

VICTORIAN ENVIRONMENTAL
WATER HOLDER



Annual Report

2017-18

Our mission

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

Our values

Collaboration. Integrity.
Commitment. Initiative.



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Year in review

1.1 Chairperson and Executive Officer Report

In 2017-18, the Victorian Environmental Water Holder (VEWH), in its seventh year, continued to work with its partners to build on a successful statewide environmental watering program that is delivering water for the environment for healthy waterways. This annual report provides highlights of the 2017-18 Victorian environmental watering year, reports on the VEWH's performance against the Corporate Plan 2017-18 to 2020-2021 and provides a brief analysis of the VEWH's management of Victoria's environmental water entitlements in 2017-18.

Waterways are the heart of our communities. Our mission is to improve the environmental health of waterways by managing Victoria's environmental Water Holdings in collaboration with partners and communities. The management of Victoria's highly-modified rivers, wetlands and floodplains is affected by climate and the weather, and the State is seeing more variable and extreme weather events over time. This has highlighted the ongoing importance of being flexible in water management and each year planning for all scenarios – from drought through to very wet.

Despite it being a very dry year in 2017-18, environmental water availability for the VEWH and other environmental water holders was relatively high. This was thanks to prudent use of carryover and good allocations supported by relatively full storages from the wet winter-spring in 2016. This enabled the VEWH to deliver environmental flows to a large number of priority sites across Victoria, capitalising on the environmental gains achieved in the previous wet year.

The VEWH regularly seeks improvements in the way we work, making the most of stakeholder input, new information, research and innovation. In 2017-18, the VEWH engaged stakeholders across Victoria through events such as the Environmental Water Matters Forum in November 2017 and the Water for the Environment Symposium in February 2018.

Improving waterway health in Victoria is a long-term commitment at a catchment scale among various government bodies, communities and Traditional Owners. It takes time to achieve real outcomes and environmental watering is not the only solution; it is only effective if complementary actions to address threats such as barriers to fish migration, high nutrient loads and invasive species are also undertaken. We will continue to work closely with program partners to look for innovative ways to maximise environmental benefits in our rivers and wetlands.

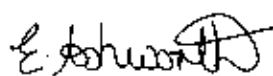
We look forward to working with program partners, stakeholders and Victorian communities in the year ahead. We affirm that the VEWH has complied with its legislative and financial requirements in 2017-18 and has delivered on outcomes against all strategic programs. In accordance with the *Financial Management Act 1994*, we are pleased to present the Victorian Environmental Water Holder's Annual Report for the year ending 30 June 2018.

Denis Flett



Chairperson
Victorian Environmental
Water Holder
6 September 2018

Beth Ashworth



Co-Executive Officer
Victorian Environmental
Water Holder
6 September 2018

Sarina Loo



Co-Executive Officer
Victorian Environmental
Water Holder
6 September 2018

1.2 About the VEWH

Vision, mission and values

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

Mission

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

In undertaking this mission, the VEWH:

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

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

Program vision:

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

Organisational vision:

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

Values:

The VEWH's culture is fundamental to the way we deliver our work – collaboratively, with initiative, commitment and integrity.

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Manner of establishment and responsible Minister/s

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

Objectives, functions, powers and duties

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

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

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

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

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

1.3 Nature and range of services provided

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

Collaboration is the key to environmental watering success

Relationships are critical for the VEWH and the Victorian environmental watering program. To carry out its work the VEWH collaborates with a range of program partners to deliver water for the environment to sites across Victoria. Program partners have distinct roles and responsibilities that require partners to work together to achieve environmental watering outcomes, improve management and incorporate learnings. These partnerships are outlined in Figure 11.

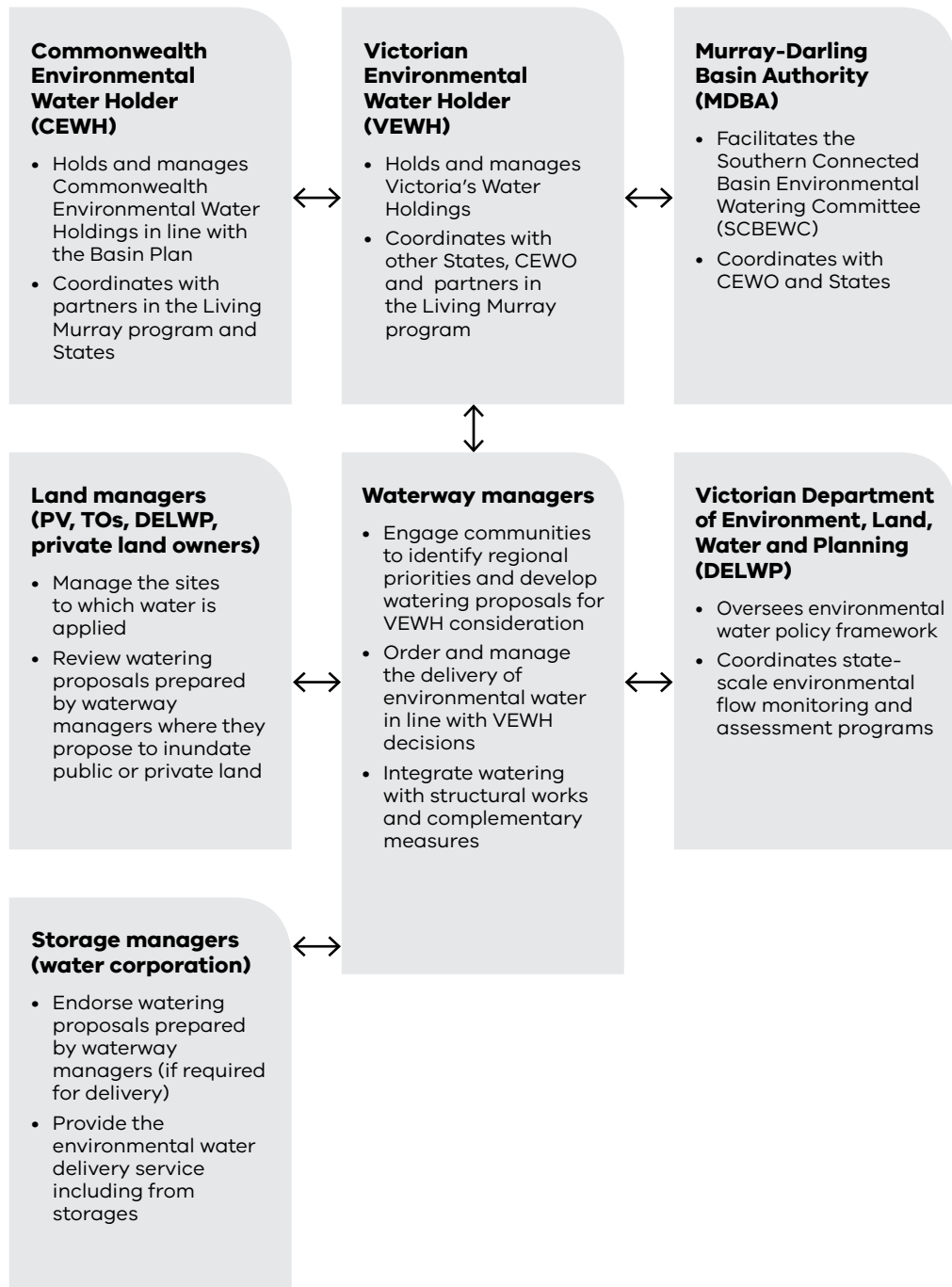
Catchment management authorities and Melbourne Water (waterway managers) are the pivotal partners of the VEWH, undertaking the local planning and management of environmental water delivery. They liaise with storage managers (an independent function assigned to water corporations and the Murray-Darling Basin Authority (MDBA) for the benefits of all water entitlement holders) who are responsible for supplying environmental water, and land managers (Parks Victoria (PV), Traditional Owners (TOs), private land owners and the Department of Environment, Land, Water and Planning (DELWP)), who manage the sites to which water is applied. Waterway managers are also responsible for undertaking important complementary catchment and waterway management activities, critical to ensuring the success of the watering program.

The VEWH works closely with other water holders to ensure coordinated and effective use of the available environmental water resources, including the Commonwealth Environmental Water Holder (CEWH) who is supported by the Commonwealth Environmental Water Office (CEWO), the Murray-Darling Basin Authority (MDBA) through the Living Murray Program, and other states. System-scale coordination between all water holders is facilitated through the Southern Connected Basin Environmental Watering Committee (SCBEWC), convened by the MDBA, which was established to coordinate the delivery of environmental watering through the connected Murray system and oversee the use of environmental entitlements held under the Living Murray Program.

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

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Figure 1.1 Key partnerships and responsibilities



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

Planning for the best environmental outcomes

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

The VEWH and its program partners also consider opportunities to use water for the environment to provide 'shared benefits' (that is, additional social, economic, Aboriginal cultural and recreational benefits) from the water use. For example, holding water in weirs at specific times to help support local rowing regattas or releasing water to coincide with a fishing event or cultural event. Where possible, the VEWH and its program partners incorporate such opportunities into watering decisions, where they do not compromise environmental outcomes.

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

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

Managing the water portfolio

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


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

If a demand-supply assessment indicates a potential surplus of environmental water supply, the VEWH may consider carrying over the water for potential future needs, or selling the water on the market. Trade-offs may also need to be made about forgoing watering actions to sell water allocation and use the resulting revenue for activities that result in better environmental outcomes in the short or longer term. Revenue resulting from trade can be invested in future environmental watering priorities, which could include:

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

In the event of potential environmental water supply shortfalls, the VEWH considers whether other portfolio management options can help meet the demand. Specific options could include the transfer of water from an environmental entitlement in another system, purchasing water or using carryover to meet future demands. If these measures do not meet the shortfall, the VEWH, in collaboration with waterway managers (and other water holders if relevant), will prioritise which watering actions to meet.

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

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

Engaging a diverse range of stakeholders

Engaging environmental watering stakeholders, particularly those who also have a statewide role, is an important part of the VEWH's business. The VEWH aims to: increase public understanding of the Victorian environmental watering program; promote understanding of environmental watering decisions; and demonstrate effective management of the Water Holdings and improved environmental health. Community representatives and peak body organisations provide significant perspectives to guide us in this work.

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

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

Waterway managers have the primary responsibility for engaging local communities on environmental watering. Waterway managers engage local communities and a broad range of key stakeholders throughout all stages of the environmental water management cycle: when planning watering activities (and prioritising them at a regional level); delivering water for the environment; and then reporting on its benefits. While waterway managers ensure environmental watering primarily protects the most important environmental values, they also consider social values (eg. recreational water needs) and Aboriginal values that may benefit from environmental watering. The VEWH supports waterway managers with their local engagement in many ways, ranging from presenting at community meetings to providing tailored communication materials (such as website material, media stories, infographics, diagrams and videos).

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

Some highlights of our engagement program this year included:

- Forging a strong partnership with Birdlife Australia, which has resulted in a citizen science project, where community members are involved in monitoring bird responses to environmental watering at Lake Cullen. In February 2018, Birdlife Australia delivered a training workshop in Kerang, where volunteers developed the skills they needed to conduct monthly monitoring of the lake's bird population – data they are now inputting into the Birdlife Australia National Database to inform future environmental watering and other management activities.
- Consulting with a wide range of stakeholders to research Aboriginal engagement and inclusion in the Victorian environmental watering program. This has revealed a 'snapshot' of 20 local projects or partnerships across Victoria being delivered by Traditional Owners with waterway managers or other organisations. This information will help the VEWH and our local partners to better include Traditional Owner knowledge, values, practices and rights in management of water for the environment.
- The Water for the Environment 'Share, Connect and Improve' Symposium 2018 was hosted by the Applied Aquatic Ecology Hub, and involved over 100 environmental water professionals, including Traditional Owners, working in research, management, and policy and program development. Attendees discussed key barriers to effective knowledge exchange, and how these can be overcome to improve environmental watering outcomes.
- The Environmental Water Matters Forum 2017 brought together representatives of over 20 organisations drawn from across government and the community to learn more about water for the environment, share ideas and information, and find out how managers from different states are working together to protect species and ecosystems. See the following case study for more information.

Some communications products produced in 2017-18 included:

- The VEWH Facebook page (<https://www.facebook.com/VicEWH>) which went live on January 2018. Since this time the VEWH has had 143 individuals or organisations follow the page. CMAs and DELWP are actively following and sharing the VEWH posts. The aim of using Facebook as a communications tool for the VEWH is to share the VEWH and program partners stories about the benefits of water for the environment.
- *Reflections: Water for the Environment in Victoria 2016-17*, which was launched by the Minister via a media release on 29 November 2017.
- Supporting waterway managers to create a range of communications products including photographs and drone footage of watering events, blog posts containing video interviews with community members and an animated video. These will be distributed on an ongoing basis via the VEWH website, social media and other channels to raise community awareness and understanding of the benefits of environmental watering.

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

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Case study:

Environmental Water Matters Forum 2017

Achieving benefits from water for the environment is a team effort, involving individuals and organisations from across the environment sector and the broader community. With this context in mind, in November 2017, the VEWH brought together farmers, recreational waterway users, Traditional Owners, scientists, land managers and other members of the community to discuss the topic of 'Flowing beyond local borders' at the fourth Environmental Water Matters Forum.

Altogether representatives of 26 organisations took part in the forum, where they received the latest updates about watering events in Victoria and heard about the benefits that water for the environment can have for animals, plants and communities.

The event also gave participants the opportunity to delve into the challenges facing the VEWH and catchment management agencies, as they learnt from scientists and other professionals about the barriers that species face as they navigate changing water flows and fragmented habitat to migrate between river systems in different states, and how environmental managers in different states are working together to address these barriers. The forum also included the opportunity to contribute to this process, through a facilitated planning session where attendees gave feedback on the environmental watering objectives that guide decisions about when, where and how water for the environment is delivered in different parts of Victoria. This input will be used by the VEWH as it continues to refine its approaches.

Overall the forum was a great success, with a consensus from participants that it was relevant to them and their stakeholders, and a shared desire to expand the scope of the forum in future years – feedback that will be incorporated into future forums and engagement.

1.4 Performance report (non-financial)

Strategic performance indicators (non-financial)

Three strategic performance indicators were included as part of the VEWH *Corporate Plan 2017-18 to 2020-21*. Table 1.1 outlines the VEWH's performance against these indicators in 2017-18.

Table 1.1 Strategic performance against key indicators

Performance indicator	Target %	Achievement %
Water Act 1989, other legislative, Ministerial rules and Water Holdings obligations fulfilled on time	100	96
Planned outputs effectively delivered within committed timeframes	100	97
Agreed strategic improvement actions for the current financial year effectively delivered within committed timeframes	80	92

For 2017-18, the VEWH achieved 96 percent for the performance indicator 'Water Act 1989, other legislative, Ministerial rules and Water Holdings obligations fulfilled on time' as shown in Table 1.1. The VEWH complied with all the relevant provisions in the Water Act, the *Public Administration Act 2004* and the *Financial Management Act 1994*. The VEWH also complied with the Ministerial rules

that were made on 23 June 2014 under section 33DZA of the Water Act. The VEWH did not meet all Water Holdings obligations, as some operating arrangements in the Northern Region are still under development. The VEWH and Goulburn-Murray Water continued to make progress on the operating arrangements for the Goulburn, Campaspe, Loddon and Bullarook systems during 2017-18. All outstanding northern operating arrangements are targeted for completion in 2018-19. Operating arrangements and a metering program are due to be developed for the new *Upper Barwon River Environmental Entitlement 2018* during 2018-19.

In 2017-18, the Corporate Plan identified a total of 31 planned outputs and 26 strategic initiative improvement actions. The achievement for planned outputs for 2017-18 is 97 percent. This represents a significant improvement on 2016-17 where 89 percent was achieved. The only planned output not fully progressed is to identify opportunities to streamline reporting to and from the VEWH. In consultation with program partners, it was decided to delay this output due to capacity constraints both within the VEWH and program partners. Agreed strategic initiative improvement actions have been assessed as 92 percent achieved for 2017-18. This significant achievement is well above the 80 percent target.

Key VEWH initiatives and projects

Key tasks which contribute to the achievement of the VEWH's vision and continuous improvement of the core programs are captured as strategic initiatives in the *Corporate Plan 2017-18 to 2020-2021*. Progress on these initiatives (listed below) has been made.

Strategic Initiative 1: Building Culture and Capability

In 2017-18 the VEWH strengthened its focus on organisational culture, capability and knowledge. An Organisation Culture Inventory (OCI) and Group Styles assessment was completed and an all staff and Commission Traditional Owner cultural awareness field trip was undertaken. The VEWH continued to improve the cultural awareness, flexible work arrangements and diversity of the workforce. In May 2018, the first People Matters survey was completed. In 2018-19, the results from the People Matters survey will be assessed and changes to strengthen staff knowledge and satisfaction will be implemented. A staff skills matrix and knowledge management strategy will also be developed.

Strategic Initiative 2: Increasing efficiency and effectiveness

In 2017-18 the VEWH participated in the Victorian Public Sector Commission (VPSC) Review of the VEWH (contributes to *Water for Victoria action 3.5*) and the Environment and Natural Resources, Regional Development Committee (ENRRDC) inquiry into the management, governance and use of environmental water. Additionally, the respective roles and responsibilities of the VEWH and the DELWP in relation to the Victorian Environmental Watering Program have been clarified (contributes to *Water for Victoria action 8.1*). In 2018-19 the VEWH will, in consultation with DELWP, respond to the key directions in the VPSC and ENRRDC reports.

Strategic Initiative 3: Strengthening community engagement

In 2017-18 the VEWH used the findings of Victoria's first statewide market research study that explored Victorians' knowledge and attitudes towards environmental watering to develop improved communication approaches. The study now underpins a revised Communication and Engagement Strategy. The market research study influenced a similar project which the VEWH is co-leading with four other agencies across three states (MDBA, CEWO, NSW Office of Environment and Heritage, SA Department of Environment and Water). This project has led to the development of a common 'environmental water communications framework' for these tri-state agencies. In 2018-19, the VEWH will continue to focus on improving key areas of the VEWH's engagement with program partners and stakeholders, in particular by implementing the joint communications framework.

Strategic Initiative 4: Strengthening inclusion of Aboriginal people

In 2017, a fourth Commissioner was appointed; an Aboriginal Victorian (contributes to *Water for Victoria action 10.8*). The appointment reflects the Victorian Government priority to lift the representation of Aboriginal Victorians on boards and committees.



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In 2017-18, the VEWH has facilitated a program of knowledge sharing and improved cultural awareness within the Victorian environmental water program. The Seasonal Watering Plan 2018-19 has an expanded focus on Aboriginal engagement and includes Aboriginal place names where verified. Waterway managers include Aboriginal and Traditional Owner values in seasonal watering proposals, which are then reflected in the Seasonal Watering Plan (contributing to *Water for Victoria Action 6.2*). The VEWH supports waterway managers to continue to build strong relationships with their Traditional Owner communities to enable input into environmental watering where possible. For example, the VEWH invested in a platypus monitoring project through Glenelg Hopkins CMA to monitor platypus in sections of the Glenelg River, including providing training and capacity building opportunities for the Budj Bim and Barengi Gadjin Land Council Rangers and Traditional Owners.

In 2018-19 the VEWH will continue to focus on improving participation and engagement of Aboriginal peoples in all aspects of the environmental watering program, with the aim of better recognising and incorporating Aboriginal environmental and cultural knowledge, values, practices and rights.

Strategic Initiative 5: Strengthening recreational benefits

In 2017-18, the VEWH developed a strategic work program (incorporating research, communication and engagement) to continue to better capture, consider and communicate the social and recreational values and benefits of environmental watering (contributes to *Water for Victoria action 7.1*). This was achieved through the Communications and Engagement action plan which outlines a range of communications and engagement activities targeted at recreational peak bodies and user groups. An example of this was the Environmental Water Matters Forum in November 2017, which provided an opportunity for state-wide stakeholders (recreation, farming, environmental and Traditional Owner groups) to feed into environmental watering planning and prioritisation. Recreational values and objectives are also captured in the annual seasonal watering plan.

In 2018-19, the VEWH will contribute to the evolution and progression of the consideration of recreational values in waterway planning (contributes to *Water for Victoria action 7.1*) through continued engagement with DELWP on Flagship waterway projects and recreational water projects. Watering opportunities that benefit recreational values will be actively supported where consistent with environmental watering objectives.

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

In 2017-18, the VEWH has worked towards partnering with waterway managers and DELWP to consolidate a statewide vision for waterways under a changed climate, and articulate the role of environmental water as part of an integrated catchment management approach to realising that vision (contributes to *Water for Victoria action 3.5*). This has been actively supported through engagement with DELWP and CMAs through priority projects under the Victorian Waterway Managers Forum, and through the VEWH prioritisation framework. The VEWH has also begun working with DELWP on their Water for Victoria project to assess the effect of climate change on the environmental water program.

In 2018-19, the VEWH will develop a landscape-scale prioritisation approach to complement the existing regional site-based prioritisation approach, initially for testing in the northern region. The approach will increase our preparedness for climate change by identifying co-ordinated watering actions that are needed across the landscape to support key ecosystem processes. It is expected that the project will identify priority refuge habitats that will need environmental water during prolonged dry periods and important feeding and breeding areas that will need to be watered during average and wet years to help boost ecosystem productivity and resilience.

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

In 2017-18, the VEWH updated its business rule for monitoring projects to set strong principles for monitoring investment to ensure our investments are aligned and complement other environmental flow and wetland monitoring and assessment programs (contributes to *Water for Victoria action 3.9*).

The VEWH has also worked to improve annual state-wide reporting by drawing on event-based, process-based, observational and community reporting (contributes to *Water for Victoria action 3.9*). The VEWH has improved community involvement in reporting by investing in a citizen science project with Birdlife Australia looking at waterbird response to environmental flows at Lake Cullen (due for completion in late 2018).

The VEWH is continually improving annual statewide reporting of the outcomes and benefits of environmental watering through an annual *Reflections* publication, stories on the VEWH website, social media and a regular bi-monthly newsletter. The VEWH provided investment funding to waterway managers to communicate the benefits of environmental watering (using photos, video or signage) to their communities.

The VEWH continues to collaborate with DELWP in state-wide monitoring programs including the Victorian Environmental Flows Monitoring and Assessment Program (VEFMAP) and Victoria's Wetland Monitoring and Assessment Program (WetMAP). The VEWH has supported the establishment of a waterway research hub (contributes to *Water for Victoria action 3.9*) through participation on the Hub Control Group and Partner Group and in the development of priority actions such as the Research and Monitoring Directory (RaMonD). This also includes financial and project management support to hosting the Water for the Environment – Share, Connect and Improve forum.

In 2018-19, the VEWH will work with DELWP and other program partners to respond to the ENRRDC report findings on the need for better real time monitoring on water flows, dissolved oxygen and carbon levels, as well as outcomes from environmental watering.

Strategic Initiative 8: Clarifying services and charges

In 2017-18, the VEWH has contributed to the DELWP policy processes as required to ensure clear, transparent and equitable charging arrangements (service levels and prices) are developed (contributes to *Water for Victoria action 3.7*). The VEWH has also engaged with water corporations and Essential Services Commission (ESC) through the water pricing review process and made a formal submission to the ESC.

In 2018-19 the VEWH will continue to contribute to the DELWP policy processes and work with water corporations to refine environmental water service definitions and charging arrangements.

Strategic Initiative 9: Improving environmental outcomes through works

In 2017-18, the VEWH invested in an innovative project to develop and construct channel off-take and pump screens in Gunbower Creek to prevent native fish loss to the irrigation system. Stage 1 of the project (channel screens) is now underway. Stage 2 will progress in 2018-19, and continues to involve active engagement with the Commonwealth Environmental Water Holder.

Joint work with DELWP has begun on defining principles for a future program of investment to improve environmental water outcomes through complementary works and measures (contributes to *Water for Victoria action 3.5*). An initial set of principles have been developed with Commission input and CMA CEO consultation. Further role clarity in implementing works and measures has also been agreed to with DELWP as part of the recent review of DELWP and the VEWH roles and responsibilities. This includes a focus on novel 'proof of concept' type projects that maximise outcomes for existing sites, holdings and/or watering objectives.

In 2018-19 the VEWH will continue to work with program partners to prioritise strategic and impactful investment in complementary works and measures, knowledge or capability to address impediments to environmental watering outcomes.

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Implementing the Seasonal Watering Plan

Examples of some outstanding environmental outcomes from the watering program in 2017-18 include:

- filling of Hattah Lakes to its highest level since the 1990s to sustain black box woodlands, native fish populations and waterbird breeding
- exclusion of carp from Reedy Lagoon and Black Swamp in Gunbower Forest, which significantly improved water-plant responses to environmental watering
- delivery of higher winter baseflows in the middle Goulburn River to increase riffle and pool habitats used by waterbugs and fish
- migration of estuary perch and tui to the upper reaches of the Glenelg River where they have not been recorded for several decades
- supporting native fish spawning and recruitment in the Thomson River after accruing extra water for the environment through modification of winter passing flows
- improving wetland vegetation communities through the first environmental watering of Bolin Bolin Billabong in the Yarra system; the deliveries also supported Aboriginal cultural values
- capturing several juvenile platypus during population surveys in the MacKenzie River, indicating that the population may be slowly increasing
- continued partial drying at Reedy Lake in the lower Barwon system that is resulting in changes to the diversity and abundance of plants and animals, in line with long term objectives at the site.

The *Seasonal Watering Plan 2017-18* identified 283 potential watering actions across Victoria that could be delivered under a range of planning scenarios. The number of watering actions achieved is always dependent on actual seasonal and operational conditions.

Of the total actions, 263 were required in 2017-18, with the remainder not required for the following reasons:

- because pre-requisite ecological or hydrological 'triggers' or climatic conditions did not occur naturally
- because higher priority pre-requisite actions did not occur
- one watering action was deemed unnecessary after consideration of new ecological knowledge.

Of the watering actions required in 2017-18, 241 actions (92 percent) were fully¹ or partially² achieved (see Figure 1.2).

Twenty-two potential watering actions were not achieved³ for the following reasons:

- agreements with landholders for watering wetlands on private land were not in place
- watering could not take place due to other activities at the site
- there were insufficient unregulated flows or consumptive water flows available for environmental flows to 'piggy-back' on
- insufficient water was available.

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

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

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

Of the watering actions that were fully or partially achieved, 189 (78 percent) relied on contribution of managed water for the environment. A drying phase was implemented for seven percent of actions, and the remaining 15 percent were achieved through natural flows, unregulated flows or the delivery of consumptive water en route.

Figure 1.3 shows the number of potential watering actions since 2011-12, and the number that were fully or partially achieved either through deliveries of water for the environment, or natural flows, unregulated flows or the delivery of consumptive water en route.

The number of potential watering actions has increased each year since the VEWH's inception. The particularly large increase in potential watering actions in 2013-14 coincided with an expansion of the watering program due to increased volume of water held in environmental entitlements and completion of infrastructure projects that allowed delivery to a larger number of sites. In 2017-18, the highest number of potential watering actions was identified (283). Despite the climate being dry to very dry the total proportion of actions achieved in 2017-18 was the second highest (85 percent) since the VEWH's establishment in 2011. A slightly higher proportion (i.e. 95 percent) of potential watering actions were achieved in 2016-17, but many of the actions in that year were supported or completely achieved by natural and unregulated flows. The high percentage of potential watering actions achieved in 2017-18 was a result of high allocations following a wet 2016-17, combined with prudent use of carryover. Many of the watering actions achieved in 2017-18 aimed to consolidate and build on environmental outcomes from the wet conditions in 2016-17.

Figure 1.2 Achievement of required potential watering actions in 2017-18

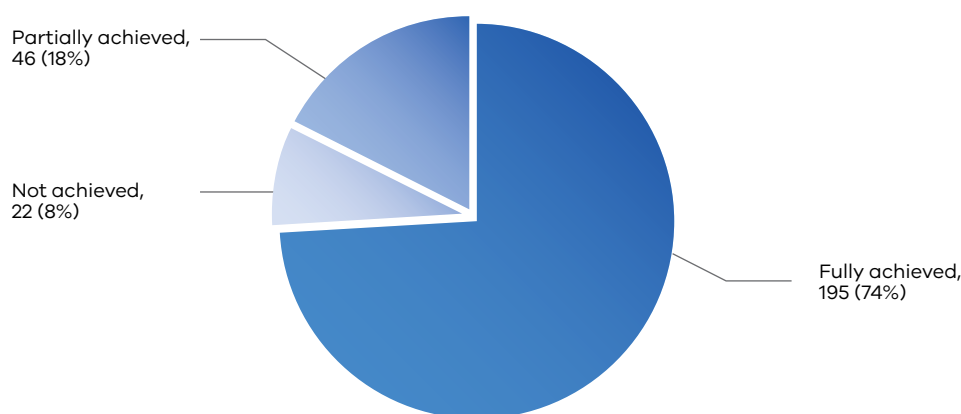
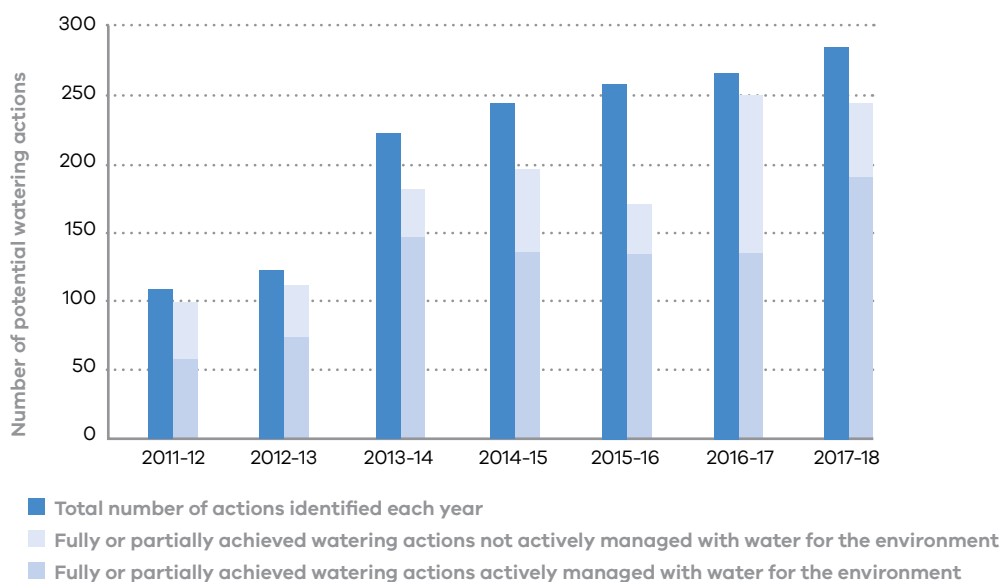


Figure 1.3 Achievement of potential watering actions since 2011-12



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The VEWH coordinated delivery of water for the environment to 88 river reaches¹ (across 41 rivers) and 83 wetlands (a total of 171 sites) across Victoria. The number of sites watered since the VEWH's inception is illustrated in Figure 1.4. The number of sites watered increased substantially in 2013-14 due to:

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

Since 2013-14 the number of sites watered each year has fluctuated due to climatic conditions and infrastructure improvements. More wetlands and reaches were actively watered in 2017-18 due to high water availability, dry conditions and because site managers were delivering many environmental flows to capitalise on the environmental gains achieved in the previous wet year.

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

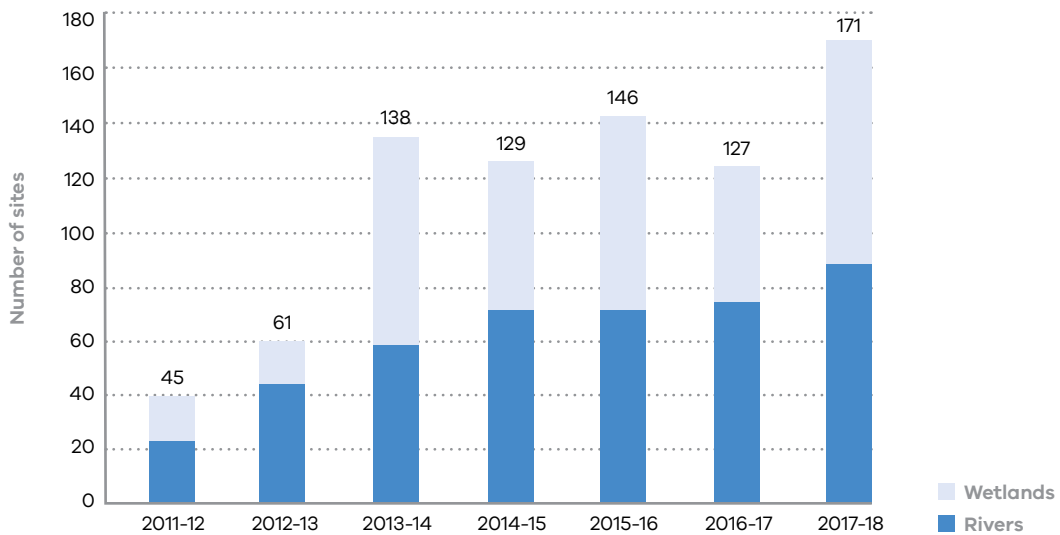


Table 1.2 provides a comparison of some water planning and delivery indicators from 2011-12 to 2017-18. These indicators are not reported against set targets as they are dependent upon seasonal and operational conditions.

¹ Environmental flow river reach

Table 1.2 Comparison of 2017-18 watering performance with previous years

	2011-12 ¹		2012-13		2013-14		2014-15		2015-16		2016-17		2017-18	
Potential watering actions														
Number of actions and as percentage of total number of actions identified														
Total no. of actions identified	109		122		222		243		258		266		283	
Total no. of actions required							232		226		255		263	
Actions fully achieved	68	62.4%	81	66%	91	41%	136	58.6% ² (56%) ³	136	60.2% ² (52.7%) ³	207	81% ² (79%) ³	195	74% ² (69%) ³
Actions partially achieved	31	28.4%	30	25%	90	41%	60	25.9% ² (25%) ⁷	35	15.5% ² (13.6%) ³	43	17% ² (16%) ³	46	17% ² (16%) ³
Actions not achieved	10	9.2%	11	9%	41	18%	36	15.5% ² (19%) ³	55	24.3% ² (33.7%) ³	5	2% ² (5%) ³	22	8% ² (15%) 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 water for the environment	58	59%	74	67%	147	81%	135	69%	135	79%	136	54%	189	78%
Not actively managed with water for the environment ⁴	41	41%	37	33%	34	19%	61	31%	36	21%	114	45%	52	22%

Other indicators

Total number of river reaches and wetlands watered	45	63	145	129	146	127	171
Total number of seasonal watering statements	47	60	95	59	64	52	48
Total number of watering authorisations	-	-	-	1	3	6	4
Total number of seasonal watering plan variations	6	8	8	4	3	3	3

1. Note that the number of priority water actions in 2011-12 was updated to reflect more accurate data in 2013-14. Note also that this number does not include the Snowy River or the Goulburn-Broken wetlands, as in that year they were not considered as a part of the environmental watering program.

2. The method used to calculate the percentage of achievement was changed in 2014-15 to reflect that some priority watering actions were not required. The updated method uses the number of actions required (232 actions required in 2014-15) rather than the number of actions identified (243 actions in 2014-15), to calculate the percentage achievement.

3. These percentages have been included to allow comparison between reporting in previous years and reporting from 2014-15 and 2016-17. They reflect the number of identified actions from the seasonal watering plan that were fully, partially or not achieved as a percentage of the total number of actions in the seasonal watering plan (243 actions identified in 2014-15).

4. Actions that were not actively managed with environmental water include actions that were achieved without the use of environmental water. These could include actions where the site was being intentionally dried, or where the priority watering action was met by unregulated water, consumptive water en route, passing flows, rainfall or water retained in rivers or wetlands from previous years.



Seasonal watering statements

During the 12 months to 30 June 2018, the VEWH Commission approved 48 seasonal watering statements and four watering authorisations. The watering authorisations enabled the VEWH office to order water made available by the CEWH and the MDBA in the River Murray. The number of seasonal watering statements and watering authorisations issued in 2017-18 was similar to previous years.

Variations to the seasonal watering plan

In response to unforeseen circumstances and changing conditions, the VEWH approved three variations to the *Seasonal Watering Plan 2017-18*. Variations are an important tool to ensure environmental watering adapts to changing conditions or incorporates new information. Variations were made to the plan in the following sections:

- Section 5.2.2 Gunbower Creek and Forest was revised to include winter/spring inundation of Gunbower Forest, commencing in June 2018
- Section 5.4.1 Goulburn River was revised to allow delivery of winter freshes from July to October (previously July to September) in the Goulburn River
- Section 5.6.1 Campaspe River was revised to allow increased magnitude summer/autumn low flows and to include a summer fresh in the Campaspe River for native fish objectives.

The seasonal watering plan, current 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 environmental watering activities undertaken in Victoria and the associated environmental outcomes can be found in the annual watering booklet *Reflections*, also available on the website.

Changes to entitlements

At 30 June 2018, the VEWH Water Holdings comprised 23 entitlements and 11 water shares. The total long-term average water availability of the holdings is approximately 640 GL. Allocations against these entitlements vary depending on climatic conditions and may be greater or less than 640 GL in any given year.

In April 2018, the Minister for Water issued the *Upper Barwon River Environmental Entitlement 2018*. The new entitlement provides a long-term average of 1,000 ML of water per year for the Barwon River by allocating a 3.8 per cent share of inflows into the West Barwon Reservoir and 2,000 ML share of storage capacity in the West Barwon Reservoir to the VEWH. The new entitlement delivered on Action 3.5 of *Water for Victoria* which committed to providing one gigalitre of water for the environment for the Barwon River. It also completes Action 4.17 of the *Central Region Sustainable Water Strategy* to transfer part of Barwon Water's entitlement in the West Barwon Reservoir to the environment, following completion of augmentation works to Geelong's water supply.

The volume of the VEWH entitlements to water savings in the Goulburn and Murray systems from the Goulburn-Murray Water Connections Project Stage 1 was adjusted in line with the annual audit of the long-term water savings achieved to date. The adjustment resulted in a net increase of 974.3 ML to the Water Holdings across the two systems. The entitlement volumes reflect the modelled long-term average savings inclusive of the past year. The volumes are used to assess interim carryover capacity while the Connections modernisation works are still being implemented. They do not reflect the final size of the VEWH's entitlements to water savings from Goulburn-Murray Connections Stage 1, which will be confirmed and formally issued once the project is completed.

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

Water availability and use

The VEWH had access to a total of 1,382,007.3 ML of water for the environment in 2017-18. The volume included allocations to the VEWH in 2017-18, water carried over from 2016-17, water made available by the CEWH and the Living Murray program and water purchases.

In total, 919,099.7 ML was delivered in 2017-18. The total included 481,434.4 ML of water made available by the CEWH and 184,331.0 ML by the Living Murray program.

Table 1.3 compares net water availability and delivery across Victoria for 2011-12 to 2017-18.

Table 1.3 Water availability and delivery by region and for the state from 2011-12 to 2017-18

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Total volume available (ML)							
Southern Victoria (Gippsland + Central)	75,651	85,050	111,257	108,951	88,263	109,823	123,740.8
Gippsland Region ¹	Not reported separately	Not reported separately	48,124	52,219	48,081	53,648	73,186.4
Central Region ¹			63,133	56,732	40,182	56,176	50,554.4
Western Region	69,211	82,296	60,401	45,347	16,373	53,582	79,126.0
Northern Region ²	575,854	597,789	933,883	840,247	999,130	882,239	1,179,140.5
Total State	720,716	765,135	1,105,541	994,545	1,103,766	1,045,644	1,382,007.3
Total volume delivered (ML)							
Southern Victoria (Gippsland ³ + Central)	33,008	41,060	49,130	62,974	40,922	48,478	76,605.9
Gippsland Region ^{1,3}	Not reported separately	Not reported separately	27,351	28,872	28,797	20,637	45,179.6
Central Region ¹			21,780	34,102	12,125	27,841	31,426.3
Western Region	18,345	50,277	30,004 ⁴	33,720 ⁴	8,112 ⁴	13,585	39,664.1
Northern Region ²	427,858	345,904	730,543 ⁵	549,073 ⁵	640,498 ⁵	644,405 ⁵	802,829.7
Total State⁶	479,212	437,242	809,678	645,767	689,532	706,468	919,099.7

Tables 1.3, 1.4, 1.5 and 1.6 summarise the water availability and use under the VEWH entitlements in 2017-18 in the Gippsland, Central, Western and Northern regions respectively. Further commentary on changes to the VEWH entitlements, water availability and carryover and trade of water allocation is provided to accompany the tables.

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

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

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

4. This volume does not include water delivered to three Wimmera-Mallee wetlands in Supply System 5 (Cokym Bushland Reserve, Considines and Poyner). In 2013-14, 15.6 ML of water was delivered to all three wetlands from GWMWater's Murray River Bulk Entitlement. In 2014-15 and 2015-16, water was delivered using a water allowance that is held by the VEWH and supplied from GWMWater's Murray River Bulk Entitlement. In 2014-15, 0.5 ML was delivered to Considines and Poyner, and in 2015-16, 16.2 ML was delivered to all three wetlands. Water was not made available in 2016-17. In 2017-18, 13.1 ML was delivered to all three wetlands.

5. This volume includes 123 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.



Return flows

In some systems, water for the environment delivered through upstream sites can be used again downstream. This helps to ensure water for the environment 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 2017-18, a total of 660,470.9 ML was recredited to the VEWH accounts for return flows delivered through upstream sites to the River Murray. This included:

- 345,189.7 ML from the Goulburn River
- 36,169.9 ML from the lower Broken Creek
- 247,884.6 ML from the Campaspe River
- 31,226.7 ML from the River Murray, Barmah Forest and Hattah Lakes.

Of the total volume of return flows, 109,322.4 ML was reused at Gunbower Forest and Hattah Lakes, 18,872.4 ML was used in Gunbower Creek and 4,196.9 ML in Lake Wallawalla. The remaining volume of return flows continued to flow down the River Murray to South Australia (see administrative transfers in trade section below).

Carryover

At the end of 2017-18, 469,181.2 ML of water for the environment remained available to the VEWH. This represents 34% percent of the VEWH's net water availability last year. It includes the large volumes of water held in the Victorian share of the Barmah-Millewa Environmental Water Allocation in the Murray system (187,900.0 ML), the River Murray Increased Flows Allocation (121,780.1 ML) and water held on behalf of the Living Murray program (10,854.8 ML) which require joint decision making with other environmental water holders over access and use.

Of the total water remaining in the VEWH's accounts, 9.6 ML of water allocation was forfeited because some entitlement and allocation rules do not allow water to be carried over into the new season.

The remaining volume (469,171.5 ML) will be carried over and may be available for use in 2018-19, subject to carryover rules and conditions (for example, evaporation and potential loss to storage spills).

Water donations

In 2017-18 the Department of Defence donated its remaining unused water (233 ML) to the VEWH for use in 2018-19.

Trade

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

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

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

Commercial water allocation trades are done following an assessment of environmental water demand and supply. In the past, allocation has been sold where there has been a short-term water surplus. However, in the future, decisions may also need to be made about forgoing watering actions to sell water allocation and use the resulting revenue for complementary works and measures, or improved capability, that result in better environmental outcomes in the short or longer term.

Administrative transfers of the VEWH allocation

Transfers of the VEWH allocation of note include the 'VEWH carryover – allocation trades' that were undertaken at the end of the year to make best use of carryover capacity and minimise risk of carryover spilling in 2018-19. For example, 3,000.0 ML was traded from the Campaspe system to Goulburn 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 managers of water for the environment in New South Wales and South Australia) to optimise the benefits of all environmental watering 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 water for the environment in Victoria
- maximise availability of water for the environment
- return unused water
- account for delivery of water for the environment to South Australia.

In 2017-18, the following transfers with other environmental water holders occurred:

- Commonwealth water for the environment – a total of 496,650.0 ML of Commonwealth allocation was transferred into the VEWH's accounts for use in northern Victorian systems. This water was used for priority watering actions in the River Murray, Goulburn, Loddon and Broken systems, Hattah Lakes and Gunbower Creek. Following the completion of environmental watering, 69,955.0 ML of unused Commonwealth water for the environment was returned to the CEWH.
- Living Murray water for the environment – a net total of 31,450.0 ML of Living Murray allocation was transferred to accounts held by the VEWH to contribute to priority watering actions in the Goulburn River and at Living Murray 'icon sites', including the Barmah Forest and Wallpolla Island. This total includes 16,500.0 ML of Living Murray allocation that was transferred to the South Australian Murray system from accounts held by the VEWH to meet priority watering actions in the Lower Lakes, Coorong and Murray Mouth.

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- Delivery of return flows to South Australia – a net total of 524,650.7 ML of return flows was recredited from the VEWH accounts to South Australia for reuse in the South Australian Murray system (for example, in the Lower Lakes, Coorong and Murray Mouth). Of the return flows recredited, 416,871.4 ML was Commonwealth water for the environment, 70,571.6 ML Living Murray water and 37,207.7 ML VEWH water.

Administrative transfers as part of the Snowy River water recovery project

Victorian water for the environment available for use in the Snowy system is held by the VEWH in the Murray, Goulburn and Loddon systems. This water is made available for environmental flows in the Snowy River via a substitution method whereby water for the environment 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 17 is made available in the Murray, Goulburn and Loddon systems to support consumptive water demands in the Murray system. The equivalent volume of water is set aside for the environment in the Snowy system. Trade is the mechanism used to account for this substitution.

In 2017-18, the VEWH traded 83,812.9 ML to the Snowy inter-valley transfer account. The subtotals traded from each system were as follows:

- Murray system – 44,769.9 ML
- Goulburn system – 38,573.0 ML
- Loddon system – 470.0 ML

The volumes were equivalent to allocations made to the VEWH from 1 July 2017 to 31 January 2018.

Commercial allocation trade

In the Northern Region, the VEWH sold 15,000 ML of water allocation in the Murray system in 2017-18. See the following case study for further information.

In the Central Region, Melbourne Water and the VEWH jointly funded the purchase of 299.8 ML of licence allocation to provide water for the environment in the Maribyrnong system in 2017-18.

No purchase or sale of allocation occurred in the Gippsland Region or the Western Region in 2017-18.

Case study:

Northern water allocation trade

The VEWH flagged that it would consider selling water in northern Victoria in its annual trading strategy released last year in July 2017.

The VEWH Commission made the decision to sell in February 2018 once it was confident that priority environmental targets in 2017-18 could be met, while still being well prepared for 2018-19. The sale was possible due to watering events at Barmah Forest and Lindsay Island requiring less than initially planned.

A total of 15,000 ML was sold from the Murray system during March to May 2018, in 44 individual parcels, with an average parcel size of 341 ML, and an average price of around \$127/ML. Net revenue from the sale was \$1,899,915¹.

As part of its water portfolio management, the VEWH regularly assesses its water for the environment demand and supply position throughout the year. This assessment considers factors such as environmental condition and the need for water, current and forecast climate conditions and water availability, carryover capacity and market conditions. The VEWH undertakes its trading activity in a manner that avoids significant impacts on the market.

The revenue raised through water for the environment trading can be used to:

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

The VEWH is jointly working with DELWP and other program partners to identify the best projects for investment of trade revenue.

Environmental water demand and supply varies due to climatic and ecological conditions. Like carryover (saving unused water to use the following season), water trade is used as a tool to manage variability between years.

¹ Reported in the Financial Statements inclusive of the broker and exchange fees (gross \$1,924,535).

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Table 1.4 VEWH water account summary in the Gippsland Region in 2017-18

VEWH Water Holdings 2017-18 – Gippsland Region												
River system	Entitlement	Reliability	Entitlement volume (ML) at 1 July 2017	Carryover from 2016-17 (ML)	Carryover lost to spill (ML)	Allocation (ML)	Net Share of inflows (ML)	Net transfer (ML)	Adjustment ¹ (ML)	Total available water (ML)	Use (ML)	Closing balance (ML)
				A	B	C	D	E	F	G = A+B+ C+D+E+F	H	I = H + G
Latrobe	Latrobe River Environmental Entitlement ²	Unregulated	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Blue Rock Environmental Entitlement	Share of inflows	9.45% inflows	15,622.4	0.0	0.0	2,849.2	0.00	4,422.0	22,893.6	-11,223.6	11,670.0
Thomson	Thomson River Bulk Entitlement	High + share of inflows	10,000.0 ML + 3.9% inflows ³	7,438.0	0.0	10,000.0	6,698.0	0.0	0.0	24,136.0	-15,572.0	8,564.0
		Passing flows	N/A	0.00	0.00	2,500.0	n/a	n/a	n/a	0.00	2,500.0	-2,500.0
Macalister	Macalister River Environmental Entitlement	High	12,460.9	8,704.1	0.0	12,460.9	0.0	0.0	0.0	21,165.0	-14,638.1	6,526.9
		Low	6,229.5	1,245.9	0.0	1,245.9	0.0	0.0	0.0	2,491.8	-1,245.9	1,245.9
Gippsland Region total				33,010.4	0.0	26,206.8	9,547.2	0.00	4,422.0	73,186.4	-45,179.6	28,006.8

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

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

3. Under entitlement rules, passing flows may be reduced and withheld passing flow volumes released at a later date. These rules allow flexibility which can help increase environmental outcomes without impacting other water users

Table 1.5 VEWH water account summary in the Central Region systems in 2017-18

VEWH Water Holdings 2017-18 – Central Region													
River system	Entitlement	Reliability	Entitlement volume (ML) or percentage of inflows at 1 July 2017	Carryover from 2016-17 (ML)	Carryover lost to spill (ML)	Allocation (ML)	Net share of inflows (ML)	Adjustments ¹ (ML)	Net trade (ML)	Return flows (ML)	Total water available (ML)	Use (ML)	Closing balance (ML)
				A	B	C	D	E	F	G	H = A+B+C +D+E+F+G	I	J = H+I
Tarago	Tarago and Bunyip Rivers Environmental Entitlement	Share of inflows	10.3% inflows	1,650.0	8.0	0.0	1,559.0	0.0	0.0	0.0	3,217.0	-1,764.0	1,453.0
		Passing flows	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Yarra	Yarra River Environmental Entitlement	High	17,000.0	19,734.0	0.0	17,000.0	0.0	0.0	-25.0	0.0	36,709.0	-24,054.0	12,655.0
		Passing flows	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Werribee	Werribee River Environmental Entitlement	Share of inflows	10% inflows	2,024.2	0.0	0.0	220.4	0.0	-186.4	1,289.3	3,347.5	-2,572.6	774.9
		N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maribyrnong	Water use registration	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Purchased Allocation	N/A	N/A	0.0	0.0	0.0	0.0	299.8	0.0	0.0	299.8	-290.2	9.6
Moorabool	Moorabool River Environmental Entitlement	Share of inflows	11.9% inflows	4,922.9	0.0	0.0	0.0	0.0	484.9	0.0	5,407.8	-2,745.5	2,662.3
		Passing flows	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Barwon	Upper Barwon Environmental Entitlement	Share of inflows	3.8% inflows	0.0	0.0	1,000.0	0.0	0.0	0.0	0.0	1,000.0	0.0	1,000.0
	Barwon River Environmental Entitlement ²	Unregulated	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Central Region total				28,331.1	8.0	18,000.0	1,779.4	299.8	273.5	1,289.3	49,981.1	-31,426.3	18,554.88

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

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

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Table 1.6 VEWH water account summary in the Western Region in 2017-18

VEWH Water Holdings 2017-18 – Western Region										
System	Entitlement	Reliability	Entitlement at 1 July 2017	Carry over from 2016-17 (ML)	Allocation (ML)	Net spills (ML)	Net Trade (ML)	Total water available (ML)	Water Use (ML)	Closing balance (ML)
				A	B	C	D	E = A + B + C + D	F	G = E + F
Wimmera and Glenelg	Wimmera Glenelg Rivers Environmental Entitlement 2010	Wimmera-Mallee pipeline product High-reliability	40,560.0	29,102.9	32,853.6	0.0	0.0	61,956.5	-24,239.2	37,717.2
		Wimmera-Mallee wetlands High-reliability ¹	1,000.0	1,311.6	250.0	0.0	0.0	1,561.6	-279.0 ²	1,282.6
		Passing flows	N/A	0.0	12,025.2	0.0	N/A	12,052.2	-12,052.2	0.0
Western Region total³				30,414.5	45,128.8	0.0	0.0	75,543.2	-36,543.4	38,999.8

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

2. This does not include the use of 13.3 ML of water at three Wimmera-Mallee Supply System 5 wetlands (Cokum Bushland Reserve, Considines and Poyner) that is not accounted for under the environmental entitlement. The water was delivered under a provisional water allowance held by the VEWH and supplied from GWMWaters Murray River Bulk Entitlement.

