

VICTORIAN ENVIRONMENTAL
WATER HOLDER

Annual Report

2015-16

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

The Victorian Environmental Water Holder (VEWH) marked its fifth year of operation in 2015-16. It was also the first year in which the VEWH was required to manage prolonged dry conditions and low water allocations in systems across the State.

The western and northern parts of Victoria bore the brunt of the dry weather. On average, water storage levels across northern Victoria were 35 percent lower in June 2016 than a year previously. Western Victoria experienced some of the driest conditions on record, with allocations for the Wimmera and Glenelg systems ending the year at just 16%. Both the Wimmera and Glenelg rivers were reduced, at times, to chains of pools.

In planning ahead, the VEWH had prepared for low early season allocations and determined actions to be taken to protect plants and animals. In most systems we watered against a 'dry' regime plan, significantly reducing watering and environmental watering objectives in line with our Seasonal Watering Plan. In many regions, we used water that had been carried over from the previous year to bolster significantly low water allocations.

The critical role carryover water played in environmental water management this year cannot be overemphasised: In the north of the state, carryover water provided sufficient environmental water in the winter-spring period to maintain many aquatic environments which would otherwise have been left dry. The wetlands watered across the Victorian Murray region provided an essential mosaic of habitat for native birds and other wildlife, in an otherwise dry landscape.

In the west, environmental watering focused on improving water quality to keep fish, platypus and other animals alive over the hotter months of summer. Water was used to top up drought refuges, specifically maintained to provide safe-havens for river wildlife.

This scaled-back watering approach required waterway managers to keep a closer eye on rivers and refuges so that they could respond quickly if water quality depleted. With this in mind, the VEWH intensified monitoring, particularly in the Wimmera-Glenelg, improving salinity and water temperature monitoring and installing technology at refuge pools to provide real-time data on water levels.

In addition to managing the operational challenges of 2015-16, the VEWH forged ahead with its program of business improvement and reached many milestones.

Communication and engagement underwent a step change, including the finalisation of a new, map-based website (outlining where environmental water is being delivered, when and why) and the success of two statewide forums which shared knowledge and perspectives with partners, peak body organisations and interest groups.

A VEWH report of regional environmental watering engagement activities, undertaken in 2015-16, confirmed that waterway managers are engaging local communities throughout all stages of the environmental water management cycle and are capturing additional community benefits of environmental water in their planning. The VEWH has been able to improve reporting of these social benefits in its communications, including its annual *Reflections* booklet which outlines the benefits of watering, annually.

The work undertaken by VEWH staff this year has laid the foundations for our future work program and highlighted a number of areas to advance. These include: transparency of decision making processes for the use, carryover and trade of environmental water; clarifying environmental watering service needs and associated charging arrangements; and further developing the VEWH's program of investment in monitoring and technical projects to align and complement other monitoring and assessment programs.

We look forward to working on these with our stakeholders and Victorian communities in the year ahead.

We are pleased to reaffirm that the VEWH has complied with all of its legislative and financial requirements in 2015-16 and delivered outcomes against all of its strategic programs.

In accordance with the *Financial Management Act 1994*, we present the VEWH's Annual Report for the year ending 30 June 2016.

Denis Flett



Chairperson
Victorian Environmental Water Holder

21 September 2016

Elizabeth Ashworth



Executive Officer
Victorian Environmental Water Holder

21 September 2016



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1.2 Overview

Objectives and functions – Powers listed under the Water Act

The VEWH's statutory objectives, functions, powers and obligations are described in the *Water Act 1989* (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.

Manner of establishment and responsible Minister

The VEWH was established on 1 July 2011 through an amendment to 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 as follows:

- the Hon. Lisa Neville MP, Minister for Environment, Climate Change and Water for the period from 1 July 2015 to 22 May 2016, Minister for Water 23 May 2016 to 30 June 2016.

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 and resilient waterways with restored watering patterns that sustain a more natural level of biodiversity. Collaborative partnerships that build widespread support for environmental watering and the multiple values and services provided by waterways. Best-practice environmental water management to achieve the most effective and efficient use of Victoria's Water Holdings.

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

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

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.

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 key to environmental watering program 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 11.



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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 2015-16 through ongoing liaison, regular meetings, site visits and forum participation.

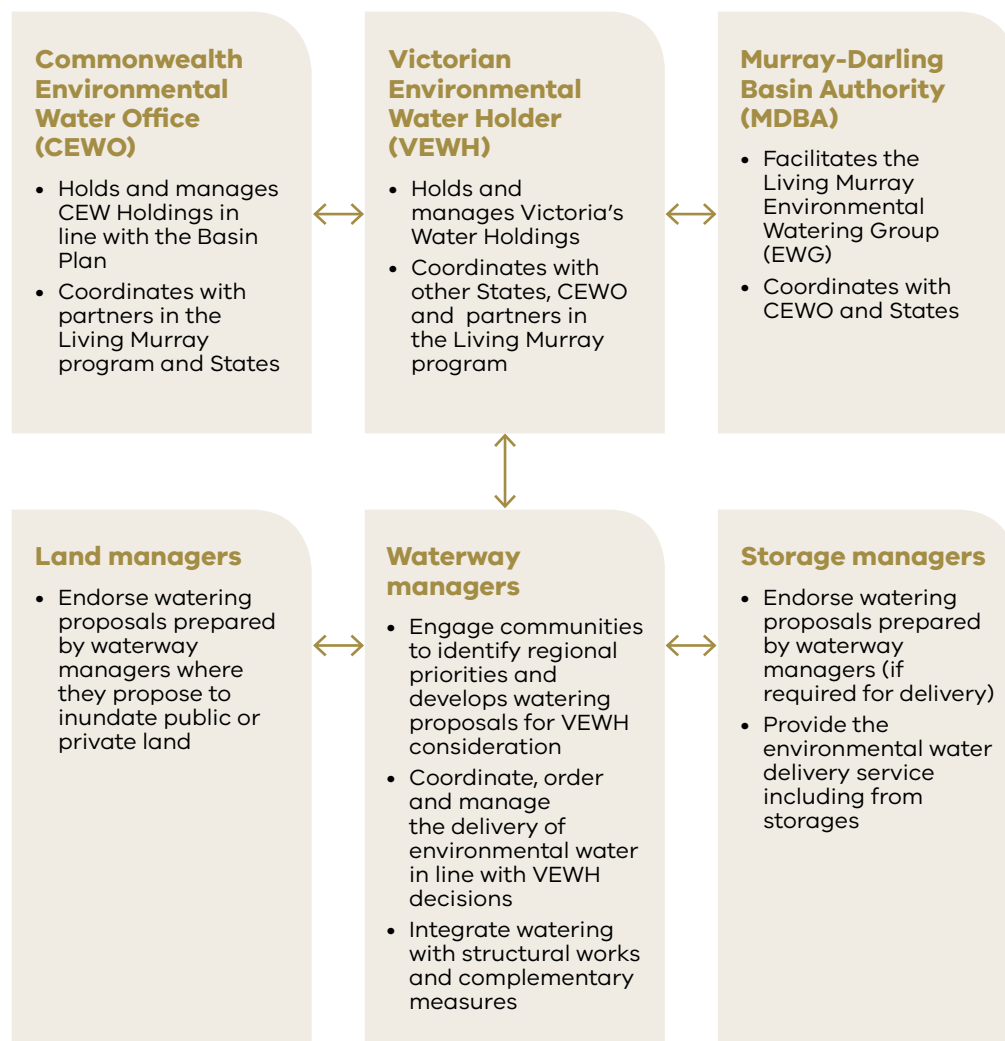
Storage managers release environmental water from water storages and report on the amount of water used. The VEWH continues to build positive and effective relationships with storage managers through ongoing liaison, and by attending bulk entitlement holder committee meetings (where they exist) and other 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 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 prioritising watering actions and reporting on water use and outcomes. 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 in 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 also has responsibility for overseeing 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, particularly the DELWP 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.

The VEWH collates and summarises the seasonal watering proposals in an annual 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



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VEWH Commission then deliberates 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 water delivery operations become clearer, informing decisions about the environmental watering actions that should proceed.

Case study:

Heart Morass – first watering of a community wetland

Heart Morass, a wetland near Sale, has undergone more than a decade of community-funded transformation, restoring 25 parcels of drained-grazing land into a 1,349 hectare wetland reserve.

The rehabilitation of the wetland has been a joint initiative of a group consisting of Field & Game Australia, Bug Blitz, Watermark Inc. and the West Gippsland Catchment Management Authority under the banner of the Wetlands Environment Taskforce (WET Fund). The land purchase was made possible through funds raised by the members of Field and Game Australia and philanthropic contributions by the Hugh D.T. Williamson Foundation to support and strengthen communities in Melbourne and rural Victoria.

Restoration has taken more than a decade, including removing 20 tonnes of carp, planting more than 50,000 indigenous trees and collecting seed from 50 plant species for regeneration. A return to favourable seasonal weather patterns over the past decade has coincided with the restoration project and contributed to the vast improvement in ecological conditions. More than 30,000 water birds of many species have returned to the wetland in what has been described as a remarkable ecological transformation.

River regulation, combined with levees built around Heart Morass, have resulted in the wetland being drier than it might have naturally. In March 2016, with the support of surrounding landholders and the CMA, the VEWB authorised the use of environmental water at the wetland for the first time, mimicking natural flows into the system to provide feeding habitat for wetland fauna, particularly waterbirds, and support vegetation establishment and growth.

Environmental water was diverted to the wetland from the Latrobe River through to May 2016, under the watch of the West Gippsland Catchment Management Authority. Following the watering event, a large number of swans inhabited the wetland to graze on the inundated plants.

Managing the water portfolio

As much as possible, the VEWH seeks to meet environmental water demands (and avoid water supply shortfalls) through adaptive planning and efficient use of environmental water. This includes reusing return flows and using 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 on other water users.

Throughout the year, the VEWH 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 VEWH may consider carrying over the water for future needs, or selling the water on the market. Any resulting revenue is then 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 use efficiency
- other measures to improve the performance of Victoria's environmental watering program.

If, on the other hand, the VEWH identifies potential environmental water supply shortfalls, the VEWH 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 VEWH, 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 VEWH 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 VEWH always seeks to maximise environmental outcomes for Victoria.

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Case study:

The critical role of carryover in drought

The VEWH and waterway managers plan for carryover throughout the year. Water carried over from 2014-15 was critical to meet environmental objectives under the continued dry conditions of 2015-16.

As 2015-16 unfolded, it became clear that the year would be very dry indeed. The Wimmera and Glenelg systems experienced record-low inflows, and correspondingly low allocations. Similarly, systems in northern Victoria, such as the Loddon and Campaspe, registered conditions similar to, or worse than, those seen in the Millennium Drought.

Despite this, environmental water availability across the northern region was sufficient throughout the winter-spring period, thanks to water carried over from 2014-15.

Wetlands watered across the dry Victorian Murray region provided a mosaic of habitat for native birds and other wildlife, in an otherwise dry landscape. Watering at sites such as Lakes Powell, Carpul and Wallawalla, for instance, provided wide-ranging and productive havens for waterbirds in the Mallee region.

Gunbower Forest, an iconic Murray site situated between Echuca and Koondrook required environmental water to secure environmental outcomes from a previous watering in 2014-15. Again, the VEWH, together with its Commonwealth Government partners, used environmental water carried over from 2014-15 to water the forest in spring 2015. It was supplemented with the reuse of environmental flows from the Goulburn, Campaspe and Broken systems. The watering improved the forest's condition so that it is better able to cope with future dry conditions.

Carefully managing carryover water and reuse of environmental flows in this way ensures that environmental water managers use every available drop of water as efficiently as possible.

The dry conditions continued throughout 2015-16. Allocations reached just 16% in the western region and failed to reach 100% in all northern region systems except the Murray. Allocations received later in the season in 2015-16 were again able to be carried over to help meet environmental needs early in 2016-17.

Engaging a diverse range of stakeholders

Engaging environmental watering stakeholders and the public is an important part of the VEWH's role. The VEWH 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 (environmental water entitlements) and improved environmental health. Community representatives and peak body organisations provide significant perspectives to guide the VEWH's work.

Waterway managers (CMAs and Melbourne Water) have the primary responsibility for engaging local communities on environmental watering. A report of these engagement activities, commissioned by the VEWH in 2015-16, showed that waterway managers engage local communities and a broad range of key stakeholders throughout all stages of the environmental water management cycle: when planning watering activities (and prioritising them at a regional level); delivering environmental water; and then reporting on its benefits. The report also demonstrated that, 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 (e.g. water in a river for an annual regatta) and Aboriginal environmental benefits of environmental watering.

The VEWH supports waterway managers with their local engagement in a broad range of 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 VEWH 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 (see following case study). The VEWH also holds other state and regional forums to initiate discourse on environmental watering.

The VEWH provides information through a range of avenues including video, web, Twitter and printed material. In 2015-16, the VEWH's website was redeveloped in collaboration with our stakeholders and partners. The new site includes map-based information outlining where environmental water is being delivered, when and why.

The VEWH develops three printed publications every year – the seasonal watering plan, the annual watering booklet (*Reflections*) and this annual report.

Case study:

Statewide forums encourage listening and learning

The VEWH hosted two forums in 2015-16 to share knowledge and perspectives with partners, peak body organisations and interest groups.

The Victorian Environmental Water Forum, held in October 2015, was aimed at managers and scientists who regularly contribute to the different aspects of the environmental watering program. It attracted close to 100 delegates and was a fantastic opportunity to share technical insight and map out ways to apply this new knowledge to environmental water management.

The forum helped to develop a common understanding of the issues and challenges the environmental watering program is facing and develop a vision for the future. It brought together a range of energetic, passionate and committed people who want to improve environmental water management in Victoria. Through case studies, the forum explored the interface between policy, science and management – giving a good basis for future discussions.

The Environmental Water Matters Forum, held in February 2016, was aimed at peak bodies and interest groups who represent thousands of interested community members statewide. More than 40 people attended from 26 organisations representing environment, recreation, farming, and Aboriginal interests. The forum reviewed and discussed evidence of environmental watering successes, debated how environmental watering should be prioritised and looked at ways in which community capacity can be raised to be more involved in waterway management. Pleasingly, key feedback was that the VEWH had listened to points raised at the first Environmental Water Matters Forum, 18 months prior, and attempted to address all points in the interim period.

Matters raised in the 2016 forum included a call to: 1) finalise and communicate our statewide, landscape-scale and multi-year water prioritisation framework and; 2) invest in market research to improve our understanding of community water literacy. Both of these are now priorities in the VEWH's four-year corporate plan.



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Learning and reporting demonstrated outcomes

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

- 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, for example fish movement in the Lower Murray wetlands (see following case study). 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 provides additional certainty and scientific basis for the long-term ecological response from particular watering actions. An equivalent program for monitoring wetlands is currently under development.

Case study:

Monitoring to manage drought in western Victoria

Western Victoria experienced some of the severest impacts of drought in 2015-16, with the Wimmera and Glenelg entitlement receiving just 16 percent of its environmental water allocation throughout the year. Planning ahead for the forecast dry conditions, the VEWH carried over water from 2014-15 to supplement predicted low allocations (see previous case study, 'The critical role of carryover in drought'). The VEWH's aim was to use this limited water in the most efficient way possible, finding a balance between using water to protect the river in 2015-16 and reserving water to maintain protection in 2016-17, should dry conditions continue.

Environmental watering focused on improving water quality to keep fish, platypus and other animals alive over the hottest months of summer. Water was used to top-up drought refuges (deep pools which retain water in drought), protecting fish and other aquatic animals from poor water quality. In this way, together with the Wimmera and Glenelg Hopkins CMAs, the VEWH was able to protect wildlife across the Glenelg and Wimmera river systems.

It was critical, with this approach, to keep a close eye on the health of the river, so that environmental managers could respond quickly if water quality depleted. The VEWH supported managers to make better decisions based on real-time water quality monitoring data over multiple sites including:

- improving salinity and water temperature monitoring at metering sites on the Glenelg and Wimmera rivers
- installing Portable Automated Logger System units at five key drought refuge pools within the Wimmera catchment, and at reach 1a of the Glenelg River to provide real-time water level data for each refuge pool.

The monitoring program has been extremely important, enabling more efficient and effective use of what little water was available. While both the Glenelg and Wimmera rivers ceased to flow at times during the year – and fully dried in some areas – close management meant platypus, turtle, endangered native fish, critically endangered crayfish and endangered frog populations were protected through the targeted watering of drought refuge pools.



1.3 Operational and budgetary objectives and performance against objectives

Implementing the seasonal watering plan

The *Seasonal Watering Plan 2015-16* identified 258¹ potential watering actions across Victoria. These represented the full scope of actions that may have been able to 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 258 identified potential watering actions, only 226 actions were required in 2015-16. The remaining 32 watering actions were not required because:

- the watering was only required to ameliorate water quality issues that did not eventuate, or to support a bird breeding event that did not occur
- the dry climate conditions meant that some watering actions identified under wetter scenarios were not a priority.

Of the 226 priority watering actions required in 2015-16, 171 actions or 76 percent were fully² or partially achieved³; that is, the flow pattern that occurred was consistent with or not materially different from the planned pattern and/or there was some certainty of achieving the environmental objectives (see Figure 1.2).

The priority watering actions which were not achieved⁴ were due to:

- insufficient water availability
- infrastructure or delivery feasibility limitations
- a lack of agreement with landholders for watering private wetlands
- some wetlands being dried for parts of the year to protect vegetation that germinated, rather than the planned watering during that time
- water being delivered to Kath Smith Dam instead of Homelea in the Wimmera-Mallee wetland system due to operator error.

Of those priority watering actions which were fully or partially achieved, 135 or 79 percent relied on some contribution of managed environmental water. A drying phase was implemented for seven percent of actions and the remaining 14 percent were achieved through unregulated flows or the delivery of consumptive water en route.

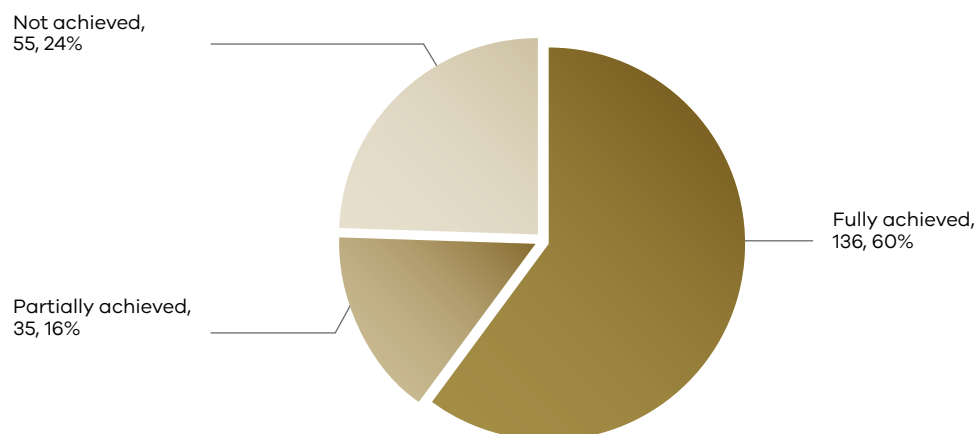
¹ This number includes two priority watering actions in Jacksons Creek in the Maribyrnong catchment and one priority watering action in the River Murray that were not explicitly defined in the seasonal watering plan. The River Murray action was delivered in line with section 12.5 of the Seasonal Watering Plan 2015-16 to facilitate delivery of another water holder's entitlement, and the Jacksons Creek action was enabled under section 1.3 as an action in a system where there are no permanent Water Holdings.

² 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.

³ 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.

⁴ 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 priority watering actions in 2015-16



The VEWH coordinated delivery of environmental water to 73 environmental flow river reaches and 73 wetlands (146 sites across Victoria). This represents an increase in the number of wetlands from 2014-15, largely reflecting an increased number of wetlands that received water in the Wimmera-Mallee wetlands system. While the number of river reaches remained the same as in 2014-15, the reaches receiving environmental water changed, with fewer reaches watered in western rivers, and an increase in the river reaches and wetlands watered in the Victorian Murray system.

Table 1.1 provides a comparison of some water planning and delivery indicators from 2011-12 to 2015-16. These indicators are not reported against set targets because they are dependent upon seasonal and operational conditions.

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Table 1.1 Comparison of 2015-16 watering performance with previous years

2011-12 ¹		2012-13		2013-14		2014-15		2016-16		
Priority watering actions										
Number of actions and as percentage of total number of actions identified										
Total no. of actions identified	109		122		222		243		258	
Total no. of actions required							232		226	
Actions fully achieved	68	62.4%	81	66%	91	41%	136	58.6% ² (56%) ³	136	60.2% ² (52.7%) ³
Actions partially achieved	31	28.4%	30	25%	90	41%	60	25.9% ² (25%) ³	35	15.5% ² (13.6%) ³
Actions not achieved	10	9.2%	11	9%	41	18%	36	15.5% ² (19%) ³	55	24.3% ² (33.7%) 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%
Not actively managed with environmental water ⁴	41	41%	37	33%	34	19%	61	31%	36	21%
Other indicators										
Total number of river reaches and wetlands	45		63		145		129		146	
Total number of seasonal watering statements	47		60		95		59		64	
Total number of watering authorisations	-		-		-		1		3	
Total number of seasonal watering plan variations	6		8		8		4		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. It was updated to reflect that some priority watering actions were not required, which is a change from reporting in previous years. The updated method uses the number of actions required (232 actions required in 2014-15) to calculate the percentage achievement, rather than the number of actions identified (243 actions in 2014-15).

³ These percentages have been included to allow comparison between reporting in previous years and reporting from 2014-15 and 2015-16. They reflect the percentage of actions fully, partially or not achieved, of the total number of actions identified 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 held from previous years.

Seasonal watering statements

For environmental watering during the 12 months to 30 June 2016, the VEWH Commission approved 64 seasonal watering statements authorising waterway managers to order water from the Water Holdings and three watering authorisations (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 2015-16. These variations are an important tool to ensure environmental water management remains adaptive to changing conditions. However, the VEWH aims to ensure that the seasonal watering plan is as enabling as possible from the outset (while still ensuring appropriate detail on the watering actions which are in scope for delivery). The VEWH will continue to strive to better scope and streamline its planning and decision making. Variations were made to the plan in the following areas:

- Yarra system: Seasonal watering plan amended to remove any potential for ambiguity related to the timing of watering the Yarra River (July 2015).
- Lower Murray wetlands (Lake Hawthorn): Seasonal watering plan amended to include the Lake Hawthorn wetland complex, which was identified as a priority watering site during the year (March 2016).
- Macalister system: Seasonal watering plan amended to include a winter fresh watering action in the Macalister River as a result of new information from the updated flow study (May 2016).

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 in 2015-16 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, use, trade, and carryover.

Changes to entitlements

At 30 June 2016, the VEWH Water Holdings comprised 22 entitlements and a number of water shares, totalling a long-term average of about 650,000 ML.

Amendments were made to one environmental entitlement held by VEWH in 2015-16, the *Blue Rock Environmental Entitlement 2013*. The amendment was required to increase the environment's proportional share of inflows, reflecting a decrease in the storage capacity of Blue Rock Reservoir (which was applied to all entitlements in the system).

