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Corporate Plan

2021-22 to 2024-25



Acknowledgement of Victoria's Traditional Owners

The Victorian Environmental Water Holder (VEWH) proudly acknowledges Victoria's Aboriginal communities and their rich culture and pays respect to their Elders past and present.

We acknowledge Aboriginal people as Australia's First Peoples and as Traditional Owners and custodians of the land and water on which we rely. We recognise the intrinsic connection of Traditional Owners to Country, and value their ongoing contribution to managing Victorian landscapes. We also recognise and value the contribution of Aboriginal people and communities to Victorian life and how this enriches us.

The VEWH recognises the intersection between environmental flow objectives and outcomes for Traditional Owners and Aboriginal Victorians. We acknowledge the ongoing contribution that Aboriginal people are making to planning and managing water for the environment and the benefits that have resulted from these partnerships.

A strategic focus of this corporate plan is to identify further opportunities for the VEWH and its partners to develop enduring partnerships with Traditional Owners who wish to participate in the management of water for the environment.

The VEWH embraces the spirit of reconciliation, working towards equity and an equal voice for Traditional Owners.



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- Front cover: *Cormorant and nest Hattah Lakes, by Mallee CMA*
- Previous page: *Dhudhuroa and Waywurru Aboriginal Waterways Assessment (AWA) on the Ovens and Kings rivers by Murray Darling Basin Authority*
- Page 2: *Horseshoe Lagoon culturally significant site, by VEWH*
- Back cover: *Vegetation Gunbower Forest, by North Central CMA.*

Foreword

We are pleased to present the Victorian Environmental Water Holder (VEWH) Corporate Plan 2021-22 to 2024-25.

The VEWH's unique and niche role is to manage Victoria's environmental water entitlements ('water for the environment') to optimise environmental outcomes for our waterways and communities. The VEWH is passionate about supporting healthier waterways – and through implementation of this corporate plan, we will continue to contribute to the health, wellbeing, and prosperity of Victorian communities.

Victoria experienced average rainfall in 2020-21, with the backdrop of La Nina climatic conditions. Despite this, climate change is predicted to result in a drier south-eastern Australia with more frequent extreme weather events. In this context, environmental watering is a vital factor in the survival of many waterway ecosystems. The VEWH and its program partners will continue our adaptive approach, using new knowledge to adjust and ensuring environmental water management remains efficient and effective in the face of climate change.

Environmental watering helps to protect the plants, animals and ecosystems that communities most value and which support so many social, recreational, economic and cultural benefits. As such, the VEWH and its partners continually look to foster strong partnerships with community groups and seek their views, knowledge, and experience to implement the watering program and look for opportunities to achieve shared benefits.

Traditional Owner participation in and influence on the planning, management and delivery of environmental water remains an area of focus for the VEWH. We will continue to work with our partners to seek opportunities to support self-determination aspirations related to environmental watering programs.

The VEWH will continue to engage with recreational users (such as anglers, kayakers and bird watchers) to build our understanding of their needs and consider how we can improve their experience with waterways through the use of water for the environment in partnership with catchment management authorities and stakeholder groups.

Organisational capability will remain a strategic focus for the VEWH. In 2021-22, we will continue to implement our People Strategy. This will help to address the new challenges of changed working conditions. Supporting cultural diversity and gender equity across our small workforce will continue to be an important part of this work.

The impacts of coronavirus (COVID-19) on Victorians have posed an unprecedented challenge. Despite this, the environmental watering program has so far proved adaptable to the pandemic, with watering actions able to be delivered, and engagement and collaboration continuing online. The VEWH is preparing for some form of normality over 2021-22, though we acknowledge we will still be in some form of transition over the life of this Corporate Plan as we adjust to staff working from both in the office and from home.

We are pleased to present this Corporate Plan, which presents a carefully planned program of investment in the provision of water for the environment to preserve and improve the health of Victoria's waterways.

Chris Chesterfield



Chairperson

Paulo Lay



Co-Chief Executive Officer

Dr Sarina Loo



Co-Chief Executive Officer



Overview

The Victorian Environmental Water Holder (VEWH) is the statewide organisation working solely in Victoria's environmental watering program. The VEWH makes decisions on why, where, when and how available water for the environment is used, carried over or traded to optimise outcomes for the state's waterways (i.e. rivers, wetlands, estuaries and floodplains) and the wildlife that depends on them. This includes decisions about whether to sell water in order to invest the revenue in complementary projects, where it improves the ability to manage the water holdings and the performance of Victoria's environmental watering program. The VEWH is a statutory authority that helps deliver government objectives and priorities, primarily within the context of the *Water Act 1989*, as well as the policy directions set out in *Water for Victoria – Water Plan* (2016) for the VEWH.

By improving the health of rivers, wetlands and floodplains, environmental watering also supports vibrant and healthy communities. Most of Victoria's towns are located near a river or lake which the community values, and many people travel to their favourite waterway for holidays and to relax, play and connect with nature. Importantly, the VEWH recognises that these waterways also sustain healthy Country for Aboriginal communities. The VEWH and its environmental watering program partners identify the Aboriginal cultural, social, recreational and economic values of waterways that can be supported by water for the environment. Where possible, opportunities to support these values are incorporated into watering decisions, provided they do not compromise environmental outcomes.

The VEWH's Corporate Plan 2021-22 to 2024-25 outlines the framework for our future performance and provides clear direction for the next four years of operation. This plan includes the vision, mission, values and outcomes that define what the organisation stands for and what we are striving to achieve. Figure 1 provides an overview of this strategic intent.

The environmental watering program has so far proved adaptable to the coronavirus (COVID-19) pandemic, with watering actions able to be delivered as planned. Most engagement has evolved to virtual rather than face-to-face interactions, and most site-based work has been adapted to ensure adherence to physical distancing regulations. There may be some risks to environmental or shared outcomes, depending on the level and duration of physical distancing restrictions on workplaces and community movement and gatherings if restrictions occur during the lifespan of this plan. The VEWH will continue to work with waterway managers and Department of Environment, Land, Water and Planning (DELWP) to ensure that essential work can continue in the face of COVID-19. The VEWH will move forward from the challenge of the past 12 months, by taking lessons that we have learned along the way to become a stronger and more resilient organisation.

State Government funding received for the current four-year funding period is lower than the previous funding period. As a consequence, the VEWH's activities will become more focused to account for the reduced budget allocation. Strategic projects and complementary works and measures that will over time improve the efficiency and effectiveness of use of the water holdings will be funded by trade revenue (see Section 4.5.5).

Figure 1: Overview of strategic intent



In setting ministerial rules and guidelines for the VEWH's corporate plan, the Minister for Water set out clear expectations for the VEWH to use the Victorian Government's Outcome Framework, and to communicate how we will:

- integrate climate change adaptation into decision making across the business
- deliver expected environmental outcomes and shared benefits from environmental watering
- include Aboriginal values and traditional ecological knowledge in management of the holdings
- consider recreational values in management of the holdings
- maintain effective community engagement and partnerships in statewide planning and management of the holdings; and
- develop strategies and goals that will increase cultural diversity in the workforce and gender equity in executive leadership.

A summary of the VEWH's plans in relation to each of these areas is summarised below.

Integrating climate change adaptation into decision making

The VEWH is committed to effectively managing the risk of climate change to the watering program by taking appropriate decisions and actions and working with program partners and stakeholders to minimise threats and optimise opportunities.

Climate change models forecast a general drying of Victoria's landscape, with more frequent and longer-lasting droughts, extended bushfire seasons and also more intense and frequent summer floods. These forecast changes will likely affect water availability, the composition and distribution of plant and animal communities, and the capacity of the environment to respond to environmental watering. Climate change will also affect society, shift the needs of some stakeholders, increase expectations about corporate responsibility and may influence community engagement with and attitudes towards environmental watering.

The VEWH addresses these issues in the following ways:

- continuing to implement a seasonally adaptive approach to environmental flow planning and management (through the development of the Seasonal Watering Plan and subsequent water authorisations throughout the year) to respond to risks and opportunities from climate variability
- contributing to the DELWP-led Long-term Water Resource Assessments and Sustainable Water Strategy reviews
- using membership on project steering committees for new environmental flow studies and environmental water management plans (EWMPs) to advocate for environmental watering objectives that are appropriate for future climate scenarios
- incorporating knowledge of potential climate scenarios in decisions about use of the water holdings; this may include prioritising water use to support species or habitats that may become more threatened by climate change, or reducing water use in areas that cannot be sustained under a changed climate
- reducing our office-based waste and carbon impacts through green initiatives.

Delivering environmental outcomes and shared benefits

The VEWH's core business, and the focus of the 'Our Environment' program and outcome, is to ensure that Victoria's environmental water holdings are managed effectively and efficiently to optimise environmental outcomes for enduring benefit. Key elements of this program include:

- making decisions on the most effective use of the Water Holdings, including use, carryover and trade
- liaising with other water holders to ensure coordinated use of all sources of environmental water

- authorising waterway managers to implement watering decisions
- consideration of complementary benefits for social, recreational and Aboriginal cultural values and uses of waterways in environmental flows planning and management
- working with storage managers to maximise environmental watering outcomes and to contribute to the optimisation of multiple benefits from the delivery of all water
- where possible, investing in monitoring, research, knowledge, complementary works and measures or other priorities, where it improves the ability to manage the water holdings and the performance of Victoria's environmental watering program.

Any investment in complementary works and measures, knowledge, monitoring and research will be done in collaboration with DELWP to ensure complementarity and efficiencies between the programs of the two organisations.

A strategic focus area of the 'Our Environment' program is continuous improvement in how we prioritise our decisions about water use, carryover, trade and investment to optimise long-term outcomes. Two key initiatives of this strategic focus area are:

- better identifying and delivering outcomes of landscape-scale significance (i.e. that address key regional or statewide issues and deliver environmental benefits beyond individual waterways)
- strengthen the robustness and transparency of the Water Holdings decision-making framework to support enhanced environmental outcomes, including from the sale or purchase of environmental water.

Due to the reduction in Environmental Contribution funding, work on both of these activities will be funded by trade revenue for the first time.

A key risk for the VEWH and its partners is the inability to achieve or demonstrate outcomes of environmental watering over the long term. Many factors can influence environmental outcomes including fire, drought, climate change, land use and system operations. The VEWH manages these risks in two key ways. First, it uses scenario-based planning in decision making and adjusts watering priorities based on seasonal conditions. Second, the VEWH uses the results of relevant monitoring activities to report the outcomes of watering actions. The VEWH partners with DELWP, catchment management authorities (CMAs) and other environmental water managers to share monitoring information.

Physical distancing regulations associated with COVID-19 have not resulted in any significant risks to environmental outcomes, although some monitoring activities were not able to proceed in 2020, which may limit the ability to report specific outcomes in coming years.

Community engagement, partnerships and Aboriginal inclusion

The focus of the 'Our Community' program and outcome is to ensure VEWH is playing its part to strengthen engagement, understanding and contribution of partners, stakeholders and communities in the environmental watering program. In particular, the VEWH plays a statewide role in supporting the water delivery and communication and engagement activities of our program partners to strengthen inclusion of community environmental, social, recreational and Aboriginal cultural values and uses of waterways in the program. The VEWH will continue to work with its partner agencies to support coordinated program delivery. Key elements of the VEWH's program include:

- coordinating with program partners including catchment management authorities and other environmental water holders to deliver environmental flows and transparently communicate environmental watering objectives, decisions and outcomes
- supporting self-determination opportunities for Traditional Owners and improved inclusion of Aboriginal values and ecological knowledge in the environmental watering program
- building and maintaining strategic relationships with key interested stakeholder groups (e.g. peak bodies representing recreational, agricultural, environmental and other community interests) to support inclusion of social, recreational and other community values and uses of waterways in the environmental watering program and complement the regional engagement undertaken by our program partners.

A key strategic focus of the 'Our Community' program is to increase participation of Traditional Owners in planning and managing water for the environment. We are actively identifying and pursuing opportunities for the VEWH and its partners to develop enduring partnerships with Traditional Owners, including to gain a greater understanding of how, where and when they can be empowered to make decisions regarding water for the environment.

Partnerships with program delivery organisations are critical to the successful delivery of the environmental watering program (see section 1.2.3). The VEWH proactively works to support and facilitate effective relationships with our program partners to ensure the efficiency and effectiveness of the program.

Physical distancing regulations associated with COVID-19 may impact the ability of the VEWH and its partners to meaningfully engage with some individuals and groups, particularly on Country or onsite. In 2020-21, most engagement was virtual rather than face-to-face. If physical distancing restrictions occur during the lifespan of this plan, Traditional Owner and community participation in water delivery and monitoring will likely be constrained. Overall, this could lower the level of interest sustained and/or favour engagement of particular audiences. Opportunities to consider complementary social, recreational and Aboriginal cultural values may be impacted.

Culture, diversity and gender equity

The focus of the 'Our Culture' program and outcome is to ensure the VEWH is a highly capable, well-governed organisation that demonstrates a culture of collaboration, integrity, commitment and initiative. Key elements of the program include:

- supporting the VEWH workforce to safely deliver the VEWH's work program
- effective management of the VEWH's finances and risk management processes
- ensuring compliance with governance requirements.

Insufficient capability and capacity to deliver the environmental watering program is a key risk for the VEWH and our program partners. A key factor exacerbating this risk includes the significant impact staff turnover has in a small organisation. The impact of COVID-19 has also presented a challenge for the VEWH's culture, people and managers and changed the VEWH's working environment.

To address these challenges, in 2020-21 the VEWH revised its People Strategy. The strategy also responded to results from the 'Organisational Culture Inventory' survey and from the Victorian Public Service 'People Matter' survey. The People Strategy has three focus areas which include:

- improving prioritisation of tasks and workload management
- adapting to a transformed working environment including transitioning back to the workplace and future flexible work arrangements
- improved employee capability and retention.

In 2021-22, a strategic focus of the 'Our Culture' program will be the continued implementation of the People Strategy.

The VEWH is committed to cultural diversity in the workforce and gender equity in Executive leadership. The *DELWP guide to annual reporting – public bodies* restricts the VEWH on the metrics that can be used for reporting on our workforce, due to privacy and confidentiality concerns associated with the small number of VEWH staff. However, as the VEWH employs staff through DELWP, we commit to abiding by DELWP's Diversity and Inclusion policies and VEWH staff will be included in DELWP reporting.

1 Strategic intent

1.1 Vision, mission, outcomes and values

1.1.1 Vision

The VEWH's aspirational vision is:

Water for healthy waterways, valued by communities.

1.1.2 Organisational mission

The VEWH's role in contributing to the above vision is in holding and managing Victoria's environmental water entitlements (the Water Holdings). Our mission is:

We make robust decisions about managing water for the environment, in collaboration with program partners, stakeholders and communities, to preserve and improve the environmental values and health of Victorian waterways.

1.1.3 Organisational outcomes

The VEWH seeks to achieve three outcomes that are linked to delivery of the vision and organisational mission:

Our Environment outcome

Victoria's environmental water holdings are managed effectively and efficiently to optimise environmental outcomes for enduring benefit.

Our Communities outcome

Engagement, understanding and contribution of partners, stakeholders and communities in the environmental watering program is strengthened.

Our Culture outcome

The VEWH is a highly capable, well-governed organisation that demonstrates a culture of collaboration, integrity, commitment and initiative.

1.1.4 Corporate values

The VEWH's culture is fundamental to the way we deliver our work – collaboratively, with initiative, commitment and integrity. The VEWH's expected core values, attitudes and behaviours are described in Table 1.

See Figure 1 Overview of strategic intent on page 4.

Table 1: VEWH values, attitudes and behaviours

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

1.2 Governance and key relationships

1.2.1 Statutory objectives and functions

The VEWH's statutory powers and obligations are described in section 33DC to 33DE of the *Water Act 1989* (the Act). The overarching objectives of the VEWH are to manage the Water Holdings (see Table 2) for the purposes of:

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

The functions of the VEWH described in section 33DD of the Act are to do the following in accordance with the objectives outlined above:

- a) apply and use water in the Water Holdings and otherwise exercise rights in the Water Holdings in accordance with the 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 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 coordination of the exercise of rights under any water right or entitlement held by another person, including the Commonwealth Environmental Water Holder (CEWH)
- f) enter into any agreements with any person for the provision of works by that person to enable the efficient application or use of water in the Water Holdings.

In performing its functions, the VEWH must consider opportunities to provide for Aboriginal cultural, and social and recreational, values and uses in its management of the Water Holdings, consistently with its objectives and other legislative requirements.

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

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

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

Table 2: The Water Holdings (as at 12 April 2021)

System	Entitlement	Volume (ML)	Class of entitlement
Gippsland region			
Latrobe	Blue Rock Environmental Entitlement 2013	18,737 ¹	Share of inflow
	Latrobe River Environmental Entitlement 2011	n/a ²	Unregulated
Thomson	Bulk Entitlement (Thomson River – Environment) Order 2005 ³	10,000 8,000 ¹	High reliability Share of inflow
Macalister	Macalister River Environmental Entitlement 2010	12,461 6,230	High reliability Low reliability
Central region			
Yarra	Yarra Environmental Entitlement 2006 ³	17,000 55	High reliability Unregulated
Tarago	Tarago and Bunyip Rivers Environmental Entitlement 2009 ³	3,000 ¹	Share of inflow
Werribee	Werribee River Environmental Entitlement 2011 ³	n/a ¹	Share of inflow
	Water shares	734 361	High reliability Low reliability
Moorabool	Moorabool River Environmental Entitlement 2010 ³	7,086 ¹	Share of inflow
Barwon	Barwon River Environmental Entitlement 2011	n/a ²	Unregulated
	Upper Barwon River Environmental Entitlement 2018	2,000 ¹	Share of inflows
Western region			
Wimmera and Glenelg	Wimmera and Glenelg Rivers Environmental Entitlement 2010 ^{3,4}	40,560 1,000	High reliability Low reliability
Northern region			
Victorian Murray	Bulk Entitlement (River Murray – Flora and Fauna) Conversion Order 1999	45,267	High reliability
		8,523	Low reliability
		49,000	Unregulated
	Bulk Entitlement (River Murray – Flora and Fauna) Conversion Order 1999 – Barmah-Millewa Forest Environmental Water Allocation	50,000	High reliability
		25,000	Low reliability
	Bulk Entitlement (River Murray – Flora and Fauna) Conversion Order 1999 – Living Murray	9,589	High reliability
		101,850 34,300	Low reliability Unregulated
Environmental Entitlement (River Murray – NVIRP Stage 1) 2012	1,223 ⁵	High reliability	
Bulk Entitlement (River Murray – Snowy Environmental Reserve) Conversion Order 2004	29,794	High reliability	
Water shares – Snowy Environmental Reserve	14,671	High reliability	
	6,423	Low reliability	
Water shares – the Living Murray program	12,267	High reliability	

System	Entitlement	Volume (ML)	Class of entitlement
Northern region continued			
Goulburn	Goulburn River Environmental Entitlement 2010	26,555 5,792	High reliability Low reliability
	Environmental Entitlement (Goulburn System – Living Murray) 2007	39,625 156,980	High reliability Low reliability
	Environmental Entitlement (Goulburn System – Northern Victoria Irrigation Renewal Project (NVIRP) Stage 1) 2012	1,682 ⁵	High reliability
	Bulk Entitlement (Goulburn System – Snowy Environmental Reserve) Order 2004	30,252 8,156	High reliability Low reliability
	Water Shares – Snowy River Environmental Reserve	8,321 17,852	High reliability Low reliability
	Water shares – the Living Murray program	5,559	High reliability
	Silver and Wallaby Creeks Environmental Entitlement 2006	n/a	Passing flow only
Broken	Water Shares	90	High reliability
		19	Low reliability
Campaspe	Environmental Entitlement (Campaspe River – Living Murray Initiative) 2007	126 5,048	High reliability Low reliability
	Campaspe River Environmental Entitlement 2013	20,652 2,966	High reliability Low reliability
Loddon	Bulk Entitlement (Loddon River – Environmental Reserve) Order 2005 ^{3,4}	10,970 2,024	High reliability Low reliability
	Environmental Entitlement (Birch Creek – Bullarook System) 2009 ^{3,4}	100	n/a ⁶
	Water Shares – Snowy River Environmental Reserve	470	High reliability

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

- Water is accumulated continuously according to a percentage share of inflows to these entitlements (i.e. the Blue Rock 9.45%, Thomson 3.9%, Tarago 10.3%, Werribee 10.0%, Moorabool 11.9% and upper Barwon River 3.8%). This volume represents the designated storage volume available to VEWH under the entitlement except for Werribee because the VEWH entitlement does not include a storage share in the Werribee system. The actual volume available in any year varies according to inflows.
- Water available under these entitlements is dependent upon suitable river heights rather than a permitted volume.
- The entitlement includes passing flows in addition to a volumetric entitlement.
- The entitlement includes unregulated water in addition to a volumetric entitlement.
- This entitlement volume is the mitigation water savings from GMW Connections Project Stage 1, as verified in the latest audit.
- Allocation against this entitlement is made subject to specific triggers, as specified in the entitlement.

1.2.2 Commission and Executive

The VEWH is overseen by a Commission responsible for the overall governance and strategic direction of the organisation and for delivering accountable performance and conformance in line with the organisation's goals and objectives.

As at April 2021, the VEWH Commission is comprised of four part-time Commissioners:

- Chris Chesterfield (Chairperson)
- Peta Maddy (Deputy Chairperson)
- Rueben Berg (Commissioner)
- Jennifer Fraser (Commissioner).

All appointments will conclude on 30 September 2023.

The VEWH Co-Chief Executive Officers, Paulo Lay and Sarina Loo, are responsible for managing the effective and efficient day-to-day operations of the VEWH, ensuring its policies and strategies are effectively implemented, and that legislation and Government policies are complied with. The job-share of the Chief Executive Officer role is an example of VEWH's commitment to flexible work arrangements. The Co-Chief Executive Officers and three Executive Managers make up the Executive Team.

1.2.3 Key relationships

Partnerships are key to the success of Victoria's environmental watering program; no one organisation alone can deliver it. Figure 2 summarises the key roles and responsibilities, which are described in more detail below.

The program is overseen by the Victorian Minister for Water through the Department of Environment, Land, Water and Planning (DELWP).

Program partners are those organisations with a responsibility for delivering some part of the environmental watering program. It includes waterway managers, storage managers, land managers, environmental water holders. In some areas, Traditional Owners, scientists and community members may also be program partners.

Stakeholders are those organisations or individuals with a keen interest in the environmental watering program, who are engaged by one of the program partners during planning, delivery or reporting.

Waterway managers (catchment management authorities and Melbourne Water) are the regional planning and delivery arm of the program. In consultation with local communities, waterway managers develop environmental watering proposals for the rivers and wetlands in their region. Waterway managers order water for the environment from storage managers, and they monitor the outcomes of releases. 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 decides where water for the environment will be used, carried over or traded, to optimise outcomes for the state's waterways. In northern Victoria, the VEWH also works with the Commonwealth Environmental Water Office (CEWO), the Murray-Darling Basin Authority (MDBA) and the New South Wales and South Australian governments to prioritise how and where water is used and to ensure the use of water for the environment is coordinated to optimise the health of the connected waterways of the Murray-Darling Basin.

Storage managers — designated water corporations — deliver water for all water users including waterway managers and environmental water holders.

Public land managers (such as Parks Victoria [PV], DELWP and Traditional Owner [TO] land management boards) are closely involved in planning and delivering water for the environment on public land (such as state forests and national parks). Their responsibilities include controlling infrastructure (such as pumps, outlets, gates and channels) and public signage. Some environmental watering also occurs on private land, in partnership with landholders or corporations.

The VEWH works in collaboration with DELWP who oversees the Victorian environmental water policy and governance frameworks, on behalf of the Minister for Water. This includes delivery of Victoria's commitments under the Murray-Darling Basin Plan and coordination of state-scale environmental flow monitoring and assessment programs.

The environmental watering program also draws on the important knowledge of scientists, Traditional Owners, peak body representative groups and a variety of interested local community members.

Scientists provide indispensable evidence about how water for the environment supports native plants and animals in the short and long term, and they work with waterway managers to monitor, evaluate and report on environmental watering outcomes.

The VEWH and its program partners recognise the intersection between the aims of the environmental watering program – healthy waterways, healthy communities – to the deep and enduring obligations Traditional Owners have to Country and community. In many regions of Victoria, Traditional Owners and their representatives have strong relationships with local waterway managers, and they are working to embed the involvement of Traditional Owners, their objectives, values, uses and knowledge into the management of water for the environment. More can be done to increase this contribution and provide greater opportunities for self-determination within and beyond the program - the VEWH and its program partners will continue to look for these opportunities.

Peak body representative groups play an important role in communicating the interests of their members. They assist the VEWH and its partners to understand what is important to them and their members and can help share information with people who are interested in the program. For example, working with a kayaking association can help identify waterways, locations and timing of flows that are good for kayakers, can help gather observations about a waterway, and can help kayakers to know when flows might be delivered and why.

Local community members help identify environmental values in each region and help monitor the success of environmental watering. Local communities make great use of their local rivers and wetlands, and they bring a wealth of cultural, economic, recreational, and social perspectives to the program.

Citizen scientists are increasingly monitoring environmental watering outcomes. In some regions, Birdlife Australia volunteers help monitor outcomes at wetlands, and Waterwatch volunteers collect water quality information to inform management decisions about some rivers.

Figure 2 Key relationships of the VEWH



2 Planned programs and outputs

The VEWH has developed a program of outputs to work towards each of our three outcomes (Our Environment, Our Communities, Our Culture). We have also identified indicators and measures to report on how the VEWH is tracking in achieving these outcomes. These programs are summarised in Table 3. Outputs which represent a strategic focus area are denoted by a #.

Table 3: VEWH's programs, outcomes, outcome indicators, outcomes measures and outputs

Program / outcome	Outcome indicator	Outcome measures	Outputs	Output type*
Our Environment: Victoria's environmental water holdings are managed effectively and efficiently to optimise environmental outcomes for enduring benefit.	Seasonal watering plan is evolving to incorporate new scientific knowledge, Aboriginal values and environmental knowledge, input from other stakeholders and adaptations to climate change.	Seasonal Watering Plan published by 30 June and annually report on: <ul style="list-style-type: none"> - specific watering actions that are based on new information from monitoring, research, prioritisation projects - involvement in environmental flow studies - specific watering actions that consider Aboriginal cultural values and uses of waterways - specific watering actions that consider social and recreational values and uses of waterways - how VEWH and program partners are adapting to climate change. 	Seasonal watering plan and inter-jurisdictional watering proposals developed in collaboration with our program partners. Monitoring and research influenced and results shared with program partners and community to demonstrate outcomes, manage risks, fill knowledge gaps, and incorporate that knowledge in planning decisions. # Improved portfolio optimisation through progress on 1) landscape scale planning and prioritisation, 2) preparedness for drought and climate change, 3) improved operational (i.e. policy) environment, and 4) improved water governance (including improved trade decision making). Effective input to and implementation of Government policy.	1.8 Monitoring (Structure) 4.6 Plan (Strategy) 4.7 Publication (Written)
	Water holdings are used, carried over and traded in accordance with seasonal conditions to reduce the gap between the required water regime and actual water regime at priority waterways, and strategic projects are funded to improve future watering effectiveness.	Percentage of priority watering actions delivered supported by: <ul style="list-style-type: none"> - trend analysis - results from monitoring programs that demonstrate watering outcomes - examples of VEWH-funded works and other projects that have improved environmental water deliveries or potential outcomes. 	Water use authorised and partners supported to deliver it in accordance with seasonal watering plan. Carryover and trade strategies developed and implemented. Water accounting undertaken to measure, track, report and pay for water use. Priority complementary projects identified and supported to improve environmental watering outcomes.	1.8 Monitoring (Structure) 3.3 Water 4.1 Approval and advice (Notice) 4.6 Plan (Strategy) 4.6 Plan (Management) 4.6 Plan (Engagement)

Program / outcome	Outcome indicator	Outcome measures	Outputs	Output type*
Our Communities: Engagement, understanding and contribution of partners, stakeholders and communities in the environmental watering program is strengthened.	Participation of Traditional Owners in water for the environment planning and management is increased.	Number of watering, planning and management activities that Traditional Owner groups were involved in annually.	# Activities delivered to support VEWH's contribution to self-determination aspirations and recognition of Aboriginal people, environmental and cultural knowledge, values, practices and rights in the environmental watering program.	4.6 Plan (Engagement)
	Community and stakeholder understanding of and contribution to the watering program is increased.	Percentage of actions of Communications and Engagement Strategy delivered, supported by: - examples to illustrate activities and achievements.	Annual Communications and Engagement Strategy developed and delivered to support transparency of environmental watering objectives, decisions, and outcomes, and community shared benefits from the environmental watering program.	4.4 Engagement event 4.5 Partnership 4.7 Publication
	Program partnerships for coordinated communication and delivery of the environmental watering program are strengthened.	Results of annual survey of key program delivery partners satisfaction with VEWH partnerships.	Environmental watering partnerships supported and maintained through facilitation of or participation in operational advisory groups, watering coordination and communications and engagement committees and direct engagement with partners and groups as appropriate. Annual survey of key program partners' satisfaction with VEWH partnership.	4.4 Engagement event 4.5 Partnership 4.7 Publication

Program / outcome	Outcome indicator	Outcome measures	Outputs	Output type*
Our Culture: VEWH is a highly-capable, well-governed organisation that demonstrates a culture of collaboration, integrity, commitment and initiative.	The VEWH workforce is diverse, engaged and supported to safely deliver the VEWH's work program.	Results of People Matter survey annually and organisational culture survey every 4 years maintained or improved.	Internal work planning and prioritisation processes effectively undertaken. Policies and procedures regarding recruitment, diversity and inclusion, flexible work arrangements implemented. # People Strategy implementation.	Nil
	VEWH finances are managed effectively.	Variance of actual expenditure to budgeted expenditure is within 10% (excluding trade revenue/ expenditure and water delivery costs).	Financial performance planned, managed and reported on.	Nil
	Governance requirements are complied with.	<i>Water Act 1989</i> , Financial Compliance Management Framework, Ministerial rules and water holdings obligations fulfilled on time - 100% compliance.	Statutory documents prepared within required timeframes. Organisational policies and procedures developed and maintained. The Commission and Risk and Audit Committee supported.	4.6 Plan
	Risks are effectively managed to ensure VEWH objectives are achieved.	Corporate risk processes and strategic and operational risks implemented and reviewed annually. Victorian Environmental Watering Program Risk Management Framework implemented annually and reviewed every 5 years.	Corporate risk management processes and strategy implemented. Victorian Environmental Watering Program Risk Management Framework implemented, including annual operational risk workshops with program partners.	4.5 Partnership

*From DELWP output data standard, version 2, June 2015.

3 Future challenges and opportunities

There are several future challenges and opportunities which could affect the VEWH's ability to meet our stated outcomes. The VEWH manages these risks, and aims to capitalise on the opportunities, through a comprehensive risk management framework.

The VEWH's internal risk management includes a:

- risk appetite statement and heat map
- risk management business rule
- strategic and operational risk registers with mitigating actions identified and implemented
- internal incident management system
- Risk and Audit Committee, with two external members (including the Chair)
- three-year internal audit plan.

Further to this, and in recognising that shared responsibilities in the environmental watering program also result in shared risks, in 2014 the VEWH worked with its partners to develop the Victorian Environmental Watering Program Risk Management Framework. This framework articulates how partners in the program will work together to manage shared risks (as required by the Victorian Government Risk Management Framework) associated with the use of environmental water in Victoria. Implementation includes documentation of system-based operating arrangements, annual risk workshops with program partners, agreed responsibilities for mitigating actions, and established incident reporting processes.

3.1 Challenges and risks

The key challenges and strategic risks which may impact the VEWH's ability to achieve its stated outcomes are summarised in Table 4, together with the key mitigating actions which aim to bring these risks to within the VEWH's risk appetite.