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

Table 1.7 VEWH water account summary in the Northern Region in 2017-18

VEWH Water Holdings 2017-18 – Northern Region															
Entitlement	Reliability	Entitlement at 1 July 2017 (ML)	Carryover from 2016-17 (ML)	Carryover lost to spill (ML) ¹	Allocation (ML)	Allocation lost to spill (ML)	Return flow credit (ML) ²	Net transfer CEW (ML) ³	Net transfer TLM (ML) ³	Net transfer VEW (ML) ³	Donations (ML)	Net trade VEW (ML) ⁴	Total water available (ML)	Water use (ML)	Closing balance (ML)
		A	B	C	D	E	F	G	H	I	J	K = A + B + C + D + E + F + G + H + I + J	L	M = K + L	
Murray system															
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999	High	29,782.3	2.00	-0.7	29,782.3	0.0	525,190.5	-1,031.3	0.0	-458,359.9	0.0	-8,330.0	87,253.0	-87,066.6	186.3
	Low	3,893.6	1,231.4	0.0	0.00	0.0	0.0	160,853.5	0.0	1,086.3	0.0	0.0	163,171.2	-160,853.6	2,317.6
	Unreg	40,000.0	0.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.0	0.0
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999 - River Murray Increased Flows ⁵	Trigger based	N/A	N/A	N/A	156,000.0	0.0	0.0	0.0	0.0	-16,500.0	0.0	0.0	139,500.0	-17,719.9	121,780.1
	High	50,000.0	112,900.0	0.0	50,000.0	0.0	N/A	0.0	0.0	0.0	0.0	0.0	162,900.0	0.0	162,900.0
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999 - Barmah-Millewa Water for the environment Allocation	Low	25,000.0	0.0	0.0	25,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25,000.0	0.0	25,000.0
	N/A	26,229.7	22,528.2	0.0	14,744.3	0.0	0.0	0.0	0.0	3,194.5	233.0	-6,670.0	34,030.0	-7,847.9	26,182.1
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999 - Living Murray	High	9,589.0	5,479.00	-366.4	9,589.0	0.0	0.0	0.0	25,891.6	0.0	0.0	0.0	40,593.2	-34,603.2	5,990.0
	Low	101,849.9	4,310.2	-1,006.0	0.00	0.0	135,280.4	0.0	-70,571.6	0.0	0.0	0.0	68,013.0	-66,868.8	1,144.2
	Unreg	34,300.0	0.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.0	0.0
Bulk Entitlement (River Murray - Snowy Environmental Reserve) Conversion Order 2004	High	29,794.0	0.00	0.0	29,794.0	0.0	0.0	0.0	0.0	-29,794.0	0.0	0.0	0.0	0.0	0.0
	High	14,670.9	0.00	0.0	14,670.9	0.0	0.0	0.0	0.0	-14,975.9	0.0	0.0	-305.0	0.0	-305.0
Water shares - Snowy River Environmental Reserve ⁷	Low	6,423.4	305.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	305.1	0.0	305.1
	Broken system														
Broken system water use registration	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

SECTION ONE

VEWH Water Holdings 2016-17 – Northern Region

Entitlement	Reliability	Entitlement at 1 July 2017 (ML)	Carryover from 2016-17 (ML)	Carryover lost to spill (ML) ¹	Allocation (ML)	Allocation lost to spill (ML)	Return flow credit (ML) ²	Net transfer CEW (ML) ³	Net transfer TLM (ML) ³	Net transfer VEW (ML) ³	Donations (ML)	Net trade VEW (ML) ⁴	Total water available (ML)	Water use (ML)	Closing balance (ML)
Goulburn system															
Environmental Entitlement (Goulburn System - NVIRP Stage 1) 2012 ⁶	N/A	34,255.3	32,706.5	0.0	17,050.3	0.0	4,015.3	0.0	0.0	1,151.4	0.0	0.0	54,923.5	-34,733.1	20,190.4
Goulburn River Environmental Entitlement 2010	High	8,851.0	0.00	0.0	8,851.0	0.0	0.0	0.0	0.0	-1,433.1	0.0	0.0	7,417.9	-7,417.0	0.9
	Low	3,140.0	2,983.0	0.0	0.0	0.0	0.0	256,724.9	0.0	-1,817.7	0.0	0.0	257,890.2	-256,725.0	1,165.2
Environmental Entitlement (Goulburn System - Living Murray) 2007	High	39,625.0	19,271.0	0.0	39,625.0	0.0	0.0	0.0	3,672.6	0.0	0.0	0.0	62,568.6	-62,568.5	0.1
	Low	156,980.0	14,990.5	0.0	0.0	0.0	0.0	0.0	1,886.4	0.0	0.0	0.0	16,876.9	-14,990.5	1,886.4
Bulk Entitlement (Snowy - Environment) Order 2005 ⁷	High	30,252.0	0.00	0.0	30,252.0	0.0	0.0	0.0	0.0	-30,252.0	0.0	0.0	0.0	0.0	0.0
	Low	8,156.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water shares - Snowy River Environmental Reserve ⁷	High	8,320.9	0.1	0.0	8,320.9	0.0	0.0	0.0	0.0	-8,321.0	0.0	0.0	0.0	0.0	0.00
	Low	17,852.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Silver and Wallaby Creeks Environmental Entitlement 2006	Passing flows	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.00
Campaspe system															
Campaspe River Environmental Entitlement 2013	High	20,652.0	4,586.2	0.0	20,652.0	0.0	0.0	6,594.0	0.0	-3,000.0	0.0	0.0	28,832.2	-22,534.0	6,298.2
	Low	2,966.0	0.0	0.0	1,749.9	0.0							1,749.9	-1,749.9	0.0
Campaspe River withheld passing flow account ⁸	Passing flows	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Environmental Entitlement (Campaspe River - Living Murray Initiative) 2005	High	126.0	126.0	0.0	126.0	0.0	0.0						252.0	-252.0	0.0
	Low	5,048.0	5,048.0	0.0	2,978.3	0.0	0.0						8,026.3	-5,048.0	2,978.3
Coliban River withheld passing flow account ⁸	Passing flows	N/A	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

VEWH Water Holdings 2016-17 – Northern Region

Entitlement	Reliability	Entitlement at 1 July 2017 (ML)	Carryover from 2016-17 (ML)	Carryover lost to spill (ML) ¹	Allocation (ML)	Allocation lost to spill (ML)	Return flow recredit (ML) ²	Net transfer CEW (ML) ³	Net transfer TLM (ML) ³	Net transfer VEW (ML) ³	Donations (ML)	Net trade VEW (ML) ⁴	Total water available (ML)	Water use (ML)	Closing balance (ML)
Loddon system															
Bulk Entitlement (Loddon River - Environmental Reserve) Order 2005	High	2,000.0	2,000.0	0.0	2,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,000.0	-2,202.0	1,798.0
	High	1,480.0	703.0	0.0	777.0	0.0	0.0	0.0	0.0	4,099.4	0.0	0.0	5,579.4	-5,579.4	0.0
	Trigger based	7,490.0	0.0	0.0	7,490.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,490.0	-6,040.5	1,449.5
Loddon River withheld passing flow account ⁸	Low	2,024.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,053.9	-3,053.9	0.0
Loddon River deficit and reimbursement account	Passing flows	N/A	0.00		3032	0.0	0.0	0.0	0.0	0.0	0.0	0.0	303.2	-303.2	0.0
Loddon River freshening flows account	Trigger based	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	N/A	N/A
Water shares – Snowy River Environmental Reserve ⁷	High	828.0	0.0	0.0	828.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	828.0	-828.0	0.0
Environmental Entitlement (Birch Creek – Bullarook System) 2009	High	470.0	0.0	0.0	470.0	0.0	0.0	0.0	0.0	-470.0	0.0	0.0	0.0	0.0	0.0
Northern Region Total	Trigger based	100.0	100.0	-100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	100.0
		722,149.0	229,270.3	-1,473.3	471,154.2	0.0	664,486.2	426,195.0	-39,121.0	-555,392.0	233.0	-15,000.0	1,180,352.5	-798,985.0	381,367.5

1. If system storages spill, some or all of the available carryover may be deemed to be 'lost' through that spill

2. Return flow provisions in entitlements allow environmental flows to be delivered to achieve outcomes in multiple systems. For example, water delivered by the VEW in the Goulburn system may be re-credited to the VEW (minus losses) and used again in the Murray system

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 Murray-Darling Basin Authority in Victoria. A positive transfer value indicates there has been a net transfer of allocation into the entitlement; a negative value indicates a net transfer of allocation out of the entitlement. Net transfers by the VEW represent transfers of water to the Snowy River entitlements and transfers of water to South Australia to facilitate delivery in the River Murray

4. Negative net trades indicate a net sale of water allocation, while positive net trades indicate a net purchase of water allocation.

5. 'Allocation' is River Murray Increased Flows that have been transferred from the Snowy to the Murray and are available for use.

6. Total entitlement volume and allocation includes mitigation water allocated for the purposes of watering specific environmental sites that have been identified through GMW Connections Project environmental approvals processes.

7. Water held in these entitlements is made available for Snowy River Increased Flows and River Murray Increased Flows via a substitution method. Allocation to these entitlements is made available to consumptive users in the Murray system who would otherwise have been supplied through water diverted from the Snowy system to the Murray.

8. Under entitlement rules, passing flows may be reduced and withheld passing flow volumes released at a later date. These rules allow flexibility which can help increase environmental outcomes without impacting other water users.

SECTION ONE

1.5 Five year financial summary

Table 1.8 below provides a financial summary for the VEWH operation in 2017-18.

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 1.8 Financial summary

	2017-18	2016-17	2015-16	2014-15	2013-14
Government contributions / grants ¹	8,427,391	10,776,507	11,032,066	11,603,223	6,735,668
Sale of water allocation	1,924,535	1,000,319	74,831	1,635,607	0
Interest	106,110	109,199	193,972	182,489	119,864
Other income ²	0	0	59,010	42,150	30,565
Total revenue	10,458,036	11,886,025	11,359,879	13,463,469	6,886,097
Environmental water holdings and transaction expenses	(6,535,185)	(5,134,180)	(5,403,501)	(4,995,326)	(2,210,926)
Grants	(1,917,576)	(2,104,435)	(3,293,025)	(2,320,867)	(1,205,865)
Employee benefits	(1,841,708)	(1,632,990)	(1,554,971)	(1,176,834)	(803,516)
Supplies and services	(1,147,304)	(1,001,390)	(947,599)	(958,920)	(723,980)
Total expenditure	(11,441,773)	(9,872,995)	(11,199,096)	(9,451,947)	(4,944,287)
Total assets³	10,248,249	11,216,171	8,911,507	9,856,729	4,829,609
Total liabilities	757,183	733,919	457,832	1,561,005	541,141

In 2014-15, Policy 8.8 in the *Victorian Waterway Management Strategy* was implemented for the first time, requiring environmental water holders to pay the applicable charges for the storage and delivery of environmental water. Previous policy had provided an exemption of some of these charges. This resulted in a significant increase in the VEWH's expenditure from 2014-15 onwards, and a corresponding increase in funding received from the Environmental Contribution.

1. Includes revenue from the Living Murray program or Commonwealth Environmental Water, for entitlement charges and water delivery costs associated with delivery of their Water Holdings.

2. Prior to 2015-16, the VEWH received services free of charge from the Department, these were \$59,010 in 2015-16, \$42,150 in 2014-15, and \$30,565 in 2013-14. This arrangement ceased in 2016-17.

3. Environmental entitlements are issued by the Minister for Water under section 48B of the Water Act, through an order published in the Victoria Government Gazette. The VEWH does not recognise environmental entitlements that have been gifted to it by the Victorian Government (or other Victorian Government entities) as an intangible asset, as they do not satisfy the recognition criteria of AASB 138 Intangible Assets and Financial Reporting Direction 109A Intangible Assets. Separately acquired water entitlements do meet the recognition criteria of AASB 138 and FRD 109A and would be recognised as an intangible asset. There were no separately acquired water entitlements in 2017-18.

1.6 Current year financial review

The VEWH's year-end position was at an overall deficit of \$0.99 million. This was largely due to the reduction of the VEWH's Environmental Contribution funding commitment for 2017-18 by \$2.0 million.

The VEWH has maintained its strong financial position by utilising its short-term investments, and seasonal conditions resulting in below average delivery costs and some water being able to be sold throughout the year.

Water 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 cost incurred. The VEWH is provided funding to meet environmental water objectives during an 'average' year. Delivery costs in 2017-18 were lower than the 'average' year estimation.

In early 2018, a decision was made to sell 15,000 ML of Murray system allocation, resulting in revenue of \$1.93 million. The sale was possible due to watering events at Barmah Forest and Lindsay Island requiring less than initially planned. Revenue from water allocation sales are retained to purchase future water allocation to meet priority watering actions in different systems or in different years, or otherwise contribute to projects to improve environmental water outcomes.

Considering the variable nature of seasonal conditions and subsequent water delivery costs and trading revenue and expenditure, it is critical that the VEWH is able to carry forward funds for access in future years.

Performance against key performance indicators (financial)

Four key financial performance indicators and associated targets were included in the *Corporate Plan 2017-18 to 2020-21*. Table 1-9 outlines the performance against these indicators and shows that in 2017-18 all targets were met.

Table 1.9 Financial performance against key indicators

Performance indicator	Target %	Achievement %
Variance of actual expenditure to budgeted expenditure is within the target range, and actions taken to mitigate significant variances	<10%	5% ¹
Internal cash investment strategy reviewed, and actions taken to address significant variances in interest received	Quarterly	Achieved
Final financial accounts are completed within statutory timeframes	100%	100%
Office operation ² expenditure as a percentage of total expenditure is within the target range	<25%	23%

1. Excludes Commonwealth associated expenditure.

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



SECTION ONE

1.7 Significant changes in financial position

The Environmental Contribution funding commitment to the VEWH for 2017-18 was reduced by \$2.0 million. There were no other significant changes in financial position.

1.8 Significant changes or factors affecting performance

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

1.9 Capital Projects

The VEWH does not manage any capital projects.

1.10 Subsequent events

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

Governance and organisational structure

2.1 Organisational structure

The VEWH reports directly to the Minister for Water.

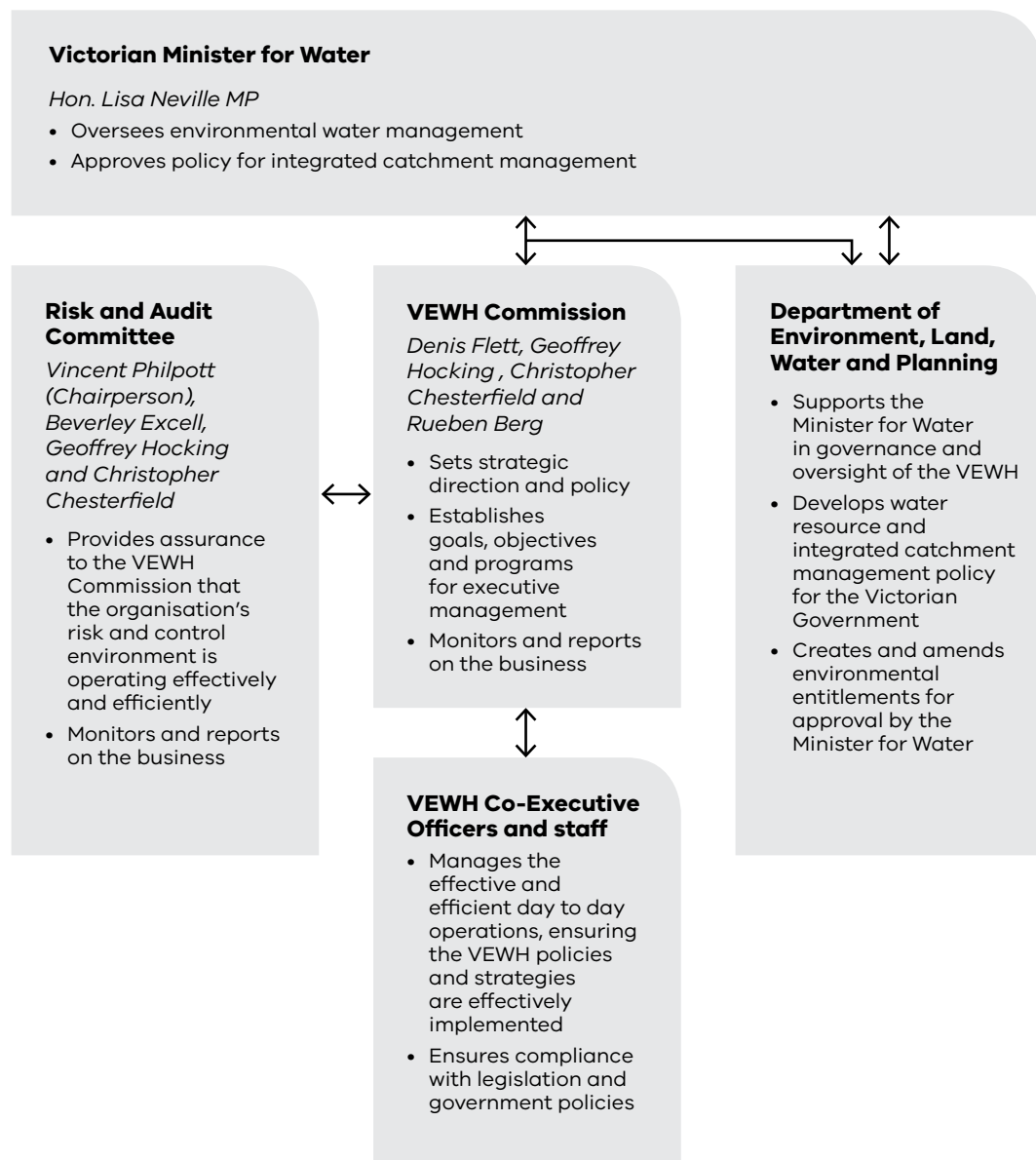
DELWP has a role in governance oversight of the VEWH, advising the Minister on its performance. DELWP also has a role supporting the Minister in creating and amending water entitlements (see Figure 2.1).

Under section 33DS of the Water Act, the environment Minister can give the VEWH written directions in relation to its functions, powers and duties. The Minister did not give the VEWH any written directions in 2017-18.

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

SECTION TWO

Figure 2.1 Governance structure, as at 30 June 2018



The Chairperson has an executive role, and together with the Co-Executive Officers, 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.

2.2 Governing Commission

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

The VEWH is comprised of four part-time Commissioners. The Commissioners in 2017-18 were:

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

The Chairperson, Denis Flett, and two Commissioners, Geoff Hocking and Chris Chesterfield, current terms of appointment are for five years and commenced on 1 July 2014. A fourth Commissioner, Rueben Berg, was appointed on 1 September 2017. All appointments will conclude on 30 June 2019. The Commission's meeting schedule for 2017-18 has included 11 ordinary meetings, a strategy retreat, a Northern Victoria tour, a two-day cultural awareness training field trip and participation in out-of-session decisions on 12 additional occasions throughout the year.

Table 2.1 VEWH Commission membership and meeting attendance 2017-18

Name	Term	Attended	Eligible to attend
Denis Flett, Chairperson	1 July 2017 to 30 June 2018	10	11
Geoffrey Hocking, Deputy Chairperson	1 July 2017 to 30 June 2018	9	11
Christopher Chesterfield	1 July 2017 to 30 June 2018	10	11
Rueben Berg	1 September 2017 to 30 June 2018	9	9



Case study:

Rueben Berg appointed to the VEWH Commission

Rueben Berg is a Gunditjmara man passionate about the cultural connection to water that has existed for Aboriginal people for thousands of years.

The Victorian Environmental Water Holder welcomed Rueben as a Commissioner in September 2017 and he is already bringing a strong Aboriginal voice to the work of the water for the environment program.

"My family have close connections to Country through the Hopkins River. It's a place where my ancestors lived for tens of thousands of years and a place I still take my kids to today.

"Water is the lifeblood of the land and Aboriginal people recognised the life-supporting value of water early on. We were Australia's first waterway managers, making modifications like the aquaculture system at Budj Bim.

"Aboriginal traditional ecological knowledge is an asset to managing waterways. With such a long history of observing, using and our connections to water, we have so much knowledge to share.

"I have already seen some great initiatives happening here in Victoria through the VEWH and its partners, such as Aboriginal Water Week and the watering of culturally significant sites such as Bolin Bolin Billabong.

"Bringing water management authorities and Traditional Owner groups together to manage and protect our waterways is beneficial for everyone, and a learning experience.

"Anyone who has an interest in the health of our waterways should engage any way they can. I want to hear perspectives on water from all Victorians that can inform how we best deliver water for the environment to benefit everyone. Involving Aboriginal Victorians in decisions and getting cultural benefits from environmental flows is also a great outcome."

2.3 Risk and Audit Committee membership and roles

In 2017-18, Risk and Audit Committee (RAC) members were:

- Vincent Philpott - Chairperson (independent)
- Beverley Excell (independent)
- Geoffrey Hocking (independent)
- Christopher Chesterfield (independent).

The RAC is an independent body established in accordance with the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*. It provides assurance to the VEWH Commission that the organisation's risk and control environment is operating effectively and efficiently. Members are appointed by the VEWH Commission, usually for a two-year period and are subject to the RAC terms of reference. Meetings are held quarterly and at other times as required. In 2017-18 the committee met five times.

Table 2.2 Risk & Audit Committee membership and meeting attendance 2017-18

Name	Term	Attended	Eligible to attend
Vince Philpott, Chairperson	1 July 2017 to 30 June 2018	5	5
Geoffrey Hocking	1 July 2017 to 30 June 2018	3	5
Christopher Chesterfield	1 July 2017 to 30 June 2018	4	5
Beverley Excell	1 July 2017 to 30 June 2018	5	5

2.4 Occupational Health and Safety

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

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

The use of a common framework for managing specific workplace hazards is a critical part of the Office's strategy for managing health and safety. Hazards and incidents are reported through the DELWP POSSUM system. A full report on the hazards, incidents and performance for DELWP for the year is available from DELWP's *Annual Report 2017-18*. The VEWH did not have any lost time injuries in 2017-18.

Workforce data

3.1 Public sector values and employment principles

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

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

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

Valuing our people

In 2017-18, the VEWH continued to implement its People Strategy. This strategy aims to foster a motivated and high-performing office, understand and support both individual staff members' career aspirations and broader industry capability, and ensure the VEWH's capability continues to match the organisation's evolving needs.

The People Committee undertook a staff survey on preferred reward and recognition activities within the organisation.

'Building culture and capability' was a strategic initiative and many actions were undertaken (see page 11) to strengthen culture and to understand how to better value our people.

Diversity and inclusion

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

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

Performance management

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

3.2 Comparative workforce data

On 30 June 2018, the VEWH employed 16 staff (14.6 Full Time Equivalent) compared to 14 staff (12.8 FTE) on 30 June 2017. The increase in 1.8 FTE between June 2017 and June 2018 is due to additional resources required in communications and governance. The proportion of women was 75 percent in 2018 compared to 79 percent on 30 June 2017. Employees have been correctly classified in workforce data collections.

Table 3 1 Workforce data¹

Classification	2017-18		2016-17	
	Number (headcount)	FTE	Number (headcount)	FTE
Executive Officers	2	1.2	2	1.2
Project Officers	14	13.4	12	11.6
Total	16.0	14.6	14.0	12.8
Male	4	4	3	3
Female	12	10.6	11	9.8
Total	16	14.6	14	12.8

¹ All figures reflect employment levels during the last full pay period in June of each year. Excluded are those on leave without pay or absent on secondment and external contractors/consultants.

Other disclosures

4.1 Local Jobs First - Victorian Industry Participation Policy

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

In 2017-18, the VEWH did not enter into any contracts to which the Local Jobs First – VIPP applies.

4.2 Government advertising and expenditure

In 2017-18 the VEWH had no government campaign expenditure.

4.3 Consultancy expenditure

The VEWH maintains a register of contracts, including consultancies.

Consultancies over \$10,000

In 2017-18, there were six consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2017-18 in relation to these consultancies was \$263,615 (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 2017/18 (Excl GST) \$	Future Expenditure (Excl GST) \$
Aither Pty Ltd	Environmental water services and charges development (Stage 1 and 2 of 3)	31/10/2017	30/04/2018	116,863	114,324	58,098
Jacobs Group (Australia) Pty Ltd	The Southern Connected Basin Environmental Watering Committee (SCBEWC) proposal	24/04/2018	30/05/2018	29,735	29,735	nil
Murray-Darling Basin Authority	Environmental water communications framework (Orima Research)	13/06/2018	13/06/2018	11,000	11,000	nil
Shinewing Australia Pty Ltd	Internal audit 2017-18	27/10/2017	28/11/2017	23,295	23,295	nil
The University Of Adelaide	Assessment of floodplain tree condition data on responses to environmental watering to inform efficient water management	19/02/2018	26/06/2018	52,466	52,466	nil
Woodwater	Environment, Natural Resources and Regional Development Committee (ENRRDC) inquiry support	14/08/2017	15/12/2017	32,795	32,795	nil

Consultancies under \$10,000

In 2017-18, there were four consultancies engaged during the year, where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2017-18 in relation to these consultancies were \$12,146 (excl. GST).

4.4 Information and Communication Technology expenditure

For the 2017-18 reporting period, the VEWH had a total Information and Communications Technology (ICT) expenditure of \$159,098, with the details shown in Table 4.2.

Table 4.2 ICT expenditure

All operational ICT expenditure	ICT expenditure relating to projects to create or enhance ICT capabilities		
	Business as usual (BAU) expenditure	Non-business as usual (non-BAU) expenditure (Total operational and capital expenditure)	Operational expenditure
\$140,198	\$18,900	\$18,900	Nil

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

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

4.5 Major contracts

The VEWH did not enter into any contracts greater than \$10 million in value during 2017-18.

4.6 Freedom of information

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

FOI & Privacy Unit

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

An application fee of \$28.90 applies.

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

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



SECTION FOUR

4.7 Building Act 1993

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

4.8 Competitive Neutrality Policy

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

The VEWH continues to comply with the requirements of the Competitive Neutrality Policy.

4.9 Protected Disclosures Act 2012

Compliance with the *Protected Disclosures Act 2012*

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

What is a 'protected disclosure'?

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

What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

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

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

How do I make a 'Protected Disclosure'?

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

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

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

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

Contacts

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

or:

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

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

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

4.10 Compliance with the enabling legislation

Water Act

The VEWH's compliance against the *Water Act 1989* is summarised in 1.5 of this report.

Public Administration Act

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

4.11 Office-based environmental impacts

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

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

As the office is co-located with DELWP at 8 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 DELWP's *Annual Report 2017-18*.

4.12 Availability of other information

Additional information available on request

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

SECTION FOUR

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

The information is available on request from:

Executive Officer, Victorian Environmental Water Holder

Telephone: (03) 9637 8951

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

Information that is not applicable to the VEWH

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

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

4.13 Financial management compliance attestation

Victorian Environmental Water Holder Financial Management Compliance Attestation Statement

I, Denis Flett, on behalf of the Commission of the Victorian Environmental Water Holder, certify that the Victorian Environmental Water Holder has complied with the applicable Standing Directions of the Minister for Finance under the Financial Management Act 1994 and Instructions.

Denis Flett



Chairperson
Victorian Environmental Water Holder

6 September 2018

Financial statements

- 30 June 2018

SECTION FIVE

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Comprehensive operating statement for the financial year ended 30 June 2018

	Notes	2018 \$	2017 \$
Income from transactions			
Government grants	2.1	8,427,391	10,776,507
Sale of water allocation	2.1	1,924,535	1,000,319
Interest	2.1	106,110	109,199
Total income from transactions		10,458,036	11,886,025
Expenses from transactions			
Environmental water holdings and transaction expenses	3.4	(6,535,185)	(5,134,180)
Grants	3.3	(1,917,576)	(2,104,435)
Employee expenses	3.1	(1,841,708)	(1,632,990)
Supplies and services	3.5	(1,147,304)	(1,001,390)
Total expenses from transactions		(11,441,773)	(9,872,995)
Net result from transactions (net operating balance)		(983,737)	2,013,030
Other economic flows included in net result			
Other gains/(losses) from other economic flows	3.6	(5,893)	15,547
Total other economic flows included in net results		(5,893)	15,547
Comprehensive result		(989,630)	2,028,577

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

SECTION FIVE

Balance sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
Assets			
Financial assets			
Cash and deposits	5.1	9,396,288	3,468,952
Receivables	4.1	810,579	763,505
Investments	5.2	0	6,950,000
Total financial assets		10,206,867	11,182,457
Non-financial assets			
Prepayments	4.2	41,382	33,714
Total non-financial assets		41,382	33,714
Total assets		10,248,249	11,216,171
Liabilities			
Payables	4.3	296,711	283,774
Provisions	3.1.1	460,472	450,145
Total liabilities		757,183	733,919
Net assets		9,491,066	10,482,252
Equity			
Accumulated surplus		9,491,066	10,482,252
Net worth		9,491,066	10,482,252
Commitments for expenditure	5.3		
Contingent assets and contingent liabilities	6.4		

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

Statement of changes in equity for the financial year ended 30 June 2018

	Accumulated surplus \$	Total \$
Balance at 1 July 2016	8,453,675	8,453,675
Comprehensive result	2,028,577	2,028,577
Balance as at 30 June 2017	10,482,252	10,482,252
Unconditional and expected to be settled within 12 months	(1,556)	(1,556)
Comprehensive result	(989,630)	(989,630)
Balance as at 30 June 2018	9,491,066	9,491,066

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 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts			
Receipt from government		8,424,554	10,781,263
Receipt from other entities		1,924,535	1,000,319
Interest received		106,110	109,199
Total receipts		10,455,199	11,890,781
Payments			
Payment of grants and other transfers		(2,050,774)	(1,968,810)
Payments to suppliers and employees		(9,382,854)	(7,575,703)
GST paid to the ATO		(44,235)	(50,315)
Total payments		(11,477,863)	(9,594,828)
Net cash flows from operating activities	5.1	(1,022,663)	2,295,953
Cash flows used in investing activities			
Proceeds from disposal of investments		6,950,000	(4,650,000)
Net cash flows used in investing activities		6,950,000	(4,650,000)
Net increase in cash and cash equivalents		5,927,336	(2,354,047)
Cash and cash equivalents at the beginning of the financial year		3,468,952	5,822,999
Cash and cash equivalents at the end of the financial year	5.1	9,396,288	3,468,952

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

Notes to the financial statements

1. About this report

1.1 Reporting entity

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

Victorian Environmental Water Holder
8 Nicholson Street
Melbourne 3000

1.2 Basis of preparation

The financial report was authorised for issue by the Chairperson – Denis Flett and Finance Manager – Monica Lui on 6 September 2018.

1.3 Compliance

These financial statements:

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

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

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

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

2. Funding delivery of our services

Introduction

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

Structure

2.1 Summary of income that funds the delivery of services

2.1 Summary of income that funds the delivery of services:

	2018 \$	2017 \$
Government grants		
Grants from DELWP ⁽ⁱ⁾	6,750,000	8,750,000
Grants from Commonwealth ⁽ⁱ⁾	1,677,391	2,026,507
Total government grants	8,427,391	10,776,507
Sale of water allocation		
Sale of water allocation ⁽ⁱⁱ⁾	1,924,535	1,000,319
Total sale of water allocation	1,924,535	1,000,319
Interest		
Interest from cash, deposits and investments ⁽ⁱⁱⁱ⁾	106,110	109,199
Total interest	106,110	109,199

⁽ⁱ⁾ Income from grants (other than contributions by owners) is recognised when the VEWH gains control over the contribution. For reciprocal grants, the VEWH is deemed to have assumed control when the Commission is satisfied its performance obligations under the terms of the grant have been met. For non-reciprocal grants, the Commission is deemed to have assumed control when the grant is receivable or received. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

⁽ⁱⁱ⁾ Income from the sale of water allocations is recognised as income when the VEWH no longer has ownership nor control of the water allocations.

⁽ⁱⁱⁱ⁾ Interest income includes interest received on bank term deposits and other investments and unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

3. The cost of delivering services

Introduction

This section provides an account of the expenses incurred by the VEWH in the provision of its objectives.

Structure

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

3.1 Employee Expenses

	2018 \$	2017 \$
Employee expenses		
Salary and wages	(1,398,384)	(1,202,655)
Superannuation	(144,323)	(130,860)
Annual and long service leave	(197,576)	(208,320)
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	(99,825)	(91,155)
Termination benefits	(1,600)	0
Total employee expenses	(1,841,708)	(1,632,990)

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

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The Authority does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance (DTF) discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

3. The cost of delivering services (continued)

Termination benefits

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

3.1.1 Employee related provisions

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

	2018 \$	2017 \$
Current provisions		
Employee benefits - annual leave		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	195,193	157,115
Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	7,301	1,428
Employee benefits – long service leave		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	45,631	29,202
Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	129,383	141,230
Total employee benefits	377,508	328,975
Provisions for on-costs (Note 3.1.1(a))		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	38,122	28,945
Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	21,637	22,369
Total provision for on-costs	59,759	51,314
Total current provisions	437,267	380,289
Non current provisions		
Employee benefits ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	20,034	60,387
Provisions for on-costs ⁽ⁱⁱⁱ⁾	3,171	9,469
Total non current provisions	23,205	69,856
Total provisions	460,472	450,145

⁽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.

3. The cost of delivering services (continued)

3.1.1(a) Movement in provisions for on-costs

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

	On costs 2018 \$
Opening balance	60,783
Additional provisions recognised	460,473
Reduction arising from payments/other sacrifices of future economic benefits	(459,271)
Reductions resulting from re-measurement or settlement without cost	12
Unwind of discount and effect of changes in the discount rate	933
Closing balance	62,930
Current	59,759
Non current	3,171
Total	62,930

Wages and salaries, annual leave and sick leave

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

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

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

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Long service leave

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

3. The cost of delivering services (continued)

The components of this current LSL liability are measured at:

- undiscounted value – the VEWH expects to wholly settle within 12 months; and
- present value – if the VEWH 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' in the net result.

3.1.2 Superannuation

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

Fund	Paid contribution for the year		Contribution outstanding at year end	
	2018 \$	2017 \$	2018 \$	2017 \$
Contribution plans:				
Victorian Superannuation Fund – Vic Super Scheme	80,868	69,923	552	5,413
Various other	62,477	51,535	426	3,989
Total	143,345	121,458	978	9,402

Employees of the VEWH are entitled to receive superannuation benefits.

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

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

3.2 Responsible persons, remuneration of executives, and related parties

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

Minister for Water.....	The Hon. Lisa Neville.....	1 July 2017 to 30 June 2018
Chairperson	Denis Flett.....	1 July 2017 to 30 June 2018
Deputy Chairperson.....	Geoffrey Hocking	1 July 2017 to 30 June 2018
Commissioner	Christopher Chesterfield	1 July 2017 to 30 June 2018
Commissioner	Rueben Berg	1 September 2017 to 30 June 2018

3. The cost of delivering services (continued)

Remuneration of responsible persons

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

	2018 No.	2017 No.
Income band		
\$30,000 - \$39,999	3	2
\$100,000 - \$109,999	1	1
Total	4	3

Remuneration of executive officer

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

Related parties:

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

Related parties of the VEWH include:

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

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

Key Management Personnel (KMP):

Includes names, position titles for KMPs

The Hon. Lisa Neville..... Minister for Water.....1 July 2017 to 30 June 2018

Denis Flett Chairperson1 July 2017 to 30 June 2018

Geoffrey Hocking Deputy Chairperson1 July 2017 to 30 June 2018

Christopher Chesterfield..... Commissioner1 July 2017 to 30 June 2018

Rueben Berg..... Commissioner1 September 2017 to 30 June 2018

Transactions with KMPs and their related entities were nil (2017: Nil).

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

3. The cost of delivering services (continued)

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

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

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

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

	2018 \$	2017 \$
Remuneration of Key Management Personnel (KMP)		
Short-term benefits	197,987	170,773
Post-employment benefits	17,924	21,322
Other long-term benefits	3,986	3,986
Total remuneration ^(a)	219,897	196,081
Total number of executives ^(b)	4	3
Total annualised employee equivalent (Total annualised AEE) ^(c)	.8	.7

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

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

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

Transactions and balances with key management personnel and other related parties

During the year, outside of normal citizen type transactions with the VEWH, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Significant transactions with government-related entities

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

	Purpose	\$
Department of Environment Land Water and Planning	Funding for the VEWH staff costs and administration	2,670,718
Department of Environment Land Water and Planning	Funding for the delivery of the VEWH entitlement management and delivery project	4,079,282

3. The cost of delivering services (continued)

The VEWH entered into an agreement with the following government related entities:

	\$
North Central Catchment Management Authority	821,692
Grampians Wimmera Mallee Water	673,836
Glenelg Hopkins Catchment Management Authority	164,365
Goulburn Broken Catchment Management Authority	102,696

3.3 Grants

	2018 \$	2017 \$
Grants		
Grants to water corporations	(673,833)	(1,062,297)
Grants to catchment management authorities	(1,293,743)	(912,138)
Grants to private individuals, businesses and non-profit organisations	0	(30,000)
Grants to Commonwealth State Territory and Local Governments	50,000	(100,000)
Total grants	(1,917,576)	(2,104,435)

The VEWH grants are operating in nature, provided as specific purpose grant which are paid for a particular purpose and/or have conditions attached regarding their use. Grants expenses are recognised in the reporting period in which they are paid or payable.

3.4 Environmental water holdings and transaction expenses

	2018 \$	2017 \$
Environmental water holdings and transaction expenses		
Water storage and delivery fees	(6,521,499)	(4,963,983)
Water purchases	(10,155)	(153,441)
General delivery expenses (including statutory fees)	(3,531)	(16,756)
Total environmental water holdings and transaction expenses	(6,535,185)	(5,134,180)

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

3. The cost of delivering services (continued)

3.5 Supplies and services

	2018 \$	2017 \$
Supplies and services		
Contract and professional services	(548,278)	(476,761)
General expenses	(185,403)	(135,087)
Office and accommodation	(114,014)	(96,651)
IT expenses	(104,407)	(105,266)
Travel and subsistence	(84,184)	(54,414)
Community awareness and publicity	(62,097)	(88,325)
Motor vehicle expenses	(14,785)	(12,380)
Postage and telephone	(14,729)	(21,774)
Office expenses	(12,908)	(7,018)
Payments for shared services	(6,499)	(3,714)
Total supplies and services	(1,147,304)	(1,001,390)

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

3.5.1 Audit fees

	2018 \$	2017 \$
Victorian Auditor General's Office		
Audit of the financial statements	12,800	5,800
Total Audit fees	12,800	5,800

2017-18 includes the accrued audit fees for the year.

