

DEFENCE HOUSING AUSTRALIA

AGENCY RESOURCES AND PLANNED PERFORMANCE

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DEFENCE HOUSING AUSTRALIA

Section 1: Agency overview and resources

1.1 Strategic Direction

The primary function of DHA, as set out in the *Defence Housing Authority Act 1987*, is to provide housing and related services for members of the ADF and their families in line with Defence operational requirements. DHA seeks to deliver positive outcomes for Defence while also functioning as a Government Business Enterprise charged with maintaining a healthy balance sheet and delivering shareholder return targets.

The Portfolio Budget Statements have been developed in an environment impacted by the global financial crisis and with a significant increase in the Defence Housing Forecast both generally, and specifically in relation to the expanded Army.

DHA is working with Defence to ensure that funding is spent on priority areas. DHA is focused on achieving positive results against all contractual KPIs. This includes ensuring Rent Allowance levels remain within the thresholds in the Services Agreement.

The major factors that determine changes to DHA's housing portfolio are: DHA's need to replace expiring leases that cannot be renewed, changes to the Defence Housing Forecast, and changes to Defence housing policy and standards. DHA adds properties to the portfolio through the renewal of expiring leases, constructions, acquisitions and leasing from private investors or in bulk from property developers. Land acquisition opportunities are actively sought, depending on funding constraints, in order to secure supplies for future construction programs.

On 3 February 2009 the Federal Government announced details of funding to be provided to DHA as part of its Nation Building – Economic Stimulus Plan. The focus of the funding is on jobs creation and securing long term economic growth. As part of the stimulus plan, \$251.58m will be provided to DHA to construct an additional 802 new residential houses throughout Australia over the next two years.

These 802 additional houses will supply much needed accommodation to serving ADF members and their families and will also materially increase the supply of residential housing at a time of historically low national rental vacancy. This will assist with improving rental accommodation affordability for the community.

DHA has agreed to support the creation of 20 new apprenticeship places in the residential construction industry. This will be known as the DHA Apprenticeship Support Scheme. The scheme will support the Government's employment creation objectives and demonstrate DHA's commitment to supporting and strengthening the residential construction industry.

ORGANISATIONAL STRUCTURE

The DHA Board members are:

Chairman	Mr D Volker AO
Managing Director	Mr M Del Gigante
Commercial Director	The Hon. WL Lange
Commercial Director	Mr WD Bowness
Commercial Director	The Hon JAL (Sandy) Macdonald
Commercial Director	vacant
Finance Nominee	Mr G Potts
Nominee Secretary of Defence	Mr P Sharp
Nominee Chief of Defence Force	Air Vice Marshal G Beck AO (rtd)

DHA has established an Advisory Committee comprising:

Chairman	Air Vice Marshal G Beck AO (rtd)
DHA Nominee	Mr M Del Gigante
DCN	Rear Admiral D Thomas AM, CSC, RAN
DCA	Major General P Symon AO
DCAF	Air Vice Marshal G Brown AM
Convenor of Defence Families Australia	Mrs N Quinn

1.2 Agency resource statement

Table 78: DHA^[1] resource statement—Budget estimates for 2009-10 as at Budget May 2009^[2]

Source	Estimate of prior year amounts available in 2009-10 \$'000	Proposed at Budget 2009-10 \$'000	Total Estimate 2009-10 \$'000	Estimated Available Appropriation 2008-09 \$'000
Opening Balance/Reserves at Bank	-	100,936	100,936	55,370
REVENUE FROM GOVERNMENT				
Other services^[3]				
<i>Bill 2-Non-Operating- Equity</i>	-	161,000	161,000	-
<i>Bill 2-Non-Operating- Loan</i>	-	40,480	40,480	-
Total other services	-	201,480	201,480	-
Total Annual Appropriations	-	201,480	201,480	-
Payments from related entities^[4]				
Department of Defence	-	486,274	486,274	424,398
Total	-	486,274	486,274	424,398
Total Funds from Government	-	486,274	486,274	424,398
FUNDS FROM OTHER SOURCES				
Interest	-	7,208	7,208	4,089
Sale of goods and services	-	397,861	397,861	350,352
Total	-	405,069	405,069	354,441
Total net resourcing for Agency	-	1,193,759	1,193,759	834,209

Notes

1. DHA is not directly appropriated as it is a CAC Act Body. Appropriations are made to Defence which are then paid to DHA and are considered 'departmental' for all purposes.
2. All figures are GST exclusive.
3. Appropriation Bill (No. 2) 2009-10.
4. Funding provided by a Government body that is not specified within the annual appropriation bills as a payment to the CAC Act body (for example, a fee for service from an FMA Act agency paid to a CAC Act body would appear here and may be explained within this footnote, as would a payment from a third agency's special appropriation).

