

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 Statement

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

DHA achieves its function through a contracted relationship with the Commonwealth of Australia (Defence). A Services Agreement outlined the commercial arrangements and the responsibilities of both parties in providing housing services to the members of the ADF and their families. In accordance with the governance arrangements for Government Business Enterprises DHA prepares a Corporate Plan to be agreed with its shareholder ministers.

The DHA Corporate Plan for 2013-14 has been developed in an environment whereby suitable, well located housing solutions are difficult to obtain in major capital cities. DHA aims to meet the forecast Defence housing requirements through an extensive capital program which constructs, purchases and leases properties from private investors or in bulk from property developers. The development of land for residential housing forms a substantial part of DHA's operations. This reflects the importance to DHA of the cost effective supply of well located land for its construction program.

DHA will undertake major projects to upgrade or replace Defence owned housing on and off base to a modern standard of housing. DHA has initiated a program to provide housing for single Defence members nationally and has also assumed increased responsibility for the allocation of single members to on-base living in accommodation.

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 suitable for provisioning purposes. In December 2012 DHA established a subsidiary company, DHA Investment Management Limited. ASIC has granted the subsidiary an Australian Financial Services Licence for Managed Investment Schemes. This will enable DHA to sell properties through a fund and for units in the fund to be offered to investors.

DHA Organisational Structure

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

DHA has an independent Board comprising of nine directors:

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

The DHA Board members are:

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

DHA has an Advisory Committee which has the following members:

Chairman	Air Vice Marshal Gary Beck AO (Rtd)
Convenor of Defence Families Australia	Ms Julie Blackburn
Appointee of Chief of Navy	Rear Admiral Michael Van Balen RAN
Appointee of Chief of Army	Major General Angus J. Campbell, DSC, AM
Appointee of Chief of Air Force	Air Vice Marshal Gavin (Leo) Davies CSC
Appointee of Defence Housing Australia	Mr Peter Howman

DHA's wholly owned subsidiary entity DHA Investment Management Limited has a Board comprising a Chairperson and two directors.

The DHA Investment Management Limited Board members are:

Chairperson	Ms Carol Holley
Commercial Director (and Managing Director DHA)	Mr Peter Howman
Commercial Director	Mr Michael Del Gigante

1.2 DHA Resource Statement

Table 104 shows the total resources for all sources. The table summarises how resources will be applied by outcome and by departmental classification.

Table 103: DHA Resource Statement – Budget Estimates for 2013-14 as at Budget May 2013^[1]

	Estimate of prior year amounts available in 2013-14 \$'000	+	Proposed at Budget 2013-14 \$'000	=	Total estimate 2013-14 \$'000	Actual available appropriation 2012-13 \$'000
Opening balance/Reserves at bank	-		230,890		230,890	254,780
REVENUE FROM GOVERNMENT						
Other services						
Bill 2-Non-Operating-Equity	-		-		-	-
Bill 2-Non-Operating-Loan	-		-		-	-
Total other services	-		-		-	-
Total annual appropriations	-		-		-	-
Payments from related entities^[2]						
Department of Defence	-		576,030		576,030	501,460
Total	-		576,030		576,030	501,460
Total funds from Government	-		576,030		576,030	501,460
FUNDS FROM INDUSTRY SOURCES						
FUNDS FROM OTHER SOURCES						
Interest	-		4,689		4,689	6,032
Sale of goods and services	-		493,184		493,184	459,767
Total	-		497,873		497,873	465,799
Total net resourcing for DMO	-		1,073,903		1,073,903	967,259

Notes

1. 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.

2. 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 DHA for the May 2013 budget.

Section 2: DHA Outcomes and Planned Performance

2.1 Outcome 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 Defence 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

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 DHA.

Under the terms of the Service Agreement, 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 DHA's Capital Program are changed to ADF strength and disposition; changes to Defence housing policy and standards; and DHA's need to replace ageing stock.

Outcome Expense Statement

Table 105 provides an overview of the total expenses for Outcome 1, by program.

Table 104: Budgeted Expenses for Outcome 1

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	2012-13 Estimated Actual \$'000	2013-14 Budget Estimate \$'000
Program 1.1 Other Departmental - DHA		
Revenue from Government	-	-
Payment from related entities	545,230	576,030
Revenues from other independent sources	392,176	453,864
Total for Program 1.1	937,406	1,029,894
Total Expenses for Outcome 1	937,406	1,029,894
	2012-13	2013-14
Average Staffing Level (number)	589	614

Contributions to Outcome 1

Program 1.1: The provision of Defence housing and housing related services

Program 1.1 Objective

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

Program 1.1 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 1.1 Key Performance Indicators

Key performance indicators	2012-13		2013-14 Budget target	2014-15 Forward year 1	2015-16 Forward year 2	2016-17 Forward year 3
	Revised budget	2012-13 On target				
Houses supplied against provisioning schedule	95%	Yes	98%	98%	98%	98%
Members satisfied with their service residence	80%	Yes	80%	80%	80%	80%
Return on equity	5.8%	Yes	6.5%	6.6%	7.5%	7.5%

Section 3: DHA Explanatory Tables and Budgeted Financial Statements

Section 3 presents explanatory tables and budgeted financial statements that provide a comprehensive overview of agency finances for the 2013-14 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, movements in administered funds, special accounts and government indigenous expenditure.

