

**PART THREE**  
**DEFENCE HOUSING AUSTRALIA**



## OVERVIEW

### Mission

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

### Overview

The Defence Housing Authority was established in 1988 by the *Defence Housing Authority Act 1987*. This Act was amended in 2006 and the Authority was renamed Defence Housing Australia (DHA). DHA's main 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. DHA has two additional functions: to provide adequate and suitable housing to officers of certain Australian Government agencies, and to provide services ancillary to its function of providing housing and housing-related services.

DHA lies within the Defence Portfolio. As a Government Business Enterprise, it has two shareholder Ministers – the Minister for Defence and the Minister for Finance and Deregulation.

The composition of the Board of Directors of DHA is governed by legislation. The DHA Board comprises:

- the chairperson
- four commercial members
- a current or former APS employee or agency head with a background in Defence, nominated by the Secretary
- a current or former member of the Defence Force nominated by the CDF
- a person nominated by the Secretary of the Department of Finance and Deregulation
- the Managing Director of DHA.

A list of the Board members can be found in the purchaser-provider section in Defence's Chapter 2-Resourcing.

The 2006 amendments to the Act also established a DHA Advisory Committee. The function of the committee is to provide advice and information about the performance of DHA's functions. The committee comprises:

- one of the DHA Defence nominated Directors as nominated by DHA
- the National Convenor of Defence Families Australia
- an appointee of the Chief of Navy
- an appointee of the Chief of Army
- an appointee of the Chief of Air Force
- a person appointed by DHA.

DHA is required by legislation to perform its functions in accordance with the policies of the Australian Government and in accordance with sound commercial practice. This means that DHA has a targeted rate of return and a requirement to make annual dividends and income tax payments.

At the time of DHA's establishment, housing provided to Defence personnel was of poor quality and was significantly affecting morale and retention within the ADF. These days, members with dependants are very satisfied with the quality of DHA's houses. From Defence exit survey data, housing issues for members with dependants do not rate highly as a factor that influence a member's

decision to separate. DHA therefore makes an important contribution to current Defence Force recruitment and retention objectives.

DHA provides a coordinated service for members with dependants' housing needs. In addition to portfolio management, it undertakes tenancy and property management and the management of relocation services (other than the physical removal of personal effects); the latter is also carried out for members without dependants. There are currently approximately 17,000 ADF families being housed by DHA in service residences or through rent allowance arrangements.

DHA provides homes in all states and territories of Australia for the housing of members with dependants. Of these properties, approximately 2,000 are located on Defence bases. DHA employs around 700 staff located in 32 Housing management centres and other offices, which are in the vicinity of most major military establishments. This enables individual case management for relocating ADF members and their families.

All financial and statistical information in this Portfolio Budget Statement for 2008-09 is based on the latest financial estimate available which will be incorporated into DHA's 2008-09 Corporate Plan. The DHA Board is currently reviewing its business and financial plans and they will be finalised at its May 2008 meeting.

DHA funds its capital program through its sale and lease back program and the sale of investment properties.

DHA has an approved borrowing limit of \$550m. To date, \$400m of the approved limit has been drawn down.

DHA and the Commonwealth have signed a new 10-year loan agreement, which provides more flexible borrowing arrangements than the previous agreement.

From 1 July 2007, DHA became an income tax paying entity and will pay corporate income tax to the Australian Taxation Office, rather than as part of its tax equivalent regime. DHA will continue to make state tax equivalent payments to the Commonwealth.

DHA currently remits 60 per cent of net (after tax equivalent) profit to the Commonwealth. The DHA Board's view on the level of ongoing ordinary dividends policy will be included in DHA's 2008-09 Corporate Plan.

## 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 provision of Defence housing services.

Output Performance Indicators	
Quality:	Modern housing.
Quantity:	16,900 houses by 30 June 2009.
Price:	Average rental cost to Defence is estimated to be \$420 per week per house.

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

## **Appropriation**

DHA is a non-budget funded organisation deriving its operating income from charging the Department of Defence for rent and housing related services and the sale and leaseback of inventory properties. In accordance with the changes to the *Defence Housing Authority Act 1987* in 2006, DHA provides property services to the Australian Customs Service, which generates approximately \$2m in rent and charges per annum.

## **Competitive Tendering and Contracting**

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

## **Purchaser-Provider Arrangements**

A new Services Agreement between DHA and Defence came into effect on 1 July 2006. 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.

