/Decrease in prepayments	14,209	(1,213,434)
Increase/(Decrease) in payables	213,011	(47,923)
Increase/(Decrease) in provisions	101,260	84,793
Net cash flows from operating activities	2,295,953	(1,301,876)

Cash and deposits, including cash equivalents, comprise of cash on hand and cash at bank with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes and which are readily convertible to known amounts of cash and are subject to significant risk of changes in value.

5 How we financed our operations (continued)

5.2 Investments

	2017 \$	2016 \$
Current investments		
Term deposits:		
Australian dollar term deposits greater than three months ⁽ⁱ⁾	6,950,000	2,300,000
Total current investments	6,950,000	2,300,000
Total investments	6,950,000	2,300,000

⁽ⁱ⁾ Relates to trust fund term deposits held with the Treasury Corporation of Victoria.

5.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

There are no commitments for expenditure (2016: Nil).

5.4 Leases

VEWH has no leases at reporting date. (2016: Nil)

6 Risks, contingencies and valuation judgements

Introduction

The VEWH is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which relate mainly to fair value determination.

Structure

- 6.1 Financial instrument specific disclosures
- 6.2 Categories of financial instruments
 - 6.2.1 Financial assets
 - 6.2.2 Financial liability
- 6.3 Financial risk management objective and policies
 - 6.3.1 Credit Risk
 - 6.3.2 Liquidity risk
 - 6.3.3 Market risk
- 6.4 Contingent assets and liabilities

6.1 Financial instrument specific disclosures

The VEWH principal financial instruments comprise of:

- cash and deposits;
- receivables (excluding statutory receivables);
- payables (excluding statutory payables);

The main purpose in holding financial instruments is to prudentially manage the VEWH's financial risks in the government policy parameters.

Assets and liabilities for which fair value is measured or disclosed are generally categorised within a hierarchy, described as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

VEWH is exposed to the following risks:

- Credit risk
- Liquidity risk
- Market risk

6 Risks, contingencies and valuation judgements (continued)

The carrying amounts of the VEWH's financial assets and financial liabilities by category are in the table below.

	2017			2016		
	Contractual financial assets – loans and receivables \$	Contractual financial liabilities at amortised cost \$	Total \$	Contractual financial assets – loans and receivables \$	Contractual financial liabilities at amortised cost \$	Total \$
Contractual financial assets						
Cash and deposits	3,468,952	0	3,468,952	5,822,999	0	5,822,999
Receivables						
Trade receivables	270,831	0	270,831	415,947	0	415,947
Accrued income	72,723	0	72,723	17,448	0	17,448
Investments	6,950,000	0	6,950,000	2,300,000	0	2,300,000
Total contractual financial assets	10,762,506	0	10,762,506	8,556,394	0	8,556,394
Contractual financial liabilities						
Payables						
Trade creditors	0	3,522	3,522	0	9,393	9,393
Accrued grants and transfers	0	135,624	135,624	0	0	0
Accrued expenses	0	141,193	141,193	0	58,728	58,728
Total contractual financial liabilities	0	280,339	280,339	0	68,121	68,121

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the VEWH's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 Financial Instrument.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

6.2 Categories of financial instruments

6.2.1 Financial asset

6.2.1 (a) Loans and Receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment).

Loans and receivables category includes cash and deposits (refer to note 5.1), term deposits with maturity date less than three months and receivables (excluding statutory receivables).

6 Risks, contingencies and valuation judgements (continued)

6.2.1 (b) Impairment of non-financial assets

At the end of each reporting period, the VEWH assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgment is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

6.2.2 Financial liability

6.2.2 (a) Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. VEWH recognises payables (excluding statutory payables) in this category.

6.3 Financial risk management objective and policies

6.3.1 Credit Risk

Credit risk arises from the contractual financial assets of VEWH's debtors. VEWH's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to VEWH. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with VEWH's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than Government, it is VEWH's policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements, where appropriate.

In addition, VEWH does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest.

Provision of impairment for financial assets is recognised when there is objective evidence that VEWH will not be able to collect a receivable.

The carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents VEWH's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Currently VEWH does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, there is no event to indicate that any of the contractual financial assets are impaired. There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired and they are stated at the carrying amounts as indicated.

6 Risks, contingencies and valuation judgements (continued)

6.3.2 Liquidity risk

Liquidity risk is the risk that VEWH would be unable to meet its financial obligations as they fall due. VEWH operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution. Risk is managed through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets and dealing in highly liquid markets.

VEWH's exposure to liquidity risk is deemed insignificant based on current assessment of risk.

6.3.3 Market risk

VEWH's exposures to market risk are primarily through interest rate risk with only insignificant exposure to foreign currency and other price risks.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. VEWH does not hold any interest bearing financial instruments that are measured at fair value and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

VEWH has minimal exposure to cash flow interest rate risks through its cash at bank.

The carrying amount of financial assets and financial liabilities that are exposed to interest rate risk are set out in the table in the following table.

6 Risks, contingencies and valuation judgements (continued)

		Interest rate exposure			
	Weighted average interest rate %	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$
2017					
Contractual financial assets					
Cash and deposits	1.45	3,468,952	0	1,130,000	2,338,952
Receivables					
Trade receivables		270,831	0	0	270,831
Accrued income		72,723	0	0	72,723
Investments	1.69	6,950,000	6,950,000	0	0
Total		10,762,506	6,950,000	1,130,000	2,682,506
Contractual financial liabilities					
Payables:					
Trade creditors		3,522	0	0	3,522
Accrued grants and transfers		135,624	0	0	135,624
Accrued expenses		141,193	0	0	141,193
Total		280,339	0	0	280,339
2016					
Contractual financial assets					
Cash and deposits	1.90	5,822,999	3,600,000	830,000	1,392,999
Receivables					
Trade receivables		415,947	0	0	415,947
Accrued income		17,448	0	0	17,448
Investments	2.25	2,300,000	2,300,000	0	0
Total		8,556,394	5,900,000	830,000	1,826,394
Contractual financial liabilities					
Payables					
Trade creditors		9,393	0	0	9,393
Accrued expenses		58,728	0	0	58,728
Total		68,121	0	0	68,121

6 Risks, contingencies and valuation judgements (continued)

6.3.3 (a) Interest rate sensitivity analysis and assumptions

Reviewing past account performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, the VEWL believes the following movements are 'reasonably possible' over the next 12 months (base rates are sourced from the Reserve Bank of Australia):

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates

	2017 Interest rate risk		
	Carrying amount \$	-1% -100 basis points \$	1% 100 basis points \$
2017			
Contractual financial assets			
Cash and deposits	3,468,952	(11,300)	11,300
Receivables ⁽ⁱ⁾			
Trade receivables	270,831	0	0
Accrued income	72,723	0	0
Investments	6,950,000	0	0
Total	10,762,506	(11,300)	11,300
2016			
Contractual financial assets			
Cash and deposits	5,822,999	(8,300)	8,300
Receivables ⁽ⁱ⁾			
Trade receivables	415,947	0	0
Accrued income	17,448	0	0
Investments	2,300,000	0	0
Total	8,556,394	(8,300)	8,300

⁽ⁱ⁾ The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable).

6 Risks, contingencies and valuation judgements (continued)

6.3.3 (b) Comparison between carrying amount and fair value

	2017		2016	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Contractual financial assets				
Cash and cash deposits	3,468,952	3,468,952	5,822,999	5,822,999
Receivables⁽ⁱⁱ⁾				
Trade receivables	270,831	270,831	415,947	415,947
Accrued income	72,723	72,723	17,448	17,448
Investments	6,950,000	6,950,000	2,300,000	2,300,000
Total contractual financial assets	10,762,506	10,762,506	8,556,394	8,556,394
Contractual financial liabilities				
Payables⁽ⁱⁱⁱ⁾				
Trade creditors	3,522	3,522	9,393	9,393
Accrued grants and transfers	135,624	135,624	0	0
Other accrued expenses	141,193	141,193	58,728	58,728
Total contractual financial liabilities	280,339	280,339	68,121	68,121

⁽ⁱⁱ⁾ The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable).

⁽ⁱⁱⁱ⁾ The amount of payables disclosed exclude statutory payables (i.e. taxes payable).

6.4 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

There are no contingent assets or contingent liabilities (2016: Nil).

7 Other disclosures

Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

Structure

- 7.1 Subsequent events
- 7.2 Reclassification of financial information
- 7.3 Australian Accounting Standards issued that are not yet effective
- 7.4. Ex-Gratia expenses

7.1 Subsequent events

VEWH is not aware of any other circumstances that have arisen, or information that has become available between 30 June 2017 and the date of final approval of this general purpose financial report that qualifies for inclusion as a post balance date event.

7.2 Reclassification of financial information

Where the presentation or classification of items in the financial statements changes, the comparative amounts are also reclassified unless it is impractical to do so. The nature, amount and reason for the reclassification is also disclosed. If the reclassification affects an item on the balance sheet, a third statement of financial position is also presented.

7.3 Australian Accounting Standards issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of all these new standards and advises VEWB of their applicability and early adoption where applicable.

As at 30 June 2017, the following applicable AASs have been issued by the AASB but are not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operating date as follows:

7 Other disclosures (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: » The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and » Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 Jan 2018	Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI).
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.

7 Other disclosures (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends the measurement of trade receivables. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: » require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and » clarifies circumstances when a contract with a customer is within the scope of AASB 15.	1 Jan 2019	The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above.
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1 Jan 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

7 Other disclosures (continued)

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2016-17 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on VEWH.

- *AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- *AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions*
- *AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- *AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments*
- *AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle*

For the current year, given the number of consequential amendments to AASB 9 Financial Instruments and AASB 15 *Revenue from Contracts with Customers*, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.

