

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 manages about 18,400 dwellings in all states and territories of Australia, valued at about \$11.1 billion.

Under a range of services agreements between DHA and the Department of Defence, DHA offers the following services to approximately 60,000 ADF members:

- family housing for members with dependents;
- housing for single members living off-base;
- administration and management for ADF families and single members living in the private sector and receiving Rent Allowance (RA); and
- allocation of all on-base single member accommodation across 52 Defence bases and establishments.

To meet the ADF housing requirements, 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 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 1987* (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 19 February 2019, the DHA Board members were:

Chairman	The Hon J.A.L. (Sandy) Macdonald
Acting Managing Director	Mr Brett Jorgensen
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 19 February 2019:

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	Mr Brett Jorgensen (Acting Managing Director)

DHA's wholly owned subsidiary entity DHA Investment Management Limited was deregistered by the Australian Securities and Investments Commission (ASIC) effective 13 January 2019 following both DHA IML and DHA Board approval.

The DHA IML Board was dissolved as of 13 January 2019, and Shareholder Ministers subsequently notified.

The chart below shows DHA's Senior Executive.

Figure 5: DHA Organisational Structure



1.2 DHA RESOURCE STATEMENT

Table 69: DHA Resource Statement – Budget Estimates for 2019-20 as at Budget April 2019^[1]

	2018-19 Estimated actual \$'000	2019-20 Estimate \$'000
Opening balance/cash reserves at 1 July	188,430	98,036
Funds from Government		
Amounts received from related entities		
Amounts from portfolio department	532,993	560,287
Amounts from other entities	-	-
Total amounts received from related entities	532,993	560,287
Total funds from Government	532,993	560,287
Funds from other sources		
Interest	3,569	3,772
Sale of goods and services	447,879	674,637
Total funds from other sources	451,448	678,409
Total net resourcing for DHA	984,441	1,238,696
	2018-19	2019-20
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 April 2019 Budget.

Section 2: DHA Outcomes and Planned Performance

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 corporate plans and annual performance statements – included in Annual Reports – to provide an entity's complete performance story.

The most recent Statement of Corporate Intent (DHA) can be found at: https://www.dha.gov.au/docs/default-source/pdf/statement-of-corporate-intent-official-document.pdf?sfvrsn=22c96b2a_2

The most recent annual performance statement can be found at: <https://www.dha.gov.au/annual-reports/2017-2018/>

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 70: 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					
	2018-19	2019-20	2020-21	2021-22	2022-23
	Estimated	Budget	Forward	Forward	Forward
	actual		estimate	estimate	estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
Program 1.1: (Other Departmental - DHA)					
Revenue from Government					
Payment from related entities	577,476	544,923	547,977	549,233	555,532
Revenues from other independent sources	444,476	658,953	606,136	600,135	686,646
Total expenses for Program 1.1	1,021,952	1,203,876	1,154,113	1,149,368	1,242,178
	2018-19	2019-20			
Average staffing level (number)	643	643			

Contributions to Outcome 1

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

Program 1.1 Objectives Include: <ul style="list-style-type: none"> • Provide quality housing and related services; and • Provide value to shareholders. 		
Delivery	<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 to support provisioning requirements and generate revenue. • Sustainably optimise revenue and profit. 	
Performance information		
Year	Performance criteria	Targets
2018-19	<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% <p style="text-align: right; margin-top: 5px;"><i>Expected to be met</i></p>
2019-20	<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% • 4.4%
2020-21 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% • 4.3%

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 2019-20 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 71: Comprehensive Income Statement (showing net cost of services) for the period ended 30 June^[1]

	2018-19 Estimated actual \$'000	2019-20 Budget \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000	2022-23 Forward estimate \$'000
INCOME					
Revenue					
Sale of goods and rendering of services	1,018,383	1,200,061	1,147,947	1,142,998	1,236,281
Interest	3,569	3,815	6,166	6,370	5,897
Total revenue	1,021,952	1,203,876	1,154,113	1,149,368	1,242,178
Total income	1,021,952	1,203,876	1,154,113	1,149,368	1,242,178
EXPENSES					
Employee benefits	69,658	71,414	73,213	75,059	76,950
Suppliers	857,329	997,860	949,451	956,295	1,045,048
Depreciation and amortisation	27,190	24,620	24,451	24,753	24,922
Finance costs	24,809	23,335	22,919	22,730	22,072
Write-down and impairment of assets	6,601	4,926	4,991	5,059	5,120
Losses from asset sales	969	745	934	747	1,106
Total expenses	986,556	1,122,900	1,075,959	1,084,643	1,175,218
Profit/(loss) before income tax	35,396	80,976	78,154	64,725	66,960
Income tax expense	13,346	27,031	27,109	22,498	24,907
Net profit/(loss)	22,050	53,945	51,045	42,227	42,053
Profit/(loss) attributable to the Australian Government	22,050	53,945	51,045	42,227	42,053
Total comprehensive income attributable to the Australian Government	22,050	53,945	51,045	42,227	42,053

Note

- The 2018-19 estimated actual data in this table is based on DHA's Q2 Forecast converted to fair value. The budget and forward estimated data are based on DHA's 2018-19 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 72: Budgeted Departmental Balance Sheet (as at 30 June)^{[1][2][3]}

	2018-19 Estimated actual \$'000	2019-20 Budget \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000	2022-23 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	98,036	179,657	202,272	172,182	195,304
Trade and other receivables	47,981	22,381	1,962	-9,489	-11,819
Other investments	619	619	619	619	619
Other financial assets	1,212	1,671	1,693	1,713	1,746
Total financial assets	147,848	204,328	206,546	165,025	185,850
Non-financial assets					
Land and buildings	2,027,888	2,083,806	2,124,670	2,169,002	2,203,098
Property, plant and equipment	14,137	13,222	12,487	11,709	11,041
Intangibles	2,252	2,131	2,033	1,930	1,841
Inventories	1,058,208	1,033,523	1,060,732	1,113,478	1,128,060
Tax assets	24,404	13,689	12,372	16,210	14,449
Other non-financial assets	33,561	33,863	33,683	33,753	34,280
Total non-financial assets	3,160,450	3,180,234	3,245,977	3,346,082	3,392,769
Assets held for sale	57,820	59,059	59,523	59,942	60,048
Total assets	3,366,118	3,443,621	3,512,046	3,571,049	3,638,667
LIABILITIES					
Payables					
Suppliers	15,924	-21,322	-20,927	-20,521	-20,105
Dividends	20,538	39,697	39,818	32,703	36,420
Other payables	64,070	103,221	112,172	119,142	126,359
Total payables	100,532	121,596	131,063	131,324	142,674
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	21,456	18,419	18,955	19,504	20,067
Other provisions	103,449	99,084	96,331	93,899	91,649
Total provisions	124,905	117,503	115,286	113,403	111,716
Total liabilities	735,017	748,679	755,929	754,307	763,970
Net assets	2,631,101	2,694,942	2,756,117	2,816,742	2,874,697
EQUITY					
Parent entity interest					
Contributed equity	396,148	396,148	396,148	396,148	396,148
Reserves	2,185,708	2,237,309	2,289,265	2,342,374	2,396,704
Retained surplus (accumulated deficit)	49,245	61,485	70,704	78,220	81,845
Total parent entity interest	2,631,101	2,694,942	2,756,117	2,816,742	2,874,697
Attributed to non-controlling interest	-	-	-	-	-
Total non-controlling interest	-	-	-	-	-
Total equity	2,631,101	2,694,942	2,756,117	2,816,742	2,874,697

Notes

- Equity is the residual interest in assets after the deduction of liabilities.
- Prepared on Australian Accounting Standards Basis.
- The 2018-19 estimated actual data in this table is based on DHA's Q2 Forecast converted to fair value. The budget and forward estimated data are based on DHA's 2018-19 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 73: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)^{[1][2]}

