

VICTORIAN ENVIRONMENTAL
WATER HOLDER

Annual Report 2014-15

Our mission

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

Our values

Collaboration. Integrity.
Commitment. Initiative.



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Year in review

1.1 Chairperson and Executive Officer report

In 2014-15, the Victorian Environmental Water Holder (VEWH) continued to build on the successes of past years. This annual report provides highlights of the 2014-15 water year within the Victorian environmental watering program, reports on VEWH's performance against the *Corporate Plan 2014-15 to 2017-18* and provides a brief analysis of VEWH's management of Victoria's environmental water entitlements in 2014-15.

Highlights of environmental watering in 2014-15 include an increase in native fish abundance and diversity in the Glenelg and Loddon rivers; evidence of successful breeding in platypus populations in the MacKenzie and Campaspe rivers; large-scale environmental water delivery through new infrastructure at Hattah Lakes; and spawning and migration of Australian grayling, a threatened species in the Tarago, Latrobe, Thomson and Macalister rivers. The delivery of environmental water to a diverse range of Victorian wetlands has supported an explosion of life. After environmental watering at Lake Yando, over 70 different species of birds, frogs and turtles were observed.

The VEWH continued to use carryover, purchase and trade to effectively and efficiently manage its growing environmental water portfolio. In spring 2014, the VEWH transferred water from the Yarra River to the Thomson River to support Australian grayling migration. In partnership with Melbourne Water, VEWH purchased water in the Maribyrnong system – where VEWH does not hold an entitlement – to assist in maintaining water quality. In summer and autumn 2015, after an assessment of the VEWH's demand and supply position, the VEWH sold 12,975 ML of water allocation in northern Victoria.

Partners in the Victorian environmental watering program continued to work together to achieve benefits for Victoria's rivers, wetlands and floodplains. In 2014-15, the strength of relationships between environmental water holders, waterway managers, storage managers and land managers was demonstrated through multi-site watering events involving the Goulburn and Campaspe rivers, Gunbower Creek and the River Murray.

In 2014-15, the Victorian environmental watering program emphasised its commitment to community involvement in environmental water management. The VEWH held its annual statewide Environmental Water Matters Forum in September 2014, focusing on the shared benefits of environmental watering. In addition, two regional environmental watering forums were held involving key partners and stakeholders in the north-central and Goulburn-Broken regions. In early 2015, the newly-elected Victorian Government re-affirmed the importance of community involvement in water management. In May 2015, the VEWH, in collaboration with partners, began a statewide engagement mapping project which will help to inform strategic direction in this area.

In summary, the VEWH complied with all of its legislative and financial requirements in 2014-15, and delivered outcomes against each of its strategic programs.

Despite the 2015-16 climatic outlook indicating potential challenges ahead, including managing dry conditions and low water availability in western Victoria, the VEWH looks forward to a fifth year of effective collaboration resulting in benefits for Victoria's rivers, wetlands and floodplains.

In accordance with the *Financial Management Act 1994*, we are pleased to present the VEWH's Annual Report for the year ending 30 June 2015.

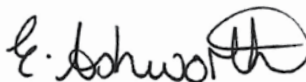
Denis Flett



Chairperson
Victorian Environmental Water Holder

8 September 2015

Elizabeth Ashworth



Executive Officer
Victorian Environmental Water Holder

8 September 2015

1.2 Overview

Objectives and functions – Powers listed under the Water Act

The VEWH's objectives, functions, statutory powers and obligations are mainly 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 Environmental Water Holder (CEWH)
- f. enter into any agreements with any person for the provision of works by that person to enable the efficient application or use of water in the Water Holdings.

Furthermore, section 33DE of the Water Act states the 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/s

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 Ministers during the reporting period were:

- the Hon Ryan Smith MP, Minister for Environment and Climate Change for the period from 1 July 2014 to 3 December 2014
- the Hon Lisa Neville MP, Minister for Environment, Climate Change and Water for the period from 4 December 2014 to 30 June 2015.



SECTION ONE

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:

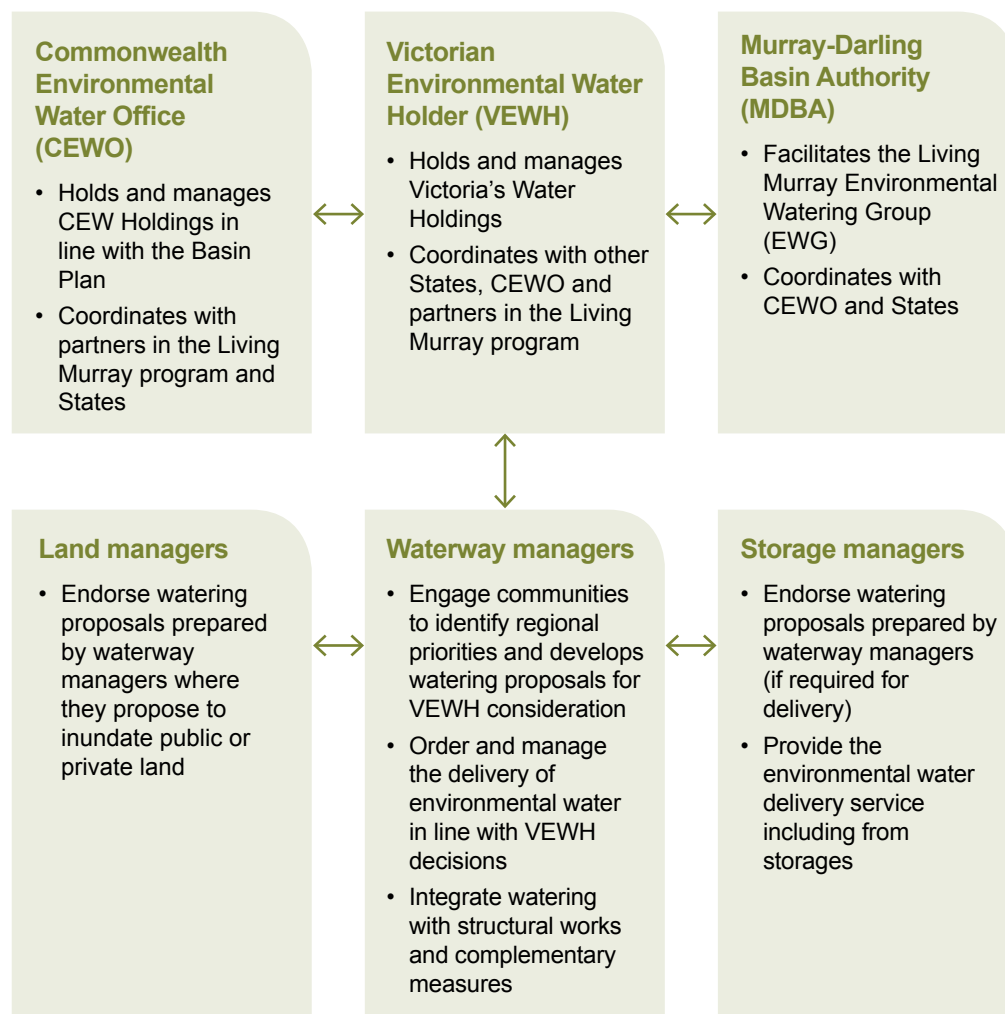
- makes decisions on the most effective use of the Water Holdings, including use, carryover and trade
- liaises with other water holders to ensure coordinated use of all sources of environmental water
- authorises waterway managers to implement watering decisions
- works with storage managers to coordinate 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

Collaboration is key to environmental watering program success

The VEWH collaborates with a range of program partners to deliver environmental water to sites across Victoria. These partners include waterway managers, storage managers, land managers and other holders of environmental water available for use in Victoria. Program partners have distinct roles and responsibilities that require partners to work together to achieve environmental watering outcomes, improve management and incorporate learnings. These partnerships are outlined in Figure 1.1.

Figure 1.1 Key partnerships and responsibilities



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 continued its collaboration with waterway managers in 2014-15 through ongoing liaison, regular meetings, site visits and forum participation.

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

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



SECTION ONE

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

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 replaces the MDBA's Environmental Watering Group and 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 (see following case study).

The VEWH continues to work collaboratively with other Victorian Government agencies to implement the Environmental Watering Plan of the Murray-Darling Basin Plan.

Case study:

Gunbower Operational Advisory Group implements the first fish exit strategy

Planning and delivery of environmental water in the Gunbower Forest and Gunbower Creek is overseen by the Gunbower Operational Advisory Group, convened by North Central Catchment Management Authority (NCCMA). The group is made up of 10 public agencies (waterways managers, storage managers, land managers, local council and water holders) who have clear roles and responsibilities throughout each phase of environmental watering.

Input is also sought from a technical working group – comprised of experts with knowledge of physical and ecological conditions in the area. This group provides advice to NCCMA for consideration in the development of the seasonal watering proposal (planning phase) and in adapting delivery to changing environmental conditions (operations phase).

Between May and mid-December 2014, 97,802 ML was delivered to Gunbower Forest through new infrastructure at the Hipwell Channel Road. Approximately 42,000 ML of nutrient-rich water was subsequently returned to the River Murray for downstream use.

The environmental watering required a significant amount of coordination due to the:

- many stakeholders involved
- different types of water used (including consumptive water en route and environmental water)
- different water holdings used (including from both VEWH and the MDBA).

In addition, Gunbower Forest is used for a variety of recreational and commercial purposes, including camping, firewood collection and beekeeping. As such, careful consideration was given to monitoring and restricting access to some parts of the forest during the environmental watering for public safety.