Table 4: VEWH strategic risks and mitigating actions

Strategic risks	Key mitigating actions
<p>Inability to achieve or demonstrate outcomes of the environmental watering program over the long-term.</p> <p>This risk may be exacerbated by::</p> <ul style="list-style-type: none"> • natural events, such as fire and drought • climate change resulting in more extreme events and a long-term drying trend • land use change resulting in lower stream inflows • the movement of water allocation and entitlements via trade • complexity and time lags between environmental water and ecological response. • Inadequate operational and ecological monitoring and research to assess outcomes 	<p>Use a scenario-based, seasonally adaptive approach in seasonal water planning to optimise environmental outcomes under different conditions.</p> <p>Strengthen portfolio optimisation framework to improve decisions about how environmental water is used across Victoria.</p> <p>When possible, fund and/or influence metering, monitoring, research programs and citizen science to better assess environmental outcomes and key knowledge gaps.</p> <p>Share knowledge outcomes of monitoring and research with partners and stakeholders.</p> <p>Participate in relevant research hubs, science technical forums and on project steering committees for monitoring programs and environmental flow studies.</p> <p>Work with DELWP, CMAs, MDBA and CEWO to communicate likely timeframes and magnitude of expected environmental responses given current conditions, system constraints and non-flow related confounding factors and communicate the effort required to detect and demonstrate those changes.</p> <p>Work with storage managers to maximise environmental watering outcomes and to contribute to the optimisation of multiple benefits from the delivery of water.</p> <p>Contribute to relevant policy development.</p> <p>Coordinate and plan water delivery with program partners and stakeholders.</p>
<p>Unintended major third-party impacts from environmental watering.</p> <p>This risk may be exacerbated by:</p> <ul style="list-style-type: none"> • lack of real time information during a watering event that would allow action to be modified if necessary • unexpected event (e.g. flood, fire, blue green algal bloom) immediately before, during or after an environmental watering action. 	<p>Work with CMAs to undertake thorough planning and adaptive management procedures followed during development of the Seasonal Watering Plan and delivery plans to ensure watering actions are feasible and can be delivered with no major risk to people and property.</p> <p>Application of the Victorian Environmental Watering Program Risk Management Framework across VEWH activities.</p> <p>Deeds of agreement in place with landowners that may be affected by planned watering actions.</p> <p>Facilitate incident reporting and response throughout the year and ensure that actions are undertaken by VEWH or partners as required to minimise impact if incident occurs and to apply relevant lessons learned to future events.</p>

Strategic risks	Mitigating actions
<p>Unintended adverse environmental impacts from environmental watering.</p> <p>This risk may be exacerbated by:</p> <ul style="list-style-type: none"> • complex interactions between environmental water and natural conditions mean that actions to achieve one environmental objective may adversely affect other objectives • unknown consequences associated with new watering actions • incomplete information about antecedent conditions and hydrological forecasts before an environmental watering action is delivered • unexpected event (e.g. flood, fire, blue green algae bloom) immediately before, during or after an environmental watering action • lack of real time information during a watering event that would allow action to be modified if necessary. 	<p>Application of the Victorian Environmental Watering Program Risk Management Framework.</p> <p>Work with CMAs to undertake thorough planning and adaptive management procedures during development of the seasonal watering plan and Delivery Plans to ensure watering actions are based on best available environmental and cultural heritage knowledge.</p> <p>Apply critical actions in operating arrangements such as:</p> <ul style="list-style-type: none"> • liaise with delivery partners leading up to and during planned watering event to assess hydrological and weather forecasts and real time conditions and adjust or abort action if necessary • where possible, improve knowledge through risk-based or event-based monitoring and apply learnings from one system to other systems for adaptive management • facilitate incident reporting and response throughout the year and ensure that actions are undertaken by VEWH or partners as required.
<p>Some communities and stakeholders do not support the Victorian environmental watering program.</p> <p>This risk may be exacerbated by:</p> <ul style="list-style-type: none"> • community hardship and increased competition for water during droughts • continued concern from some community members around implementation of the Murray-Darling Basin Plan • lack of understanding by some community members about the complexities of water management, (including roles and responsibilities) and the benefits of water for the environment. 	<p>Targeted communications and engagement strategy, supported by fit-for-purpose key messages about the environmental watering program, informed by findings from social research into Victorians' knowledge, attitudes and perceptions of environmental water.</p> <p>Support co-ordinated communications and engagement activities across the environmental watering program with program partners.</p> <p>Support CMAs to undertake engagement with their communities as required and to communicate planned actions and their objectives.</p>
<p>Insufficient capability and capacity within the VEWH or our program partners to deliver the environmental watering program.</p> <p>This risk may be exacerbated by:</p> <ul style="list-style-type: none"> • loss of corporate knowledge because of staff turnover • water scarcity or affordability • reduced resources for the VEWH and/or its program partners. 	<p>Annual work plan in place to ensure adequate resources are available for each task and the right mix between strategic and operational activities.</p> <p>Annual review of the Corporate Plan and core business outputs and initiatives.</p> <p>Risk Management Framework effectively planned and implemented.</p>
<p>Disruption to digital information and security and/or exposure to fraud.</p> <p>This risk may be exacerbated by:</p> <ul style="list-style-type: none"> • digital disruption to VEWH's information management systems or shared services arrangements with DELWP or other partners • legacy systems vulnerable to attack • integrity of information compromised by staff and/or external parties • fraud and corruption. 	<p>Business Continuity Plan in place.</p> <p>Compliance with DELWP ICT policy, standards and procedures.</p> <p>Annual VAGO audit of financial systems.</p> <p>Compliance with VEWH business rules – Fraud & Corruption and Gifts, Benefits and Hospitality.</p> <p>Private interest declarations by Commissioners, Committee members and staff with financial delegations.</p>

3.2 Opportunities

There are a range of opportunities that have been identified that will enable the VEWH to more efficiently and effectively meet its objectives:

- improving decision making through landscape-scale prioritisation to better adapt to climate change
- increasing the sophistication and transparency of trade-decision making and investment
- improving drought preparedness
- strengthening engagement of Traditional Owners and better incorporation of traditional ecological knowledge
- strengthening stakeholder understanding of the governance of the Water Holdings and the VEWH role
- strengthened workload management, working from home arrangements, staff development, engagement and retention
- continuous improvement of the implementation of the Murray-Darling Basin Plan
- more targeted research and monitoring to evaluate outcomes of environmental watering and inform adaptive environmental water management
- use of quantitative models to predict outcomes of environmental watering
- input to relevant public policy development and implementation
- community awareness of environmental issues following drought, bushfire and flood impacts
- strengthening our role in integrated catchment management
- alignment of our outcomes to the United Nations Sustainable Development Goals
- embracing technology including video conferencing, social media, satellite and drone imagery, and opportunities for business efficiencies.

4 Estimates of revenue and expenditure

Over the next four years, the VEWH forecasts revenue from State Government funding, Commonwealth Government funding, and interest. The revenue will be used to deliver the three VEWH programs.

The VEWH is largely funded through Environmental Contribution Tranche 5 funding initiative *Improving the health of Victoria's waterways and catchments in the face of escalating impacts of climate change* and will receive \$30 million over the four-year Tranche 5 period which commenced in 2020-21. Environmental Contribution revenue of \$7.5 million was received in the first year of the four-year Tranche 5 funding period.

