

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 (MWD) and their families, but also includes off-base accommodation for ADF singles (Members without Dependents [MWOD] and Members with Dependents (Unaccompanied) [MWD(U)]), newly acquired properties coming online, properties being refurbished or offline for maintenance, and those at the end of lease about to be disposed from the portfolio.

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:

- About 18,800 dwellings in all states and territories of Australia valued at about \$11 billion;
- The allocation of dwellings to 16,500 ADF members (MWD, MWOD and MWD(U));
- 14,000 ADF members renting accommodation privately and receiving Rent Assistance (RA); and
- The allocation of on-base accommodation for about 11,000 ADF members (41,000 beds).

DHA manages a large portfolio of residential developments. DHA acquires and develops land to build enduring and sustainable communities of mixed military and private owners and tenants. DHA also acquires retail land and manages dwelling construction.

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 directly funded from the Federal Budget. DHA is a full tax paying entity and contributes 60% of Net Profit after Tax as an annual dividend to the Australian Government. DHA helps to finance its activities by selling and leasing back dwellings through its Property Investment program and selling land and property that is surplus to its requirements.

DHA Organisational Structure

The composition of DHA's Board of Directors and associated committees is detailed below. As at 31 December 2017, the DHA Board members were:

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 had the following members as at 31 December 2017:

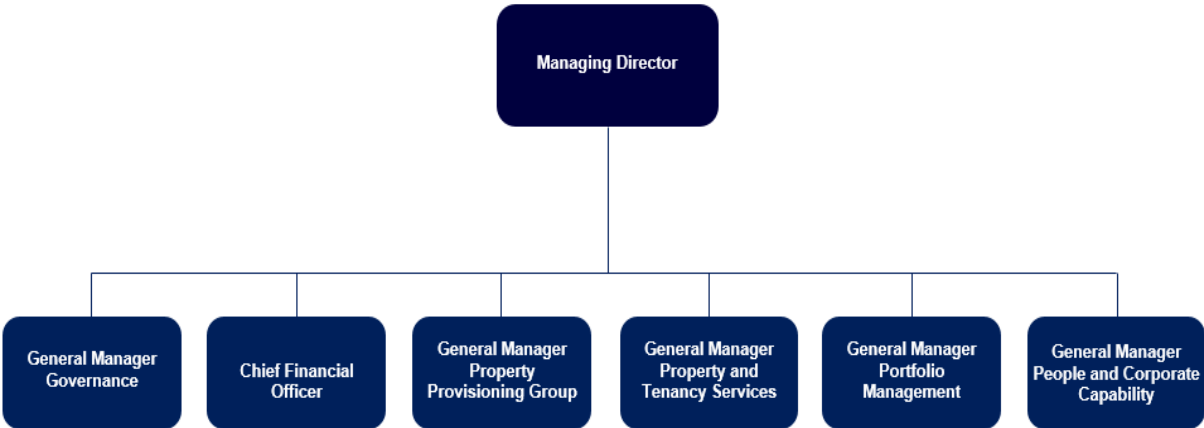
Chairperson	Commodore Vicki McConachie CSC RANR
Convenor of Defence Families of Australia	Ms Maree Sirois
Appointee of Chief of Navy	RADM Michael Noonan AM RAN (Deputy Chief of Navy)
Appointee of Chief of Army	MAJGEN Rick Burr DSC AM MVO (Deputy Chief of Army)
Appointee of Chief of Air Force	AVM Gavin Turnbull AM (Deputy Chief of Air Force)
Appointee of Defence Housing Australia	Ms Jan Mason (Managing Director)

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

As at 31 December 2017, the DHA Investment Management Limited Board members were:

Chairperson	Mr Martin Brady AO
Director	Ms Jan Mason
Director	Ms Suzanne Pitson

The chart below shows DHA’s Senior Executive.



