

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 18,500 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 Portfolio Budget Statements 2016-17. However, the composition of DHA's Board of Directors and associated committees has changed and is detailed below.

As at 31 March 2017, 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 31 March 2017:

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 2017, the DHA Investment Management Limited Board members were:

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

On 30 April 2017, Mr Jon Brocklehurst passed away.

1.2 DHA RESOURCE STATEMENT

Table 71: DHA Resource Statement – Budget Estimates for 2017-18

	<i>2016-17 estimated actual \$'000</i>	<i>2017-18 estimate \$'000</i>
Opening balance/cash reserves at 1 July	320,453	233,367
Funds from Government		
Amounts received from related entities		
Amounts from Department of Defence	725,275	803,042
<i>Total amounts received from related entities</i>	<i>725,275</i>	<i>803,042</i>
Total funds from Government	725,275	803,042
Funds from industry sources		
Funds from other sources		
Interest	6,991	3,548
Sale of goods and services	510,026	609,474
Total funds from other sources	517,017	613,022
Total net resourcing for DHA	1,242,292	1,416,064
	<i>2016-17</i>	<i>2017-18</i>
Average staffing level (number)	643	643

1.3 BUDGET MEASURES

There are no budget measures relating to DHA for the May 2017 Budget.

Section 2: DHA Outcomes and Planned Performance

DHA advises no significant changes to targets published in the *Portfolio Budget Statements 2017-18*.

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:

Performance reporting requirements in the Portfolio Budget Statements are part of the enhanced Commonwealth performance framework established by the *Public Governance, Performance and Accountability Act 2013*. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's statement of corporate intent and annual performance statements – included in Annual Reports - to provide an entity's complete performance story.

The most recent statement of corporate intent for DHA can be found at:

<https://www.dha.gov.au/about-us/our-organisation/governance#planning>

The most recent annual performance statement can be found at:

<https://www.dha.gov.au/annual-reports/2015-2016/>

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 72: 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					
	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
Program 1.1: (Other Departmental - DHA)					
Revenue from Government					
Payment from related entities	636,387	582,470	573,996	603,356	654,788
Revenues from other independent sources	545,807	693,889	746,326	749,517	547,545
Total expenses for Program 1.1	1,182,194	1,276,359	1,320,322	1,352,873	1,202,333
<hr/>					
Average staffing level (number)	2016-17 643	2017-18 643			

Contributions to Outcome 1

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

<p>Program 1.1 Objective</p> <p>Include:</p> <ul style="list-style-type: none"> • 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. 	
Performance information		
Year	Performance criteria	Targets
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% <p><i>Expected to be met</i></p>
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% • 4.3%
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% • 4.2%
Purposes	<ul style="list-style-type: none"> • Housing solutions for ADF members and their families • Property, tenancy and lessor management • Property sourcing • Portfolio management • Generate shareholder value 	

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 2017-18 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 73: Comprehensive Income Statement (showing net cost of services) for the period ended 30 June

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
INCOME					
Revenue					
Sale of goods and rendering of services	1,176,508	1,273,798	1,315,429	1,343,451	1,191,382
Interest	6,991	3,548	5,393	10,211	11,490
Total revenue	1,183,499	1,277,346	1,320,822	1,353,662	1,202,872
Gains					
Sale of assets	(1,305)	(987)	(500)	(789)	(539)
Total gains	(1,305)	(987)	(500)	(789)	(539)
Total income	1,182,194	1,276,359	1,320,322	1,352,873	1,202,333
EXPENSES					
Employee benefits	68,609	73,320	75,168	77,062	79,898
Suppliers	998,998	1,068,289	1,110,818	1,139,028	1,007,848
Depreciation and amortisation	5,036	6,172	7,172	8,172	5,200
Finance costs	25,887	25,887	24,715	24,205	24,205
Write-down and impairment of assets	7,302	7,500	7,500	7,500	-
Total expenses	1,105,832	1,181,168	1,225,373	1,255,967	1,117,151
Profit/(loss) before income tax	76,362	95,191	94,949	96,906	85,182
Income tax expense	24,166	28,834	25,719	27,792	21,348
Net profit/(loss)	52,196	66,357	69,230	69,114	63,834
Profit/(loss) attributable to the Australian Government	52,196	66,357	69,230	69,114	63,834
Total comprehensive income attributable to the Australian Government	52,196	66,357	69,230	69,114	63,834

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 the Budget Statements submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules.

Table 74: Budgeted Departmental Balance Sheet (as at 30 June)