Funding from the Tranche 5 period is lower than funding provided in the previous tranche. The VEWH's activities have been adjusted to account for this reduction. This adjustment will not impact the VEWH's ability to meet statutory and policy obligations, however there are risks to the ability to deliver some watering actions, demonstration of watering outcomes, and effectiveness of community and Traditional Owner engagement. The VEWH will seek to cover delivery and carryover costs with the Environmental Contribution funding provided.

The VEWH holds funds carried forward from water allocation sold in previous years (see section 4.5.5). The VEWH plans to draw down on these funds over the Tranche 5 period to fund strategic activities that optimise environmental outcomes for enduring benefits. As noted on page 6 the VEWH will develop a strategic decision-making framework for future trade opportunities to continue to fund strategic activities given the reduced funding from the Environmental Contribution.

Funding from the Commonwealth Government and associated expenditure to deliver water on its behalf is determined through partnership agreements. Financial projections for the next four years assume a continuation of the current arrangements in place (see section 4.5.6).

The Corporate Plan may be varied if there is an increase or decrease in revenue of more than 10 per cent of the forecast for this 12-month period.

4.1 Programs budget

Table 5: Programs budget 2021-22

Program	Investor Program Reference ¹	Income (\$'000)				e = a+b+c+d	Expenditure (\$'000) f	Carry forward (\$'000) g = e-f
		a	b	c	d			
		Carry-fwd. from 2020-21	State Government funding	Commonwealth Government funding	Other funding	PROGRAM TOTAL	PROGRAM TOTAL ²	Carry-fwd. to 2021-22
Our Environment	S1, S2, C1, C2, O1	3,148	4,781	3,707	0	11,636	9,036	2,600
Our Communities	S1	0	913			913	913	0
Our Culture	S1, O2	155	1,762		15	1,932	1,932	0
Totals		3,303	7,456	3,707	15	14,481	11,881	2,600

- 1 A description of each Investor Program Reference is included in Table 6.
- 2 Staff costing has been split across the three programs.

4.2 Income assumptions

Table 6: Income assumptions (Investor Programs) for the forthcoming financial year

Investor Program Reference	Source of funding	Investor Program title	Project / Activity	Amount (\$'000)
State Government				
S1	Department of Environment, Land, Water and Planning	VEWH – Environmental Water Management and Delivery – 2020-21 to 2023-24	Our Environment; Our Community; Our Culture	7,456
S2	Department of Environment, Land, Water and Planning	Murray-Darling Basin Plan implementation	Our Environment	250
			Sub-total	7,706
Commonwealth Government				
C1	Murray-Darling Basin Authority	Living Murray program	Our Environment	3,104
C2	Commonwealth Environmental Water Holder	Commonwealth environmental water management	Our Environment	353
			Sub-total	3,457
Other				
O1	Water trade revenue	Water trading	Our Environment	0
O2	Westpac	Interest revenue	Our Culture	15
			Sub-total	15
			Total	11,178

4.3 Operating statement

Table 7: Operating Statement

\$'000 Year Ended 30 June	Budget Base year 2020-21	Forecast Base year 2020-21	Year 1 2021-22	Year 2 2022-23	Year 3 2023-24	Year 4 2024-25
Revenue						
Victorian Government Contributions/ Grants ¹	7,500	7,500	7,456	7,489	7,555	8,548
MDBP Implementation Funding (DELWP) ²	0	0	250	250	250	250
Commonwealth Government Contributions/Grants ³						
- Living Murray	2,301	1,957	3,104	2,217	2,248	2,284
- Commonwealth Environmental Water Holder	309	364	353	403	409	416
Other Contributions	0	0	0	0	0	0
Interest ⁴	26	26	15	9	9	11
Sale of water allocation ⁵	0	0	0	0	0	0
Total revenue	10,136	9,847	11,178	10,368	10,471	11,509
Expenditure						
Employee expenses ⁶	2,675	2,673	2,807	2,864	2,961	3,035
Environmental Water Holdings and Transactions	7,906	6,977	7,959	7,146	7,232	7,333
Water storage and delivery						
- VEWH ⁷	5,275	4,656	4,481	4,505	4,554	4,612
- Living Murray ⁸	2,301	1,957	3,104	2,217	2,248	2,284
- Commonwealth Environmental Water Holder ⁹	309	364	353	403	409	416
Water purchases ¹⁰	21	0	21	21	21	21
Grants for outcomes reporting, risk & adaptive management¹¹	202	215	110	112	114	116
- Catchment Management Authorities	202	215	110	112	114	116
- Water Corporations	0	0	0	0	0	0
Other Operating Expenses	6,166	6,010	1,005	1,013	1,028	1,046
- Transfer to DELWP - trade revenue projects ¹²	4,800	4,571	0	0	0	0
- Other ¹³	1,366	1,439	1,005	1,013	1,028	1,046
Total expenditure	16,949	15,875	11,881	11,135	11,335	11,530
Operating surplus/ (deficit)	(6,813)	(6,028)	(703)	(767)	(864)	(21)

1. Includes \$30 million of confirmed funding from the Environmental Contribution Tranche 5 (EC5) four-year period which commenced in 2020-21.
2. Funding for the Murray-Darling Basin Plan implementation received via DELWP has not yet been confirmed.
3. The 2020-21 budget revenue from the Living Murray program and Commonwealth Environmental Water Holder are for entitlement charges and water delivery costs associated with delivery of their water holdings. The 2021-22 budget is based on the continuation of arrangements and fees in 2020-21, updated with forecast water volumes.
4. Estimated interest earned in 2021-22 is based on forecast cash balances and the Centralised Banking System interest rate from the most recent change effective from 4 November 2020.
5. Due to past significant variability and the inability to reliably forecast weather and water availability in the forward years no values have been included. This further avoids providing any unintended signals to water market participants. Refer to section 4.5.5 for further information.
6. Estimated employee expenses are based on the continuation of staffing levels, indexed according to the Victorian Public Service agreement.
7. Includes VEWH entitlement charges and grants to catchment management authorities and water corporations for water delivery and management costs. The 2021-22 budget is based on the continuation of arrangements and fees in 2020-21, updated with a cap on delivery and carryover volumes.
8. Expenditure is balanced by recoup of revenue from the Living Murray program. See footnote 3 above. Additional watering and delivery costs are expected in 2021-22 to prepare for Victorian Murray Floodplain Restoration Projects works that will temporarily reduce the ability to deliver while works are in progress.
9. Expenditure is balanced by recoup of revenue from the Commonwealth Environmental Water Holder. See footnote 3 above.
10. Water purchases are dependent on weather conditions, water availability and environmental needs during the year. Due to past significant variability and the inability to reliably forecast weather conditions and water availability in the forward years, only one expected potential purchase in the Maribyrnong system has been included. Refer to section 4.5.5 for further information. The purchase of water forecast for the Maribyrnong system did not go ahead in 2020-21 as the water was unavailable.
11. The 2020-21 budget includes grants paid for monitoring, metering and technical projects. The budget for years 1 to 4 reflects adjusted activities.
12. Transfer of trade revenue to DELWP for complementary works and measures projects. The budgeted transfer in 2020-21 is for the Koondrook Fishway project to boost native fish populations in Northern Victoria. This was funded by the \$4.8m trade revenue received in 2018-19.
13. Includes expenditure for some technical projects and office operational costs.

