

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 with Dependents (Unaccompanied) [MWD(U)] and Members without Dependents [MWOD]), 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 18,395 dwellings in all states and territories of Australia valued at about \$11.1 billion;
- The allocation of dwellings to ADF members (MWD, MWD(U) and MWOD);
- Administering the payment of Defence-funded Rent Allowance (RA) to eligible ADF members renting through the private market; and
- The online booking and allocation system for approximately 41,000 Defence-owned and maintained Living-in Accommodation beds across 52 Defence bases and establishments.

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 *Defence Housing Australia Act 1988* (DHA Act) and 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 sits within the Defence portfolio and reports to the Minister for Defence Personnel 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 2018, 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

Ms Jan Mason retired from DHA on 4 January 2019. The Acting Managing Director is:

- Mr Paul Groenewegen – 5 January - 3 February 2019;
- Mr Brett Jorgensen – 4 February - 5 April 2019.

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

DHA also has an Advisory Committee in accordance with the DHA Act that had the following members as at 31 December 2018:

Chairperson	Commodore Vicki McConachie CSC RANR
Convenor of Defence Families of Australia	Ms Maree Sirois
Appointee of Chief of Navy	RADM Mark Hammond (Deputy Chief of Navy)
Appointee of Chief of Army	MAJGEN Anthony Rawlins DSC (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 2018, the DHA Investment Management Limited Board members were:

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

On 17 August 2018 the DHA Board passed a resolution to complete the financial wind-up of DHA IML, following a recommendation from the DHA IML Board. This has been finalised and the associated paperwork lodged with ASIC.

DHA IML received notification from ASIC on 13 November 2018 that the application to voluntarily deregister the company was approved. ASIC will now gazette the intent to deregister on the published notices website for a period of two months, before issuing a final notice of deregistration.

Ms Jan Mason retired from DHA on 4 January 2019. The Director position is currently occupied by Mr Ross Jordan.

The chart below shows DHA’s Senior Executive.

Figure 4: DHA Organisational Structure



1.2 DHA RESOURCE STATEMENT

Table 79: DHA Resource Statement – Additional Estimates for 2018-19 as at Additional Estimates February 2019^[1]

	Estimate as at Budget 2018-19 \$'000	Proposed Additional Estimates 2018-19 \$'000	Total estimate at Additional Estimates 2018-19 \$'000
Opening balance/cash reserves at 1 July	167,219	21,211	188,430
Funds from Government			
Amounts received from related entities			
Amounts from portfolio department	595,447	19,645	615,092
Amounts from other entities	-	-	-
Total amounts received from related entities	595,447	19,645	615,092
Total funds from Government	595,447	19,645	615,092
Funds from other sources			
Interest	4,164	(405)	3,759
Sale of goods and services	707,590	(202,214)	505,376
Total funds from other sources	711,754	(202,619)	509,135
Total net resourcing for Agency	1,307,201	(182,974)	1,124,227
		<i>Actual 2017-18</i>	2018-19
Average staffing level (number)		638	643

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 2018-19 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 2018-19*.

Outcome Expense Statement

Table 80: 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					
	<i>2017-18 Actual expenses</i>	<i>2018-19 Revised Estimated expenses</i>	<i>2019-20 Forw ard estimate</i>	<i>2020-21 Forw ard estimate</i>	<i>2021-22 Forw ard estimate</i>
	\$'000	\$'000	\$'000	\$'000	\$'000
Program 1.1: (Other Departmental - DHA)					
Revenue from Government					
Payment from related entities	637,985	616,053	544,923	547,977	549,233
Revenues from other independent sources	462,427	488,679	658,953	606,136	600,135
Total expenses for Program 1.1	1,100,412	1,104,732	1,203,876	1,154,113	1,149,368
<hr/>					
Average staffing level (number)	<i>2017-18</i> 638	<i>2018-19</i> 643			

Contributions to Outcome 1

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

Program 1.1 Objectives

Include:

- Provide quality housing and related services; and
- Provide a return to DHA shareholders.

Delivery	<p>Program deliverables;</p> <ul style="list-style-type: none"> • Deliver housing provisioning schedule outcomes in line with Defence requirements. • Deliver land development and acquisition/construction activities in key Defence locations. • Sustainably optimise revenue and profit.
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Performance information

Year	Performance criteria	Targets	Actuals
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% 	<ul style="list-style-type: none"> • > 97.7% • > 90% • 2.9%
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% • 2.4% 	

Section 3: DHA Explanatory Tables and Budgeted Financial Statements

DHA advises no significant changes to targets published in the *PBS 2018-19*.

3.1 EXPLANATORY TABLES

Not applicable to DHA.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Budgeted Financial Statements

Table 81: Comprehensive Income Statement (showing net cost of services) for the period ended 30 June^[1]

	2017-18 <i>Actual</i> \$'000	2018-19 Revised budget \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000	2021-22 Forw ard estimate \$'000
INCOME					
Revenue					
Sale of goods and rendering of services	1,095,709	1,101,223	1,200,061	1,147,947	1,142,998
Interest	4,703	3,509	3,815	6,166	6,370
Total revenue	1,100,412	1,104,732	1,203,876	1,154,113	1,149,368
Total income	1,100,412	1,104,732	1,203,876	1,154,113	1,149,368
EXPENSES					
Employee benefits	66,809	69,658	71,414	73,213	75,059
Suppliers	927,441	937,601	997,860	949,451	956,295
Depreciation and amortisation	22,284	24,332	24,620	24,451	24,753
Finance costs	25,866	24,809	23,335	22,919	22,730
Write-down and impairment of assets	14,655	7,352	4,926	4,991	5,059
Losses from asset sales	38	485	745	934	747
Total expenses	1,057,093	1,064,237	1,122,900	1,075,959	1,084,643
Profit/(loss) before income tax	43,319	40,495	80,976	78,154	64,725
Income tax expense	12,611	14,613	27,031	27,109	22,498
Net profit/(loss)	30,708	25,882	53,945	51,045	42,227
Profit/(loss) attributable to the Australian Government	30,708	25,882	53,945	51,045	42,227
Total comprehensive income attributable to the Australian Government	30,708	25,882	53,945	51,045	42,227

Note

1. The data in this table is based on DHA's 2018-19 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 82: Budgeted Departmental Balance Sheet (as at 30 June)^{[1][2]}

	2017-18 <i>Actual</i>	2018-19 Revised budget	2019-20 Forw ard estimate	2020-21 Forw ard estimate	2021-22 Forw ard estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Financial assets					
Cash and cash equivalents	188,430	87,284	168,905	191,520	161,430
Trade and other receivables	64,848	70,515	44,915	24,496	13,045
Other investments	7	702	702	702	702
Other financial assets	10,864	1,342	1,801	1,823	1,843
Total financial assets	264,149	159,843	216,323	218,541	177,020
Non-financial assets					
Land and buildings	1,998,220	2,010,827	2,066,745	2,107,609	2,151,941
Property, plant and equipment	7,811	15,686	14,771	14,036	13,258
Intang ibles	5,169	2,085	1,964	1,866	1,763
Inventories	970,694	1,084,804	1,060,119	1,087,328	1,140,074
Tax assets	25,994	18,721	8,006	6,689	10,527
Other non-financial assets	33,213	30,549	30,851	30,671	30,741
Total non-financial assets	3,041,101	3,162,672	3,182,456	3,248,199	3,348,304
Assets held for sale	12,803	57,820	59,059	59,523	59,942
Total assets	3,318,053	3,380,335	3,457,838	3,526,263	3,585,266
LIABILITIES					
Payables					
Suppliers	57,694	54,877	17,631	18,026	18,432
Dividends	26,555	22,546	41,705	41,826	34,711
Other payables	26,358	40,887	80,038	88,989	95,959
Total payables	110,607	118,310	139,374	148,841	149,102
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	15,137	24,289	21,252	21,788	22,337
Other provisions	114,738	104,742	100,377	97,624	95,192
Total provisions	129,875	129,031	121,629	119,412	117,529
Total liabilities	750,062	756,921	770,583	777,833	776,211
Net assets	2,567,991	2,623,414	2,687,255	2,748,430	2,809,055

Table 82: Budgeted Departmental Balance Sheet (as at 30 June) (Continued)^{[1][2]}

	2017-18 <i>Actual</i> \$'000	2018-19 Revised budget \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000	2021-22 Forw ard estimate \$'000
EQUITY ^[3]					
Parent entity interest					
Contributed equity	396,148	396,148	396,148	396,148	396,148
Reserves	2,124,110	2,176,197	2,227,798	2,279,754	2,332,863
Retained surplus (accumulated deficit)	47,733	51,069	63,309	72,528	80,044
Total parent entity interest	2,567,991	2,623,414	2,687,255	2,748,430	2,809,055
Attributed to non-controlling interest	-	-	-	-	-
Total non-controlling interest	-	-	-	-	-
Total equity	2,567,991	2,623,414	2,687,255	2,748,430	2,809,055

Notes

1. Prepared on Australian Accounting Standards Basis.
2. The data in this table is based on DHA's 2018-19 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.
3. Equity is the residual interest in assets after the deduction of liabilities.