3.6 Other economic flows included in net result

	2018 \$	2017 \$
Other gains/(losses) arising from other economic flows		
Net gains/ (losses) arising from revaluation of employee benefits	(5,893)	15,103
Net gain/ (losses) on loans and receivables	0	444
Total other gains/(losses) from other economic flows	(5,893)	15,547

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

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

4 Other assets and liabilities

Introduction

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

Structure

- 4.1 Receivables
 - 4.1.1 Ageing analysis of contractual receivables
- 4.2 Prepayments
- 4.3 Payables
 - 4.3.1 Maturity analysis of contractual payables

4.1 Receivables

Current receivables	2018	2017
	\$	\$
Contractual		
Trade receivables	335,211	270,831
Provision for doubtful debts	0	0
Accrued income	1,520	72,723
Total contractual receivables	336,731	343,554
Statutory		
Amounts owing from DELWP	402,380	392,719
GST input tax credit recoverable	71,468	27,232
Total statutory receivables	473,848	419,951
Total current receivables	810,579	763,505
Total receivables	810,579	763,505

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

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

4 Other assets and liabilities (continued)

4.1 Ageing analysis of contractual receivables

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

	Carrying amount \$	Not past due and not impaired \$	Past due but not impaired			
			Less than 1 month \$	1-3 months \$	3 months – 1 year \$	1-5 years \$
2018						
Receivables						
Trade receivables	335,211	335,211	335,211	0	0	0
Total	335,211	335,211	335,211	0	0	0
2017						
Receivables						
Trade receivables	270,831	270,831	270,831	0	0	0
Total	270,831	270,831	270,831	0	0	0

4.2 Prepayments

	2018 \$	2017 \$
Current Prepayments		
Prepaid Expenses	41,382	33,714
Total prepayments	41,382	33,714

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

4.3 Payables

	2018 \$	2017 \$
Current payables		
Contractual		
Trade creditors	0	3,522
Accrued grants and transfers	2,427	135,624
Other accrued expenses	289,036	141,193
Total contractual payables	291,463	280,339
Statutory		
Taxes payable	2,034	1,199
GST input tax credit payable	0	0
Superannuation payable	3,214	2,236
Total statutory payables	5,248	3,435
Total current payables	296,711	283,774
Total payables	296,711	283,774

4 Other assets and liabilities (continued)

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

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

4.3.1 Maturity analysis of contractual payables

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

	Carrying amount \$	Nominal amount \$	Maturity dates				
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$	5+ years \$
2018							
Payables:							
Trade creditors ⁽ⁱ⁾	0	0	0	0	0	0	0
Accrued grants and transfers	2,427	2,427	2,427	0	0	0	0
Accrued expenses	289,036	289,036	289,036	0	0	0	0
Total	291,463	291,463	291,463	0	0	0	0
2017							
Payables:							
Trade creditors ⁽ⁱ⁾	3,522	3,522	638	0	2,884	0	0
Accrued grants and transfers	135,624	135,624	135,624	0	0	0	0
Accrued expenses	141,193	141,193	141,193	0	0	0	0
Total	280,339	280,339	277,455	0	2,884	0	0

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

5 How we financed our operations

Introduction

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

Structure

- 5.1 Cash
- 5.2 Investments
- 5.3 Commitments for expenditure

5.1 Cash

	2018 \$	2017 \$
(a) Reconciliation of cash and cash equivalents		
Funds held in trust – cash	3,996,288	2,338,952
Funds held in trust – fund held in deposits (i)	5,400,000	1,130,000
Total cash and deposits disclosed in the balance sheet	9,396,288	3,468,952
Balance per cash flow statement	9,396,288	3,468,952
(b) Reconciliation of net result for the period		
Comprehensive result	(989,630)	2,028,577
Non-cash movements		
Net gain/ (loss) arising from reduction of employee benefits	5,893	(15,103)
Net gain/ (loss) on financial instruments	0	(444)
Movements in assets and liabilities		
(Increase)/Decrease in receivables	(47,074)	(45,557)
(Increase)/Decrease in prepayments	(7,668)	14,209
Increase/(Decrease) in payables	12,937	213,011
Increase/(Decrease) in provisions	2,879	101,260
Net cash flows from operating activities	(1,022,663)	2,295,953

⁽ⁱ⁾ Includes trust fund term deposits (less than three months) held with the Treasury Corporation of Victoria.

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

5 How we financed our operations (continued)

5.2 Investments

	2018 \$	2017 \$
Current investments		
Term deposits:		
Australian dollar term deposits greater than three months ⁽ⁱ⁾	0	6,950,000
Total current investments	0	6,950,000
Total investments	0	6,950,000

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

5.3 Commitments for expenditure

There are no commitments for expenditure (2017: Nil).

6 Risks, contingencies and valuation judgements

Introduction

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

Structure

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

6.1 Financial instrument specific disclosures

The VEWH's principal financial instruments comprise of:

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

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

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

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

The VEWH is exposed to the following risks:

- Credit risk
- Liquidity risk
- Market risk.

6 Risks, contingencies and valuation judgements (continued)

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

	2018			2017		
	Contractual financial assets – loans and receivables \$	Contractual financial liabilities at amortised cost \$	Total \$	Contractual financial assets – loans and receivables \$	Contractual financial liabilities at amortised cost \$	Total \$
Contractual financial assets						
Cash and deposits	9,396,288	0	9,396,288	3,468,952	0	3,468,952
Receivables						
Trade receivables	335,211	0	335,211	270,831	0	270,831
Accrued income	1,520	0	1,520	72,723	0	72,723
Investments	0	0	0	6,950,000	0	6,950,000
Total contractual financial assets	9,733,019	0	9,733,019	10,762,506	0	10,762,506
Contractual financial liabilities						
Payables						
Trade creditors	0	0	0	0	3,522	3,522
Accrued grants and transfers	0	2,427	2,427	0	135,624	135,624
Accrued expenses	0	289,036	289,036	0	141,193	141,193
Total contractual financial liabilities	0	291,463	291,463	0	280,339	280,339

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

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

6.2 Categories of financial instruments

6.2.1 Financial asset

6.2.1 (a) Loans and Receivables

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

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

6 Risks, contingencies and valuation judgements (continued)

6.2.1 (b) Impairment of non-financial assets

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

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

6.2.2 Financial liability

6.2.2 (a) Financial liabilities at amortised cost

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

6.3 Financial risk management objective and policies

6.3.1 Credit Risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The VEWH's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the VEWH. Credit risk is measured at fair value and is monitored on a regular basis.

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

In addition, the VEWH does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, the VEWH's policy is to only deal with banks with high credit ratings.

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

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

There has been no material change to the VEWH's credit risk profile in 2017-18.

6 Risks, contingencies and valuation judgements (continued)

6.3.2 Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The VEWH operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

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

6.3.3 Market risk

The VEWH's exposure to market risk are primarily through 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 VEWH does not hold any interest bearing financial instruments that are measured at fair value and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The VEWH has minimal exposure to cash flow interest rate risks through its cash at bank.

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

6 Risks, contingencies and valuation judgements (continued)

	Weighted average interest rate %	Interest rate exposure			
		Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$
2018					
Contractual financial assets					
Cash and deposits	1.45	9,396,288	0	5,400,000	3,996,288
Receivables					
Trade receivables		335,211	0	0	335,211
Accrued income		1,520	0	0	1,520
Investments	1.82	0	0	0	0
Total		9,733,019	0	5,400,000	4,333,019
Contractual financial liabilities					
Payables:					
Trade creditors		0	0	0	0
Accrued grants and transfers		2,427	0	0	2,427
Accrued expenses		289,036	0	0	289,036
Total		291,463	0	0	291,463
2017					
Contractual financial assets					
Cash and deposits	1.45	3,468,952	0	1,130,000	2,338,952
Receivables					
Trade receivables		270,831	0	0	270,831
Accrued income		72,723	0	0	72,723
Investments	1.69	6,950,000	6,950,000	0	0
Total		10,762,506	6,950,000	1,130,000	2,682,506
Contractual financial liabilities					
Payables					
Trade creditors		3,522	0	0	3,522
Accrued grants and transfers		135,624	0	0	135,624
Accrued expenses		141,193	0	0	141,193
Total		280,339	0	0	280,339

6 Risks, contingencies and valuation judgements (continued)

6.3.3 (a) Interest rate sensitivity analysis and assumptions

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

- parallel shift of +0.5% and -0.5% in market interest rates (AUD) from year-end rates

	Carrying amount \$	Interest rate risk	
		-0.5% -50 basis points \$	0.5% 50 basis points \$
2018			
Contractual financial assets			
Cash and deposits ⁽ⁱ⁾	9,396,288	(27,000)	27,000
Receivables ⁽ⁱⁱ⁾			
Trade receivables	335,211	0	0
Accrued income	1,520	0	0
Investments	0	0	0
Total	9,733,019	(27,000)	27,000
2017			
Contractual financial assets			
Cash and deposits	3,468,952	(11,300)	11,300
Receivables ⁽ⁱⁱ⁾			
Trade receivables	270,831	0	0
Accrued income	72,723	0	0
Investments	6,950,000	0	0
Total	10,762,506	(11,300)	11,300

⁽ⁱ⁾ The analysis amount is calculated with reference to the amount of cash subjected to variable interest rate.

⁽ⁱⁱ⁾ The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable), and amounts owing from the Victorian Government.

6 Risks, contingencies and valuation judgements (continued)

6.3.3 (b) Comparison between carrying amount and fair value

	2018		2017	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Contractual financial assets				
Cash and cash deposits	9,396,288	9,396,288	3,468,952	3,468,952
Receivables⁽ⁱ⁾				
Trade receivables	335,211	335,211	270,831	270,831
Accrued income	1,520	1,520	72,723	72,723
Investments	0	0	6,950,000	6,950,000
Total contractual financial assets	9,733,019	9,733,019	10,762,506	10,762,506
Contractual financial liabilities				
Payables⁽ⁱⁱ⁾				
Trade creditors	0	0	3,522	3,522
Accrued grants and transfers	2,427	2,427	135,624	135,624
Other accrued expenses	289,036	289,036	141,193	141,193
Total contractual financial liabilities	291,463	291,463	280,339	280,339

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

⁽ⁱⁱ⁾ The amount of payables disclosed exclude statutory payables (i.e. taxes payable), and amounts owing from the Victorian Government.

6.4 Contingent assets and contingent liabilities

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

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

There are no contingent assets or contingent liabilities (2017: Nil).

7 Other disclosures

Introduction

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

Structure

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

7.1 Subsequent events

The VEWH is not aware of any other circumstances that have arisen, or information that has become available between 30 June 2018 and the date of final approval of this general purpose financial report that qualifies for inclusion as a post balance date event.

7.2 Reclassification of financial information

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

7.3 Australian Accounting Standards issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2018 reporting period. DTF assesses the impact of all these new standards and advises the VEWH of their applicability and early adoption where applicable.

As at 30 June 2018, the following applicable AASs have been issued by the AASB but are not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operating date as follows:

7 Other disclosures (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting 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 initial assessment has indicated that there will be no significant impact for the VEWH.
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 2019	AASB15 will not change income recognition for the VEWH.
AASB 2016-7 <i>Amendment to Australian Accounting Standards – Effective Date of AASB 15</i>	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019	1 January 2019	The initial assessment has indicated that the impacts of AASB 15 will not change income recognition for the VEWH.
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	<p>This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:</p> <p>» A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation;</p> <p>» For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and</p> <p>» For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).</p>	1 January 2019	

7 Other disclosures (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.	1 January 2019	The assessment has indicated that there may be an impact for the authority. There are current agreements in place where funds are provided by the Commonwealth to the State and on passed to government entities which are considered reciprocal in nature. The authority will monitor these agreements and review other authority grant agreements to determine the appropriate treatment. Many of the transactions within the authority are considered non-reciprocal and do not have significant performance obligations attached. These transactions are accounted for under AASB 1004 and should be considered under the scope of AASB 1058.
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for profit entities in applying the respective standards to particular transactions and events.	1 January 2019	The assessment has indicated that there is no significant impact for the authority other than the impact identified in AASB 9 and AASB 15.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2017-18 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on the department.

- *AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share based Payment Transactions*
- *AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- *AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- *AASB 2017-2 Amendments to Australian Accounting Standards*

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

7.4 Ex-Gratia Expenses

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

In 2017-18, the VEWH incurred no ex-gratia expenses (2016-17: \$0)

Accountable Officer's and Chief Finance Officer's declaration

The attached financial statements for the Victorian Environmental Water Holder (VEWH) have been prepared in accordance with Standing Direction 5.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

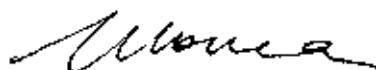
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2018 and financial position of the VEWH at 30 June 2018.

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 6 September 2018.

Denis Flett

Monica Lui



Chairperson
Victorian Environmental Water Holder

Finance Manager
Victorian Environmental Water Holder

Melbourne
6 September 2018

Melbourne
6 September 2018

SECTION FIVE

Auditor-General's Report



VAGO

Victorian Auditor-General's Office

Independent Auditor's Report

To the Commissioners of the Victorian Environmental Water Holder

Opinion	<p>I have audited the financial report of the Victorian Environmental Water Holder which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2018• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements• accountable officer's and chief finance and accounting officer's declaration. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Environmental Water Holder as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Victorian Environmental Water Holder in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Commissioners' responsibilities for the financial report	<p>The Commissioners of the Victorian Environmental Water Holder are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Commissioners determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Commissioners are responsible for assessing the Victorian Environmental Water Holder's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor-General's Report

Auditor's responsibilities for the audit of the financial report

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

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

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

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



Paul Martin

as delegate for the Auditor-General of Victoria

MELBOURNE
10 September 2018

Disclosure index

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

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FRD 22H	Organisational structure & Governing board	Page 33
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Legislation

Building Act 1983

Carers Recognition Act 2012

Financial Management Act 1994

Freedom of Information Act 1982

Protected Disclosure Act 2001

Public Administration Act 2004

Water Act 1989

Victorian Industry Participation Policy Act 2003



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Acknowledgment of Country

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

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