

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 (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 ADF members (MWD, MWOD and MWD(U));
- 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 41,200 Defence-owned and maintained Living-in Accommodation beds across 54 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 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 March 2018, the DHA Board members were:

Chairman	The 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	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 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 March 2018:

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 March 2018, 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 76: DHA Resource Statement – Budget Estimates for 2018-19^[1]

	<i>2017-18 Estimated actual \$'000</i>	2018-19 Estimate \$'000
Opening balance/cash reserves at 1 July	231,256	167,219
Funds from Government		
Amounts received from related entities		
Amounts from portfolio department	638,617	595,447
Amounts from other entities		
Total amounts received from related entities	638,617	595,447
Total funds from Government	638,617	595,447
Funds from other sources		
Interest	5,101	4,164
Sale of goods and services	490,739	707,590
Total funds from other sources	495,840	711,754
Total net resourcing	1,134,457	1,307,201
	<i>2017-18</i>	2018-19
Average staffing level (number)	643	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 May 2018 Budget.

Section 2: DHA Outcomes and Planned Performance

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

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 1 Strategy

No changes have been made to this outcome strategy since the PAES 2017-18.

Outcome Expense Statement

Table 77: 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					
	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000	2021-22 Forw ard estimate \$'000
Program 1.1: (Other Departmental - DHA)					
Revenue from Government					
Payment from related entities	584,222	570,275	581,843	576,708	580,146
Revenues from other independent sources	487,237	693,979	729,605	636,564	625,600
Total expenses for Program 1.1	1,071,459	1,264,254	1,311,448	1,213,272	1,205,746
<hr/>					
Average staffing level (number)	2017-18 643	2018-19 643			

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

Program deliverables;

- 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	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

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2018-19 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 78: Comprehensive Income Statement (showing net cost of services) for the period ended 30 June^[1]

	2017-18 Estimated actual \$'000	2018-19 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	1,067,068	1,261,155	1,305,686	1,206,056	1,199,403
Interest	5,046	4,165	6,589	8,100	7,391
Total revenue	1,072,114	1,265,320	1,312,275	1,214,156	1,206,794
Total income	1,072,114	1,265,320	1,312,275	1,214,156	1,206,794
EXPENSES					
Employee benefits	72,631	69,837	71,596	73,402	75,251
Suppliers	888,090	1,037,356	1,077,856	1,021,535	1,020,216
Depreciation and amortisation	24,337	21,399	22,101	21,675	21,151
Finance costs	25,866	25,887	25,887	25,887	25,887
Write-down and impairment of assets	8,100	4,510	4,618	4,721	4,838
Losses from asset sales	655	1,066	827	884	1,048
Total expenses	1,019,679	1,160,055	1,202,885	1,148,104	1,148,391
Profit/(loss) before income tax	52,435	105,265	109,390	66,052	58,403
Income tax expense	19,408	35,968	35,939	23,894	23,069
Net profit/(loss)	33,027	69,297	73,451	42,158	35,334
Profit/(loss) attributable to the Australian Government	33,027	69,297	73,451	42,158	35,334
Total comprehensive income	33,027	69,297	73,451	42,158	35,334
Total comprehensive income attributable to the Australian Government	33,027	69,297	73,451	42,158	35,334

Note

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

Table 79: Budgeted Departmental Balance Sheet (as at 30 June)^{[1][2][3]}

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	167,219	219,848	269,120	277,361	228,668
Trade and other receivables	19,815	46,705	46,280	45,845	45,399
Other investments	702	702	702	702	702
Other financial assets	13,666	13,708	13,641	13,294	13,461
Total financial assets	201,402	280,963	329,743	337,202	288,230
Non-financial assets					
Land and buildings	1,933,502	1,929,246	1,956,113	1,999,044	1,984,787
Property, plant and equipment	8,651	8,593	8,628	8,027	7,426
Intangibles	5,767	5,122	4,537	4,529	4,777
Inventories	1,050,524	1,084,003	1,066,693	1,031,569	1,128,610
Tax assets	20,470	17,193	15,977	14,591	13,020
Other non-financial assets	30,870	30,536	30,955	31,084	31,083
Total non-financial assets	3,049,784	3,074,693	3,082,903	3,088,844	3,169,703
Assets held for sale	7,122	7,122	7,122	7,122	7,122
Total assets	3,258,308	3,362,778	3,419,768	3,433,168	3,465,055
LIABILITIES					
Payables					
Suppliers	26,600	-	-	-	-
Dividends	29,944	49,158	49,113	30,529	29,256
Other payables	67,311	140,903	152,071	151,055	156,412
Total payables	123,855	190,061	201,184	181,584	185,668
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	25,289	23,626	24,157	24,701	25,259
Other provisions	114,611	108,340	103,753	98,589	92,796
Total provisions	139,900	131,966	127,910	123,290	118,055
Total liabilities	773,335	831,607	838,674	814,454	813,303
Net assets	2,484,973	2,531,171	2,581,094	2,618,714	2,651,752
EQUITY					
Parent entity interest					
Contributed equity	396,148	396,148	396,148	396,148	396,148
Reserves	2,042,162	2,074,557	2,106,478	2,138,805	2,172,101
Retained surplus (accumulated deficit)	46,663	60,466	78,468	83,761	83,503
Total parent entity interest	2,484,973	2,531,171	2,581,094	2,618,714	2,651,752
Attributed to non-controlling interest	-	-	-	-	-
Total non-controlling interest	-	-	-	-	-
Total equity	2,484,973	2,531,171	2,581,094	2,618,714	2,651,752

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

Table 80: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)^{[1][2]}

	2017-18 Estimated actual \$'000	2018-19 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	1,138,851	1,299,856	1,313,170	1,214,256	1,200,232
Interest	5,101	4,164	6,594	8,126	7,379
Other	21,181	19,587	1,768	2,069	1,638
Total cash received	1,165,133	1,323,607	1,321,532	1,224,451	1,209,249
Cash used					
Employees	57,461	71,500	71,065	72,858	74,693
Suppliers	1,079,701	1,129,566	1,065,985	991,710	1,122,696
Borrowing costs	25,866	25,887	25,887	25,887	25,887
Other	23,137	18,894	32,745	33,472	18,763
Total cash used	1,186,165	1,245,847	1,195,682	1,123,927	1,242,039
Net cash from/(used by) operating activities	(21,032)	77,760	125,850	100,524	(32,790)
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	26,187	42,650	33,065	35,375	41,935
Total cash received	26,187	42,650	33,065	35,375	41,935
Cash used					
Purchase of property, plant and equipment and intangibles	29,607	31,501	54,149	72,209	20,973
Total cash used	29,607	31,501	54,149	72,209	20,973
Net cash from/(used by) investing activities	(3,420)	11,149	(21,084)	(36,834)	20,962
FINANCING ACTIVITIES					
Cash received					
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Dividends paid	39,585	36,280	55,494	55,449	36,865
Total cash used	39,585	36,280	55,494	55,449	36,865
Net cash from/(used by) financing activities	(39,585)	(36,280)	(55,494)	(55,449)	(36,865)
Net increase/(decrease) in cash held	(64,037)	52,629	49,272	8,241	(48,693)
Cash and cash equivalents at the beginning of the reporting period	231,256	167,219	219,848	269,120	277,361
Cash and cash equivalents at the end of the reporting period	167,219	219,848	269,120	277,361	228,668

Notes

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

Table 81: Departmental Statement of Changes in Equity – Summary of Movement (Budget Year 2018-19)^[1]

	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	46,663	2,042,162	-	396,148	2,484,973
Adjusted opening balance	46,663	2,042,162	-	396,148	2,484,973
Comprehensive income					
Surplus/(deficit) for the period	69,297	-	-	-	69,297
Total comprehensive income	69,297	-	-	-	69,297
Transactions with owners					
Distributions to owners					
Returns on capital:					
Dividends	(55,494)	-	-	-	(55,494)
Contributions by owners					
Other	-	32,395	-	-	32,395
Sub-total transactions with owners	(55,494)	32,395	-	-	(23,099)
Transfers between equity					
Transfers between equity components	-	-	-	-	-
Estimated closing balance as at 30 June 2019	60,466	2,074,557	-	396,148	2,531,171
Less: non-controlling interests	-	-	-	-	-
Closing balance attributable to the Australian Government	60,466	2,074,557	-	396,148	2,531,171

Note

1. Prepared on Australian Accounting Standards basis.

Table 82: Statement of Asset Movements (2018-19)^{[1][2][3][4]}

	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	1,046,336	906,390	24,384	22,114	7,122	2,006,346
Accumulated depreciation/ amortisation and impairment	-	(19,224)	(15,733)	(16,347)	-	(51,304)
Opening net book balance	1,046,336	887,166	8,651	5,767	7,122	1,955,042
Capital asset additions						
Estimated expenditure on new or replacement assets						
By purchase - appropriation equity	-	-	-	-	-	-
By purchase - appropriation ordinary annual services	-	-	-	-	-	-
By purchase - donated funds	-	-	-	-	-	-
By purchase - other	11,006	11,007	2,947	1,735	-	26,695
By finance lease	-	-	-	-	-	-
Assets received as gifts/donations	-	-	-	-	-	-
From acquisition of entities or operations (including restructuring)	-	-	-	-	-	-
Total additions	11,006	11,007	2,947	1,735	-	26,695
Other movements						
Assets held for sale or in a disposal group held for sale	(21,325)	(21,325)	-	-	42,650	-
Depreciation/amortisation expense	-	(16,014)	(3,005)	(2,380)	-	(21,399)
Disposals	-	-	-	-	(42,650)	(42,650)
From disposal of entities or operations (including restructuring)	-	-	-	-	-	-
Other	18,175	14,220	-	-	-	32,395
Total other movements	(3,150)	(23,119)	(3,005)	(2,380)	-	(31,654)
As at 30 June 2019						
Gross book value	1,054,192	910,292	27,331	23,849	7,122	2,022,786
Accumulated depreciation/ amortisation and impairment	-	(35,238)	(18,738)	(18,727)	-	(72,703)
Closing net book balance	1,054,192	875,054	8,593	5,122	7,122	1,950,083

Notes

1. 'Appropriation equity' refers to equity injections appropriations provided through Appropriation Bill (No. 2) 2018-19, including CDABs.
2. 'Appropriation ordinary annual services' refers to funding provided through Appropriation Bill (No.1) 2018-19 for depreciation/amortisation expenses, DCBs or other operational expenses.
3. Net proceeds may be returned to the OPA.
4. Prepared on Australian Accounting Standards basis.