4.4 Balance sheet

Table 8: Balance sheet

\$'000 Year Ended 30 June	Budget Base Year 2020-21	Forecast Base Year 2020-21	Year 1 2021-22	Year 2 2022-23	Year 3 2023-24	Year 4 2024-25
Current assets						
Cash and Cash Equivalents	2,486	3,303	2,600	1,833	969	948
Receivables	773	788	867	954	1,049	1,154
Total assets	3,259	4,091	3,467	2,787	2,018	2,102
Current liabilities						
Payables	0	0	0	0	0	0
Leave Provisions	470	656	722	794	873	960
Non-current liabilities						
Long Service Leave Provision	303	132	145	160	176	194
Total liabilities	773	788	867	954	1,049	1,154
Net assets	2,486	3,303	2,600	1,833	969	948
Equity						
Accumulated surplus (deficit)	2,486	3,303	2,600	1,833	969	948
Total equity	2,486	3,303	2,600	1,833	969	948

4.5 Notes

4.5.1 Water Holdings

The charges paid for the storage and delivery of environmental water are determined by government policy and water corporation planning and tariff strategy processes. As environmental water services are not a prescribed service in the *Water Industry Regulatory Order 2014*, the independent Essential Services Commission does not regulate environmental water service pricing. The financial projections for these charges over the period of the Corporate Plan assume a continuation of the arrangements in place in 2020-21, plus Consumer Price Index (CPI). Any significant pricing changes due to water corporation fee schedule or policy changes will require a variation to this corporate plan.

4.5.2 Revenue

As noted above, the VEWH is largely funded through Environmental Contribution Tranche 5 funding. Funding arrangements span from 2020-21 to 2023-24.

The VEWH receives interest revenue from cash investments and can also receive revenue from the sale of water allocation (see 'Water trade' below).

4.5.3 Inter-annual seasonal variability

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

4.5.4 Carry forward

The VEWH has a Trust Account, which provides the ability to carry forward unexpended revenue. This is critical in order for the VEWH to manage inter-annual seasonal variability, and the associated volatility and unpredictability in the management costs of the Water Holdings. It is important that the VEWH can carry forward to ensure sufficient funding to provide for conditions which are above or below average conditions. For example, in a wet or average water availability year, carryover and delivery (irrigation channel access and pumping) charges may be above what they would be in dry conditions. In a drought year, a reduced volume of environmental water will be stored and delivered, so costs may be reduced. However, a greater proportion of water may be required to be pumped due to low river levels, so pumping costs may be higher.

4.5.5 Water trade

The VEWH has the statutory right to trade water entitlements and allocations. The trade of water allocation is a variable and unreliable revenue source as it is dependent on the seasonal conditions and availability at a point in time. Water trade of allocation is used to address inter-annual seasonal variability. Trade revenue is not a predictable source of revenue and therefore cannot be relied on to support core operations. As noted on page 23, the VEWH may seek opportunities in the future to sell water allocation to fund strategic activities and complementary works and measures.

The operating statement includes likely water purchases in the four-year budget forecast. Other trades (both purchases and sales) may occur, however the variability of seasonal conditions, water availability and market rates mean the value cannot be reliably estimated. This is demonstrated in Table 9 with historical water trade data up to 2020-21. The table illustrates the significant variability in volume and value that is due to seasonal conditions, price and environmental water needs. Providing unreliable and uncommitted estimates could give an unwarranted signal to other market participants.

Table 9: Historical water trade from the past five years

Year Ended 30 June	Actual 2016-17	Actual 2017-18	Actual 2018-19	Actual 2019-20	Actual 2020-21
Sale of water allocation					
Total sale value (\$'000)	1,000	1,924	4,862	0	0
Total sale volume (ML)	20,000	15,000	10,000	0	0
Water purchases					
Total purchase value (\$'000)	153	10	321	0	0
Total purchase volume (ML)	5,304	300	1,300	0	0

When a decision on the sale of water allocation is made, consideration is given to how the net revenue can be invested to optimise environmental outcomes for enduring benefits. Funds from previous water sales are held within the carry forward balance to invest in future water purchases to address high-priority shortfalls, strategic activities, knowledge, research, complementary works and measures or other priorities to improve management of the holdings and performance of Victoria's environmental watering program. Funds used from trade revenue may be replaced over the four-year corporate plan period through potential future trade opportunities.

Any investment in knowledge, research or complementary works and measures, will be done in collaboration with DELWP to ensure complementarity and efficiencies between the programs of the two organisations. Opportunities for co-investment in projects will be explored.

4.5.6 Delivery of water for other water holders

The Living Murray program is an interstate initiative aimed at improving the health of the Murray River. The MDBA coordinates the Living Murray program and will continue to pay costs associated with managing the entitlements and delivering the water. As the Victorian portion of the Living Murray shares are held in the VEWH's allocation bank accounts, these charges will be paid by the VEWH and the costs recouped in full from the MDBA.

CEWO also transfers water to the VEWH's allocation bank accounts for delivery. Some of the costs associated with Commonwealth Water Holdings, such as headworks charges, are paid directly by CEWO to Goulburn-Murray Water (GMW). However, associated delivery-based charges are paid by the VEWH and recouped in full from CEWO where appropriate.

4.5.7 Assets and liabilities

The VEWH does not own any physical assets, such as water delivery infrastructure, or office equipment (which is sourced from DELWP).

When created, the VEWH was gifted environmental entitlements by the Victorian Government. The Minister for Water issued environmental entitlements under section 48B of the *Water Act 1989*, and maintains oversight over the entitlement framework and transactions. The VEWH has not recognised its entitlements as intangible assets due to the recognition and measurement criteria in the accounting standards and financial reporting directions.

VEWH's liabilities relate to current and non-current staff leave provisions.



vewh.vic.gov.au

VICTORIAN ENVIRONMENTAL
WATER HOLDER

T: (03) 9637 8951

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

PO Box 500, East Melbourne VIC 3002

8 Nicholson Street, East Melbourne