The volume of the VEWH entitlements in the Murray and Goulburn systems increased slightly as a result of water savings achieved under the Goulburn-Murray Water Connections Project Stage 1. 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).

SECTION ONE

Water availability and use

The VEWH had access to a total of 1,103,766.2 ML of environmental water in 2015-16, including water carried over from 2014-15, from allocations to the VEWH in 2015-16, made available by the CEWH and the Living Murray program, donations from individuals and organisations, and water purchases.

In total, 689,532 ML of environmental water was delivered to sites across Victoria. This included 505,976 ML of water made available by the CEWH, 63,935 ML by the Living Murray program, and 141 ML by Melbourne Water.

Table 1.2 provides a comparison of net water availability and delivery across Victoria for 2011-12 to 2015-16.

Table 1.2 Water availability and delivery by region and for the state from 2011-12 to 2015-16

	2011-12	2012-13	2013-14	2014-15	2015-16
Total volume available (ML)					
Southern Victoria (Gippsland + Central)	75,651	85,050	111,257	108,951	88,263
Gippsland Region ¹	Not reported separately	Not reported separately	48,124	52,219	48,081
Central Region ¹			63,133	56,732	40,182
Western Region	69,211	82,296	60,401	45,347	16,373
Northern Region ²	575,854	597,789	933,883	840,247	999,130
Total State	720,716	765,135	1,105,541	994,545	1,103,766
Total volume delivered (ML)					
Southern Victoria (Gippsland ³ + Central)	33,008	41,060	49,130	62,974	40,922
Gippsland Region ^{1,3}	Not reported separately	Not reported separately	27,351	28,872	28,797
Central Region ¹			21,780	34,102	12,125
Western Region	18,345	50,277	30,004 ⁴	33,720 ⁴	8,112 ⁴
Northern Region ²	427,858	345,904	730,543 ⁵	549,073 ⁵	640,498
Total State⁶	479,212	437,242	809,678	645,767	689,532

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.

3. 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.

4. This volume does not include water delivered to three Wimmera-Mallee wetlands in Supply System 5 (Cokym 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.

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

6. Note that the region volumes do not add to the total State volume due to rounding.

Tables 1.3, 1.4, 1.5 and 1.6 provide a summary of the water availability and use under VEWH entitlements in 2015-16 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 2015-16, a total of 590,987 ML was recredited to the VEWH accounts for return flows delivered through upstream sites to the River Murray. This included:

- 289,262 ML from the Goulburn River
- 25,526 ML from the lower Broken Creek
- 12,589 ML from the Campaspe River
- 263,609 ML from the River Murray, Barmah Forest and Hattah Lakes.

Of this, 23,499 ML was reused at sites in Victoria, including Lake Wallawalla, Hattah Lakes, Gunbower Creek and Forest, while the remaining volume continued to flow down the River Murray to South Australia (see administrative transfers in trade section below).

Carryover into 2016-17

At the end of 2015-16, 414,234 ML of environmental water remained in the VEWH accounts. This represents 38 percent of the VEWH's net water availability last year.

Of the total water remaining in the VEWH's accounts, 2 ML of water allocation will be forfeited as current entitlement and allocation rules do not allow water to be carried over into the new season.

The remaining volume (414,232 ML) will be carried over and may be available for use in 2016-17, subject to carryover rules and conditions (for example, evaporation and potential loss to storage spills).

Water donations

About 28 ML of water was donated to the VEWH by a generous community member in the Mallee region in 2015-16, which contributed to wetland watering in that region.

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. These are the most common trades the VEWH undertakes. Administrative trade is vital for optimising environmental water use across Victorian systems for the VEWH and partner organisations. It provides opportunities to manage the VEWH portfolio throughout the season, and can assist in achieving the highest priority watering actions across multiple catchments.



SECTION ONE

Administrative transfers of VEWH allocation

Transfers of VEWH allocation of note included:

- Goulburn to Broken system – a net volume of 500 ML of VEWH Goulburn allocation was transferred to the Broken system to facilitate the delivery of priority watering actions for Moodie Swamp in the Broken system.
- Yarra to Thomson system – a net total of 1,970 ML of VEWH Yarra allocation was transferred in spring 2015 to facilitate the delivery of summer/autumn fresh in the Thomson system.
- VEWH carryover – a number of allocation trades were undertaken at the end of the year to make best use of carryover capacity and minimise risk of carryover spilling in 2016-17. For example, 3,000 ML was traded from the Goulburn system to the Campaspe system.

Administrative transfers with other environmental water holders

One of the VEWH's important roles is to coordinate with other Murray-Darling Basin environmental water holders (the CEWH, 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 CEWH and MDBA transfer the agreed amount of water to the VEWH. That water is held by the VEWH until used or transferred back.

Water transfers between environmental water holders occurs to:

- transfer water to the VEWH 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 2015-16, the following transfers with other water holders occurred:

- Commonwealth environmental water – a total of 503,062 ML of Commonwealth allocation was transferred into the VEWH's accounts for use in northern Victorian systems. This water was used to achieve priority watering actions in the River Murray, Goulburn, Campaspe, Loddon and Broken systems, and Lower Murray wetlands, Hattah Lakes, Lindsay Island and Gunbower Creek. Following the completion of environmental watering, 5,524 ML of unused Commonwealth environmental water was returned to the CEWH.
- Living Murray environmental water – a net total of 22,361 ML of Living Murray allocation was transferred to accounts held by the VEWH to contribute to the achievement of priority watering actions at Living Murray 'icon sites', including the Barmah Forest and Gunbower Forest. In addition, 20,990 ML of Living Murray allocation was transferred to the South Australian Murray system from accounts held by the VEWH to meet priority watering actions in the Lower Lakes, Coorong and Murray Mouth.
- Delivery of return flows to South Australia – a total of 567,488 ML of return flows were recredited from VEWH 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, 521,912 ML was Commonwealth environmental water, 30,412 ML Living Murray water and 15,164 ML VEWH water.

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 then set aside for the environment in the Snowy system. Trade is the mechanism used to account for this substitution.

In 2015-16, the VEWH traded the following volumes from each system to the Snowy inter-valley transfer account:

- Murray system – 42,686 ML
- Goulburn system – 32,787 ML
- Loddon system – 334 ML

The volumes were equivalent to allocations made to the VEWH from 1 July 2014 to 31 January 2015 (high-reliability allocations in the Murray, Goulburn and Loddon systems, totalling 75,807 ML).

Commercial allocation trade

In the central region, Melbourne Water and the VEWH jointly funded the purchase of 302 ML of licence allocation to allow environmental watering in the Maribyrnong system in 2015-16. DELWP also traded a portion of unallocated water share in Lake Merrimu to VEWH for use in the Werribee system. This was carried over to meet priority water actions in 2016-17.

In the northern region in 2014-15, the VEWH sold 12,975 ML of water allocation in the Murray and Goulburn systems. Of this, 500 ML was sold on the forward allocation market, meaning that the water was transferred to the buyer at an agreed time in 2015-16.

No purchase or sale of allocation occurred in the Western or Gippsland Regions in 2015-16.

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Table 1.3 VEWH water account summary in the Gippsland Region in 2015-16

VEWH Water Holdings 2015-16 – Gippsland Region												
River system	Entitlement	Reliability	Entitlement volume (ML) at 1 July 2015	Carryover from 2014-15 (ML)	Carryover lost to spill (ML)	Allocation (ML)	Net Share of inflows (ML)	Net transfer (ML)	Adjustments (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	18,730.5	0.0		1,207.4			19,530.2	-3,750.2	15,780.0
		High	10,000.0	394.0	0.0	10,000.0		1,970.0	-407.7	12,364.0	-12,251.0	113.0
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	2,969.9	-490.0	12,460.9				14,940.8	-12,796.0	2,144.8
		Low	6,229.5	1,245.9	-1,245.9	1,245.9				1,245.9	0.0	1,245.9
Gippsland Region total				23,340.3	-1,735.9	23,706.8	1,207.4	1,970.0	-407.7	48,080.9	-28,797.2	19,283.7

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 1.4 VEWH water account summary in the Central Region systems in 2015-16

VEWH Water Holdings 2015-16 – Central Region													
River system	Entitlement	Reliability	Entitlement volume (ML) or percentage of inflows at 1 July 2015	Carryover from 2014-15 (ML)	Net spills (ML)	Allocation (ML)	Net share of inflows (ML)	Net trade (ML)	Adjustments (ML) ¹	Return flows (ML)	Total water available (ML)	Use (ML)	Closing balance (ML)
Tarago	Tarago and Bunyip Rivers Environmental Entitlement	Share of inflows	10.3% inflows	3,000.0	-1,084.0		1,849.0				3,765.0	-2,117.0	1,648.0
		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	18,065.0		17,000		-1,970.0			33,095.0	-8,817.0	24,278.0
		Passing flows	N/A	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	714.0			25.0	1,093.0	-135.5	212.0	1,908.5	-509.2	1,399.3
		Water use registration	N/A					141.3			141.3	-141.3	0.0
Maribyrnong	N/A	N/A	N/A					302.0			302.0	-300.0	2.0
Moorabool	Moorabool River Environmental Entitlement	Share of inflows	11.9% inflows	980.4					-10.0		970.4	-240.0	730.4
		Passing flows	N/A	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	N/A
Central Region total				22,759.4	-1,084.0	17,000.0	1,874.0	-433.7	-145.5	212.0	40,182.2	-12,124.5	28,057.7

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.

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Table 1.5 VEWH water account summary in the Western Region in 2015-16

VEWH Water Holdings 2015–16 – Western Region									
System	Entitlement	Reliability	Entitlement at 30 June 2013	Carry over from 2014-15 (ML)	Allocation (ML)	Net spills (ML)	Total water available (ML)	Water Use (ML)	Closing balance (ML) ¹
				A	B	C	D = A + B + C	E	F = D + E
Wimmera and Glenelg	Wimmera Glenelg Rivers Environmental Entitlement 2010	Wimmera-Mallee pipeline product High-reliability	40,560.0	8,962.1	6,489.6		15,451.7	-7,969.9	7,481.8
		Wimmera-Mallee wetlands High-reliability ²	1,000.0	920.9	0.0		920.9	-142.1 ³	778.8
		Passing flows							
Western Region total				9,883.1	6,489.6	0.0	16,372.7	-8,112.0	8,260.6

¹ The water detailed in the closing balance column is available to carry over, subject to the carryover rules of the relevant entitlements.

² 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.

³ This does not include the use of 162 ML of water at three Wimmera-Mallee Supply System 5 wetlands (Cokum Bushland Reserve, Consindines and Poyner) as this water was not accounted for under the environmental entitlement. The water was delivered under a provisional water allowance held by the VEWH and supplied from GWMWater's Murray River Bulk Entitlement.

Table 1.6 VEWH water account summary in the Northern Region in 2015-16

VEWH Water Holdings 2015-16 – Northern Region														
Entitlement	Reliability	Entitlement at 1 July 2014	Carryover from 2014-15 (ML)	Carryover lost to spill (ML) ¹	Allocation (ML)	Return flow recredit (ML) ²	Net transfer CEW (ML)	Net transfer TLM (ML)	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 = A - B + C + D + E + F + G + H + I	K	L = J + K
Murray system														
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999	High	29,782.3	23,682.9	0.0	29,782.3	554,004.3	14,126.1	-20,704.9	-526,816.5	28.0	0.0	74,102.2	-60,806.7	13,295.5
	Low	3,893.6	3,698.9	0.0	0.0	N/A	276,936.4	0.0	118.4	0.0	0.0	280,753.7	-276,936.4	3,817.3
	Unreg	40,000.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Environmental Entitlement (River Murray - NVIRP Stage 1) 2012 ⁵	N/A	22,376.4	19,089.0	0.0	16,023.7	N/A	0.0	0.0	-21,575.1	0.0	0.0	13,537.6	-1,546.0	11,991.6
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999 - Barmah-Millewa Environmental Water Allocation	High	50,000.0			50,000.0									
	Low	25,000.0	187,000	-700.0 ⁶	0.0	N/A	N/A	N/A	N/A	N/A	N/A	236,300.0	0.0	236,300.0
	High	9,589.0	9,341.6	0.0	9,589.0	N/A	0.0	20,222.6	0.0	0.0	0.0	39,153.2	-29,621.5	9,531.7
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999 - Living Murray	Low	101,849.9	53.3	0.0	0.0	36,982.8	0.0	-30,412.1	0.0	0.0	0.0	6,624.0	-6,570.7	53.3
	Unreg	34,300.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bulk Entitlement (River Murray - Snowy Environmental Reserve) Conversion Order 2004 ⁷	High	29,794.0	0.0	0.0	29,794.0	0.0	0.0	0.0	-28,602.2	0.0	0.0	1,191.8	0.0	1,191.8
	High	14,670.9	0.0	0.0	14,670.9	0.0	0.0	0.0	-14,084.2	0.0	0.0	586.7	0.0	586.7
	Low	6,423.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Broken System														
Broken system water use registration	N/A	N/A	N/A	N/A	N/A	N/A	0.0	0.0	500.0	0.0	0.0	500.0	-500.0	0.0

SECTION ONE

VEWH Water Holdings 2015-16 – Northern Region

Entitlement	Reliability	Entitlement at 1 July 2014	Carryover from 2014-15 (ML)	Carryover lost to spill (ML) ¹	Allocation (ML)	Return flow recredit (ML) ²	Net transfer CEW (ML)	Net transfer TLM (ML)	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 = A - B + C + D + E + F + G + H + I	K	L = J + K
Goulburn System														
Environmental Entitlement (Goulburn System - NVIRP Stage 1) 2012 ⁵	N/A	32,805.0	17,767.2	0.0	25,220.0	0.0	0.0	0.0	2,021.5	0.0	-500.0	44,508.7	-12,140.4	32,368.3
Goulburn River Environmental Entitlement 2010	High	8,851.0	0.0	0.0	7,965.9	0.0	0.0	0.0	1,772.1	0.0	0.0	9,738.0	-1,030.4	8,707.6
	Low	3,140.0	2,983.0	0.0	0.0	0.0	201,740.1	0.0	157.4	0.0	0.0	204,880.5	-201,740.2	3,140.3
Environmental Entitlement (Goulburn System - Living Murray) 2007	High	39,625.0	0.0	0.0	35,662.5	0.0	0.0	-3,372.7	0.0	0.0	0.0	32,289.8	-20,042.2	12,247.6
	Low	156,980.0	13,506.9	0.0	0.0	0.0	0.0	-2,088.6	0.0	0.0	0.0	11,418.3	-7,637.8	3,780.5
Bulk Entitlement (Snowy - Environment) Order 2005 ⁷	High	30,252.0	0.0	0.0	27,226.8	0.0	0.0	0.0	-25,714.2	0.0	0.0	1,512.6	0.0	1,512.6
	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
Water shares - Snowy River Environmental Reserve ⁷	High	8,320.9	0.0	0.0	7,488.8	0.0	0.0	0.0	-7,072.8	0.0	0.0	416.0	0.0	416.0
	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
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
Campaspe System														
Campaspe River Environmental Entitlement 2013	High	20,652.0	0.0	0.0	14,193.4	0.0	3,258.7	0.0	8,000.0	0.0	0.0	25,452.1	-13,595.1	11,857.0
	Low	2,966.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Campaspe River withheld passing flow account ⁸	Passing flows	N/A	2,125.0	0.0	-11.0	0.0	0.0	0.0	0.0	0.0	0.0	2,114.0	0.0	2,114.0
Environmental Entitlement (Campaspe River - Living Murray Initiative) 2005	High	126.0	0.0	0.0	83.2	0.0	0.0	0.0	0.0	0.0	0.0	83.2	-63.0	20.2
	Low	5,048.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Coliban River withheld passing flow account ⁸	Passing flows	N/A	473.0	0.0	665.0	0.0	0.0	0.0	0.0	0.0	0.0	1,138.0	-826.0	312.0

VEWH Water Holdings 2014-15 – Northern Region

Entitlement	Reliability	Entitlement at 1 July 2014	Carryover from 2014-15 (ML)	Carryover lost to spill (ML) ¹	Allocation (ML)	Return flow recredit (ML) ²	Net transfer CEW (ML)	Net transfer TLM (ML)	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 = A - B + C + D + E + F + G + H + I	K	L = J + K
Loddon System														
Bulk Entitlement (Loddon River – Environmental Reserve) Order 2005	High	2,000.0	2,000.0	0.0	1,680.0	0.0	0.0	0.0	-1,020.4	0.0	0.0	2,659.6	-659.6	2,000.0
	High	1,480.0	0.0	0.0	1,243.2	0.0	0.0	0.0	-233.5	0.0	0.0	1,009.7	-269.7	740.0
	Trigger based	7,490.0	0.0	0.0	7,490.0	0.0	0.0	0.0	0.0	0.0	0.0	7,490.0	-4,965.7	2,524.3
Loddon River withheld passing flow account ⁸	Low	2,024.0	0.0	0.0	0.0	0.0	1,476.6	0.0	0.0	0.0	0.0	1,476.6	-1,476.7	-0.1
	Passing flows	N/A	0.0	0.0	133.1	0.0	0.0	0.0	0.0	0.0	0.0	133.1	0.0	133.1
Water shares – Snowy River Environmental Reserve ⁷	High	470.0	0.0	0.0	394.8	0.0	0.0	0.0	-333.7	0.0	0.0	61.1	0.0	61.1
Environmental Entitlement (Birch Creek – Bullarook System) 2009	Trigger based	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Northern Region Total		716,017.4	281,720.8	-700.0	279,295.5	590,987.1	497,537.9	-36,355.7	-612,883.2	28.0	-500.0	999,130.4	-640,428.1	358,702.3

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. 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.

6. This is due to evaporation losses during the year (in accordance with Barmah-Millewa Environmental Water Allocation accounting rules).

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.

SECTION ONE

Performance against indicators

Four strategic performance indicators were included as part of the VEWH *Corporate Plan 2015-16 to 2018-19*. Table 1.7 outlines the VEWH's performance against these indicators in 2015-16. There were no major changes or factors affecting the performance of the VEWH during 2015-16.

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%	90%
Priority outputs delivered within committed timeframes	100%	90%
Planned outputs effectively delivered within committed timeframes	85%	92%
Programs evaluated for effectiveness in achieving goals and opportunities for improvement identified and previously identified opportunities for improvement acted on	100%	100%

For 2015-16, the VEWH achieved 90 percent for the performance indicator '*Water Act 1989*, other legislative, Ministerial rules and Water Holdings obligations' 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 and metering programs have not yet been finalised. Progress in 2015-16 included a further four operating arrangements finalised in the Moorabool, Wimmera-Glenelg, lower Latrobe and upper Latrobe systems. Meanwhile, metering programs for the lower Barwon, Macalister, Latrobe, Werribee and Wimmera-Glenelg were submitted to the Minister for approval. Extensive collaboration with environmental watering program partners continues to develop the remaining documents. This is a significant undertaking due to the number and nature of entitlements held by the VEWH across the state.

In 2015-16, the Corporate Plan identified a total of 49 outputs, 10 of which were considered priority outputs.

Priority outputs have been assessed as 90 percent achieved. The priority output that was not fully completed in 2015-16 was in relation to the review of reporting arrangements with waterway managers and the development of an online information management system. This output was not progressed fully in 2015-16 due to redirection of resources to complete other priorities, including input to the Victorian Government's *Water for Victoria Discussion Paper*.

The achievement for planned outputs for 2016-17 is 92 percent, which exceeds the target of 85 percent and is a significant improvement on 2014-15, where 80 percent was achieved.

All strategic programs were evaluated for effectiveness for the 2015-16 year, with opportunities for improvement captured. Key improvements have been captured as priority outputs in the *Corporate Plan 2016-17 to 2019-20*.

Four key financial performance indicators and associated targets were included in the *Corporate Plan 2015-16 to 2018-19*. Table 1.8 outlines the performance against these indicators and shows that in 2015-16 all targets were met or exceeded.

Table 1.8 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%	9%
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%	19%

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

In 2015-16, the VEWH will continue working towards achieving the best practicable outcomes for Victoria's rivers, wetlands and floodplains.

1.4 Key initiatives and projects

In addition to the VEWH's core business of coordinating the delivery of 689,532 ML of environmental water to 146 sites across Victoria, a number of key tasks which contribute to achievement of the VEWH's vision and continuous improvement were captured as priority outputs in the *Corporate Plan 2015-16 to 2018-19*.

The VEWH invested considerable effort in 2015-16 in improving public reporting of its activities and water management decisions. This included a quarterly update with seasonal outlooks and water delivery figures, communicated through its website and other communication channels. Efforts to improve transparency of the VEWH's decision-making will be consolidated with a new map-based website, developed in 2015-16. The website uses graphics, video and plain English text to outline where environmental water is being delivered, when and why.

The VEWH also conducted a review of community and stakeholder engagement within Victoria's environmental watering program, to better understand how it can support its program partners with their engagement activities. The review report has helped shape the VEWH's future communication and engagement activities, now captured in its four-year *Communication and Engagement Strategy 2016-17 to 2019-20*.

Building on this, two successful stakeholder forums were held in 2015-16 – the Victorian Environmental Water Forum for scientists and managers and the Environmental Water Matters Forum (see page 11 for further details).

Significant improvements were made in the *Seasonal Watering Plan 2016-17*, which was made public before the end of the previous financial year. The plan now includes greater specification of system-scale priorities and multi-year considerations.

Investment continued into a program of targeted investigations into environmental water knowledge gaps and monitoring to demonstrate outcomes. Commitment to 15 new projects was made in 2015-16. These range from localised surveys of fish, vegetation or turtles to investigations that improved our understanding of river habitat available under different flows and helped us to minimise risks to the fish and animals that use the river. This investment is also critical in supporting adaptive management of environmental water delivery. In addition, about \$1.3 million was committed to improve metering of environmental water in the western region, assisting management decisions by provision of information in real time and meeting compliance with the environmental entitlements.

SECTION ONE

The Victorian environmental watering program risk management framework was also completed, clarifying and strengthening the risk management roles of partners. The revised and streamlined framework focuses on the management of risks that are at the interface between the different partners and undertaking a collective risk assessment. Roles and responsibilities will be progressively refined and documented in the operating arrangements for the management of the environmental Water Holdings as they are finalised or reviewed.

Finally, the VEWH also provided significant input to DELWP to promote policy improvements for consideration in the development of the Water for Victoria Discussion Paper. Stakeholder and community feedback to the paper will shape the State's future water plan.

1.5 Five year financial summary

Table 1.9 below provides a financial summary for VEWH operation in 2015-16.

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

Table 1.9 Financial summary

	2015-16	2014-15	2013-14	2012-13	2011-12
<i>Revenues</i>					
Government contributions / grants	11,032,066	11,603,223	6,735,668	3,814,190	3,630,841
Other income	59,010	42,150	30,565	23,695	20,489
Sale of water allocation	74,831	1,635,607	0	552,605	92,066
Interest	193,972	182,489	119,864	49,668	18,176
Total revenue	11,359,879	13,463,469	6,886,097	4,440,158	3,761,572
<i>Expenditures</i>					
Employee benefits	(1,554,971)	(1,176,834)	(803,516)	(653,733)	(597,759)
Grants (water delivery and management)	(3,293,025)	(2,320,867)	(1,205,865)	(382,855)	(941,233)
Environmental water holdings and transaction expenses	(5,403,501)	(4,995,326)	(2,210,926)	(1,471,600)	(1,172,647)
Other operating expenses	(947,599)	(958,920)	(723,980)	(322,751)	(306,765)
Total expenditure	(11,199,096)	(9,451,947)	(4,944,287)	(2,830,939)	(3,018,404)
<i>Assets¹</i>					
Total assets	8,911,507	9,856,729	4,829,609	2,508,345	961,863
<i>Liabilities</i>					
Total liabilities	457,832	1,561,005	541,141	157,882	218,695

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 VEWH's expenditure from 2014-15 onwards, and a corresponding increase in funding received from the Environmental Contribution.

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 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 109 Intangible Assets. Separately acquired water entitlements do meet the recognition criteria of AASB 138 and FRD 109 and would be recognised as an intangible asset. There were no separately acquired water entitlements in 2015-16.

1.6 Current year financial review

In 2015-16, the VEWH has achieved a surplus result of \$157,953. A number of factors have contributed to this result including interest earnings that were \$33,972 higher than budgeted and net revenue of \$64,661 received from water sales undertaken in late 2014-15. The remaining surplus is due to funds received from DELWP for the construction or upgrade of infrastructure to address key metering gaps. The commencement of this project has been delayed, thus some of these funds have been retained for expenditure in 2016-17.

There has been a slight increase in staff costs from the previous year, as additional resources have been required to manage the increasing water management, governance and engagement requirements of the VEWH.

Grants expenditure is higher than last year as the VEWH committed revenue retained from previous years to CMAs for a range of monitoring and technical projects.

The decrease in liabilities is due to lower accrued grant payments for water delivery and other projects.

1.7 Significant changes in financial position

In 2015-16, there were no significant changes in financial position.

1.8 Significant changes or factors affecting performance

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

1.9 Capital Projects

The VEWH does not manage any capital projects.

1.10 Subsequent events

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

Governance and organisational structure

2.1 Organisational structure and corporate governance arrangements

Commissioners and office

The VEWH is comprised of three part-time Commissioners. The Commissioners in 2015-16 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 Goulburn-Murray Water and a Victorian Commissioner on the former Murray-Darling Basin Commission. Denis has significant knowledge of Victorian river systems, particularly in northern Victoria.
- **Geoff 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 Catchment Management Authority, 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.
- **Chris 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.



L-R: Denis Flett, Geoff Hocking and Chris Chesterfield

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.

The Commissioners are supported by a small number of office staff comprised of:

- one Executive Officer
- supporting officers including technical, communications, engagement and administrative support roles.

Governance arrangements

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. Each Commissioner exceeded the minimum attendance requirements for Commission meetings in 2015-16.

The Chairperson also 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.

The VEWH reports directly to the Minister. 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 2015-16.

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.

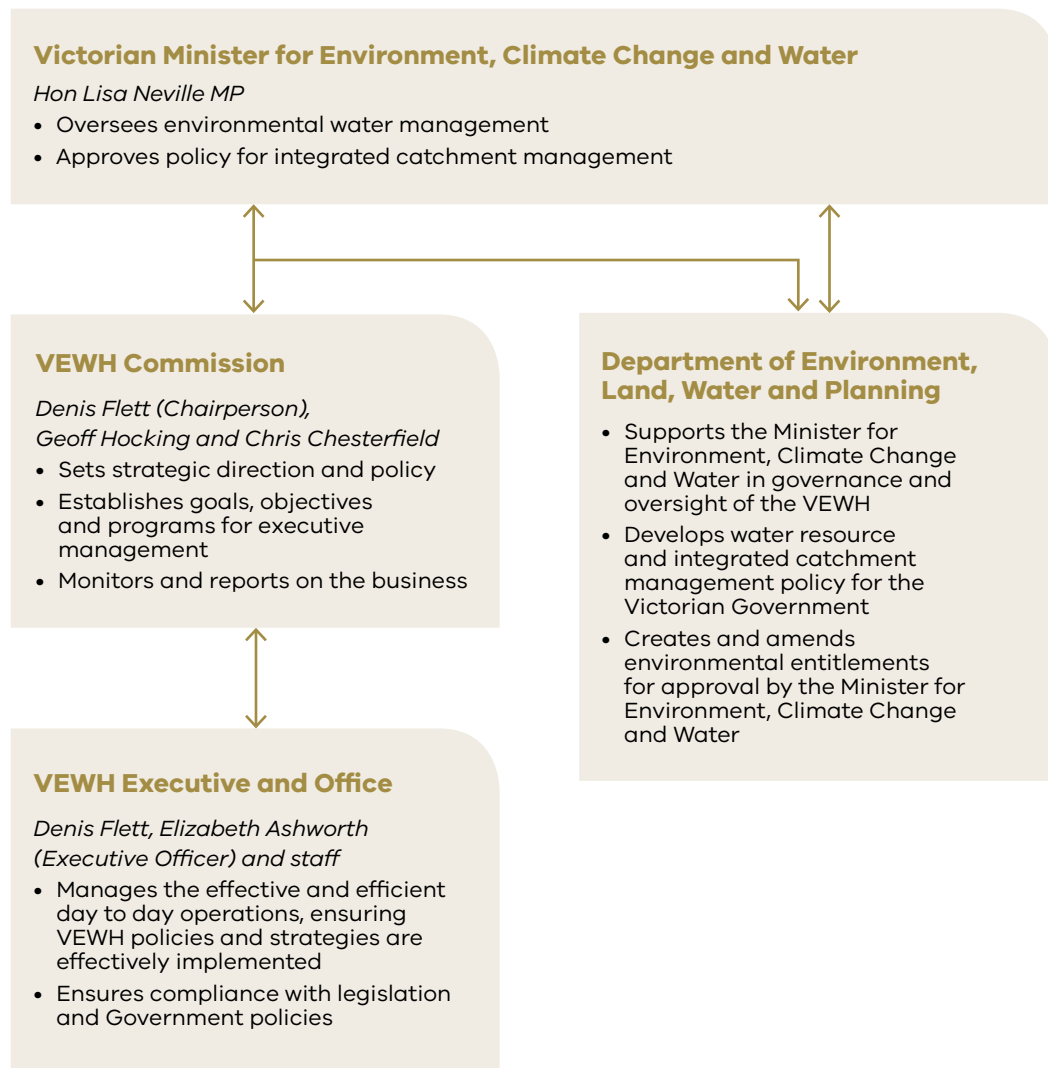
2.2 Risk and Audit Committee membership and roles

The Risk and Audit Committee 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. The committee meets quarterly. In 2015-16, Risk and Audit Committee members were:

- Geoff Hocking, Chairperson (independent)
- John Howson (independent)
- Chris Chesterfield.

SECTION TWO

Figure 2.1 Governance structure , 2015-2016



2.3 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.

For administrative efficiency, VEWH staff are employed by DELWP, and in doing so, the VEWH agrees to abide by the Department's relevant regulations and policies. VEWH staff have access to a range of programs provided by the Department. These services include training and development programs, occupational health and safety courses, 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.

Workforce data

3.1 Public administration values and employment principles

Human resources are secured to ensure that statutory functions can be effectively undertaken, and appropriate human resource practices are implemented and maintained to ensure fair and reasonable employment processes and treatment of staff.

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

- workforce planning
- recruitment
- remuneration
- termination
- occupational health and safety.

As mentioned previously, the VEWH's staff are employed by DELWP. In employing these staff, the VEWH agrees to abide by the Department's relevant regulations and policies. This arrangement is formalised through a service level agreement, which will be updated as required.

The VEWH complies with the *Code of Conduct for Victorian Public Service*, departmental policies and procedures as well as providing a range of services to support staff and to maintain the office so it is a fair and safe place to work. Policies and practices include those detailed below.

Human rights

The *Victorian Charter of Human Rights and Responsibilities* is a law under the *Public Administration Act 2004*, protecting the human rights of all people in Victoria. The Charter contains 20 rights that reflect four basic principles – freedom, respect, equality and dignity. The VEWH Office acts compatibly with the Charter and gives proper consideration to human rights when making decisions.

Equal opportunity

The VEWH is committed to the principles of merit and equity in human resource management. All appointments during the reporting period were based on competitive selection processes. The VEWH's staff are employed under the *Public Administration Act 2004*. This Act specifies a number of employment and conduct principles that must be observed by public sector organisations and their employees.

The VEWH is committed to:

- implementing relevant Department policies to prohibit workplace discrimination and harassment
- ensuring that all staff are properly trained about workplace discrimination and harassment
- establishing effective complaint procedures
- treating all complaints seriously and investigating them promptly



SECTION THREE

- ensuring that appropriate action is taken to address and resolve complaints
- monitoring the workplace environment and culture
- ensuring any complaint is managed within the Equal Opportunity Commission and Department guidelines.

Diversity

The VEWH recognises the Department'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.

Performance management

Office staff participated in the Department'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 2016, there were 13 staff (12.2 full time equivalent) compared to 10 staff (9.8 full time equivalent) on 30 June 2015. The increase in staff was due to the filling of vacant positions and a new position added to manage the increasing communication and engagement obligations of the VEWH.

Table 3.1 Workforce data

	2015-16	2014-15
Executive Officer	1	1
Project Officers	12	9
Total	13	10
Male	2	2
Female	11	8
Total	13	10

Employees have been correctly classified in workforce data collections

Disclosures and compliance

4.1 Victorian Industry Participation Policy (VIPP)

The Victorian Industry Participation Policy (VIPP) 2003 requires public bodies and departments to report on the implementation of the VIPP. This applies to tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria.

The VEWH did not enter into any contracts to which VIPP applies.

4.2 Consultancies

The VEWH maintains a register of contracts, including consultancies.

Consultancies over \$10,000

In 2015-16, there were five consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2015-16 in relation to these consultancies was \$189,207 (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 2015/16 (Excl GST)	Future Expenditure (Excl GST)
Shinewing	Internal audits to July 2015	11/11/2014	15/07/2015	\$40,745	\$12,223	Nil
Shinewing	Internal audits 2015-2016	18/01/2016	30/06/2016	\$20,509	\$20,509	Nil
Jo Leonard and Associates Pty Ltd	VEWH Commission Performance review 2014-15	15/08/2015	20/12/2015	\$20,400	\$20,400	Nil
Alluvium Consulting Australia Pty Ltd	Mapping engagement on environmental watering across Victoria	20/05/2015	11/12/2015	\$63,530	\$63,530	Nil
Woodwater	Strategic review of the VEWH operations	31/07/2015	20/12/2015	\$72,545	\$72,545	Nil

Consultancies under \$10,000

In 2015-16, 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 2015-16 in relation to these consultancies was \$9,235 (excl. GST).

4.3 Major contracts

The VEWH did not enter into any contracts greater than \$10 million in value during 2015-16.

SECTION FOUR

4.4 Government advertising and expenditure

In 2015-16 the VEWH had no government campaign expenditure.

4.5 ICT expenditure

For the 2015-16 reporting period, the VEWH had a total ICT expenditure of \$84,748, with the details shown below.

Business as usual (BAU) expenditure	Non-business as usual (non – BAU) expenditure (Total operational and capital expenditure)	Operational expenditure	Capital expenditure
\$44,356	\$40,392	\$40,392	Nil

'ICT expenditure' refers to the VEWH's costs in providing business-enabling ICT services. 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.

The VEWH also receives ICT support via DELWP at no cost. This is recognised as 'services received free of charge' in the financial statements.

4.6 Freedom of information

The Freedom of Information Act 1982 (FOI) allows public access to documents held by government entities. The VEWH is considered to be a 'Government Agency' under the *Freedom of Information Act 1982* and is required to comply with the procedures that have been prescribed under which members of the public may gain access to documents held by agencies. A decision to release documents is made by an Authorised Officer. The VEWH has determined that its Authorised Officer is the Department's Freedom of Information Manager, who can be contacted on the 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 \$27.90 applies.

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**.

4.8 National Competition Policy

Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience simply as a result of government ownership should be neutralised. The VEWH implements and applies this principle in its business undertakings.

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. VEWH is a 'public body' for the purposes of the 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 officers or employees by contacting DELWP or the Independent Broad-Based Anti-Corruption Commission on the contact details provided below. 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 the Department's procedures on its website at:

<http://www.delwp.vic.gov.au/about-us/protected-disclosures>

Contacts

Jennifer Berensen (primary contact)

Protected Disclosure Co-ordinator
Department of Environment, Land, Water and Planning
PO Box 500
East Melbourne 8002
Telephone: (03) 9637 8697
email: protected.disclosures@delwp.vic.gov.au

or

Stuart Atkins (secondary contact)

Manager, FOI & Privacy – Protected Disclosure Officer
PO Box 500
East Melbourne 8002
Telephone (03) 9637 8331
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.



SECTION FOUR

4.10 Establishing/enabling legislation

Water Act

The VEWH's compliance against the Water Act is summarised in section 1.3 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 the Department's environmental management systems. These systems manage office-based activities related to water, energy and paper consumption, waste production, transport and purchasing. Staff also participate in the Eco-office forums.

As the office is co-located within the Department 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 the Department's *Annual Report 2015-16*.

4.12 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 to the relevant Ministers, Members of Parliament and the public on request (subject to freedom of information requirements, if applicable). The following information is available upon request:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the VEWH
- details of shares held by senior officers as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the VEWH about the activities of the VEWH and where they 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.

The information is available on request from:
Executive Officer, Victorian Environmental Water Holder

Telephone: (03) 9637 8951
Email: general.inquiries@vewh.vic.gov.au

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 VEWH Commission regularly. Operational risks have been identified in planning and delivery of environmental water and are captured in the seasonal watering proposals developed by program partners for the Seasonal Watering Plan 2016-17. Operational risks associated with implementing the Seasonal Watering Plan 2015-16 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 4.5.5 – Risk Management Framework and Processes. The VEWH's Risk and Audit Committee has verified this assurance.

Denis Flett



Chairperson
Victorian Environmental Water Holder

21 September 2016

Financial statements

– 30 June 2016

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This financial report covers the Victorian Environmental Water Holder as an individual entity and is presented in the Australian currency.

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

Victorian Environmental Water Holder
8 Nicholson Street
East Melbourne VIC 3002

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

The financial report was authorised for issue by the Chairperson – Denis Flett and Business Manager – Linda Bullen on 21 September 2016

For queries in relation to our financial reporting please call 9637 8951, or visit our website www.vewh.vic.gov.au.

SECTION FIVE

Victorian Environmental Water Holder Financial Statements

Comprehensive operating statement for the financial year ended 30 June 2016

	Notes	2016 \$	2015 \$
Income from transactions			
Grants	1(e), 2(a)	11,032,066	11,603,223
Fair value of services received free of charge or for nominal consideration	1(e), 2(b)	59,010	42,150
Sale of water allocation	1(e), 2(c)	74,831	1,635,607
Interest	1(e), 2(d)	193,972	182,489
Total income from transactions		11,359,879	13,463,469
Expenses from transactions			
Employee expenses	1(f), 3(a)	(1,554,971)	(1,176,834)
Grants (water delivery and management)	1(f), 3(b)	(3,293,025)	(2,320,867)
Environmental water holdings and transaction expenses	1(f), 3(c)	(5,403,501)	(4,995,326)
Supplies and services	1(f), 3(d)	(947,599)	(958,920)
Total expenses from transactions		(11,199,096)	(9,451,947)
Net result from transactions		160,783	4,011,522
Other economic flows included in net result			
Other gains /(losses) from other economic flows	1(g), 4	(2,830)	(4,268)
Comprehensive result		157,953	4,007,254

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

Balance sheet as at 30 June 2016

	Notes	2016 \$	2015 \$
Assets			
Financial assets			
Cash and deposits	1(i), 11, 12(a)	5,822,999	7,124,875
Receivables	1(i), 5, 11	740,585	431,854
Investments	1(i), 11	2,300,000	2,300,000
Total financial assets		8,863,584	9,856,729
Non-financial assets			
Prepayments	1(j)	47,923	0
Total non-financial assets		47,923	0
Total assets		8,911,507	9,856,729
Liabilities			
Payables	1(k), 6, 11	93,843	1,284,195
Provisions	1(k), 7	363,989	276,810
Total liabilities		457,832	1,561,005
Net assets		8,453,675	8,295,722
Equity			
Accumulated surplus/(deficit)		8,453,675	8,295,722
Net worth		8,453,675	8,295,722
Commitments for expenditure	1(l), 9		
Contingent assets and contingent liabilities	1(m), 10		

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 2016

	Accumulated surplus \$	Total \$
Balance as at 30 June 2014	4,288,468	4,288,468
Comprehensive result	4,007,254	4,007,254
Balance as at 30 June 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

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

SECTION FIVE

Cash flow statement for the financial year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts			
Receipts from government		10,717,220	11,465,926
Receipts from other entities		74,831	1,562,994
Interest received		177,365	182,489
GST received from ATO		45,358	0
Total receipts		11,014,774	13,211,409
Payments			
Payments of grants and other transfers		(3,761,146)	(2,107,514)
Payments to suppliers and employees		(8,555,504)	(6,286,774)
GST paid to ATO		(0)	(15,108)
Total payments		(12,316,650)	(8,409,396)
Net cash flows from operating activities	12(b)	(1,301,876)	4,802,013
Cash flows used in investing activities			
Payments for investments		0	(2,300,000)
Net cash flows used in investing activities		0	(2,300,000)
Net increase/(decrease) in cash and cash equivalents		(1,301,876)	2,502,013
Cash and cash equivalents at the beginning of the financial year		7,124,875	4,622,862
Cash and cash equivalents at the end of the financial year	12(a)	5,822,999	7,124,875

Cash movements disclosed in the above cash flow statement are those cash transactions completed by the Department of Environment, Land, Water and Planning on behalf of the Victorian Environmental Water Holder.

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

Notes to the financial statements

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Note 1. Summary of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for the Victorian Environmental Water Holder (the Water Holder) for the year ending 30 June 2016. The purpose of the report is to provide users with information about the entity's stewardship of resources entrusted to it.

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB).

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

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

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 17.

These annual financial statements were authorised for issue by the Victorian Environmental Water Holder on 21 September 2016.



SECTION FIVE

Note 1. Summary of significant accounting policies (continued)

(b) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about carrying values of assets and liabilities that are not readily apparent from other sources. The 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. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- superannuation expense (refer Note 1(f)); and
- future salary movements and future discount rates (refer to Note 1(k)).

Consistent with AASB 13 *Fair Value Measurement*, the Water Holder determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment and financial instruments and for non-recurring fair value measurements such as non-financial physical assets classified as held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

Generally, all assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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.

For the purpose of fair value disclosures, the Water Holder has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention.

(c) Reporting entity

The financial statements cover the Victorian Environmental Water Holder as an individual reporting entity.

The entity was established on 1 July 2011 via the *Water Act 1989*.

Its principal address is:

Victorian Environmental Water Holder
8 Nicholson Street
East Melbourne, Victoria 3002

Note 1. Summary of significant accounting policies (continued)

Objectives of Victorian Environmental Water Holder

The objectives of the Water Holder as outlined in the Water Act (1989) are to manage the Water Holdings for the process of:

- Maintaining the environmental water reserve in accordance with the environmental water reserve objective; and
- Improve the environmental values and health of water ecosystems, including their biodiversity, ecological functioning and water quality and other uses that depend on environmental condition.

The Water Holder is predominantly funded through the Environmental Contribution Levy.

(d) Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions (or termed as 'net operating balance'), 'other economic flows included in net result' and 'other comprehensive income'. The sum of the former two, together with the net result from discontinued operations, represents the net result.

The net result is equivalent to profit or loss derived in accordance with AASs.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

Refer to Note 17 for the definition of 'transactions included in net result', 'other economic flows included in net result' and 'other economic flows other comprehensive income'.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities are disclosed in the notes, where relevant. In general, non-current assets or liabilities are expected to be recovered or settled more than 12 months after the reporting period, except for the provisions of employee benefits, which are classified as current liabilities if the Department does not have the unconditional right to defer the settlement of the liabilities within 12 months after the end of the reporting period.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts related to 'Transactions with owner in its capacity as owner'.

(e) Income from transactions

Grants

Grants from third parties (other than contribution by owners) are recognised as income in the reporting period in which the Victorian Environmental Water Holder gains control over the assets.

Fair value of services received free of charge or for nominal consideration

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. Contributions in the form of services are only recognised when a fair value can be reliably determined.

Note 1. Summary of significant accounting policies (continued)***Sale of water allocation***

Income from the sale of water allocations is recognised as income when the Victorian Environmental Water Holder no longer has ownership nor control of the water allocations.

Interest

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.

(f) Expenses from transactions

Expenses from transactions are recognised as they are incurred, and reported in the financial year in which they relate.

Employee expenses

Refer to the section in Note 1(j) regarding employee benefits.

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and Workcover premiums.

Superannuation

The amount recognised in the comprehensive operating statement is the employer contributions for members of defined contribution superannuation plans that are paid or payable during the reporting period.

Grants (water delivery and management)

Grants to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as grants paid for the management and delivery of environmental water, subsidies and other transfer payments to non-government entities. Refer to Note 17 for an explanation of grants and other transfers.

Environmental water holdings and transaction expenses

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.

Supplies and services

Supplies and services costs which 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 distributed. Refer to note 3(d) for the types of expenditure.

(g) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from the revaluation of the present value of long service leave liability due to changes in bond interest rates.

(h) Financial instruments

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 entity's activities, certain financial assets and financial liabilities arise under statute rather than contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise

Note 1. Summary of significant accounting policies (continued)

under contract. However, guarantees issued by the Treasurer on behalf of the entity are financial instruments as the terms and conditions for each financial guarantee may vary and are subject to an agreement.

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.

The following refers to financial instruments:

Categories of non-derivative financial instruments

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 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, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(i)), term deposits with maturity date less than three months and trade but not statutory receivables.

Financial liabilities at amortised cost

Financial instrument liabilities 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.

Financial instrument liabilities measured at amortised cost include all of the Water Holder's contractual payables and deposits held at fair value through profit and loss.

(i) Financial assets

Cash and deposits

Cash and deposits, including cash equivalents, comprise of cash on hand and cash at bank, deposits at call and those highly liquid investments 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.

Receivables

Receivables consist predominantly of amounts owing from the Victorian Government, debtors in relation to goods and services and GST input tax credits recoverable. Receivables that are contractual are classified as financial instruments. Amounts owing from the Victorian Government, taxes and other statutory receivables are not classified as financial instruments.

A provision for doubtful receivables is made when there is objective evidence that debts will not be collected. Bad debts are written off when identified.

Investments

Investments are classified as loans and receivables.

The classification depends on the purpose for which the investments were required. Management determines the classification of its investments at initial recognition.

Any interest earned on the financial asset is recognised in the comprehensive operating statement as a transaction.

Note 1. Summary of significant accounting policies (continued)**(j) Non-financial assets****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.

(k) Liabilities**Payables**

Payables consist of:

- contractual payables, such as accounts payable, and unearned income. Accounts payable represent liabilities for goods and services provided to the entity prior to the end of the financial year that are unpaid and arise when the entity becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 1(h)). 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.

Provisions

Provisions are recognised when the entity has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

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

Liabilities for wages and salaries, including non-monetary benefits annual leave and accumulating sick leave are all recognised in the provision for employee benefits as 'current liabilities', because the Water Holder does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- nominal value – if the Water Holder expects to wholly settle within 12 months; or
- present value – if the Water Holder does not expect to wholly settle within 12 months.

(ii) Long service leave

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the entity does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

Note 1. Summary of significant accounting policies (continued)

The components of this current LSL liability are measured at:

- nominal value – if the entity expects to wholly settle within 12 months; and
- present value – if the entity does not expect to wholly settle within 12 months.

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 (refer to Note 1(g)).

Employee benefits on-costs

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

(l) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 9) at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, 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 liabilities are recognised in the balance sheet.

(m) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 10) and are measured at nominal value if quantifiable. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(n) Accounting for goods and services tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the taxation authority is included with other receivables or payables in the balance sheet.

Commitments and contingent assets and liabilities are stated inclusive of GST (refer to Note 1(k) and Note 1(l)).

(o) Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the entity and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting and before the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

(p) Comparative amounts

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.

Note 1. Summary of significant accounting policies (continued)

In the 2014-15 financial year, the total remuneration for responsible persons was under stated. An adjustment has been made to re-classify the one individual in the \$90,000 - \$99,999 total remuneration range to the \$100,000 - \$109,000 range. This has been reflected in Note 14.

(q) Australian Accounting Standards issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2016 reporting period. The Department of Treasury and Finance assesses the impact of all these new standards and advises the Water Holder of their applicability and early adoption where applicable.

As at 30 June 2016, the following 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:

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	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, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
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	The assessment has indicated that there will be no impact on the entity as its liabilities are measured at amortised cost.
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 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	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 entity.

Note 1. Summary of significant accounting policies (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on public sector entity financial statements
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	<p>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.</p> <p>A potential impact will be the upfront recognition of revenue from licenses and leases that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening retained earnings if there are no former performance obligations outstanding.</p>
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	<p>Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when:</p> <ul style="list-style-type: none"> » the entity's right to receive payment of the dividend is established; » it is probable that the economic benefits associated with the dividend will flow to the entity; and » the amount can be measured reliably. 	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 entity.
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 to the 2018-19 reporting period in accordance with the transition requirements.

Note 1. Summary of significant accounting policies (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on public sector entity financial statements
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	<p>This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:</p> <ul style="list-style-type: none"> » A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; » For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and » For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). 	1 Jan 2018	The assessment has indicated that there will be no significant impact for the entity, other than the impact identified in AASB 15.
AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]</i>	<p>Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to:</p> <ul style="list-style-type: none"> » establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; » prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. 	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]</i>	<p>The Amendments extend the scope of AASB 124 <i>Related Party Disclosures</i> to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.</p>	1 Jan 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

Note 1. Summary of significant accounting policies (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 2015-16 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on the entity.

- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs* [AASB 8, AASB 133 & AASB 1057]
- AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

Note 2. Income from transactions

	2016 \$	2015 \$
(a) Grants:		
Commonwealth grants	2,240,987	2,040,284
State government grants	8,791,079	9,562,939
Total grants	11,032,066	11,603,223
(b) Fair value of services received free of charge or for nominal consideration:		
Services (including rent, office equipment and IT services)	59,010	42,150
Total fair value of services received free of charge or for nominal consideration	59,010	42,150
(c) Sale of water allocation		
Sale of water allocation	74,831	1,635,607
Total sale of water allocation	74,831	1,635,607
(d) Interest		
Interest from cash, deposits and investments	193,972	182,489
Total Interest	193,972	182,489

Note 3. Expenses from transactions

	2016 \$	2015 \$
(a) Employee expenses		
Salary and wages	(1,153,601)	(945,820)
Superannuation	(119,280)	(90,506)
Leave expenses	(201,447)	(74,847)
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	(80,643)	(65,661)
Total employee expenses	(1,554,971)	(1,176,834)
(b) Grants (water delivery and management)		
Grants to water corporations	(783,443)	(1,087,135)
Grants to catchment management authorities	(2,484,582)	(1,196,232)
Grants to private individuals, businesses and non-profit organisations	(25,000)	(25,000)
Grants to other government entities	0	(12,500)
Total grants (water delivery and management)	(3,293,025)	(2,320,867)
(c) Environmental water holdings and transaction expenses		
Water storage fees	(5,381,264)	(4,983,945)
Water purchases	(10,170)	0
General delivery expenses (including statutory fees)	(12,067)	(11,381)
Total environment water holdings and transaction expenses	(5,403,501)	(4,995,326)
(d) Supplies and services		
Community awareness and publicity	(488)	(7,548)
Contract and professional services	(548,663)	(633,985)
General expenses	(101,178)	(97,166)
IT expenses	(30,177)	(21,852)
Motor vehicle expenses	(11,455)	(12,115)
Office and accommodation expense	(120,775)	(73,135)
Office expenses	(12,030)	(6,563)
Payments for shared services	(59,906)	(45,232)
Postage and telephone expenses	(16,066)	(8,780)
Travel and subsistence	(46,861)	(52,544)
Total supplies and services	(947,599)	(958,920)

Note 4. Other economic flows included in net result

	2016 \$	2015 \$
Other gains / (losses) arising from revaluation of employee benefits		
Net gains / (losses) arising from revaluation of employee benefits ⁽ⁱ⁾	(2,386)	(4,268)
Net loss on financial instruments		
Net loss on loans and receivables	(444)	0
Total other gains / (losses) from other economic flows	(2,830)	(4,268)

(i) Revaluation loss due to change in bond rates utilised in discounting employee benefits

Note 5. Receivables

	2016 \$	2015 \$
Current receivables		
(a) Contractual		
Trade receivables	416,391	118,433
Provision for doubtful debts	(444)	0
Accrued income	17,448	14,783
	433,395	133,216
(b) Statutory		
Amount owing from Department of Environment, Land, Water and Planning	307,190	276,362
GST input tax credit recoverable	0	22,276
	307,190	298,638
Total current receivables	740,585	431,854
Total receivables	740,585	431,854

(a) (a) Ageing analysis of contractual receivables

Refer to Table 11.2 in Note 11 for the ageing analysis of contractual receivables.

Note 6. Payables

	2016 \$	2015 \$
Current payables		
(a) Contractual		
Trade creditors ⁽ⁱ⁾	9,393	799,534
Other accrued expenses	58,728	15,291
Accrued grants	0	468,120
	68,121	1,282,945
(b) Statutory		
Other payables (includes taxes and superannuation)	2,640	1,250
GST input tax credit payable	23,082	0
	25,722	1,250
Total current payables	93,843	1,284,195
Total payables	93,843	1,284,195

(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 into.

(a) Maturity analysis of contractual payables

Refer to Table 11.3 in Note 11 for the maturity analysis of contractual payables.

Note 7. Provisions

	2016 \$	2015 \$
Current provisions		
Employee benefits⁽ⁱ⁾ – annual leave (Note 7(a))		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱⁱ⁾	127,233	91,605
Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	3,924	2,929
Employee benefits⁽ⁱ⁾ – long service leave (Note 7(a))		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱⁱ⁾	26,715	0
Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	100,227	109,339
Provisions for on-costs		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱⁱ⁾	24,339	14,941
Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	16,466	18,311
Total current provisions	298,904	237,125
Non current provisions		
Employee benefits ⁽ⁱ⁾⁽ⁱⁱⁱ⁾ (Note 7(a))	56,200	34,121
Provisions for on-costs ⁽ⁱⁱⁱ⁾	8,885	5,565
Total non current provisions	65,085	39,686
Total provisions	363,989	276,811

(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.

Note 7. Provisions (continued)**(a) Employee benefits and related on costs⁽ⁱ⁾**

	2016 \$	2015 \$
Current employee benefits		
Annual leave entitlements	131,157	94,534
Long service leave entitlements	126,942	109,339
	258,099	203,873
Non current employee benefits		
Long service leave entitlements ⁽ⁱⁱ⁾	56,200	34,121
	56,200	34,121
Total employee benefits	314,299	237,994
On-costs		
Current on costs	40,805	33,252
Non current on costs ⁽ⁱⁱ⁾	8,885	5,565
Total on costs	49,690	38,817
Total employee benefits and related on costs	363,989	276,811

(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 discounted to present values.

(b) Movement in provisions

	On costs 2016 \$	Total 2016 \$
Opening balance	38,817	38,817
Additional provisions recognised	52,157	52,157
Reductions arising from payments/other sacrifices of future economic benefit	(40,713)	(40,713)
Reductions resulting from re-measurement or settlement without cost	(194)	(194)
Unwind of discount and effect of changes in the discount rate	(377)	(377)
Closing balance	49,690	49,690
 Current	 40,805	 40,805
Non current	8,885	8,885
	49,690	49,690

Note 8. Superannuation**Government Employees' Superannuation Fund**

Employees of the entity are entitled to receive superannuation benefits and the entity contributes to defined contribution plans.

Superannuation contributions paid or payable for the reporting period are included as employee expenses in the comprehensive operating statement of the entity.

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

Fund	Paid contribution for the year		Contribution outstanding at year end	
	2016 \$	2015 \$	2016 \$	2015 \$
Defined contribution plans:				
Victorian Superannuation Fund – Vic Super Scheme	68,899	89,709	992	797
Various other	48,688	0	701	0
	117,587	89,709	1,693	797

The bases for contributions are determined by the various schemes.

All employees of the entity are entitled to varying levels of benefits on retirement, disability or death. Contributions by the entity of a minimum of 9.50% of employee's wages and salaries are legally enforceable on the entity.

The above amounts were measured as at 30 June 2016 or in the case of employer contributions they relate to the year ended 30 June 2016.

Note 9. Commitments for expenditure

There are no commitments for expenditure (2015: Nil).

Note 10. Contingent assets and contingent liabilities

There are no contingent assets or contingent liabilities (2015: Nil).

Note 11 Financial instruments**(a) Financial risk management objectives and policies**

The Water Holder's principal financial instruments comprise of:

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

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised with respect of each class of financial asset, financial liability and equity instrument above and are disclosed in Note 1 to these financial statements.

Note 11. Financial instruments (continued)

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

The Water Holder's main financial risks include credit risk, liquidity risk and interest rate risk. The Water Holder manages these financial risks in accordance with its financial risk management policy.

The Water Holder uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Water Holder.

The carrying amounts of the Water Holder's contractual financial assets and financial liabilities by category are disclosed in Table 11.1 below.

Table 11.1: Categorisation of financial instruments

	2016			2015		
	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	5,822,999	0	5,822,999	7,124,875	0	7,124,875
Receivables⁽ⁱ⁾						
Trade receivables	415,947	0	415,947	118,433	0	118,433
Accrued income	17,448	0	17,448	14,783	0	14,783
Investments	2,300,000	0	2,300,000	2,300,000	0	2,300,000
Total contractual financial assets	8,556,394	0	8,556,394	9,558,091	0	9,558,091
Contractual financial liabilities						
Payables⁽ⁱⁱ⁾						
Trade creditors	0	9,393	9,393	0	799,534	799,534
Accrued expenses	0	58,728	58,728	0	15,291	15,291
Accrued grants	0	0	0	0	468,120	468,120
Total contractual financial liabilities	0	68,121	68,121	0	1,282,945	1,282,945

(i) The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable) – Refer Note 5.

(ii) The amount of payables disclosed excludes statutory payables (i.e. taxes payable) – Refer Note 6.

(b) Credit risk

Credit risk arises from the contractual financial assets of the Water Holder, which comprise cash and deposits and non-statutory receivables. The Water Holder's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Water Holder. Credit risk is measured at fair value and is monitored on a regular basis.

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

Note 11. Financial instruments (continued)

In addition, the Water Holder 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 contractual financial assets is recognised when there is objective evidence that the Water Holder will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue and changes in debtor credit ratings.

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

Contractual financial assets that are either past due or impaired

Currently the Water Holder 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 evidence to indicate that any of the contractual financial assets are impaired.

There are no contractual 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.