1.3 Budget measures

Budget measures relating to DHA are detailed in Budget Paper No. 2.

Table 79 provides a summary of government measures and identifies the relevant program associated with each measure.

Table 79: Agency 2009-10 Budget measures^[1]

	2008-09	2009-10	2010-11	2011-12	2012-13
Program	\$'000	\$'000	\$'000	\$'000	\$'000
Capital measures					
NBJP-DHA Funding For Additional Dwellings. Measure No: F237923C ^[2]	-	201,480	50,100	-	-
Total	-	201,480	50,100	-	-
Total capital measures					
Departmental	-	201,480	50,100	-	-
Total	-	-	-	-	-

Notes

1. Prepared on a Government Financial Statistics (fiscal) basis.
2. The lead agency for measure F237923C is Department of Defence. The full measure description and package details appear in Budget Paper 2 under the Defence portfolio.

1.4 Transition from outcomes and outputs to outcomes and programs

Figure 7 below outlines the transition from the 2008-09 Budget year (as at Additional Estimates) which was presented in Administered Items, Outputs and Output Groups to the Program reporting framework used for the 2009-10 Budget.

Figure 7: Transition from outputs and programs

2008-09 Budget year	2009-10 Budget year
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: To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus.
Output Group 1: The provision of Defence housing and housing related services	Program 1: The provision of Defence housing and housing related services

Section 2: Outcomes and planned performance

2.1 Outcomes and performance information

Each outcome is described below by program, specifying the performance indicators and targets used to assess and monitor the performance of DHA in achieving government outcomes.

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

DHA will continue to meet this outcome through the execution of the Services Agreement on Housing and Related Matters (Services Agreement) between the Commonwealth of Australia (Defence) and DHA.

Under the terms of the Service Agreement, DHA provides a provisioning schedule to Defence in response to the Defence Housing Forecast (DHF). A Capital Program is also developed which is the detailed financial program of capital expenditure and income related to the provisioning schedule. The key drivers of DHA's Capital Program are changes to ADF strength and disposition, changes to Defence housing policy and standards, and DHA's need to replace expiring leases that cannot be renewed.

Contributions to Outcome 1

Program 1: The provisioning of Defence housing and housing related services

Program 1 objective

- provide modern quality housing that meets Defence requirements and community standards
- meet agreed provisioning targets.

Program 1 expenses

- refer to section 3.2 for Financial Statements.

Program 1 deliverables

Deliverables	2008-09 Revised Budget	2009-10 Budget	2010-11 Forward year 1	2011-12 Forward year 2	2012-13 Forward year 3
Acquisitions	139	248	322	330	100
Constructions	496	965	869	422	462
Direct leasing	109	147	148	138	95
Lease renewals	1,664	1,241	1,197	1,686	1,156

Program 1 key performance indicators

Key performance indicators	2008-09 Revised budget	2008-09 On target	2009-10 Budget target	2010-11 Forward year 1	2011-12 Forward year 2	2012-13 Forward year 3
Pre-allocation	75%	Yes	75%	75%	75%	75%
Quality of housing Maintenance services	80%	Yes	95%	95%	95%	95%

Section 3: Explanatory tables and budgeted financial statements

3.1 Explanatory tables

Not applicable to DHA.

3.2 Budgeted financial statements

3.2.1 DIFFERENCES IN AGENCY RESOURCING AND FINANCIAL STATEMENTS

Not applicable to DHA.

3.2.2 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

The budgeted financial statements contain a significant change in 2009-10 and 2010-11 with \$251.58m of additional funding being provided for Defence housing under the Government's Nation Building - Economic Stimulus Plan. This will enable DHA to build an additional 802 new residential houses throughout Australia over the next two years. This increase in the asset base is accompanied by increased draw downs of debt and increased equity in 2009-10 and 2010-11 with these levels sustained in the forward estimates.

3.2.3 BUDGETED FINANCIAL STATEMENTS TABLES

Table 80: Budgeted departmental income statement (for the period ended 30 June)^[1]

	Projected Results 2008-09 \$'000	Forward Estimate 2009-10 \$'000	Forward Estimate 2010-11 \$'000	Forward Estimate 2011-12 \$'000	Forward Estimate 2012-13 \$'000
REVENUE					
Revenue from ordinary activities					
Goods and Services	798,327	893,540	1,026,489	1,059,494	959,416
Interest	5,931	7,902	3,699	2,616	2,622
Net gain from sale of assets	111	52	55	47	47
Revenues from ordinary activities	804,369	901,494	1,030,243	1,062,157	962,085
EXPENSE					
Employees	55,123	58,400	60,999	63,522	66,149
Suppliers	646,600	734,234	859,089	878,547	770,142
Depreciation and amortisation	17,151	22,353	24,718	26,106	27,448
Net Write-down and impairment of Assets	13,100	–	–	–	–
Expenses from ordinary activities (excluding borrowing cost expenses)	731,974	814,987	944,806	968,175	863,739
Borrowing cost expenses	28,334	33,252	39,864	39,864	39,864
Operating profit before Income Tax from ordinary activities	44,061	53,255	45,573	54,118	58,482
Income Tax Expense	12,675	19,319	17,102	19,431	20,732
Net surplus or deficit attributable to the Commonwealth	31,386	33,936	28,471	34,687	37,750

Note

1. Prepared on Australian Accounting Standards basis.

Table 81: Budgeted departmental balance sheet (as at 30 June)^[1]

	Projected Results 2008-09 \$'000	Forward Estimate 2009-10 \$'000	Forward Estimate 2010-11 \$'000	Forward Estimate 2011-12 \$'000	Forward Estimate 2012-13 \$'000
ASSETS					
Financial assets					
Cash	100,853	57,327	42,842	61,903	59,403
Receivables	164,436	165,217	184,810	184,476	184,944
Accrued Revenue	15,411	17,153	18,260	18,869	19,485
Other Financial Assets	22,188	21,832	23,743	25,565	26,737
Total financial assets	302,888	261,529	269,655	290,813	290,569
Non-financial assets					
Land and buildings	1,426,340	1,748,137	1,806,595	1,911,741	1,940,021
Infrastructure, plant and equipment	8,833	9,855	9,892	9,974	9,522
Inventories	578,683	579,246	590,459	492,192	494,325
Asstes Held for Sale	39,757	32,477	17,552	9,918	1,040
Tax Assets	37,247	32,096	29,253	30,501	32,679
Total non-financial assets	2,090,860	2,401,811	2,453,751	2,454,326	2,477,587
Total Assets	2,393,748	2,663,340	2,723,406	2,745,139	2,768,156
LIABILITIES					
Interest bearing liabilities					
Loans	425,000	540,480	590,577	590,577	590,577
Provisions					
Employees	12,613	14,845	18,522	21,139	23,872
Trade Creditors	6,690	6,892	7,102	7,203	7,333
Provision	85,657	86,938	87,744	89,020	94,847
Current Tax Liabilities	16,830	2,861	1,001	4,156	1
Provision for Dividend	46,402	43,445	42,751	42,564	45,034
Prepayment Received	26,966	28,274	30,422	31,874	33,016
Other Payments & Accrued Expenses	8,222	4,368	4,577	4,584	4,743
Total Payables and Provisions	203,380	187,623	192,119	200,540	208,846
Total Liabilities	628,380	728,103	782,696	791,117	799,423
Equity^[2]					
Contributed equity	249,148	410,148	410,148	410,148	410,148
Reserves	1,444,430	1,462,805	1,482,560	1,503,748	1,525,744
Total accumulated results	71,790	62,284	48,002	40,126	32,841
Total Equity	1,765,368	1,935,237	1,940,710	1,954,022	1,968,733
Total liabilities and equity	2,393,748	2,663,340	2,723,406	2,745,139	2,768,156

Notes

1. Prepared on Australian Accounting Standards basis.
2. 'Equity' is the residual interest in assets after deduction of liabilities.

Table 82: Budgeted departmental statement of cash flows (for the period ended 30 June)^[1]

	Projected Results 2008-09 \$'000	Forward Estimate 2009-10 \$'000	Forward Estimate 2010-11 \$'000	Forward Estimate 2011-12 \$'000	Forward Estimate 2012-13 \$'000
OPERATING ACTIVITIES					
Cash Received					
Goods and services	787,084	884,134	1,017,453	1,049,913	949,851
Interest	5,476	7,209	3,698	2,616	2,621
Other	3,119	–	–	–	–
Total cash received	795,679	891,343	1,021,151	1,052,529	952,472
Cash Used					
Employees	53,133	56,533	57,897	61,093	63,597
Payments to Suppliers	602,280	735,220	870,402	780,518	771,394
Tax Assets	23,733	28,137	16,119	17,523	22,810
Interest	28,334	33,252	39,864	39,864	39,864
Total cash used	707,480	853,142	984,282	898,998	897,665
Net cash from(used by) operating activities	88,199	38,201	36,869	153,531	54,807
INVESTING ACTIVITIES					
Cash Received					
Proceeds from sales of property, plant and equipment	147,751	72,576	57,034	63,418	62,858
Total cash received	147,751	72,576	57,034	63,418	62,858
Cash Used					
Purchase of property, plant and Equipment	171,105	384,381	115,040	155,136	77,602
Total cash used	171,105	384,381	115,040	155,136	77,602
Net cash from(used by) investing activities	-23,354	-311,805	-58,006	-91,718	-14,744
FINANCING ACTIVITIES					
Cash Received					
Proceeds from loans	25,000	115,480	50,097	–	–
Capital Injection	–	161,000	–	–	–
Total cash received	25,000	276,480	50,097	0	0
Cash Used					
Repayment of loans	–	–	–	–	–
Dividends paid	44,279	46,402	43,445	42,751	42,564
Total cash used	44,279	46,402	43,445	42,751	42,564
Net cash from(used by) financing activities	-19,279	230,078	6,652	-42,751	-42,564
Net Increase(descrease) in cash held	45,566	-43,526	-14,485	19,062	-2,501
Cash at the beginning of the reporting period	55,370	100,936	57,410	42,925	61,987
Cash at the end of the reporting period	100,936	57,410	42,925	61,987	59,486

Note

1. Proceeds from sale of specialist military equipment is not included as the cost of asset sales will offset the proceeds.

Table 83: Departmental statement of changes in equity — summary of movement (Budget year 2009-10)^[1]

	Total Accumulated Results \$'000	Asset Revaluation Reserve \$'000	Total Capital \$'000	Total Equity \$'000
Equity Balance 30 June 2008	71,790	1,444,430	249,148	1,765,368
Operating results after extraordinary items	33,936	–	–	33,936
Dividends provided for or paid – related entity	-43,444	–	–	-43,444
Net asset reval inc (Dec) – buildings	–	18,375	–	18,375
Injection for capital works	–	–	161,000	161,000
Net Book Value as at 30 June 2009	62,282	1,462,805	410,148	1,935,235

Note

1. Prepared on Australian Accounting Standards basis.

Table 84: Departmental capital budget statement^{[1][2]}

	Projected Results 2008-09 \$'000	Forward Estimate 2009-10 \$'000	Forward Estimate 2010-11 \$'000	Forward Estimate 2011-12 \$'000	Forward Estimate 2012-13 \$'000
CAPITAL APPROPRIATIONS					
Total Equity Injections	-	161,000	-	-	-
Total loans	25,000	115,480	50,100	-	-
Total	25,000	276,480	50,100	-	-
PURCHASE OF NON CURRENT ASSETS					
Funded internally by departmental resources	146,000	108,000	65,000	155,000	78,000
TOTAL	171,000	384,480	115,100	155,000	78,000

Note

1. Due to a late change, the numbers in the Central Budget Management System (CBMS) are different. CBMS will be updated at the earliest opportunity.
2. Proceeds from sale of specialist military equipment is not included as the cost of asset sales will offset the proceeds.

