

# **DEFENCE HOUSING AUSTRALIA**

## **AGENCY RESOURCES AND PLANNED PERFORMANCE**

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# DEFENCE HOUSING AUSTRALIA

## Section 1: DHA Overview and Resources

### 1.1 Strategic Direction

The primary function of the Defence Housing Australia (DHA), as set out in the *DHA Act 1987*, is to provide housing and related services for members of the Australian Defence Force (ADF) and their families in line with Defence operational requirements. The DHA seeks to deliver positive outcomes for Defence while also functioning as a Government Business Enterprise charged with operating commercially and delivering shareholder return targets.

The DHA achieves its function through a contracted relationship with the Commonwealth of Australia (Defence). A Services Agreement outlines the commercial arrangements and the responsibilities of both parties in providing housing services to members of the ADF and their families.

The Portfolio Budget Statements have been developed in an environment whereby suitable, well located housing solutions are difficult to obtain in major capital cities. In addition, it is forecasted that total Defence housing requirements will increase and with some significant variations to the requirements between regions.

The DHA aims to meet these requirements through an extensive capital program that constructs, purchases and leases properties from private investors or in bulk from property developers.

The development of land for residential housing will assume a greater role in future operations. This focus reflects the importance to the DHA of the cost effective supply of well-located land for its construction program.

The DHA will undertake major projects to upgrade or replace Defence owned housing on and off base to a modern standard of housing. The DHA has also established a program to provide housing for single defence members in Brisbane, Canberra and Darwin.

The capital program is primarily funded through the cashflows generated by a sale and leaseback program to investors, as well as the disposal of properties no longer required for use by Defence families.

## ORGANISATIONAL STRUCTURE

The DHA reports to two shareholder ministers - the Minister for Defence and the Minister for Finance and Deregulation.

The DHA has an independent Board comprising nine directors:

- a Chairman appointed by the Shareholder Ministers
- four directors with expertise in residential property, real estate, building, social planning or finance
- three directors nominated respectively by the Chief of the Defence Force, and the Secretaries of the Departments of Defence, and Finance and Administration
- the Managing Director of the DHA (also the Chief Executive Officer) appointed by the Board and who is the only Executive Director.

The DHA Board members are:

Chairman	Mr Derek Volker AO
Managing Director	Mr Michael Del Gigante
Commercial Director	Ms Margaret Walker
Commercial Director	Ms Carol Holley
Commercial Director	The Hon JAL (Sandy) Macdonald
Commercial Director	The Hon Arch Bevis
Nominee Secretary of Finance and Deregulation	Mr Gary Potts
Nominee Secretary of Defence	Mr Peter Sharp
Nominee Chief of Defence Force	Air Vice Marshal Gary Beck AO (Rtd)

The DHA has an Advisory Committee which is attended by:

Chairman	Air Vice Marshal Gary Beck AO (Rtd)
Convenor of Defence Families Australia	Ms Julie Blackburn
Appointee of Chief of Navy	Rear Admiral Trevor Jones AM, CSC, RAN
Appointee of Chief of Army	Major General Paul Symon AO
Appointee of Chief of Air Force	Air Vice Marshall Gavin (Leo) Davies CSC
Appointee of Defence Housing Australia	Mr Michael Del Gigante

## 1.2 Agency Resource Statement

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by departmental classification

**Table 1: DHA Resource Statement — Budget Estimates for 2012-13 as at Budget May 2012<sup>[1]</sup>**

Source	Estimate of prior year amounts available in 2012-13 \$'000	Proposed at Budget 2012-13 \$'000	Total estimate 2012-13 \$'000	Actual available appropriation 2011-12 \$'000
<b>Opening balance/Reserves at bank</b>		170,653	170,653	282,694
<b>REVENUE FROM GOVERNMENT</b>				
<b>Other services</b>				
<i>Bill 2-Non-Operating-Equity</i>			0	0
<i>Bill 2-Non-Operating-Loan</i>			0	0
<b>Total other services</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total annual appropriations</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Payments from related entities<sup>[2]</sup></b>				
Department of Defence		501,460	<b>501,460</b>	527,824
<b>Total</b>		<b>501,460</b>	<b>501,460</b>	<b>527,824</b>
<b>Total funds from Government</b>		<b>501,460</b>	<b>501,460</b>	<b>527,824</b>
<b>FUNDS FROM INDUSTRY SOURCES</b>				
<b>FUNDS FROM OTHER SOURCES</b>				
Interest		6,032	6,032	14,208
Sale of goods and services		459,767	459,767	258,545
<b>Total</b>		<b>465,799</b>	<b>465,799</b>	<b>272,753</b>
<b>Total net resourcing for agency</b>		<b>967,259</b>	<b>967,259</b>	<b>800,577</b>

### Notes

- DHA is not directly appropriated as it is a CAC Act Body. Appropriations are made to Department of Defence which are then paid to DHA and are considered 'departmental' for all purposes.
- Revenue for sale of goods and services provided by Department of Defence that is not specified within the annual appropriation bills as a payment to the CAC Act body.