Table 83: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)^{[1][2]}

	2017-18 <i>Actual</i> \$'000	2018-19 Revised budget \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000	2021-22 Forw ard estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Sale of goods and rendering of services	1,064,422	1,086,530	1,225,661	1,168,366	1,154,449
Interest	5,397	3,759	3,772	6,164	6,368
Other	50,316	33,938	31,280	6,017	5,652
Total cash received	1,120,135	1,124,227	1,260,713	1,180,547	1,166,469
Cash used					
Employees	85,072	60,506	74,451	72,677	74,510
Suppliers	920,541	1,060,812	1,016,394	982,010	1,014,511
Borrowing costs	32,315	24,809	23,335	22,919	22,730
Other	86,267	13,649	10,658	22,878	25,036
Total cash used	1,124,195	1,159,776	1,124,838	1,100,484	1,136,787
Net cash from/(used by) operating activities	(4,060)	(35,549)	135,875	80,063	29,682
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	34,131	19,145	29,792	37,347	29,866
Total cash received	34,131	19,145	29,792	37,347	29,866
Cash used					
Purchase of property, plant and equipment and intangibles	33,312	58,187	61,500	53,090	47,812
Total cash used	33,312	58,187	61,500	53,090	47,812
Net cash from/(used by) investing activities	819	(39,042)	(31,708)	(15,743)	(17,946)
FINANCING ACTIVITIES					
Cash received					
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Dividends paid	39,585	26,555	22,546	41,705	41,826
Total cash used	39,585	26,555	22,546	41,705	41,826
Net cash from/(used by) financing activities	(39,585)	(26,555)	(22,546)	(41,705)	(41,826)
Net increase/(decrease) in cash held	(42,826)	(101,146)	81,621	22,615	(30,090)
Cash and cash equivalents at the beginning of the reporting period	231,256	188,430	87,284	168,905	191,520
Cash and cash equivalents at the end of the reporting period	188,430	87,284	168,905	191,520	161,430

Notes

1. Prepared on Australian Accounting Standards basis.
2. The data in this table is based on DHA's 2018-19 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 84: Departmental Statement of Changes in Equity – Summary of Movement (Budget Year 2018-19)^{[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 2018					
Balance carried forward from previous period	47,733	2,124,110	-	396,148	2,567,991
Adjusted opening balance	47,733	2,124,110	-	396,148	2,567,991
Comprehensive income					
Surplus/(deficit) for the period	25,882	-	-	-	25,882
Total comprehensive income	25,882	-	-	-	25,882
Transactions with owners					
Distributions to owners					
Returns on capital:					
Dividends	(22,546)	-	-	-	(22,546)
Contributions by owners					
Other	-	52,087	-	-	52,087
Sub-total transactions with owners	(22,546)	52,087	-	-	29,541
Estimated closing balance as at 30 June 2019	51,069	2,176,197	-	396,148	2,623,414
Closing balance attributable to the Australian Government	51,069	2,176,197	-	396,148	2,623,414

Notes

1. Prepared on Australian Accounting Standards basis.
2. The data in this table is based on DHA's 2018-19 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 85: Statement of Asset Movements (2018-19 Budget Year)^{[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 2018						
Gross book value	1,067,710	930,516	24,031	20,915	12,803	2,055,975
Accumulated depreciation/ amortisation and impairment	-	(6)	(16,220)	(15,746)	-	(31,972)
Opening net book balance	1,067,710	930,510	7,811	5,169	12,803	2,024,003
Capital asset additions						
Estimated expenditure on new or replacement assets						
By purchase - other	21,701	21,701	12,203	(1,800)	-	53,805
Total additions	21,701	21,701	12,203	(1,800)	-	53,805
Other movements						
Assets held for sale or in a disposal group held for sale	(32,081)	(32,081)	-	-	64,162	-
Revaluation	18,720	14,647	-	-	-	33,367
Depreciation/amortisation expense	-	-	(4,328)	(1,284)	-	(5,612)
Disposals	-	-	-	-	(19,145)	(19,145)
Total other movements	(13,361)	(17,434)	(4,328)	(1,284)	45,017	8,610
As at 30 June 2019						
Gross book value	1,076,050	934,783	36,234	19,115	57,820	2,124,002
Accumulated depreciation/ amortisation and impairment	-	(6)	(20,548)	(17,030)	-	(37,584)
Closing net book balance	1,076,050	934,777	15,686	2,085	57,820	2,086,418

Notes

1. Prepared on Australian Accounting Standards basis.
2. The data in this table is based on DHA's 2018-19 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.