

DEFENCE HOUSING AUTHORITY

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OVERVIEW

MISSION

To deliver total housing and relocation services that meet Defence operational and client needs through a strong customer and business focus.

OVERVIEW

The Defence Housing Authority (the Authority) was established in 1987 under the *Defence Housing Authority Act*. Its function is to provide adequate and suitable housing for members of the ADF and their families, to meet operational needs of the ADF and the requirements of Defence. During the last two years, the Authority has assumed responsibility for tenant management/allocation functions and for the management of relocation services provided to ADF personnel. The Authority is required by legislation to perform its function in accordance with the policies of the Government and in accordance with sound commercial practice.

At the time of the Authority's establishment, housing provided to Defence personnel was of poor quality which was significantly affecting morale and retention within the Defence Force. Dissatisfaction with Defence housing is no longer a retention issue, although there remains a need to replace older houses, particularly on base, and to provide, in certain locations, improved house security, cooling and storage.

The Authority lies within the Defence portfolio, responsible to the Hon Danna Vale, Minister for Veteran's Affairs and Minister Assisting the Minister for Defence. The Hon Eric Abetz, Special Minister of State, is a joint shareholder minister of the Authority.

The composition of the Board of Directors of the Authority is governed by legislation and comprises five commercial directors, five representatives of the Department of Defence, a spouse of a member of the ADF and the Managing Director of the Authority.

It should be noted that the Authority is not required to complete its corporate plan until 31 May 2002 and that the financial projections included in the estimates have yet to be finalised or endorsed by the Authority's Board.

The Authority has made special dividend payments to the Government of \$400m in June 2001 and \$123m in December 2001, with a further \$200m to be paid this year. In addition, \$84m of property was transferred in March 2002 from the Authority to Defence which will be transferred on to the Sydney Harbour Federation Trust, along with other Defence lands. This takes the total return to Government to in excess of \$800m. Special dividend/capital return payments are also planned for 2002-03, 2003-04 and 2004-05. In total, the amount of capital returned to the Government will exceed \$1.3b.

The Authority has committed to debt drawdowns on forward start arrangements under a loan facility agreement negotiated with the Department of Finance and Administration. The debt drawdowns are for \$100m to be drawn down on 1 June 2002 and a further \$100m to be drawn down on 1 June 2003. The debt drawdowns have maturities of 3 to 7 years and are based on interest rates that were prevailing in November and December 2001. The total debt facility under this arrangement is \$425m.

The Authority provides around 18,000 properties, in all states and territories of Australia, to Defence for the housing of married ADF personnel. Of these properties, approximately 2,100 are located on Defence bases, with the remainder being off base. The Authority employs over 600 staff located in 14 major regional offices and 13 outpost offices, a customer support centre and a corporate office that includes the development and sales organisation as well as management. The organisation is located such that a presence is provided in the vicinity of most major military establishments.

The Authority plans to acquire or construct 1,244 new properties during 2002-03, principally to replace old stock and properties where the lease is expiring. It plans to sell 1,137 houses, under sale and leaseback arrangements, and dispose of a further 782 houses which are no longer required.

The Authority assumed responsibility for managing the implementation of the 'Members without Dependents Rental Assistance policy through which eligible single members of the ADF could access rental assistance. To date, some 2,000 members have taken up the option to move into off base rental assistance accommodation.

OUTCOME AND OUTPUT INFORMATION

Outcome

To contribute to the Defence outcome by providing total housing services that meet Defence operational and client needs through a strong customer and business focus.

Output

The provisioning of Defence housing services.

Output Performance Indicators

Quality: Modern housing

Quantity: Housing 18,207 by 30 June 2003

Price: Average rental cost to Defence will be \$270 per week per house.

Achievement of planned performance will be reported in the annual report of the Defence Housing Authority and monitored through the governance arrangements for Commonwealth Government Business Enterprises.

Appropriation

The Authority is a non-budget funded organisation deriving its operating income from charging the Department of Defence for rent and housing related services.

Evaluations

Proposed amendments to the Authority's enabling legislation have been provided to the shareholder ministers and the Authority will be seeking support for the proposed changes to be tabled in Parliament.

Competitive Tendering and Contracting

All contracts for the construction and maintenance of houses are arranged on a competitive basis.

Purchaser/Provider Arrangements

A Services Agreement between the Authority and Defence came into effect on 1 July 2000 for a period of 10 years. The Agreement is based on commercial principles with pricing and risk sharing arrangements, with risk allocated to the party best able to manage the risks.

BUDGETED FINANCIAL STATEMENTS

The following budgeted financial statements for the Defence Housing Authority are presented in this section.

Budgeted Statement of Financial Performance

This statement provides a picture of the expected financial results for the Authority by identifying full accrual expenses and revenues, which highlight whether the Authority is operating at a sustainable level in the short run.

Budgeted Statement of Financial Position

This statement shows the financial position of the Authority. It enables decision-makers to track the management of the Authority's assets and liabilities.

Budgeted Cash Flow Statement

Budgeted cash flows, as reflected in the statement of cash flows, provide important information on the extent and nature of cash flows by categorising them into expected cash flows from operating activities, investing activities and financing activities.

Capital Budget

The capital budget shows all proposed capital expenditure funded from internal sources.

Non-financial Assets - Summary of Movement

This statement shows only the budget year 2002-03.

Table 1: Statement of Financial Performance

	Estimated Actual	Budget Estimate	Estimated	Estimated	Estimated
	2001-02	2002-03	2003-04	2004-05	2005-06
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues					
Sales of goods and services	346,881	356,704	368,201	371,601	371,601
Interest and dividends	3,105	472	720	720	720
Net gains from sale of assets	7,914	3,224	4,179	4,179	4,179
Total Revenue	357,900	360,400	373,100	376,500	376,500
Expenses					
Employees	34,900	35,900	37,000	38,100	38,100
Suppliers	220,674	226,712	231,523	241,023	241,023
Depreciation and amortisation	15,826	14,588	14,577	14,577	14,577
Interest and other financing costs	500	7,000	13,000	14,000	14,000
Total Expenses	271,900	284,200	296,100	307,700	307,700
Operating Profit Before Tax	86,000	76,200	77,000	68,800	68,800
Income Tax	(25,800)	(22,900)	(23,100)	(20,600)	(20,600)
Operating Profit After Tax	60,200	53,300	53,900	48,200	48,200
Annual Dividend	(36,100)	(32,000)	(32,400)	(28,900)	(28,900)
Transfer to Retained Earnings	24,100	21,300	21,500	19,300	19,300

Table 2: Statement of Financial Position

	Estimated Actual 2001-02 \$'000	Budget Estimate 2002-03 \$'000	Estimated 2003-04 \$'000	Estimated 2004-05 \$'000	Estimated 2005-06 \$'000
ASSETS					
Financial assets					
Cash	75,862	239,706	193,539	163,172	202,804
Receivables	395,445	396,261	399,134	399,134	399,134
Other	10,307	10,307	10,307	10,307	10,307
Total financial assets	481,614	646,274	602,980	572,613	612,245
Non-financial assets					
Land and buildings, property plant and equipment	1,140,466	1,024,804	1,016,032	947,700	999,368
Inventories	6,910	6,910	6,910	6,910	6,910
Total non-financial assets	1,147,376	1,031,714	1,022,942	954,610	1,006,278
Total Assets	1,628,990	1,677,988	1,625,922	1,527,223	1,618,523
LIABILITIES					
Debt	100,000	200,000	200,000	230,000	230,000
Total debt	100,000	200,000	200,000	230,000	230,000
Provisions and payables					
Employees provisions	3,000	3,000	3,000	3,000	3,000
Provision of goods and services - suppliers	6,059	8,783	6,566	12,567	12,567
Other provisions and payables	126,528	127,302	132,953	126,953	126,953
Total provisions and payables	135,587	139,085	142,519	142,520	142,520
Total Liabilities	235,587	339,085	342,519	372,520	372,520
Net assets	1,393,403	1,338,903	1,283,403	1,154,703	1,246,003
EQUITY					
Total accumulated results	177,424	48,724	(79,776)	(280,476)	(261,176)
Total reserves:	955,729	1,029,929	1,102,929	1,174,929	1,246,929
Total capital:	260,250	260,250	260,250	260,250	260,250
Total Equity	1,393,403	1,338,903	1,283,403	1,154,703	1,246,003

Table 3: Cash Flow Statement

	Estimated Actual	Budget Estimate	Estimated	Estimated	Estimated
	2001-02	2002-03	2003-04	2004-05	2005-06
	\$'000	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES					
Cash received					
Other receipts	380,085	410,757	438,849	405,849	405,849
Total cash received	380,085	410,757	438,849	405,849	405,849
Cash used					
Total cash used for operating activities	266,598	256,363	303,442	306,742	307,442
Total Cash Used	266,598	256,363	303,442	306,742	307,442
Net cash from operating activities	113,487	154,394	135,407	99,107	98,407
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property plant and equipment and intangibles	313,846	484,761	433,376	348,476	228,475
Total cash received	313,846	484,761	433,376	348,476	228,475
Cash used					
Purchase of property plant and equipment and intangibles	153,025	315,011	409,550	237,750	237,750
Total cash used	153,025	315,011	409,550	237,750	237,750
Net cash from investing activities	160,821	169,750	23,826	110,726	(9,275)
FINANCING ACTIVITIES					
Cash received					
Cash received from borrowings	100,000	100,000	-	30,000	-
Total cash received	100,000	100,000	-	30,000	-
Cash used					
Cash used for dividends	411,600	211,700	182,300	249,600	28,900
Cash used for other financing activities	-	48,600	23,100	20,600	20,600
Total cash used	411,600	260,300	205,400	270,200	49,500
Net cash from (to) financing activities	(311,600)	(160,300)	(205,400)	(240,200)	(49,500)
Net Increase (Decrease) in cash held	(37,292)	163,844	(46,167)	(30,367)	39,632
Cash at 1 July	113,154	75,862	239,706	193,539	163,172
Cash at 30 June	75,862	239,706	193,539	163,172	202,804

Table 4: Capital Budget

Purchase of Non-Current Assets	Estimated Actual	Budget Estimate	Estimated	Estimated	Estimated
	2001-02	2002-03	2003-04	2004-05	2005-06
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital payments budget					
Purchase of property plant and equipment	153,025	315,011	409,550	237,750	237,750
Total	153,025	315,011	409,550	237,750	237,750
Capital Appropriations					
Total Loans – Department only	100,000	225,000	-	-	-
Total	100,000	225,000	-	-	-

Table 5: Non-Financial Assets – Summary of Movement

Budget Year 2002-03	Land	Building	Total Land and Building	Other Infrastructure	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Value					
Gross Value as at 1 July 2002	535,056	606,946	1,142,002	11,958	1,153,960
Additions	89,924	223,587	313,511	1,500	315,011
Assets transferred in/out	(4,000)	(5,371)	(9,371)	-	(9,371)
Revaluations	18,068	56,132	74,200	-	74,200
Disposals	(238,828)	(248,743)	(487,571)	-	(487,571)
Gross value 30 June 2003	400,220	632,551	1,032,771	13,458	1,046,229
Accumulated Depreciation as at 1 July 2002	-	6,506	6,506	6,988	13,494
Charge for the reporting period	-	13,088	13,088	1,500	14,588
Disposals	-	(6,657)	(6,657)	-	(6,657)
Accumulated Depreciation as at 30 June 2003	-	12,937	12,937	8,488	21,425
Net Book Value as at 30 June 2003	400,220	619,614	1,019,834	4,970	1,024,804
Net book Value as at 1 July 2002	535,056	600,440	1,135,496	4,970	1,140,466