The Gunbower Operational Advisory Group facilitated adaptive management by testing and modifying the fish exit strategy, implemented for the first time in October and November 2014. Water delivery was lowered in a pulsing pattern to provide trigger cues for tens of thousands of small-bodied native fish, such as Australian smelt and gudgeons, to exit the floodplain prior to the drawdown of the forest. Working closely with fish ecologists, the group was able to fine-tune the opening of multiple regulators to achieve the required drop in water depth, and then confirm that a native fish response was triggered.

The Gunbower Operational Advisory Group is a great example of proactive and effective collaboration amongst partners in the Victorian environmental watering program.

Managing the portfolio for the highest priority environmental outcomes

The VEWH manages its environmental water 'portfolio' to achieve the best possible environmental outcomes across the state. Each year, the statewide seasonal watering plan identifies the full scope of potential watering actions under a range of planning scenarios. As the year unfolds, many of the uncertainties associated with seasonal conditions, water availability and operational (delivery) context become clearer, informing decisions about the environmental watering actions that should proceed.

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

Throughout the year, the VEWH assesses the environmental water demand compared to its available water supply. This includes consideration of 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 supply surplus, the VEWH may consider carrying over the water for potential future needs, or selling the water on the market. Resulting revenue can then be invested in future environmental watering priorities, including water purchase to meet shortfalls in any Victorian system, or other measures to improve the performance of Victoria's environmental watering program.

If potential supply shortfalls are identified through this process, the VEWH considers whether there are other portfolio management options to help meet the demand. This could include the transfer of water from another environmental entitlement, the purchase of water or through planned 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. They can be extremely difficult, often involving trading off the potential risks of one adverse outcome compared to another (see case study on page 8).

In prioritising one environmental watering action and site over another, the VEWH always seeks to maximise environmental outcomes across the state.



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Case study:

Prioritising water use to address drought in the Wimmera and Glenelg systems

Inflows to waterways and storages in the Western Region were extremely low in 2014-15. There was a significant risk that conditions would remain very dry leading into 2015-16, with a high likelihood of low water availability. Demand-supply assessments indicated carryover into 2015-16 was a high priority to manage likely supply shortfalls in the new water year. To manage the risks of potentially significant adverse impacts on the Wimmera and Glenelg rivers in 2015-16, the decision was made to reserve water, ahead of continuing watering in the current year.

VEWH and program partners decided to reduce, and in some waterways temporarily cease, environmental watering in the Wimmera and Glenelg systems in the last quarter of 2014-15. Although there were environmental risks associated with ceasing deliveries, implementing such an action during the cooler autumn months (when water quality risks are lower) was preferable to potentially not being able to provide flows during the hotter months of 2015-16 when risks to native fish and other animals from poor water quality are much more significant. Carrying over this water may prove critical to ensuring environmental watering can occur during summer and autumn 2015-16, to help protect native fish and other animals that rely on the rivers and creeks in the Wimmera and Glenelg systems.

Approaches for engaging with a diverse range of stakeholders

Engaging environmental watering stakeholders and the public is an important part of the VEWB's role. The VEWB aims to demonstrate the benefits of the Victorian environmental watering program and promote understanding of environmental watering decision making.

Waterway managers have primary responsibility for engaging local communities on environmental watering, as well as broader catchment management matters. The VEWB supports program partners in this local engagement and takes the lead in engaging statewide and interstate stakeholders.

Forums, such as the VEWB annual statewide Environmental Water Matters Forum, provide one approach for drawing together key stakeholder groups and community representatives (see following case study). The VEWB also holds other regional forums to initiate discourse on environmental watering – the focus in 2014-15 was on the North Central and Goulburn-Broken regions.

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

In 2014-15, a series of fact sheets and a video were produced for the first time to answer common questions people have about environmental watering, including:

- What is environmental water?
- Why is environmental watering important?
- What does environmental watering aim to achieve?
- What does environmental watering involve?
- How do we know if environmental watering is successful?

These fact sheets can be found on the VEWB website, and printed copies can be requested by emailing general.enquiries@vewb.vic.gov.au.

Case study:

Environmental water forum generates robust discussion

In September 2014, the VEWL hosted its annual Environmental Water Matters Forum. The theme of the 2014 forum was 'shared benefits'. It focused on increasing understanding of different water values and uses in Victoria, and how they relate to environmental watering. The approach provided a more in-depth insight into stakeholder perspectives around angling, irrigation, cultural flows and Aboriginal outcomes from environmental watering.

Often, the delivery of environmental water has flow-on recreational, Indigenous cultural and economic benefits. For example, planned deliveries may provide opportunities for boating, kayaking, fishing and bushwalking or protect important sites of Indigenous cultural heritage, such as particular wetlands, scar trees, midden or burial sites. The VEWL looks to maximise these 'shared benefits' through environmental watering, provided environmental outcomes are not compromised.

This event included an interactive segment, allowing stakeholders to focus on common ground and answer the central question: *How can we work together to achieve shared benefits from environmental watering in Victoria?*

These roundtable discussions focused on identifying possible actions and desired outcomes to inform the pursuit of 'shared benefits' from environmental watering. Suggested priorities for the Victorian environmental watering program included:

- increasing monitoring of environmental watering benefits and telling 'good news' stories to build support for and understanding of environmental watering, including the broader community benefits
- building understanding between different interest groups and connecting different knowledge holders
- improving coordination between environmental water holders and managers
- practically optimising environmental watering including through structural works, removing constraints for improved water delivery and auditing delivery infrastructure.

Continuing to improve our understanding and demonstrate 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.



SECTION ONE

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). 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 the Department of Environment, Land, Water and Planning (DELWP), undertakes intervention monitoring through the Victorian Environmental Flow Monitoring and Assessment Program. This program will provide additional certainty and a scientific basis for the long-term ecological response from particular watering actions. An equivalent program for monitoring wetlands is currently under development.

Case study:

Monitoring fish movement in the Lower Murray wetlands

In 2013 and 2014, the VEWH funded monitoring by the Mallee Catchment Management Authority and the Murray-Darling Freshwater Research Centre of fish movement in response to environmental watering in Butlers Creek, Psyche Lagoon and Kings Billabong. Environmental watering aimed to reduce salinity levels and improve the condition and diversity of wetland vegetation, with benefits for the animals the habitat supports. The research aimed to better understand lateral fish movement between the main River Murray channel and off-stream habitat. As some fish move into wetlands to complete their life cycle, appropriate operation of regulators has the potential to enhance native fish movement and recruitment, and limit or exclude non-native carp.

The diversion of water into the wetland is aligned with the seasonal spawning patterns of native fish. This monitoring confirmed that by re-inundating the wetland in November 2014, small-bodied fish, such as carp gudgeon, un-speckled hardyhead and Murray-Darling rainbow fish, were able to move from the river to spawning habitats in the wetlands. Additionally, large-bodied fish (including golden perch, silver perch and freshwater catfish), can also move upstream during filling. Larval and juvenile stages of large-bodied fish also drifted onto the floodplain during filling and as water continued to flow through the wetland. Better understanding of fish movement helps to ensure that native fish objectives identified in the seasonal watering plan can be achieved.

Wetland regulators can also be operated to limit any advantage to non-native pest fish species. Firstly, regulators are fitted with carp exclusion screens – mesh of a particular size placed across the opening – so that large-bodied carp cannot enter the wetland. Secondly, the timing of regulator opening and closing (for example only opening at night when native fish are more active or keeping the regulator closed until fish are mature and ready to return to the river channel) can provide an advantage to native fish. Following the movement of native fish the regulator is then closed so that carp are stranded and die when the wetland dries. Further investigation is required to confirm movements of different species of fish during drawdown, when the water level drops.

1.3 Operational and budgetary objectives and performance against objectives

Implementing the seasonal watering plan

The *Seasonal Watering Plan 2014-15* identified 243¹ priority 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 priority watering actions achieved is always dependent on actual seasonal and operational conditions.

Of the 243 identified priority watering actions, 232 actions were required in 2014-15 and 11 were not required. These 11 priority watering actions were not required because:

- the watering was only required to ameliorate water quality issues that did not eventuate, or to extend natural inundation that did not occur
- flow recommendations were revised during the year and the priority watering action was no longer recommended
- the action was a trial watering that was not required environmentally
- alternative actions were delivered in their place.

Of the 232 priority watering actions identified as in scope for 2014-15, 196 actions or 84 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 percentage of actions achieved was slightly higher than 2013-14.

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

- wetlands being naturally inundated during planned drying phases
- insufficient water availability
- a lack of agreement with landholders for watering private wetlands or lack of connection to the source system
- infrastructure or delivery feasibility limitations
- water was delivered to J Ferrier Wetland instead of R Ferrier Wetland in the Wimmera-Mallee wetland system by operator mistake.

Of those priority watering actions which were fully or partially achieved, 135 or 69 percent relied on some contribution of managed environmental water. The remaining 31 percent were achieved with unregulated flows, consumptive water en route, with water being delivered for other purposes or through drying.

