

# **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 Australia 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 charged 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 outlines 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 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 programme 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 programme.

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 programme 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 programme is primarily funded through the cash flows generated by a sale and leaseback programme to investors, as well as the disposal of properties no longer suitable for provisioning purposes. DHA established a subsidiary company, DHA Investment Management Limited. ASIC has granted the subsidiary an Australian Financial Services Licence for Managed Investment Schemes. This has enabled DHA to sell properties through an unlisted fund whereby investors purchase units. DHA is exploring options for further funds or institutional investment.

## DHA Organisational Structure

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

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
- 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	The Hon J.A.L. (Sandy) Macdonald
Commercial Director	The Hon Arch Bevis
Nominee Secretary of Defence	Vacant
Nominee Chief of Defence Force	Commodore Vicki McConachie CSC RANR
Nominee Secretary of Finance	Ms Janice Williams

DHA has an Advisory Committee which has the following members:

Chairperson	Commodore Vicki McConachie CSC RANR
Convenor of Defence Families Australia	Ms Robyn Ritchie
Appointee of Chief of Navy	RADM Michael Van Balen, RAN (Deputy Chief of Navy)
Appointee of Chief of Army	MAJGEN Peter Warwick (Gus) Gilmore, AO, DSC (Deputy Chief of Army)
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
Director (and Managing Director DHA)	Mr Peter Howman
Director (and Chief Financial Officer of DHA)	Mr Jon Brocklehurst

## 1.2 DHA RESOURCE STATEMENT

Table 103: DHA Resource Statement – Budget Estimates for 2014-15

	Estimate of prior year amounts available	Proposed at budget	Total estimate	Actual available appropriation
		+	=	
	2013-2014 \$'000	2014-2015 \$'000	2014-2015 \$'000	2013-2014 \$'000
Opening balance/Reserves at bank	-	127,016	127,016	329,412
<b>REVENUE FROM GOVERNMENT</b>				
<b>Other services</b>				
Bill 2-Non-Operating-Equity	-	-	-	-
Bill 2-Non-Operating-Loan	-	-	-	-
<b>Total Other services</b>	-	-	-	-
<b>Total Annual Appropriations</b>	-	-	-	-
<b>Payments from related entities<sup>[2]</sup></b>				
Department of Defence	-	561,491	561,491	592,871
<b>Total</b>	-	<b>561,491</b>	<b>561,491</b>	<b>592,871</b>
<b>Total funds from Government</b>	-	<b>561,490</b>	<b>561,491</b>	<b>592,871</b>
<b>FUNDS FROM INDUSTRY SOURCES</b>				
<b>FUNDS FROM OTHER SOURCES</b>				
Interest	-	4,299	4,299	10,747
Sale of goods and services	-	578,283	578,283	457,627
<b>Total</b>	-	<b>582,582</b>	<b>582,582</b>	<b>468,374</b>
<b>Total Net Resourcing for DHA</b>	-	<b>1,144,072</b>	<b>1,144,073</b>	<b>1,061,245</b>

### 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 2014 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 programmes are the primary vehicle by which Government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programmes which contribute to Government outcomes over the Budget and forward years.

Each outcome is described below together with its related programmes, specifying the performance indicators and targets used to assess and monitor the performance of Defence Housing Australia 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 Programme is also developed which contains the detailed financial programme of capital expenditure related to the provisioning schedule. The key drivers of DHA's Capital Programme are changes to ADF strength and disposition; changes to Defence housing policy and standards; and DHA's need to replace expiring leases and ageing stock.

**Outcome Expense Statement**

**Table 104: 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>	<b>2013-14 Estimated Actual \$'000</b>	<b>2014-15 Budget Estimate \$'000</b>
<b>Programme 1.1 Other Departmental - DHA</b>		
Revenue from Government		
Payment from related entities	577,164	607,447
Revenues from other independent sources	523,823	569,693
<b>Total for Programme 1.1</b>	<b>1,100,987</b>	<b>1,177,140</b>
<b>Total Expenses for Outcome 1</b>	<b>1,100,987</b>	<b>1,177,140</b>

## Contributions to Outcome 1

### Programme 1.1: The provision of Defence housing and housing related services

#### Programme 1.1 Objective

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

#### Programme 1.1 Deliverables

- Deliver housing provisioning schedule outcomes to within 2% of agreed numbers.
- Deliver major land developments and acquisition/construction activities in key Defence locations.
- Achieve sustainable sale and leaseback and disposal revenues.

#### Programme 1.1 Key Performance Indicators

Key performance indicators	2013-14 Revised budget	2013-14 On target	2014-15 Budget target	2015-16 Forward year 1	2016-17 Forward year 2	2017-18 Forward year 3
Houses supplied against provisioning schedule	98%	Yes	98%	98%	98%	98%
Members satisfied with their service residence	80%	Yes	80%	80%	80%	80%
Return on equity	6.0%	Yes	6.0%	5.5%	6.5%	6.5%

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

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the 2014-15 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and programme 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 Budgeted Financial Statements

**Table 105: Comprehensive Income Statement (showing net cost of services) for the period ended 30 June<sup>[1]</sup>**

	2013-14 Estimated actual \$'000	2014-15 Budget Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
<b>EXPENSES</b>					
Employee benefits	67,594	73,650	77,643	81,838	87,147
Supplier expenses	918,966	978,340	1,063,757	1,234,787	1,236,707
Depreciation and amortisation	17,136	16,863	16,837	16,598	16,732
Finance costs	29,807	34,791	37,161	37,682	37,682
Write-down of assets and impairment of assets	7,500	7,500	7,500	7,500	7,500
Income Tax Expenses	29,314	28,341	34,344	35,854	41,467
<b>Total expenses</b>	<b>1,070,317</b>	<b>1,139,485</b>	<b>1,237,242</b>	<b>1,414,259</b>	<b>1,427,235</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Sales of goods and rendering of services	514,739	565,579	646,826	803,718	834,027
Share of net profit from associates	906	-	-	-	-
Interest	9,084	4,114	7,486	4,287	9,230
<b>Total revenue</b>	<b>524,729</b>	<b>569,693</b>	<b>654,312</b>	<b>808,005</b>	<b>843,257</b>
<b>Gains</b>					
Sale of asseets	105	78	82	69	76
<b>Total gains</b>	<b>105</b>	<b>78</b>	<b>82</b>	<b>69</b>	<b>76</b>
<b>Total own-source income</b>	<b>524,834</b>	<b>569,771</b>	<b>654,394</b>	<b>808,074</b>	<b>843,333</b>
<b>Net cost of (contribution by) services</b>	<b>545,483</b>	<b>569,714</b>	<b>582,848</b>	<b>606,185</b>	<b>583,902</b>
Revenue from Government	577,164	607,447	641,576	660,750	641,429
<b>Surplus (Deficit) attributable to the Australian Government</b>	<b>31,681</b>	<b>37,733</b>	<b>58,728</b>	<b>54,565</b>	<b>57,527</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Changes in asset revaluation reserves	48,120	44,075	43,126	42,780	42,194
<b>Total other comprehensive income</b>	<b>48,120</b>	<b>44,075</b>	<b>43,126</b>	<b>42,780</b>	<b>42,194</b>
<b>Total comprehensive income</b>	<b>79,801</b>	<b>81,808</b>	<b>101,854</b>	<b>97,345</b>	<b>99,721</b>
<b>Total comprehensive income (loss) attributable to the Australian Government</b>	<b>79,801</b>	<b>81,808</b>	<b>101,854</b>	<b>97,345</b>	<b>99,721</b>

**Note**

1. Prepared on Australian Accounting Standards basis.

Table 106: Budgeted Departmental Balance Sheet (as at 30 June)<sup>[1]</sup>

	Estimated Actual \$'000	2014-15 Budget Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and cash equivalents	127,016	79,682	121,276	71,653	227,637
Trade and other receivables	98,242	151,983	193,497	237,729	215,739
Investments accounted for under the equity method	3,129	3,129	3,129	3,129	3,129
Accrued Revenue	11,470	14,633	15,862	19,822	12,043
Other Financial Assets	29,313	29,315	30,686	32,375	34,336
<b>Total financial assets</b>	<b>269,170</b>	<b>278,742</b>	<b>364,450</b>	<b>364,708</b>	<b>492,884</b>
<b>Non-financial assets</b>					
Land and buildings	1,469,123	1,437,504	1,425,978	1,406,428	1,408,621
Property, plant and equipment	11,944	15,027	17,893	20,660	23,234
Inventories	1,044,925	1,195,010	1,195,144	1,318,775	1,264,011
Tax Assets	16,144	16,144	16,144	16,144	16,144
<b>Total non-financial assets</b>	<b>2,542,136</b>	<b>2,663,685</b>	<b>2,655,159</b>	<b>2,762,007</b>	<b>2,712,010</b>
Assets held for sale	74,580	74,580	74,580	74,580	74,580
<b>Total assets</b>	<b>2,885,886</b>	<b>3,017,007</b>	<b>3,094,189</b>	<b>3,201,295</b>	<b>3,279,474</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	775	124	254	446	625
Current tax liabilities	7,829	3,327	4,429	2,455	10,938
Dividends	50,525	47,795	57,539	56,861	73,588
Other payables and accrued expenses	58,017	54,631	56,267	58,637	58,607
<b>Total payables</b>	<b>117,146</b>	<b>105,877</b>	<b>118,489</b>	<b>118,399</b>	<b>143,758</b>
<b>Interest bearing liabilities</b>					
Loans	509,580	594,580	594,580	634,580	634,580
<b>Total interest bearing liabilities</b>	<b>509,580</b>	<b>594,580</b>	<b>594,580</b>	<b>634,580</b>	<b>634,580</b>
<b>Provisions</b>					
Employee provisions	20,299	21,767	24,924	28,410	32,237
Provisions for restoration	99,638	106,262	114,379	122,675	119,675
Other	2,069	2,408	4,165	4,723	3,550
<b>Total provisions</b>	<b>122,006</b>	<b>130,437</b>	<b>143,468</b>	<b>155,808</b>	<b>155,462</b>
<b>Total liabilities</b>	<b>748,732</b>	<b>830,894</b>	<b>856,537</b>	<b>908,787</b>	<b>933,800</b>
<b>NET ASSETS</b>	<b>2,137,154</b>	<b>2,186,113</b>	<b>2,237,652</b>	<b>2,292,508</b>	<b>2,345,674</b>
<b>EQUITY<sup>[2]</sup></b>					
Contributed equity	396,148	396,148	396,148	396,148	396,148
Reserves	1,735,794	1,794,815	1,852,652	1,909,805	1,966,306
Retained surplus	5,212	-4,850	-11,148	-13,445	-16,779
<b>Total parent entity interest</b>	<b>2,137,154</b>	<b>2,186,113</b>	<b>2,237,652</b>	<b>2,292,508</b>	<b>2,345,675</b>

**Notes**

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

Table 107: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)<sup>[1]</sup>

	2013-14 Estimated Actual \$'000	2014-15 Budget Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	1,051,755	1,117,462	1,209,115	1,416,565	1,516,998
Interest	10,747	4,299	4,602	4,519	9,130
<b>Total cash received</b>	<b>1,062,502</b>	<b>1,121,761</b>	<b>1,213,717</b>	<b>1,421,084</b>	<b>1,526,128</b>
<b>Cash used</b>					
Employees	66,284	72,488	74,717	78,352	83,320
Suppliers	1,057,362	1,146,182	1,065,617	1,370,008	1,196,473
Borrowing costs	29,807	34,791	37,161	37,682	37,682
Taxes Paid	28,881	32,843	33,242	37,828	32,984
<b>Total cash used</b>	<b>1,182,334</b>	<b>1,286,304</b>	<b>1,210,737</b>	<b>1,523,870</b>	<b>1,350,459</b>
<b>Net cash from (used by) operating activities</b>	<b>-119,832</b>	<b>-164,543</b>	<b>2,980</b>	<b>-102,786</b>	<b>175,669</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds of property, plant and equipment	147,461	132,905	140,533	73,817	80,961
<b>Total cash received</b>	<b>147,461</b>	<b>132,905</b>	<b>140,533</b>	<b>73,817</b>	<b>80,961</b>
<b>Cash used</b>					
Purchase of property, plant and equipment	182,711	50,171	54,124	3,114	43,785
<b>Total cash used</b>	<b>182,711</b>	<b>50,171</b>	<b>54,124</b>	<b>3,114</b>	<b>43,785</b>
<b>Net cash from (used by) investing activities</b>	<b>-35,250</b>	<b>82,734</b>	<b>86,409</b>	<b>70,703</b>	<b>37,176</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Contributed equity	-	-	-	-	-
Cash received from Borrowings	-	85,000	-	40,000	-
<b>Total cash received</b>	<b>-</b>	<b>85,000</b>	<b>-</b>	<b>40,000</b>	<b>-</b>
<b>Cash used</b>					
Dividends paid	47,330	50,525	47,795	57,540	56,861
<b>Total cash used</b>	<b>47,330</b>	<b>50,525</b>	<b>47,795</b>	<b>57,540</b>	<b>56,861</b>
<b>Net cash from (used by) financing activities</b>	<b>-47,330</b>	<b>34,475</b>	<b>-47,795</b>	<b>-17,540</b>	<b>-56,861</b>
<b>Net increase (decrease) in cash held</b>	<b>-202,412</b>	<b>-47,334</b>	<b>41,594</b>	<b>-49,623</b>	<b>155,984</b>
Cash and cash equivalents at the beginning of the reporting period	329,428	127,016	79,682	121,276	71,653
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>127,016</b>	<b>79,682</b>	<b>121,276</b>	<b>71,653</b>	<b>227,637</b>

**Table 108: Departmental Statement of Changes in Equity – Summary of Movement (Budget Year 2014-15)**

	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	Contributed Equity/ Capital \$'000	Total Equity \$'000
<b>Opening balance as at 1 July 2014</b>	5,212	1,735,794		396,148	2,137,154
Balance carried forward from previous period	-	-	-	-	-
<b>Opening balance</b>	<b>5,212</b>	<b>1,735,794</b>	<b>-</b>	<b>396,148</b>	<b>2,137,154</b>
<b>Comprehensive income</b>					
Comprehensive income recognised directly in equity:					
Other Comprehensive Income	37,733				37,733
Gain/loss on revaluation of property	-	59,021			59,021
<b>Sub-total comprehensive income</b>	<b>37,733</b>	<b>59,021</b>	<b>-</b>	<b>-</b>	<b>96,754</b>
<b>Total comprehensive income recognised directly in equity</b>	<b>42,945</b>	<b>1,794,815</b>	<b>-</b>	<b>396,148</b>	<b>2,233,908</b>
<b>Transactions with owners</b>					
<i>Distributions to owners</i>					
Returns on capital					
Dividends	-47,795				-47,795
<b>Sub-total transaction with owners</b>	<b>-47,795</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-47,795</b>
<b>Estimated closing balance as at 30 June 2015</b>	<b>-4,850</b>	<b>1,794,815</b>	<b>-</b>	<b>396,148</b>	<b>2,186,113</b>

**Table 109: Departmental Capital Budget Statement<sup>[1]</sup>**

	2013-14 Estimated Actual \$'000	2014-15 Budget Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded internally from departmental resources <sup>[2]</sup>	147,461	132,905	140,533	73,817	80,961
<b>Total</b>	<b>147,461</b>	<b>132,905</b>	<b>140,533</b>	<b>73,817</b>	<b>80,961</b>
<b>Reconciliation of cash used to acquire assets to asset movement table</b>					
Total purchases	125,694	7,306	31,369	11,410	40,785
plus recalssification	-	-	-	-	-
plus other	21,767	125,599	109,164	62,407	40,176
<b>Total cash used to acquire assets</b>	<b>147,461</b>	<b>132,905</b>	<b>140,533</b>	<b>73,817</b>	<b>80,961</b>

**Notes**

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

**Table 110: Statement of Asset Movements (2014-15)**

	Land \$'000	Buildings \$'000	Other Property, Plant and Equipment \$'000	L&B IP&E held for sale \$'000	Total \$'000
<b>As at 1 July 2014</b>					
Gross book value	851,995	617,162	40,636	74,580	1,584,373
Accumulated depreciation/amortisation and impairment	-	-34	-28,692	-	-28,726
<b>Opening net book balance</b>	<b>851,995</b>	<b>617,128</b>	<b>11,944</b>	<b>74,580</b>	<b>1,555,647</b>
<b>CAPITAL ASSET ADDITIONS</b>					
<b>Estimated expenditure on new or replacement assets</b>					
By purchase - Government funding	-	-	-	-	-
By purchase - other	1,153	1,153	5,000	-	7,306
<b>Total Additions</b>	<b>1,153</b>	<b>1,153</b>	<b>5,000</b>	<b>-</b>	<b>7,306</b>
<b>Other Movements</b>					
Revaluations	25,560	18,515	-	-	44,075
Disposals	-	-	-	-78,000	-78,000
Transfer to assets held for sale	-39,000	-39,000	-	78,000	-
Depreciation and amortisation	-	-	-1,917	-	-1,917
<b>Total Other movements</b>	<b>-39,000</b>	<b>-39,000</b>	<b>-1,917</b>	<b>-</b>	<b>-35,842</b>
<b>As at 30 June 2015</b>					
Gross book value	839,708	597,830	45,636	74,580	1,557,754
Accumulated depreciation/amortisation and impairment	-	-34	-30,609	-	-30,643
<b>Closing net book value</b>	<b>839,708</b>	<b>597,796</b>	<b>15,027</b>	<b>74,580</b>	<b>1,527,111</b>