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OVERVIEW

MISSION

To deliver total housing and re-location services that meet Defence operational and client needs through a strong customer and business focus.

OVERVIEW

As a result of the *Defence Housing Authority Act 1987* coming into effect, the Defence Housing Authority (DHA) was established in 1988. The Authority's function is to provide adequate and suitable housing for members of the ADF and their families to meet the operational needs of the ADF and the requirements of Defence.

The Authority lies within the Defence Portfolio. As a Government Business Enterprise it has two shareholder Ministers - the Minister for Defence and the Special Minister of State.

The composition of the Board of Directors of the Authority is governed by legislation. The Board comprises five commercial directors, five representatives of the Department of Defence, a spouse of a member of the ADF and the Managing Director of the Authority. A list of the Board members can be found in the purchaser-provider section in the Defence's Chapter Two - Resourcing.

The DHA is required by legislation to perform its function in accordance with the policies of the Government and in accordance with sound commercial practice. This means that the Authority has a target rate of return and a requirement to pay annual dividends and tax equivalent payments.

At the time of the DHA's establishment, housing provided to Defence personnel was of poor quality and was significantly affecting morale and retention within the ADF. Defence attitudinal data now confirms that satisfaction with housing influences Members with Dependants (MWD) to stay and, generally, MWD are very satisfied with the quality of DHA houses. From Defence exit survey data, housing issues for MWD do not rate highly as a factor that influenced a member's decision to separate.

The DHA provides a coordinated service for MWD members' housing needs. In addition to portfolio management, the Authority undertakes tenancy and property management and the management of re-location services (other than the physical removal of personal effects), the latter also being carried out for Members without Dependants (MWOD). There are currently over 18,000 ADF families being housed by the Authority in Service Residences or through Rent Allowance arrangements.

The DHA provides homes in all states and territories of Australia for the housing of MWD members. Of these properties, approximately 2,000 are located on Defence bases. The Authority employs around 670 staff located in eight major regional offices and 18 outpost offices, which are in the vicinity of most major military establishments. This enables individual case management for relocating ADF members and their families. The Authority's central management is also supported by a customer support centre.

The DHA Board has resolved to provide singles accommodation for Defence. The DHA has been relocating and paying rent allowance to MWOD ADF members and in 2005-06 it will make payments to 9,300 members. The Authority is undertaking a pilot for Defence over the next 18 months to provide 200 units of accommodation for MWOD members in Darwin. Further, the Authority has signed a Memorandum of Understanding with a leading property developer and together they have responded to Defence's recent expression of interest for the Single Leap project.

The slowness in the residential property investment markets in Sydney, Canberra and some other parts of Australia has put financing pressure on the DHA to meet its Capital program. The Authority plans to acquire or construct 1,100 new properties during 2005-06, principally to replace old stock and those properties where the lease is expiring and is not to be renewed. The estimated cost of this program is \$460m. During 2005-06, the Authority plans to sell 623 houses, under sale and leaseback arrangements and dispose of a further 435 houses which are no longer required.

The DHA's Board has approved the use of rent floors and the selective use of increased yields to improve sales performance for its Sale and Leaseback Program. The Board has also issued a tender to promote the sale of a portfolio of properties to Institutions on a leaseback basis.

The Government has agreed to increase the DHA's borrowing facility to \$550m up from \$425m. Depending on the period of slowness in the residential property market, the Authority may need to request approval for higher borrowings in the future. The Board has also requested approval for more flexible borrowing arrangements and for debt to be re-drawable not amortising. The Authority and the Department of Finance and Administration are working together to resolve this matter.

OUTCOME AND OUTPUT INFORMATION

Outcome

To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus.

Output

The provisioning of Defence housing services.

Output Performance Indicators

Quality:	Modern housing.
Quantity:	16,637 houses by 30 June 2006.
Price:	Average rental cost to Defence is estimated to be \$360 per week per house.

Achievement of planned performance will be reported in the annual report of the Defence Housing Authority and monitored through the governance arrangements for Commonwealth Government Business Enterprises.

Appropriation

The Authority is a non-budget funded organisation deriving its operating income from charging the Department of Defence for rent and housing-related services.

Competitive Tendering and Contracting

All contracts for the construction and maintenance of houses are arranged on a competitive basis.