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forw ard estimate \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	233,367	213,342	306,025	496,969	381,283
Trade and other receivables	30,946	7,605	7,713	7,846	7,916
Other investments	1,091	1,090	1,090	1,090	1,090
Other financial assets	10,201	10,300	10,585	10,937	11,127
Total financial assets	275,605	232,337	325,413	516,842	401,416
Non-financial assets					
Land and buildings	1,672,045	1,727,664	1,782,662	1,815,667	1,887,397
Property, plant and equipment	6,521	5,788	4,635	5,095	3,391
Intangibles	7,655	6,805	5,468	1,611	2,986
Inventories	1,170,964	1,221,571	1,131,106	970,537	1,088,207
Tax assets	20,190	19,648	19,147	18,692	17,642
Other non-financial assets	26,236	27,549	29,018	30,783	8,550
Total non-financial assets	2,903,611	3,009,025	2,972,036	2,842,385	3,008,173
Assets held for sale	29,713	29,713	29,713	29,713	29,713
Total assets	3,208,929	3,271,075	3,327,162	3,388,940	3,439,302
LIABILITIES					
Payables					
Suppliers	12,620	13,023	13,439	13,864	14,300
Dividends	39,203	44,780	39,975	43,173	33,230
Other payables	104,760	109,317	107,618	111,384	109,113
Total payables	156,583	167,120	161,032	168,421	156,643
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	22,090	22,648	23,223	23,814	24,419
Other provisions	114,626	112,039	112,638	109,210	108,461
Total provisions	136,716	134,687	135,861	133,024	132,880
Total liabilities	802,879	811,387	806,473	811,025	799,103
Net assets	2,406,050	2,459,688	2,520,689	2,577,915	2,640,199
EQUITY					
Parent entity interest					
Contributed equity	396,148	396,148	396,148	396,148	396,148
Reserves	1,946,592	1,978,359	2,009,811	2,040,802	2,072,188
Retained surplus (accumulated deficit)	63,310	85,181	114,730	140,965	171,863
Total parent entity interest	2,406,050	2,459,688	2,520,689	2,577,915	2,640,199
Attributed to non-controlling interest					
Total non-controlling interest	-	-	-	-	-
Total equity	2,406,050	2,459,688	2,520,689	2,577,915	2,640,199

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 approved 2016-17 Corporate Plan. The Corporate Plan is prepared on a cost basis, whilst the Budget Statements submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules.

Table 75: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2016-17 Estimated actual \$'000	2017-18 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	1,177,131	1,362,514	1,365,964	1,393,160	1,186,856
Interest	6,991	3,548	5,393	10,211	11,490
Other	30,768	31,247	30,499	28,806	29,662
Total cash received	1,214,890	1,397,309	1,401,856	1,432,177	1,228,008
Cash used					
Employees	79,300	84,287	86,411	88,589	90,821
Suppliers	1,036,998	1,157,738	1,044,913	994,954	1,079,616
Borrowing costs	25,887	25,887	24,715	24,205	24,205
Other	64,006	60,879	63,770	62,395	60,719
Total cash used	1,206,191	1,328,791	1,219,809	1,170,143	1,255,361
Net cash from/(used by) operating activities	8,699	68,518	182,047	262,034	(27,353)
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	27,402	18,755	9,508	14,988	10,236
Total cash received	27,402	18,755	9,508	14,988	10,236
Cash used					
Purchase of property, plant and equipment and intangibles	60,468	68,389	54,386	46,397	55,690
Total cash used	60,468	68,389	54,386	46,397	55,690
Net cash from/(used by) investing activities	(33,066)	(49,634)	(44,878)	(31,409)	(45,454)
FINANCING ACTIVITIES					
Cash received					
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Dividends paid	62,719	38,909	44,486	39,681	42,879
Total cash used	62,719	38,909	44,486	39,681	42,879
Net cash from/(used by) financing activities	(62,719)	(38,909)	(44,486)	(39,681)	(42,879)
Net increase/(decrease) in cash held	(87,086)	(20,025)	92,683	190,944	(115,686)
Cash and cash equivalents at the beginning of the reporting period	320,453	233,367	213,342	306,025	496,969
Cash and cash equivalents at the end of the reporting period	233,367	213,342	306,025	496,969	381,283

Notes

1. Prepared on Australian Accounting Standards basis.
2. 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 the Budget Statements submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules.

Table 76: 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 2017					
Balance carried forward from previous period	63,310	1,946,592		396,148	2,406,050
Adjusted opening balance	63,310	1,946,592	-	396,148	2,406,050
Comprehensive income					
Surplus/(deficit) for the period	66,357				66,357
Total comprehensive income	66,357	-	-	-	66,357
Transactions with owners					
Distributions to owners					
Returns on capital:					
Dividends	(44,486)				(44,486)
Contributions by owners					
Other		31,767			31,767
Sub-total transactions with owners	(44,486)	31,767	-	-	(12,719)
Estimated closing balance as at 30 June 2018	85,181	1,978,359	-	396,148	2,459,688
Closing balance attributable to the Australian Government	85,181	1,978,359	-	396,148	2,459,688

Notes

1. Prepared on Australian Accounting Standards basis.
2. 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 the Budget Statements submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules.

Table 77: 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 78: Statement of Asset Movements (2017-18)

	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	905,992	766,059	16,002	20,362	29,713	1,738,128
Accumulated depreciation/ amortisation and impairment		(6)	(9,481)	(12,707)		(22,194)
Opening net book balance	905,992	766,053	6,521	7,655	29,713	1,715,934
Capital asset additions						
Estimated expenditure on new or replacement assets						
By purchase - other	48,135	15,201	4,143	446		67,925
Total additions	48,135	15,201	4,143	446	-	67,925
Other movements						
Assets held for sale or in a disposal group held for sale	(19,742)	(19,742)			39,484	-
Revaluation	17,755	14,012				31,767
Depreciation written back on revaluation						-
Depreciation/amortisation expense			(4,876)	(1,296)		(6,172)
Disposals					(39,484)	(39,484)
Total other movements	(1,987)	(5,730)	(4,876)	(1,296)	-	(13,889)
As at 30 June 2018						
Gross book value	952,140	775,530	20,145	20,808	29,713	1,798,336
Accumulated depreciation/ amortisation and impairment	-	(6)	(14,357)	(14,003)	-	(28,366)
Closing net book balance	952,140	775,524	5,788	6,805	29,713	1,769,970

Notes

1. Prepared on Australian Accounting Standards basis.
2. 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 the Budget Statements submission has been prepared on a fair value basis, in line with the PGPA Act Financial Reporting Rules.