	2018-19 Estimated actual \$'000	2019-20 Budget \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000	2022-23 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Sale of goods and rendering of services	960,686	1,225,661	1,168,366	1,154,449	1,238,611
Interest	3,569	3,772	6,164	6,368	5,894
Other	49,755	31,280	6,017	5,652	5,621
Total cash received	1,014,010	1,260,713	1,180,547	1,166,469	1,250,126
Cash used					
Employees	63,339	74,451	72,677	74,510	76,387
Suppliers	930,620	1,016,394	982,010	1,014,511	1,065,967
Borrowing costs	24,809	23,335	22,919	22,730	22,072
Other	11,903	10,658	22,878	25,036	21,580
Total cash used	1,030,671	1,124,838	1,100,484	1,136,787	1,186,006
Net cash from/(used by) operating activities	-16,661	135,875	80,063	29,682	64,120
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	16,784	29,792	37,347	29,866	44,235
Total cash received	16,784	29,792	37,347	29,866	44,235
Cash used					
Purchase of property, plant and equipment and intangibles	63,962	61,500	53,090	47,812	50,522
Total cash used	63,962	61,500	53,090	47,812	50,522
Net cash from/(used by) investing activities	-47,178	-31,708	-15,743	-17,946	-6,287
FINANCING ACTIVITIES					
Cash received					
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Dividends paid	26,555	22,546	41,705	41,826	34,711
Total cash used	26,555	22,546	41,705	41,826	34,711
Net cash from/(used by) financing activities	-26,555	-22,546	-41,705	-41,826	-34,711
Net increase/(decrease) in cash held	-90,394	81,621	22,615	-30,090	23,122
Cash and cash equivalents at the beginning of the reporting period	188,430	98,036	179,657	202,272	172,182
Cash and cash equivalents at the end of the reporting period	98,036	179,657	202,272	172,182	195,304

Notes

1. Prepared on Australian Accounting Standards basis.
2. The 2018-19 estimated actual data in this table is based on DHA's Q2 Forecast converted to fair value. The budget and forward estimated data are based on DHA's 2018-19 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 74: Departmental Statement of Changes in Equity – Summary of Movement (Budget Year 2019-20)^{[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 2019					
Balance carried forward from previous period	49,245	2,185,708	-	396,148	2,631,101
Adjusted opening balance	49,245	2,185,708	-	396,148	2,631,101
Comprehensive income					
Surplus/(deficit) for the period	53,945	-	-	-	53,945
Total comprehensive income	53,945	-	-	-	53,945
Transactions with owners					
Distributions to owners					
Returns on capital:					
Dividends	-41,705	-	-	-	-41,705
Contributions by owners					
Other	-	51,601	-	-	51,601
Sub-total transactions with owners	-41,705	51,601	-	-	9,896
Estimated closing balance as at 30 June 2020	61,485	2,237,309	-	396,148	2,694,942
Closing balance attributable to the Australian Government	61,485	2,237,309	-	396,148	2,694,942

Notes

1. Prepared on Australian Accounting Standards basis.
2. The 2018-19 estimated actual data in this table is based on DHA's Q2 Forecast converted to fair value. The budget and forward estimated data are based on DHA's 2018-19 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 75: Statement of Asset Movements (2019-20)^{[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 2019						
Gross book value	1,083,910	943,984	34,629	19,282	57,820	2,139,625
Accumulated depreciation/ amortisation and impairment	-	-6	-20,492	-17,030	-	-37,528
Opening net book balance	1,083,910	943,978	14,137	2,252	57,820	2,102,097
Capital asset additions						
Estimated expenditure on new or replacement assets						
By purchase - other	27,719	26,351	3,634	1,228	-	58,932
Total additions	27,719	26,351	3,634	1,228	-	58,932
Other movements						
Assets held for sale or in a disposal group held for sale	-15,515	-15,516	-	-	31,031	1
Revaluation	18,532	14,347	-	-	-	32,879
Depreciation/amortisation expense	-	-	-4,549	-1,349	-	-5,898
Disposals	-	-	-	-	-29,792	-29,792
Total other movements	3,018	-1,169	-4,549	-1,349	1,239	-2,810
As at 30 June 2020						
Gross book value	1,114,647	969,167	38,263	20,510	59,059	2,201,645
Accumulated depreciation/ amortisation and impairment	-	-6	-25,041	-18,379	-	-43,426
Closing net book balance	1,114,647	969,161	13,222	2,131	59,059	2,158,219

Notes

1. Prepared on Australian Accounting Standards basis.
2. The 2018-19 estimated actual data in this table is based on DHA's Q2 Forecast converted to fair value. The budget and forward estimated data are based on DHA's 2018-19 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.