A Relocation Services Agreement between DHA and Defence was signed on 20 December 2002. This eight-year agreement covers the provision of allocation and relocation services. More details on the purchaser-provider arrangements are provided in Chapter 2–Resourcing.

# **BUDGETED FINANCIAL STATEMENTS**

The following budgeted financial statements for DHA are presented in this section.

## **Budgeted Income Statement**

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

## **Budgeted Balance Sheet**

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

## **Statement of Cash Flows**

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

## **Capital Budget Statement**

Shows all proposed capital expenditure funded from internal sources, including borrowings. Capital outlays on sale and leaseback stock is shown in Operating Activities in the Statement of Cash Flows.

## **Non-Financial Assets – Summary of Movement**

This statement shows only the budget year 2008-09.

**Table 3.1.1—Budgeted Income Statement**

	<b>Projected Results 2007-08 \$'000</b>	<b>Forward Estimate 2008-09 \$'000</b>	<b>Forward Estimate 2009-10 \$'000</b>	<b>Forward Estimate 2010-11 \$'000</b>	<b>Forward Estimate 2011-12 \$'000</b>
<b>REVENUE</b>					
Revenue from ordinary activities					
Goods and services	783,112	835,869	906,890	916,919	901,723
Interest	7,053	2,661	4,499	5,914	6,241
Net gain from sale of assets	487	581	394	220	-
Fair Value Gains- Investment Property	42,415	40,870	44,415	43,565	44,113
<b>Revenues from ordinary activities</b>	<b>833,067</b>	<b>879,981</b>	<b>956,198</b>	<b>966,618</b>	<b>952,077</b>
<b>EXPENSE</b>					
Employees	53,808	55,960	58,199	60,526	62,947
Suppliers	654,403	702,817	771,093	778,630	758,269
Depreciation and amortisation	13,230	15,493	13,893	14,919	14,266
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>	<b>721,441</b>	<b>774,270</b>	<b>843,185</b>	<b>854,075</b>	<b>835,482</b>
Borrowing costs expense	22,246	31,538	33,311	33,274	33,723
<b>Operating profit before Income Tax from ordinary activities</b>	<b>89,380</b>	<b>74,173</b>	<b>79,702</b>	<b>79,269</b>	<b>82,872</b>
<b>Income Tax Expense</b>	24,903	11,861	12,222	12,143	12,881
<b>Net surplus or deficit attributable to the Commonwealth</b>	<b>64,477</b>	<b>62,312</b>	<b>67,480</b>	<b>67,126</b>	<b>69,991</b>
Net credit (debit) to asset revaluation reserve	(45,486)	(40,870)	(44,415)	(43,565)	(44,113)
<b>Total revenues, expenses and valuation adjustments attributable to the Commonwealth and recognised directly in equity</b>	<b>18,991</b>	<b>21,442</b>	<b>23,065</b>	<b>23,561</b>	<b>25,878</b>