The following table discloses the ageing only of contractual financial assets that are past due but not impaired:

Table 11.2: Ageing analysis of contractual financial assets

			Past due but not impaired			
	Carrying amount \$	Not past due and not impaired \$	Less than 1 Month \$	1 month – 3 months \$	3 months – 1 year \$	1-5 years \$
2016						
Cash and deposits	5,822,999	5,822,999	0	0	0	0
Receivables ⁽ⁱ⁾						
Trade receivables	415,947	411,951	0	0	3,996	0
Accrued income	17,448	17,448	0	0	0	0
Investments and other financial assets	2,300,000	2,300,000	0	0	0	0
Total	8,556,394	8,552,398	0	0	3,996	0
2015						
Cash and deposits	7,124,875	7,124,875	0	0	0	0
Receivables ⁽ⁱ⁾						
Trade receivables	118,433	107,433	11,000	0	0	0
Accrued income	14,783	14,783	0	0	0	0
Investments and other financial assets	2,300,000	2,300,000	0	0	0	0
Total	9,558,091	9,547,091	11,000	0	0	0

(i) The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable) – Refer Note 5.

Note 11. Financial instruments (continued)**(c) Liquidity risk**

Liquidity risk is the risk that the Water Holder is unable to meet its financial obligations as they fall due. The Water Holder 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.

The Water Holder's exposure to liquidity risk is deemed insignificant based on prior periods data and current assessment of risk.

The following table discloses the contractual maturity analysis for the Water Holder's contractual financial liabilities.

Table 11.3: Maturity analysis of contractual financial liabilities

			Maturity dates				
	Carrying amount \$	Nominal amount \$	Less than 1 month \$	1 - 3 months \$	3 months – 1 year \$	1-5 years \$	5+ years \$
2016							
Payables: ⁽ⁱ⁾							
Trade creditors	9,393	9,393	9,393	0	0	0	0
Accrued expenses	58,728	58,728	58,728	0	0	0	0
Accrued grants	0	0	0	0	0	0	0
Total	68,121	68,121	68,121	0	0	0	0
2015							
Payables: ⁽ⁱ⁾							
Trade creditors	799,534	799,534	117,168	675,585	6,781	0	0
Accrued expenses	15,291	15,291	15,291	0	0	0	0
Accrued grants	468,120	468,120	468,120	0	0	0	0
Total	1,282,945	1,282,945	600,579	675,585	6,781	0	0

(i) The amount of payables disclosed exclude statutory payables (i.e. taxes payable) – Refer Note 6

(d) Market risk

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

Interest rate risk

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. The Water Holder 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.

The Water Holder has minimal exposure to cash flow interest rate risks through its term deposits.

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

Note 11. Financial instruments (continued)*Table 11.4: Interest rate exposure of financial instruments*

		Interest rate exposure			
	Weighted average interest rate %	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$
2016					
Financial assets					
Cash and deposits	1.90	5,822,999	3,600,000	830,000	1,392,999
Receivables ⁽ⁱ⁾					
Trade receivables		415,947	0	0	415,947
Accrued income		17,448	0	0	17,448
Investments and other financial assets	2.25	2,300,000	2,300,000	0	0
Total		8,556,394	5,900,000	830,000	1,826,394
2015					
Financial assets					
Cash and deposits	2.30	7,124,875	4,000,000	1,780,000	1,344,875
Receivables ⁽ⁱ⁾					
Trade receivables		118,433	0	0	118,433
Accrued income		14,783	0	0	14,783
Investments and other financial assets	2.54	2,300,000	2,300,000	0	0
Total		9,558,091	6,300,000	1,780,000	1,478,091

(i) The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable) – Refer Note 5.

Sensitivity disclosure analysis and assumptions

The Water Holder's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period, with all variables other than the primary risk variable held constant. The Water Holder's fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months:

- a movement of 100 basis points up and down (+1.0% and -1.0%) in market interest (AUD).

Table 11.5 shows the impact on the Water Holder's net result and equity for each category of financial instrument held by the Water Holder at the end of the reporting period as presented to key management personnel, if the above movements were to occur.

Note 11. Financial instruments (continued)*Table 11.5: Interest rate risk sensitivity*

		Interest rate risk	
		-100 basis points	+100 basis points
	Carrying amount \$	Net Result \$	Net result \$
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 and other financial assets	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) – Refer Note 5.			
2015			
Contractual financial assets			
Cash and deposits	7,124,875	(17,800)	17,800
Receivables ⁽ⁱ⁾			
Trade receivables	118,433	0	0
Accrued income	14,783	0	0
Investments and other financial assets	2,300,000	0	0
Total	9,558,091	(17,800)	17,800

(i) The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable) – Refer Note 5.

(i) The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable) – Refer Note 5.

(e) Fair value

The Water Holder considers the carrying amount of financial assets and financial liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

Note 12. Cash flow information

	2016 \$	2015 \$
(a) Reconciliation of cash and cash equivalents		
Funds held in trust – cash	1,392,999	1,344,875
Funds held in trust – fund held in deposits	4,430,000	5,780,000
Total cash and deposits disclosed in the balance sheet	5,822,999	7,124,875
Balance per cash flow statement	5,822,999	7,124,875
(b) Reconciliation of net result for the period		
Comprehensive result	157,953	4,007,254
Non-cash movements		
Net loss arising from reduction of employee benefits	2,386	4,268
Net loss on financial instruments	444	0
Movements in assets and liabilities		
(Increase)/Decrease in receivables	(286,095)	(225,107)
Increase/(Decrease) in payables	(1,213,434)	882,423
(Increase)/Decrease in prepayments	(47,923)	0
Increase/(Decrease) in provisions	84,793	133,175
Net cash flows from operating activities	(1,301,876)	4,802,013

Note 13. Trust account balances

The following is a listing of trust account balances in cash, cash equivalents and investments relating to trust accounts controlled by the VEWH.

	2016 \$				2015 \$			
	Opening balance as at 1 July 2015	Total receipts	Total payments	Closing balance as at 30 June 2016	Opening balance as at 1 July 2014	Total receipts	Total payments	Closing balance as at 30 June 2015
VEWH Trust Fund	7,124,875	11,014,774	(12,316,650)	5,822,999	4,622,862	13,211,409	(10,709,396)	7,124,875
Total trusts	7,124,875	11,014,774	(12,316,650)	5,822,999	4,622,862	13,211,409	(10,709,396)	7,124,875

Section 33DO of the Water Amendment (Victorian Environmental Water Holder) Act 2010 to support the operations of the Victorian Environmental Water Holder in undertaking its functions and achieving its objectives, for the purpose of maintaining the environmental water reserve and improving the environmental values and health of water ecosystems.

Third party funds under management

No third party funds were held under management for either 2014-15 or 2015-16.

Note 14. Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

(a) Names

The person who held the position of responsible minister for the Water Holder was as follows:

Minister for Environment,
Climate Change and Water The Hon. Lisa Neville MP 1 July 2015 to 22 May 2016
Minister for Water..... The Hon. Lisa Neville MP 23 May 2016 to 30 June 2016

Acting arrangements

The Hon Richard Wynne MP acted as Minister for Environment, Climate Change and Water during the period 15 to 19 February 2016.

The persons who held the position of responsible person and forming the Victorian Environmental Water Holder were as follows:

Chairperson Denis Flett 1 July 2015 to 30 June 2016
Deputy Chairperson..... Geoff Hocking 1 July 2015 to 30 June 2016
Commissioner Chris Chesterfield 1 July 2015 to 30 June 2016

Acting arrangements

Geoff Hocking acted as Chairperson during the period 31 July to 19 August 2015.

(b) Remuneration

The total remuneration received or due and receivable by the responsible persons from the Water Holder during the reporting period was within the following ranges:

	2016 No.	2015 No.
Income band		
\$30,000 - \$39,999	2	2
\$100,000 - \$109,999	1	1
Total numbers	3	3
Total amount	\$181,801	\$174,537

This total remuneration amount includes board sitting fees, ordinary pay, public holiday and superannuation.

Amounts relating to ministers are reported in the financial statements of the Department of Premier and Cabinet.

The persons who held the position of accountable officer of the Water Holder was Denis Flett. His salary band is disclosed above.

(c) Other transactions

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

Note 15. Remuneration of auditors

	2016 \$	2015 \$
Victorian Auditor General's Office		
Audit or review of the financial statements	5,700	5,600
	5,700	5,600

Note 16. Subsequent events

The Water Holder is not aware of any other circumstances that have arisen or information that has become available between 30 June 2016 and the date of final approval of this general purpose financial report that qualifies for inclusion as a post balance date event.

Note 17. Glossary of terms and style conventions**Commissioner**

Commissioner refers to the people appointed by the Governor in Council on the recommendation of the Minister for Environment, Climate Change and Water.

Commitments

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

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Employee benefits expenses

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

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

Note 17. Glossary of terms and style conventions (continued)

(d) a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability

A financial liability is any liability that is:

(a) A contractual or statutory obligation:

- (i) To deliver cash or another financial asset to another entity; or
- (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) A contract that will or may be settled in the entity's own equity instruments and is:

- (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
- (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements

A complete set of financial statements comprises:

- (a) A statement of financial position as at the end of the period;
- (b) A statement of profit or loss and other comprehensive income for the period;
- (c) A statement of changes in equity for the period;
- (d) A statement of cash flows for the period;
- (e) Notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) Comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 Presentation of Financial Statements; and
- (g) A statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement in accordance with paragraphs 41 of AASB 101.

Note 17. Glossary of terms and style conventions (continued)**Grants and other transfers**

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

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.

Interest income

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

Net result from transactions/net operating balance

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

Net worth

Assets less liabilities, which is an economic measure of wealth.

Other economic flows included in net result

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- gains and losses from disposals, revaluations and impairments of non- financial physical and intangible assets;
- fair value changes of financial instruments and agricultural asset; and depletion of natural assets (non-produced) from their use or removal.

Note 17. Glossary of terms and style conventions (continued)**Other economic flows – other comprehensive income**

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows – other comprehensive income include:

- (a) Changes in physical asset revaluation surplus;
- (b) Share of net movement in revaluation surplus of associates and joint ventures ; and
- (c) Gains and losses remeasuring available-for-sale financial assets.

Receivables

Includes amounts owing from government grants, short and long term trade credit and accounts receivable, accrued investment income, taxes and interest receivable.

Supplies and services

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the entity.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

Accountable Officer's and Chief Finance and Accounting Officer's declaration

The attached financial statements for the Victorian Environmental Water Holder have been prepared in accordance with Standing Direction 4.2 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 2016 and financial position of the entity at 30 June 2016.

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 21 September 2016.

Denis Flett



Chairperson
Victorian Environmental Water Holder

Melbourne
21 September 2016

Linda Bullen



Business Manager
Victorian Environmental Water Holder

Melbourne
21 September 2016



Photograph credit: Cygnet in swan nest at Steamer Plain, Barmah, by Keith Ward

SECTION FIVE

Auditor-General's Report

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000

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Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Commissioners, Victorian Environmental Water Holder

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the Victorian Environmental Water Holder which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration.

The Commissioners' Responsibility for the Financial Report

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 financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Commissioners determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Auditor-General's Report

Independence

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

Opinion

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 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
22 September 2016


for Andrew Greaves
Auditor-General

Appendices

Appendix 1 – Disclosure index

The annual report for the 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.

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Accessibility

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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.

Photograph credits:

- Front cover: VEWH Chairperson Denis Flett and North Central CMA CEO Brad Drust paddling on Reedy Lagoon, Gunbower Forest, by North Central CMA
- Inside front cover: Great egrets at Black Swamp, by Catarina Gregson
- Inside back cover: Children by the Campaspe River, by Victoria Penko
- Back cover: Catch a Carp Day, by Mallee Catchment Management Authority





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