

Defence Housing Australia

Entity Resources and Planned Performance

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DEFENCE HOUSING AUSTRALIA

Section 1: DHA Overview and Resources

1.1 STRATEGIC DIRECTION STATEMENT

The main function of Defence Housing Australia (DHA) is to provide housing and related services to members of the Australian Defence Force (ADF) and their families in response to Defence requirements. In fulfilling its role, DHA contributes to Defence retention, recruitment and operational goals.

DHA's total housing portfolio primarily accommodates ADF members with dependents and their families, but also includes off-base accommodation for ADF singles, newly acquired properties coming on-line, properties being refurbished or off-line for maintenance, and those at the end of lease about to be disposed from the portfolio. DHA manages:

- About 19,000 dwellings in all States and Territories of Australia valued at about \$10.6 billion;
- The allocation of dwellings to 16,500 ADF members (Married with Dependents and ADF members who are single);
- 14,000 ADF members on Rental Assistance; and
- The allocation of on-base accommodation for about 11,000 ADF members (31,000 rooms/40,000 beds).

DHA is active in Australian residential housing markets, constructing, purchasing and leasing houses for ADF personnel and raising capital through the sale of properties. DHA is a large property manager, responsible for managing the allocation of dwellings to ADF members and the resulting tenancies. DHA manages a large portfolio of land developments. We acquire and develop land to build enduring and sustainable communities of mixed military and private owners and tenants. DHA helps to finance its activities by selling and leasing back dwellings through its Property Investment program. This is achieved through:

- Land acquisitions.
- The management of land development and dwelling construction.
- Property and tenancy management comprising repairs and maintenance, property allocations and tenancy management.
- Capital raising through the property investment program and the disposal of excess retail land and the disposal of excess property.

DHA is a Government Business Enterprise (GBE) operating under the provisions of the Public Governance, Performance and Accountability Act 2013 (PGPA Act). It is required to maintain a strong balance sheet and to meet shareholder return obligations. DHA is within the Defence portfolio and reports to the Minister for Defence and the Minister for Finance as joint Shareholder Ministers.

DHA is not funded from the Budget. DHA is a full tax paying entity and also contributes 60% of Net Profit after Tax as an annual dividend.

DHA Organisational Structure

DHA advises that there are no significant changes to targets published in the 2016-17 Portfolio Budget Statements. However, the composition of DHA's Board of Directors and associated committees has changed and is detailed below.

As at 21 December 2016, the DHA Board members are:

Chairman	Hon J.A.L. (Sandy) Macdonald
Managing Director	Ms Jan Mason
Commercial Director	Hon Alan Ferguson
Commercial Director	Mr Robert Fisher AM
Commercial Director	Ms Andrea Galloway
Commercial Director	Mr Ewen Jones
Nominee Secretary of Defence	Mr Martin Brady AO
Nominee Chief of Defence Force	Commodore Vicki McConachie CSC RANR
Nominee Secretary of Finance	Ms Janice Williams

The DHA Board also has the following subcommittees, Board Audit Committee, Board Property Committee and Nomination and Remuneration Committee.

DHA has an Advisory Committee that has the following members as at 21 December 2016:

Chairperson	Commodore Vicki McConachie CSC RANR
Convenor of Defence Families Australia	Ms Robyn Ritchie
Appointee of Chief of Navy	RADM Michael Noonan AM RAN (Deputy Chief of Navy)
Appointee of Chief of Army	MAJGEN Rick Burr DSC AM MVO (Deputy Chief of Army)
Appointee of Chief of Air Force	AVM Warren McDonald AM CSC (Deputy Chief of Air Force)
Appointee of Defence Housing Australia	Ms Jan Mason

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

As at 21 December 2016, the DHA Investment Management Limited Board members are:

Chairperson	Mr Martin Brady AO
Director	Ms Jan Mason
Director	Mr Jon Brocklehurst

1.2 DHA RESOURCE STATEMENT

Table 74: DHA Resource Statement – Budget Estimates for 2016-17 as at Additional Estimates February 2017⁽¹⁾

	Estimate as at Budget 2016-17 \$'000	Proposed Additional Estimates 2016-17 \$'000	Total estimate at Additional Estimates 2016-17 \$'000
Opening balance/Reserves at bank	229,877	90,576	320,453
REVENUE FROM GOVERNMENT			
Other services			
<i>Non-operating</i>	-	-	-
Total other services	-	-	-
Total annual appropriations	-	-	-
Payments from related entities			
Department of Defence	657,094	33,204	690,298
Total	657,094	33,204	690,298
Total funds from Government	657,094	33,204	690,298
FUNDS FROM INDUSTRY SOURCES			
FUNDS FROM OTHER SOURCES			
Interest	3,546	2,323	5,869
Sale of goods and services	857,893	(293,901)	563,992
Total	861,439	(291,578)	569,861
Total net resourcing for agency	1,518,533	(258,374)	1,260,159

Note

1. DHA is not directly appropriated. Appropriations are made to Department of Defence which are then paid to DHA and are considered "departmental" for all purposes.

1.3 BUDGET MEASURES

There are no budget measures relating to DHA for the 2016-17 Additional Estimates.

1.4 ADDITIONAL ESTIMATES AND VARIATIONS

DHA is not directly appropriated. Appropriations are made to Department of Defence which are then paid to DHA and are considered "departmental" for all purposes.

1.5 BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL

DHA is not directly appropriated. Appropriations are made to Department of Defence which are then paid to DHA and are considered "departmental" for all purposes.

Section 2: DHA Outcomes and Planned Performance

2.1 OUTCOME AND PERFORMANCE INFORMATION

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

No changes have been made to this outcome strategy since the *2016-17 Portfolio Budget Statements*.

Outcome Expense Statement

Table 75: 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)	2015-16 Actual expenses \$'000	2016-17 Revised estimated expenses \$'000
Program 1.1: (Other Departmental - DHA)		
Revenue from Government		
Payment from related entities	620,036	648,223
Revenues from other independent sources	624,493	586,521
Total for Program 1.1	1,244,529	1,234,744
Total expenses for Outcome 1	1,244,529	1,234,744
	2015-16	2016-17
Average Staffing Level (number)	594	639

Contributions to Outcome 1

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

Program 1.1 Objective

Include:

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

Delivery	<ul style="list-style-type: none"> • Deliver housing provisioning schedule outcomes to within 1% of agreed numbers. • Deliver major land development and acquisition/construction activities in key Defence locations. • Achieve sustainable sale and leaseback and disposal revenues.
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Performance information

Year	Performance criteria	Targets
2015-16	<ul style="list-style-type: none"> • Houses supplied against provisioning schedule • Members satisfied with their service residence • Return on equity 	<ul style="list-style-type: none"> • > 99% (Actuals 98.7%) • > 80% (Actuals 86.2%) • 6.8% (Actuals 7.0%)
2016-17	<ul style="list-style-type: none"> • Houses supplied against provisioning schedule • Members satisfied with their service residence • Return on equity 	<ul style="list-style-type: none"> • > 99% • > 80% • 5.6%
2017-18	<ul style="list-style-type: none"> • Houses supplied against provisioning schedule • Members satisfied with their service residence • Return on equity 	<ul style="list-style-type: none"> • > 99% • > 80% • 5.4%

Section 3: DHA Explanatory Tables and Budgeted Financial Statements

3.1 EXPLANATORY TABLES

Not applicable to DHA.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Budgeted Financial Statements

Table 76: Comprehensive Income Statement (Showing Net Cost of Services) for the period ended 30 June

	2015-16 Actual \$'000	2016-17 Revised budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
INCOME					
Revenue					
Sale of goods and rendering of services	1,235,967	1,228,875	1,273,798	1,315,429	1,343,451
Interest	8,562	5,869	3,548	5,393	10,211
Total revenue	1,244,529	1,234,744	1,277,346	1,320,822	1,353,662
Gains					
Sale of assets	(96)	(1,134)	(987)	(500)	(789)
Total gains	(96)	(1,134)	(987)	(500)	(789)
Total income	1,244,433	1,233,610	1,276,359	1,320,322	1,352,873
EXPENSES					
Employee benefits	69,995	71,517	73,320	75,168	77,062
Suppliers	1,016,032	1,053,770	1,068,289	1,110,818	1,139,028
Depreciation and amortisation	4,327	5,172	6,172	7,172	8,172
Finance costs	26,521	25,887	25,887	24,715	24,205
Write-down and impairment of assets	7,178	7,500	7,500	7,500	7,500
Total expenses	1,124,053	1,163,846	1,181,168	1,225,373	1,255,967
Profit (Loss) before income tax	120,380	69,764	95,191	94,949	96,906
Income tax expense	35,585	23,985	28,834	25,719	27,792
Net profit/(loss)	84,795	45,779	66,357	69,230	69,114
Profit/(loss) attributable to the Australian Government	84,795	45,779	66,357	69,230	69,114
Total comprehensive income attributable to the Australian Government	84,795	45,779	66,357	69,230	69,114

Note:

- The data in this table is based on DHA's approved 2016-17 Corporate Plan. The Corporate Plan is prepared on a cost basis, whilst this Additional Estimates submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules

Table 77: Budgeted Departmental Balance Sheet (as at 30 June)

	2015-16 Actual \$'000	2016-17 Revised budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	320,453	132,006	111,981	204,664	395,608
Trade and other receivables	38,376	27,224	3,883	3,991	4,124
Other investments	1,091	1,178	1,177	1,177	1,177
Other financial assets	6,240	10,201	10,300	10,585	10,937
Total financial assets	366,160	170,609	127,341	220,417	411,846
Non-financial assets					
Land and buildings	1,645,068	1,682,626	1,738,245	1,793,243	1,826,248
Property, plant and equipment	14,712	15,217	13,634	11,144	7,747
Tax assets	20,922	20,179	19,637	19,136	18,681
Other non-financial assets	33,751	35,317	36,630	38,099	39,864
Total non-financial assets	1,714,453	1,753,339	1,808,146	1,861,622	1,892,540
Assets held for sale	1,117,117	1,266,791	1,317,398	1,226,933	1,066,364
Total assets	3,197,730	3,190,739	3,252,885	3,308,972	3,370,750
LIABILITIES					
Payables					
Suppliers	12,191	16,183	16,586	17,002	17,427
Dividends	62,719	38,909	44,486	39,681	42,879
Other payables	122,652	94,722	99,279	97,580	101,346
Total payables	197,562	149,814	160,351	154,263	161,652
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	19,499	22,316	22,874	23,449	24,040
Other provisions	110,934	108,822	106,235	106,834	103,406
Total provisions	130,433	131,138	129,109	130,283	127,446
Total liabilities	837,575	790,532	799,040	794,126	798,678
Net assets	2,360,155	2,400,207	2,453,845	2,514,846	2,572,072
EQUITY*					
Parent entity interest					
Contributed equity	396,148	396,148	396,148	396,148	396,148
Reserves	1,913,690	1,946,872	1,978,639	2,010,091	2,041,082
Retained surplus/(accumulated deficit)	50,317	57,187	79,058	108,607	134,842
Total parent entity interest	2,360,155	2,400,207	2,453,845	2,514,846	2,572,072
Attributed to Non-controlling interest*					
Total non-controlling interest	-	-	-	-	-
Total Equity	2,360,155	2,400,207	2,453,845	2,514,846	2,572,072

*Equity is the residual interest in assets after the deduction of liabilities

Note:

- The data in this table is based on DHA's approved 2016-17 Corporate Plan. The Corporate Plan is prepared on a cost basis, whilst this Additional Estimates submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules.

Table 78: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2015-16 Actual \$'000	2016-17 Revised budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Sale of goods and rendering of services	1,275,432	1,194,595	1,362,514	1,365,964	1,393,160
Interest	7,322	5,869	3,548	5,393	10,211
Other	21,596	23,074	31,247	30,499	28,806
Total cash received	1,304,350	1,223,538	1,397,309	1,401,856	1,432,177
Cash used					
Employees	81,523	83,245	84,287	86,411	88,589
Suppliers	1,069,432	1,211,591	1,157,738	1,044,913	994,954
Borrowing costs	26,521	25,887	25,887	24,715	24,205
Other	81,599	61,488	60,879	63,770	62,395
Total cash used	1,259,075	1,382,211	1,328,791	1,219,809	1,170,143
Net cash from/(used by) operating activities	45,275	(158,673)	68,518	182,047	262,034
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	96,488	59,695	18,755	9,508	14,988
Total cash received	96,488	59,695	18,755	9,508	14,988
Cash used					
Purchase of property, plant, equipment and intangibles	5,811	3,487	68,389	54,386	46,397
Investments	25,271	38,272	-	-	-
Total cash used	31,082	41,759	68,389	54,386	46,397
Net cash from/(used by) investing activities	65,406	17,936	(49,634)	(44,878)	(31,409)
FINANCING ACTIVITIES					
Cash received					
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Dividends paid	54,637	64,458	38,909	44,486	39,681
Total cash used	54,637	64,458	38,909	44,486	39,681
Net cash used by financing activities	(54,637)	(64,458)	(38,909)	(44,486)	(39,681)
Net increase/(decrease) in cash held	(54,637)	(64,458)	(38,909)	(44,486)	(39,681)
Cash and cash equivalents at the beginning of the reporting period	264,409	337,201	132,006	111,981	204,664
Cash and cash equivalents at the end of the reporting period	209,772	272,743	93,097	67,495	164,983

Note:

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Table 79: Departmental Statement of Changes in Equity – Summary of Movement (Budget Year 2016-17)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2016					
Balance carried forward from previous period	50,317	1,913,690	-	396,148	2,360,155
Comprehensive income					
Surplus/(deficit) for the period	45,779	-	-	-	45,779
Total comprehensive income	45,779	-	-	-	45,779
Transactions with owners					
<i>Distributions to owners</i>					
Returns on capital:					
Dividends	(38,909)				(38,909)
<i>Contributions by owners</i>					
Other		33,182			33,182
Sub-total transactions with owners	(38,909)	33,182	-	-	(5,727)
Estimated closing balance as at 30 June 2017					
	57,187	1,946,872	-	396,148	2,400,207
Closing balance attributable to the Australian Government	57,187	1,946,872	-	396,148	2,400,207

Note:

1. The data in this table is based on DHA's approved 2016-17 Corporate Plan. The Corporate Plan is prepared on a cost basis, whilst this Additional Estimates submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules.

Table 80: Departmental Capital Budget Statement

DHA is not directly appropriated. Appropriations are made to Department of Defence which are then paid to DHA and are considered "departmental" for all purposes.

Table 81: Statement of Asset Movements (2016-17)

	Land \$'000	Buildings \$'000	Other property, plant and equipment \$'000	L&B, IP&E held for sale \$'000	Total \$'000
As at 1 July 2016					
Gross book value	891,135	753,939	36,900	29,713	1,711,687
Accumulated depreciation/amortisation and impairment	-	(6)	(22,188)	-	(22,194)
Opening net book balance	891,135	753,933	14,712	29,713	1,689,493
Capital asset additions					
Estimated expenditure on new or replacement assets					
By purchase - other	39,032	25,038	5,677	-	69,747
Total additions	39,032	25,038	5,677	-	69,747
Other movements					
Assets held for sale or in a disposal group held for sale	(29,847)	(29,847)	-	-	(59,694)
Revaluation	18,103	15,079	-	-	33,182
depreciation written back on revaluation	-	-	-	-	-
Depreciation/amortisation expense	-	-	(5,172)	-	(5,172)
Total other movements	(11,744)	(14,768)	(5,172)	-	(31,684)
As at 30 June 2017					
Gross book value	918,423	764,209	42,577	29,713	1,754,922
Accumulated depreciation/amortisation and impairment	-	(6)	(27,360)	-	(27,366)
Closing net book balance	918,423	764,203	15,217	29,713	1,727,556

Note:

- The data in this table is based on DHA's approved 2016-17 Corporate Plan. The Corporate Plan is prepared on a cost basis, whilst this Additional Estimates submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules.