

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

The primary function of Defence Housing Australia (DHA), as set out in the *DHA Act 1987*, is to provide housing and related services for members of the Australian Defence Force (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 operating commercially and delivering shareholder return targets.

The Department of Defence engages DHA to deliver these services through a Services Agreement which outlines the commercial arrangements and the responsibilities of both parties in providing housing services to members of the ADF and their families.

The Portfolio Budget Statements have been developed in an environment whereby suitable, well located housing solutions are difficult to obtain in major capital cities. In addition, it is forecasted that total Defence housing requirements will increase and with some significant variations to the requirements between regions.

DHA aims to meet these requirements through an extensive capital program which constructs, purchases and leases properties from private investors or in bulk from property developers.

The development of land for residential housing will have a greater role in future operations. This focus reflects the importance to DHA of the cost effective supply of well located land for its construction program.

DHA will also undertake major projects to upgrade or replace Defence owned housing on and off base to a modern standard of housing.

The capital program is primarily funded through the cashflows generated by a sale and leaseback program to private and institutional investors, as well as the disposal of properties no longer required for use by Defence families.

DHA has supported the creation of 20 new apprenticeship places in the residential construction industry. This is known as the DHA Apprenticeship Support Scheme. The Scheme supports the Government's employment creation objectives and demonstrates DHA's commitment to supporting and strengthening the residential construction industry.

ORGANISATIONAL STRUCTURE

DHA reports to two shareholder ministers - the Minister for Defence and the Minister for Finance and Deregulation.

DHA has an independent Board comprising nine directors:

- a Chairman appointed by the Shareholder Ministers
- four directors with expertise in residential property, real estate, building, social planning or finance
- three directors nominated respectively by the Chief of the Defence Force, and the Secretaries of the Departments of Defence, and Finance and Administration
- the Managing Director of DHA (also the Chief Executive Officer) appointed by the Board and who is the only Executive Director.

The DHA Board members are:

Chairman	Mr Derek Volker AO
Managing Director	Mr Michael Del Gigante
Commercial Director	Ms Margaret Walker
Commercial Director	Ms Carol Holley
Commercial Director	The Hon JAL (Sandy) Macdonald
Commercial Director	Vacant
Nominee Secretary of Finance and Deregulation	Mr Gary Potts
Nominee Secretary of Defence	Mr Peter Sharp
Nominee Chief of Defence Force	Air Vice Marshal Gary Beck AO (Rtd)

DHA has an Advisory Committee which is attended by:

Chairman	Air Vice Marshal Gary Beck AO (Rtd)
Convenor of Defence Families Australia	Ms Julie Blackburn
Appointee of Chief of Navy	Rear Admiral Alan Du Toit DSC, AM, RAN
Appointee of Chief of Army	Major General Paul Symon AO
Appointee of Chief of Air Force	Air Vice Marshall Geoffrey Brown AM
Appointee of Defence Housing Australia	Mr Michael Del Gigante

1.2 DHA Resource Statement

Table 104: DHA resource statement — Budget estimates for 2011-12 as at Budget May 2011^{[1][2]}

Source	Estimate of prior year available in 2011-12 \$'000	Proposed at Budget 2011-12 \$'000	Total estimate 2011-12 \$'000	Actual available appropriation 2010-11 \$'000
Opening balance/Reserves at bank	-	64,784	64,784	272,222
REVENUE FROM GOVERNMENT				
Other services^[3]				
<i>Bill 2-Non-Operating-Equity</i>				
<i>Bill 2-Non-Operating-Loan</i>	-	-	-	44,100
Total other services	-	-	-	44,100
Total annual appropriations	-	-	-	44,100
Payments from related entities^[4]				
Department of Defence	-	513,456	513,456	525,361
Total	-	513,456	513,456	525,361
Total funds from Government	-	513,456	513,456	569,461
FUNDS FROM INDUSTRY SOURCES				
FUNDS FROM OTHER SOURCES				
Interest	-	6,040	6,040	17,395
Sale of goods and services	-	313,607	313,607	281,677
Total	-	319,647	319,647	299,072
Total net resourcing for agency	-	833,103	833,103	868,533

Notes

1. DHA is not directly appropriated as it is a CAC Act Body. Appropriations are made to Department of 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) 2011-12.
4. Revenue for sale of goods and services provided by Department of Defence that is not specified within the annual appropriation bills as a payment to the CAC Act body.

1.3 Budget Measures

There are no budget measures relating to DHA for the May 2011 budget.

Section 2: Outcomes and Planned Performance

2.1 Outcomes and Performance Information

Each outcome is described below together with its related programs, 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 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 contains the detailed financial program of capital expenditure 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.

OUTCOME EXPENSE STATEMENT

Table 105 provides an overview of the total expenses for outcome 1, by program.

Table 105: Budgeted expenses and resources 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	2010-11 Estimated actual expenses \$'000	2011-12 Estimated expenses \$'000
Program 1.1: Other Departmental - DHA		
Revenue from Government		
Payment from related entities	534,681	554,013
Revenues from other independent sources	243,380	235,074
Total for Program 1.1	778,061	789,087
Total expenses for Outcome 1	778,061	789,087
	2010-11	2011-12
Average Staffing Level (number)	573	580

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 Defence housing requirements.
- Meet financial return targets.

Program 1: Expenses

Program 1: Deliverables

- Deliver housing provisioning schedule outcomes to within 5% of agreed numbers.
- Deliver major land developments and acquisition/construction activities in key defence locations.
- Achieve sustainable sale and leaseback and disposal revenues.

Program 1 Provisioning of Defence housing and housing related services expenses

- Refer to section 3.2 for Financial Statements.

Program 1: Key Performance Indicators

Key performance indicators	2010-11 Revised budget	2010-11 On target	2011-12 Budget target	2012-13 Forward year 1	2013-14 Forward year 2	2014-15 Forward year 3
Houses supplied against provisioning schedule	95%	Yes	95%	95%	95%	95%
Members satisfied with their service residence	80%	Yes	80%	80%	80%	80%
Return on equity	6.1%	Yes	6.2%	6.5%	6.7%	6.7%

Section 3: Explanatory Tables and Budgeted Financial Statements

3.1 Explanatory Tables

Not applicable to DHA.3.2 Budgeted Financial Statements

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

DHA operates in a commercial environment and seeks to deliver financial returns to Government through its provisioning activities. Returns are also generated through development and construction activities as well as from capital appreciation on the housing owned by DHA.

DHA will not require any direct appropriations or additional borrowings to achieve its outcome.

DHA has successfully completed the Federal Government's Nation Building - Economic Stimulus Plan in December 2010. DHA built 829 new residential houses throughout Australia during 2009 and 2010. The increase in assets was accompanied by increased debt and equity levels. These levels are sustained in forward years.

3.2.3 BUDGETED FINANCIAL STATEMENTS TABLES

Table 106: Comprehensive departmental income statement (for the period ended 30 June)^[1]

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
EXPENSES					
Employee benefits	51,949	55,989	59,508	61,142	61,364
Supplier expenses	666,466	679,255	851,239	874,093	920,494
Depreciation and amortisation	22,885	20,720	20,413	19,890	20,624
Finance costs	31,761	33,123	33,123	33,123	33,123
Write-down and impairment of assets	5,000	-	-	-	-
Income Tax Expenses	23,542	25,158	29,713	31,997	33,509
Total expenses	801,603	814,245	993,996	1,020,245	1,069,114
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and services	284,550	287,015	457,265	452,994	480,371
Share of net profit from associates	657	397	840	274	-
Interest	13,765	6,130	5,180	5,695	6,001
Total revenue	298,972	293,542	463,285	458,963	486,372
Gains					
Sale of assets	160	169	73	115	77
Total gains	160	169	73	115	77
Total own-source income	299,132	293,711	463,358	459,078	486,449
Net cost of services	502,471	520,534	530,638	561,167	582,665
Revenue from Government	534,681	554,013	572,750	602,906	633,090
Surplus (Deficit) attributable to the Australian Government	32,210	33,479	42,112	41,739	50,425
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves	19,855	18,503	18,134	17,313	17,749
Total other comprehensive	19,855	18,503	18,134	17,313	17,749
Total comprehensive income	52,065	51,982	60,246	59,052	68,174
Total comprehensive income attributable to the Australian Government	52,065	51,982	60,246	59,052	68,174

Note

1. Prepared on Australian Accounting Standards basis.

Table 107: Budgeted departmental balance sheet (as at 30 June)^[1]

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
ASSETS					
Financial assets					
Cash and equivalents	64,786	93,676	94,563	94,107	106,030
Trade and other receivables	163,690	200,733	221,330	249,028	268,249
Investments accounted for under the equity method	4,519	3,566	2,406	1,402	1,402
Accrued Revenue	14,208	17,275	16,434	17,217	17,938
Other Financial Assets	25,647	24,437	25,160	27,381	29,891
Total financial assets	272,850	339,687	359,893	389,135	423,510
Non-financial assets					
Land and buildings	1,782,163	1,668,627	1,636,449	1,570,168	1,579,211
Property, plant and equipment	5,324	6,414	7,608	8,678	9,632
Inventories	766,483	814,006	845,061	891,548	852,010
Tax Assets	24,832	28,554	29,804	30,504	30,504
Total non-financial assets	2,578,802	2,517,601	2,518,922	2,500,898	2,471,357
Assets held for sale	45,942	45,942	45,942	45,942	45,942
Total assets	2,897,594	2,903,230	2,924,757	2,935,975	2,940,809
LIABILITIES					
Payables					
Suppliers	5,602	3,796	3,990	1,209	1,315
Current tax liabilities	4,106	8,077	10,748	11,902	10,399
Dividends	47,593	50,063	53,755	56,936	56,204
Other payables and accrued expenses	52,216	55,041	56,811	59,145	60,124
Total payables	109,517	116,977	125,304	129,192	128,042
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	15,643	14,924	17,169	19,969	12,469
Provisions for restoration	81,020	78,078	80,064	82,387	83,846
Other	3,058	2,976	5,456	5,546	5,601
Total provisions	99,721	95,978	102,689	107,902	101,916
Total liabilities	718,818	722,535	737,573	746,674	739,538
Net assets	2,178,776	2,180,695	2,187,184	2,189,301	2,201,271
EQUITY^[2]					
Parent entity interest					
Contributed equity	396,148	396,148	396,148	396,148	396,148
Reserves	1,716,214	1,734,717	1,752,851	1,770,164	1,787,913
Retained surplus	66,414	49,830	38,185	22,989	17,210
Total parent entity interest	2,178,776	2,180,695	2,187,184	2,189,301	2,201,271

Notes

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

Table 108: Budgeted departmental statement of cash flows (for the period ended 30 June)^[1]

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	806,925	827,063	1,018,884	1,043,100	1,098,808
Interest	17,395	6,040	5,117	5,554	6,014
Other	113	-	-	-	-
Total cash received	824,433	833,103	1,024,001	1,048,654	1,104,822
Cash used					
Employees	52,366	58,595	57,248	58,434	68,942
Suppliers	951,204	732,622	874,915	928,475	848,683
Borrowing costs	31,761	33,123	33,123	33,123	33,123
Taxes paid	43,121	19,909	27,593	30,843	52,013
Total cash used	1,078,452	844,249	992,879	1,050,875	1,002,761
Net cash from (used by) operating activities	-254,019	-11,146	31,122	-2,221	102,061
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	199,426	211,458	119,350	158,951	120,983
Total cash received	199,426	211,458	119,350	158,951	120,983
Cash used					
Purchase of property, plant and equipment	144,269	123,830	99,520	103,431	154,186
Total cash used	144,269	123,830	99,520	103,431	154,186
Net cash from (used by) investing activities	55,157	87,628	19,830	55,520	-33,203
FINANCING ACTIVITIES					
Cash received					
Contributed equity	-	-	-	-	-
Proceeds from issuing financial	44,100	-	-	-	-
Total cash received	44,100	-	-	-	-
Cash used					
Dividends paid	52,676	47,593	50,067	53,755	56,936
Total cash used	52,676	47,593	50,067	53,755	56,936
Net cash from (used by) financing activities	-8,576	-47,593	-50,067	-53,755	-56,936
Net increase (decrease) in cash held	-207,438	28,889	885	-456	11,922
Cash and cash equivalents at the beginning of the reporting period	272,222	64,784	93,673	94,558	94,102
Cash and cash equivalents at the end of the reporting period	64,784	93,673	94,558	94,102	106,024