7.4 Ex-Gratia Expenses

In accordance with FRD 11A Disclosure of Ex-Gratia Expenses, the VEWH must disclose in aggregate the total amount of material (greater than \$5,000) expenses.

In 2016-17, the VEWH incurred no ex-gratia expenses (2015-16: \$0).

Accountable Officer's and Chief Finance Officer's declaration

The attached financial statements for the Victorian Environmental Water Holder have been prepared in accordance with Standing Direction 5.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, 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 accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of VEWH at 30 June 2017.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial report for issue on 20 September 2017.

Denis Flett



Chairperson
Victorian Environmental Water Holder

Melbourne
20 September 2017

Monica Lui



Business Manager
Victorian Environmental Water Holder

Melbourne
20 September 2017

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SECTION FIVE

Auditor-General's Report



Independent Auditor's Report

To the Commissioners of the Victorian Environmental Water Holder

Opinion	<p>I have audited the financial report of the Victorian Environmental Water Holder which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2017• comprehensive operating statement for the year then ended• statements of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements• accountable officer's and chief finance officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Victorian Environmental Water Holder as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Victorian Environmental Water Holder in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Commissioners' responsibilities for the financial report	<p>The Commissioners of the Victorian Environmental Water Holder are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Commissioners determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Commissioners are responsible for assessing the Victorian Environmental Water Holder's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor-General's Report

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit 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 Victorian Environmental Water Holder's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners
- conclude on the appropriateness of the Commissioners' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Victorian Environmental Water Holder's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Victorian Environmental Water Holder to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Commissioners regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Roberta Skliros

as delegate for the Auditor-General of Victoria

MELBOURNE
21 September 2017

Disclosure index

The annual report of the Victorian Environmental Water Holder (VEWH) is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the VEWH's compliance with statutory disclosure requirements.

<i>Legislation</i>	<i>Requirement</i>	<i>Page reference</i>
Report of operations		
Charter and purpose		
FRD 22H	Manner of establishment and the responsible Minister/s	Page 04
FRD 22H	Objectives, functions, powers and duties	Page 04
FRD 22H	Nature and range of services provided	Page 05
FRD 22H	Key initiatives and projects	Page 32
Management and structure		
FRD 22H	Strategic performance indicator (non-financial)	Page 33
FRD 22H	Organisational structure	Page 37
Financial and other information		
FRD 10A	Disclosure index	Page 84
FRD 12B	Major contracts	Page 45
FRD 22H	Summary of the financial results for the year	Page 34
FRD 22H	Current year financial review	Page 35
FRD 22H	Performance against key performance indicators (financial)	Page 35
FRD 22H	Significant changes in financial position	Page 36
FRD 22H	Significant changes or factors affecting performance	Page 36
FRD 22H	Capital Projects	Page 36
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FRD 22H	Occupational health and safety policy	Page 40
FRD 22H	Employment and conduct principles	Page 41
FRD 22H	Application and operation of the Carers Recognition Act 2012	Page 41
FRD 22H	Government advertising and expenditure	Page 44
FRD 22H	Consultancy expenditure	Page 44
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FRD 22H	Availability of other information	Page 47
FRD 24C	Office based environmental impacts	Page 47
FRD 25C	Victorian Industry Participation Policy disclosures	Page 44
FRD 29B	Workforce Data	Page 41
SD 5.2	Specific requirements under Standing Direction 5.2	
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SD 3.7.1	Attestation for compliance with Ministerial Standing Direction	Page 48
SD 5.2.3	Declaration in report of operations	Page 03

<i>Legislation</i>	<i>Requirement</i>	<i>Page reference</i>
Financial statements		
Declaration		
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Other requirements under Standing Directions 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	
SD 5.2.1(b)	Compliance with Model Financial Report	
Other disclosures as required by FRDs in notes to the financial statements ^(a)		
FRD 11A	Disclosure of Ex gratia Expenses	Page 79
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	Page 59
FRD 103F	Non Financial Physical Assets	Page 70
FRD 110A	Cash Flow Statements	Page 53
Note: (a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.		
Legislation		
Building Act 1993		
Carers Recognition Act 2012		
Financial Management Act 1994		
Freedom of Information Act 1982		
Protected Disclosure Act 2012		
Public Administration Act 2004		
Water Act 1989		
Victorian Industry Participation Policy Act 2003		



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Acknowledgment of Country

The Victorian Environmental Water Holder acknowledges Aboriginal Traditional Owners within Victoria, their rich culture and their spiritual connection to Country. The contribution and interests of Aboriginal People and organisations in the management of land and natural resources is also recognised and acknowledged.

A photograph of three children sitting on a large pile of fallen logs and branches along a riverbank. The child on the left is a girl in a light blue shirt and dark pants. The child in the middle is a boy in a pink shirt and a hat. The child on the right is a girl in a grey shirt and a hat. They are all looking towards the camera. The background shows more logs and some greenery.

vewh.vic.gov.au

VICTORIAN ENVIRONMENTAL
WATER HOLDER

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