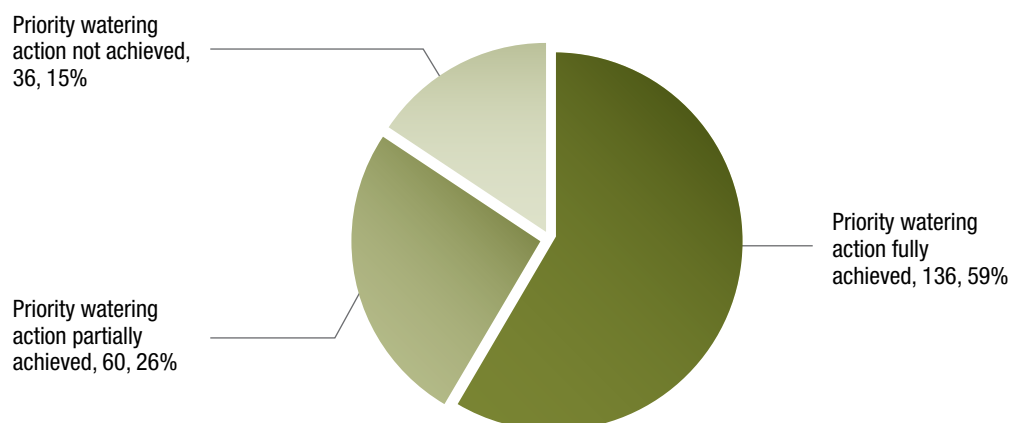
1. This number includes two priority watering actions in Jacksons Creek in the Maribyrnong catchment and one priority watering action in the River Murray that were not explicitly defined in the seasonal watering plan. The River Murray action was delivered in line with section 1.2.5 of the *Seasonal Watering Plan 2014-15* 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 2014 15



Total net water availability in 2014-15 was 994,545 ML, including water made available by the CEWH and by the MDBA as part of the Living Murray program.

In total, 645,767 ML of environmental water was delivered to 129 environmental flow river reaches (73) or wetlands (56) across Victoria. Fewer sites were delivered to, compared to 2013-14, because environmental watering was adapted to meet needs associated with the generally dry conditions. This meant that a number of wetlands had entered a drying regime and did not require watering in 2014-15.

Table 1.1 provides a comparison of some water planning and delivery indicators from 2011-12 to 2014-15. These indicators are not reported against set targets because they are dependent upon seasonal and operational conditions.

Table 1.1 Comparison of 2014-15 watering performance with previous years

	2011-12 ¹		2012-13		2013-14		2014-15	
Priority watering actions (number of actions and as percentage of total number of actions identified)								
Total no. of actions identified	109		122		222		243	
Total no. of actions required							232	
Actions fully achieved	68	62.4%	81	66%	91	41%	136	58.6% ² (56%) ³
Actions partially achieved	31	28.4%	30	25%	90	41%	60	25.9% ² (25%) ³
Actions not achieved	10	9.2%	11	9%	41	18%	36	15.5% ² (19%) 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%
Not actively managed with environmental water ⁴	41	41%	37	33%	34	19%	61	31%
Other indicators								
Total number of river reaches and wetlands	45		63		145		129	
Total number of seasonal watering statements	47		60		95		60	
Total number of seasonal watering plan variations	6		8		8		4	

Seasonal watering statements

During the 12 months to 30 June 2015, the VEWH Commission issued 60 seasonal watering statements authorising waterway managers to order water from the Water Holdings. This includes one watering authorisation to enable the VEWH Office to order water made available by the CEWH in the River Murray. In comparison to previous years, a smaller number of statements were required as many of the authorisations for water use at wetlands were collated into single statements. In past years, each wetland has had a separate statement.

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. Reporting in 2014-15 was updated to reflect that some priority watering actions were not required which is a change from reporting in previous years. These percentages reflect the percentage of actions with a particular achievement of the number of actions required in 2014-15 (232 actions required rather than 243 actions identified).
3. These percentages have been included to allow comparison between reporting in previous years and 2014-15. They reflect the percentage of actions with a particular achievement of the total number of actions identified in the *Seasonal Watering Plan 2014-15* (243 actions identified). They have been included to allow comparison between reporting in previous years and 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.



SECTION ONE

Variations to the seasonal watering plan

In response to unforeseen circumstances and changing conditions, the VEWH approved four variations to the seasonal watering plan during 2014-15. 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:

- Campaspe system: Seasonal watering plan amended to include new information available from a review of the environmental flow study (September 2014).
- Lindsay, Wallpolla and Mulcra Islands (Wallpolla East): Seasonal watering plan amended to include Wallpolla East as a separate priority watering action. The site was previously omitted as it was not clear in the seasonal watering proposal that it was a site that could be watered independently from the greater Wallpolla Island icon site (February 2015).
- Central Murray wetlands (Wirra-Lo wetland complex): Seasonal watering plan amended to include the Wirra-Lo wetland complex. The site was identified as a priority watering site during the year (March 2015).
- Central Murray wetlands (Johnson Swamp): Seasonal watering plan amended to include Johnson Swamp for watering. The seasonal watering proposal identified Johnson Swamp for drying in 2014-15, however watering previously intended for 2015-16 was brought forward to 2014-15 to manage channel capacity risks associated with the previously intended timing (April 2015).

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 2014-15 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 2015, the VEWH Water Holdings comprised 22 entitlements and a number of water shares. In 2014-15, no new entitlements were created, however one entitlement was amended. The amendment to the *Wimmera and Glenelg Rivers Environmental Entitlement 2010* was gazetted on 18 September 2014. This amendment, along with corresponding amendments to water corporation bulk entitlements, was to formalise contemporary operational arrangements and outcomes from the Wimmera and Glenelg Bulk Entitlement Operations Review. The amendment did not alter the VEWH's entitlement volume.

The volume of 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. These volumes increase each year based on an annual audit of long-term savings achieved to date.

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

Water availability and use

The VEWH carried over a total of 288,411 ML from 2013-14 into 2014-15, and received a total of 419,308 ML of new water allocation in 2014-15. Additional water was made available by the CEWH, the Living Murray program, donations from individuals and organisations, reuse of return flows and water transfers and purchases.

In total, 645,767 ML of environmental water was delivered to sites across Victoria. This included 330,980 ML of water made available by the CEWH, and 105,727 ML made available by the Living Murray program in northern Victoria, and 330 ML made available by Melbourne Water in the Central Region.

Table 1.2 provides a comparison of net water availability and delivery across the state for 2011-12 to 2014-15.

Table 1.2 Water availability and delivery by region and for the state from 2011-12 to 2014-15

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

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 does not include 15.6 ML of water delivered to three Wimmera-Mallee wetlands in Supply System 5 (Cokym Bushland reserve, Considines and Poyner) in 2013-14 as this water was not accounted for under the environmental entitlement).
4. This does not include 0.5 ML of water delivered to two Wimmera-Mallee wetlands in Supply System 5 (Considines and Poyner) as this water was not accounted for under the environmental entitlement. The water was delivered in 2014-15 using a water allowance that is held by the VEWH and supplied from GWMWater's Murray River Bulk Entitlement.
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 2014-15 in the Gippsland, Central, Western and Northern regions respectively. Further commentary on changes to VEWH entitlements, water availability and carryover and trade of water allocation is provided to accompany the tables.



SECTION ONE

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 2014-15, a total of 314,011 ML was recredited to VEWH accounts for return flows delivered through upstream sites to the River Murray. This included:

- 226,811 ML from the Goulburn River
- 29,735 ML from the Lower Broken Creek
- 18,214 ML from the Campaspe River
- 39,250 ML from Hattah Lakes.

Of this, 21,638 ML was reused at sites in Victoria, including Hattah Lakes, Mulcra Island and Gunbower Creek, while the remaining volume continued to flow down the River Murray to South Australia (see administrative transfers in trade section below).

Carryover into 2015-16

At the end of 2014-15, 348,991 ML of environmental water remained in VEWH accounts. This represents 35 percent of the VEWH's net water availability last year.

Of the total water remaining in VEWH accounts, 4,980 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 (344,011 ML) will be carried over and may be available for use in 2015-16, subject to carryover rules and conditions (for example, evaporation and potential loss to storage spills).

Water donations

About 47 ML of water was donated to VEWH in 2014-15 (see column H of Table 1.6). Of this, 12 ML was donated by a generous community member in the Mallee region, which contributed to wetland watering in that region. In addition, Parks Victoria donated about 35 ML, which was delivered in June 2015 as part of a winter fresh in the Goulburn River.

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 VEWH allocation (for example, for carryover or water delivery)
- administrative water transfers with other environmental water holders
- administrative water transfers as part of 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 the Northern Region) 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 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.

Administrative transfers of VEWH allocation

Transfers of VEWH allocation of note included:

- Goulburn to Loddon system – a net volume of 1,115 ML of VEWH Goulburn allocation was traded to the Loddon system to facilitate the delivery of priority watering actions in the Loddon system.
- Yarra to Thomson system – a net total of 3,760 ML of VEWH Yarra allocation was traded to facilitate the delivery of summer/autumn fresh in the Thomson system in spring 2014.
- 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 2015-16. For example, 7,838 ML was traded to the Goulburn system from 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 2014-15, the following transfers with other water holders occurred:

- Commonwealth environmental water – a total of 384,056 ML of Commonwealth allocation was traded into VEWH's accounts for use in northern Victorian systems. This water was used to achieve priority watering actions in the Goulburn, Campaspe, Loddon, and Broken systems and Hattah Lakes and Mulcra Island. Following the completion of environmental watering, 53,064 ML of unused Commonwealth environmental water was returned to the CEWH.
- Living Murray environmental water – a total of 66,899 ML of Living Murray allocation was traded to accounts held by the VEWH to contribute to the achievement of priority watering actions at Living Murray 'icon sites', including the Hattah Lakes and Gunbower Forest. In addition, about 21,795 ML of Living Murray allocation was transferred to VEWH accounts by the MDBA under an agreement to maximise carryover opportunity between the two organisations.
- Delivery of return flows to South Australia – a total of 292,372 ML of return flow recredit was traded 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 traded, 184,758 ML was Commonwealth environmental water, 62,020 ML Living Murray water and 45,595 ML VEWH water.