Purchaser-Provider Arrangements

A Services Agreement between the DHA and Defence came into effect on 1 July 2000 for a period of ten years. The Agreement is based on commercial principles with pricing and risk sharing arrangements, with risk allocated to the party best able to manage the risks. The Agreement is currently subject to a mid-term review by the Authority and Defence with a view to simplifying pricing and making costs more transparent. A re-location services agreement between the Authority and Defence was signed on 20 December 2002. This agreement, which is an eight-year agreement, covers the provision of allocation and re-location services. More details on the purchaser-provider arrangements are provided in the Defence's Chapter Two – Resourcing.

BUDGETED FINANCIAL STATEMENTS

The following budgeted financial statements for the Defence Housing Authority are presented in this section.

Budgeted Income Statement

This statement provides the expected financial results for the DHA by identifying full accrual expenses and revenues.

Budgeted Balance Sheet

Shows the financial position of the DHA. It enables decision makers to track the management of the Authority's assets and liabilities.

Budgeted Statement of Cash Flows

Budgeted cash flows, as reflected in the Budgeted Statement of Cash Flows, provide information on the extent and nature of cash flows by categorising them into expected cash flows from operating activities, investing activities and financing activities.

Capital Budget Statement

Shows all proposed capital expenditure funded from internal sources. Note that the DHA adopted inventories accounting in 2004-05 for those houses acquired/constructed for sale and leaseback. Capital outlays on Sale and Leaseback stock is shown in Operating Activities in the Budgeted Statement of Cash Flows.

Non-Financial Assets – Summary of Movement

This statement shows only the budget year 2005-06.

Table 1: Budgeted Income Statement

	Revised Budget Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000
REVENUE					
Revenue from ordinary activities					
Goods and services	784,625	886,242	918,635	761,685	778,550
Interest	11,339	14,621	9,456	11,772	10,191
Net gain from sale of assets	2,020	1,997	2,578	2,151	1,039
Revenues from ordinary activities	797,984	902,860	930,669	775,608	789,780
EXPENSE					
Employees	45,650	46,677	48,077	49,520	51,005
Suppliers	668,705	764,887	799,663	640,340	654,677
Depreciation and amortisation	12,292	11,721	10,287	7,465	7,471
Expenses from ordinary activities (excluding borrowing costs expense)	726,647	823,285	858,027	697,325	713,153
Borrowing costs expense	24,375	24,375	24,375	24,375	24,375
Operating profit before Income Tax from ordinary activities	46,962	55,200	48,267	53,908	52,252
Income Tax Expense	16,305	19,165	16,745	18,716	18,141
Net surplus or deficit attributable to the Commonwealth	30,657	36,035	31,522	35,192	34,111
Net credit (debit) to asset revaluation reserve	19,254	18,955	14,536	8,521	-
Total revenues, expenses and valuation adjustments attributable to the Commonwealth and recognised directly in equity	49,911	54,990	46,058	43,713	34,111

Table 2: Budgeted Balance Sheet

	Revised Budget Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	241,637	116,038	138,336	73,822	60,024
Receivables	176,852	185,207	123,998	102,959	102,287
Other	1,854	1,438	2,041	3,041	3,041
Total financial assets	420,343	302,683	264,375	179,822	165,352
Non-financial assets					
Land and buildings	663,288	606,846	512,485	431,331	445,373
Infrastructure, plant and equipment	27,693	31,685	36,132	42,536	38,832
Inventories	828,066	1,008,136	1,025,232	1,169,153	1,337,447
Assets Held for Sale	70,000	70,000	70,000	70,000	30,000
Total non-financial assets	1,589,047	1,716,667	1,643,849	1,713,020	1,851,652
Total Assets	2,009,390	2,019,350	1,908,224	1,892,842	2,017,004
LIABILITIES					
Interest bearing liabilities					
Loans	375,000	375,000	375,000	375,000	500,000
Provisions					
Employees	8,289	8,515	8,515	8,747	8,069
Payables					
Suppliers	15,200	15,890	15,420	15,600	15,076
Other	94,563	89,876	78,657	70,408	73,892
Total Payables	118,052	114,281	102,592	94,755	97,037
Total liabilities	493,052	489,281	477,592	469,755	597,037
Equity					
Contributed equity	249,148	249,148	249,148	249,148	249,148
Reserves	1,126,948	1,145,322	1,059,161	1,067,250	1,075,537
Total accumulated results	140,242	135,599	122,323	106,689	95,282
Total equity	1,516,338	1,530,069	1,430,632	1,423,087	1,419,967
Total liabilities and equity	2,009,390	2,019,350	1,908,224	1,892,842	2,017,004