Table 3.1.2—Budgeted Balance Sheet

	Projected Results 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000	Forward Estimate 2010-11 \$'000	Forward Estimate 2011-12 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	34,430	43,055	73,190	75,934	51,020
Receivables	163,543	148,741	135,572	123,939	113,219
Accrued Revenue	18,032	18,737	19,785	19,988	21,594
Other Financial Assets	22,986	23,785	20,939	21,782	21,111
<b>Total financial assets</b>	<b>238,991</b>	<b>234,318</b>	<b>249,486</b>	<b>241,643</b>	<b>206,944</b>
<b>Non-financial assets</b>					
Land and buildings	1,360,410	1,352,277	1,417,952	1,422,017	1,461,523
Infrastructure, plant and equipment	12,490	10,501	10,945	10,653	7,107
Inventories	683,191	762,406	737,352	767,112	832,712
Assets Held for Sale	30,851	43,154	43,601	44,931	10,531
Tax Assets	14,963	13,092	11,456	10,024	8,771
<b>Total non-financial assets</b>	<b>2,101,905</b>	<b>2,181,430</b>	<b>2,221,306</b>	<b>2,254,737</b>	<b>2,320,644</b>
<b>Total Assets</b>	<b>2,340,896</b>	<b>2,415,748</b>	<b>2,470,792</b>	<b>2,496,380</b>	<b>2,527,588</b>
<b>LIABILITIES</b>					
<b>Interest bearing liabilities</b>					
Loans	400,000	475,000	500,000	500,000	500,000
<b>Provisions</b>					
Employees	8,866	10,138	11,460	12,862	14,350
<b>Trade Creditors</b>					
Provision	110,865	104,807	102,909	97,662	95,855
Current Tax Liabilities	18,948	-	-	-	-
Prepayment Received	17,342	17,920	18,629	19,337	19,585
Other Payables and Accrued Expenses	12,074	9,129	9,305	9,504	9,715
<b>Total Payables and Provisions</b>	<b>173,076</b>	<b>147,027</b>	<b>147,428</b>	<b>144,566</b>	<b>144,679</b>
<b>Total liabilities</b>	<b>573,076</b>	<b>622,027</b>	<b>647,428</b>	<b>644,566</b>	<b>644,679</b>
<b>Equity</b>					
Contributed equity	249,148	249,148	249,148	249,148	249,148
Reserves	1,417,452	1,458,322	1,502,737	1,546,302	1,590,415
Total accumulated results	101,220	86,251	71,479	56,364	43,346
<b>Total equity</b>	<b>1,767,820</b>	<b>1,793,721</b>	<b>1,823,364</b>	<b>1,851,814</b>	<b>1,882,909</b>
<b>Total liabilities and equity</b>	<b>2,340,896</b>	<b>2,415,748</b>	<b>2,470,792</b>	<b>2,496,380</b>	<b>2,527,588</b>

**Table 3.1.3—Statement of Cash Flows**

	<b>Projected Results 2007-08 \$'000</b>	<b>Forward Estimate 2008-09 \$'000</b>	<b>Forward Estimate 2009-10 \$'000</b>	<b>Forward Estimate 2010-11 \$'000</b>	<b>Forward Estimate 2011-12 \$'000</b>
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	785,411	825,755	897,159	908,360	891,798
Interest	8,372	2,217	3,914	5,209	5,675
GST	4,400	-	-	-	-
Other	4	-	-	-	-
<b>Total cash received</b>	<b>798,187</b>	<b>827,972</b>	<b>901,073</b>	<b>913,569</b>	<b>897,473</b>
<b>Cash used</b>					
Employees	70,441	72,077	74,764	77,539	80,432
Payment to Suppliers	728,122	732,394	770,895	806,070	807,987
GST Payments to Suppliers	928	-	-	-	-
Tax	224	29,863	10,062	10,733	11,335
Interest	27,336	31,538	33,311	33,274	33,723
<b>Total cash used</b>	<b>827,051</b>	<b>865,872</b>	<b>889,032</b>	<b>927,616</b>	<b>933,477</b>
<b>Net cash from/(used by) operating activities</b>	<b>(28,864)</b>	<b>(37,900)</b>	<b>(12,041)</b>	<b>(14,047)</b>	<b>(36,004)</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from sales of property, plant and equipment	66,135	127,803	133,798	130,152	122,581
<b>Total cash received</b>	<b>66,135</b>	<b>127,803</b>	<b>133,798</b>	<b>130,152</b>	<b>122,581</b>
<b>Cash used</b>					
Purchase of property, plant and equipment	174,422	121,247	104,295	75,523	72,816
<b>Total cash used</b>	<b>174,422</b>	<b>121,247</b>	<b>104,295</b>	<b>75,523</b>	<b>72,816</b>
<b>Net cash from (used by) investing activities</b>	<b>(108,287)</b>	<b>6,556</b>	<b>29,503</b>	<b>54,629</b>	<b>49,765</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from loans	60,000	75,000	25,000	-	-
Proceeds from other activities	-	-	-	-	-
<b>Total cash received</b>	<b>60,000</b>	<b>75,000</b>	<b>25,000</b>	<b>-</b>	<b>-</b>
<b>Cash used</b>					
Repayment of loans					
Dividends paid	58,700	35,031	36,409	37,838	38,675
<b>Total cash used</b>	<b>58,700</b>	<b>35,031</b>	<b>36,409</b>	<b>37,838</b>	<b>38,675</b>
<b>Net cash from/(used by) financing activities</b>	<b>1,300</b>	<b>39,969</b>	<b>(11,409)</b>	<b>(37,838)</b>	<b>(38,675)</b>
<b>Net increase/(decrease) in cash held</b>	<b>(135,851)</b>	<b>8,625</b>	<b>30,135</b>	<b>2,744</b>	<b>(24,914)</b>
Cash at the beginning of the reporting period	170,281	34,430	43,055	73,190	75,934
<b>Cash at the end of the reporting period</b>	<b>34,430</b>	<b>43,055</b>	<b>73,190</b>	<b>75,934</b>	<b>51,020</b>