Note

1. Prepared on Australian Accounting Standards basis.

Table 109: Departmental statement of changes in equity—summary of movement (Budget year 2011-12)^[1]

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2011					
Balance carried forward from previous period	66,414	1,716,214	-	396,148	2,178,776
Opening balance	66,414	1,716,214	-	396,148	2,178,776
Comprehensive income					
Comprehensive income recognised directly in equity:					
Gain/loss on revaluation of property	33,479	-	-	-	33,479
	-	18,503	-	-	18,503
Sub-total comprehensive income	33,479	18,503	-	-	51,982
Total comprehensive income recognised directly in equity	99,893	1,734,717	-	396,148	2,230,758
Transactions with owners					
Distributions to owners					
Returns on capital					
Dividends	50,063	-	-	-	50,063
Sub-total transactions with owners	50,063	-	-	-	50,063
Estimated closing balance as at 30 June 2012	49,830	1,734,717	-	396,148	2,180,695

Note

1. Prepared on Australian Accounting Standards basis.

Table 110: Departmental capital budget statement^[1]

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
CAPITAL APPROPRIATIONS					
Equity injections - Bill 2	-	-	-	-	-
Loans - Bill 2	44,100	-	-	-	-
Total capital appropriations	44,100	-	-	-	-
Total new capital appropriations					
Represented by:					
Purchase of non-financial assets	44,100	-	-	-	-
Total Items	44,100	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	44,100	-	-	-	-
Funded internally from departmental resources ^[2]	50,832	58,635	43,303	52,426	89,744
TOTAL	94,932	58,635	43,303	52,426	89,744
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	94,932	58,635	43,303	52,426	89,744
plus reclassification plus other	49,337	65,195	56,217	51,005	64,442
Total cash used to acquire assets	144,269	123,830	99,520	103,431	154,186

Notes

1. Prepared on Australian Accounting Standards basis.
2. Funded internally through proceeds from sale of assets.

Table 111: Statement of asset movements (2011-12)

	Land	Buildings	Other property, plant and equipment	Land and buildings, infrastructure, plant and equipment held for sale	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2011					
Gross book value	988,060	794,187	33,473	45,942	1,861,662
Accumulated depreciation/amortisation and impairment	-	-84	-28,149	-	-28,233
Opening net book balance	988,060	794,103	5,324	45,942	1,833,429
CAPITAL ASSET ADDITIONS					
Estimated expenditure on new or replacement assets					
By purchase - Government funding	-	-	-	-	-
By purchase - other	24,968	30,360	3,307	-	58,635
Total additions	24,968	30,360	3,307	-	58,635
Other movements					
Disposals	-30,240	-30,240	-	-108,385	-168,865
Transfer to assets held for sale	-54,192	-54,192	-	108,385	1
Depreciation	-	-	-2,217	-	-2,217
Total other movements	-84,432	-84,432	-2,217	-	-171,081
As at 30 June 2012					
Gross book value	928,596	740,115	36,780	45,942	1,751,433
Accumulated depreciation/amortisation and impairment	-	-84	-30,366	-	-30,450
Closing net book balance	928,596	740,031	6,414	45,942	1,720,983