Table 3: Budgeted Statement of Cash Flows

	Revised Budget Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	815,389	935,809	956,033	796,811	804,925
Interest	11,339	14,621	9,456	11,772	10,191
Total cash received	826,728	935,809	965,489	808,583	815,116
Cash used					
Taxes paid	43,235	36,305	40,021	35,889	38,716
Employees	45,650	46,677	48,077	49,520	51,005
Suppliers	836,370	974,473	846,964	790,012	825,608
Borrowing costs	24,375	24,375	24,375	24,375	24,375
Total cash used	949,630	1,081,830	959,437	899,796	939,704
Net cash from/(used by) operating activities	-122,902	-146,021	6,052	-91,213	-124,588
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment (Note 1)	201,011	99,848	193,879	107,548	51,932
Total cash received	201,011	99,848	193,879	107,548	51,932
Cash used					
Purchase of property, plant and equipment	36,258	38,748	32,835	30,023	20,624
Total cash used	36,258	38,748	32,835	30,023	20,624
Net cash from (used by) investing activities	164,753	61,100	161,044	77,525	31,308
FINANCING ACTIVITIES					
Cash received					
Proceeds from loans	-	-	-	-	125,000
Proceeds from other activities	-	-	-	-	-
Total cash received	-	-	-	-	125,000
Cash used					
Repayment of loans	27,000	40,678	144,798	50,826	45,518
Dividends paid	-	-	-	-	-
Repayment of other activities	-	-	-	-	-
Total cash used	27,000	40,678	144,798	50,826	45,518
Net cash from/(used by) financing activities	-27,000	-40,678	-144,798	-50,826	79,842
Net increase/(decrease) in cash held	14,851	-125,599	22,298	-64,514	-13,798
Cash at the beginning of the reporting period	226,768	241,637	116,038	138,336	73,822
Cash at the end of the reporting period	241,637	116,038	138,336	73,822	60,024

Note

- This item includes proceeds from proposed securitisation of Receivables, totalling \$100m in 2005-06 and \$65m in 2007-08.

Table 4: Capital Budget Statement⁽¹⁾

	Revised Budget Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total loans	-	-	-	-	125,000
Total	-	-	-	-	-
PURCHASE OF NON CURRENT ASSETS					
Funded internally by Departmental resources	36,258	38,748	32,835	30,023	20,624
TOTAL	36,258	38,748	32,835	30,023	145,624

Note

- Table 4 shows purchases of property, plant and equipment and includes housing stock intended to be kept as Defence Housing Authority core stock. Sale and Leaseback housing stock is now recorded as Inventory. Cost of acquisition/construction of Inventory is shown in Operating activities in the Statement of Cash Flows. Previously, costs of acquisition/construction of all housing stock, whether intended for sale or to be kept as core stock, was shown as Investing Activities.

Table 5: Non-Financial Assets – Summary of Movement (Budget Year 2005-06, revised)

	Land \$'000	Buildings \$'000	Total Land and Buildings \$'000	Other infrastructure plant and equipment \$'000	Total \$'000
Gross Value as at 1 July 2005	490,517	305,948	796,465	34,779	831,224
Additions	12,902	10,556	23,458	12,800	36,258
Disposals	-44,791	-54,744	-99,535	-	-99,535
Revaluation increments	7,095	5,805	12,900	-	12,900
Transfers to Assets Held for Sale	-31,500	-38,000	-70,000	-	-70,000
Gross value 30 June 2006	434,223	229,065	663,288	47,579	710,867
Accumulated Depreciation as at 1 July 2005	-	-	-	13,984	13,984
Charge for the reporting period	-	6,390	6,390	5,902	12,292
Disposals	-	-544	-544	-	-544
Revaluations	-	-5,846	-5,846	-	-5,846
Accumulated Depreciation as at 30 June 2006	-	-	-	19,886	19,886
Net Book Value as at 30 June 2006	434,223	229,065	663,288	27,693	690,891