Reader Note: All Figures are GST exclusive.

## 1.3 Budget Measures

There are no budget measures relating to the DHA for the May 2012 budget.

## Section 2: Outcomes and Planned Performance

### 2.1 Outcomes and Performance Information

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to Government outcomes over the Budget and forward years.

Each outcome is described below together with its related programs, specifying the performance indicators and targets used to assess and monitor the performance of the DHA in achieving government outcomes.

**Outcome 1: To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus**

#### OUTCOME 1 STRATEGY

The DHA will meet this outcome through the execution of the Services Agreement on Housing and Related Matters (Services Agreement) between the Commonwealth of Australia (Defence) and the DHA.

Under the terms of the Service Agreement, the DHA provides a provisioning schedule to Defence in response to the Defence Housing Forecast (DHF). A Capital Program is also developed, which contains the detailed financial program of capital expenditure related to the provisioning schedule. The key drivers of the DHA's Capital Program are changes to ADF strength and disposition; changes to Defence housing policy and standards; and the DHA's need to replace ageing stock.

#### OUTCOME EXPENSE STATEMENT

Table 2 provides an overview of the total expenses for Outcome 1, by program.

**Table 2: Budgeted Expenses for Outcome 1**

<b>Outcome 1: To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus</b>	2011-12 Estimated actual expenses \$'000	2012-13 Estimated expenses \$'000
<b>Program 1.1: Other Departmental- DHA</b>		
Revenue from Government		
Payment from related entities	544,297	545,230
Revenues from other independent sources	195,686	392,176
<b>Total for Program 1.1</b>	<b>739,983</b>	<b>937,406</b>
<b>Total expenses for Outcome 1</b>	<b>739,983</b>	<b>937,406</b>
	2011-12	2012-13
<b>Average Staffing Level (number)</b>	<b>571</b>	<b>591</b>

## CONTRIBUTIONS TO OUTCOME 1

### Program 1: The provisioning of Defence housing and housing related services

#### Program 1: Objective

- Provide modern quality housing that meets Defence requirements and community standards.
- Meet financial return targets.

#### Program 1: Expenses

#### Program 1: Deliverables

- Deliver housing provisioning schedule outcomes to within 5% of agreed numbers.
- Deliver major land developments and acquisition/construction activities in key defence locations.
- Achieve sustainable sale and leaseback and disposal revenues.

#### Program 1 Provisioning of Defence housing and housing related services expenses

- Refer to section 3.2 for Financial Statements.

#### Program 1: Key Performance Indicators

Key performance indicators	2011-12 Revised budget	2011-12 On target	2012-13 Budget target	2013-14 Forward year 1	2014-15 Forward year 2	2015-16 Forward year 3
Houses supplied against provisioning schedule	95%	Yes	95%	95%	95%	95%
Members satisfied with their service residence	80%	Yes	80%	80%	80%	80%
Return on equity	6.1%	Yes	6.3%	6.5%	6.7%	6.7%

## **Section 3: Explanatory Tables and Budgeted Financial Statements**

Section 3 presents explanatory tables and budgeted financial statements that provide a comprehensive snapshot of agency finances for the 2011-12 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses

### **3.1 Explanatory Tables**

Not applicable to the DHA.

### **3.2 Budgeted financial statements**

#### **3.2.1 DIFFERENCES IN AGENCY RESOURCING AND FINANCIAL STATEMENTS**

Not applicable to the DHA.

#### **3.2.2 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS**

The DHA operates in a commercial environment and seeks to deliver financial returns to Government through its provisioning activities. Returns are also generated through development and construction activities as well as from capital appreciation on the housing owned by the DHA.

The DHA will not require any direct appropriations or additional borrowings to achieve its outcome.