1.2 DHA RESOURCE STATEMENT

Table 1: DHA Resource Statement – Budget Estimates for 2017–18 as at Additional Estimates February 2018^[1]

	Estimate as at Budget	Proposed Additional Estimates	Total estimate at Additional Estimates
	2017-18 \$'000	2017-18 \$'000	2017-18 \$'000
Opening balance/Reserves at bank	233,367	(2,111)	231,256
Revenue from Government			
Payments from related entities			
Amounts from the portfolio department			-
Department of Defence	803,042	(104,775)	698,267
Total payments from related entities	803,042	(104,775)	698,267
Total funds from Government	803,042	(104,775)	698,267
Funds from other sources			
Interest	3,548	1,556	5,104
Sale of goods and services	609,474	(98,277)	511,197
Total funds from other sources	613,022	(96,721)	516,301
Total net resourcing for agency	1,416,064	(201,496)	1,214,568
		<i>Actual 2016-17</i>	2017-18
Average staffing level (number)		624	654

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 2017-18 Additional Estimates.

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 *PBS 2017-18*.

Outcome Expense Statement

Table 2: Budgeted Expenses for Outcome

	2016-17 <i>Actual expenses</i> \$'000	2017-18 Revised estimated expenses \$'000	2018-19 Forw ard estimate \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000
Program 1.1: (Other Departmental - DHA)					
Revenue from Government					
Payment from related entities	615,134	633,401	570,275	581,843	576,708
Revenues from other independent sources	576,130	507,379	693,979	729,605	636,564
Total expenses for Program 1.1	1,191,264	1,140,780	1,264,254	1,311,448	1,213,272
<hr/>					
Average staffing level (number)	2016-17 624	2017-18 654			

Contributions to Outcome 1

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

Program 1.1 Objectives

Include:

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

Delivery	<p>Program deliverables;</p> <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	Actuals
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% • 4.3% 	<ul style="list-style-type: none"> • 97.9% • 87.3% • 4.3%
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% • 3.9% 	
2018-19 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% • 5.9% 	

Section 3: DHA Explanatory Tables and Budgeted Financial Statements

DHA advises no significant changes to targets published in the *PBS 2017-18*.

3.1 EXPLANATORY TABLES

Not applicable to DHA.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Budgeted Financial Statements

Table 3: Comprehensive Income Statement (showing net cost of services) for the period ended 30 June^[1]

	2016-17 Actual \$'000	2017-18 Revised budget \$'000	2018-19 Forw ard estimate \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000
INCOME					
Revenue					
Sale of goods and rendering of services	1,183,849	1,136,832	1,261,155	1,305,686	1,206,056
Interest	7,415	5,052	4,165	6,589	8,100
Total revenue	1,191,264	1,141,884	1,265,320	1,312,275	1,214,156
Total income	1,191,264	1,141,884	1,265,320	1,312,275	1,214,156
EXPENSES					
Employee benefits	63,108	68,120	69,837	71,596	73,402
Suppliers	1,017,030	955,537	1,037,356	1,077,856	1,021,535
Depreciation and amortisation	18,185	21,584	21,399	22,101	21,675
Finance costs	25,867	25,887	25,887	25,887	25,887
Write-down and impairment of assets	11,118	6,657	4,510	4,618	4,721
Losses from asset sales	3,736	1,104	1,066	827	884
Total expenses	1,139,044	1,078,889	1,160,055	1,202,885	1,148,104
Profit (Loss) before income tax	52,220	62,995	105,265	109,390	66,052
Income tax expense	19,372	23,492	35,968	35,939	23,894
Net profit/(loss)	32,848	39,503	69,297	73,451	42,158
Profit/(loss) attributable to the Australian Government	32,848	39,503	69,297	73,451	42,158
Total comprehensive income attributable to the Australian Government	32,848	39,503	69,297	73,451	42,158

Note

1. The data in this table is based on DHA's 2017-18 Corporate Plan which is with our Shareholder Ministers for approval. The Corporate Plan is prepared on a cost basis, whilst the Additional Estimates submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules.