3.1 Explanatory Tables

Not applicable to DHA.

3.2 Budgeted Financial Statements

3.2.1 Difference in Agency Resourcing and Financial Statements

Not applicable to DHA.

3.2.2 Analysis of Budgeted Financial Statements

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 DHA.

DHA will not require any direct appropriations to achieve its outcome.

3.2.3 Budgeted Financial Statements

Table 105: Comprehensive Income Statements (Showing Net Cost of Service) (for the period ended 30 June)⁽¹⁾

	2012-13 Estimated Actual \$'000	2013-14 Budget Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
EXPENSES					
Employees	59,555	62,202	64,966	66,625	70,061
Suppliers	821,328	911,041	935,909	952,701	1,010,686
Depreciation and amortisation	20,674	20,802	20,404	20,194	19,502
Finance cost	31,849	31,849	31,849	31,849	31,849
Write-down of assets and impairment of assets	4,000	4,000	4,000	4,000	4,000
Income tax expenses	27,674	31,478	30,160	34,109	37,001
Total expenses	965,080	1,061,372	1,087,288	1,109,478	1,173,099
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sales of goods and rendering of services	483,725	522,314	509,736	498,939	549,891
Share of net profit from associates	400	76	-	-	-
Interest	5,639	4,525	4,544	8,352	6,782
Total revenue	489,764	526,915	514,280	507,291	556,673
Gains					
Sale of assets	83	77	84	83	68
Total gains	83	77	84	83	68
Total own-source income	489,847	526,992	514,364	507,374	556,741
Net cost of (contribution by) services	475,233	534,380	572,924	602,104	616,358
Revenue from Government	501,460	576,030	605,113	639,980	656,421
Surplus (Deficit) attributable to the Australian Government	26,227	41,650	32,189	37,876	40,063
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves	18,263	18,793	19,201	19,591	19,216
Total other comprehensive income	18,263	18,793	19,201	19,591	19,216
Total comprehensive income	44,490	60,443	51,390	57,467	59,279
Total comprehensive income (loss) attributable to the Australian Government	44,490	60,443	51,390	57,467	59,279

Note

1. Prepared in line with Australian Accounting Standards.

Table 106: Budgeted Departmental Balance Sheet (as at 30 June)^[1]

	2012-13 Estimated Actual \$'000	2013-14 Budget Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	230,906	199,421	213,595	220,771	202,166
Trade and other receivables	49,559	101,639	134,845	141,516	175,899
Investments accounted for under the equity method	2,718	1,714	1,714	1,714	1,714
Accrued Revenue	6,261	6,613	7,497	8,480	8,098
Other receivables	25,562	27,526	29,331	30,796	31,839
Total financial assets	315,006	336,913	386,982	403,277	419,716
Non-financial assets					
Land and buildings	1,561,362	1,573,643	1,578,923	1,574,383	1,526,515
Property, plant and equipment	8,095	11,086	14,875	19,264	22,990
Inventories	919,449	897,999	840,541	839,110	868,791
Tax assets	20,163	20,863	20,863	20,863	21,351
Total non-financial assets	2,509,069	2,503,591	2,455,202	2,453,620	2,439,647
Assets held for sale	36,453	36,453	36,453	36,453	36,453
Total assets	2,860,528	2,876,957	2,878,637	2,893,350	2,895,816
LIABILITIES					
Payables					
Suppliers	7,198	4,465	4,576	4,711	3,616
Current tax liabilities	3,660	3,122	104	3,194	2,983
Dividends	46,873	50,777	53,366	60,515	63,230
Other payables and accrued expenses	91,178	93,012	93,770	94,819	95,430
Total payables	148,909	151,376	151,816	163,239	165,259
Interest bearing liabilities					
Loans	509,580	509,580	509,580	509,580	509,580
Total interest bearing liabilities	509,580	509,580	509,580	509,580	509,580
Provisions					
Employee provisions	19,913	22,631	25,515	28,420	31,402
Provisions for restoration	90,157	91,954	91,378	91,995	93,229
Other	3,789	2,509	2,357	4,114	4,295
Total provisions	113,859	117,094	119,250	124,529	128,926
Total liabilities	772,348	778,050	780,646	797,348	803,765
NET ASSETS	2,088,180	2,098,907	2,097,991	2,096,002	2,092,051
EQUITY^[2]					
Contributed equity	396,148	396,148	396,148	396,148	396,148
Reserves	1,676,076	1,694,869	1,714,070	1,733,661	1,752,877
Retained surplus	15,956	7,890	-12,227	-33,807	-56,974
Total parent entity interest	2,088,180	2,098,907	2,097,991	2,096,002	2,092,051
Total equity	2,088,180	2,098,907	2,097,991	2,096,002	2,092,051

Notes

1. Prepared in line with Australian Accounting Standards.
2. Equity is the residual interest in assets after deduction of liabilities.

Table 107: Budgeted Statement of Cash Flows (for the period ended 30 June)^[1]

	2012-13 Estimated Actual \$'000	2013-14 Budget Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	961,227	1,069,050	1,083,650	1,099,268	1,167,321
Interest	6,032	4,689	4,468	8,170	6,857
Total cash received	967,259	1,073,739	1,088,118	1,107,438	1,174,178
Cash used					
Employees	58,337	59,678	62,388	63,951	67,079
Suppliers	842,961	900,359	891,385	951,034	1,045,898
Borrowing costs	31,849	31,849	31,849	31,849	31,849
Taxes paid	28,603	32,016	33,178	31,019	37,700
Total cash used	961,750	1,023,902	1,018,800	1,077,853	1,182,526
Net cash from (used by) operating activities	5,509	49,837	69,318	29,585	-8,348
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property plant and equipment	134,255	124,047	139,084	143,058	73,036
Total cash received	134,255	124,047	139,084	143,058	73,036
Cash used					
Purchase of property plant and equipment	155,454	159,556	144,511	113,161	22,778
Total cash used	155,454	159,556	144,511	113,161	22,778
Net cash from (used by) investing activities	-21,199	-35,509	-5,427	29,897	50,258
FINANCING ACTIVITIES					
Cash received					
Contributed equity	-	-	-	-	-
Proceeds from issuing financial	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Dividends paid	48,594	45,813	49,717	52,306	60,515
Total cash used	48,594	45,813	49,717	52,306	60,515
Net cash from (used by) financing activities	-48,594	-45,813	-49,717	-52,306	-60,515
Net increase (decrease) in cash and cash equivalents held	-64,284	-31,485	14,174	7,176	-18,605
Cash and cash equivalents at the beginning of the reporting period	295,190	230,906	199,421	213,595	220,771
Cash and cash equivalents at the end of the reporting period	230,906	199,421	213,595	220,771	202,166

Note

1. Prepared in line with Australian Accounting Standards.

Table 108: Departmental Statement of Changes in Equity – Summary of Movement (Budget Year 2013-14)

	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	Contributed Equity / Capital \$'000	Total Equity \$'000
Opening balance as at 1 July 2013	15,956	1,676,076	-	396,148	2,088,180
Balance carried forward from previous period	-	-	-	-	-
Opening balance	15,956	1,676,076	-	396,148	2,088,180
Comprehensive income					
Comprehensive income recognised directly in equity:					
Other comprehensive income	41,650	-	-	-	41,650
Gain/loss on revaluation of property	-	18,793	-	-	18,793
Sub-total comprehensive income	41,650	18,793	-	-	60,443
Total comprehensive income recognised directly in equity	57,606	1,694,869	-	396,148	2,148,623
Transactions with owners					
<i>Distribution to owners</i>					
Returns on capital:	-	-	-	-	-
Dividends	-49,716	-	-	-	-49,716
Sub-total transaction with owners	-49,716	-	-	-	-49,716
Estimated closing balance as at 30 June 2014	7,890	1,694,869	-	396,148	2,098,907

Table 109: Departmental Capital Budget Statement^[1]

	2012-13 Estimated Actual \$'000	2013-14 Budget Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources ^[2]	80,225	94,815	94,446	82,906	22,778
Total	80,225	94,815	94,446	82,906	22,778
Reconciliation of cash used to acquire assets to asset movement table					
Total purchases	80,225	94,815	94,446	82,906	22,778
plus reclassification	-	-	-	-	-
plus other	75,199	64,741	50,065	30,255	-
Total cash used to acquire assets	155,424	159,556	144,511	113,161	22,778

Notes

1. Prepared in line with Australian Accounting Standards.
2. Funded internally through proceeds from sale of assets.

Table 110: Statement of Asset Movements (2013-14)

	Land \$'000	Buildings \$'000	Other Property, Plant and Equipment \$'000	L&B IP&E held for sale \$'000	Total \$'000
As at 1 July 2013					
Gross book value	819,893	741,509	38,001	36,453	1,635,856
Accumulated depreciation/amortisation and impairment	-	-40	-29,906	-	-29,946
Opening net book balance	819,893	741,469	8,095	36,453	1,605,910
CAPITAL ASSET ADDITIONS					
Estimated expenditure on new replacement assets					
By purchase - Government funding	-	-	-	-	-
By purchase - other	29,854	59,961	5,000	-	94,815
Total additions	29,854	59,961	5,000	-	94,815
Other movements					
Disposals	-	-	-	-77,534	-77,534
Transfer to assets held for sale	-38,767	-38,767	-	77,534	-
Depreciation and amortisation	-	-	-2,009	-	-2,009
Total other movements	-38,767	-38,767	-2,009	-	-79,543
As at 30 June 2014					
Gross book value	810,980	762,703	43,001	36,453	1,653,137
Accumulated depreciation/amortisation and impairment	-	-40	-31,915	-	-31,955
Closing net book value	810,980	762,663	11,086	36,453	1,621,182