### 3.2.3 BUDGETED FINANCIAL STATEMENTS TABLES

**Table 3: Comprehensive Income Statement (Showing Net Cost of Service) for the Period Ended 30 June)<sup>[1]</sup>**

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forw ard estimate 2013-14 \$'000	Forw ard estimate 2014-15 \$'000	Forw ard estimate 2015-16 \$'000
<b>EXPENSES</b>					
Employee benefits	54,857	<b>59,555</b>	62,202	64,966	66,625
Supplier expenses	628,468	<b>821,328</b>	911,041	935,909	952,701
Depreciation and amortisation	19,554	<b>20,674</b>	20,802	20,404	20,194
Finance costs	32,104	<b>31,849</b>	31,849	31,849	31,849
Write-down and impairment of assets	5,000	<b>4,000</b>	4,000	4,000	4,000
Income Tax Expenses	25,718	<b>27,674</b>	31,478	30,160	34,109
<b>Total expenses</b>	<b>765,701</b>	<b>965,080</b>	<b>1,061,372</b>	<b>1,087,288</b>	<b>1,109,478</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Sale of goods and services	231,511	<b>439,955</b>	522,314	509,736	498,939
Share of net profit from associates	384	<b>400</b>	76	-	-
Interest	13,126	<b>5,639</b>	4,525	4,544	8,352
<b>Total revenue</b>	<b>245,021</b>	<b>445,994</b>	<b>526,915</b>	<b>514,280</b>	<b>507,291</b>
<b>Gains</b>					
Sale of assets	205	<b>83</b>	77	84	83
<b>Total gains</b>	<b>205</b>	<b>83</b>	<b>77</b>	<b>84</b>	<b>83</b>
<b>Total own-source income</b>	<b>245,226</b>	<b>446,077</b>	<b>526,992</b>	<b>514,364</b>	<b>507,374</b>
<b>Net cost of services</b>	<b>520,475</b>	<b>519,003</b>	<b>534,380</b>	<b>572,924</b>	<b>602,104</b>
Revenue from Government	544,297	<b>545,230</b>	576,030	605,113	639,980
<b>Surplus (Deficit) attributable to the Australian Government</b>	<b>23,822</b>	<b>26,227</b>	<b>41,650</b>	<b>32,189</b>	<b>37,876</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Changes in asset revaluation reserves	(45,404)	<b>18,263</b>	18,793	19,201	19,591
<b>Total other comprehensive</b>	<b>(45,404)</b>	<b>18,263</b>	<b>18,793</b>	<b>19,201</b>	<b>19,591</b>
<b>Total comprehensive income</b>	<b>(21,582)</b>	<b>44,490</b>	<b>60,443</b>	<b>51,390</b>	<b>57,467</b>
<b>Total comprehensive income attributable to the Australian Government</b>	<b>(21,582)</b>	<b>44,490</b>	<b>60,443</b>	<b>51,390</b>	<b>57,467</b>