**Table 3.1.4—Capital Budget Statement<sup>[1]</sup>**

	Projected Results 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000	Forward Estimate 2010-11 \$'000	Forward Estimate 2011-12 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Total loans	60,000	75,000	25,000	-	-
<b>Total</b>	60,000	75,000	25,000	-	-
<b>PURCHASE OF NON CURRENT ASSETS</b>					
Funded internally by Departmental resources	125,000	48,000	124,000	69,000	73,000
<b>TOTAL</b>	125,000	48,000	124,000	69,000	73,000

**Note**

1. Table 4 shows purchases of property, plant and equipment and includes housing stock intended to be kept as Defence Housing Australia 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 3.1.5—Non-Financial Assets – Summary of Movement (Budget Year 2008-09)<sup>[1]</sup>**

	Land \$'000	Buildings \$'000	Total Land and Buildings \$'000	Other infrastruct ure plant and equipment \$'000	Total \$'000
<b>Gross Value as at 1 July 2007</b>	824,548	535,862	1,360,410	39,472	1,399,882
Additions	37,468	20,234	57,702	4,001	61,703
Disposals	(15,625)	(24,443)	(40,068)	-	(40,068)
Revaluation increments	31,367	-	31,367	-	31,367
Transfers to Assets Held for Sale	(28,547)	(28,587)	(57,134)	-	(57,134)
<b>Gross value 30 June 2008</b>	<b>849,211</b>	<b>503,066</b>	<b>1,352,277</b>	<b>43,473</b>	<b>1,395,750</b>
<b>Accumulated Depreciation as at 1 July 2007</b>	-	-	-	(26,982)	(26,982)
Charge for the reporting period	0	(9,503)	(9,503)	(5,990)	(15,493)
Disposals	-	-	-	-	-
Revaluations	-	9,503	9,503	-	9,503
<b>Accumulated Depreciation as at 30 June 2008</b>	-	-	-	(32,972)	(32,972)
<b>Net Book Value as at 30 June 2008</b>	<b>849,211</b>	<b>503,066</b>	<b>1,352,277</b>	<b>10,501</b>	<b>1,362,778</b>

**Note**

1. The Summary of Movement for the Budget Year 2007-08 was also reported in the 2007-08 Portfolio Budget Statements. Data for the 2008-09 Budget Year will be generated by DHA as part of the corporate planning process and it is unlikely this information will be available until after the Portfolio Budget Statements 2008-09 are printed.

**Table 3.1.6—Defence Housing Australia (DHA) resource statement budget estimates for 2008-09 as at Budget May 2008**

Source	Estimate of prior year amounts available in 2008-09 \$'000	+	Proposed at Budget 2008-09 \$'000	=	Total Estimate 2008-09 \$'000	Estimated Available Appropriation 2007-08 \$'000
Opening Balance/Reserves at Bank	-		-		-	
<b>REVENUE FROM GOVERNMENT</b>						
Ordinary Annual Services <sup>(1)</sup>						
Outcome 1- Defence DHA:01			547,429		547,429	
<b>Total ordinary annual services</b>			<b>547,429</b>		<b>547,429</b>	
<b>Total Annual Appropriations</b>			<b>547,429</b>		<b>547,429</b>	
<b>Total Funds from Government</b>			<b>547,429</b>		<b>547,429</b>	
<b>FUNDS FROM OTHER SOURCES</b>						
Interest			2,661		2,661	
Sale of goods and services			288,440		288,440	
Other			581		581	
<b>Total</b>			<b>291,682</b>		<b>291,682</b>	
<b>Total net resourcing for Agency</b>			<b>839,111</b>		<b>839,111</b>	

**Note**

1. Appropriation Bill (No.1) 2008-09.
2. All figures are GST exclusive.

**CRF - Consolidated Revenue Fund**

DHA is not directly appropriated as it is a Commonwealth Authorities and Companies Act body. Appropriations are made to Department of Defence which are then paid to DHA and are considered 'departmental' for all purposes.