

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 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 billion;
- The allocation of dwellings to 16,500 ADF members (Married with Dependents and Defence 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 Defence personnel and raising capital through the sale of properties. DHA is a large property manager, responsible for managing the allocation of dwellings to Defence 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 disposal of excess retail land, the disposal of excess property and a property investment program.

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. As a full tax paying entity, it 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 Portfolio Budget Statements 2015-16. However, the composition of DHA's Board of Directors and associated committees has changed and is detailed below.

As at 31 March 2016, the DHA Board members are:

Chairman	Hon J.A.L. (Sandy) Macdonald
Acting Managing Director	Ms Jan Mason
Commercial Director	Hon Alan Ferguson
Commercial Director	Mr Robert Fisher AM
Commercial Director	Vacant
Commercial Director	Vacant
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 31 March 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 31 March 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 77: DHA Resource Statement – Budget Estimates for 2016-17

	2015-16 estimated actual \$'000	2016-17 estimate \$'000
Opening balance/cash reserves at 1 July (a)	263,517	229,877
Funds from Government		
Amounts received from related entities		
Amounts from Department of Defence	580,819	657,094
<i>Total amounts received from related entities</i>	580,819	657,094
Total funds from Government	580,819	657,094
Funds from industry sources		
Funds from other sources		
Interest	6,902	3,546
Sale of goods and services	767,029	857,893
Total funds from other sources	773,931	861,439
Total net resourcing for DHA	1,354,750	1,518,533
	2015-16	2016-17
Average staffing level (number)	650	650

Notes

1. DHA is not directly appropriated. Appropriations are made to Department of Defence which are then paid to DHA for services provided.

1.3 BUDGET MEASURES

There are no measures relating to DHA for the May 2016 Budget.

Section 2: DHA Outcomes and Planned Performance

DHA advises no significant changes to targets published in the *Portfolio Budget Statements 2015-16*.

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 entities achieve the intended results of their outcome statements. Entities 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. The following provides detailed information on expenses for each outcome and program, further broken down by funding source.

Note:

From 1 July 2015, performance reporting requirements in the Portfolio Budget Statements sit alongside those required under the enhanced commonwealth performance framework. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plans and annual performance statements – included in Annual Reports from October 2016 – to provide an entity's complete performance story.

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 Expense Statement

Table 78: Budgeted Expenses for Outcome 1

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
Program 1.1: (Other Departmental - DHA)					
Revenue from Government					
Payment from related entities	587,598	616,944	589,273	629,570	651,394
Revenues from other independent sources	743,980	830,074	980,032	873,022	783,599
Total expenses for Program 1.1	1,331,578	1,447,018	1,569,305	1,502,592	1,434,993
	2015-16	2016-17			
Average staffing level (number)	650	650			

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

- 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.

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% • > 80% • 6.8%
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 and beyond	<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

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2016-17 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 EXPLANATORY TABLES

Not applicable to DHA.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Budgeted Financial Statements

Table 79: Comprehensive Income Statement (showing net cost of services) for the period ended 30 June

	2015-16 Estimated actual \$'000	2016-17 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	1,324,676	1,443,472	1,566,310	1,496,227	1,426,793
Interest	6,902	3,546	2,995	6,365	8,200
Total revenue	1,331,578	1,447,018	1,569,305	1,502,592	1,434,993
Gains					
Sale of assets	(2,400)	(3,452)	(2,484)	(2,823)	(965)
Total gains	(2,400)	(3,452)	(2,484)	(2,823)	(965)
Total income	1,329,178	1,443,566	1,566,821	1,499,769	1,434,028
EXPENSES					
Employee benefits	70,006	73,082	75,799	78,621	81,549
Suppliers	1,097,599	1,248,957	1,357,644	1,269,648	1,218,919
Depreciation and amortisation	15,326	15,268	15,373	16,131	15,556
Finance costs	28,027	28,027	28,027	28,027	28,027
Write-down and impairment of assets	9,513	7,500	7,500	7,500	7,500
Total expenses	1,220,471	1,372,834	1,484,343	1,399,927	1,351,551
Profit/(loss) before income tax	108,707	70,732	82,478	99,842	82,477
Income tax expense	30,026	24,088	26,549	32,033	23,135
Net profit/(loss)	78,681	46,644	55,929	67,809	59,342
Profit/(loss) attributable to the Australian Government	78,681	46,644	55,929	67,809	59,342
Total comprehensive income attributable to the Australian Government	78,681	46,644	55,929	67,809	59,342

Notes

1. DHA's Portfolio Budget Statement submission for 2016-17 through to 2019-20 is based on DHA's Shareholder approved 2015-16 Corporate Plan. The DHA Corporate Plan is prepared on a cost basis, whilst this Budget Statement submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules

Table 80: Budgeted Departmental Balance Sheet (as at 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	229,877	118,864	172,541	300,700	270,393
Trade and other receivables	41,096	99,001	151,274	144,791	157,420
Other investments	1,177	1,177	1,177	1,177	1,177
Other financial assets	44,635	47,153	50,140	53,268	55,586
Total financial assets	316,785	266,195	375,132	499,936	484,576
Non-financial assets					
Land and buildings	1,570,624	1,499,890	1,484,154	1,461,121	1,480,837
Property, plant and equipment	15,841	19,757	22,605	25,347	28,169
Tax assets	24,496	24,217	26,045	28,385	30,223
Inventories	1,196,840	1,351,657	1,327,623	1,308,261	1,353,839
Total non-financial assets	2,807,801	2,895,521	2,860,427	2,823,114	2,893,068
Assets held for sale	27,215	27,215	27,215	27,215	27,215
Total assets	3,151,801	3,188,931	3,262,774	3,350,265	3,404,859
LIABILITIES					
Payables					
Suppliers	13,377	13,618	14,229	14,670	15,158
Dividends	63,049	53,601	52,786	62,152	44,808
Other payables	112,101	115,048	120,670	129,376	126,936
Total payables	188,527	182,267	187,685	206,198	186,902
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	19,443	20,058	20,792	21,553	22,332
Other provisions	103,652	105,861	107,988	106,294	104,728
Total provisions	123,095	125,919	128,780	127,847	127,060
Total liabilities	821,202	817,766	826,045	843,625	823,542
Net assets	2,330,599	2,371,165	2,436,729	2,506,640	2,581,317
EQUITY*					
Parent entity interest					
Contributed equity	396,148	396,148	396,148	396,148	396,148
Reserves	1,894,392	1,939,081	1,998,668	2,060,088	2,117,397
Retained surplus (accumulated deficit)	40,059	35,936	41,913	50,404	67,772
Total parent entity interest	2,330,599	2,371,165	2,436,729	2,506,640	2,581,317
Attributed to non-controlling interest					
Total non-controlling interest	-	-	-	-	-
Total equity	2,330,599	2,371,165	2,436,729	2,506,640	2,581,317

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

Table 81: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2015-16 Estimated actual \$'000	2016-17 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	1,287,848	1,428,695	1,600,278	1,518,987	1,476,765
Interest	6,902	3,546	2,995	6,365	8,200
Other	23,361	21,591	19,053	18,958	20,345
Total cash received	1,318,111	1,453,832	1,622,326	1,544,310	1,505,310
Cash used					
Employees	73,987	77,103	78,897	83,011	84,664
Suppliers	1,199,363	1,436,359	1,424,222	1,274,038	1,332,812
Borrowing costs	28,027	28,027	28,027	28,027	28,027
Other	50,737	44,433	43,838	46,708	49,921
Total cash used	1,352,114	1,585,922	1,574,984	1,431,784	1,495,424
Net cash from/(used by) operating activities	(34,003)	(132,090)	47,342	112,526	9,886
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	60,000	86,292	62,102	70,585	24,125
Total cash received	60,000	86,292	62,102	70,585	24,125
Cash used					
Purchase of property, plant and equipment and intangibles	5,000	5,000	5,000	5,000	5,000
Total cash used	5,000	5,000	5,000	5,000	5,000
Net cash from/(used by) investing activities	55,000	81,292	57,102	65,585	19,125
FINANCING ACTIVITIES					
Cash received					
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Dividends paid	54,637	60,215	50,767	49,952	59,318
Total cash used	54,637	60,215	50,767	49,952	59,318
Net cash from/(used by) financing activities	(54,637)	(60,215)	(50,767)	(49,952)	(59,318)
Net increase/(decrease) in cash held	(33,640)	(111,013)	53,677	128,159	(30,307)
Cash and cash equivalents at the beginning of the reporting period	263,517	229,877	118,864	172,541	300,700
Cash and cash equivalents at the end of the reporting period	229,877	118,864	172,541	300,700	270,393

Table 82: Departmental Statement of Changes in Equity – Summary of Movement (Budget Year 2015-16)

	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	40,059	1,894,392	-	396,148	2,330,599
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	40,059	1,894,392	-	396,148	2,330,599
Comprehensive income					
Surplus/(deficit) for the period	46,644	-	-	-	46,644
Total comprehensive income	46,644	-	-	-	46,644
Transactions with owners					
Distributions to owners					
Returns on capital:					
Dividends	(50,767)	-	-	-	(50,767)
Contributions by owners					
Other	-	44,689			44,689
Sub-total transactions with owners	(50,767)	44,689	-	-	(6,078)
Estimated closing balance as at 30 June 2017	35,936	1,939,081	-	396,148	2,371,165
Closing balance attributable to the Australian Government	35,936	1,939,081	-	396,148	2,371,165

Table 83: 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 84: 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	849,034	721,596	38,120	27,215	1,635,965
Accumulated depreciation/amortisation and impairment	-	(6)	(22,279)	-	(22,285)
Opening net book balance	849,034	721,590	15,841	27,215	1,613,680
CAPITAL ASSET ADDITIONS					
Estimated expenditure on new or replacement assets					
By purchase - other	1,000	15,000	6,054	-	22,054
Total additions	1,000	15,000	6,054	-	22,054
Other movements					
Assets held for sale or in a disposal group held for sale	(43,147)	(43,146)	-	-	(86,293)
Reclassifications	(2,000)	(30,000)	-	-	(32,000)
Revaluation	26,747	4,812	-	-	31,559
Depreciation written back on revaluation	-	13,130	-	-	13,130
Depreciation/amortisation expense	-	(13,130)	(2,138)	-	(15,268)
Total other movements	(18,400)	(68,334)	(2,138)	-	(56,872)
As at 30 June 2017					
Gross book value	831,634	681,392	44,174	27,215	1,616,41
Accumulated depreciation/ amortisation and impairment	-	(13,136)	(24,417)	-	(37,553)
Closing net book balance	831,634	668,256	19,757	27,215	1,578,862