SECTION ONE

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 (see Snowy entitlements in Table 1.6). 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 2014-15, the VEWH traded the following volumes from each system to the Snowy inter-valley transfer account:

- Murray system – 44,465 ML
- Goulburn system – 38,573 ML
- Loddon system – 470 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 83,508 ML).

Commercial allocation trade

In the Central Region, Melbourne Water and VEWH jointly funded the purchase of 629 ML of licence allocation in the Maribyrnong system in 2014-15 to build on the environmental watering in Jacksons Creek in 2013-14.

In the Northern Region, 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 this water will be transferred to the buyer at an agreed time in 2015-16 (and is therefore not reflected in the total volume traded (column I of Table 1.6). The following case study provides further detail on this activity. The VEWH did not purchase any allocation in northern Victoria this year.

No purchase or sale of allocation occurred in the Gippsland or Western Regions in 2014-15.

Case study:

Northern Victoria allocation trade

As part of its portfolio management, the VEWH regularly assesses its environmental demand and supply position throughout the year. This assessment considers factors such as environmental condition and demand, current and forecast climate conditions and water availability, carryover capacity and market conditions.

Following the spring environmental watering period, a demand-supply assessment was undertaken, and it was determined that up to 8,000 ML could be made available for sale on the market in northern Victoria. Key factors contributing to this decision included:

- all foreseeable environmental water demands in northern Victoria for the remainder of 2014-15 under a range of scenarios (including dry, average and wet conditions) could be met with available water, with some water remaining
- there was sufficient water available to meet carryover requirements for 2015-16, and there was a risk that some water could not be carried over at the end of the season
- the market price for water allocation was high, providing a good opportunity to convert 'surplus' water into money that could be used to benefit the environment in other ways.

Between December 2014 and January 2015, 8,000 ML was sold in the Murray and Goulburn systems via selected water brokers at an average price of \$129/ML.

Following an updated demand-supply assessment in March 2015, the VEWH made a further 5,000 ML available for sale. With dry conditions occurring across northern Victoria, water demand had been lower than initially planned through the summer period. Dry conditions can often lead to lower environmental demand, as it may not be feasible or efficient to deliver water, or because naturally water would not have been present at that site under these conditions. With the price of allocation remaining high and foreseeable demands able to be satisfied, the sale was considered to be the best portfolio management option available. A further 4,975 ML was sold in the Goulburn system between late March and early May 2015, attracting an average price of \$136/ML. This included 500 ML of forward allocation trade, which will be transferred to the buyer at an agreed time in 2015-16.

Table 1.3 VEWH water account summary in the Gippsland Region in 2014-15

VEWH Water Holdings 2014-15 – Gippsland Region											
River system	Entitlement	Reliability	Entitlement volume (ML) at 1 July 2014	Carryover from 2013-14 (ML)	Carryover lost to spill (ML)	Allocation (ML)	Share of inflows (ML)	Net trade (ML)	Total available (ML)	Water Use 2014-15 (ML)	Closing balance (ML) ¹
				A	B	C	D	E	F = A-B+C+D+E	G	H = F - 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
	Blue Rock Environmental Entitlement	Share of inflows	9% inflows	18,737.0			3,613.4		22,721.0 ³	3,984.0	18,731.0 ³
Thomson	Thomson River Bulk Entitlement	High	10,000.0	113.0		10,000.0		3,760.0	13,873.0	13,479.0	394.0
		Passing flows	N/A								
Macalister	Macalister River Environmental Entitlement	High	12,460.9	1,826.8	5.0	12,460.9			14,282.8	11,312.9	2,969.9
		Low	6,229.5	96.2		1,245.9			1,342.1	96.2	1,245.9
Gippsland Region total				20,773.0	5.0	23,706.8	3,613.4	3,760.0	52,218.8	28,872.1	23,340.8

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

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

3. Due to allocation rules in the Blue Rock Environmental Entitlement, the closing balance and total available water do not add up according to formulas in columns F and H.

Table 1.4 VEWH water account summary in the Central Region systems in 2014-15

VEWH Water Holdings 2014-15 – Central Region												
River system	Entitlement	Reliability	Entitlement volume (ML) or percentage of inflows at 1 July 2014	Carryover from 2013-14 (ML)	Allocation (ML)	Share of inflows (ML)	Net transfer (ML)	Net trade	Net spills (ML) ¹	Total available (ML)	Water Use 2014-15 (ML)	Closing balance (ML) ²
				A	B	C	D	E	F	G = A+B+C+D+E+F	H	I = G - H
Tarago	Tarago and Bunyip Rivers Environmental Entitlement	Share of inflows	10.3% inflows	3,000.0		2,595.0			-753.0	4,842.0	1,842.0	3,000.0
		Passing flows	N/A									
Yarra	Yarra River Environmental Entitlement	High	17,000.0	34,076.0	17,000.0		-3,760.0			47,316.0	29,251.0	18,065.0
		Passing flows	N/A									
Werribee	Werribee River Environmental Entitlement	Share of inflows	10% inflows	864.0		84.8				948.8	383.5	714.0 ³
	Water use registration	N/A	N/A				330.4				330.0	0.4
Maribyrnong	N/A	N/A	N/A					628.9		628.9	610.4	18.5
Moorabool	Moorabool River Environmental Entitlement	Share of inflows	11.9% inflows	2,208.1		457.3				4,665.4	1,685.0	980.4
		Passing flows	N/A									
Barwon	Barwon River Environmental Entitlement ⁴	Unregulated	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Central Region total				40,148.1	17,000.0	3,137.1	-3,429.6	628.9	-753.0	56,731.5	34,101.9	22,778.3

1. Net spills are calculated by the addition of: i) physical spills from storages, ii) credits to the VEWH account from other accounts in the same storage when those accounts are full, iii) debits from the VEWH account to other accounts in the same storage when the VEWH account is full.

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

3. Closing balance in the Werribee system is not calculated as available water minus used water, due to the allocation rules in these entitlements.

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

Table 1.5 VEWH water account summary in the Western Region in 2014-15

VEWH Water Holdings 2014-15 – Western Region									
System	Entitlement	Reliability	Entitlement at 30 June 2013	Allocation carried over from 2013-14 (ML)	Carryover lost to spill (ML)	Allocation 2014-15 (ML)	Total water available 2014-15 (ML)	Water Use 2014-15 (ML)	Closing balance (ML) ¹
				A	B	C	D = A - B + C	E	D - E
Wimmera and Glenelg	Wimmera Glenelg Rivers Environmental Entitlement 2010	Wimmera-Mallee pipeline product high-reliability	40,560.0	24,642.2		19,509.4	44,151.6	33,607.9	10,543.7
		Wimmera-Mallee wetlands high-reliability ²	1,000.0	1,195.4			1,195.4	111.9 ³	1,083.5
		Passing flows							
Western Region total				25,837.6	0.0	19,509.4	45,346.9	33,719.8	11,627.1

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 0.5 ML water at two Wimmera-Mallee Supply System 5 wetlands (Considines, 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 2014-15

VEWH Water Holdings 2014-15 – Northern Region														
Entitlement	Reliability	Entitlement at 1 July 2014	Allocation carried over from 2013-14 (ML)	Carryover lost to spill (ML) ¹	Allocation 2014-15 (ML)	Return flow recredit (ML) ²	Net transfer CEW (ML)	Net transfer TLM (ML)	Net transfer VEWH (ML) ³	Donations (ML)	Net trade VEWH (ML) ⁴	Total water available 2014-15 (ML)	Water use 2014-15 (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	96.8	21.4	29,782.3	246,641.9	40,000.0	21,794.6	-234,250.6	12.0	-3,250.0	100,805.7	75,876.3	24,929.4
	Low	3,893.6					29,823.8		3,893.6			33,717.4	29,823.8	3,893.6
	Unreg	40,000.0			1,761.4							1,761.4	1,761.4	N/A
Environmental Entitlement (River Murray - NVIRP Stage 1) 2012 ⁵	N/A	21,965.3	16,246.4		15,151.6				-479.2		-350.0	30,568.8	10,475.1	20,093.7
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	114,300.0	2,300.0 ⁶	25,000.0							187,000.0	0.0	187,000.0
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999 - Living Murray	High	9,589.0	4,473.2	840.4	9,589.0			5,469.6				18,691.4	9,155.7	9,535.7
	Low	101,849.9	2,840.6			67,368.7		-64,807.3				5,402.0	5,348.7	53.3
	Unreg	34,300.0			34,300.0							34,300.0	34,300.0	N/A
Bulk Entitlement (River Murray - Snowy Environmental Reserve) Conversion Order 2004 ⁷	High	29,794.0			29,794.0				-29,794.0			0.0	0.0	0.0
Water shares - Snowy River Environmental Reserve ⁷	High	14,670.9			14,670.9				-14,670.9			0.0	0.0	0.0
	Low	6,423.4										0.0	0.0	0.0
Broken System														
Broken system water use registration	N/A	N/A					250.0		637.2			887.2	887.2	0.0



VEWH Water Holdings 2014-15 – Northern Region

Entitlement	Reliability	Entitlement at 1 July 2014	Allocation carried over from 2013-14 (ML)	Carryover lost to spill (ML) ¹	Allocation 2014-15 (ML)	Return flow recredit (ML) ²	Net transfer CEW (ML)	Net transfer TLM (ML)	Net transfer VEWH (ML) ³	Donations (ML)	Net trade VEWH (ML) ⁴	Total water available 2014-15 (ML)	Water use 2014-15 (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	31,679.0	22,409.8		21,922.0				12,348.7	35.4	-8,875.0	47,840.9	29,138.6	18,702.3
Goulburn River Environmental Entitlement 2010	High	8,851.0			8,851.0				-8,851.0			0.0	0.0	0.0
	Low	3,140.0					252,257.0		3,071.5			255,328.5	252,188.5	3,140.0
Environmental Entitlement (Goulburn System - Living Murray) 2007	High	39,625.0	19,164.0		39,625.0			-4,440.3				54,348.7	54,348.7	0.0
	Low	156,980.0	1,434.3					12,783.5				14,217.8	0.0	14,217.8
Bulk Entitlement (Snowy - Environment) Order 2005 ⁷	High	30,252.0			30,252.0				-30,252.0			0.0	0.0	0.0
	Low	8,156.0										0.0	0.0	0.0
Water shares - Snowy River Environmental Reserve ⁷	High	8,320.9			8,320.9				-8,320.9			0.0	0.0	0.0
	Low	17,852.0										0.0	0.0	0.0
Silver and Wallaby Creeks Environmental Entitlement 2006	Passing flows													
Campaspe System														
Campaspe River Environmental Entitlement 2013	High	20,652.0	9,549.4		20,652.0		5,791.4		-7,837.6			28,155.2	28,155.2	0.0
	Low	2,966.0										0.0	0.0	0.0
Campaspe River withheld passing flow account ⁸	Passing flows	N/A	1,676.0		559.0							2,235.0	0.0	2,235.0
Environmental Entitlement (Campaspe River - Living Murray Initiative) 2005	High	126.0	126.0		126.0							252.0	252.0	0.0
	Low	5,048.0	2,322.1									2,322.1	2,322.1	0.0
Coliban River withheld passing flow account ⁸	Passing flows	N/A	140.0		774.0							914.0	441.0	473.0

VEWH Water Holdings 2014-15 – Northern Region

Entitlement	Reliability	Entitlement at 1 July 2014	Allocation carried over from 2013-14 (ML)	Carryover lost to spill (ML) ¹	Allocation 2014-15 (ML)	Return flow recredit (ML) ²	Net transfer CEW (ML)	Net transfer TLM (ML)	Net transfer VEWH (ML) ³	Donations (ML)	Net trade VEWH (ML) ⁴	Total water available 2014-15 (ML)	Water use 2014-15 (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		2,000.0							4,000.0	2,000.0	2,000.0
	High	1,480.0	659.9		820.1							1,480.0	1,480.0	0.0
	Trigger based	7,490.0	4,114.3		7,490.0							11,604.3	6,643.6	4,960.7
	Low	2,024.0					2,869.5		1,115.1			3,984.6	3,984.6	0.0
Loddon River withheld passing flow account ⁸	Passing flows	N/A			330.0							330.0	320.0	10.0
Water shares - Snowy River Environmental Reserve ⁷	High	470.0			470.0				-470.0			0.0	0.0	0.0
Environmental Entitlement (Birch Creek – Bullarook System) 2009	Trigger based	100.0	100.0	100.0	100.0							100.0	100.0	0.0
Northern Region Total		714,480.3	201,652.8	3,261.8	352,341.2	314,010.6	330,991.7	-29,199.9	-313,860.1	47.4	-12,475.0	840,246.9	549,002.5	291,244.4

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 VEWH 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 VEWH 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 VEWH 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 other water users.



SECTION ONE

Performance against indicators

Three strategic performance indicators were included as part of the VEWH *Corporate Plan 2014-15 to 2017-18*. Table 1.7 outlines the VEWH's performance against these indicators in 2014-15. There were no major changes or factors affecting the performance of the VEWH during 2014-15.

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%	86%
Corporate Plan priority outputs delivered within committed timeframes	85%	80%
Programs evaluated for effectiveness in achieving goals and opportunities for improvement identified	100%	100%

For 2014-15, the VEWH achieved 86 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 the 23 June 2014 under section 33DZA of the Water Act.

However, the VEWH did not meet all Water Holdings obligations as some operating arrangements and metering programs have not been finalised. The entitlements specify that, in general, operating arrangements and metering programs must be completed within 12 months of each entitlement being issued. Since 2014, extensive collaboration with environmental watering program partners has occurred to develop these documents. Due to nature of the Water Holdings and the multiple entitlements held by the VEWH across the state, this is a significant undertaking and ongoing work is required to achieve full compliance with these obligations. The remaining gaps will continue to be addressed in 2015-16 to meet the obligations of the Water Holdings.

Nine out of 46 corporate plan outputs were not fully delivered. These related to the redevelopment of the VEWH website, weekly public updates on watering actions, documenting business rules for prioritising watering actions and portfolio management, and undertaking an evaluation of stakeholder satisfaction. These outputs were not fully delivered due to staff resource constraints.

All strategic programs were evaluated for effectiveness for the 2014-15 year, with opportunities for improvement captured. Key improvements which have been captured as priority outputs in the *Corporate Plan 2015-16 to 2018-19* include improving communication of the rationale for prioritised watering actions and the benefits of Victoria's environmental watering program to the community, and encouraging appropriate capability and resourcing for Victoria's environmental watering program.

For the first time in 2014-15, four key financial performance indicators and associated targets were included in the *Corporate Plan 2014-15 to 2017-18*. Table 1.8 outlines the performance against these indicators and shows that in 2014-15 the target was met or exceeded.

Table 1.8 Financial performance against key indicators

Performance indicator	Target	Achievement
Financial statements reviewed to ensure the variance of actual expenditure to budgeted expenditure is within the target range, and actions taken to mitigate significant variances	<10%	7%
Financial investment strategy reviewed, and actions taken to address significant variances	Quarterly	Achieved
Final financial accounts (for 2014-15) are complete and accurate	100%	100%
Office operations expenditure as a percentage of total expenditure is within the target range	<33%	18%

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

1.4 Initiatives and key achievements

Key tasks which contribute to achievement of the VEWH's vision and continuous improvement are captured as priority outputs in the *Corporate Plan 2014-15 to 2017-18*.

Key achievements for 2014-15 have included further engagement and consultation with our stakeholders with several regional forums held including the Environmental Water Matters Forum, the Goulburn Broken Environmental Watering Forum and the North Central Environmental Watering Forum.

The VEWH successfully negotiated and coordinated the delivery of a number of large-scale watering actions in northern Victoria, including the commissioning of new structural works at Gunbower Forest. A number of long-term watering agreements between the VEWH and the CEWH were also agreed.

The VEWH contributed substantially to the implementation of the Basin Plan in 2014-15 in a number of areas. These included timely reporting on achievements for the 2013-14 watering season, participation in a number of working groups, input into long-term watering plans and development of Basin annual environmental watering priorities.

The VEWH invested in a program of targeted investigations, monitoring and technical work to help address knowledge gaps and demonstrate outcomes from environmental watering. As the results from these studies become available, they are being shared with program partners to facilitate adaptive management of the Water Holdings.

SECTION ONE

1.5 Five year financial summary

Table 1.9 below provides a financial summary for VEWH operation in 2014-15. As this is only the VEWH's fourth year of operation, it is not possible to provide five years of financial summaries.

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

	2014-15	2013-14	2012-13	2011-12
<i>Revenues</i>				
Government contributions / grants	11,603,223	6,735,668	3,814,190	3,630,841
Other income	42,150	30,465	23,695	20,489
Sale of water allocation	1,635,607	0	552,605	92,066
Interest	182,489	119,864	49,668	18,176
Other Income	0	100	0	0
Total revenue	13,463,469	6,886,097	4,440,158	3,761,572
<i>Expenditures</i>				
Employee benefits	(1,176,834)	(803,516)	(653,733)	(597,759)
Grants (water delivery and management)	(2,320,867)	(1,205,865)	(382,855)	(941,233)
Environmental water holdings and transaction expenses	(4,995,326)	(2,210,926)	(1,471,600)	(1,172,647)
Other operating expenses	(958,920)	(723,980)	(322,751)	(306,765)
Total expenditure	(9,451,947)	(4,944,287)	(2,830,939)	(3,018,404)
<i>Assets¹</i>				
Total assets	9,856,729	4,829,609	2,508,345	961,863
<i>Liabilities</i>				
Total liabilities	1,561,006	541,141	157,882	218,695

1.6 Current year financial review

Since the first year of operation, environmental water holdings and transaction expenses have increased as additional environmental water entitlements have been created, resulting in additional costs, for example due to charges for the storage of water in reservoirs. Despite this, some entitlements have not been created or transferred within the expected timeframe, thus some expected costs were not incurred, contributing about \$1.1 million to the \$4 million surplus that the VEWH achieved during 2014-15 (an increase from previous years).

1. Environmental entitlements are issued by the Minister for Environment, Climate Change and 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 2014-15.

In addition, water delivery costs were \$1.3 million lower than assumed. Delivery costs vary from year to year according to seasonal conditions and environmental needs, which affects the volume of water required to be delivered and the costs incurred. When funding was originally sought, there was limited data available to inform cost estimations; this will continue to improve over time. It is important that the VEWH is able to carry forward and access funds for years with 'above average' seasonal conditions and associated costs. There may be a general increase in delivery costs over time, as more Commonwealth environmental water is delivered in line with their growing Water Holdings. Costs for this delivery are incurred by the VEWH, and are reimbursed in full by the Commonwealth Government.

The \$1.6 million revenue received from the sale of water allocation (see section 1.3) also contributed to the surplus. In 2014-15, the VEWH sold 12,975 ML of water allocation in the Murray and Goulburn systems. Water trading opportunities are assessed throughout the year, with the sale of water allocation only being considered when this supply is not required to meet priority watering actions. Revenue from previous water allocation sales is retained to purchase water allocation to meet priority watering actions in different systems or in different years, or investment in measures to improve the performance of Victoria's environmental watering program. As such, water trading revenue and expenditure will vary from year to year, and it is important that the VEWH is able to carry forward and access these funds when required in future years.

Other minor variances relate to:

- receipt of funding from DELWP for the construction or upgrade of infrastructure to address key metering gaps, that will be expended in 2015-16
- increased staff costs, as additional resources have been required to manage operational requirements associated with the increasing Water Holdings, and the evolving statutory, business management, reporting, and communications and engagement requirements
- a slight increase in the number of technical projects that were funded or implemented in 2014-15.

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

1.7 Significant changes in financial position

In 2014-15, the VEWH received an additional \$3.75 million from the Environmental Contribution to fund charges arising from the implementation of Policy 8.8 in the *Victorian Waterway Management Strategy*. This policy requires 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.

1.8 Significant changes or factors affecting performance

There were no significant changes or factors which affected VEWH 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 2014-15 were:

- **Denis Flett** (*Chairperson*)
Denis has extensive experience in the Australian water sector, in water engineering, management, leadership, governance and consulting. The foundation chief executive of Goulburn-Murray Water and a Victorian Commissioner on the former Murray-Darling Basin Commission, he is currently a Director of North East Water. 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 Minister for Environment, Climate Change and Water. 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 attended all Commission meetings in 2014-15.

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 for Environment, Climate Change and Water. DELWP has a role in governance oversight of the VEWH, advising the Minister for Environment, Climate Change and Water 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 Minister for Environment, Climate Change and Water 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 2014-15.

The Minister for Environment, Climate Change and Water 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.

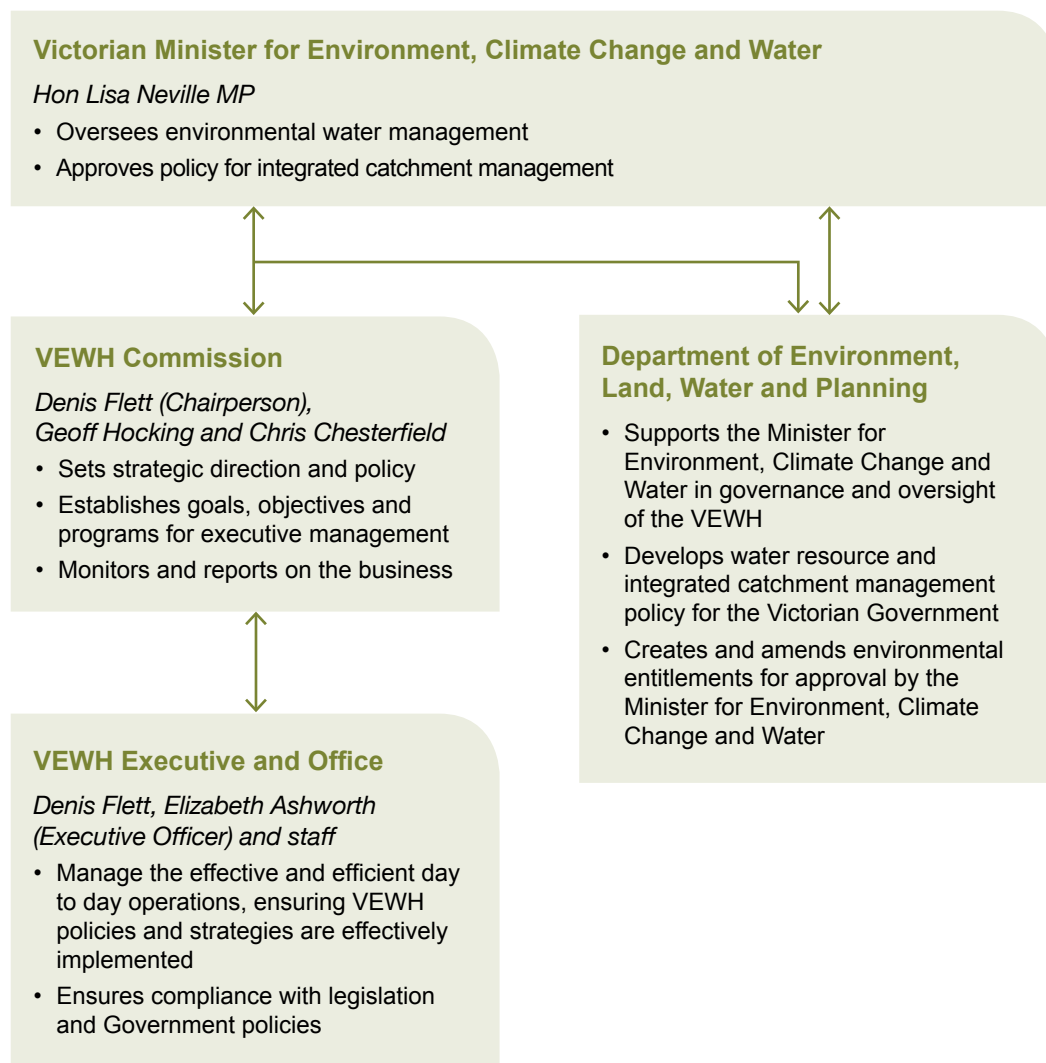
2.2 Risk and Audit Committee membership and roles

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 2014-15, Risk and Audit Committee members were:

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

SECTION TWO

Figure 2.1 Governance structure



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, VEWH staff are employed by DELWP. In using 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
- 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.



SECTION THREE

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

During 2014-15, the VEWH employed up to 10 staff (FTEs). At 30 June 2015, there were 10 staff, an increase from the previous year partly related to operational requirements of managing the Water Holdings due to both the increasing size and complexity of the Water Holdings, and the increased business management needs to ensure that the VEWH is compliant with its many statutory obligations. The average number of staff during 2013-14 was eight.

Table 3.1 Workforce data

	2014-15	2013-14
Executive Officer	1	1
Project Officers	9	7
Total	10	8
Male	2	2
Female	8	6
Total	10	8

Disclosures and compliance

4.1 Victorian Industry Participation Policy (VIPP)

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

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

4.2 Consultancies

The VEWL maintains a register of contracts, including consultancies.

Consultancies over \$10,000

In 2014-15, there were four consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2014-15 in relation to these consultancies was \$145,390 (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 2014/15 (Excl GST)	Future Expenditure (Excl GST)
Alluvium	Scoping of metering improvements for environmental water	15/12/2014	25/02/2015	\$79,400	\$79,400	Nil
Shinewing (previously named Moore Stephens)	Three internal audits for 2014 and 2015	11/11/2014	15/07/2015	\$40,745	\$28,522	\$12,223
Tim Cummins and Associates Pty Ltd	Assess compliance against VEWL obligations in the Murray-Darling Basin Plan	17/11/2014	19/12/2014	\$16,568	\$16,568	Nil
Aither Pty Ltd	Interpret and assess Murray-Darling Basin Plan Trading rules and mechanisms	11/12/2014	31/03/2015	\$20,900	\$20,900	Nil

Consultancies under \$10,000

In 2014-15, the VEWL did not undertake any consultancies that were less than \$10,000.

4.3 Major contracts

The VEWL did not enter into any contracts greater than \$10 million in value during 2014-15.



SECTION FOUR

4.4 Government advertising and expenditure

In 2014-15 the VEWH had no government campaign expenditure.

4.5 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 \$27.20 applies.

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

4.6 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*.

4.7 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.

4.8 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 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 VEWH is not able to receive protected disclosures.

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

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

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

Contacts

Department of Environment, Land, Water and Planning

Jennifer Berensen, Senior Advisor, Privacy & Ombudsman

Department of Environment and Primary Industries

Address: PO Box 500, East Melbourne Vic 3002

Ph: 03 9637 8697

Website: www.delwp.vic.gov.au

Independent Broad-Based Anti-Corruption Commission Victoria

Address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3001.

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3000

Internet: www.ibac.vic.gov.au

Phone: 1300 735 135

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

4.9 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*.

4.10 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 Nicholson 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 2014-15*.



SECTION FOUR

4.11 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 2015-16*.

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

8 September 2015

Financial statements

– 30 June 2015





SECTION FIVE

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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 Kruithof on 8 September 2015.

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

Victorian Environmental Water Holder Financial Statements

Comprehensive operating statement for the financial year ended 30 June 2015

	Notes	2015 \$	2014 \$
Income from transactions			
Grants	1(f), 2(a)	11,603,223	6,735,668
Fair value of services received free of charge or for nominal consideration	1(f), 2(b)	42,150	30,465
Sale of water allocation	1(f), 2(c)	1,635,607	0
Interest	1(f), 2(d)	182,489	119,864
Other Income	2(e)	0	100
Total income from transactions		13,463,469	6,886,097
Expenses from transactions			
Employee expenses	1(g), 3(a)	(1,176,834)	(803,516)
Grants (water delivery and management)	1(g), 3(b)	(2,320,867)	(1,205,865)
Environmental water holdings and transaction expenses	1(g), 3(c)	(4,995,326)	(2,210,926)
Supplies and services	1(g), 3(d)	(958,920)	(723,980)
Total expenses from transactions		(9,451,947)	(4,944,287)
Net result from transactions		4,011,522	1,941,810
Other economic flows included in net result			
Other losses from other economic flows	1(h), 4	(4,268)	(3,805)
Comprehensive result		4,007,254	1,938,005

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

SECTION FIVE

Balance sheet as at 30 June 2015

	Notes	2015 \$	2014 \$
Assets			
Financial assets			
Cash and deposits	1(j), 11, 12(a)	7,124,875	4,622,862
Receivables	1(j), 5, 11	431,854	206,747
Investment in other financial assets	1(j)	2,300,000	0
Total financial assets		9,856,729	4,829,609
Total assets		9,856,729	4,829,609
Liabilities			
Payables	1(k), 6, 11	1,284,195	401,772
Provisions	1(k), 7	276,811	139,369
Total liabilities		1,561,006	541,141
Net assets		8,295,722	4,288,468
Equity			
Accumulated surplus		8,295,722	4,288,468
Net worth		8,295,722	4,288,468

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

Commitment for expenditure	1(l), 9
Contingent assets and contingent liabilities	1(m), 10

Statement of changes in equity for the financial year ended 30 June 2015

	Accumulated surplus \$	Total \$
Balance as at 30 June 2013	2,350,463	2,350,463
Comprehensive result	1,938,005	1,938,005
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

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

Cash flow statement for the financial year ended 30 June 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts			
Receipts from government		11,465,926	6,518,889
Receipts from other entities		1,562,994	108,046
Interest received		182,489	123,972
GST Recovered from ATO		0	496
Total receipts		13,211,409	6,751,403
Payments			
Payments of grants and other transfers		(2,107,514)	(873,825)
Payments to suppliers and employees		(6,286,774)	(3,659,956)
GST paid to ATO		(15,108)	0
Total payments		(8,409,396)	(4,533,781)
Net cash flows from operating activities	12(b)	4,802,013	2,217,622
Cash flows used in investing activities			
Payments for investments		(2,300,000)	0
Net cash flows used in investing activities		(2,300,000)	0
Net increase in cash and cash equivalents		2,502,013	2,217,622
Cash and cash equivalents at the beginning of the financial year		4,622,862	2,405,240
Cash and cash equivalents at the end of the financial year	12(a)	7,124,875	4,622,862

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.



SECTION FIVE

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 2015. 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. *Glossary of terms and style conventions*.

These annual financial statements were authorised for issue by the Victorian Environmental Water Holder on 8 September 2015.

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(g)); 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.

(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', as well as '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 Glossary 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 (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.

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) Changes in accounting policies

The following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

AASB 10 Consolidated Financial Statements

AASB 10 provides a new approach to determine whether one entity has control over another entity, and therefore must present consolidated financial statements. The new approach requires the satisfaction of all three criteria for control to exist over an entity for financial reporting purposes:

Note 1. Summary of significant accounting policies (continued)

- The investor has power over the investee;
- The investor has exposure, or rights to variable returns from its involvement with the investee; and
- The investor has the ability to use its power over the investee to affect the amount of investor's returns.

Based on the new criteria prescribed in AASB 10, the Water Holder has reviewed the existing arrangements to determine if there are any additional entities that need to be consolidated into the group. The Water Holder has concluded that there are no additional entities that the Water Holder controls.

AASB 11 Joint Arrangements

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

The Water Holder has no joint arrangements.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 Disclosure of Interests in Other Entities prescribes the disclosure requirements for an entity's interests in subsidiaries, associates, joint arrangements and extends to the entity's association with unconsolidated structured entities.

The Water Holder has no interests in other entities.

(f) 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.

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.

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.

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.

Other income

Amounts disclosed as other income include miscellaneous GST free revenue.

Note 1. Summary of significant accounting policies (continued)**(g) 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(k) 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 *Glossary of terms and style conventions* in 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.

(h) 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.

(i) 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 under contract. However, guarantees issued by the Treasurer on behalf of the entity are financial instruments because, although authorised under statute, 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 unless otherwise stated.

Note 1. Summary of significant accounting policies (continued)

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(j)), term deposits with maturity date less than three months, trade receivables, 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 difference 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.

(j) 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 the 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.

(k) Liabilities

Payables

Payables consist predominantly of creditors and other sundry liabilities.

Payables represent liabilities for goods and services provided to the entity at 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.

Payables are initially measured at fair value, being the cost of the goods and services, and then subsequently measured at amortised cost.

Note 1. Summary of significant accounting policies (continued)**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:

- undiscounted 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.

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(h)).

On-costs

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

Note 1. Summary of significant accounting policies (continued)

(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 *Commitments for expenditure*) 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 *Contingent assets and contingent liabilities*) and, if quantifiable, are measured at nominal value. 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(m) and Note 1(n)).

(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. The nature, amount and reason for the classification affects an item on the balance sheet, a third statement of financial position is also presented.

The Victorian Environmental Water Holder has reviewed its financial statements and determined to create an additional expenditure category; supplies and services. As a result, 2014 other operating expenses of \$738,980 has reclassified to supplies and services.

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

Certain new AASs have been published that are not mandatory for the 30 June 2015 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 2015, 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:

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 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	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 14 <i>Regulatory Deferral Accounts</i>	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 January 2016	The assessment has indicated that there is no expected impact, as the Water Holder has not elected to apply the requirements of this Standard.
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 January 2017 (Exposure Draft 263 – potential deferral to 1 January 2018)	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.
AASB 1056 <i>Superannuation Entities</i>	AASB 1056 replaces AAS 25 <i>Financial Reporting by Superannuation Plans</i> . The standard was developed in light of changes in recent years, developments in the superannuation industry and Australia's adoption of IFRS. Some of the key changes in AASB 1056 include: » the level of integration between AASB 1056 and other AASB standards » a revised definition of a superannuation entity » revised and consistent content for the financial statements » use of fair value rather than net market value for measuring assets and liabilities » revised member liability recognition and measurement requirements » revised disclosure principles	1 July 2016	The assessment has indicated that there will be no impact on the Water Holder, as the Accounting Standard only affects superannuation entities.

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 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 January 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 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i> [AASB 116 & AASB 138]	Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to: » 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 January 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2014-9 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i> [AASB 1, 127 & 128]	Amends AASB 127 <i>Separate Financial Statements</i> to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016	The assessment indicates that this is not applicable to the Water Holder.
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> [AASB 10 & AASB 128]	AASB 2014-10 amends AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates</i> to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: » a full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and » a partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	1 January 2016	The assessment indicates that this is not applicable to the Water Holder.

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 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> [AASB 10, AASB 124 & AASB 1049]	The Amendments extend the scope of AASB 124 <i>Related Party Disclosures</i> to not-for-profit public sector entities. Guidance has been included to assist the application of the Standard by not- for-profit public sector entities.	1 January 2016	The amending standard will result in extended disclosures on the Water Holder's key management personnel (KMP), and the related party transactions.

Note 1. Summary of significant accounting policies (continued)

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2014-15 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on the Water Holder.

- *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- *AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- *AASB 2014 1 Amendments to Australian Accounting Standards [PART D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*
- *AASB 2014 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*
- *AASB 2014 5 Amendments to Australian Accounting Standards arising from AASB 15*
- *AASB 2014 6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]*
- *AASB 2014 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
- *AASB 2014 8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*
- *AASB 2015 2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]*
- *AASB 2015 3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*
- *AASB 2015 4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent [AASB 127, AASB 128]*
- *AASB 2015 5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]*

Note 2. Income from transactions

	2015 \$	2014 \$
(a) Grants:		
Commonwealth grants	2,040,284	1,233,000
State government grants	9,562,939	5,502,668
Total grants	11,603,223	6,735,668
(b) Fair value of services received free of charge or for nominal consideration:		
Services (including rent, office equipment and IT services)	42,150	30,465
Total fair value of services received free of charge or for nominal consideration	42,150	30,465
(c) Sale of water allocation		
Sale of water allocation	1,635,607	0
Total sale of water allocation	1,635,607	0
(d) Interest		
Interest from cash, deposits and investments	182,489	119,864
Total Interest	182,489	119,864
(e) Other Income		
Other miscellaneous income	0	100
Total Other Income	0	100

Note 3. Expenses from transactions

	2015 \$	2014 \$
(a) Employee expenses		
Salary and wages	(945,820)	(609,865)
Superannuation	(90,506)	(59,130)
Leave expenses	(74,847)	(85,285)
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	(65,661)	(49,643)
Total employee expenses	(1,176,834)	(803,516)
(b) Grants (water delivery and management)		
Grants to water corporations	(1,087,135)	(163,360)
Grants to catchment management authorities	(1,196,232)	(1,017,505)
Grants to private individuals, businesses and non-profit organisations	(25,000)	(25,000)
Grants to other government entities	(12,500)	0
Total grants (water delivery and management)	(2,320,867)	(1,205,865)
(c) Environmental water holdings and transaction expenses		
Water storage fees	(4,983,945)	(2,160,262)
Water purchases	0	(46,137)
General delivery expenses (including statutory fees)	(11,381)	(4,527)
Total environment water holdings and transaction expenses	(4,995,326)	(2,210,926)

Note 3. Expenses from transactions (continued)

	2015 \$	2014 \$
(d) Supplies and services		
Community awareness and publicity	(7,548)	(1,442)
Contract and professional services	(633,985)	(477,167)
General expenses	(97,166)	(81,922)
IT expenses	(21,852)	(3,926)
Motor vehicle expenses	(12,115)	(6,479)
Office and accommodation expense	(73,135)	(50,902)
Office expenses	(6,563)	(9,412)
Payments for shared services	(45,232)	(30,465)
Postage and telephone expenses	(8,780)	(5,681)
Travel and subsistence	(52,544)	(56,585)
Total supplies and services	(958,920)	(723,980)
(e) Other expenses		
Ex-gratia payments	0	0
Total other expenses	0	0

Note 4. Other economic flows included in net result

	2015 \$	2014 \$
Other losses arising from revaluation of employee benefits		
Net loss arising from revaluation of employee benefits ⁽ⁱ⁾	(4,268)	(3,805)
Total other losses from other economic flows	(4,268)	(3,805)

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

Note 5. Receivables

	2015 \$	2014 \$
Current receivables		
(a) Contractual		
Trade receivables	118,433	60,516
Accrued income	14,783	0
	133,216	60,516
(b) Statutory		
Amount owing from Department of Environment, Land, Water and Planning	276,362	139,063
GST input tax credit recoverable	22,276	7,168
	298,638	146,231
Total current receivables	431,854	206,747
Total receivables	431,854	206,747

(a) Ageing analysis of contractual receivables

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

Note 6. Payables

	2014 \$	2013 \$
Current payables		
(a) Contractual		
Trade creditors ⁽ⁱ⁾	799,534	106,409
Other accrued expenses	15,291	40,358
Accrued grants	468,120	254,768
	1,282,945	401,535
(b) Statutory		
Amounts owing to the Department of Environment, Land, Water and Planning	0	236
Tax payables	1,250	0
	1,250	236
Total current payables	1,284,195	401,772
Total payables	1,282,945	401,772

(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 *Financial instruments* for the maturity analysis of contractual payables.

Note 7. Provisions

	2015 \$	2014 \$
Current provisions		
Employee benefits(i)- annual leave (Note 7(a))		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	91,605	42,555
Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	2,929	852
Employee benefits(i) – long service leave (Note 7(a))		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	0	0
Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	109,339	42,420
Provisions for on-costs		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	14,941	8,106
Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	18,311	8,242
Total current provisions	237,125	102,175
Non current provisions		
Employee benefits ⁽ⁱ⁾⁽ⁱⁱⁱ⁾ (Note 7(a))	34,121	31,243
Provisions for on-costs ⁽ⁱⁱⁱ⁾	5,565	5,951
Total non current provisions	39,686	37,194
Total provisions	276,811	139,369

(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**

	2015 \$	2014 \$
Current employee benefits ⁽ⁱ⁾		
Annual leave entitlements	94,534	43,407
Long service leave entitlements	109,339	42,420
	203,873	85,827
Non current employee benefits ⁽ⁱ⁾		
Long service leave entitlements ⁽ⁱⁱⁱ⁾	34,121	31,243
	34,121	31,243
Total employee benefits	237,994	117,070
On-costs		
Current on costs	33,252	16,348
Non current on costs ⁽ⁱⁱⁱ⁾	5,565	5,951
Total on costs	38,817	22,299
Total employee benefits and related on costs	276,811	139,369

(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.

(b) Movement in provisions

	On costs 2015 \$	Total 2015 \$
Opening balance	22,299	22,299
Additional provisions recognised	22,750	22,750
Reductions arising from payments/other sacrifices of future economic benefit	(5,536)	(5,536)
Unwind of discount and effect of changes in the discount rate	(696)	(696)
Closing balance	38,817	38,817
 Current	 33,252	 33,252
Non current	5,565	5,565
	38,817	38,817

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	
	2015 \$	2014 \$	2015 \$	2014 \$
Defined contribution plans:				
Victorian Superannuation Fund – Vic Super Scheme	89,709	32,949	797	228
Various other	0	25,774	0	179
	89,709	58,723	797	407

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 2015 or in the case of employer contributions they relate to the year ended 30 June 2015.

Note 9. Commitments for expenditure

There are no commitments for expenditure (2014: Nil).

Note 10. Contingent assets and contingent liabilities

There are no contingent assets or contingent liabilities (2014: 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 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

	2015			2014		
	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	7,124,875	0	7,124,875	4,622,862	0	4,622,862
Cash and deposits						
Receivables ⁽ⁱ⁾	118,433	0	118,433	60,516	0	60,516
Trade receivables	14,783	0	14,783	0	0	0
Accrued income	2,300,000	0	2,300,000	0	0	0
Total contractual financial assets	9,558,091	0	9,558,091	4,683,378	0	4,683,378
Contractual financial liabilities						
Payables ⁽ⁱⁱ⁾						
Trade creditors	0	799,534	799,534	0	106,409	106,409
Accrued expenses	0	15,291	15,291	0	40,358	40,358
Accrued grants	0	468,120	468,120	0	254,768	254,768
Total contractual financial liabilities	0	1,282,945	1,282,945	0	401,535	401,535

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

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

(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 \$
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
2014						
Cash and deposits	4,622,862	4,622,862	0	0	0	0
Receivables ⁽ⁱ⁾						
Trade receivables	60,516	60,516	0	0	0	0
Accrued income	0	0	0	0	0	0
Investments and other financial assets	0	0	0	0	0	0
Total	4,683,378	4,683,378	0	0	0	0

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

Note 11. Financial instruments (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Water Holder would be 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 \$
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
2014							
Payables: ⁽ⁱ⁾							
Trade creditors	106,409	106,409	15,745	89,856	808	0	0
Accrued expenses	40,358	40,358	40,358	0	0	0	0
Accrued grants	254,768	254,768	254,768	0	0	0	0
Total	401,535	401,535	310,871	89,856	808	0	0

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

(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 \$
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
2014					
Financial assets					
Cash and deposits	2.45	4,622,862	2,000,000	540,000	2,082,862
Receivables ⁽ⁱ⁾					
Trade receivables		60,516	0	0	60,516
Accrued income		0	0	0	0
Investments and other financial assets	0.00	0	0	0	0
Total		4,683,378	2,000,000	540,000	2,143,378

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

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*

	Carrying amount \$	Interest rate	
		-100 basis points	+100 basis points
		Net Result \$	Net result \$
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 *Receivables*.

2014			
Contractual financial assets			
Cash and deposits	4,622,862	(5,400)	5,400
Receivables⁽ⁱ⁾			
Trade receivables	60,516	0	0
Accrued income	0	0	0
Investments and other financial assets	0	0	0
Total	4,683,378	(5,400)	5,400

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

(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

	2015 \$	2014 \$
(a) Reconciliation of cash and cash equivalents		
Funds held in trust – cash	1,344,875	2,082,862
Funds held in trust – fund held in deposits	5,780,000	2,540,000
Total cash and deposits disclosed in the balance sheet	7,124,875	4,622,862
Balance per cash flow statement	7,124,875	4,622,862
(b) Reconciliation of net result for the period		
Comprehensive result	4,007,254	1,938,005
Non-cash movements		
Net losses arising from reduction of employee benefits	4,268	3,805
Movements in assets and liabilities		
Increase in receivables	(225,107)	(103,642)
Increase in payables	882,423	335,240
Increase in provisions	133,175	44,214
Net cash flows from operating activities	4,802,013	2,217,622

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.

	2015 \$				2014 \$			
	Opening balance as at 1 July 2014	Total receipts	Total payments	Closing balance as at 30 June 2015	Opening balance as at 1 July 2013	Total receipts	Total payments	Closing balance as at 30 June 2014
VEWH Trust Fund	4,622,862	13,211,409	(10,709,396)	7,124,875	2,405,240	6,751,403	(4,533,781)	4,622,862
Total trusts	4,622,862	13,211,409	(10,709,396)	7,124,875	2,405,240	6,751,403	(4,533,781)	4,622,862

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 2013-14 or 2014-15.

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.

Note 14. Responsible persons (continued)**(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 . . 4 December 2014 to 30 June 2015

Minister for Environment
and Climate Change The Hon. Ryan Smith MP . . 1 July 2014 to 3 December 2014

The persons who held the position of commissioner and forming the Commission of the Water Holder were as follows:

Chairperson Denis Flett 1 July 2014 to 30 June 2015

Deputy Chairperson Geoff Hocking 1 July 2014 to 30 June 2015

Commissioner Chris Chesterfield 1 July 2014 to 30 June 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:

	2015 No.	2014 No.
Income band		
\$20,000 - \$29,999	0	1
\$30,000 - \$39,999	2	1
\$90,000 - \$99,999	1	1
Total numbers	3	3
Total amount	\$174,889	\$154,788

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

	2015 \$	2014 \$
Victorian Auditor General's Office		
Audit or review of the financial statements	5,600	5,500
	5,600	5,500

Note 16. Subsequent events

The entity is not aware of any other circumstances that have arisen, or information that has become available between 30 June 2015 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
- (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.

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

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.

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.

Note 17. Glossary of terms and style conventions (continued)**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. **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 2015 and financial position of the entity at 30 June 2015.

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 8 September 2015.

Denis Flett



Chairperson
Victorian Environmental Water Holder

Melbourne
8 September 2015

Linda Kruithof



Business Manager
Victorian Environmental Water Holder

Melbourne
8 September 2015

SECTION FIVE

Auditor-General's Report



INDEPENDENT AUDITOR'S REPORT

To the Commissioners, Victorian Environmental Water Holder

The Financial Report

The accompanying financial report for the year ended 30 June 2015 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 has been audited.

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, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

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 2015 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
8 September 2015



John Doyle
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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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.



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