**Note**

1. Prepared on Australian Accounting Standards basis.

**Table 4: Budgeted Departmental Balance Sheet (as at 30 June)<sup>[1]</sup>**

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and equivalents	170,653	106,369	74,884	89,058	96,234
Trade and other receivables	49,618	95,192	147,272	180,478	187,149
Investments accounted for under the equity method	4,639	3,479	2,475	2,475	2,475
Accrued Revenue	15,901	12,153	12,505	13,389	14,372
Other Financial Assets	26,657	25,596	27,560	29,365	30,830
<b>Total financial assets</b>	<b>267,468</b>	<b>242,789</b>	<b>264,696</b>	<b>314,765</b>	<b>331,060</b>
<b>Non-financial assets</b>					
Land and buildings	1,603,972	1,596,579	1,608,860	1,614,140	1,609,600
Property, plant and equipment	5,692	8,281	11,272	15,061	19,450
Inventories	885,221	912,792	891,342	833,884	832,453
Tax Assets	24,854	26,104	26,804	26,804	26,804
<b>Total non-financial assets</b>	<b>2,519,739</b>	<b>2,543,756</b>	<b>2,538,278</b>	<b>2,489,889</b>	<b>2,488,307</b>
Assets held for sale	74,740	74,740	74,740	74,740	74,740
<b>Total assets</b>	<b>2,861,947</b>	<b>2,861,285</b>	<b>2,877,714</b>	<b>2,879,394</b>	<b>2,894,107</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	4,932	3,039	306	417	552
Current tax liabilities	7,718	7,339	6,801	3,783	6,873
Dividends	48,594	45,813	49,717	52,306	59,455
Other payables and accrued expenses	86,424	85,225	87,059	87,817	88,866
<b>Total payables</b>	<b>147,668</b>	<b>141,416</b>	<b>143,883</b>	<b>144,323</b>	<b>155,746</b>
<b>Interest bearing liabilities</b>					
Loans	509,580	509,580	509,580	509,580	509,580
<b>Total interest bearing liabilities</b>	<b>509,580</b>	<b>509,580</b>	<b>509,580</b>	<b>509,580</b>	<b>509,580</b>
<b>Provisions</b>					
Employee provisions	17,508	20,927	23,645	26,529	29,434
Provisions for restoration	83,534	86,630	88,427	87,851	88,468
Other	7,050	7,450	6,170	6,018	7,775
<b>Total provisions</b>	<b>108,092</b>	<b>115,007</b>	<b>118,242</b>	<b>120,398</b>	<b>125,677</b>
<b>Total liabilities</b>	<b>765,340</b>	<b>766,003</b>	<b>771,705</b>	<b>774,301</b>	<b>791,003</b>
<b>Net assets</b>	<b>2,096,607</b>	<b>2,095,282</b>	<b>2,106,009</b>	<b>2,105,093</b>	<b>2,103,104</b>
<b>EQUITY<sup>2</sup></b>					
<b>Parent entity interest</b>					
Contributed equity	396,148	396,148	396,148	396,148	396,148
Reserves	1,560,437	1,578,700	1,597,493	1,616,694	1,636,285
Retained surplus	140,022	120,434	112,368	92,251	70,671
<b>Total parent entity interest</b>	<b>2,096,607</b>	<b>2,095,282</b>	<b>2,106,009</b>	<b>2,105,093</b>	<b>2,103,104</b>

**Notes**

1. Prepared on Australian Accounting Standards basis.
2. 'Equity' is the residual interest in assets after deduction of liabilities.

**Table 5: Budgeted Statement of Cash Flows (for the Period Ended 30 June)<sup>[1]</sup>**

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forw ard estimate 2013-14 \$'000	Forw ard estimate 2014-15 \$'000	Forw ard estimate 2015-16 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	783,212	961,227	1,069,050	1,083,650	1,099,268
Interest	14,208	6,032	4,689	4,468	8,170
Other	3,157				
<b>Total cash received</b>	<b>800,577</b>	<b>967,259</b>	<b>1,073,739</b>	<b>1,088,118</b>	<b>1,107,438</b>
<b>Cash used</b>					
Employees	53,736	58,337	59,678	62,388	63,951
Suppliers	822,430	842,961	900,359	891,385	951,034
Borrowing costs	32,460	31,849	31,849	31,849	31,849
Taxes paid	27,295	28,603	32,016	33,178	31,019
<b>Total cash used</b>	<b>935,921</b>	<b>961,750</b>	<b>1,023,902</b>	<b>1,018,800</b>	<b>1,077,853</b>
<b>Net cash from (used by) operating activities</b>	<b>(135,344)</b>	<b>5,509</b>	<b>49,837</b>	<b>69,318</b>	<b>29,585</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from sales of property, plant and equipment	238,121	134,255	124,047	139,084	143,058
<b>Total cash received</b>	<b>238,121</b>	<b>134,255</b>	<b>124,047</b>	<b>139,084</b>	<b>143,058</b>
<b>Cash used</b>					
Purchase of property, plant and equipment	162,510	155,454	159,556	144,511	113,161
<b>Total cash used</b>	<b>162,510</b>	<b>155,454</b>	<b>159,556</b>	<b>144,511</b>	<b>113,161</b>
<b>Net cash from (used by) investing activities</b>	<b>75,611</b>	<b>(21,199)</b>	<b>(35,509)</b>	<b>(5,427)</b>	<b>29,897</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Contributed equity	0	-	-	-	-
Proceeds from issuing financial	0	0	-	-	-
<b>Total cash received</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash used</b>					
Dividends paid	52,308	48,594	45,813	49,717	52,306
<b>Total cash used</b>	<b>52,308</b>	<b>48,594</b>	<b>45,813</b>	<b>49,717</b>	<b>52,306</b>
<b>Net cash from (used by) financing activities</b>	<b>(52,308)</b>	<b>(48,594)</b>	<b>(45,813)</b>	<b>(49,717)</b>	<b>(52,306)</b>
<b>Net increase (decrease) in cash held</b>	<b>(112,041)</b>	<b>(64,284)</b>	<b>(31,485)</b>	<b>14,174</b>	<b>7,176</b>
Cash and cash equivalents at the beginning of the reporting period	282,694	170,653	106,369	74,884	89,058
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>170,653</b>	<b>106,369</b>	<b>74,884</b>	<b>89,058</b>	<b>96,234</b>

**Note**

1. Prepared on Australian Accounting Standards basis.

**Table 6: Departmental Statement of Changes in Equity—Summary of Movement (Budget Year 2012-13)<sup>[1]</sup>**

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance as at 1 July 2012</b>					
Balance carried forward from previous period	140,020	1,560,437		396,148	2,096,605
<b>Opening balance</b>	<b>140,020</b>	<b>1,560,437</b>	<b>0</b>	<b>396,148</b>	<b>2,096,605</b>
<b>Comprehensive income</b>					
Comprehensive income recognised directly in equity:					
Gain/loss on revaluation of property	26,227				26,227
		18,263			18,263
<b>Sub-total comprehensive income</b>	<b>26,227</b>	<b>18,263</b>	<b>0</b>	<b>0</b>	<b>44,490</b>
<b>Total comprehensive income recognised directly in equity</b>	<b>166,247</b>	<b>1,578,700</b>	<b>0</b>	<b>396,148</b>	<b>2,141,095</b>
<b>Transactions with owners</b>					
<i>Distributions to owners</i>					
Returns on capital					
Dividends	45,813				45,813
<b>Sub-total transactions with owners</b>	<b>45,813</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,813</b>
<b>Estimated closing balance as at 30 June 2013</b>	<b>120,434</b>	<b>1,578,700</b>	<b>0</b>	<b>396,148</b>	<b>2,095,282</b>

**Note**

1. Prepared on Australian Accounting Standards basis.

Table 7: Departmental Capital Budget Statement<sup>[1]</sup>

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forw ard estimate 2013-14 \$'000	Forw ard estimate 2014-15 \$'000	Forw ard estimate 2015-16 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Equity injections - Bill 2	-				
Loans - Bill 2	-	-			
<b>Total capital appropriations</b>	-	-	-	-	-
<b>Total new capital appropriations</b>					
<b>Represented by:</b>					
Purchase of non-financial assets	-	-			
<b>Total Items</b>	-	-	-	-	-
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriations	-				
Funded internally from departmental resources <sup>2</sup>	114,591	80,255	94,815	94,446	82,906
<b>TOTAL</b>	114,591	80,255	94,815	94,446	82,906
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	114,591	80,255	94,815	94,446	82,906
plus reclassification plus other	47,919	75,199	64,741	50,065	30,255
<b>Total cash used to acquire assets</b>	<b>162,510</b>	<b>155,454</b>	<b>159,556</b>	<b>144,511</b>	<b>113,161</b>

**Notes**

1. Prepared on Australian Accounting Standards basis.
2. Funded internally through proceeds from sale of assets.

**Table 8: Statement of asset movements (2012-13)**

	Land	Buildings	Other property, plant and equipment	L&B IP&E held for sale	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2012</b>					
Gross book value	880,741	723,273	34,826	74,740	173,580
Accumulated depreciation/amortisation and impairment	-	(42)	(29,134)	-	(29,176)
<b>Opening net book balance</b>	<b>880,741</b>	<b>723,231</b>	<b>5,692</b>	<b>74,740</b>	<b>1,684,404</b>
<b>CAPITAL ASSET ADDITIONS</b>					
<b>Estimated expenditure on new or replacement assets</b>					
By purchase - Government funding					
By purchase - other	26,669	48,586	5,000	0	80,255
<b>Total additions</b>	<b>26,669</b>	<b>48,586</b>	<b>5,000</b>	<b>0</b>	<b>80,255</b>
<b>Other movements</b>					
Disposals	-	-	-	(82,648)	(82,648)
Transfer to assets held for sale	(41,324)	(41,324)	-	82,648	-
Depreciation	-	-	(2,411)	-	(2,411)
<b>Total other movements</b>	<b>(41,324)</b>	<b>(41,324)</b>	<b>(2,411)</b>	<b>-</b>	<b>(85,059)</b>
<b>As at 30 June 2013</b>					
Gross book value	866,086	730,535	39,826	74,740	1711,187
Accumulated depreciation/amortisation and impairment	-	(42)	(31,545)	-	(31,587)
<b>Closing net book balance</b>	<b>866,086</b>	<b>730,493</b>	<b>8,281</b>	<b>74,740</b>	<b>1,679,600</b>