Table 4: Budgeted Departmental Balance Sheet (as at 30 June)^{[2][3]}

	2016-17 Actual \$'000	2017-18 Revised budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	231,256	125,562	178,191	227,463	235,704
Trade and other receivables	81,926	23,447	-	-	-
Other investments	38	1,090	1,090	1,090	1,090
Other financial assets	12,638	13,669	13,711	13,644	13,297
Total financial assets	325,858	163,768	192,992	242,197	250,091
Non-financial assets					
Land and buildings	1,784,644	1,765,415	1,761,159	1,788,026	1,830,957
Property, plant and equipment	8,497	8,213	8,155	8,190	7,589
Intangibles	6,448	5,434	4,789	4,204	4,196
Inventories	1,025,683	1,272,308	1,305,787	1,288,477	1,253,353
Tax assets	23,081	19,182	17,888	16,672	15,286
Other non-financial assets	33,336	30,637	30,303	30,722	30,851
Total non-financial assets	2,881,689	3,101,189	3,128,081	3,136,291	3,142,232
Assets held for sale	4,436	7,122	7,122	7,122	7,122
Total assets	3,211,983	3,272,079	3,328,195	3,385,610	3,399,445
LIABILITIES					
Payables					
Suppliers	47,150	71,949	18,459	18,884	19,319
Dividends	39,585	36,280	55,494	55,449	36,865
Other payables	30,180	56,559	108,687	119,855	118,839
Total payables	116,915	164,788	182,640	194,188	175,023
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	14,263	22,738	21,075	21,606	22,150
Other provisions	125,027	101,038	94,767	90,180	85,016
Total provisions	139,290	123,776	115,842	111,786	107,166
Total liabilities	765,785	798,144	808,062	815,554	791,769
Net assets	2,446,198	2,473,935	2,520,133	2,570,056	2,607,676
EQUITY^[1]					
Parent entity interest					
Contributed equity	396,148	396,148	396,148	396,148	396,148
Reserves	2,006,470	2,039,190	2,071,585	2,103,506	2,135,833
Retained surplus / (accumulated deficit)	43,580	38,597	52,400	70,402	75,695
Total parent entity interest	2,446,198	2,473,935	2,520,133	2,570,056	2,607,676
Attributed to non-controlling interest					
Total non-controlling interest	-	-	-	-	-
Total Equity	2,446,198	2,473,935	2,520,133	2,570,056	2,607,676

Notes

- Equity is the residual interest in assets after the deduction of liabilities.
- Prepared on Australian Accounting Standards Basis.
- The data in this table is based on DHA's 2017-18 Corporate Plan which is with our Shareholder Ministers for approval. The Corporate Plan is prepared on a cost basis, whilst the Additional Estimates submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules.

Table 5: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2016-17 Actual \$'000	2017-18 Revised budget \$'000	2018-19 Forw ard estimate \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Sale of goods and rendering of services	1,063,575	1,185,223	1,299,856	1,313,170	1,214,256
Interest	8,532	5,104	4,164	6,594	8,126
Other	63,007	28,951	19,587	1,768	2,069
Total cash received	1,135,114	1,219,278	1,323,607	1,321,532	1,224,451
Cash used					
Employees	80,517	59,645	71,500	71,065	72,858
Suppliers	975,281	1,183,957	1,129,566	1,065,985	991,710
Borrowing costs	19,418	25,887	25,887	25,887	25,887
Other	115,861	29,627	18,894	32,745	33,472
Total cash used	1,191,077	1,299,116	1,245,847	1,195,682	1,123,927
Net cash from / (used by) operating activities	(55,963)	(79,838)	77,760	125,850	100,524
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	69,666	35,484	42,650	33,065	35,375
Total cash received	69,666	35,484	42,650	33,065	35,375
Cash used					
Purchase of property, plant, equipment and intangibles	40,181	13,549	31,501	54,149	72,209
Total cash used	40,181	13,549	31,501	54,149	72,209
Net cash from / (used by) investing activities	29,485	21,935	11,149	(21,084)	(36,834)
FINANCING ACTIVITIES					
Cash received					
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Dividends paid	62,719	47,791	36,280	55,494	55,449
Total cash used	62,719	47,791	36,280	55,494	55,449
Net cash from / (used by) financing activities	(62,719)	(47,791)	(36,280)	(55,494)	(55,449)
Net increase/(decrease) in cash held	(89,197)	(105,694)	52,629	49,272	8,241
Cash and cash equivalents at the beginning of the reporting period	320,453	231,256	125,562	178,191	227,463
Cash and cash equivalents at the end of the reporting period	231,256	125,562	178,191	227,463	235,704

Notes

1. Prepared on Australian Accounting Standards basis.
2. The data in this table is based on DHA's 2017-18 Corporate Plan which is with our Shareholder Ministers for approval. The Corporate Plan is prepared on a cost basis, whilst the Additional Estimates submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules.

Table 6: Departmental Statement of Changes in Equity – Summary of Movement (Budget Year 2017–18)^{[1][2]}

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity / capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2017					
Balance carried forward from previous period	43,580	2,006,470		396,148	2,446,198
Adjusted opening balance	43,580	2,006,470	-	396,148	2,446,198
Comprehensive income					
Surplus/(deficit) for the period	39,503				39,503
Total comprehensive income	39,503	-	-	-	39,503
Transactions with owners					
Distributions to owners					
Returns on capital:					
Dividends	(44,486)				(44,486)
Contributions by owners					
Other		32,720			32,720
Sub-total transactions with owners	(44,486)	32,720	-	-	(11,766)
Estimated closing balance as at 30 June 2018					
	38,597	2,039,190	-	396,148	2,473,935
Closing balance attributable to the Australian Government					
	38,597	2,039,190	-	396,148	2,473,935

Notes

1. Prepared on Australian Accounting Standards basis.

2. The data in this table is based on DHA's 2017-18 Corporate Plan which is with our Shareholder Ministers for approval. The Corporate Plan is prepared on a cost basis, whilst the Additional Estimates submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules.

Table 7: Statement of Asset Movements (2017–18)^{[1][2]}

	Land	Buildings	Other property, plant and equipment	Computer software and intangibles	L&B, IP&E held for sale	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2017						
Gross book value	960,923	823,727	21,225	20,681	4,436	1,830,992
Accumulated depreciation/amortisation and impairment			(12,728)	(14,233)		(26,961)
Opening net book balance	960,923	823,727	8,497	6,448	4,436	1,804,031
CAPITAL ASSET ADDITIONS						
Estimated expenditure on new or replacement assets						
By purchase - other			2,721	1,100	2,686	6,507
Total additions	-	-	2,721	1,100	2,686	6,507
Other movements						
Assets held for sale or in a disposal group held for sale	(17,742)	(17,742)			35,484	-
Revaluation	18,288	14,432				
Depreciation/amortisation expense		(16,471)	(3,005)	(2,114)		(21,590)
Disposals (c)					(35,484)	(35,484)
Total other movements	546	(19,781)	(3,005)	(2,114)	-	(24,354)
As at 30 June 2018						
Gross book value	961,469	820,417	23,946	21,781	7,122	1,834,735
Accumulated depreciation/amortisation and impairment	-	(16,471)	(15,733)	(16,347)	-	(48,551)
Closing net book balance	961,469	803,946	8,213	5,434	7,122	1,786,184

Notes

1. Prepared on Australian Accounting Standards basis.
2. The data in this table is based on DHA's 2017-18 Corporate Plan which is with our Shareholder Ministers for approval. The Corporate Plan is prepared on a cost basis, whilst the Additional Estimates submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules.