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2017-18
Annual Report

— YEARS 1988-2018 —

1987–88 › 1991–92



Established as a statutory authority, and assumed responsibility for more than 23,000 properties Australia-wide (76 per cent of the Defence housing requirement) with about 17,000 of these requiring replacement or refurbishment to bring them up to an acceptable community standard.

Implemented administrative structures including appointment of a Board of Directors, Managing Director, small Head Office in Canberra and a network of regional Housing Management Centres.

Embarked on a considerable capital works, upgrade, and improvement program with Government commitment of not less than \$750 million (in 1986 dollars) for capital expenditure over 10 years.

Developed consultative arrangements with the Australian Defence Force, Defence personnel and their families, and other interest groups such as the National Consultative Group of Service Spouses.

Initiated corporate planning, including the development of strategic objectives and performance indicators, as well as strategies to:

- › pursue large residential development and construction projects in collaboration with the private sector
- › access commercial borrowings
- › establish long-term leasing arrangements with individual and institutional investors.



2012–13 › 2017–18

DHA Investment Management Limited, a wholly-owned subsidiary of DHA, is formed to enable DHA to establish an unlisted property trust to hold DHA properties on sale and leaseback terms and for units in the fund to be sold to investors.

The Services Agreement with Defence is extended to at least 2023 and new agreements with Defence are signed for the expansion of off-base accommodation for single Defence members across Australia and the provision of a Living-in Accommodation Booking and Allocation Service.

Contributed approximately \$235,500 and goods-in-kind to various Defence community groups and not-for-profit organisations.

Maintained service delivery to ADF members and their families and property investors by exceeding all customer service targets (greater than 90 per cent) and meeting most provisioning targets (greater than 85 per cent).

Recognised as the first residential project in Australia to receive a 6-Star Green Star 'design' rating from the Green Building Council of Australia for the Prince's Terrace Adelaide. The Terrace encapsulates innovation and world leadership in sustainable design.

Launched One DHA, which seeks to bring DHA together under one unified brand proposition. It has been launched to establish a single set of expectations and aligned touch points with our core customer groups.

Commenced work towards complying with new accounting standards (enforced from 1 July 2019). DHA will consider its end-to-end operations with a view to identifying an optimal business model that is financially sustainable in a disrupted environment.

Launched DHA's inaugural Reconciliation Action Plan (RAP) that will pave a pathway for DHA to support the national reconciliation movement, establish social change and create economic opportunities for Aboriginal and Torres Strait Islander Australians across our business.



1992–93 › 1996–97

Received industry recognition for our activities, with several housing projects being awarded for excellence including a medium-density project at Larrakeyah in Darwin winning the Royal Australian Institute of Architects' Robin Boyd Award.

Continued to improve the quality of Defence housing through construction, acquisition, leasing and disposals, including innovative construction trials to deliver housing suited to tropical climates.

Began to formally survey tenants, with the first questionnaire reporting high levels of satisfaction with the overall quality of housing provided and the Authority's repairs, maintenance and improvements service.

Successfully launched the Sale and Leaseback program directed to private investors to fund the Authority's operations and to repay a substantial amount of debt.

To improve service delivery, undertook joint studies with the Department of Defence (Defence) into their process of housing allocation, management of vacant stock and removals.



2007–08 › 2011–12

DHA builds 829 homes in addition to its business as usual construction program as part of the Government's Nation Building—Economic Stimulus Plan. This demonstrates DHA's capacity as a residential developer and paves the way for more commercially focused development programs.

The Rex D. Dog children's brand is created by DHA in consultation with Defence interest groups, assisting children of Defence personnel with relocating to a new home and demonstrating DHA's commitment to even its youngest stakeholders.

Completed the preparation of housing for the arrival of 3RAR in Townsville and embarked on the expansion of our national off-base singles business, growing the portfolio to nearly 200 apartments.

Provided a total portfolio of 17,471 houses for Defence families (Members with Dependants) in accordance with the agreed provisioning schedule.

Completed the Defence-funded air conditioning project. Over a three-year period, this addressed the air conditioning needs of 3,500 DHA-managed properties at a cost of \$23.3 million.

1997–98 › 2001–02

Signed a Services Agreement with the Department of Defence, formalising the services to be provided to Defence and establishing risk-sharing arrangements.

Assigned responsibility for allocating houses to Defence tenants and introduced new arrangements for managing the cleaning of houses vacated by tenants.

After 10 years of operation, supplied 21,849 houses for Members with Dependants (nearly 88 per cent of the Defence housing requirement). Within a further two years all DHA supplied housing, in all locations, was compliant with, or exceeded, acceptable community standards.



Assumed responsibility for managing relocation services, providing a total housing service to Defence, and launched a web-based tool to help Defence members and their families identify and reserve their next DHA home.

Launched a new brand to signify a new era of providing Defence housing and potentially expanding the services provided to Defence. The Home of Service is adopted as a positioning statement to recognise how the Authority seeks to be recognised in all its activities.



2002–03 › 2006–07

Significant changes to the Defence Housing Authority Act to broaden its functions to provide housing and related services to other Commonwealth agencies. A name change to Defence Housing Australia and new corporate image take effect.

A new range of inner-city apartments, townhouses and well-located detached houses in metropolitan areas is offered to Defence personnel as an alternative to the traditional service residence offering.

Sold \$220.1 million of residential property to Westpac Funds Management Limited on a leaseback basis, diversifying funding sources beyond the successful Sale and Leaseback program, which is focused on retail investors.

Established a major project to oversee the implementation of the New Housing Classification Policy; a new system for classifying properties and higher minimum housing standards, which aligned with DHA's goal to provide a more modern, versatile stock portfolio, with greater appeal to tenants and investors.

Began a trial to provide off-base accommodation for single Defence members in Darwin.



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Digital report

An electronic version of this report with supplementary information about our activities and complementary photos and videos is available on our website (dha.gov.au/annualreports).

Contact

We welcome any feedback about this report.

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28 September 2018



The Hon Christopher Pyne
Minister for Defence
Parliament House
Canberra ACT 2600

Senator the Hon Mathias Cormann
Minister for Finance and Public Service
Parliament House
Canberra ACT 2600

Dear Ministers

On behalf of the Board of Directors, I am pleased to present Defence Housing Australia's (DHA) Annual Report 2017–18 for the year ended 30 June 2018 (the report).

The report has been prepared in accordance with the *Public Governance Performance and Accountability Act 2013* (PGPA Act), related instruments and guidance material, including the *Public Governance Performance and Accountability Rule 2014* and *Commonwealth Government Business Enterprise Governance and Oversight Guidelines*.

The Board approved DHA's audited financial statements by a resolution at its meeting of 17 August 2018. The Board approved the report by a resolution at its meeting of 20 September 2018. In the Board's opinion, the report is based on properly maintained records and accurately reflects DHA's performance against the purposes and performance measures set out in our Corporate Plan 2017–18 to 2020–21 and Statement of Corporate Intent 2017–18.

I trust that while this report is primarily a mechanism of accountability to the Australian Government, it will also be a valuable resource for DHA's customers, investors, government organisations at all levels, industry and the general community.

I commend this report to you as a record of DHA's achievements and compliance, and request that you present it to the Parliament in accordance with section 46(1) of the PGPA Act.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sandy Macdonald', written in a cursive style.

Hon J.A.L. (Sandy) Macdonald

Chairman



About this report

This report is the Board of Directors' primary mechanism of accountability to the Parliament of Australia and has been prepared in accordance with legislative and parliamentary reporting requirements.

This report outlines DHA's performance against stated objectives and performance measures for the period 1 July 2017 to 30 June 2018 as set out in our Corporate Plan 2017–18 to 2020–21 (Corporate Plan 2017–18) and publicly available Statement of Corporate Intent 2017–18 (dha.gov.au/annualreports).

Guide to this report

- Part 1** Provides a review of the year from our Chairman and Managing Director, our significant achievements and details of highlights and events.
- Part 2** Provides an overview of our role, responsibilities, organisational structure, financial structure, services to Defence, services to investors and our property portfolio as at 30 June 2018.
- Part 3** Contains our annual performance statement and a detailed assessment of our performance in 2017–18.
- Part 4** Details our management and accountability processes, including corporate governance, external scrutiny, workforce management and details of our subsidiary company, DHA Investment Management Limited (DHA IML).
- Part 5** Contains our consolidated financial statements for 2017–18 (DHA and DHA IML).
- Part 6** Contains appendices and reference information.

The appendices provide supplementary information on specific areas of the business, including some required under legislation.

The reference information includes a list of acronyms and abbreviations, a compliance index, a directory of our services and offices and an alphabetical index.

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'It's been a great story so far. I know the next years and decades will reflect well on our record and lead on to even better service and housing options and opportunities for our Defence families.'

Hon J.A.L (Sandy) Macdonald, Chairman

Part 1

Year in review

Chairman's review

Managing Director's review

Highlights and events



Chairman's review



Hon J.A.L. (Sandy) Macdonald

It gives me great pleasure to introduce Defence Housing Australia's (DHA's) Annual Report 2017–18. In addition to highlighting the important work DHA has achieved in the past year, this report celebrates DHA's 30th anniversary.

Celebrating 30 years of operation

Over three decades DHA has strived to bring about major improvement in the standard of housing and related services we provide to Australian Defence Force (ADF) members and their families. I am proud of our work to:

- ▶ support Defence capability by ensuring service men and women can focus on defending our nation and maintaining the security of our region
- ▶ transform and modernise the Defence housing portfolio and create new, award-winning residential communities
- ▶ support the broader Defence community through partnerships, financial support and goods-in-kind
- ▶ provide thousands of Australians with a sound property investment opportunity to fund our operations through the sale and leaseback of part of DHA's portfolio
- ▶ provide small businesses and regional areas with job opportunities and economic support through the maintenance of our property portfolio and property development and construction activities

- ▶ prove that Defence housing can be provided and managed in such a way that adds to shareholder value, including more than \$2 billion paid to Government in dividends since 2000.

I congratulate all present and former DHA staff, executives, Board members, investors and partners for 30 successful years and their support of the men and women of the ADF over three decades.

Our achievements in 2017–18

Support of the Defence community

In 2017–18, DHA continued to support the broader Defence community by providing approximately \$383,000 in financial support and goods-in-kind to various Defence-related groups and not-for-profit organisations. I am particularly pleased that DHA is an official supporter of the 2018 Invictus Games being held in Sydney in October. Founded by His Royal Highness The Duke of Sussex in 2014, the Games are an international adaptive sports event for wounded, injured and ill veteran and active service personnel. Selected DHA staff will also be assisting at the Games in a voluntary capacity.

Our support of the Australian Government

In 2017–18, DHA worked closely with our shareholder Ministers and departmental representatives—the Department of Defence and the Department of Finance—to ensure that we continue to meet the current and future needs of the Australian Government.

DHA will return a dividend of \$26.6 million for 2017–18—a substantial effort given challenging external forces such as weakened residential property market conditions. We also achieved industry recognition for various aspects of our operations. Notably, we were named the Customer Service Organisation of the Year—Not for Profit/Government at the Customer Service Institute of Australia's 2017 Australian Service Excellence Awards.

I would like to thank the former Minister for Defence, Senator the Hon Marise Payne, the Minister for Finance, Senator the Hon Mathias Cormann, and the Minister for Defence Personnel, the Hon Darren Chester MP, for their continued support of DHA during 2017–18.

Our support of the broader community

One of the most pleasing aspects of DHA's national operations is that we can contribute to local and regional economies. In 2017–18, DHA continued to employ local businesses and tradespeople wherever possible in maintaining our property portfolio, constructing new properties and creating new residential communities.

DHA also welcomed hundreds of new investors in 2017–18, which contributed to DHA managing 13,059 leased properties as at 30 June 2018. The Board and I value the contribution of investors to DHA's business and the funding it provides to help sustain the quality of our property portfolio for ADF members and their families.

Appointments

The Australian Government appoints and reappoints DHA Board members to serve at their pleasure. The current composition of members brings together women and men with a diverse range of skills and experience.

I was pleased to be reappointed as Chairman of the Board in February 2018 for three years. I have always been particularly engaged in Defence issues and am acutely aware of the vital role DHA plays.

I also welcomed the reappointment of the Hon Alan Ferguson to the Board for three years, and the appointment of Mr Paul Logan as an independent member of the Board Audit Committee. We very much value their knowledge and experience with respect to Defence, the machinery of government and financial management respectively.

Acknowledgements

In closing, I would like to thank Managing Director, Jan Mason, her leadership team and all staff for their ongoing efforts and achievement in 2017–18. The Board and I are consistently impressed and thankful for the professionalism and commitment to service exhibited by all.

I would also like to thank my Board. There are always challenges in a business as large and complex as DHA, and this year has been no exception. Our focus on strategic issues and organisational agility will remain valuable in future years.

DHA's priority is and always will be our customers and shareholders. I look forward to many years of DHA supporting Defence capability and the Defence requirements of the Australian Government.



Hon J.A.L. (Sandy) Macdonald
Chairman

Managing Director's review



Ms Jan Mason

DHA delivered a solid performance in 2017–18 and, despite challenges, maintained sight of our core purpose to provide housing and related services to ADF members and their families.

DHA is a unique and complex business. DHA's operational and financial performance is affected by some factors over which we have little or no control. For example:

- › Service Agreements with the Department of Defence (Defence), the accuracy of the forecast housing requirements and the associated housing entitlements framework
- › residential property market conditions which differ among the capital cities, regional centres and remote areas within which DHA operates
- › economic factors that affect DHA's operations, the sentiment of current and potential investors and companies with which we do business.

DHA is the only Government Business Enterprise (GBE) that employs its staff under the *Public Service Act 1999* and our financial operations are complicated by the need to prepare both 'for-profit' and 'not-for-profit' financial statements.

Often, in an attempt to achieve performance targets, we are managing a delicate balance between:

- › providing outstanding customer service to ADF members, ADF families and investors, and
- › maintaining a robust financial position to deliver commercial returns to the Australian Government as owner of the business.

DHA's 30 year anniversary is timely because it reminds us that DHA was established in 1988 to improve the standard of housing provided to ADF members and their families. Thus, while DHA must always endeavour to act commercially, profit considerations are secondary to our primary purpose of providing suitable and adequate housing for ADF members and their families.

Performance highlights

Some of the highlights and achievements for 2017–18 include:

- › Launched 'One DHA' and saw the benefits that this harmonisation of all arms of the business under one, unified brand proposition brings.
- › Our Property and Tenancy Services (P&TS) consistently performed to a very high standard, meeting or exceeding all customer service measures.
- › Awarded Customer Service Organisation of the Year – Not for Profit/Government at the Customer Service Institute of Australia's (CSIA) 2017 Australian Service Excellence Awards.
- › Launched a major refresh of Online Services to deliver an enhanced user experience and customer journey.
- › Assisted Defence with the successful implementation of Defence One which required substantial changes to housing related systems and processes.
- › Increased member usage of the Living-in Accommodation (LIA) Booking and Allocation Services (BAS).
- › Improved our customers' certainty by implementing measures, education and training to make DHA compliant with the Australian Government Agencies Privacy Code and notifiable data breaches amendments to the Privacy Act.
- › Introduced an integrated and certified Safety, Health, Environment and Quality (SHEQ) Management System, combining our WHS systems with our Quality Management System. This has simplified access to SHEQ procedures, policies and interactions to help facilitate quality outcomes for employees and contractors.
- › The Property Investment program began operating more extensively in online engagement, hosting its first investor webinar on 2 August 2017.
- › Managed 42 development sites in 2017–18 valued at \$3.6 billion. We acquired three new development sites and established a 10-year strategic acquisition plan for future developments.
- › Met our acquisition forecast and largely achieved the construction program, including a program of 80 homes at RAAF Base Darwin; 50 homes at RAAF Base Tindal; 58 upgrades at Seaward Village; and 33 heritage housing projects.
- › Exceeded the leasing requirements of the Capital Plan 2017–18, signing 557 new leases, 905 options and 747 lease expirations.
- › Launched DHA's first Reconciliation Action Plan.

I am proud of these successes and achievements in 2017–18. This is testament to our commitment to service delivery and the efforts of DHA's staff across Australia.

DHA did not achieve its profit targets in 2017–18. Challenging property market conditions in key provisioning areas for Defence affected the margin we achieved in selling some properties and increased our property value impairment. Nevertheless, broadly in line with the Corporate Plan, we will deliver a dividend of \$26.6 million to the Australian Government in 2018–19.

DHA identified that new accounting standards, effective from 2018–19, are likely to have a greater impact on DHA's operations than any other public sector or corporate organisation due to the large number of leases we manage. The financial impact of the new accounting standards is likely to be material and ongoing over future periods. For this reason, DHA initiated a range of activities to improve our performance and mitigate strategic and operational risk.

Pleasingly, DHA is now well-placed to adapt its business model to ensure the organisation's ongoing financial sustainability in the new accounting environment.

Our people

I am committed to ensuring DHA is an entity that is agile and able to respond well to changing priorities. This cannot be achieved without a culture where innovation is encouraged, risk is considered and managed appropriately, and staff are committed to achieving the best for the organisation as a whole.

DHA achieved positive results in the Australian Public Service Commission Staff Census. In 2017–18, 90 per cent of DHA staff participated in the census. This was a significant increase compared with DHA's participation rate in the 2016 census (80 per cent), on par with the 2017 census (91 per cent) and was the second highest participation rate of medium sized agencies in 2018.

DHA achieved a staff engagement score of 74 per cent, which demonstrates that staff were satisfied, committed, motivated and enabled to improve business results. From my perspective, the survey also identified opportunities for cultural improvement, including in diversity and communication.

Our priorities for the year ahead

Key priorities identified to date include:

- › continuing to deliver strongly against Defence's Approved Provisioning Schedule
- › maintaining high customer satisfaction ratings amongst ADF members
- › managing risk and striving to deliver the dividends forecast for 2018–19
- › implementing new accounting standards for revenue and leasing
- › acquiring development sites suitable for future provisioning activities
- › maintaining awareness of prevailing property market conditions and their impacts
- › further strengthening the rigour of our commercial decision making process
- › ensuring that the customer experience for our investors is positive.

I look forward to continuing to work with my senior executive team, staff from across the business and our shareholder departments to deliver quality outcomes for our customers and shareholders. I am confident that DHA will continue to make a positive contribution to the retention of ADF members through the provision of adequate and suitable housing in 2018–19 and beyond.



Ms Jan Mason
Managing Director



Highlights and events



July 2017

Research by a PhD student from the Centre for Renewable Energy, Research Institute for the Environment and Livelihoods (RIEL) at Charles Darwin University, has revealed that energy consumption is lower in our Breezes Muirhead properties (in Darwin, NT) compared to those in the nearby suburb of Lyons. By designing urban areas and properties that capture prevailing breezes, we are helping Defence members and other residents reduce their energy bills.



We turned the first sod at our Torhaven development in Ipswich, Deebing Heights (QLD). The name Torhaven comes from *Tor*, a high rocky hill, and *haven*, a place offering favourable opportunities or conditions. This refers to the site's natural features and acknowledges the use of the site by the local Rawlings family for more than 40 years.

We launched part two of our property investment program advertising campaign: *Look Forward*. The campaign extends and builds on the previous campaign providing a fresh approach to the split-screen execution.



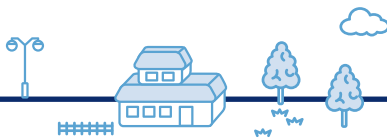
Our Arkadia apartments in Alexandria, Sydney (NSW) received a Silver Award for Marketing—Branded Experience, in the 2017 Sydney Design Awards. The award celebrates creative and innovative design for branded experiences intended to persuade an audience to purchase or take some action on products, ideas or services.





We successfully rolled out changes to our housing systems and processes to support the new Defence pay system, Defence One (D1). D1 provides a range of benefits to members including improved payslips, increased self-service functionality and quicker processing times.

During NAIDOC celebrations, Indigenous contractors, Intract, recognised DHA for our determination to improve and create job opportunities for Aboriginal and Torres Strait Islander Australians through our upgrades program on Defence housing in Port Wakefield (SA).



August 2017

In collaboration with the City of Darwin, we opened a dedicated dog park at our Breezes Muirhead development; the first of its kind for the City of Darwin. Featuring four different obstacles intended for dog exercise and agility training, the park offers residents a safe and engaging space to enjoy time with their pets. It also features undercover shelters, doggy bag dispensers and water taps to ensure time spent at the park is comfortable for both pet owners and dogs.



In the 2017 Urban Development Institute of Australia (UDIA) NSW Awards for Excellence two of our Sydney developments were selected as finalists across three categories:

- Excellence in Medium Density Development—Shout Ridge, Crimson Hill
- Excellence in Sustainability and Environmental Technology—Crimson Hill
- Excellence in Marketing—Urban Development—Arkadia



September 2017

Our work on RAAF Base Tindal received first place for the Northern Territory in the Regional Projects category at the Australian Institute of Project Management (AIPM), Project Management Achievement Awards. The 50-house project promotes sustainable practices in master planning, landscape design, stormwater management and built form to respond to the tropical climate. In doing so, the development sets a new benchmark for Defence communities.



Our Safety, Health, Environment and Quality (SHEQ) team continued to make an impression in the industry, receiving top honours for the Best Health and Wellbeing Program at the National Safety Awards of Excellence. We were among 21 other finalists who were nominated across eight categories including Best Health and Wellbeing Program, Best Communication of a Safety Message and Best Solution of a WHS Risk.

As part of SHEQ's Psychosocial Wellbeing Strategy, we hosted an organisation-wide wellbeing leadership forum. The forum featured senior leaders from across the organisation who shared their experiences on:

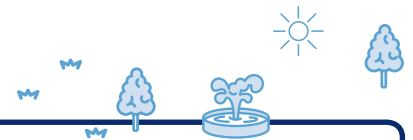
- › the benefits of flexible working arrangements at DHA
- › individual views on work-life integration
- › personal experiences dealing with challenging times or work pressures
- › strategies for looking after personal wellbeing
- › strategies for supporting staff at work.





We launched One DHA. This long-term initiative seeks to bring all sections of the business together under one unified brand proposition. The aim of One DHA is to establish a single set of expectations and aligned touch points with our core customer groups: Defence members and their families, investors and communities.

We signed a Memorandum of Understanding (MoU) with Defence's Directorate of People Intelligence and Research (DPIR) to share research findings. This provides both parties with a wealth of new data to help inform corporate planning and business processes.



October 2017

We were announced as the 2017 winner of the Customer Service Organisation of the Year Award for Not for Profit/Government. The awards, facilitated by the Customer Service Institute of Australia (CSIA), are Australia's premier customer service award event held each year to recognise best practice and innovation in customer service.



Our SHEQ team created a new documentation area to access all health, safety and quality assurance procedures and support mechanisms. The new management systems provides greater visibility and transparency in reporting; a single unified auditing program for WHS and Quality accreditation; seamless access to WHS, quality and environment processes and procedures for all staff through one enhanced, user-friendly intranet space.



We are named as a finalist in the Diversity in Development award category at the Urban Development Institute of Australia's (UDIA) NSW Leadership Awards for Excellence. Other finalists in the category included GHD, Mirvac and Stockland.

November 2017

The Board and Board Audit Committee endorsed the appointment of Ernst & Young (EY) as our new internal audit service provider. A competitive tendering process resulted in the appointment for an initial period of three years.



We signed on as an official supporter of the Invictus Games Sydney 2018. The Invictus Games is the world's largest international sporting event that celebrates the achievements of wounded, injured and sick service men and women. This aligns with our ethos to support members throughout their Defence journey. Held in Sydney from 20–27 October 2018, the Games will host up to 500 military athletes from 18 nations.



The architectural firm responsible for our Breezes Muirhead development in Darwin (NT) received The Frederick Romberg Award in the Residential Architecture Multiple Housing category at the 2017 National Architecture Awards Australia. The Darwin company, Troppo Architects, two-storey, small-lot Asche Duplex, was considered a stand-out in the awards category—a category in the past won by high rise apartment projects in big cities.

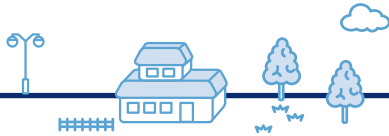


December 2017

At the end of November, the Investor Relations and Investment Marketing and Brand teams held an Investor Journey Workshop in head office. The workshop included more than 26 colleagues from across Head Office and the regional offices. Staff who play a key role in servicing or engaging with investors were invited to explore our investor journey in depth, from the perspective of the investor. By considering the different needs of our investors, alongside their customer journey (from point of purchase through to handback or repurchase), we were able to start identifying improvements to our overall investor experience.



Our Fremantle development, Liv Apartments, reached the ceremonial 'topping out' stage of the construction process. Project builder, Georgiou Group, poured the last concrete on the 22-metre structure, which will include 1,300 square metres of commercial space as well as landscaped courtyards and public open spaces.



Our DHA Information Lounge at the Property Buyer Expo allowed us to meet with hundreds of prospective property investors and talk to them directly about our unique property investment program. The three-day event is one of many property-related expos we participate in each year.



Members of our Reconciliation Action Plan (RAP) Working Group met for the inaugural DHA RAP workshop in Canberra. The group consists of 12 talented and passionate staff from a variety of backgrounds, business areas and offices around Australia. Together, they were responsible for developing our first RAP that aims to create social change and increase opportunities for Aboriginal and Torres Strait Islander peoples.



Negotiations concluded between DHA and Defence resulting in the implementation of fees and charges for Member Choice Accommodation (MCA) properties commencing 27 November 2017. These fees and charges are calculated based on the property being in either a priority or non-priority location, as determined by Defence, and are applicable only when the property is occupied. Priority locations are now the focus for DHA's provisioning.



Our collaboration with the Prince's Trust and Renewal SA, the Prince's Terraces Adelaide officially opens. The eight terraces and four apartments demonstrate world leadership in sustainable design, with each home predicted to use 50 per cent less energy and 50 per cent less potable water. South Australian VIPs including the Governor of South Australia, the Hon Hieu Van Le AC, Senator David Fawcett, Mayor Angela Evans as well as our Chairman the Hon Sandy Macdonald, officiated at the opening.



January 2018

Flagship Fremantle (WA) project, Liv Apartments, was nationally accredited as a One Planet Community by the Bioregional Australia Foundation. This ground-breaking development received this recognition for its commitment to environmental and financial sustainability. Liv is the single largest development and third community in WA to receive accreditation as a One Planet Community.

The Defence One (D1) project for DHA and Defence ends. As the administrator of Defence member housing contributions and allowances, we played a key role in the project's successful delivery. The key purpose of our involvement in D1 was to make the necessary changes to our housing-related systems and processes to support the new Defence pay system.



Our People and Capability unit launched the new DHA values champion awards. These awards are a peer-to-peer nomination scheme bestowing recognition on our staff who model and exemplify the values of passion, courage, respect, unity, integrity and balance. Our values are not mere slogans—they are the behaviours and actions that define us as truly exceptional employees. Our values build on and extend the APS values and code of conduct to define 'who we are' and 'how we want to be'.



February 2018

The results of the 2017 Annual Tenant Survey (ATS) provide us with valuable insights on the personal preferences and experiences of Defence members living in our properties or privately under rent allowance (RA). Among members without dependants (MWOD), 95 per cent were highly satisfied with our Member Choice Accommodation (MCA) and the selection of properties available in the private market under RA. Satisfaction with rent band choice (RBCH) properties was also very high for members with dependants (MWD), exceeding our target of 90 percent for the first time in several years. Satisfaction with service residences (SR), while still high, was significantly lower than with the other DHA housing solutions or living under RA.



March 2018

Our new \$6.2 million land development in Baldivis (WA) reached a major milestone with an official sod turning ceremony. The 2.06-hectare site at 16 McDonald Road, Baldivis, will comprise 30 land lots, including eight new homes for Defence members and their families, supporting the Navy at HMAS Stirling. The remaining 22 lots will be available for sale to the public.



Our staff attended more than 25 Defence Community Organisation (DCO) family welcome events across the country. Our presence at these annual events provided an opportunity to interact with serving members and their families and also highlight our brand and services to other Defence support groups and key stakeholders. As part of our event sponsorship we were pleased to provide a range of fun family activities such as face painting, jumping castles, petting zoos, carnival rides, photo booths and ice creams.



The first sod was turned on our 3.78 hectare site in Henderson Grove on the Mornington Peninsula (VIC). Henderson Grove will comprise 68 land lots, including 30 new homes for Defence members and their families. The development supports the local Navy base, HMAS Cerberus. Ten medium density lots are already under contract to a prominent local builder for private development, with another 12 lots in stage one selling out in six weeks.



March 2018 cont'd

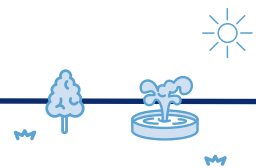
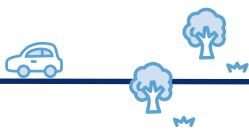
We celebrate the social, economic and cultural achievements of women in our business during International Women's Day. Events are held across the country. Her Excellency Ms Unni Kløvstad, Ambassador of Norway spoke about her experiences at a gathering in Canberra.



Japanese Naval Attaché, Captain Shinsuke Amano from the Embassy of Japan, accompanied by two naval officers from the Japanese Self-Defence Forces (JSDF), visited our Head Office. The officers were impressed with the way our quality housing solutions and management of Living-in Accommodation contributes to retention rates.



We officially opened a new aviation-themed park and multipurpose recreational space at Wirraway in Thornton (NSW). The new playground equipment features a fitness station, half-sized basketball court, shared cycle paths and skate board ramp.



April 2018

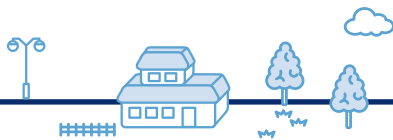
House construction at our Canterfield development in Raceview (Qld) nears completion. We have constructed 76 homes over the past two years, with just seven homes remaining under construction for delivery in late 2018. The result is a beautiful, sub-tropical, lush environment with modern single and double-storey homes, set alongside an established community with schools and amenities.



The children of two Defence members, who are beneficiaries of Legacy Australia, begin our first Legacy internships. The program provides 12-months of employment with DHA and supported enrolment in a Certificate III in Business Administration.



We celebrate our Prince's Terrace Adelaide (SA) recognition by the Green Building Council of Australia, receiving a prestigious 6 Star Green Star accreditation for its built form. This achievement follows on from its earlier residential design Green Star rating and takes it to the top of the leader board as the highest rated Green Star project in South Australia.



Another successful peak-posting period concludes. Our staff work tirelessly to ensure that Defence members and their families find their new homes quickly and efficiently. During the period we:

- › received 35,435 maintenance related calls
- › answered 75,821 calls in our housing contact centres
- › attended 20,720 house inspections
- › raised 81,075 maintenance items
- › allocated 1,596 properties.



To involve and include staff in the launch of our Reconciliation Action Plan (RAP), our custom-made message stick begins its journey across Australia to all major regional offices. Canberra-based Aboriginal artist, Dale Huddleston, made the message stick from Australian Mallee wood. Its carvings, etchings and burnt symbols represent each of our offices and major national waterways.



Our new recruitment system, eRecruit, goes live. The system offers a streamlined, one-stop digital experience for hiring managers, job applicants and new staff. The new digital system provides staff access to a single workflow where you can manage and track recruitment processes. Candidates will complete their new starter forms via this same system enhancing the onboarding process.

Our upgrade of Seaward Village in Swanbourne, Perth (WA) gets an overwhelming 'thumbs up' from the more than 50 Defence families invited to tour one of the newly renovated houses. The \$48.3 million upgrade project will be rolled out in three phases with this initial phase upgrading 58 homes.

May 2018

We turned the first sod at our Akuna Vista residential development in Schofields (NSW). The following day our VIP sales started, which saw 70 percent of lots sold over two days. The 136-hectare Akuna Vista residential development is located on the former Schofields Aerodrome site in North West Sydney. The \$300 million project will deliver 1,100 residential lots with plans for the construction of approximately 200 homes for Defence members and their families.



After setting the benchmark by becoming the first 6 Leaf EnviroDevelopment in the Hunter region, our Wirraway residential development is again leading the way by pioneering more sustainable building practices. Working in conjunction with our local builder, Valley Homes, we've achieved a remarkable result by recycling 99 per cent of all construction waste. Wirraway's impressive recycling achievements reflect our ongoing commitment to innovation and sustainability as part of our overall development philosophy.

In light of the upcoming accounting standards changes, being brought in from 1 July 2019, we commenced in-depth consideration of our end-to-end operations with a view to identifying an optimal business model that is financially sustainable in a disrupted environment. While this is much more than a financial-related project, the upcoming accounting changes are a key driver.



We contribute \$8,500 to The Road Home. This organisation raises awareness and provides funds to support health and wellbeing research and programs into conditions such as post-traumatic stress for the nation's veterans, emergency service personnel and their families. Through raising awareness and funds to support research and programs, The Road Home can deliver optimal models of care and health outcomes for service men and women and their families. Our contribution will assist The Road Home's wheelchair basketball program.

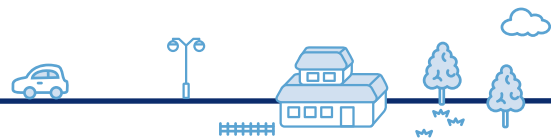


We hosted the Government Land Organisation (GLO) Conference in the Hunter Valley. The theme for this year's conference was *Liveability of our cities*—focusing on healthy, progressive communities. Industry leaders took the opportunity to provide an update on the achievements of their respective developments.



The Government announces that our head office will move from the Parliamentary Triangle, to the Gungahlin Town Centre. The announcement is part of the Government's 2016 Federal election commitment to relocate a small-to-medium sized Commonwealth entity. Following a review of a number of Commonwealth entities, the Minister for Defence directed DHA to relocate our Canberra-based staff (Head Office and Canberra Regional Office) to the Gungahlin area, in line with the expiry of current leases. For Head Office this will be in March 2022 and for the Canberra Regional Office this will be in August 2023.

As part of our ongoing program to strengthen awareness of the realities of life in the services for our colleagues in the Navy, Army and Air Force and their families, a small group of DHA staff travelled to the Puckapunyal training area in northern Victoria to experience Ex Chong Ju (Ex CJ)—a live-fire demonstration by the Australian Army. Named after a battle in North Korea, Ex CJ is a biannual live-fire training exercise to showcase the capabilities of the Army to the next generation of combat leaders.



June 2018

We lodged a Development Application (DA) with Toowoomba Regional Council for the development of a 344 lot masterplanned community on a section of the former rifle range site at Mount Lofty, Toowoomba (QLD). Our plan is to deliver a sustainable, contemporary residential community for Defence members and their families, as well as local families, with the majority of land lots to be made available for public purchase. In addition to this we plan to make a contribution of land to the Toowoomba community for a major expansion of Jubilee Park, which adjoins the site to the east.





'I am excited about DHA's future. I'm confident that with the commitment, expertise and dedication of our staff and key partners we will continue to deliver quality and innovative solutions to the Defence community and successfully lead our business into the future.'

Ms Jan Mason, Managing Director

Part 2

Agency overview

About us

Organisational structure

Financial structure

Services to Defence

Services to investors

Housing portfolio



About us

DHA was established in 1988 under the *Defence Housing Australia Act 1987* (DHA Act) and is a Corporate Commonwealth Entity and Government Business Enterprise (GBE) in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). DHA is a statutory agency under the *Public Service Act 1999* (the Public Service Act) and is the only GBE to employ staff in accordance with the Public Service Act. Refer to Part 4 of this report for more information about our legislative framework.

Vision and responsibilities

DHA's vision is to provide quality housing for ADF members and their families. We do this in accordance with the DHA Act and service agreements with the Department of Defence (Defence). As a Corporate Commonwealth Entity and GBE, we must also operate commercially and deliver commercial returns to the Australian Government.

Refer to [Financial structure, Services to Defence](#) and [Housing portfolio](#) in this section for more information.

Purposes

In 2017–18, we consolidated our functions and objectives into three purposes¹ that reflect our statutory role under the DHA Act and our commercial obligations as a GBE:

1. Provide housing solutions for ADF members and their families to meet Defence operational requirements.

- › We provide housing solutions to ADF members and their families in accordance with contractual arrangements with Defence. Housing solutions include the provision of:
 - housing for Members with Dependants (MWD) in accordance with the Services Agreement

- housing for Members without Dependants (MWOD) and Members with Dependants (Unaccompanied) (MWD(U)) in accordance with the Member Choice Accommodation (MCA) Agreement
- a booking and allocation service for on-base Living-in Accommodation (LIA).
- › We buy land to meet our provisioning obligations to Defence, construct and, as required, purchase and/or lease new and established houses. We also provide on-base and regional and/or remote housing services to Defence.
- › We generate capital through our property investment program where we sell property on long-term leaseback arrangements. In addition, we sell excess land and surplus properties that no longer meet Defence minimum standards or provisioning requirements. We also retain ownership of and manage a portfolio of housing in strategic locations around Australia.

2. Provide housing related services, and excellent customer service, to ADF members and investors.

We provide housing allocation and tenancy management services to ADF members and their families, and property management services to investors. We establish leases through the property investment program, extend existing leases and, where required, negotiate new leases to meet provisioning requirements.

3. Maintain a robust financial position to deliver commercial returns to the Australian Government.

We deliver value-for-money services to Defence and seek to generate sufficient revenue to enable us to perform our role on a commercially sustainable basis. We do this while continuing to maintain an operational service delivery model, sound governance practices, a skilled and productive workforce and a safe workplace that delivers high quality and professional outcomes.

Refer to [Part 3](#) in this report for our [Annual Performance Statement](#) and a detailed assessment of our performance in 2017–18.

¹ 'Purposes' is defined by section 8 of the PGPA Act as 'the objectives, functions or role' of an entity. DHA's role and functions is prescribed in sections 5 and 6 of the DHA Act



Case study

Three weeks turned into 23 years



Helen Birch

For Senior Business Analyst Helen Birch, a three-week casual position in Townsville turned into 23 years with DHA. Helen, like so many DHA staff, was a Defence spouse and found the flexibility of being able to transfer her employment with DHA, along with her husband's posting, was a great support.

Preparing to retire in July 2018, Helen reflected on a career that saw her work across a wide range of teams and witnessed many changes within DHA and the Defence community. She provides a unique recollection into how the establishment of DHA 30 years ago changed the lives of so many Defence families.

'I have witnessed so many changes and improvements,' said Helen. 'As a Defence family before DHA, we would have to take our own curtains and carpets as these were not provided in married quarters. In my early years with DHA we were significantly improving the standard of housing but members still arrived on location and fronted up to 'Housing' to sign-out keys to go and look at a few vacant houses. I have seen DHA processes greatly impact the experience of members and their families.'

The introduction of Halcyon cleaning relieved tenants from having to stay back to clean the property after their removals truck. While online access to view and choose their new home in advance from all available properties significantly increased options and reduced posting stress.

More recently, the move away from paper-based records and the introduction of mobile technology and national call centres has brought great efficiencies for our staff and really changed the way we do business and how we relate to our customers.

Organisational structure

Shareholder Ministers

Two Shareholder Ministers oversee the Australian Government's interests in DHA: the Minister for Defence and the Minister for Finance. As DHA sits within the Defence portfolio of the Australian Government, the Minister for Defence is our responsible Minister. The Minister for Defence may delegate responsibility for DHA operational matters to a Defence portfolio minister. In 2017–18, responsibility was delegated to the Minister for Defence Personnel. Refer to [page 88](#) in [Part 4](#) of this report for more information about our Shareholder Ministers in 2017–18.

Board

A Board of Directors is the accountable authority of DHA under the PGPA Act and is responsible for the proper and efficient performance of our functions. All non-executive Board members are appointed by our Shareholder Ministers following approval from the Australian Government. Members have a combination of Australian Public Service (APS), ADF and commercial experience. Refer to [page 89](#) in [Part 4](#) of this report for more information about our Board of Directors in 2017–18.

Senior leadership team

Managing Director

The Managing Director is employed by the Board and is the only executive director of the Board. The Managing Director is responsible for conducting the operational affairs of DHA in accordance with the DHA Act and any policies determined by, and directions given by, the Board. The Managing Director oversees DHA's strategic direction, organisational structure, staff, performance and relationships with key stakeholders.

Senior Executive Group

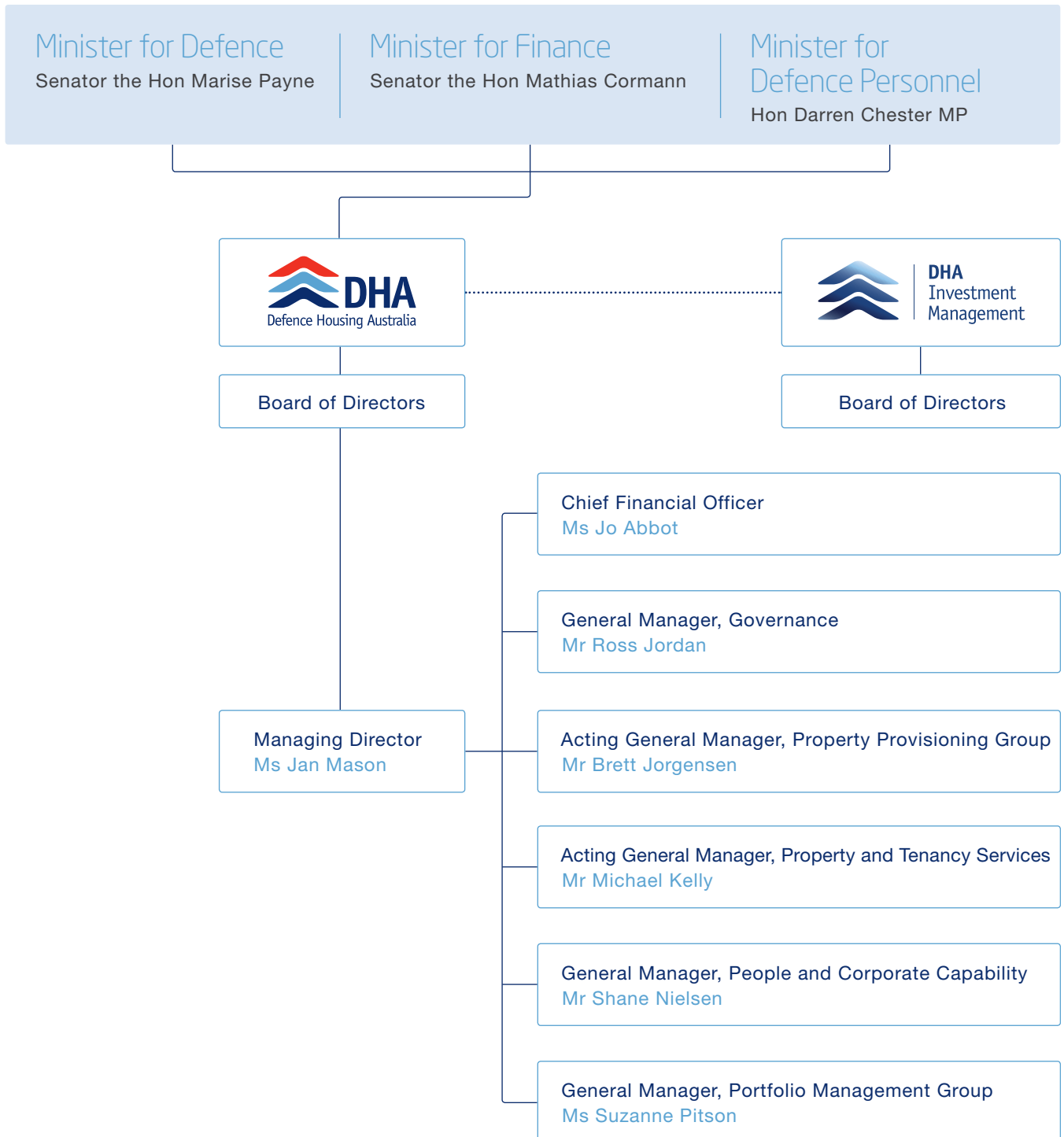
The Senior Executive Group (SEG) assists the Managing Director to ensure DHA fulfils its role in accordance with the DHA Act. As at 30 June 2018, the SEG comprised the Managing Director and six direct reports.

Refer to [page 95](#) in [Part 4](#) of this report for more information about the Managing Director and SEG members.

[Figure 2.1](#) shows our organisational structure, including our links to the Australian Government, as at 30 June 2018.

Figure 2.1:

Organisational structure, 30 June 2018

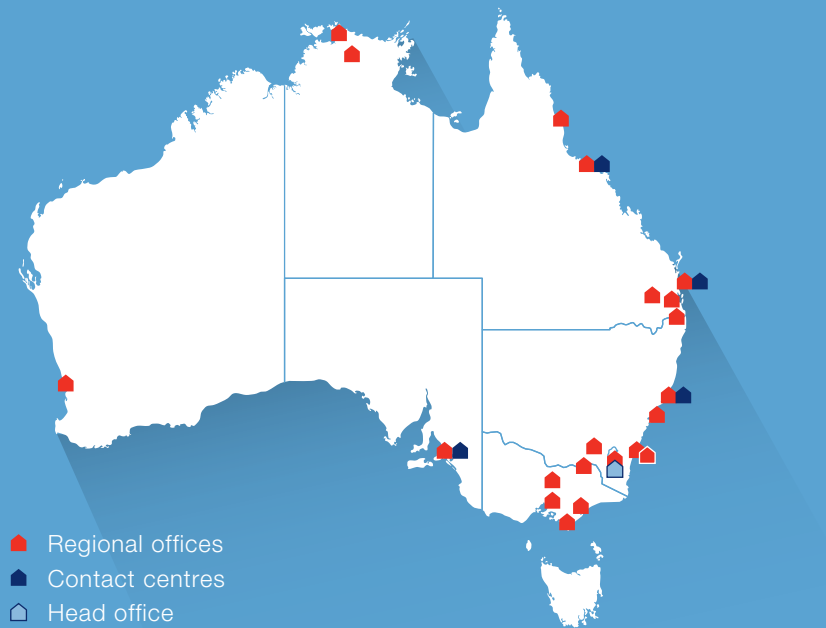


Our staff and office network

Staff in our 20 regional offices deliver customer facing services to ADF members and their families and investors in capital cities and major regional centres where the ADF has a presence. They are supported by staff in four regionally-based telephone contact centres, who are the first point of contact for housing services, maintenance services and the allocation of on-base LIA.

Staff in our head office are responsible for overseeing strategic development, operational programs, corporate governance and corporate support (e.g. information technology, finance, human resources, marketing and communications). Most head office staff work in Canberra, however, the use of flexible working arrangements has enabled some staff to work in our Sydney central business district office or in one of our other regional offices.

Figure 2.2:
Office network, 30 June 2018



Staff are critical to the organisation's success. As at 30 June 2018, we employed 645 staff across Australia.

Figures 2.3 to 2.6 show staff by gender, employment type, broadband classification and office type.²

Refer to page 107 in Part 4 (Workforce management) and Part 6 (Appendix A) of this report for more information about our workforce.

² Figures include ongoing and non-ongoing staff at their substantive classification as at 30 June 2018. They exclude inoperative staff (those on long-term leave), staff engaged through an employment agency and Board members.

Figure 2.3:

Staff by gender, 30 June 2018

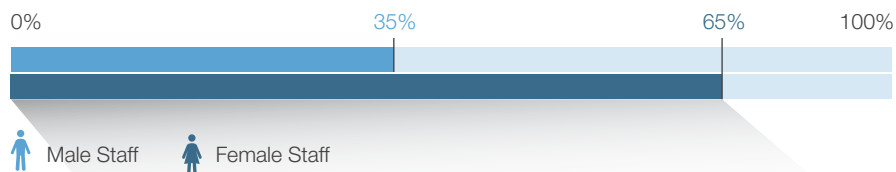


Figure 2.4:

Staff by employment type, 30 June 2018



Figure 2.5:

Staff by broadband classification, 30 June 2018

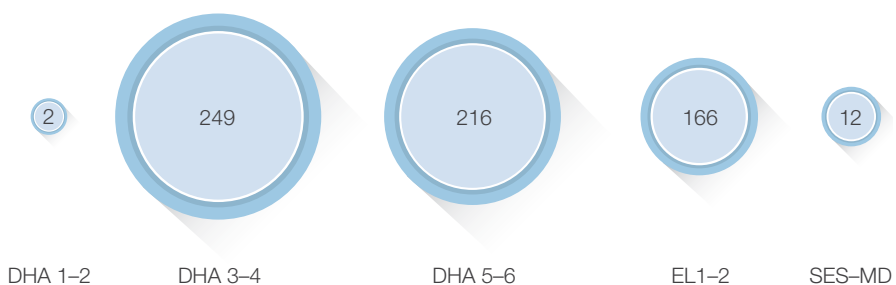
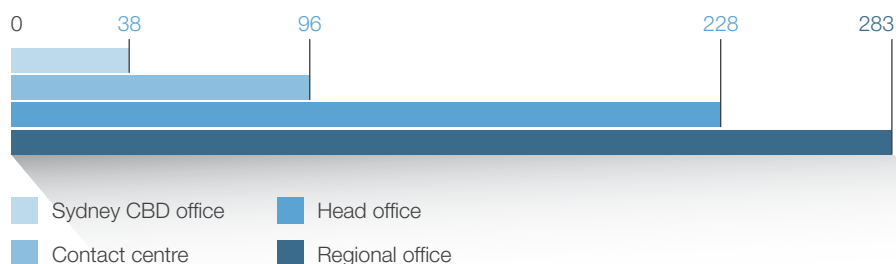


Figure 2.6:

Staff by office type, 30 June 2018



Financial structure

As a GBE, we are required to maintain a strong financial position and meet commercial return obligations, including the payment of dividends to the Australian Government. In agreement with our Shareholder Ministers, and as outlined in our Corporate Plan, our target dividend is based on 60 per cent of net profit after tax.

Our funding model

We do not receive funding directly from the Federal Budget. We fund our operations through:

- ▶ the receipt of commercial rent, fees and charges from Defence for our services
- ▶ generating revenue from:
 - selling and leasing back properties through our property investment program
 - the disposal of excess land and completed properties from our developments
 - the disposal of properties that no longer meet minimum Defence standards or provisioning requirements.

We have a loan agreement with the Commonwealth. The total amount of the loan facility is \$635 million. As at 30 June 2018, we had loans totaling \$509.6 million.

We are a full tax-paying entity in relation to federal taxes (e.g. corporate income tax, goods and services tax [GST] and fringe benefit tax [FBT]). We also pay state and territory-based tax (e.g. stamp duty and land tax) equivalents in accordance with competitive neutrality requirements.

Refer to [page 82](#) in [Part 3](#) of this report for more information about our financial performance in 2017–18.

Our credit rating

Standard & Poor's Rating Services conducts an annual credit rating assessment of DHA.

Their report issued on 19 December 2017 confirmed a corporate credit issuer rating of AA+/Negative/ A-1+.

This rating is reflective of their assessment of the effect of government ownership and the level of support implied by that ownership.

Standard & Poor's also provided a standalone credit profile rating of DHA of BBB+. This credit profile is one rating above the target for GBEs specified in the GBE Guidelines.

Case study

Communicating in the digital age



In March 2018, Darwin was battered by 130km/hour winds as Tropical Cyclone Marcus moved through the city and surrounding districts. The category two cyclone brought down trees and power lines, leaving a trail of destruction with half the city lacking power and clean water.

In the lead up to the cyclone crossing the coast in Darwin, we established a core group of staff to work across communication, business continuity and housing. Our first priority was to ensure the immediate health, safety and security of Defence members and their families as well as our own regional staff. And we recognised the need to be on the forefront of communication with our investors.

To ensure that we were able to keep up to speed with the rapidly changing weather conditions, we began communicating with our customers via our social media channels, while direct email messaging was developed for more detailed communication.

We drafted content specifically for our Facebook audience allowing us to direct our customers to 'sources of truth' for detailed information about the cyclone and its aftermath, to deliver vital information about how to contact DHA and to set expectations for maintenance requests. We continued to communicate via Facebook throughout the cyclone and engagement levels with the posts continued to rise.

In addition to this, our Hunter Valley Maintenance Contact Centre (MCC) was able to reduce the pressure on the Darwin regional office, which was operating on skeleton staff, by implementing a triage system for calls. Giving priority to matters that could impact the health, safety and security of families they systematically began assessing the damage to our portfolio.

In total, more than 400 properties sustained damage with a total repair value of more than \$370,000.

Services to Defence

Defence is responsible for determining ADF member pay and conditions, including their entitlement to subsidised housing. We administer Defence housing policy and provide housing solutions and related services for ADF members in accordance with service agreements with Defence. In doing so, we contribute to ADF recruitment, retention and operational goals.

Housing solutions

ADF members who do not own a suitable home in their new posting location may be eligible for housing assistance. The type of accommodation a member is eligible for depends on their rank, number, age and gender of dependants, and their posting location.

Member with Dependants (MWD) housing

Each year, Defence provides us with a forecast, known as the Defence Housing Forecast (DHF), which details the number and type of MWD service residences required for the next five years by location or DHF area.

Depending on the DHF area, service residences are either classified by market rent (known as rent bands) or by property amenity.

We use the DHF to prepare a Capital Plan, which sets out the proportion of MWD housing by DHF area we can supply Defence for the next five years. It takes into account properties we own, lease, manage on behalf of Defence, intend to add to our portfolio (through development, construction, acquisition and direct leasing) and intend to dispose of from our portfolio.

We generally plan to meet approximately 90 per cent of the DHF requirement, consistent with previous Defence approved provisioning schedules. The remainder of ADF members rent accommodation privately and receive Rent Allowance (RA).

Once the DHA Board has endorsed the Capital Plan, and Defence approves it, it is incorporated in our Corporate Plan. Defence then review the plan again and, once agreed, is referred to as the Approved Provisioning Schedule. Under contractual arrangements with Defence, we must meet 99 per cent of the MWD provisioning target as set out in the approved schedule.

Member Choice Accommodation (MCA) housing

Unlike MWD housing, Defence does not provide us with a forecast of the number or type of MCA properties it requires. Defence nominates priority locations for MCA housing and a discretionary number of properties for us to provision against.

We use this information to develop a provisioning plan, which sets out the proportion of MCA housing we can supply. It takes into account properties we own, lease, intend to add to our portfolio (through construction, acquisition and leasing) and intend to dispose of from our portfolio. Defence reviews the plan annually. As the program must be financially sustainable, our ability to quickly recoup capital through the sale and leaseback of MCA properties is a key consideration.

Refer to Housing portfolio in this section and [page 65](#) in [Part 3](#) of this report for more information about our housing portfolio and MWD and MCA provisioning in 2017–18.



MARRARA

WALAK Road

KARAMA

Holmes Jungle Nature Park

Marrara Swamp

EATON

Marrara Swamp

Johnson Avenue

Vanderlin Drive

McMillans

KNUCKEY LAGOON

nan

Amy Drive

COONAWARRA

BERRIMAH

LEY

Road

WISHART

Wishart

Darwin Railway Station

Rent Allowance (RA)

When a MWD service residence or MCA property is not available at the member's rent band classification, or if the home and grounds are not suitable for pets, an ADF member (and their family if applicable) may choose to rent through the private market.

ADF members are responsible for finding the accommodation but must engage with us (on behalf of Defence) to seek approval. We are then responsible for administering the payment of their Defence-funded RA.

Refer to [page 69](#) in [Part 3](#) of this report for more information about RA.

Living-in Accommodation (LIA)

We manage the online booking system for approximately 41,200 Defence-owned and maintained beds across 52 Defence bases and establishments. This living-in style accommodation caters for ADF members, reservists and Defence employees who require permanent, transit, temporary and course accommodation to fulfil Defence's operational needs.

Refer to [page 67](#) in [Part 3](#) of this report for more information about LIA.

Related services

Tenancy and property management

We are responsible for allocating service residences to ADF members and managing the resulting tenancy. This includes undertaking a welcome visit when the ADF member first occupies the property, conducting routine inspections of the property, providing general support throughout

the posting and conducting a pre-vacation inspection before the ADF member posts to a new location.

We are also responsible for coordinating repairs and maintenance of service residences, including damage, defects and deterioration. We engage a panel of suitably qualified maintenance providers, comprising approximately 780 businesses across Australia, to deliver these services. Wherever possible, we use local providers in each region to deliver a prompt, high quality service and whilst supporting local economies.

Refer to [page 68](#) in [Part 3](#) of this report for more information about property and tenancy management and our repairs and maintenance services.

Property upgrades

On behalf of Defence, we coordinate upgrades of Defence-owned properties on base and in regional and remote areas of Australia. Modernising the properties provides a better standard of living to ADF members and their families who tenant the properties, and extends the life span of the properties by 10–15 years.

Refer to [page 67](#) in [Part 3](#) of this report for more information about our upgrades program.

Commonwealth Heritage Listed (CHL) properties

On behalf of Defence, we manage and conserve 61 CHL properties at ADF bases and establishments across Australia in accordance with the *Environment Protection and Biodiversity Conservation Act 1999*. We also own 16 CHL properties and two heritage development sites. These properties

are an important piece of Australia's history, as well as the history of the ADF in defending our nation.

Refer to [page 67](#) in [Part 3](#) of this report for more information about the management of our heritage portfolio in 2017–18.

Information technology and reporting

As the administrator of housing policy for Defence, we have designed and developed information technology platforms to effectively capture ADF member transactions, and enable ADF members, their dependants and our maintenance contractors to perform a range of tasks online. We have also worked with Defence to ensure we can supply extensive reporting to help inform their operations and decision-making.

Our web-based platform, Online Services, provides ADF members and their dependants with self-service capability to view information and perform a range of tasks. For example, view properties within their entitlement, reserve a property prior to posting to a new location, view their service residence's condition report, view the status of maintenance requests, update their dependant information or apply for RA or LIA.

Refer to [page 71](#) in [Part 3](#) of this report for more information about Online Services usage in 2017–18.

Refer to [page 117](#) in [Part 4](#) of this report for more information about information management and systems.

Services to investors

Investors are important to us as they help us sustain a high quality, well-located property portfolio and a healthy long-term financial structure. We sell and lease back properties through our property investment program, directly lease properties from private owners, provide a mid-lease sales support service and negotiate with existing investors to renew or extend leases.

Our lease agreement

Other companies have attempted to emulate our turnkey lease product, however, few can match our ability to provide investment opportunities across Australia, our unique role as both the tenant and property manager and our credibility as a GBE.

Distinguishing features of our lease agreement include:

- › a long lease term (typically six-to-12 years; greater when lease options are exercised)
- › reliable rental income payable from the date of settlement and no loss of rental income if the property is not occupied³

› an extensive range of property care services provided during the lease term in return for a service fee, including:

- property and tenancy management
- organising and covering the cost of most day-to-day, non-structural repairs and maintenance
- annual rent review to market value
- make-good of the property at lease-end (includes professional cleaning and, depending on the length of the lease, repainting and/or re-carpeting).

As with any investment, investors retain some responsibilities and risks. These include the payment of compulsory insurances, applicable government or council rates and taxes, fulfilling strata obligations and responsibility for some repairs and maintenance items including structural issues/defects.

Our web-based system, Online Services, provides investors with self-service capability to view information and perform a range of tasks related to their properties. For example, access their lease and property details, update their contact details, view financial and rental statements and view completed property inspection reports and maintenance details.

Refer to [Housing portfolio](#) later in this section of the report for information about the proportion of our portfolio that is leased.

Refer to [page 70](#) in [Part 3](#) of this report for more information about our services to investors and investor satisfaction.

³ Rent may be subject to abatement in limited circumstances



Case study

Improving the investor experience



We have multiple touch-points with our investors and each business unit has dedicated professionals doing their best to service the investors. No one area was directly responsible for investor satisfaction despite investor survey results identifying some areas for improvement regarding investor satisfaction. Our Managing Director acted to address this by establishing the Investor Relations team in November 2016.

The Investor Relations team established a project in June 2017 to focus on enhancing the customer experience for our investors, to maintain satisfaction throughout the life of the lease and to encourage repurchase and/or advocacy of the DHA investment model. The project goals included understanding the needs, expectations and impacts for investors and interpreting research findings to identify improvements to the investor experience.

A key finding of the project was the need to set and manage expectations for our investors; this will be achieved through the delivery of a new welcome experience. The objectives and goals for 2018–19 will specifically focus on improving system capabilities to provide a more effortless and seamless experience for our investors and enhance reporting capabilities in order to identify further improvements. The team will also look to establish an investor loyalty program, continue to educate investors in all aspects of their investment to manage expectations and establish a service framework for the business to adopt.

Housing portfolio

As at 30 June 2018, we managed 18,395 properties worth approximately \$11.1 billion in all capital cities, major regional centres and some remote locations of Australia where the ADF has a presence (refer Figure 2.7).⁴

The majority of properties are integrated throughout the community, close to ADF bases and establishments, and close to a range of amenities and services such as transport, shopping facilities and schools.

Refer to page 72 in Part 3 of this report for details of our housing portfolio by region.

Figure 2.7:
National housing portfolio, 30 June 2018⁵



4 Property state information reported in this table is by DHFs rather than physical locations, eg. properties in Queanbeyan are in Canberra DHF and so are reported in ACT. Properties in Albury are in Wodonga DHF and are reported in VIC.

5 Total portfolio includes properties tenanted by ADF members, privately leased properties, vacant properties, properties offline for maintenance, properties pending sale or disposal, properties pending transfer to our portfolio and properties that are not currently servicing an active client (including 404 properties that are either not on the Defence rent bill while they undergo major works or are being transferred out of the portfolio).

National portfolio

| | |
|--------------|---------------------------|
| MWD | 16,702 |
| MCA | 1,289 |
| Other | 404 |
| Total | 18,395⁵ |

Property type, amenity and location

Our MWD portfolio

MWD service residences must comply with minimum Defence specifications in terms of location, size, amenity and market rent.

Location

In general, MWD service residences should not be more than the greater of 30 kilometres each way by road (or 150 minutes for a round trip) from the base or establishment where the ADF member works.

Amenity

In accordance with Defence's minimum standards, MWD service residences generally comprise three bedrooms, separate lounge and dining areas, kitchen, laundry, bathroom, ensuite, single garage (or carport in NT) and a 25–35 square metre backyard. Where newly constructed, MWD service residences must achieve a minimum six star energy efficiency rating (EER)⁶

As indicated in **Figures 2.8 to 2.10**, the majority of our MWD portfolio features modern, freestanding houses that are six to 10 years old and have four bedrooms.

⁶ EER must be certified by an independent accredited assessor, using AccuRate (NatHERS replacement), other equivalent methods (e.g. state systems such as BERS Pro and BASIX) or, where permitted, Building Code of Australia Deemed-to-Satisfy provisions.

Choice housing

Our MWD portfolio also includes a portion of properties categorised as rent band choice housing (RBCH). These properties are generally inner city apartments and townhouses that

do not meet the minimum standard. ADF members typically choose to live in a RBCH property because the location suits their lifestyle.

Figure 2.8:
MWD portfolio by type, 30 June 2018

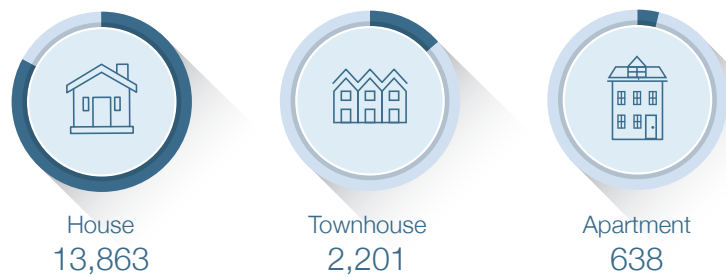
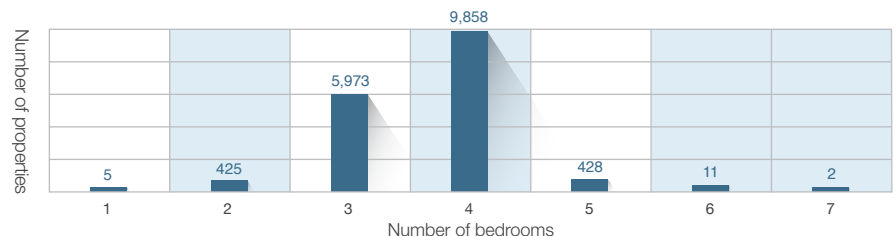


Figure 2.9:
MWD portfolio by age (years), 30 June 2018

| Age | Number of properties | Age | Number of properties |
|-------|----------------------|-------|----------------------|
| 0–2 | 1,887 | 16–20 | 1,534 |
| 3–5 | 2,371 | 21–30 | 2,166 |
| 6–10 | 4,752 | 31–40 | 58 |
| 11–15 | 3,851 | 41+ | 83 |

Figure 2.10:
MWD portfolio by number of bedrooms, 30 June 2018



Our MCA portfolio

Our MCA properties offer MWOD and MWD(U) an attractive alternative to renting privately, including a simple move-in move-out process with no bond or rent required in advance.

Eligible ADF members may also share properties with other eligible ADF members.

There are no minimum standards for MCA properties. As indicated in [Figures 2.11 to 2.13](#), the majority of our MCA properties are two bedroom apartments that are up to two years old.

Refer to [page 64](#) in [Part 3](#) of this report for more information about our MWD and MCA portfolio provisioning performance in 2017–18.

Figure 2.11:

MCA portfolio by type, 30 June 2018

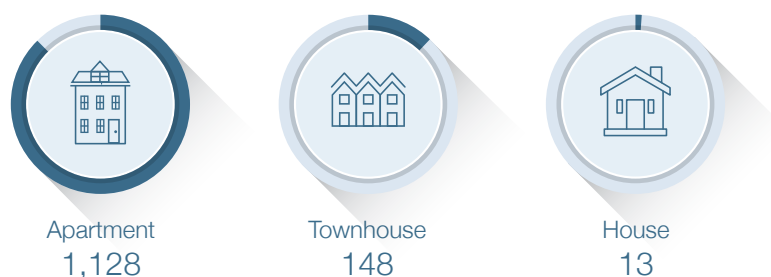


Figure 2.12:

MCA portfolio by age (years), 30 June 2018

| Age | Number of properties | Age | Number of properties |
|-------|----------------------|-------|----------------------|
| 0–2 | 523 | 16–20 | 13 |
| 3–5 | 473 | 21–30 | 23 |
| 6–10 | 128 | 31–40 | 4 |
| 11–15 | 102 | 41+ | 23 |

Figure 2.13:

MCA portfolio by number of bedrooms, 30 June 2018

| Bedrooms | Number of properties |
|----------|----------------------|
| 1 | 161 |
| 2 | 1,068 |
| 3 | 60 |

Portfolio ownership by type

Ownership of our portfolio can be segmented into four categories:

Leased

The majority of our MWD and MCA portfolio is owned by private investors and leased to us.

DHA-owned

We retain a portion of our portfolio for strategic reasons. This includes well-located properties that would be difficult to replace if sold and properties that we choose to hold for financial reasons.

Defence-owned

A portion of our MWD portfolio is owned by Defence. These properties are generally located on ADF bases or establishments.

Annuity

A portion of our portfolio is classified as annuity properties. These are properties that we construct on-base or acquire and/or construct off-base in selected locations and pass the economic risk of holding capital in these markets to Defence.

Figures 2.14 and 2.15 provide a breakdown of our MWD and MCA portfolios by ownership type.

Figure 2.14:

MWD portfolio by ownership type, 30 June 2018

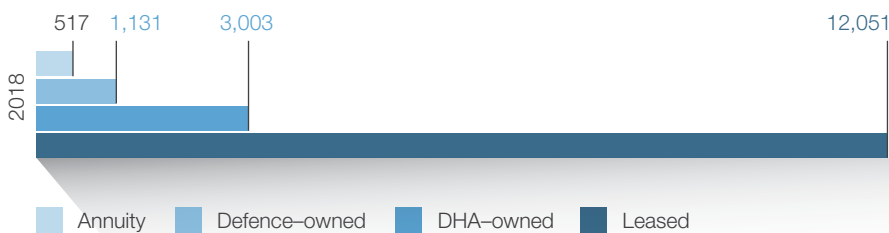
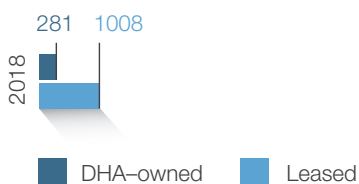


Figure 2.15:

MCA portfolio by ownership type, 30 June 2018



Case study

Fostering One DHA

William Kirkby-Jones, founding Manager Director of DHA, dug the foundations for who we are today through a clear vision of what he wished to achieve, for not only our Defence members, but the communities we work in, our investors and most of all our staff. Our business has grown over the years, it has adapted to changing economic environments, advances in new technology and expansion of our customer base. As with all change, we need to be adaptable to the changing world we live in.

In 2017–18 we began a new chapter with a fresh approach that preserves why we were founded and reflects who we are and where we are going. One DHA is a brand position that sets up a common set of expectations with our core customer groups: ADF members and their families, existing and potential DHA investors and communities. This brand position is designed to unify what DHA does across all the touch points these customers have with DHA, no matter which part of the business they have contact with.

Our research has identified there is significant crossover between our customer groups, and they are not always different groups. An ADF member can be an investor or an investor can also live in a community where we are developing housing.

The project looks at the ways we connect with our audiences by creating alignment across our brand fundamentals, including the behavioural, verbal, and visual expression, based on DHA's values, value proposition, product attributes and culture.







'I had 38 years in the public service, nearly all of them with Defence. I never witnessed an achievement of the bureaucracy that came within a mile of DHA's achievements in making rapid and real advancement.'

Mr Ray Finnegan AM, DHA Board member 1987-1990

Part 3

Performance reporting

Reporting framework and performance overview

Annual Performance Statement

Detailed report on performance



Reporting framework and performance overview

As a corporate Commonwealth entity and Government Business Enterprise (GBE), Defence Housing Australia (DHA) plans and reports in accordance with the:

- › *Public Governance Performance and Accountability Act 2013* (PGPA Act)
- › *Public Governance Performance and Accountability Rule 2014* (PGPA Rule)
- › *Commonwealth Government Business Enterprise Governance and Oversight Guidelines* (GBE Guidelines).

We do not prepare Portfolio Budget Statements (PBS) as the Australian Government does not appropriate funds directly to DHA in the Federal Budget. However, information about

DHA is included in the Department of Defence's PBS as we are part of the Defence portfolio.

Corporate Plan

DHA's Corporate Plan 2017–18 to 2020–21 (Corporate Plan 2017–18) and publicly available Statement of Corporate Intent 2017–18 (SCI) was accepted by our Shareholder Ministers in March 2018.⁷

As set out in our Corporate Plan 2017–18, we worked to achieve our objectives through the fulfilment of three purposes (refer [Figure 3.1](#)). Each purpose has an associated set of performance measures, with 29 key performance indicators (KPIs) in total.

Figure 3.1:
DHA's purposes, 2017–18

| | |
|-----------|---|
| Purpose 1 | Provide housing solutions for ADF members and their families to meet Defence operational requirements |
| Purpose 2 | Provide housing related services and excellent customer service to ADF members and investors |
| Purpose 3 | Maintain a robust financial position to deliver commercial returns to the Australian Government |

⁷ In accordance with section 16E(4) of the PGPA Rule, the DHA Board has chosen not to make our Corporate Plan publicly available to protect DHA's commercial sensitivities. Rather, we prepare and publish a Statement of Corporate Intent (SCI) annually based on our Corporate Plan. Our SCI provides a high level, plain English overview of DHA's key objectives and priorities for the financial year.

Annual Performance Statement

Our Annual Performance Statement, which starts on [page 48](#), has been prepared in accordance with guidelines provided by the Department of Finance. It shows how we performed against the three purposes and associated KPIs set out in our Corporate Plan 2017–18. Overarching analysis of our performance is set out at the end of the statement (refer from [page 61](#)).

Where appropriate, a detailed report on our performance is included elsewhere in this report as follows:

- › Purpose 1 and 2: housing and related services and the associated KPIs are provided after the statement (from [page 64](#))
- › Purpose 3: financial related KPIs and associated KPIs are provided after the statement (from [page 82](#))

The detailed performance report includes commentary, charts and case studies.

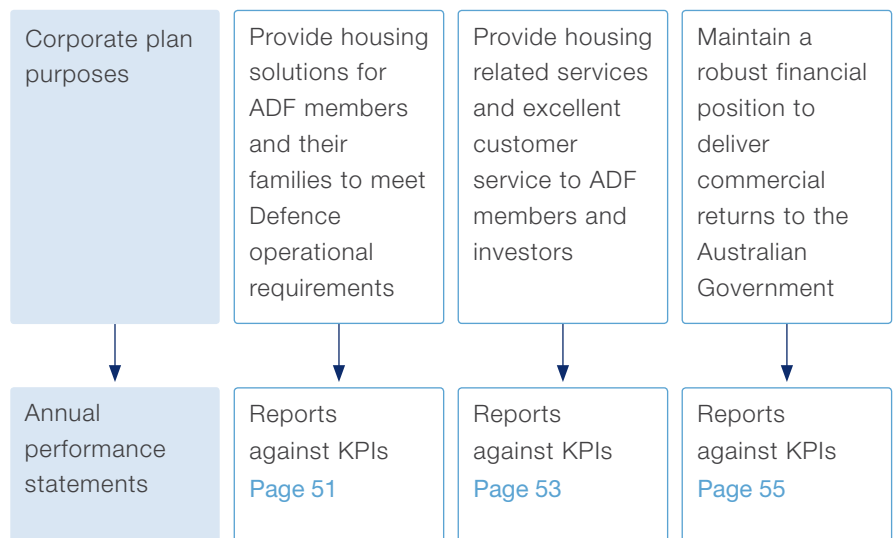
Where applicable, page numbers are provided in the statement for ease of reference.

The relationship between our Corporate Plan and Annual Performance Statement

Figure 3.2 sets out the relationship between reporting measures outlined in our Corporate Plan and Annual Performance Statement for 2017–18.

Figure 3.2:

Relationship between the Corporate Plan and Annual Performance Statement



Statement of preparation

On behalf of the DHA Board of Directors, the accountable authority of DHA, we present the agency's 2017–18 Annual Performance Statement, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In the Board's opinion, based on advice from DHA's management and the Board Audit Committee, this Annual Performance Statement accurately reflects the performance of the agency and complies with subsection 39(2) of the PGPA Act.



Hon J.A.L. (Sandy) Macdonald
Chairman

28 September 2018



Ms Jan Mason
Managing Director

28 September 2018

Our approach

This statement has been organised according to the three purposes in our Corporate Plan 2017–18 and shows our performance in the reporting period.

The following symbols are used to show our performance against the KPIs:

- ✓ Met target
- ✗ Did not meet target

Results snapshot

Table 3.1: Results against KPIs, 2017–18

| Purpose 1: Provide housing solutions for ADF members and their families to meet Defence operational requirements | | |
|--|---|------------|
| Properties provisioned for Defence (MWD) | ✓ | Table 3.2 |
| Properties provisioned for Defence (MCA) | ✗ | Table 3.3 |
| Properties constructed or purchased (MWD) | ✗ | Table 3.4 |
| Properties constructed or purchased (MCA) | ✗ | Table 3.5 |
| Purpose 2: Provide housing related services and excellent customer service to ADF members and investors | | |
| Members satisfied with their service residence (SR) | ✓ | Table 3.6 |
| Members satisfied with overall customer service | ✓ | Table 3.7 |
| Members satisfied with maintenance on occupation | ✓ | Table 3.8 |
| Members satisfied with completed maintenance | ✓ | Table 3.9 |
| Investors satisfied with overall customer service | ✓ | Table 3.10 |
| Purpose 3: Maintain a robust financial position to deliver commercial returns to the Australian Government | | |
| Revenue from the disposal of surplus property | ✗ | Table 3.11 |
| Revenue from the sale of development land and property | ✗ | Table 3.12 |
| Revenue from investment products | ✗ | Table 3.13 |

Purpose 3: Maintain a robust financial position to deliver commercial returns to the Australian Government

| Financial performance | | |
|--|---|------------|
| Total shareholder return | ✓ | Table 3.14 |
| Dividend yield | ✗ | Table 3.15 |
| Dividend payout ratio | ✓ | Table 3.16 |
| Earnings before interest and tax (EBIT) | ✗ | Table 3.17 |
| Earnings before interest, tax and depreciation | ✗ | Table 3.18 |
| Return on equity | ✗ | Table 3.19 |
| Net profit after tax (NPAT) | ✗ | Table 3.20 |
| Business efficiency | | |
| Operating margin | ✗ | Table 3.21 |
| Return on capital | ✗ | Table 3.22 |
| Leverage/solvency | | |
| Gearing ratio | ✓ | Table 3.23 |
| Interest cover | ✗ | Table 3.24 |
| Current ratio | ✗ | Table 3.25 |
| Liquidity ratio | ✓ | Table 3.26 |
| Staff | | |
| Staff retention and turnover rate | ✓ | Table 3.27 |
| Staff engagement | ✗ | Table 3.28 |
| Total recordable injury frequency rate (TRIFR) | ✓ | Table 3.29 |
| Wage and expense ratio | ✗ | Table 3.30 |

Purpose 1: Provide housing solutions for ADF members to meet Defence operational requirements.

Provide housing solutions to ADF members and their families in accordance with contractual arrangements with Defence. Housing solutions include the provision of:

- › housing for Members with Dependants (MWD) in accordance with the Services Agreement
- › housing for Members without Dependants (MWOD) and Members with Dependants (Unaccompanied) (MWOD(U)) in accordance with the Member Choice Accommodation (MCA) Agreement
- › a booking and allocations service for on-base Living-in Accommodation (LIA)
- › buying land to meet our provisioning obligations to Defence, construct and, as required, purchase and/or lease new and established houses.

Table 3.2: Purpose 1, KPI 1 result

| KPI 1: Properties provisioned for Defence (MWD) | | |
|---|-------------------|---------|
| Corporate Plan target | Achievement | Result |
| 16,440 properties | 16,702 properties | ✓ |
| <p>As at 30 June 2018 we had provisioned 16,702 MWD properties, which exceeds the Corporate Plan target by 262 properties, or 1.6 per cent.</p> <p>Brisbane contributed 37 homes due to more outgoing leases being retained for provisioning than the Corporate Plan.</p> <p>Temporary surplus properties associated with development projects had also contributed to the higher stock balance. For example, 49 older properties will be handed back to Defence next year, following the construction of 30 new on-base homes at Canungra in 2017–18. Similarly, Perth has had a higher stock balance due to a large portion of its portfolio currently being upgraded.</p> <p>The Townsville portfolio size was higher than the Corporate Plan by 80 properties as a result of portfolio reduction occurring at a slower pace than planned in the context of decreased Defence needs.</p> | | Page 65 |

Table 3.3: Purpose 1, KPI 2 result

| KPI 2: Properties provisioned for Defence (MCA) | | |
|---|------------------|---------|
| Corporate Plan target | Achievement | Result |
| 1,319 properties | 1,289 properties | ✗ |
| As at 30 June 2018 we had provisioned 1,289 MCA properties, which represents 97.7 per cent of the Corporate Plan target. The negative variance of 30 properties was largely due to our inability to acquire suitable properties in certain locations. | | Page 68 |

Table 3.4: Purpose 1, KPI 3 result

| KPI 3: Properties constructed or purchased (MWD) | | |
|---|----------------|---------|
| Corporate Plan target | Achievement | Result |
| 596 properties | 540 properties | ✗ |
| <p>In 2017–18 we added 540 properties to the MWD portfolio through construction and acquisition activities, which represents 91 per cent of the Corporate Plan target. The negative variance of 56 properties was not unexpected and was affected by external factors over which DHA had little or no control, including:</p> <ul style="list-style-type: none"> › Contractor insolvency (Canberra-38) › Residential property market conditions which delayed acquisition of retail lots (Toowoomba-5) › Strategic management decisions to dispose of land (Sydney-13) | | Page 64 |

Table 3.5: Purpose 1, KPI 4 result

| KPI 4: Properties constructed on purchased (MCA) | | |
|---|---------------|---------|
| Corporate Plan target | Achievement | Result |
| 96 properties | 67 properties | ✗ |
| <p>In 2017–18 we added 67 properties to the MCA portfolio through construction and acquisition activities, which represents 69.8 per cent of the Corporate Plan target. The negative variance of 29 properties was due to difficulty acquiring suitable properties in Cairns (QLD) and Ipswich (QLD). Our ability to add MCA properties to our portfolio was affected by factors over which we had little or no control, including:</p> <ul style="list-style-type: none"> › Defence policy (rent band classifications) › Residential property market conditions (property supply, capital values and yields) | | Page 66 |

Purpose 2: Provide housing related services and excellent customer service to ADF members and investors

Provide housing allocation and tenancy management services to ADF members and their families in accordance with Defence policy. We provide property care services to investors in accordance with lease agreements. We provide excellent, consistent customer service nationally in accordance with our service charter for Defence personnel.

Table 3.6: Purpose 2, KPI 5 result

| KPI 5: Members satisfied with their service residence (SR) | | |
|---|-------------|---------|
| Corporate Plan target | Achievement | Result |
| >80% | 90% | ✓ |
| Annually, we survey MWD (or their partner) who have lived in their SR for more than 12 months to measure satisfaction with housing. In 2017–18, 90 per cent of 3,121 participants were satisfied with their current SR. This result is statistically higher than the result achieved in 2016–17 (87 per cent). Results for the past five years have consistently been above the target rate of 80 per cent. | | Page 68 |

Table 3.7: Purpose 2, KPI 6 result

| KPI 6: Members satisfied with overall customer service | | |
|--|-------------|---------|
| Corporate Plan target | Achievement | Result |
| >80% | 94% | ✓ |
| On a rolling quarterly basis, we survey MWD (or their partner) who have relocated into or from a SR to measure satisfaction with their DHA customer service experience. For 2017–18, 94 per cent of 3,058 participants were satisfied with their customer service experience. This is consistent with the 2016–17 result. Results for the past five years have consistently been above the target rate of 80 per cent. | | Page 70 |

Table 3.8: Purpose 2, KPI 7 result

| KPI 7: Members satisfied with maintenance on occupation | | |
|--|-------------|---------|
| Corporate Plan target | Achievement | Result |
| >80% | 98% | ✓ |
| On a rolling quarterly basis, we randomly survey MWD (or their partner) to determine their level of satisfaction with the standard of maintenance of the property upon occupation. In 2017–18, 98 per cent of 4,772 surveyed tenants were satisfied with the standard of maintenance on occupation. This is consistent with the 2016–17 result. Results for the past five years have consistently been above the target rate of 80 per cent. | | Page 69 |

Table 3.9: Purpose 2, KPI 8 result

| KPI 8: Members satisfied with completed maintenance | | |
|---|-------------|---------|
| Corporate Plan target | Achievement | Result |
| >90% | 96% | ✓ |
| <p>On a rolling quarterly basis, we randomly survey MWD (or their partner) who have had maintenance works undertaken at their SR to determine whether it was completed to a satisfactory standard. During 2017–18, 96 per cent of 6,976 surveyed tenants were satisfied with the overall service. This is similar to results achieved over the past five years.</p> | | Page 69 |

Table 3.10: Purpose 2, KPI 9 result

| KPI 9: Investors satisfied with overall customer service | | |
|---|-------------|---------|
| Corporate Plan target | Achievement | Result |
| >90% | 95% | ✓ |
| <p>We undertake surveys to measure investor satisfaction at various stages of their lease term, including post-purchase (where the property was purchased via our property investment program), during the lease and when the lease ends. The largest of these is the annual investor survey which measures satisfaction with customer service and aspects of property management.</p> <p>In 2017–18, 95 per cent of 865 respondents indicated that they were satisfied with their overall customer service experience. This result is statistically similar to that achieved in 2016–17.</p> | | Page 70 |

Purpose 3: Maintain a robust financial position to deliver commercial returns to the Australian Government

We generate capital through our property investment program where we sell property on long term leaseback arrangements. In addition, we sell excess land and surplus properties that no longer meet Defence minimum standards or requirements. We also retain ownership of and manage a portfolio of housing in strategic locations around Australia.

We deliver value-for-money services to Defence and seek to generate sufficient revenue to enable us to continue achieving our role on a commercially sustainable basis. We do this while continuing to maintain an operational service delivery model, sound governance practices, a skilled and productive workforce and a safe workplace that delivers high quality and professional outcomes.

Table 3.11: Purpose 3, KPI 10 result

| KPI 10: Revenue from the disposal of surplus property | | |
|---|----------------|---------|
| Corporate Plan target | Achievement | Result |
| \$57.3 million | \$32.2 million | ✗ |
| <p>In 2017–18 we sold 55 properties that no longer met minimum Defence standards or provisioning requirements generating revenue of \$32.2 million. This result was \$25.1 million below the Corporate Plan target due to the inadequate supply of stock made available for disposal, high volumes of available stock in weak markets (such as Darwin and Perth) and an enhanced focus on not disposing of properties too early in their provisioning life.</p> | | Page 82 |

Table 3.12: Purpose 3, KPI 11 result

| KPI 11: Revenue from sale of development land and property | | |
|---|-----------------|--------|
| Corporate Plan target | Achievement | Result |
| \$136.4 million | \$104.9 million | ✗ |
| <p>Our development land sales revenue was \$94.9 million for 2017–18, against a Corporate Plan target of \$113.7 million. The shortfall was due to the deferral of the sale of development land at Waterloo (Sydney, NSW) which was originally forecast to settle in February 2018. Settlement is now expected to occur in FY2019–20 to optimise returns made on the site attributable to an anticipated change in zoning. In 2017–18 we settled 10 properties from development property sales generating revenue of \$10.0 million. The result was \$12.7 million below budget. This was due to the decision not to proceed with the construction of the Crimson Hill (Sydney, NSW) townhouses and instead divest as land parcels.</p> | | |

Table 3.13: Purpose 3, KPI 12 result

| KPI 12: Revenue from investment products | | |
|---|-----------------|---------|
| Corporate Plan target | Achievement | Result |
| \$284.9 million | \$278.5 million | ✗ |
| <p>The property investment program continued to be our key funding source to enable the delivery of our Corporate Plan. In 2017–18 we settled 545 properties, generating revenue of \$278.5 million. This result was \$6.4 million below the Corporate Plan target. This shortfall was primarily attributable to forecast settlements deferring into the 2018–19 financial year due to delays with investors' lenders and a more stringent lending environment.</p> | | Page 20 |

Table 3.14: Purpose 3, KPI 13 result

| KPI 13: Total shareholder return | | |
|--|-------------|---------|
| Corporate Plan target | Achievement | Result |
| ≥6.5% | 7.1% | ✓ |
| <p>Total shareholder return is, in essence, the internal rate of return of all cash flows paid to shareholders during the year. We achieved shareholder return 0.6 per cent above the Corporate Plan target.</p> | | Page 82 |

Table 3.15: Purpose 3, KPI 14 result

| KPI 14: Dividend yield | | |
|--|-------------|--------------------|
| Corporate Plan target | Achievement | Result |
| ≥1.4% | 1.0% | ✗ |
| <p>In accordance with the GBE Guidelines, we pay an annual dividend to the Australian Government. We achieved a dividend yield of one per cent which was slightly below the Corporate Plan target.</p> | | Page 30 Page 83 |

Table 3.16: Purpose 3, KPI 15 result

| KPI 15: Dividend payout ratio | | |
|---|-------------|--------------------|
| Corporate Plan target | Achievement | Result |
| 60% | 60% | ✓ |
| <p>In line with the Corporate Plan, we delivered a dividend equivalent to 60 per cent of net profit after tax (NPAT). This equates to \$26.6 million, which we will pay to the Australian Government in quarterly instalments throughout 2018–19.</p> | | Page 30 Page 83 |

Table 3.17: Purpose 3, KPI 16 result

| KPI 16: Earnings before interest and tax (EBIT) | | |
|--|----------------|---------|
| Corporate Plan target | Achievement | Result |
| \$104.8 million | \$78.1 million | ✗ |
| Our EBIT was \$26.7 million lower than the Corporate Plan target. This result was foreshadowed in our third quarter profit forecasts. Challenging property market conditions in key provisioning areas for Defence affected the margin achieved on the disposal program and increased our property impairment. | | Page 82 |

Table 3.18: Purpose 3, KPI 17 result

| KPI 17: Earnings before interest, tax and depreciation | | |
|--|-----------------|---------|
| Corporate Plan target | Achievement | Result |
| \$132.1 million | \$120.3 million | ✗ |
| Our earnings before interest, tax and depreciation were \$11.8 million behind the Corporate Plan target. | | Page 82 |

Table 3.19: Purpose 3, KPI 18 result

| KPI 18: Return on equity | | |
|---|-------------|---------|
| Corporate Plan target | Achievement | Result |
| ≥3.9% | 2.9% | ✗ |
| We achieved return on equity of 2.9 per cent which is below the Corporate Plan target. This was driven by reduced overall profit outcomes, as discussed in KPI result 19 below. | | Page 82 |

Table 3.20: Purpose 3, KPI 19 result

| KPI 19: Net profit after tax (NPAT) | | |
|--|----------------|-------------------------------|
| Corporate Plan target | Achievement | Result |
| \$60.5 million | \$44.3 million | ✗ |
| Consistent with our EBIT result outlined above, we achieved NPAT of \$16.2 million below the Corporate Plan target. Challenging property market conditions in key provisioning areas were foreshadowed in our third quarter profit forecasts. This affected the margin achieved on the disposal program and increased our property impairment. | | Page 30 Page 82 Page 83 |

Table 3.21: Purpose 3, KPI 20 result

| KPI 20: Operating margin | | |
|--|-------------|---------|
| Corporate Plan target | Achievement | Result |
| ≥11.8% | 11.4% | ✗ |
| Operating margin is a measurement of our operating profitability as a percentage of our total revenue. | | Page 83 |

Table 3.22: Purpose 3, KPI 21 result

| KPI 21: Return on capital | | |
|--|-------------|----------|
| Corporate Plan target | Achievement | Result |
| ≥5.7% | 4.2% | ✗ |
| Our return on capital employed result was lower than the Corporate Plan target. This was driven by the lower than budgeted Earnings Before Interest and Tax outcome, referenced above. | | Page 135 |

Table 3.23: Purpose 3, KPI 22 result

| KPI 22: Gearing ratio | | |
|--|-------------|---------------------|
| Corporate Plan target | Achievement | Result |
| ≥24.7% | 24.7% | ✓ |
| This ratio compares to the shareholder equity in DHA to borrowed funds. Our gearing ratio result was in line with the Corporate Plan target. | | Page 83 Page 135 |

Table 3.24: Purpose 3, KPI 23 result

| KPI 23: Interest cover | | |
|--|-------------|---------|
| Corporate Plan target | Achievement | Result |
| ≥5.1% | 4.7 | ✗ |
| Our interest cover ratio result was slightly behind the Corporate Plan target, reflective of the lower than budgeted Earnings Before Interest, Tax and Depreciation. | | Page 83 |

Table 3.25: Purpose 3, KPI 24 result

| KPI 24: Current ratio | | |
|--|-------------|---------------------|
| Corporate Plan target | Achievement | Result |
| ≥5.4% | 3.4 | ✗ |
| Our current ratio result was lower than the Corporate Plan target. This was a result of the lower than budgeted inventory holdings, driven by the timing of delivery of stock from the major developments. | | Page 83 Page 135 |

Table 3.26: Purpose 3, KPI 25 result

| KPI 25: Liquidity ratio | | |
|---|-------------|----------|
| Corporate Plan target | Achievement | Result |
| ≥5.4% | 5.8 | ✓ |
| A ratio used to determine DHA's ability to pay off its short-term debt obligations. Our liquidity ratio was in line with the Corporate Plan target. | | Page 135 |

Table 3.27: Purpose 3, KPI 26 result

| KPI 26: Staff retention and turnover rate | | |
|--|-------------|----------------------|
| Corporate Plan target | Achievement | Result |
| ≤15% | 13% | ✓ |
| Our staff retention and turnover rate was less than the Corporate Plan target by two per cent. This outcome demonstrates that staff turnover was within appropriate levels and did not negatively impact our operations. | | Page 107 Page 108 |

Table 3.28: Purpose 3, KPI 27 result

| KPI 27: Staff engagement | | |
|--|-------------|--------------------------------|
| Corporate Plan target | Achievement | Result |
| ≥75% | 74% | ✗ |
| <p>Ninety per cent of our staff participated in the 2018 Australian Public Service (APS) Census. This was a significant increase compared with our participation rate in the 2016 APS Census (80 per cent) and on par with the 2017 APS Census (91 per cent). This was the second highest participation rate of medium sized agencies in 2018.</p> <p>We achieved a staff engagement score of 74 per cent which demonstrates that our staff were satisfied, committed, motivated and enabled to improve business results.</p> <p>There was a positive variance in our engagement score compared with the APS overall (+4 percentage points).</p> | | Page 6 Page 107 Page 108 |

Table 3.29: Purpose 3, KPI 28 result

| KPI 28: Total recordable injury frequency rate (TRIFR) | | |
|---|-------------|------------------------------|
| Corporate Plan target | Achievement | Result |
| ≤11 | 5.49 | ✓ |
| <p>TRIFR is the number of recordable injuries per million work hours. We achieved a record low rate, far exceeding the benchmark and stretch target we set ourselves in the Corporate Plan. We also continued to see a steady decline in the number of incidents reported. This is testament to our efforts in affecting positive work, health and safety outcomes.</p> | | <p>Page 114 Page 134</p> |

Table 3.30: Purpose 3, KPI 29 result

| KPI 29: Wage and expense ratio | | |
|--|-------------|------------------------------|
| Corporate Plan target | Achievement | Result |
| ≤6.6% | 6.9% | ✗ |
| <p>Our wage and expense ratio was slightly higher with the Corporate Plan target. This demonstrates, while we did not meet the target, that our salary and related payroll expenses were well managed.</p> | | <p>Page 107 Page 108</p> |

Overarching analysis of performance against our purposes

In 2017–18 we achieved or exceeded 13 KPIs as set out in our Corporate Plan 2017–18, while a further 16 KPIs were not met.

Our ability to achieve our KPIs set out under our three purposes is affected by our Service Agreements with Defence, the accuracy of housing requirement forecasting, the policy framework and decisions; as well as the regional property markets and economic factors.

Most significantly, we were able to meet all KPIs set out under Purpose 2 reflecting our dedication to improving our customer service in support of our key customer groups: ADF members and investors. Those KPIs that were not met fell in the majority under Purpose 3, and can be attributed to DHA's pro-active attitude to the rapidly changing organisational and financial environments as set out below.

Throughout the year, in response to challenging market conditions and Defence provisioning needs, and with a focus on financial sustainability, we:

- › developed a revised strategy for the acquisition of new sites to develop
- › reviewed the Capital Program and provisioning approach with a focus on meeting minimum Defence provisioning requirements, by region and by rent band:
 - re-balancing the portfolio to ensure ongoing sustainability and optimal use of capital, and
 - reducing the lease commitment where possible, in light of impending accounting standard changes.

- › undertook a review of the property investment program and the disposal program to enable sustainable portfolio management while providing funding support
- › engaged an external provider, PricewaterhouseCoopers, to review financial hurdles, as they relate to spot acquisitions, constructions and major developments
- › commenced a review of our major development projects, to examine the provisioning need and ensure that financial return measures are both acceptable and sustainable, with reference to current market conditions, Defence operational needs and project specific attributes
- › in consultation with the Department of Defence, renegotiated the MCA, and in doing so undertook extensive financial analysis to ensure underlying operational strategy and financial outcomes aligned with the renewed agreement.

DHA has paid significant financial returns to shareholders over the last 30 years using long-term sale and leaseback arrangements for its property provisioning and funding needs. The model has allowed the business to provide a high level of financial return to its shareholders, paying more than \$2 billion in dividends over the last 20 years, while delivering a high quality housing to the ADF. However, the sale and leaseback model is limited by the following:

- › reliance as a primary funding source creates risk

- › the availability of affordable and attractive investor properties that meet DHA and Defence requirements
- › exposure to regulatory and market movements.

From 2019–20, DHA must comply with new accounting standards that, due to the large number of leases managed (approximately 13,000), will have a greater impact on operations than any other public sector or corporate organisation. The financial impact of the new accounting standards is likely to be material and ongoing over future years. External factors will have a more amplified and material impact on our financial performance. DHA is in a fortunate position due to having an early understanding of disruptors and likely financial impacts and has been able to commence reviewing its business model to help ensure the organisation's continued financial sustainability in the new accounting environment.

Accounting standards implementation project

In April 2018, DHA consolidated various aspects of its accounting standards implementation and business improvement activities into a single project. The project is being led by DHA and, critically, involves its shareholders—the Department of Defence and the Department of Finance.

The priority of the project is to ensure that DHA's approach is financially sustainable and will be able to evolve as needed in an ever-changing operating environment. Importantly, DHA's primary purpose of providing suitable and adequate housing and housing related services to ADF members and their families is unchanged.

DHA's Managing Director Jan Mason chairs the Steering Committee overseeing the project, which also includes senior representatives from Defence and Finance. The Committee met four times in the reporting period. A working group comprising representatives from Defence and Finance considers operational aspects of the project. The working group met twice in the reporting period.

Key achievements of the project in 2017–18:

› Capital Structure Review

Citigroup completed Phase 1 of the Capital Structure Review. The Board and shareholder units have considered Citigroup's findings, which will now feed into development of DHA's future funding pathway. Citigroup also considered DHA's debt limits in light of the impact of the new accounting standards.

› Impact assessment of the new accounting standards

DHA identified that the new accounting standards (AASB 15 and AASB 16) would significantly affect reporting of DHA's financial performance. Following an initial diagnostic phase, DHA engaged EY to provide specialist accounting advice and undertook extensive accounting policy and financial modelling in advance of a whole of government position. DHA is now in the implementation phase and continues to engage with Finance, Defence and the Australian National Audit Office (ANAO) to confirm its accounting policies. DHA is also providing support and assistance to other agencies as the Government implements changes over the coming years.

› Review of the Capital Program and provisioning approach

DHA rebalanced its portfolio to ensure ongoing sustainability, optimal use of capital and that it met Defence's minimum provisioning requirements by region and by rent band. The changes will see DHA successfully targeting 90 per cent provisioning against Defence's targeted demand in 2018–19, minimising property vacancy, reducing lease commitments where possible in light of the accounting standard changes and realising savings over four years to relieve pressure on funding requirements.

Detailed report on performance

This section provides a detailed report on our performance in 2017–18. It is segmented into three sections:

National operational performance

This section details our national performance in delivering the following purposes:

- › Purpose 1: Provide housing solutions for ADF members and their families to meet Defence operational requirements.
- › Purpose 2: Provide housing related services and excellent customer service to ADF members and investors.

Regional operational performance

This section details our performance by region in delivering the following purposes:

- › Purpose 1: Provide housing solutions for ADF members and their families to meet Defence operational requirements.
- › Purpose 2: Provide housing related services and excellent customer service to ADF members and investors.

Financial performance

This section details our performance against:

- › Purpose 3: Maintain a robust financial position to deliver commercial returns to the Australian Government.

National operational performance

Relevant purposes

- › Purpose 1: Provide housing solutions for ADF members and their families to meet Defence operational requirements.
- › Purpose 2: Provide housing related services and excellent customer service to ADF members and investors.

Housing solutions for ADF members and families

Part 2 of this report provided information about our Services to Defence and Housing portfolio (refer [page 32](#) and [38](#) respectively), including how we provision in accordance with Defence forecasts. This section provides information about our national MWD and MCA provisioning performance in 2017–18.

MWD provisioning

- › As set out in [Table 3.2](#) (refer [page 51](#)), we met our Corporate Plan target for MWD properties provisioned to Defence in 2017–18. We did not, however, meet our MWD target for properties constructed or purchased in 2017–18 (refer [Table 3.4, page 52](#)). This was attributed to external factors over which DHA had little or no control including:
 - › Contractor insolvency.
 - › Delayed acquisition of retail lots due to property market conditions.
 - › Strategic management decisions to dispose of land.

Table 3.31 details the complexity of our MWD provisioning program and the activities that contributed to our MWD provisioning performance in 2017–18. The results demonstrate the flexibility of our provisioning programs to respond to changes in residential market conditions, housing demand relative to Defence’s forecast and variations in housing delivery timeframes.

Table 3.31: National MWD portfolio performance, 30 June 2018

| | Actual 2017–18 | Corporate Plan 2017–18 | Variance | APS |
|------------------------|-------------------|---------------------------|----------|--------|
| Opening balance | 16,900 | 16,827 | 73 | 16,949 |
| Acquisitions | 202 | 200 | 2 | 197 |
| Constructions | 338 | 396 | (58) | 413 |
| Direct leases | 93 | 71 | 22 | 71 |
| Lease renewals/options | 1,281 | 1,225 | 56 | 1,225 |
| Total additions | 1,914 | 1,892 | 22 | 1,906 |
| Lease ends | 1,994 | 2,022 | (28) | 2,022 |
| Disposals | 85 | 122 | (37) | 169 |
| Handbacks/transfers | 33 | 135 | (102) | 28 |
| Total subtractions | 2,112 | 2,279 | (167) | 2,219 |
| Closing balance | 16,702 | 16,440 | 262 | 16,636 |

NOTES

CP = Corporate Plan

APS = Approved Provisioning Schedule Opening balance = 1 July 2017

Closing balance = 30 June 2018 Brackets denote a negative number

MCA provisioning

As set out in [Table 3.3](#) and [Table 3.5](#) (refer [page 50](#)) the MCA provisioning targets for 2017–18 were not met.

This negative variance is primarily due to MCA product in priority regions proving difficult to source. MCA financial hurdles, rental amounts above rent band ceilings and market conditions contributed to this difficulty.

Positive outcomes were achieved in relation to the MCA portfolio in 2017–18, including:

- ▶ growing the portfolio from 1,217 properties to 1,289 properties (205 properties to 253 properties in priority regions)
- ▶ successfully negotiated and implemented MCA fee and charges for both priority and non-priority regions.

[Table 3.32](#) details the complexity of our MCA provisioning program and the activities that contributed to our MCA provisioning performance in 2017–18.

Table 3.32: National MCA portfolio performance, 30 June 2018

| | Actual 2017–18 | Corporate Plan 2017–18 | Variance | APS |
|------------------------|-------------------|---------------------------|----------|-------|
| Opening balance | 1,217 | 1,235 | (18) | 1,304 |
| Acquisitions | 63 | 92 | (29) | 92 |
| Constructions | 4 | 4 | - | 4 |
| Direct leases | 30 | 32 | (2) | 32 |
| Lease renewals/options | 42 | 35 | 7 | 35 |
| Transfers | 5 | 8 | (3) | 8 |
| Total additions | 144 | 171 | (27) | 171 |
| Lease ends | 69 | 71 | (2) | 71 |
| Disposals | 3 | 16 | (13) | 11 |
| Total subtractions | 72 | 87 | (15) | 82 |
| Closing balance | 1,289 | 1,319 | (30) | 1,393 |

NOTES

CP = Corporate Plan

Opening balance = 1 July 2017

Closing balance = 30 June 2018 Brackets denote a negative number

Defence upgrades program

After several years of planning, development and testing, we successfully went live on 28 July 2017 with changes to housing-related systems and processes, to support the new Defence pay system, Defence One.

Since 2013, DHA has been a project partner for Defence in the roll-out of their new Defence One pay system. The project involved significant change to how ADF members apply for absences and allowances, the calculation of members housing allowances and contributions and processing of pay transactions, and changes to Defence Housing policy. This required detailed and complex changes to our housing-related systems and processes. We also assisted Defence by providing data to migrate member housing contributions and allowances to the new pay system.

Defence commenced its systems cutover on 28 July, and went live with Defence One on 7 August 2017. Members received their first pay from Defence One on 24 August 2017, with DHA and Defence's contact centres reporting only a minimal increase in calls.

DHA met all of its key project deliverables and milestones, including the delivery of the data migration file (over 40,000 housing entitlement records) to Defence with extremely high data quality (99.87% accuracy). All project risks were successfully mitigated, and DHA met all of its KPI targets with Defence that may have been impacted by the Defence One project. Defence has given special thanks to DHA, and acknowledged DHA's contribution to Defence One.

Seaward Village project

In the reporting period, Phase 1 of the Seaward Village upgrades project (58 dwellings) was successfully completed by two building contractors. The tender for Phase 2 of the project was finalised and a preferred contractor nominated. Completion of these works is scheduled for March 2019. DHA continued to consult with key stakeholders in relation to the upgrade project at Seaward Village in Swanbourne (WA). Refer to the project website (seawardvillage.com.au) for more information.

Commonwealth Heritage Listed properties

As at 30 June 2018, on behalf of Defence, DHA managed 61 Commonwealth Heritage Listed (CHL) properties at ADF bases and establishments across Australia in accordance with the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). DHA also own 16 heritage listed properties including some development sites. DHA undertook conservation activities in accordance with the EPBC Act and the DHA Heritage Strategy.

During the reporting period, DHA also continued a major program of works to conserve or upgrade Defence-owned CHL properties, including:

- › heating and air conditioning installation to properties with insufficient services nationwide
- › remediation of lead dust and lead paint issues of properties nationwide.

Living-in Accommodation (LIA)

We manage the online booking and allocation system for more than 41,000 Defence-owned and maintained LIA beds across 52 Defence bases and establishments. In 2017–18, we continued to expand our LIA service delivery model to perform tasks previously performed by Defence personnel, such as the transfer of the management of LIA rooms for recruit schools into our online system to ensure Defence's asset usage is maximised. By August 2017 all recruits who were currently undergoing training were allocated to the BAS and the LIA Contact Centre has been responsible for the management of all recruit courses. In doing so we have processed more than 6,600 recruit allocations since 31 July 2017 which has contributed to a substantial 24.44 per cent increase in the LIA bulk booking allocations made by the LIA Contact Centre since 2016–17.

In the reporting period, we continued to see occupancy rates increase by nearly two per cent across the entire network of Defence bases and establishments. ADF members or Defence personnel made over 64 per cent of all LIA bookings in 2017–18 using the self-service system. We achieved a 2.7 per cent increase in the number of LIA transit allocations and a 5.86 per cent increase in the number of LIA bulk booking allocations in 2017–18 compared with 2016–17.

Property and tenancy for ADF members and investors

We complement the housing solutions we provide ADF members and their families by providing a suite of property and tenancy related services in accordance with Defence policy and service agreements with Defence. We also provide a number of property and tenancy related services to investors in accordance with lease agreements.

Part 2 of this report detailed information about our Services to Defence, Services to investors and Housing portfolio (refer [pages 32, 35](#) and [38](#) respectively). This section provides more detail about our national property and tenancy management performance in 2017–18.

Overview

DHA is one of the biggest property managers in Australia, with 18,395 properties under management as at 30 June 2018. Not surprisingly, as set out in [Table 3.33](#), this resulted in a high number of property and tenancy related services being performed in 2017–18.

Table 3.33: National property and tenancy services performance, 30 June 2018

| Property and tenancy management service | Number |
|---|---------|
| Housing allocations | 7,381 |
| Property inspections | 63,807 |
| ADF members receiving RA | 4,689 |
| Leases managed | 13,059 |
| Maintenance work orders raised | 245,105 |

DHA-managed properties

While many of the services we deliver to ADF members and investors are similar to those provided by traditional real estate property managers, there are distinct differences. Of note, we do not manage bonds or hold keys for each property. We also perform a higher number of different types of property inspections. Refer to the property inspections section over the page for more information.

Housing allocations

We aim to maximise the number of properties available to ADF members and their families at all times, but particularly during the peak Defence relocation period. One of the ways we measure success is the rate at which members reserve a service residence (SR) in the location that they are being posted to before arriving in their new location. In 2017–18, we facilitated 7,381 housing allocations and 96.11 per cent of ADF members had a home allocated to them prior to arriving

in their new location. As set out in [Table 3.6](#) (refer [page 53](#)), 90 per cent of the 3,121 MWD who participated in our survey were satisfied with their SR. Results for the past five years have been above the target satisfaction rate of 80 per cent set out in our Corporate Plan.

Property inspections

In 2017–18, we completed 63,807 property inspections. More than 11,893 were periodic inspections where we reviewed the condition of the property and, where applicable, provided an inspection report to the owner (investor). We also completed more than 6,899 welcome visits, where we met with the ADF member (or their partner) tenancing the SR or MCA property for the first time, went through the condition report, demonstrated how appliances work, gave practical information (e.g. when bins go out) and provided a small welcome gift.

Rent Allowance (RA)

When a MWD SR or MCA property is not available at the member's rent band classification, or if the home and grounds are not suitable for pets, an ADF member (and their family if applicable) may choose to rent through the private market. ADF members are responsible for finding the accommodation but must engage with us (on behalf of Defence) to seek approval. We are then responsible for administering the payment of their Defence-funded RA.

In 2017–18, we administered 11,171 Rent Allowance applications for ADF members nationally. Sydney (2,395), Brisbane (1,302), and Canberra (1,035) were the three locations with the highest number of Rent Allowance applications. This is indicative of the provisioning challenges in these areas, where demand for properties exceeds the number of properties in our portfolio, or the types of properties available do not suit the member's family composition or their pets.

Repairs and maintenance

Under our Service Agreement with Defence, we must maintain our properties to minimum standards. For this reason, our current lease agreement with investors includes property care, which is a series of property related services we undertake on behalf of the investor in return for a fixed service fee.

In 2017–18, we raised 245,105 work orders for maintenance on properties we own or managed. This included maintenance requests from customers, proactive maintenance we elected to undertake in between tenancies and rectification of property related damage and defects. A panel of approximately 780 qualified businesses across Australia assisted us to ensure maintenance works were completed in a timely manner and to a high standard. As set out in [Table 3.9](#) (refer [page 54](#)), 96 per cent of the 6,976 MWD tenants surveyed in the reporting period were satisfied with completed maintenance. This is similar to results achieved over the past five years.

Leased property management

Investors are an important part of our business. In 2017–18, we managed 13,059 properties on behalf of investors. A dedicated team worked across the business to deliver positive outcomes for investors. We also continued to improve our mid lease sales program, where investors who want to sell their property during the lease term can access a panel of real estate agents with experience in selling DHA investment properties. In 2017–18, 83 per cent of all mid lease sales were facilitated through this program, an increase from 73 per cent in 2016–17.

Online Services and information technology

Our web-based platform, Online Services, complements our traditional service delivery and provides ADF members (or their delegate) and investors the ability to view various property related information and complete a range of tasks on their own.

In 2017–18, we continued to enhance Online Services to improve communication with ADF members, their families and investors, and increase their self-service capability. This refresh provided an updated look and feel for the online solutions platform for all stakeholders. As shown in Figures 3.3 and 3.4, this has contributed to the increased use of Online Services in 2017–18 compared with 2016–17, particularly in peak periods when ADF members relocate and when investors receive details of their property's annual rental valuation.

Customer satisfaction and surveys

We are committed to providing ADF members, investors and all stakeholders with high quality customer service. Our commitment to customer service is set out in our service charter. The charter is available on our website (dha.gov.au/service-charter) and hard copies are available at our regional offices.

As set out in [Tables 3.7](#) and [3.10](#) (refer to [pages 53](#) and [54](#)), we exceeded both ADF member and investor customer service satisfaction targets in 2017–18 (94 per cent of 3,058 participants and 95 per cent of 865 respondents respectively). The results were statistically similar to those achieved in 2016–17.

In addition to seeking feedback via surveys, we invite general feedback, compliments and complaints from our customers, stakeholders and the public. In 2017–18, we received 760 formal complaints nationally. This was a 10 per cent decrease compared with complaints received in 2016–17 (846).

We manage all complaints in accordance with the resolution process set out in our service charter and complaints management framework, which has been developed in accordance with international standards ISO 9001:2015. Wherever possible, complaints are resolved at a local level, with assistance from our national team as needed. We use the information from compliments and complaints to inform business change and develop future initiatives to increase customer satisfaction.

Customer Service Institute of Australia (CSIA)

Since 2016, DHA achieved independent certification from the CSIA against 27 international customer service standards. Pleasingly, we achieved a score of 8.52 out of 10 in 2017–18; an improvement from the 8.15 score we achieved in 2016–17. While this seems like a minimal improvement, a score over 8 is considered extremely high and positions DHA for 'international recognition' in terms of customer service.

DHA was named as a finalist in two categories of the CSIA 2018 Australian Excellence Awards:

- ▶ Customer Service Organisation of the Year—Government/Not for Profit
- ▶ Customer Service Professional of the Year—Thomas Martin

Also in 2018, DHA won the Customer Service Organisation of the Year. This award solidifies DHA's ongoing improvements in performance in customer service and the significant standings in winning the award against a high caliber of other service organisations.

Figure 3.3:

ADF member Online Services sessions, 2016–17 and 2017–18

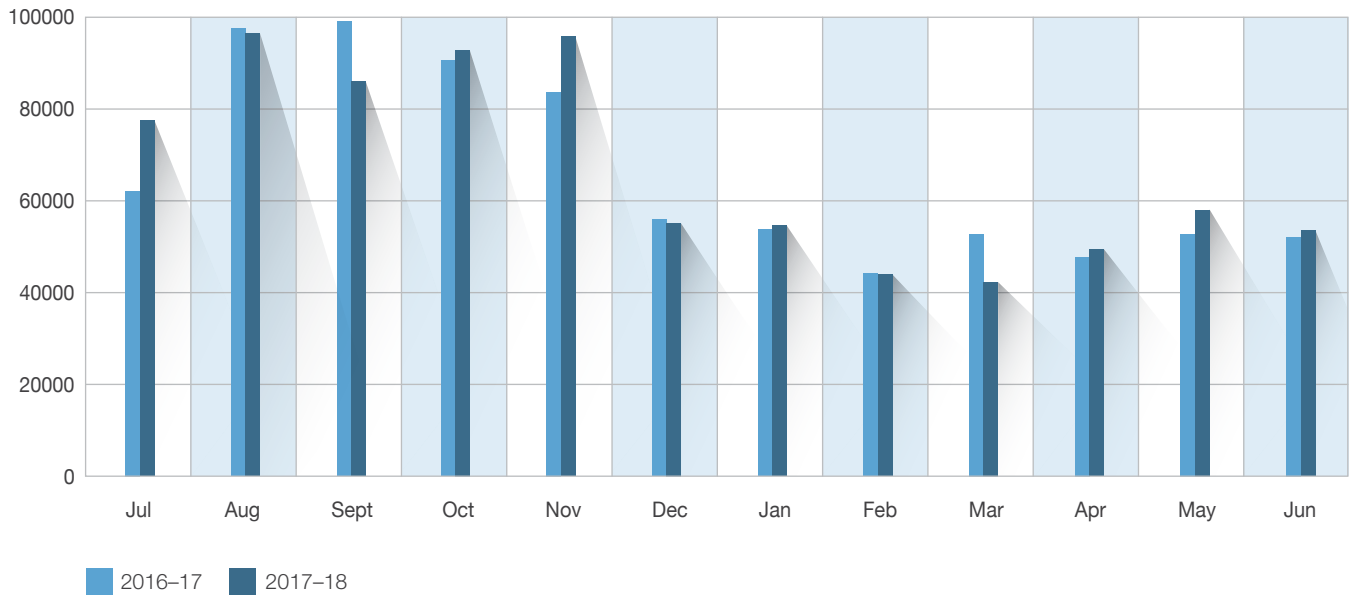
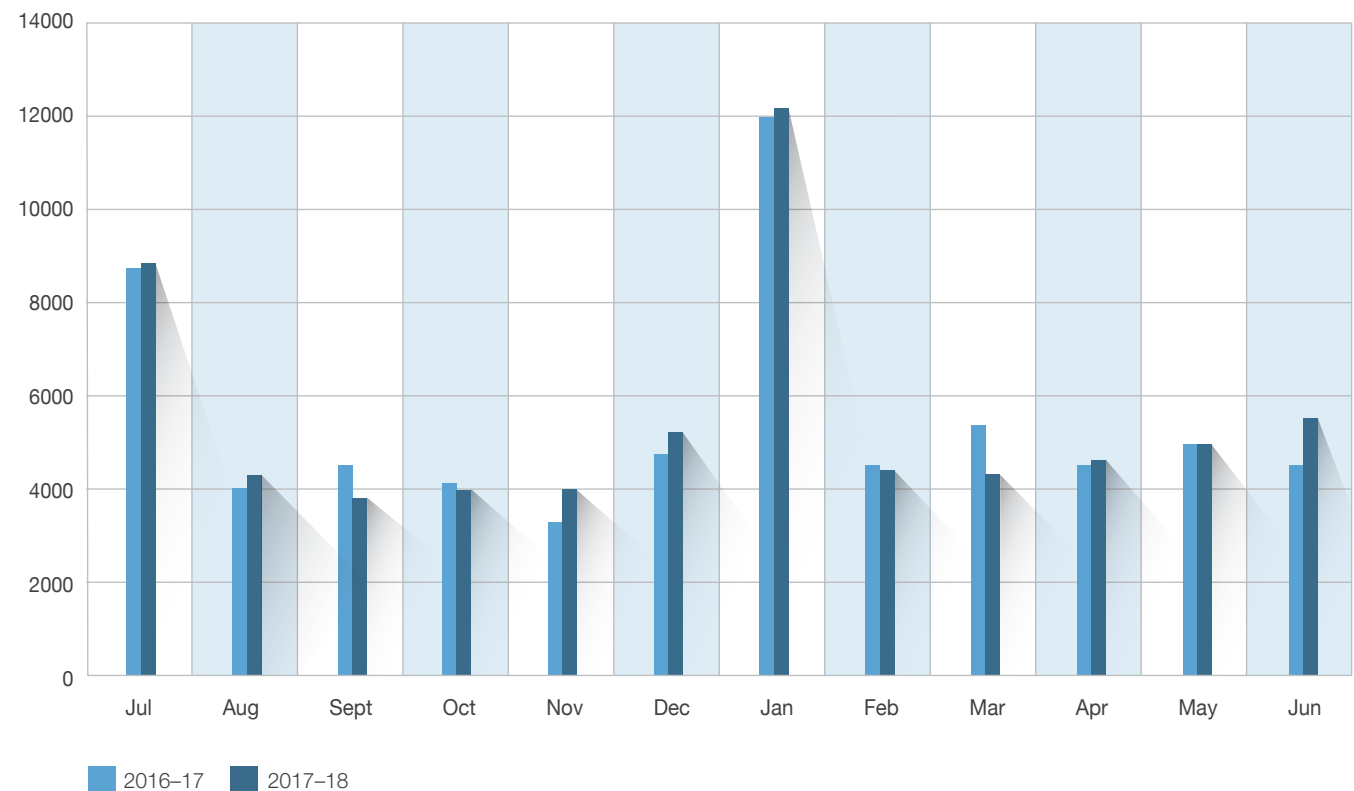


Figure 3.4:

Investor Online Services sessions, 2016–17 and 2017–18



NOTE

The peak in January aligns with the delivery of the annual rent review statements, while the peak in July aligns with the end of financial year.

Regional operational performance

Relevant purposes

- ▶ Purpose 1: Provide housing solutions for ADF members and their families to meet Defence operational requirements.
- ▶ Purpose 2: Provide housing related services and excellent customer service to ADF members and investors.

Northern Territory region

We managed 1,921 properties in the Northern Territory (NT) region as at 30 June 2018. The majority were located in Darwin and Tindal and were freestanding three and four-bedroom houses. We also managed a number of townhouses and high-rise apartments located within close proximity to the Darwin CBD. Properties in the region accommodated members working at a number of ADF bases and establishments, including RAAF Base Darwin, Larrakeyah Barracks and RAAF Base Tindal.

Table 3.34: NT region property provisioning and related services, 2017–18

| | Darwin | Tindal Alice Springs | Total |
|--------------------------------|--------|----------------------|--------|
| Property provisioning | | | |
| Property additions | | | |
| MWD constructions/acquisitions | 80 | 10 | 90 |
| MCA constructions/acquisitions | 18 | 0 | 18 |
| Closing balance (30 June 2018) | | | |
| MWD properties | 1,323 | 358 | 1,681 |
| MCA properties | 240 | 0 | 240 |
| Property and tenancy services | | | |
| Housing allocations | 665 | 131 | 796 |
| Property inspections | 6,419 | 1,356 | 7,775 |
| ADF members receiving RA | 282 | 15 | 297 |
| Leases managed | 954 | 0 | 954 |
| Maintenance work orders raised | 26,004 | 6,125 | 32,129 |

Queensland regions

North Queensland (NQLD) region

We managed 1,807 properties in the NQLD region as at 30 June 2018. The majority were located in Townsville and Cairns and were three and four-bedroom freestanding houses. We also managed a number of townhouses and high-rise apartments located within close proximity to the city centres. Properties in the region accommodated members working at a number of ADF bases and establishments, including Lavarack Barracks and HMAS Cairns.

Table 3.35: NQLD region property provisioning and related services, 2017–18

| | Townsville | Cairns | Total |
|--------------------------------|------------|--------|--------|
| Property provisioning | | | |
| Property additions | | | |
| MWD constructions/acquisitions | 23 | 5 | 28 |
| MCA constructions/acquisitions | 0 | 0 | 0 |
| Closing balance (30 June 2018) | | | |
| MWD properties | 1,490 | 213 | 1,703 |
| MCA properties | 101 | 3 | 104 |
| Property and tenancy services | | | |
| Housing allocations | 608 | 79 | 687 |
| Property inspections | 6,084 | 850 | 6,934 |
| ADF members receiving RA | 364 | 49 | 413 |
| Leases managed | 1,458 | 179 | 1,637 |
| Maintenance work orders raised | 27,199 | 4,277 | 31,476 |

South Queensland (SQLD) region

We managed 3,490 properties in the SQLD region as at 30 June 2018. The majority were located in Brisbane and Ipswich and a smaller number were located in Toowoomba, Canungra and the Gold Coast.⁸ The majority of properties were three and four-bedroom freestanding houses. We also managed a number of townhouses and high-rise apartments. Properties in the region accommodated members working at a number of ADF bases and establishments, including Gallipoli Barracks and RAAF Base Amberley.

Table 3.36: SQLD region property provisioning and related services, 2017–18

| | Brisbane | Ipswich | Toowoomba | Total |
|--------------------------------|----------|---------|-----------|--------|
| Property provisioning | | | | |
| Property additions | | | | |
| MWD constructions/acquisitions | 60 | 68 | 8 | 136 |
| MCA constructions/acquisitions | 0 | 0 | 0 | 0 |
| Closing balance (30 June 2018) | | | | |
| MWD properties | 1,933 | 1,067 | 210 | 3,210 |
| MCA properties | 259 | 21 | 0 | 280 |
| Property and tenancy services | | | | |
| Housing allocations | 887 | 447 | 99 | 1,433 |
| Property inspections | 7,832 | 3,659 | 752 | 12,243 |
| ADF members receiving RA | 594 | 285 | 36 | 915 |
| Leases managed | 1,801 | 862 | 197 | 2,860 |
| Maintenance work orders raised | 29,509 | 15,849 | 3,161 | 48,519 |

⁸ Properties located in Canungra and the Gold Coast are included in the Ipswich figures as they are managed by DHA's Ipswich regional office.

New South Wales region

We managed 4,550 properties in the New South Wales (NSW) region as at 30 June 2018.⁹ The majority were located in Sydney and a smaller number were located in the Hunter Valley (Newcastle, Singleton) and Nowra. The majority of properties were three and four-bedroom freestanding houses. Our Sydney property portfolio comprises a mix of freestanding houses, townhouses and high-rise apartments, reflective of the region's higher population and housing density. Our properties accommodated members working at a number of ADF bases and establishments, including Holsworthy Barracks, RAAF Base Williamtown and HMAS Creswell.

Table 3.37: NSW region property provisioning and related services, 2017–18

| | Sydney | Hunter Valley | Nowra | Total |
|--------------------------------|--------|---------------|-------|--------|
| Property provisioning | | | | |
| Property additions | | | | |
| MWD constructions/acquisitions | 51 | 45 | 12 | 108 |
| MCA constructions/acquisitions | 0 | 13 | 0 | 13 |
| Closing balance (30 June 2018) | | | | |
| MWD properties | 3,044 | 993 | 363 | 4,400 |
| MCA properties | 122 | 28 | 0 | 150 |
| Property and tenancy services | | | | |
| Housing allocations | 1,054 | 403 | 112 | 1,569 |
| Property inspections | 9,951 | 3,874 | 1,362 | 14,827 |
| ADF members receiving RA | 1,198 | 190 | 138 | 1,526 |
| Leases managed | 2,119 | 875 | 302 | 3,296 |
| Maintenance work orders raised | 34,565 | 14,770 | 5,014 | 54,439 |

⁹ Properties in Wagga Wagga and Albury (NSW) are included in the ACT and Riverina region on page 76.

Australian Capital Territory and Riverina region

We managed 2,860 properties in the Australian Capital Territory (ACT) and Riverina region as at 30 June 2018. The majority were located in the Canberra region, which includes properties in adjacent NSW cities.¹⁰ A smaller number were located in Wagga Wagga (NSW), Albury (NSW) and Wodonga (VIC).¹¹ The majority of properties were three and four-bedroom freestanding houses, however, we also managed a number of townhouses and high rise apartments located close to the Canberra CBD. Properties in the region accommodated members working at a number of ADF bases and establishments, including Headquarters Joint Operation Command, Kapooka and Latchford Barracks.

Table 3.38: ACT and Riverina region property provisioning and related services, 2017–18

| | Canberra | Wagga Wagga | Albury/Wodonga | Total |
|--------------------------------|----------|-------------|----------------|--------|
| Property provisioning | | | | |
| Property additions | | | | |
| MWD constructions/acquisitions | 48 | 15 | 10 | 73 |
| MCA constructions/acquisitions | 0 | 0 | 0 | 0 |
| Closing balance (30 June 2018) | | | | |
| MWD properties | 1,957 | 301 | 329 | 2,587 |
| MCA properties | 273 | 0 | 0 | 273 |
| Property and tenancy services | | | | |
| Housing allocations | 974 | 160 | 162 | 1,296 |
| Property inspections | 7,288 | 1,196 | 1,340 | 9,824 |
| ADF members receiving RA | 608 | 42 | 45 | 695 |
| Leases managed | 1,864 | 168 | 269 | 2,301 |
| Maintenance work orders raised | 25,084 | 3,904 | 4,598 | 33,586 |

¹⁰ Properties in NSW cities adjacent to Canberra are included in the Canberra figures as they are managed by DHA's ACT regional office.

¹¹ Properties in Albury are included in the Wodonga figures as they are managed by DHA's Wodonga regional office.

Victoria and Tasmania region

We managed 1,219 properties in the Victoria (VIC) and Tasmania (TAS) region as at 30 June 2018.¹² The majority were located in Victoria, including Melbourne, Puckapunyal, Frankston and Sale. We also managed 39 properties in Hobart. The majority of properties were three and four-bedroom freestanding houses, however, we also managed a number of townhouses and high rise apartments located close to the Melbourne CBD. Properties in the region accommodated members working at a number of ADF bases and establishments, including HMAS Cerberus, Puckapunyal Military Area and RAAF Base East Sale.

Table 3.39: VIC and TAS region property provisioning and related services, 2017–18

| | Victoria | Tasmania | Total |
|--------------------------------|----------|----------|--------|
| Property provisioning | | | |
| Property additions | | | |
| MWD constructions/acquisitions | 43 | 0 | 43 |
| MCA constructions/acquisitions | 4 | 0 | 4 |
| Closing balance (30 June 2018) | | | |
| MWD properties | 1,157 | 39 | 1,196 |
| MCA properties | 23 | 0 | 23 |
| Property and tenancy services | | | |
| Housing allocations | 550 | 10 | 560 |
| Property inspections | 3,982 | 83 | 4,065 |
| ADF members receiving RA | 305 | 10 | 315 |
| Leases managed | 471 | 9 | 480 |
| Maintenance work orders raised | 16,201 | 422 | 16,623 |

¹² Properties in Wodonga (VIC) are included in the ACT and Riverina region on page 76.

South Australia region

We managed 1,037 properties in the South Australia (SA) region as at 30 June 2018. The majority were located in and around Adelaide and were three and four-bedroom freestanding houses. We also managed a number of townhouses and high-rise apartments located close to the Adelaide CBD. Properties in the region accommodated members working at a number of ADF bases and establishments including RAAF Base Edinburgh, Keswick Barracks and Woodside Barracks.

Table 3.40: SA region property provisioning and related services, 2017–18

| | Total |
|--------------------------------|--------|
| Property provisioning | |
| Property additions | |
| MWD constructions/acquisitions | 45 |
| MCA constructions/acquisitions | 32 |
| Closing balance (30 June 2018) | |
| MWD properties | 917 |
| MCA properties | 120 |
| Property and tenancy services | |
| Housing allocations | 477 |
| Property inspections | 4,112 |
| ADF members receiving RA | 274 |
| Leases managed | 824 |
| Maintenance work orders raised | 13,615 |

Western Australia region

We managed 1,107 properties in the Western Australia (WA) region as at 30 June 2018. The majority were located in Perth and Rockingham, but we also managed a small number of properties in Broome, Exmouth, Geraldton, Karratha and Pearce. The majority of properties were three and four-bedroom freestanding houses, however, we also managed a number of townhouses and high rise apartments. Properties in the region accommodated members working at a number of ADF bases and establishments including Garden Island, RAAF Base Pearce and Irwin Barracks.

Table 3.41: WA region property provisioning and related services, 2017–18

| | Total |
|--------------------------------|--------|
| Property provisioning | |
| Property additions | |
| MWD constructions/acquisitions | 17 |
| MCA constructions/acquisitions | 0 |
| Closing balance (30 June 2018) | |
| MWD properties | 1,008 |
| MCA properties | 99 |
| Property and tenancy services | |
| Housing allocations | 435 |
| Property inspections | 3,984 |
| ADF members receiving RA | 254 |
| Leases managed | 725 |
| Maintenance work orders raised | 14,804 |



Case study

Liv Public Artwork



At the forefront of our development program is our commitment to creating healthy, vibrant, sustainable communities. When our organisation was established 30 years ago, it was done so out of a need to create a better lifestyle for Defence families, today we have evolved and build communities for all Australians. One key means of engaging with the communities in which we build is including elements of local culture when planning our developments.

DHA's Liv apartment development is a contemporary new apartment complex comprising three uniquely designed buildings located in the new East Side of Fremantle, Western Australia—a rapidly developing new precinct with a character all of its own: contemporary, cultured and eclectic. To embody that element of culture into the development, DHA commissioned a public artwork designed by Fremantle artist Rick Vermey and his colleague Daniel Giuffre.

The striking geometric design concept has a distinctly 'Freo feel', taking inspiration from the city's rich shipping port history, weather elements such as the 'Freo Doctor' and contemporary elements that reflect the colourful and edgy Fremantle of today.

The tunnel-like structure will be visible from Liv Apartment's Queen Victoria and Quarry Street entrances and will be illuminated from within, creating a vibrant space for Liv's residents and the wider Fremantle community to enjoy.

'The thing is an immensely complex object, covering more than 200 square metres in area, made up of thousands of individual pieces and parts, all needing to join up at precisely accurate angles with very small tolerances for error,' said Mr Vermey.

The after-dark presence created by the wind-animated dynamic lighting will become a terrific local attraction, and will provide a focal point for night-time visitors to the precinct.

The artwork also satisfies Fremantle Council's mandate that developers contribute expenditure on public art.

Financial performance

Relevant purpose

- › Purpose 3: Maintain a robust financial position to deliver commercial returns to the Australian Government.

Overview

DHA is committed to achieving a sustainable long-term financial structure and paying annual dividends to the Australian Government. As a GBE, DHA does not receive funding directly from the Federal Budget and instead seeks to generate sufficient revenue to deliver on outcomes on a commercially sustainable basis. In doing so, DHA continues to manage a range of pressures, efficiencies and savings, while maintaining high standards of service delivery and customer satisfaction.

Our Corporate Plan 2017–18 to 2020–21 reflected a substantial reduction in our business risk profile and associated profits as a result of:

- › contracted growth of our MCA program
- › reduced exposure to large scale apartment developments
- › revised property investment program targets relative to levels achieved in previous years
- › implementation of improved internal processes and governance arrangements.

This section provides an overview of our financial performance and management arrangements in 2017–18.

Refer to [Part 5](#) of this report for our consolidated financial statements for 2017–18 (DHA and DHA IML).

Refer to [Part 6 \(Appendix C\)](#) for a summary of our five year financial performance.

Financial results

Overall, DHA's financial performance in 2017–18 was lower than targets set in the Corporate Plan. As foreshadowed in our quarterly performance reports, the property market conditions in areas of key Defence provisioning, in particular Darwin and Townsville, have significantly impacted our full year profit outcomes on the Property Investment and Disposal Programs and on the carrying value of our owned portfolio. A decision to defer the sale of the Waterloo development site (Sydney, NSW) to outer years also negatively impacted full year profit outcomes.

DHA realised savings on its operating and personnel costs and repairs and maintenance spend, and benefited from the revised fee arrangements executed in November 2017 on the MCA contract.

Refer to our Annual Performance Statement (from [page 47](#)) for full details of how we performed against the financial related KPIs in our Corporate Plan.

Returns to the Australian Government

In accordance with the GBE Guidelines, we will pay an annual dividend to the Government. Based on 60 per cent of our NPAT, we will pay the Government a \$26.6 million dividend for 2017–18 (paid in quarterly instalments throughout 2018–19). This equates to \$237.5 million paid in dividends over the past five years (refer [Figure 3.5](#)).

We also monitor total shareholder return which measures the total return to our shareholders arising from dividends, as well as the growth in the value of the business. We achieved a return of 7.1 per cent which was 0.6 per cent above the Corporate Plan target of 6.5. This demonstrates that we continued to add to shareholder value.

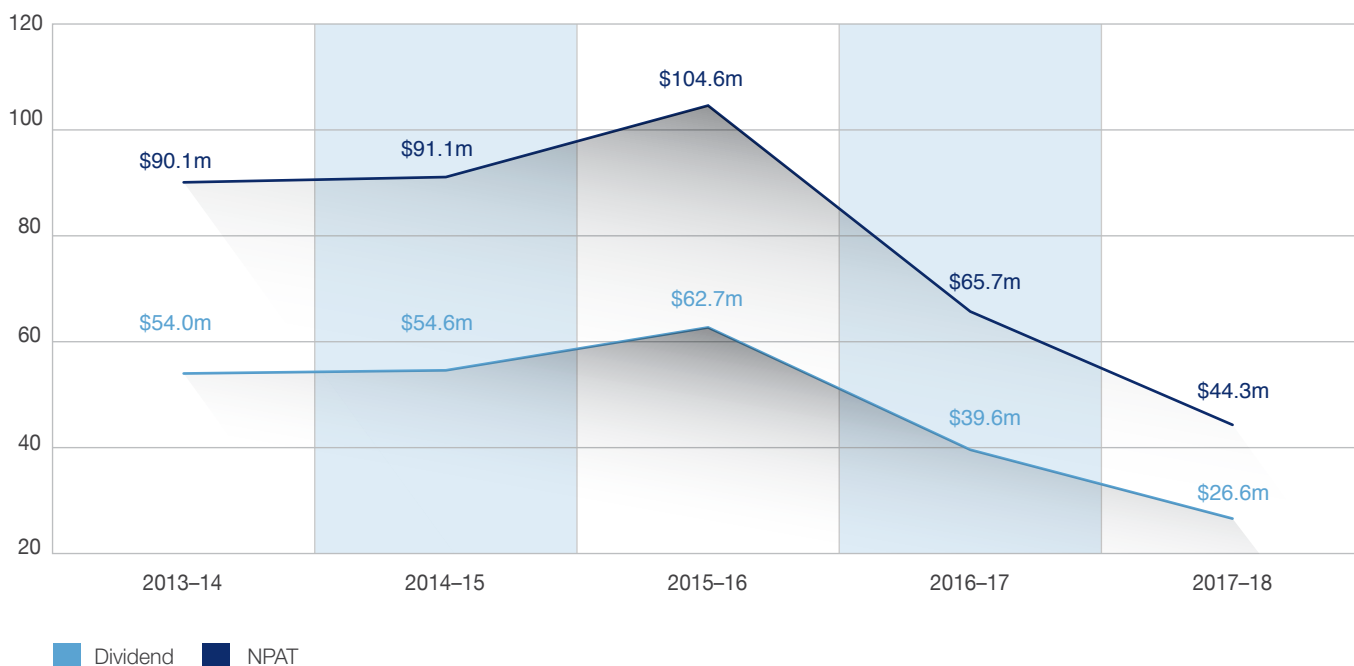
Financial management

Capital management

As at 30 June 2018, we employed total capital of more than \$2 billion, funded through \$1.5 billion in equity and \$509.6 million in debt through a loan agreement with the Commonwealth. The Australian Government, as our owner, contributed equity of \$403.9 million. Debt is sourced through a loan arrangement with the Department of Finance.

Figure 3.5:

NPAT and annual dividend payments, 2013–14 to 2017–18



We do not have a commercial overdraft facility or access to re-drawable loan facilities. There were no new borrowings during the reporting period and, as at 30 June 2018, gearing was 24.7% and the financial results for the year provided interest cover at 4.7 times.

Capital structure review

In April 2018, due to considerable interdependencies and interlinkages, DHA combined its capital structure review, accounting standards project and a significant and coordinated review of its business model into a single project. Refer to [section 3](#) for more information.

Credit rating

Standard & Poor’s Rating Services conducts an annual credit rating assessment of DHA.

Their report issued on 19 December 2017 confirmed a corporate credit issuer rating of AA+/Negative/ A-1+. This rating is reflective of their assessment of the effect of government ownership and the level of support implied by that ownership.

Standard & Poor’s also provided a standalone credit profile rating of DHA of BBB+. This credit profile is one rating above the target for GBEs specified in the GBE Guidelines.

Taxation

We fully comply with the Australian Government’s income tax, fringe benefits tax, and goods and services tax legislation. We are also required to comply with the competitive neutrality policy ensuring that we cannot gain a commercial advantage resulting from tax exemptions flowing from our status as a GBE. In accordance with this policy, we make tax equivalent payments in respect of state taxes that would apply if the exemption provision was not in the DHA Act.

Our current tax expense represents amounts paid and payable to the Australian Taxation Office and is in the order of \$16.9 million for 2017–18. We also paid \$34.0 million and DHA will pay a further \$6.1 million to the Commonwealth (totaling \$40.1 million) in state tax equivalent payments in 2017–18.



'Was it fun? Yes. Was it the best job in the world? Yes it was. Why? Because every day you went to work, you were unquestionably improving the quality of life of a Service family somewhere in Australia.'

Williams Kirkby-Jones, DHA's founding Managing Director

Part 4

Management and accountability

Legislative framework

Governance structure

Risk management, internal audit and compliance

Procurement and consultancies

External scrutiny

Workforce management

Information management and systems

DHA Investment Management Limited



Legislative framework

The legislative framework in which DHA operates influences our corporate governance. The most important pieces of legislation are outlined below.

Defence Housing Australia Act 1987

Defence Housing Australia (DHA), formerly known as the Defence Housing Authority, was established as a statutory authority¹³ on 1 January 1988 under the *Defence Housing Authority Act 1987* (Cth). On 23 November 2006, in accordance with the *Defence Housing Authority Amendment Act 2006* (Cth), the Authority was renamed Defence Housing Australia and our principal Act was renamed *Defence Housing Australia Act 1987* (DHA Act).

The DHA Act sets out our functions, powers, corporate structure and delegations. In accordance with section 5 of the Act:

- ▶ The main function of DHA is to provide adequate and suitable housing for, and housing related services to:
 - a. members of the Defence Force and their families
 - b. officers and employees of the Department and their families
 - c. persons contracted to provide goods or services to the Department and their families

- d. persons contracted to provide goods or services to the Defence Force and their families

in order to meet the operational needs of the Defence Force and the requirements of the Department.

In accordance with section 6 of the Act, DHA may provide housing and housing related services to non-corporate Government entities other than the Department of Defence in order to meet the requirements of that entity.

¹³ A statutory authority is a body created by the Parliament for a specific purpose.

Public Governance, Performance and Accountability Act 2013

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and its associated instruments, policies and guidance set the standards of governance, performance and accountability for Commonwealth entities and companies. The PGPA Act also imposes specific duties on our Board members and senior executives relating to the use and management of resources.

In accordance with definitions in section 8 of the PGPA Act, DHA is a corporate Commonwealth entity¹⁴. As a corporate Commonwealth entity, DHA must comply with the following PGPA Act associated instruments and policies:

- › *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule)
- › *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*
- › any government policy orders.

¹⁴ A corporate Commonwealth entity is a corporate body, established by a law of the Commonwealth but legally separated from it. Corporate Commonwealth entities can act in their own right and exercise certain legal rights such as entering into contracts and owning property.

In accordance with section 5 of the PGPA Rule, DHA is one of nine Government Business Enterprises (GBEs).¹⁵ As a GBE, DHA is expected to comply with *Resource Management Guide No. 126 Commonwealth Government Business Enterprise—Governance and Oversight Guidelines* (GBE Guidelines). The GBE Guidelines prescribe additional considerations on Board and corporate governance, financial governance and planning and reporting.

In 2017–18:

- › The Department of Finance reviewed and reissued the GBE Guidelines.
- › The PGPA Act and PGPA Rule were the subject of an independent review in accordance with section 112 of the PGPA Act.

DHA was an active participant in both reviews, providing written responses or submissions as appropriate.

¹⁵ A GBE is a body created when the Australian Government wishes to conduct some sort of commercial enterprise at arm's length from usual departmental structures and processes. DHA became a GBE in 1992 and, as at 30 June 2018, was one of two GBEs prescribed in section 5(1) of the PGPA Rule.

Other applicable legislation

DHA is the only GBE that employs its staff under the *Public Service Act 1999* (Cth). As an Australian Government employer, we must adhere to the provisions and statutes of various employment related legislation including, but not limited to, the *Fair Work Act 2009* (Cth) and the *Work, Health and Safety Act 2011* (Cth).

As a statutory agency, we must also operate in accordance with Commonwealth legislation including, but not limited to, the:

- › *Archives Act 1983*
- › *Freedom of Information Act 1982* (FOI Act)
- › *Privacy Act 1988* (Privacy Act)
- › *Public Interest Disclosure Act 2013*

We review our privacy policy and procedures at least annually. In 2017–18, we implemented the Data Breach Notification Scheme, a data breach response plan and standard operating procedures to support new legislation in accordance with the Privacy Act.

Refer to our website (dha.gov.au) for our privacy policy and information in relation to the Information Publication Scheme, as required under the FOI Act.

Governance structure

DHA's governance structure informs decision-making and ensures we produce accountable business outcomes and sound organisational performance.

Shareholder Ministers

The Australian Government's interests in DHA are overseen by two Shareholder Ministers: the Minister for Defence and the Minister for Finance. As DHA sits within the Defence portfolio of the Australian Government, the Minister for Defence is our responsible minister. The Minister for Defence may delegate responsibility for DHA operational matters to a Defence portfolio minister.

Shareholder Ministers in 2017–18

Senator the Hon Marise Payne was appointed Minister for Defence on 21 September 2015. Senator the Hon Mathias Cormann was appointed Minister for Finance on 18 September 2013. Each held their respective positions when both houses of Parliament were dissolved on 9 May for the 2016 federal election. They were each re-elected and held their respective positions as at 30 June 2018.

In 2017–18, the Minister for Defence delegated responsibility for DHA operational matters to the Minister for Defence Personnel. The following members of Parliament held the position during the period:

- ▶ Hon Dan Tehan MP: from 1 July 2017 to 20 December 2017;

- ▶ Hon Michael McCormack MP: from 20 December 2017 to 5 March 2018;
- ▶ Hon Darren Chester MP: from 5 March 2018 to 30 June 2018.

Ministerial directions and policy orders in 2017–18

DHA received two directions from the Minister for Defence under section 31(2) of the DHA Act:

1. *Transfer of land at Bringelly New South Wales (1 November 2017)*

The Minister directed DHA to transfer 114.9 hectares of land we owned, known as 215 Badgerys Creek Road Bringelly NSW 2556, to the Department of Defence for Commonwealth use. DHA fully complied with this Ministerial direction in the reporting period.

In accordance with section 32 of the DHA Act, DHA made a claim to the Minister for Defence for financial detriment it incurred as a result of complying with the ministerial direction. The Minister determined that DHA be paid \$11,591,252 for complying with the order.

DHA sought a Private Binding Ruling from the Australian Taxation Office (ATO) in relation to the income tax consequences of the land transfer. The ATO concluded that the transfer of the land, by way of ministerial direction, was a disposal of trading stock in the ordinary course of

DHA's business, resulting in no net income tax liability for DHA due to the transfer.

2. *Relocation of Defence Housing Australia Offices (19 April 2018)*

The Minister directed DHA to relocate all of its ACT offices (being its head office and ACT regional office) to a co-located facility in the Gungahlin Town Centre.

In the reporting period, DHA commenced a considerable planning process to give effect to the ministerial direction.

There is currently no building located in Gungahlin suitable for DHA to move in to. DHA is in the process of identifying suitable land for construction of a purpose built building.

Once suitable land has been identified and a suitable building constructed, based on expiry of current building leases, DHA's head office will relocate to Gungahlin by 22 March 2022 and the ACT regional office will relocate to Gungahlin by August 2023. These planning dates are consistent with the Ministerial direction and correspondence received from the then Minister for Defence, Senator the Hon Marise Payne.

Board of Directors

Our Board is established in accordance with Part III of the DHA Act and is the accountable authority for DHA under the PGPA Act. Our Board:

- › ensures that we perform our functions in a proper and efficient manner that is, as far as practicable, consistent with sound commercial practice
- › makes decisions on organisational direction and strategy, largely through our Corporate Plan
- › recognises that primary responsibility for operational management and achievement against the Corporate Plan rests with the Managing Director.

Board members

In accordance with section 12 of the DHA Act, our Board consists of:

- › eight non-executive members with a mix of APS, Defence and commercial (e.g. property development, business or finance) experience
- › one executive member who is also the DHA Managing Director.

Board members as at 30 June 2018



**Hon J.A.L. (Sandy) Macdonald,
Chairman**
(non-executive member)

Bachelor of Laws (Sydney) | Member of the Australian Institute of Company Directors

Mr Macdonald was appointed as a member of the Board in July 2008 and was appointed Chairman in February 2015. He has considerable public and private company experience. He was elected to the Australian Senate in 1993 and served multiple terms before retiring in 2008. His Parliamentary service includes eight years as Chair of the Senate Foreign Affairs, Defence and Trade Committee, and periods as Deputy Leader of the National Party in the Senate, Parliamentary Secretary for Defence and Parliamentary Secretary for Trade. He is a wool and beef producer near Quirindi (NSW).



**Ms Jan Mason,
Managing Director**
(executive member)

Bachelor of Arts | Bachelor of Social Science | Diploma in Continuing Education | Advanced Management Program (Harvard Business School) | Member of the Australian Institute of Company Directors

Ms Mason was appointed as DHA Managing Director in November 2016 after acting in the role for 12 months. Before joining DHA, she was a Deputy Secretary at the Department of Finance and was responsible for a range of major areas, including taxpayers' multibillion-dollar investments in government business enterprises (including DHA); oversight of major government construction projects, technology and procurement; the sale of Medibank Private and reform of the Air Warfare Destroyer Program. She has private sector experience and was the ACT winner and a national finalist in the 2014 Telstra Business Women's Awards (Community and Government category).



Mr Martin Brady AO, Director
(non-executive member)

Bachelor of Arts (Honours) | First Class Honours in History | Bachelor of Fine Arts

Mr Brady was appointed to the Board as the nominee of the Department of Defence Secretary in July 2014. From 1973 to 2001 he worked in the departments of Foreign Affairs and Defence, focusing on strategic planning, force development and intelligence. He was Director of the Defence Signals Directorate from 1994 to 1999 and Chairman of the Defence Intelligence Board from 1999 to 2001. He has since worked as a consultant and completed reviews on intelligence issues, technology requirements and arms exports. He was made an Officer of the Order of Australia (AO) in 2000 for his services to the development of Australian strategic policy formulation.



**Ms Janice Williams, Director
(non-executive member)**

Bachelor of Social Work (First Class Honours) | University Medal (University of Queensland) | Fellow of the Urban Development Institute of Australia | Member of the Australian Institute of Company Directors

Ms Williams was appointed to the Board as the nominee of the Department of Finance Secretary in December 2012. She has considerable property-related experience, including appointments as Chief Executive of the Urban Development Institute of Australia, Director of the Brisbane Housing Company and executive and consultancy roles for the Queensland Government and Brisbane City Council. She was a director of the Residential Tenancies Authority Board and a member of its audit and risk committee, and chair of Brisbane Housing Company's property committee. She is currently Director of property development firm Jardine Developments, which delivers small scale unit developments and refurbishments in Brisbane.



**CDRE Vicki McConachie
CSC RANR, Director
(non-executive member)**

Bachelors of Arts/Law | Master of Laws | Graduate of the Australian Institute of Company Directors

Commodore McConachie was appointed to the Board as the nominee of the Chief of the Defence Force in December 2013. Her career in the Royal Australian Navy (RAN) included postings as Commanding Officer HMAS Kuttabul, Chief of Staff to the Inspector General Australian Defence Force, Director General ADF Legal Service, Director General Navy People, Head Navy People and Reputation, and operational service as Deputy Staff Judge Advocate Multinational Force—Iraq. Her awards include the Conspicuous Service Cross, the Centenary of Federation Medal and the US Meritorious Service Medal. She currently leads an Australian Government legal division and is a member of the RAN Reserve.



**Hon Alan Ferguson, Director
(non-executive member)**

Mr Ferguson was appointed to the Board as a commercial director in February 2015. He was elected to the Australian Senate in 1992 and served three full terms before retiring in 2011. He served on a number of Senate and Joint Committees, including more than eight years as Chair of the Joint Committee on Foreign Affairs, Defence and Trade. He also served as President of the Senate in 2007 and 2008, and represented the Parliament on many delegations. Before entering politics, he was a farmer and self-employed insurance consultant. He is currently chair of the Australian Political Exchange Council.



Mr Robert Fisher AM, Director
(non-executive member)

Bachelor of Arts | Bachelor of Education

Mr Fisher was appointed to the Board as a commercial director in February 2016. He had a distinguished 40-year career in the public service, including being a member of the Australian Trade Commissioner Service and Chief Executive Officer or Director General of various Western Australian government departments. He was Agent General for WA, based in London, from 2001 to 2006. He was one of five commissioners on the Australian Government's National Commission of Audit in 2013–14. He was made a Member of the Order of Australia (AM) in 2003 for service to the public sector in WA.



Ms Andrea Galloway, Director
(non-executive member)

Bachelor of Business Administration | Graduate of the Executive Program (University of Michigan) | Fellow of the Australian Institute of Company Directors | Justice of the Peace

Ms Galloway was appointed to the Board as a commercial director in November 2016. Ms Galloway has over 30 years of executive management experience for national and multinational commercial organisations, including leading Spherion, Lucent Technologies and AT&T in the Asia Pacific and South Pacific. She has been Managing Director and Chief Executive Officer of Evolve Housing, one of Australia's largest community housing providers, since 2011. She was the national and NSW winner of the 2014 Telstra Business Women's Award (Business Innovation category). She is a member of the Advisory Board of the Committee for Sydney, Vice President of the NSW Business Chamber—Western Sydney First and a member of the Advisory Board for The Salvation Army Australia—NSW, QLD and the ACT.



Mr Ewen Jones, Director
(non-executive member)

Mr Jones was appointed to the Board as a commercial director in December 2016. Mr Jones was elected as the Federal Member for Herbert, an electorate in Townsville (QLD), in 2010 and served until 2016. He was a member of several House of Representatives Standing Committees and the Joint Standing Committee on Foreign Affairs, Defence and Trade. He was Government Whip from October 2015 to May 2016. He is an auctioneer by trade, with a strong real estate and corporate finance background. He is currently Director of All Points North Advisory Pty Ltd.

Board committees

In accordance with section 64(1)(a) of the DHA Act, the Board has established three committees to assist in the discharge of its duties. Amendments to the DHA Act in 2006 established the DHA Advisory Committee to advise on the performance of our functions (refer to Part III A of the Act).

The Board and each of its committees has a charter that sets out its purpose, composition and meeting and administrative arrangements. The Board reviews and endorses the charters annually.

In 2017–18, the Board resolved to:

- › appoint an independent member with accounting and/or financial management qualifications and experience to the Board Audit

Committee (BAC) for a period of three years

- › change the name of the Board Property Committee to the Board Investment Committee (BIC) to reflect its investment focus.

Refer to [Table 4.1](#) for details of each committee, its role and members in 2017–18.

Table 4.1: Board committees, 2017–18

| Committee | Role | Members |
|--|--|---|
| Board Audit Committee (BAC) | Assists the Board to comply with its statutory and fiduciary duties, and improve DHA's performance in respect to financial reporting, performance reporting, risk oversight and management, internal controls (including internal audit) and compliance with relevant laws and policies. | Mr Martin Brady (Chair) Ms Janice Williams CDRE Vicki McConachie Mr Robert Fisher Ms Andrea Galloway Mr Ewen Jones Mr Paul Logan ¹ |
| Board Investment Committee (BIC) | Provides advice and assurance and, where appropriate, makes recommendations to the Board on investment related proposals, transactions, projects and related issues to ensure decisions take account of DHA's contractual obligations with the Department of Defence and our commercial interests. | Ms Janice Williams (Chair) Hon Sandy Macdonald Hon Alan Ferguson Mr Robert Fisher Ms Andrea Galloway Mr Ewen Jones |
| Nomination and Remuneration Committee (N&RC) | Assists the Board in relation to reviewing the Managing Director's remuneration and performance, and informing Shareholder Ministers of impending reappointments or vacancies on the Board, including recommending possible candidates where appropriate. | Hon Sandy Macdonald (Chair) Mr Martin Brady Ms Janice Williams |
| DHA Advisory Committee (DHA AC) | Provides general advice and information on the performance of DHA's role. | CDRE Vicki McConachie (Chair) DHA representative (currently the Managing Director) National Convenor of Defence Families of Australia (DFA) Three persons representing the Deputy Chiefs of the Army, Navy and Air Force |

NOTE

1. Mr Paul Logan was appointed to the BAC from 28 September 2017.

Board and committee meetings in 2017–18

The Board met nine times in 2017–18. The Board also considered four time critical matters between scheduled meetings. Refer to [Table 4.2](#) for details of Board member attendance at meetings.

Board member related entity transactions in 2017–18

Board members did not disclose any related entity transactions in 2017–18.¹⁶

Table 4.2: Board meetings and member attendance, 2017–18

| Board member | Scheduled meetings held and number of meetings attended | | | | |
|----------------------------|---|-----|-----|------|--------|
| | Board | BAC | BIC | N&RC | DHA AC |
| Hon Sandy Macdonald | 9 | n/a | 7 | 3 | n/a |
| Ms Jan Mason | 9 | 5 | 8 | n/a | 4 |
| Mr Martin Brady | 9 | 5 | n/a | 3 | n/a |
| Ms Janice Williams | 9 | 5 | 8 | 3 | n/a |
| CDRE Vicki McConachie | 8 | 5 | n/a | n/a | 2 |
| Hon Alan Ferguson | 9 | n/a | 8 | n/a | n/a |
| Mr Robert Fisher | 9 | 5 | 8 | n/a | n/a |
| Ms Andrea Galloway | 7 | 5 | 7 | n/a | n/a |
| Mr Ewen Jones | 9 | 5 | 8 | n/a | n/a |
| Mr Paul Logan ¹ | n/a | 3 | n/a | n/a | n/a |
| Total meetings held | 9 | 5 | 8 | 3 | 4 |

NOTE

1. Mr Paul Logan was appointed as an independent member of the BAC effective 28 September 2017. He attended all possible BAC meetings following his appointment.

¹⁶ A related party transaction is where a Board member approved payment for a good or service from another entity or provision of a grant to another entity where the member is a director of DHA's Board and a director of the other entity, and the value of the transaction (or if more than one transaction, the aggregate value of those transactions) exceeds \$10,000 (GST inclusive).

Senior leadership team

Managing Director

The Managing Director is employed by the Board in accordance with Part V1 (Division 1) of the DHA Act and is its only executive member. The Managing Director is responsible for conducting the operational affairs of DHA in accordance with the DHA Act and any policies determined by, and directions given by, the Board. The Managing Director oversees strategic direction, organisational structure, staff, performance and relationships with key stakeholders.

The Board formally appointed Ms Jan Mason as Managing Director on 2 November 2016 for a five-year term. Ms Mason held the position as at 30 June 2018.

Senior Executive Group

The Senior Executive Group (SEG) assists the Managing Director to ensure DHA fulfils its role in accordance with the DHA Act. The SEG provides leadership, guides performance, implements and delivers against the Corporate Plan, and ensures accountability of DHA's activities.

In July 2017, the Managing Director changed the structure of the SEG from five to six members and realigned some functions. Notably:

- › the Chief Financial Officer role was split, with a new General Manager, People and Corporate Capability position created
- › responsibility for risk management was moved under the General Manager, Governance
- › responsibility for communications and client relations was moved to the re-named Portfolio Management Group (formerly Sales and Marketing).

Other changes in the reporting period include Mr John Dietz resigning as General Manager, Property Provisioning Group in September 2017 and Ms Jo Abbot being appointed as Chief Financial Officer in February 2018.

Senior Executive Group members as at 30 June 2018



Ms Jan Mason
Managing Director

Bachelor of Arts
Bachelor of Social Science
Diploma in Continuing Education
Advanced Management Program
(Harvard Business School)
Member of the Australian Institute of
Company Directors

Ms Mason joined DHA as Acting
Managing Director in November 2015.
She was appointed Managing Director
in November 2016. Before joining DHA
she held various public and private-
sector appointments, most notably as
a Deputy Secretary at the Department
of Finance.

Key responsibilities

- › Ensure DHA fulfils its role in
accordance with the Defence
Housing Australia Act 1987
- › Conduct DHA's day-to-day
business in accordance with the
*Public Governance Performance
and Accountability Act 2013*, the
Public Service Act 1999 and other
relevant legislation
- › Relationship management, including
Shareholder Ministers, departmental
secretaries, the Chief of the
Defence Force and service chiefs
- › Strategic management,
including achievement against the
Corporate Plan and oversight of the
SEG and staff



Ms Jo Abbot
Chief Financial Officer

Bachelor of Commerce
Member of the Institute of Chartered
Accountants

Ms Abbot was appointed as Chief
Financial Officer (CFO) in February
2018 after leading the Finance
Division at DHA as General Manager,
Finance for over three years. Prior to
DHA, she worked with Ernst & Young
in both Sydney and Canberra across a
variety of clients, both private and
public sector.

Key responsibilities

- › Fiscal management
- › Investment management and
funding strategies
- › Strategic planning, valuations and
capital planning
- › Financial and taxation compliance
- › Research services



Mr Ross Jordan
General Manager, Governance

Master of Social Science
Bachelor of Arts
Bachelor of Law
Graduate of the Australian Institute of
Company Directors

Mr Jordan joined DHA as Company
Secretary in August 2008 and was
appointed General Manager,
Governance in February 2017. Before
joining DHA, he held various public
sector appointments at the
Department of Finance and the
Department of Communications,
Information Technology and the Arts.
He also worked in the education
sector in Tasmania, Victoria and the
Australian Capital Territory.

Key responsibilities

- › Company secretariat, including
liaison with the Chair of the Board,
Board of Directors and the
Managing Director
- › Governance and legislative
compliance
- › Shareholder and ministerial relations
- › Customer relations
- › Legal services
- › Internal audit
- › Risk management



Mr Brett Jorgensen

Acting General Manager, Property Provisioning Group

Master of Business
Bachelor of Engineering (Honours)
Advanced Business Diploma
Diploma of Real Estate Management
Diploma of Contract Management

Mr Jorgensen joined DHA as the National Manager, Governance in August 2008. He was appointed General Manager, Property and Tenancy Services in May 2012 and took over as Acting General Manager, Property Provisioning Group in September 2017. Before joining DHA he held various appointments at the Department of Defence as a civilian and was a member of the Royal Australian Air Force.

Key responsibilities

- › Program delivery, including land development, apartment development, Defence-funded programs, retail construction and upgrades, resource management and development marketing
- › Business development, including development acquisitions, retail acquisitions, leasing and special projects
- › Provisioning support, including project management and coordination, procurement and contract management



Mr Michael Kelly

Acting General Manager, Property and Tenancy Services

Bachelor of Education
Diploma of Teaching

Mr Kelly joined DHA in 2008 as the Regional Director for South Australia. He was appointed National Service Delivery Manager in October 2013 and Head of Service Delivery (South East) in February 2018. Mr Kelly took over as Acting General Manager, Property and Tenancy Services in March 2018. Before joining DHA he held various senior positions in both the education and property sectors.

Key responsibilities

- › National service delivery, including the provision of asset management and housing allocation services
- › Provide direct support to ADF members and their families
- › Maintain the residential property portfolio
- › Regional office and contact centre performance management
- › Procurement and commercial contractor management



Mr Shane Nielsen

General Manager, People and Corporate Capability

Bachelor of Applied Science (Computer Science)

Mr Nielsen joined DHA in August 2006 and is the current General Manager of People and Corporate Capability and Chief Information Officer. Prior to his current role, he held various senior ICT roles in the investment banking, telecommunications and utilities industries.

Key responsibilities

- › Information communications technology
- › Human resources
- › Procurement
- › Safety, health, environment and quality assurance
- › Corporate shared services



Ms Suzanne Pitson
General Manager, Portfolio Management Group

Bachelor of Arts
Bachelor of Law
Graduate of the Australian Institute of Company Directors

Ms Pitson joined DHA as General Manager, Sales and Marketing Group in February 2017. Before joining DHA she held various senior appointments at the Department of Finance and in private sector law firms in Victoria and the Australian Capital Territory.

The Sales and Marketing Group was renamed the Portfolio Management Group when it assumed responsibility for communications and client relations in July 2017.

Ms Pitson also serves as a Director of DHA IML, a wholly-owned DHA subsidiary company.

Key responsibilities

- › Funding delivery, including the property investment program, disposals program and mid-lease sales program
- › Defence contract management and client relations
- › Members Choice Accommodation program management
- › Rent Band Choice property portfolio management
- › Investment marketing
- › Communication and media

Executive and national committees or groups

The Managing Director and the Senior Executive Group have established a number of executive and national committees to assist them in the discharge of their duties. Each committee has a charter or terms of reference that sets out its purpose, composition, and meeting and administrative arrangements.

Refer to [Table 4.3](#) for details of each committee, their role and members in 2017–18. Note, this does not include all committees and groups that have governance oversight of projects or programs.

Table 4.3: Executive and national committees, 2017–18

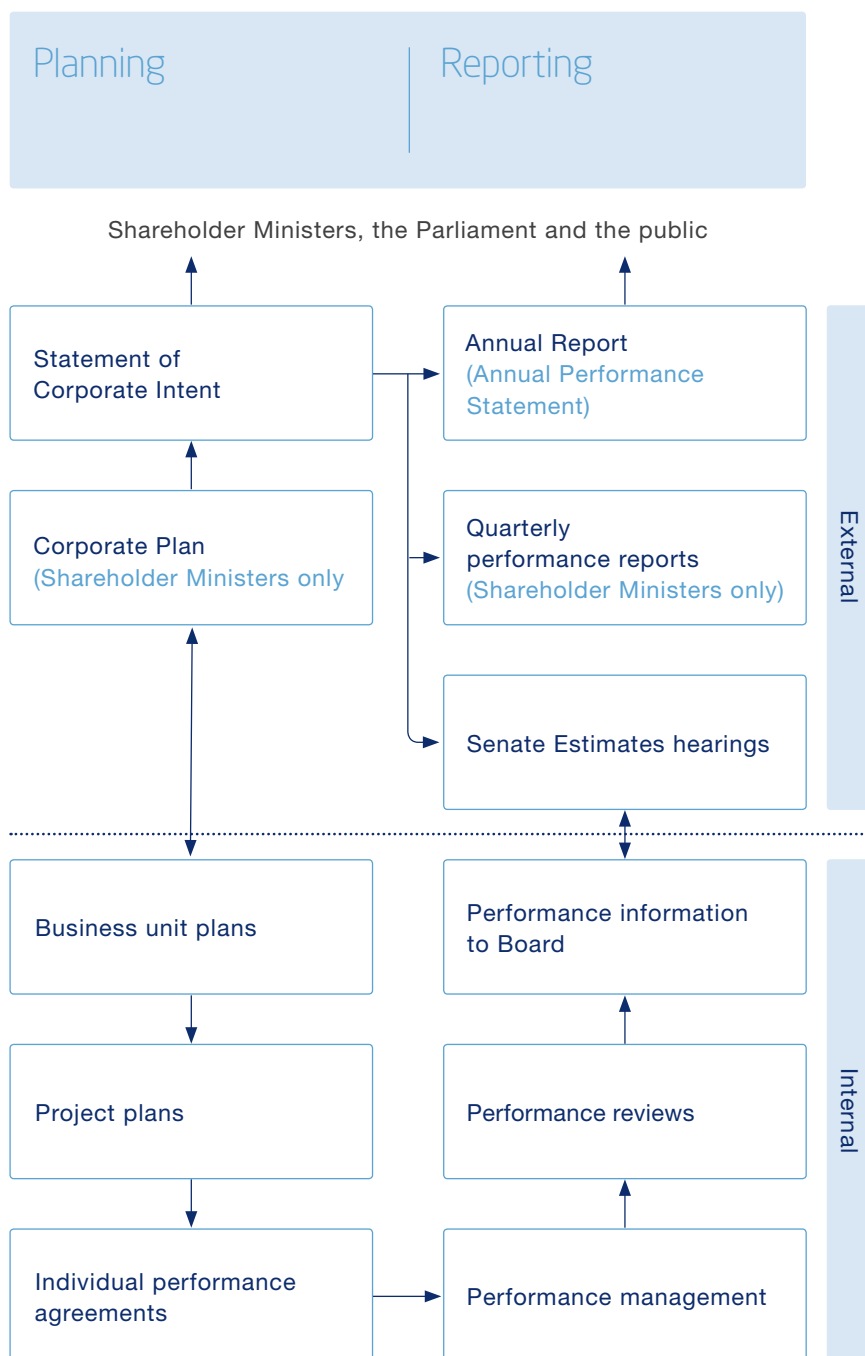
| Committee | Role | Members |
|---|---|---|
| Executive Property Committee (EPC) | Provides advice and assurance and, where appropriate, makes recommendations to the Managing Director and/or Board (via the BIC) on property related proposals, transactions, projects and related issues to ensure decisions take into account DHA's contractual obligations with the Department of Defence and our commercial interests. | General Manager, Governance (Chair) |
| Leadership Group | Provides a forum for collaboration and information sharing, with at least one presentation at each meeting on a business program, project or topic of interest. | Managing Director (Chair) |
| One DHA Brand Champions | Contributes to the One DHA project and shares insights and experiences with colleagues on how they can uphold DHA's brand, value proposition and consider the brand pillars in all aspects of work. | National Manager, Marketing and Communication (Facilitator) |
| Opportunity and Capability Committee (OCC) | Provides transparency and accountability in decision making and implementation of non-business as usual projects and associated budgets. | Managing Director (Chair) |
| National Safety, Health, Environment and Quality (SHEQ) Committee | Oversees the development and implementation of SHEQ strategies, including the psychosocial wellbeing strategy, and is responsible for quality and change management to ensure significant projects are implemented and managed in a consistent and transparent manner. | Managing Director (Chair) |
| Reconciliation Action Plan (RAP) Working Group | Developed DHA's RAP in consultation with Reconciliation Australia and undertakes research, facilitates consultation with staff and external stakeholders and plans and organises activities to promote awareness and understanding of the RAP. | Nominated SEG member (RAP Champion) 11 staff representatives from various offices and business groups |
| Staff Consultative Group (SCG) | Considers and engages in discussions with management on workplace issues. | Acting National Manager, People and Capability (Facilitator) Staff-elected representatives from each office or business group Employee union representative |

Planning and reporting framework

DHA's approach to planning and reporting (refer [Figure 4.1](#)) is consistent with the requirements of the DHA Act, PGPA Act and associated instruments and policies, and the GBE Guidelines. It aims to provide high quality information to our Shareholder Ministers, the Parliament, our customers and the public through clearly linked and integrated planning and reporting. Refer to [Part 3](#) of this report for more information about our Corporate Plan and Annual Performance Statement.

Figure 4.1:

DHA's approach to planning and reporting, 2017–18



Risk management, internal audit and compliance

DHA recognises that risk is inherent in all that we do. As an organisation, we are committed to ensuring we consider risk at all levels and across all facets of our business to create or protect value in support of our vision and purposes.

DHA's enterprise risk management and internal audit functions support the achievement of our purposes and key performance indicators by ensuring our frameworks and systems engage and respond to risk, remain fit for purpose and are operating effectively to this end.

Oversight and accountability for risk management and internal audit rests with DHA's Board and its Board Audit Committee (BAC). However, at a strategic level, the Managing Director and SEG are responsible for ensuring there are appropriate systems, resources and capability in place to support effective risk management and its integration into decision-making processes.

In the reporting period, DHA's Chief Risk and Fraud Officer (CRFO) and Manager, of Internal Audit helped the business take steps to improve our governance, oversight mechanisms and risk philosophy. The CRFO and Manager, Internal Audit manage separate yet complementary programs to actively manage, evaluate and provide guidance on enterprise risk, internal controls and systems of oversight.

Risk management

We have developed our risk management plan to be consistent with the Commonwealth risk management policy and the international standard on risk management (ISO 31000:2009). We update the plan annually, however, given risks are not static, the CRFO has initiated year-round evaluation and reporting in 2017–18. A number of activities and sources inform risk evaluation including:

- › environmental scans
- › feedback from first line risk owners
- › forums with commercial and government equivalents
- › internal audits and risk reviews
- › key learnings from the Australian National Audit Office (ANAO) and Government wide peak body reports (e.g. Comcover)
- › the CRFO and risk team risk advisory work
- › the SEG
- › the Board and its committees.

We are transforming our risk management function from compliance-based, focused on minimising risk, to integrating it into organisational decision-making. The aim is to use risk management to identify and pursue opportunities in line with our risk appetite and tolerances, and to prioritise activities, allocate resources and deliver the purposes in our Corporate Plan more efficiently and effectively.

Fraud control and anti-corruption

In accordance with improvements we are making to DHA's risk management framework, we are revising our fraud control and anti-corruption discipline. As a subset of DHA's risk portfolio, the disciplines reflect the enterprise risk philosophy and principles.

Our fraud control and anti-corruption framework focuses on prevention and aims to build greater awareness across the business while providing systems, processes and controls to prevent, detect, monitor, report and evaluate potential fraud. We have developed improved fraud awareness and controls in conjunction with the creation of an operational oversight body (Ethics, Anti-corruption and Misconduct Committee) which sees membership of senior officers from the public interest disclosure, code of conduct and fraud control and anti-corruption functions.

Our framework is consistent with the Commonwealth fraud control framework (section 10 of the PGPA Rule). Greater staff awareness, preventative controls and oversight has seen an increase in the reporting of suspected fraud, with six suspected fraud cases reported in 2017–18. As at 30 June 2018, five were under investigation. The completed investigation did not verify any fraudulent or corrupt conduct.

Resilience

We consolidated business continuity, disaster recovery, crisis and emergency management under the discipline of resilience in the 2017–18 period. Despite being a standalone discipline, resilience forms part of our overarching risk management portfolio and we are improving it as a subset of our maturing enterprise risk philosophy and principles.

In accordance with improvements we are making to our risk management framework, we undertook significant steps to revise our approach to all disciplines within the resilience discipline in the reporting period. We are undertaking further work to continue to progress maturity of DHA's approach and to ensure it continues to remain consistent with the Government's Protective Security Policy Framework and ANAO guidance.

Internal audit

Our internal audit program provides independent and objective business assurance to the Board, including the Managing Director, and demonstrates that internal controls support the achievement of business objectives. The BAC monitors the implementation of audit recommendations and reports progress to the Board. In doing so, the program assists the BAC to review organisational systems and procedures for managing performance, and to meet its performance reporting obligations in accordance with the PGPA Act.

We revise the internal audit plan bi-annually and conduct a full review annually to align with current and emerging risks. The internal audit plan provides a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. We complete internal audits across a range of business areas and encompass the review of financial and non-financial operations.

In 2017–18, EY provided internal audit services under a co-sourced arrangement. They completed reviews on development projects, contact centre management, tenancy management and information management systems.

Significant issues relating to non-compliance with finance law

In accordance with section 19 of the PGPA Act, the Board (as accountable authority of DHA) must notify our responsible Minister as soon as practicable after a significant non-compliance with finance law issue is identified.¹⁷ We must also include a statement of any significant issues reported to the responsible Minister in our annual report for that reporting period.

We reported three cases of significant non-compliance with the finance law for the 2017–18 reporting period:

a. A breach of section 25 of the PGPA Act, whereby a staff member approved contractor invoices and payments were made, without verifying the completed upgrade works against the claims for payment. Subsequent inspections of the works showed that only a portion of the invoiced work had actually been completed at the time the payments were made. DHA worked closely with the contractor to resolve the matter and a specialist Project Manager has now been appointed to focus on overseeing upgrade projects.

b. A breach of section 25 of the PGPA Act, whereby a staff member instructed a building contractor to proceed with additional remediation ground works on a development site, before obtaining formal delegate approval for the required contract variation. Relevant staff have been briefed on this matter and the importance of following the financial delegation policy to assist in ensuring staff manage all contract variation requests in accordance with DHA financial delegation requirements.

c. Breaches of section 25 of the PGPA Act, whereby staff members have not complied with DHA's financial delegations, including:

- Providing verbal or written approval for various development contracts and related expenditure without the 'one-up'¹⁸ rule being applied; and
- Raising contract variations, where the variations were subsequently reviewed and approved by an appropriate delegate, after the works had been completed.

No payments occurred prior to delegate approval and all related records have been updated to reflect the appropriate approvals. Relevant staff have been reminded of the correct procurement processes and a standing agenda has been added to management meetings to discuss and address financial delegation matters. In addition, relevant staff will receive further training on the requirements for exercising financial delegations.

17 Finance law incorporates the PGPA Act, any rules covered by the PGPA Act, any instrument under the PGPA Act and an Appropriation Act.

18 Delegations must be administered on a 'one-up' basis. That is, where expenditure is initiated, it must be approved by a delegate at least one-up in terms of classification level.

Procurement and consultancies

Our approach to procuring goods and services, including consultancies, reflects the core policies and principles of the Commonwealth Procurement Rules.

We advertise tender opportunities via AusTender (tenders.gov.au) on a periodic basis for a range of goods and services. We also use AusTender to manage our tenders, including releasing tender opportunities, issuing addenda and receipt of tender submissions. Interested parties can register their details with AusTender to receive notifications about our tenders.

Senate Order on Entity Contracts

As a corporate Commonwealth entity, from 1 July 2017, DHA had to comply with the Senate Order on Entity Contracts and publish a list of contracts over \$100,000 (GST inclusive) on our website for the previous year. Refer to our website (dha.gov.au/entitycontracts) to read the report.

Consultancy

We engage consultants as required when specialist expertise is not available in-house and the services are required for a defined period of time. In 2017–18, we entered into 275 new contracts worth \$12.3 million inc. GST.

The majority of contracts related to property provisioning and construction activities, including architectural design, town planning, quantity surveying, acoustic investigation, impact assessment (heritage, flora and fauna, etc.), social and cultural planning, legal services and graphic design services.

The remainder were for corporate related items such as advice on implementing the new leasing and revenue standards, research services into the health of our brand and consulting services to support corporate and capital planning.

More information on the use of advertising and market research services in 2017–18 is provided in [Part 6 \(Appendix D\)](#) of this report.

External scrutiny

DHA's operations are subject to scrutiny from a number of Parliamentary committees and external entities. This section outlines the external scrutiny mechanisms under which we operate and must report on in accordance with the PGPA Rule.

Parliamentary committees

Senate Standing Committee on Foreign Affairs, Defence and Trade
DHA was not the subject of any inquiries or reports by the Senate Standing Committee on Foreign Affairs, Defence and Trade (the Committee) in 2017–18. DHA officers and the Minister for Defence appeared before the Committee on 20 May 2018. DHA was excused from appearing before the Committee on 25 October 2017 and 28 February 2018. DHA responded to Questions on Notice as requested to do so.

Parliamentary standing Committee on Public Works (PWC). In March 2014, in accordance with subsection 6A(3) of the *Public Works Committee Act 1969* (Cth), DHA received exemption from scrutiny by the Public Works Committee (PWC) for works we undertake in providing housing and related services for ADF members and their families. We provide post implementation reports on projects previously endorsed by the PWC as they are completed.

We notify or refer any projects we undertake on behalf of Defence on Commonwealth land to the PWC as follows:

- › Medium works: Works with a proposed cost of over \$2 million but fewer than \$15 million
- › Major works: Works with a proposed cost of more than \$15 million.

In 2017–18, DHA did not make any new submissions to the PWC. We progressed works on the following PWC endorsed projects:

- › Randwick Barracks (NSW)
- › RAAF Base Darwin (NT)
- › Seaward Village, Swanbourne (WA).

Refer to [page 67](#) for more information about our Defence upgrade program.

External entities

Australian National Audit Office (ANAO) and the Auditor-General

DHA was not the subject of any ANAO or Auditor-General reports tabled in the Parliament in 2017–18. In accordance with the ANAO's better practice guidelines, in the reporting period our Manager, Internal Audit and the BAC considered a number of published reports on other agency's operations that were relevant to DHA, including:

- › Defence's Management of Materiel Sustainment (Report No. 2)
- › Management of Risk by Public Sector Entities (Report No. 6)
- › Administration of the *Freedom of Information Act 1982* (Report No. 8)
- › Australian Government Procurement Contract Reporting (Report No. 19)
- › Delivery of the Moorebank Intermodal Terminal (Report No. 23)
- › Australian Electoral Commission's Procurement of Services for the Conduct of the 2016 Federal Election (Report No. 25)

- › 2016–17 Major Projects Report (Report No. 26)
- › Defence's Procurement of Fuels, Petroleum, Oils, Lubricants, and Card Services (Report No. 28)
- › Unscheduled Taxation System Outages (Report No. 29)
- › Implementation of the Annual Performance Statement Requirements 2016–17 (Report No. 33)
- › Defence's Implementation of the First Principles Review (Report No. 34)
- › Corporate Planning in the Australian Public Sector 2017–18 (Report No. 36)
- › Mitigating Insider Threats through Personnel Security (Report No. 38).

Commonwealth Ombudsman

The Ombudsman's office received 630 approaches across Defence related agencies in 2017–18. Of these, 51 approaches (8.09 per cent) related to DHA. As at 30 June 2018, the Ombudsman's office has:

- › investigated eight matters
- › eight matters were awaiting investigation, and
- › one matter was open and under investigation.

In addition to this the Ombudsman's office has declined to investigate 34 matters. Reasons for non-investigation include:

- › DHA already investigating or having investigated the matter
- › the action or decisions of DHA were reasonable in the circumstances, or
- › the complainant failing to provide additional information and/or documentation as requested by the Ombudsman's office.

Information Publication Scheme

DHA is subject to the *Freedom of Information Act 1982* (FOI Act) and publishes information in relation to the Information Publication Scheme on our website (dha.gov.au/foi). The published information includes a disclosure log and information about DHA, our functions, appointments, annual reports and survey results.

Office of the Australian Information Commissioner (OAIC)

DHA was not subject to any OAIC reviews in 2017–18, however, we voluntarily disclosed four minor data privacy breaches or investigations. As part of our disclosure, we advised the steps we had taken to contain and/or mitigate the breach. The OAIC did not require us to take any further action.

Other investigations

Australian Federal Police

In our 2015–16 and 2016–17 annual reports, we reported that a matter relating to DHA had been referred to the Australian Federal Police (AFP) and that they were undertaking an investigation. As at 30 June 2018, the AFP had not informed us of the status of the investigation.

Workforce management

At an operational level, the Managing Director and senior executives are accountable for our workforce. They are committed to maintaining a skilled and productive workforce, and a safe workplace that helps to deliver high quality and professional outcomes.

Workforce summary

Table 4.4 provides a comparative overview of our workforce in 2016–17 and 2017–18. Refer to Part 6 (Appendix A) in this report for our workforce statistics.

We employed 13 fewer employees in 2017–18 compared with 2016–17 —as at 30 June respectively. The majority of the decrease (12 of 13 less positions) was in non-operative/corporate functions.

Table 4.4: Workforce summary, 2016–17 and 2017–18

| Indicator | 2016–17 | 2017–18 |
|---|---------|---------|
| Headcount | | |
| Total number of staff employed ¹ | 658 | 645 |
| Wages expense ratio | 6.1% | 6.9% |
| Diversity (as a percentage of the workforce) ² | | |
| Men | 33.6% | 34.9% |
| Women | 66.4% | 65.1% |
| Aboriginal and Torres Strait Islander | 1.4% | 1.6% |
| Staff with a disability | 0.9% | 1.2% |
| Retention | | |
| Staff retention and turnover rate ³ | 13.8% | 13.0% |
| Engagement | | |
| Staff engagement ⁴ | 85.0% | 74.0% |

NOTES

1. Figures include ongoing and non-ongoing staff at their substantive classification as at 30 June 2017 or 30 June 2018. Inoperative staff (those on long term leave), staff engaged through an employment agency and Board members are excluded.
2. Diversity figures are as identified by staff. They exclude the Managing Director and Board members. No DHA staff have identified as Gender X.
3. Staff retention and turnover rate is calculated by dividing the inverting aggregated staff initiated separation rate by average head count for the previous four quarters.
4. As measured by our Engagement Employee Index score in the 2017 APS Census.

In anticipation of significant changes coming from the new Australian Accounting Standard, which may impact DHA's funding model, the Senior Executive Group (SEG) has implemented a functional review of all positions as they work towards an optimal business model. This functional review has meant repositioning and/or restructuring resource requirements for some corporate programs and an overall decrease in employee numbers.

There were small variances in gender diversity, slight increases to staff who identified as being of Aboriginal and Torres Strait Islander descent and staff who identified as having a disability in 2017–18 compared with 2016–17.

Both our wages expense ratio and staff retention and turnover rate in 2017–18 were in keeping with 2016–17 results. This confirms we are managing our payroll expenses effectively and retaining staff at appropriate levels.

In 2017–18, 90 per cent of our staff participated in the Australian Public Service (APS) Census. This was a significant increase compared with our participation rate in the 2016 APS Census (80 per cent), on par with the 2017 APS Census (91 per cent) and was the second highest participation rate of medium sized agencies in 2018.

We achieved a staff engagement score of 74 per cent which demonstrates that our staff were satisfied, committed, motivated and enabled to improve business results. There was a positive variance in our engagement score compared with the APS overall score (+5 percentage points).

Employment conditions

Our employment arrangements as a GBE are unique. We are the only GBE that employs our staff under the Public Service Act 1999 (Public Service Act).

Through the DHA Enterprise Agreement 2015 (EA), our staff enjoy an attractive suite of employment conditions, including leave entitlements, flexible working arrangements, learning and development opportunities and employee wellbeing and assistance programs. Refer to our website (dha.gov.au/ea) for a full copy of the EA.

Remuneration

Our remuneration strategy supports the strategic purposes of the organisation and enables performance based reward and recognition of capable employees while being aligned to market practice and being in the interests of our shareholders.

Remuneration is determined based on level and role.

In summary:

- ▶ The EA sets out conditions of service for staff employed from DHA3 to EL2 level, including salary rates for new employees.
- ▶ The remuneration of senior executive service (SES) staff is set by the Managing Director in accordance with section 24(1) of the Public Service Act.¹⁹
- ▶ The remuneration of the Managing Director is set by the DHA Board in accordance within the parameters of the Remuneration Tribunal's determination for Principal Executive Office holders (refer to section 50 of the DHA Act).²⁰
- ▶ The remuneration of Board members is decided upon by the Remuneration Tribunal's determination for holders of part time public office (refer to section 17 of the DHA Act).

Each remuneration package consists of a base salary (or fees in the case of Board members) and employer superannuation contributions. We pay allowances (e.g. travel and motor vehicle) in accordance with the EA (staff) or Remuneration Tribunal

19 Senior executive roles are benchmarked with comparable roles in the market. External benchmarks are determined by researching disclosed data from relevant Australian listed companies, the Australian Public Service Commission (APSC), industry data and other GBEs. This information is supplemented by survey data, including APSC remuneration reports (DHA participated in the annual APS remuneration survey which informs these reports).

20 The Remuneration Tribunal is an independent statutory body established under the Remuneration Tribunal Act 1973 that oversees the remuneration of key Commonwealth offices.

determinations (Managing Director and Board members). Staff and the Managing Director also accrue leave and may be entitled to a potential performance bonus. Staff, the Managing Director and Board members are not entitled to long term incentives or post employment benefits other than superannuation.

Refer to [Part 6 \(Appendix A\)](#) of this report for more information about salary rates and executive remuneration. We published remuneration reports for 2015–16 and 2016–17 on our website (dha.gov.au/remuneration) in accordance with APS and GBE guidance. These reports provide more detailed information about our remuneration strategy and salary rates.

Performance framework and payments

All staff employed for three months or more are required to prepare a performance development agreement (PDA). As shown in [Figure 4.1](#), PDAs aim to cascade business objectives from the Corporate Plan, to business unit plans, through to individual targets and behaviours.

Performance is reviewed mid-year and at the end of the financial year to assess whether individual targets were exceeded, met or not met. This assessment informs performance bonus payments.²¹ Refer to [Part 6 \(Appendix A\)](#) of this report for more information about performance payments.

Developing our workforce and people

We are committed to developing the skills and knowledge staff need to undertake their current role and build capability to meet future challenges.

Formal learning and development

Staff can access a range of formal learning to develop their leadership skills, personal effectiveness or functional capability. In addition, staff must complete mandatory training on matters of legislative and policy compliance. In 2017–18, all staff were required to complete refresher modules on governance and compliance, with a completion rate of 96.44% across the organisation.

Programs are delivered via e-learning, face-to-face or a blend of both. They are presented by external providers and internal specialists, ensuring we have the right balance of expertise and corporate knowledge to provide staff the personal development they need to be successful in their role. In 2017–18, staff completed 7459 learning events via e-learning and 1368 learning events via face-to-face workshops. We also paid for 125 staff to complete external short courses.

²¹ This figure includes 71 staff who had entered into part time work agreements, 17 staff who had entered into formal home based work agreements and three staff with formally approved flexible start and finish times. This figure excludes flex time which may be accessed by all DHA2–6 level staff provided they meet the terms and conditions set out in the EA and DHA's internal policies.

Studies assistance

We encourage ongoing staff to undertake relevant formal study in approved fields relevant to our business operations. Where approved, staff are supported through financial assistance, paid study leave and/or paid exam leave. In 2017–18, 53 employees undertook supported studies. Of these 27 received funding to the value of \$88,474.35 and 32 accessed study leave.

Table 4.5 provides a comparative overview of staff learning and development statistics in 2016–17 and 2017–18.

Role specific employment training

We continued to deliver new capability development programs to the business. In 2017–18 new employment training programs were implemented for the Maintenance Contact Centre and the Living-in Accommodation Contact Centre. The programs facilitate a standardised approach to inducting for frontline staff and complement the existing Housing Contact Centre and Property Manager programs created in 2016–17. All DHA employees delivering services to our customers now experience a comprehensive induction to the organisation and their role.

Table 4.5: Learning and development, 2016–17 and 2017–18

| Indicator | 2016–17 | 2017–18 |
|--|---------|---------|
| Percentage of salaries spent on training staff | 1.4% | 1.3% |
| Internal learning events completed by staff | 7,556 | 8,827 |
| Staff undertaking supported studies ¹ | 37 | 53 |

NOTE

1. Formal study includes study, research, training or other educational activities conducted in Australia by a higher education provider or registered training organisation.

Recruitment panel training

During 2017–18, DHA developed and delivered a new training workshop targeted to DHA employees involved in recruitment activities. Included in this was training to be a panel member of a selection committee or hiring manager. The one-day workshop was built and delivered in-house. It covered understanding and commencing recruitment; the selection process; and how to get the best candidate for a role. The workshop was launched in support of DHA's new recruitment platform and was attended by more than 200 employees during the course of the year.

Reconciliation Action Plan

The development of DHA's inaugural Reconciliation Action Plan (RAP) was a key focus for the organisation to assist in meeting our commitment to building an inclusive workplace culture. Guided by a dedicated RAP Working Group and working closely with Reconciliation Australia, DHA's reconciliation journey took shape with input from employees across the country. Regional employees engaged in local events linked by the progress of a message stick designed by Canberra indigenous artist, Dale Huddleston. The RAP was launched at a formal ceremony attended by 150 DHA employees and included a welcome to country by Ngunnawal elder Violet Sheridan, traditional dance and story-telling by the Wiradjuri Echoes and an address by DHA's Managing Director, Jan Mason.

Maintaining a safe workplace

We are committed to maintaining the highest possible standard of health and safety for everyone who enters our workplace, whether it is in an office, a construction site or one of the properties in our portfolio. This is reflected in our three year Health, Safety, Environment and Quality (SHEQ) commitment, strategy, system, and initiatives.

Since implementing the Prevention First system in mid-2014, we have focused on promoting incident reporting to develop a 'just' safety culture (one where incident reporting is encouraged) and where we enhance the wellbeing of individuals and teams through our Psychosocial Wellbeing Program.

Table 4.6 provides a comparative overview of our work, health and safety (WHS) performance in 2016–17 and 2017–18. Our performance shows a further incline in the number of total incidents reported and in those total incidents deemed as WHS related. However, there has been a increase in the number of staff related incidents. Despite an increase in incidents reported, we achieved a new record low total recordable injury frequency rate (TRIFR) of 5.49, far exceeding the benchmark target of <8 established in our Corporate Plan.

Refer to **Part 6 (Appendix B)** of this report for more information on WHS.

Table 4.6: WHS performance, 2016–17 and 2017–18

| Indicator | 2016–17 | 2017–18 |
|---|------------------|---------|
| Total recordable injury frequency rate (TRIFR) ¹ | 5.86 | 5.49 |
| Total incidents reported | 519 ² | 678 |
| WHS incidents | 161 ² | 190 |
| Staff | 83 ² | 74 |
| Contractors | 49 ² | 71 |
| Tenants and others | 29 ² | 45 |

NOTES

1. TRIFR is the number of recordable injuries per million work hours.
2. Figures reported are different to those reported in the previous year due to late reporting.

Industry recognition

For all our efforts in affecting WHS and quality outcomes, in 2017–18 we:

- › received a National Safety Council of Australia Award for Best Health and Wellbeing Program for our Psychosocial Wellbeing program
- › received accreditation against the Australian Medical Association (AMA) mental health best practice guide for our approach to managing psychosocial wellbeing in the workplace, and
- › were recertified against the International standards, ISO45001 Occupational health and safety, and ISO9001 Quality management, for our integrated safety and quality management system.

Case study

Nurturing our hidden talent



Kristie Sydrych

All DHA employees are able to access professional development and learning opportunities that can enhance their contribution in their current role and build the capability to grow their career. When considering training, managers and employees review what development is needed and outline how it will enhance performance, and build skills that will assist staff development for the future.

DHA Communication Officer, Kristie Sydrych, has been employed at DHA for nine years. In this time she has worked across several business units, but it was a move into her current role that saw a new niche develop.

'When I moved into the communication officer role I found myself eager to learn more about the media industry,' Kristie said. 'It wasn't something that I had ever really considered as a career so I surprised myself.'

Kristie applied for studies assistance to enrol in a Bachelor of Media and Communication through Swinburne University. As part of her agreement with DHA Kristie takes three hours of study leave every Tuesday afternoon and has time off to attend exams.

Bringing her commitment to excellence from the workplace to the classroom, Kristie received top marks while studying a broad range of theoretical concepts and contemporary issues that affect how information is represented in the mass media.

She finished in the top five per cent for her professional communication unit, top 10 per cent of psychology and was awarded dux in 2017. The university has since invited her to join its mentor program in 2018.

'DHA and my managers have been an amazing support since I commenced my studies,' Kristie said.





Contributing to our community

We collaborate to build strong communities for our people, customers and stakeholders through corporate giving, individual giving and volunteerism.

Our corporate social responsibility statement outlines our commitment to deliver, in a socially and environmentally responsible way, our annual Corporate Plan. The statement is available in full on our website (dha.gov.au/csr).

Corporate sponsorship and giving

We have a modest sponsorship budget to support Defence community events and initiatives that align with our strategic objectives, values and priorities. In 2017–18 we contributed approximately \$383,000 and goods in kind to various Defence community groups and not-for-profit organisations. Notable contributions included:

- ▶ \$258,500 in support of the Invictus Games Sydney 2018 that offers a competitive platform for wounded, injured and ill veteran and active, service personnel from 18 nations.
- ▶ \$29,800, in support of Defence-related events and programs, including Defence Community Organisation (DCO) welcome days where ADF members and their families come together to get to know each other and learn more about the services and support networks in their local area.

- ▶ \$79,400 in support local initiatives in the 18 regions were DHA has offices. The allocation of these funds was at the discretion of the regional office based on the need to improve the lives of local community. The Live Life Get Active initiative was one recipient of funding, the local program combats social isolation and promotes social engagement in various communities around the country.

Individual giving

In July 2016, we launched DHA CommUNITY, a program of corporate initiatives designed to help staff support each other and the communities we live in. Key initiatives included a:

- ▶ Workplace Giving Program (WGP) whereby philanthropic staff have the opportunity to voluntarily donate to charities through a once off or fortnightly donation directly from their pay.
- ▶ Shared Benefits scheme whereby staff can donate an amount of their accrued personal leave to a registry for the benefit of other employees who require an extended leave of absence, most often due to serious personal or family illness.

In 2017–18, our staff made donations to Beyond Blue, Cancer Council Australia, Fred Hollows Foundation, Make-A-Wish Foundation, RSPCA, The Salvation Army, SIDS and Kids, Soldier On and the Starlight Children's Foundation through the WGP and donated more than 1,524 hours of personal leave to the Shared Benefits scheme.

Throughout the year, our staff also coordinated and participated in various fundraising activities for local and national charities, including the Cancer Council's Biggest Morning Tea, Jeans for Genes Day and the Big Heart project.

Volunteering

Staff are encouraged to undertake volunteer work in the local community and, subject to operational requirements, may enter into a flexible work agreement or take paid or unpaid leave to do so.

Managers are also encouraged to consider incorporating a volunteering aspect into team development activities. For example, in December 2017, the People and Corporate Capability division took time away from the office to build bikes for the Australian Kookaburra Kids Foundation, supporting kids living in families affected by mental health. After successfully building 10 bikes, the staff were then able to gift them in person to the children who would be receiving them.

Case study

The message stick



More than 750 organisations across Australia have implemented a Reconciliation Action Plan (RAP) and 1.5 million Australians are currently working in an organisation with a RAP. In 2017–18 DHA joined ranks with this important community initiative as we launched our inaugural ‘Reflect’ RAP in partnership with Reconciliation Australia.

To engage our regional staff we acquired a custom-made message stick to journey across Australia to all major regional offices. Canberra-based Aboriginal artist, Dale Huddleston, made the message stick from Australian Mallee wood. Its carvings, etchings and burnt symbols represent each of our offices and major national waterways.

At each step of the journey, the message stick is designed to stimulate discussion and recognition of the Traditional Owners of the land upon which our offices are located.

‘The message stick journey is a great opportunity for staff across the business and country to engage in the launch of our Reconciliation Action Plan,’ Managing Director Jan Mason said. ‘Our custom-made message stick represents the bringing together of people for our reconciliation journey.’

Information management and systems

We are committed to improving our information governance and service delivery through the use of technology and making our information and online services accessible to as many people as possible, regardless of ability.

Enterprise systems

We rely on mature information and communications technology systems as repositories of enterprise assets and customer information. The systems support service delivery and the resulting thousands of interactions we have every week with customers, contractors, staff and government through various channels. Ongoing and consistent use of systems across the organisation is helping to grow a knowledge base for all staff. Workflow systems aid in monitoring, tracking, escalating and reporting customer enquiries, requests, complaints and other information.

Staff mobile capability

In 2017–18 we continued to upgrade our mobile technology capability and evolve our external facing systems based on direct and indirect feedback from stakeholders.

System enhancements have been geared toward self-service and shifting all services to become digital by design, as referenced by the Digital Transformation Agency (DTA). This refresh provided an updated look and feel for the Online Services platform for all stakeholders. For Defence members this involved a redevelopment of our information architecture with a focus on the user journeys within Online Services and highlighted to Defence the capability

within DHA to enhance our service offering with an emphasis on customer engagement.

We have designed our website, and our web-based Online Services platform, to meet Australian Government standards and the recommendations of the DTA. We acknowledge that accessibility requirements are constantly evolving and are working to ensure our website conforms to a minimum Level AA rating as per the Web Content Accessibility Guidelines version 2, developed by the World Wide Web Consortium.

Information governance

In 2017–18 we worked to enhance our protective security plan to ensure related risks are appropriately managed and mitigated in ensuring we have aligned our security posture with the Australian Signals Directorate's (ASD) Australian Government Information Security Manual (ISM). We also continued to develop our digital services framework to ensure compliance with the Australian Government's Digital Continuity Policy 2020 framework.

DHA Investment Management Limited

With approval from the then Minister for Finance, DHA Investment Management Limited (DHA IML) was established as a wholly owned subsidiary of DHA in 2012. The company obtained an Australian Financial Services Licence (AFSL) from the Australian Securities and Investments Commission (ASIC) to conduct a financial services business.

DHA IML operates under the *Corporations Act 2001* and, as such, has its own governance arrangements, including a Chief Operating Officer, Compliance Officer, Responsible Managers and a Board of Directors. Refer to the DHA IML website (dha-impl.gov.au) for more information.

Property fund

In November 2013, DHA IML raised \$47.1 million through the sale of 47.1 million units in DHA Residential Fund No. 1 (the Fund) and purchased 79 residential properties from DHA on a lease back arrangement. DHA IML was the responsible entity of the Fund.

DHA IML issued all funds to the Centric DHA Residential Property Fund, a fund managed by Centric Limited. The Fund was intended to have a life of 10 years. However, in July 2015, Centric requested the realisation of their investment in the Fund. DHA IML managed the sell down process and the Fund was officially wound up in September 2016.

Financial performance

DHA IML's financial performance for the period ended 30 June 2018 was consistent with the budget. The net loss after tax for the period was \$52,366 against a budgeted net loss of \$54,433. The majority of the expenses incurred by DHA IML was due to the service fee paid to DHA. The audited financial statements in Part 5 of this report are presented on a consolidated basis and include DHA IML financial results.

Future funds

Following the recommendations from the Capital Structure Review, in June 2018 the DHA IML Board made a decision to surrender the AFSL and deregister the corporate entity. The DHA Board supported this decision. It is expected that the deregistration process will be complete prior to the end of December 2018.

Case study

eRecruit streamlines human resource management



In 2017–18 we launched a new recruitment system called eRecruit, to assist in streamlining our outdated human resource management. The replaced system was largely paper-based and required the use of multiple systems to achieve an end-to-end result.

eRecruit has significantly streamlined the recruitment process, with information entered in one place, without the requirement for multiple paper-based forms. It incorporates automated steps and simple workflows to assist managers in conducting recruitment at DHA using an online environment that manages the process from job posting right through to the on boarding process.

Staff now have access to manage and track recruitment in a single workflow where the recruitment process is contained in one system. Candidates will complete new starter forms via this same system and the integration of recruitment into on boarding process has been significantly enhanced.



'I joined the military in 1978, 10 years before DHA officially commenced operations. Over my career I have seen the transformational impact DHA has had in the provision of suitable, community standard accommodation for Service personnel.'

Air Chief Marshall Mark Binskin, AC (Retd), Chief of Defence Force 2014–2018

Part 5

Financial statements

Consolidated financial statements



Defence Housing Australia ABN 72 968 504 934
Annual report - 30 June 2018

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Defence and the Minister for Finance

Opinion

In my opinion, the financial statements of Defence Housing Australia and its controlled entity (together the consolidated entity) for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the consolidated entity as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the consolidated entity, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Directors, Managing Director and Chief Financial Officer;
- Consolidated Statement of Comprehensive Income;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Changes in Equity;
- Consolidated Statement of Cash Flows; and
- Notes to the Consolidated Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the consolidated entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of Defence Housing Australia, the Chair of the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Chair of the Board is also responsible for such internal control as the Chair of the Board determines is necessary to

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enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chair of the Board is responsible for assessing the consolidated entity's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Chair of the Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

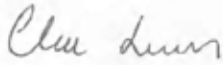
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the consolidated entity audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

A handwritten signature in cursive script, appearing to read 'Clea Lewis', is written over a light grey rectangular background.

Clea Lewis
Executive Director
Delegate of the Auditor-General
Canberra
17 August 2018

**Defence Housing Australia
Statement by Directors, Managing Director and Chief Financial Officer
30 June 2018**

Statement by Directors, Managing Director and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42 (2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41 (2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that Defence Housing Australia will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Directors.



The Hon J A L (Sandy) Macdonald
Chairman



Ms Jan Mason
Managing Director



Ms Jo Abbot
Chief Financial Officer

17 August 2018

Defence Housing Australia
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2018

| | | Consolidated entity | |
|--|-------|---------------------|------------------|
| | | 30 June 2018 | 30 June 2017 |
| | Notes | \$'000 | \$'000 |
| INCOME | | | |
| Revenue | | | |
| Housing Services Provided | 2 | 686,389 | 677,244 |
| Allocation Services Provided | 3 | 13,285 | 12,449 |
| Sale of Inventories | | 396,034 | 494,086 |
| Interest Received | | 4,703 | 7,386 |
| Other Income | | 58 | 29 |
| Total Revenue | | <u>1,100,469</u> | <u>1,191,194</u> |
| Gains | | | |
| Gains from Disposal of Investment Properties | 4 | 14,166 | 27,692 |
| Total Income | | <u>1,114,635</u> | <u>1,218,886</u> |
| EXPENSES | | | |
| Employee Benefits | 5 | 66,809 | 63,108 |
| Housing Services Lease Rentals | | 357,164 | 355,414 |
| Rates, Repairs and Maintenance | 6 | 195,601 | 198,238 |
| Depreciation and Amortisation | 7 | 18,670 | 16,998 |
| Cost of Inventories Sold | | 334,890 | 424,691 |
| Finance Costs | 8 | 25,866 | 25,867 |
| Net Write-Down and Impairment of Assets | 9 | 18,979 | 12,750 |
| Other Expenses | | 39,786 | 36,502 |
| Total Expenses | | <u>1,057,765</u> | <u>1,133,568</u> |
| Share of Joint Venture Profit/(Loss) | | | |
| Share of Joint Venture Profit/(Loss) accounted for using the Equity Method | | (1) | 29 |
| Total Share of Joint Venture Profit/(Loss) | | <u>(1)</u> | <u>29</u> |
| Profit Before Income Tax on Continuing Operations | | <u>56,869</u> | <u>85,347</u> |
| Income Tax Expense | | 12,611 | 19,363 |
| Share of Income Tax on Joint Venture Profit | | - | 9 |
| Total Income Tax Expense | 10 | <u>12,611</u> | <u>19,372</u> |
| Profit After Income Tax | | <u>44,258</u> | <u>65,975</u> |
| Other Comprehensive Income | | - | - |
| Total Comprehensive Income | | <u>44,258</u> | <u>65,975</u> |

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Defence Housing Australia
Consolidated Statement of Financial Position
As at 30 June 2018

| | | Consolidated entity | |
|---|-------|---------------------|------------------|
| | | 30 June 2018 | 30 June 2017 |
| | Notes | \$'000 | \$'000 |
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 11 | 188,430 | 231,256 |
| Trade and Other Receivables | 12 | 15,496 | 68,486 |
| Other Current Assets | 14 | 33,213 | 33,336 |
| Inventories | 15 | 454,133 | 588,158 |
| Current Tax Assets | | 1,256 | 4,339 |
| Finance Lease Receivables | 17 | 17,208 | 6,264 |
| Investment Properties Held for Sale | 13 | 6,974 | 3,743 |
| Total Current Assets | | <u>716,710</u> | <u>935,582</u> |
| Non-Current Assets | | | |
| Deferred Tax Assets | 10 | 24,738 | 18,742 |
| Inventories | 15 | 516,561 | 437,525 |
| Investment Properties | 16 | 986,773 | 872,655 |
| Property, Plant and Equipment | | 7,811 | 8,497 |
| Intangibles | | 5,169 | 6,448 |
| Finance Lease Receivables | 17 | 43,513 | 19,815 |
| Investments Accounted for Using the Equity Method | | 7 | 38 |
| Total Non-Current Assets | | <u>1,584,572</u> | <u>1,363,720</u> |
| Total Assets | | <u>2,301,282</u> | <u>2,299,302</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 18 | 57,694 | 47,150 |
| Dividend Payable | 19 | 26,555 | 39,585 |
| Borrowings | 20 | 100,000 | - |
| Other Financial Liabilities | 21 | 25,664 | 29,101 |
| Provisions | 22 | 26,766 | 38,951 |
| Total Current Liabilities | | <u>236,679</u> | <u>154,787</u> |
| Non-Current Liabilities | | | |
| Borrowings | 20 | 409,580 | 509,580 |
| Other Financial Liabilities | 21 | 694 | 1,078 |
| Provisions | 22 | 103,109 | 100,340 |
| Total Non-Current Liabilities | | <u>513,383</u> | <u>610,998</u> |
| Total Liabilities | | <u>750,062</u> | <u>765,785</u> |
| Net Assets | | <u>1,551,220</u> | <u>1,533,517</u> |
| EQUITY | | | |
| Contributed Equity | | 403,863 | 403,863 |
| Retained Earnings | | 1,147,357 | 1,129,654 |
| Total Equity | | <u>1,551,220</u> | <u>1,533,517</u> |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Defence Housing Australia
Consolidated Statement of Changes in Equity
For the year ended 30 June 2018

| Consolidated entity | Retained earnings \$'000 | Contributed equity \$'000 | Total equity \$'000 |
|-----------------------------------|-------------------------------------|--------------------------------------|--------------------------------|
| Balance at 1 July 2016 | 1,103,264 | 403,863 | 1,507,127 |
| Profit for the Year | 65,975 | - | 65,975 |
| Other Comprehensive Income | - | - | - |
| Total Comprehensive Income | 65,975 | - | 65,975 |
| Transactions with Owners | | | |
| Returns on Capital: | | | |
| Dividends | (39,585) | - | (39,585) |
| Balance at 30 June 2017 | 1,129,654 | 403,863 | 1,533,517 |
| Balance at 1 July 2017 | 1,129,654 | 403,863 | 1,533,517 |
| Profit for the Year | 44,258 | - | 44,258 |
| Other Comprehensive Income | - | - | - |
| Total Comprehensive Income | 44,258 | - | 44,258 |
| Transactions with Owners | | | |
| Returns on Capital: | | | |
| Dividends | (26,555) | - | (26,555) |
| Balance at 30 June 2018 | 1,147,357 | 403,863 | 1,551,220 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Defence Housing Australia
Consolidated Statement of Cash Flows
For the year ended 30 June 2018

| | | Consolidated entity | |
|-----------------------------|---|---------------------|------------------|
| | | 30 June | 30 June |
| | | 2018 | 2017 |
| Notes | \$'000 | \$'000 | |
| OPERATING ACTIVITIES | | | |
| Cash Received | | | |
| | Sales of Goods and Services | 673,540 | 582,789 |
| | Sales of Inventory | 390,882 | 480,786 |
| | Interest | 5,397 | 8,533 |
| | Stamp Duty and Land Tax Equivalents Received | 32,572 | 39,952 |
| | GST Received | 17,744 | 23,055 |
| | Total Cash Received | <u>1,120,135</u> | <u>1,135,115</u> |
| Cash Used | | | |
| | Employees | 85,072 | 80,517 |
| | Suppliers | 556,889 | 559,393 |
| | Borrowing Costs | 32,315 | 19,418 |
| | Income Taxes Paid | 11,172 | 32,337 |
| | Acquisition and Construction of Inventories | 363,652 | 416,671 |
| | Stamp Duty and Land Tax Equivalents Paid | 36,110 | 38,937 |
| | Other Expenses | 12,786 | 17,602 |
| | GST Paid | 26,199 | 26,985 |
| | Total Cash Used | <u>1,124,195</u> | <u>1,191,860</u> |
| | Net Cash (used by) Operating Activities | 24 <u>(4,060)</u> | (56,745) |
| INVESTING ACTIVITIES | | | |
| Cash Received | | | |
| | Proceeds from Sales of Investment Properties | 34,131 | 69,668 |
| | Total Cash Received | <u>34,131</u> | <u>69,668</u> |
| Cash Used | | | |
| | Acquisitions and Construction of Investment Properties | 28,332 | 36,228 |
| | Acquisition of Plant and Equipment | 4,980 | 3,953 |
| | Total Cash Used | <u>33,312</u> | <u>40,181</u> |
| | Net Cash from Investing Activities | <u>819</u> | <u>29,487</u> |
| FINANCING ACTIVITIES | | | |
| Cash Used | | | |
| | Dividend Paid | 39,585 | 62,719 |
| | Total Cash Used | <u>39,585</u> | <u>62,719</u> |
| | Net Cash (used by) Financing Activities | <u>(39,585)</u> | <u>(62,719)</u> |
| | Net (Decrease) in Cash Held | <u>(42,826)</u> | <u>(89,977)</u> |
| | Cash and Cash Equivalents at the Beginning of the Reporting Period | <u>231,256</u> | <u>321,233</u> |
| | Cash and Cash Equivalents at the End of the Reporting Period | 11 <u>188,430</u> | <u>231,256</u> |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018

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1 Overview

(a) Objectives of DHA

Defence Housing Australia (DHA) is an Australian Government (Government) controlled entity. The objective of DHA is to provide housing and related services for members of the Australian Defence Force (ADF) and their families in line with the Department of Defence (Defence) operational requirements.

DHA is structured to meet one outcome:

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

The continued existence of DHA in its present form and with its present operations is dependent on Government policy. DHA receives no appropriations or receipts from Government, and is considered 'Departmental' for Government reporting purposes.

(b) Basis of Preparation of the Financial Statements

The financial statements are required by section 42 of the PGPA Act and are general purpose financial statements.

The financial statements and notes have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

DHA is classified as a Government Business Enterprise (GBE) as stipulated in section 5(1)(c) of the PGPA Act and is a for-profit entity. It should also be noted that DHA is governed by the *Defence Housing Australia Act 1987* (DHA Act).

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities, which as noted, are at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

The financial statements are prepared on a consolidated basis and incorporate the assets and liabilities of DHA Investment Management Limited (DHA IML) as at 30 June 2018 and the results of DHA IML for the period ended 30 June 2018. DHA and DHA IML are referred to in this financial report as the consolidated entity. Note that on 14 June 2018 the Board of DHA IML resolved to the winding up of DHA IML. A further resolution to wind up the company was passed by the board of directors of DHA on 29 June 2018. It is expected that winding up proceedings will commence in 2018-19 upon the cancellation of DHA IML's Australian Financial Services Licence (AFSL) on 19 July 2018.

The consolidated financial statements incorporate the financial statements of DHA and entities controlled by DHA and its subsidiaries. Control is achieved when DHA:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

DHA reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

1 Overview (continued)

(b) Basis of Preparation of the Financial Statements (continued)

Consolidation of a subsidiary begins when DHA obtains control over the subsidiary and ceases when DHA loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date DHA gains control until the date when DHA ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of DHA. Total comprehensive income of subsidiaries is attributed to the owners of DHA. When necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies into line with DHA's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(c) Significant Accounting Judgements and Estimates

Preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management base their judgement on experience and historical information to ensure they are reasonable and fair; and continually monitor and reassess their judgements, estimates and assumptions. Management have identified the following significant accounting policies and judgements:

- The net realisable value of completed inventory properties is assessed annually by independent valuers. Where the net realisable value for an individual property is less than its costs, the carrying value of the property is written down to its net realisable value.
- The net realisable value of an inventory development site is the finished product's gross realisable value less costs to complete and selling costs. Where the net realisable value is lower than costs to date for the development site, the costs to date are written down by the value of the estimated loss.
- Investment properties are assessed for indicators of impairment annually. Where there is an indicator of impairment the recoverable amount of each investment property is estimated. The recoverable amount is the higher of the property's fair value less costs to sell and its value in use. Fair value less costs to sell is assessed annually by an independent valuer. Value in use is calculated by management using various assumptions in relation to the cost of debt and equity and future rental income of the property. Where the recoverable amount is less than the carrying amount, the carrying amount of the investment property is impaired to the greater of the fair value less cost to sell and value in use.
- A liability is recognised for make good costs to be incurred on the expiry of long term leases. Management has made assumptions regarding the future economic outflows associated with the make good expenditure, based on historical data. DHA records the entire sale proceeds as revenue at the time of settlement. DHA is required under the leaseback agreement to undertake prescribed maintenance (make good) at the end of the lease period. At the time of recording the sale, a provision is raised to recognise the make good obligation. The provision is based on an assessment of the present value of the necessary costs to make good properties at the end of their lease terms. The estimate includes an inflation factor of 2.50% (2017: 2.50%) and a discount rate of 2.47% (2017: 2.50%), being the five year commercial bank swap rate as at 30 June 2018. Actual make good expenditure is charged, as incurred against the provision. The estimate of future make good maintenance is reviewed annually to ensure that the make good provision is adequate to meet the liability.

No other accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1 Overview (continued)

(d) New Australian Accounting Standards

No accounting standard has been adopted earlier than the application date as stated in the standard.

In the current year, DHA has adopted all of the new and revised standards issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Adoption of these standards did not have a material impact on the financial statements of DHA, and are not expected to have a future material effect on DHA's financial statements.

The following new standards were issued by the AASB prior to the signing of the Statement by the Directors, Managing Director and Chief Financial Officer, that are expected to have a material impact on DHA's financial statements for future reporting periods:

AASB 15 Revenue from Contracts with Customers ("AASB 15") establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and the related Interpretations when it becomes effective on 1 July 2018.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract;
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

In the first half of 2017-18, DHA established a project team and engaged external consultants to undertake a detailed diagnostic investigation into the specific areas that DHA would be impacted by AASB 15. This diagnostic investigation has highlighted that the following areas could have an impact on DHA's financial statements after implementation:

- Property management fees from Lessors; and
- Fees and charges received from Department of Defence.

During the implementation phase, DHA has identified that the interactions between AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases* will have a significant impact on the accounting treatment of the agreements between DHA, Defence, and the Defence Members. Further work is required during the 2018-19 financial year to fully understand the connection between AASB 15 and AASB 16 before DHA can determine the impact on its financial statements.

1 Overview (continued)

(d) New Australian Accounting Standards (continued)

AASB 16 Leases

In January 2016, the Australian Accounting Standards Board issued AASB 16 *Leases* and supersedes AASB 117 *Leases*. DHA is required to apply this new standard for years beginning 1 July 2019; early adoption is allowed, but not before the application of AASB 15 *Revenue from Contracts with Customers*. DHA does not intend to early adopt AASB 16.

The most significant effect of the new standard will be the lessee's recognition of the initial present value of the unavoidable future lease payments as right of use assets and lease liabilities on the statement of financial position, including those for most leases that would be currently accounted for as operating leases.

Retrospective application in the comparative year ending 30 June 2019 is optional. DHA will not take this optional application and will apply the standard from the transition date using the modified retrospective approach, adjusting opening retained earnings and not restating comparatives. This involves calculating the right of use asset and lease liability based on the present value of the remaining lease payments on all applicable leases contracts as at the transition date using DHA's incremental borrowing rate.

The lease expense recognition pattern for lessees will generally be accelerated as compared to today. Key balance sheet metrics such as gearing and other finance ratios, income statement profit and loss metrics, such as earnings before interest and tax, depreciation and amortisation (EBITDA) will be impacted. Also, Statement of Cash Flows for lessees will be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases; operating and finance leases.

Overview of Implementation Plan

In the first half of 2017-18, DHA established a project team and engaged external consultants to undertake a detailed diagnostic investigation into the specific areas that AASB 16 would affect DHA. This diagnostic investigation has highlighted that the following areas would have an impact on DHA's financial statements after implementation:

- Determination of appropriate discount rate to determine the net present value of future lease payments;
- Sale and Lease Back accounting will require a portion of gain on sale of inventory and investment properties to be deferred for the term of the lease; and
- Impairment of the Right of Use asset.

The project team has worked with senior management to assess DHA's ability to apply the grandfathering provisions available under AASB 16, which is a practical expedient available to help manage the cost of implementation of the new standard. The application of this provision will mean DHA will not be required to reassess whether contracts are, or contain, a lease under the requirement of AASB 16 at date of initial application. Instead, the current AASB 117 and Interpretation 4 lease/non-lease assessments would remain. This is for existing arrangements that have been accounted for as leases under AASB 16 with operating leases coming on balance sheet. Those not identified as leases under AASB 117 at the date of initial application will not be subject to AASB 16. AASB 16 will only apply to new arrangements entered into, or modified, after the date of initial application.

In addition, DHA is not required to reassess sale and leaseback transactions entered into before the date of initial application to determine whether the transfer of the underlying asset satisfies the requirement in AASB 15 to be accounted for as a sale. DHA currently accounts for Sale and Lease Back transactions as a sale as all of the risk and rewards of ownership have transferred to the new owner. Under the practical expedient allowed for in AASB 16, DHA will:

1 Overview (continued)

(d) New Australian Accounting Standards (continued)

- Account for the leaseback in the same way as it accounts for any other operating lease that exists at the date of initial application; and
- Adjust the lease back right of use asset for any deferred gains or losses that relate to off-market terms recognised in the statement of financial position immediately before the date of initial application.

DHA has commenced a review of the scope of the operating lease contracts, to identify the key terms required to calculate the lease liabilities and Right of Use Asset, and to identify key decisions made under existing lease arrangements which may affect the lease classifications.

As at 30 June 2018 DHA has the following operating leases that will be impacted by this standard:

- 13,001 (2017:13,149) residential leases between DHA and investors
- 204 (2017:165) leases for the provision of motor vehicles
- 23 (2017: 24) leases for the provision of office accommodation

DHA is currently in the process of analysing the impact of AASB 16 by assessing the terms of these contracts in light of the requirements of AASB 16. Further contract reviews, as required, and computation of the likely lease liability and Right of Use Asset to be recognised on transition will be completed during 2018-19. This will be followed by consideration of broader business impacts.

A considerable amount of work has also been undertaken on assessing the impact of AASB 16 on the agreements between DHA and the Department of Defence and Defence Members to determine the appropriate treatment in accordance with AASB 16.

Potential Impact on DHA's Financial Statements

To date some of the key issues identified include:

- Determine if the agreements between DHA, Defence and Defence members contain a lease agreement;
- The application of practical expedients on transition;
- Determination of what constitutes a low value asset;
- Determination of incremental borrowing rates to be used on transition;
- Determination if the interest rate implicit in the lease can be easily determined after transition;
- Assessment of what constituents reasonable certain for the purpose of assessing whether an option to extend or to terminated a lease contract will be exercised; and
- Determining the correct accounting treatment of lease incentives and make good requirements.

DHA has determined that it will adopt a modified retrospective approach on transition and will not restate comparative figures, it will also take advantage of the practical expedients available. This means the focus for DHA during the 2018-19 financial year will continue to be on analysing the current operating lease contracts and identifying and assessing the key terms which will impact the calculation of the lease related balance, and development of a system to automate the lease accounting requirements.

As at 30 June 2018, DHA had \$2,772.5 million (2017: \$3,034.0 million) of non-cancellable lease commitments payable as disclosed in Note 23 Commitments. Operating leases included in this note, which are still in effect as at 30 June 2019 will be subject to AASB 16 and will therefore be recognised on DHA's balance sheet.

Whilst a considerable amount of work has been undertaken by DHA to understand the impacts of AASB 16 on its financial statements, DHA cannot reasonably estimate and quantify the impact due to uncertainty around DHA's incremental borrowing rate on date of initial application and new leases coming onto DHA books over the next 12 months.

There are no other standards issued but not yet effective that are expected to have a material impact on DHA.

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

2 Housing Services Provided

| | Consolidated entity | |
|--|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Defence Rent and Charges | 528,137 | 521,886 |
| Defence Other Charges | 95,656 | 93,248 |
| Lessor Management Fees | 51,411 | 51,088 |
| Other Revenue | 10,160 | 11,022 |
| Annuity Revenue | 1,025 | - |
| Total Housing Services Provided | 686,389 | 677,244 |

Defence Rent and Charges

Defence Rent and Charges includes rent from investment properties of \$63,472,912 (2017: \$57,486,658).

Rent and property management fees are charged to Defence in line with the Services Agreement and Members Choice Accommodation Agreement. Revenue is recognised when a property is tenanted and occupied by an ADF member on a weekly basis for the term of the tenancy.

Defence Other Charges

Defence Other Charges includes expenses which are recovered from Defence under the Services Agreement; such as Defence funded capital projects, rates, municipal charges, insurance and repairs and maintenance. The revenue is recognised each month to the extent that the expenses have been incurred. This is based on a cost recovery model.

Lessor Management Fees

A set percentage management fee based on the rent paid to lessors on a monthly basis.

Other Revenue

Other Revenue includes rent received from the private rental market, where there are excess rental properties, not currently occupied by ADF members. Revenue is recognised when a property is tenanted and occupied by a civilian on a monthly basis for the term of the tenancy.

Annuity Revenue

Annuity Revenue represents interest received from Defence for finance lease arrangements entered into under the Services Agreement (refer to Note 17).

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

3 Allocation Services Provided

| Consolidated entity | |
|---------------------------|---------------------------|
| 30 June 2018 \$'000 | 30 June 2017 \$'000 |

| | | |
|-----------------------------------|---------------|--------|
| Allocation Management Fees | 13,285 | 12,449 |
|-----------------------------------|---------------|--------|

DHA provides the service of allocating ADF members to available and suitable accommodations based on Defence's requirements and policies. For this service, DHA receives set annual management fees from Defence per the Allocations and Tenancy Management and Living In Accommodation contracts. These annual management fee revenues are recognised by DHA on a monthly basis in line with when the service is provided to Defence.

4 Gains from Disposal of Investment Properties

| Consolidated entity | |
|---------------------------|---------------------------|
| 30 June 2018 \$'000 | 30 June 2017 \$'000 |

| | | |
|---|---------------|----------|
| Proceeds from Sale | 34,139 | 69,666 |
| Carrying Value of Assets Sold | (18,788) | (40,922) |
| Selling Expenses | (1,185) | (1,052) |
| Net Gains from Disposal of Investment Properties | 14,166 | 27,692 |

Profits or losses from the disposal of investment properties are recognised when all specified conditions relating to the sale are satisfied and there is an unconditional sale. This is when settlement occurs.

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

5 Employee Benefits

| | Consolidated entity 30 June 2018 \$'000 | 30 June 2017 \$'000 |
|--------------------------------|---|---------------------------|
| Wages and Salaries | 50,048 | 47,256 |
| Superannuation: | | |
| Defined Contribution Plans | 7,939 | 7,634 |
| Defined Benefit Plans | 2,476 | 2,615 |
| Leave and Other Entitlements | 6,346 | 5,603 |
| Total Employee Benefits | 66,809 | 63,108 |

Payroll tax equivalent is a related party transaction with Defence, and is reported on the Statement of Comprehensive Income as Other Expenses. All other employee benefits are incurred with external parties.

Superannuation

DHA's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Government.

The CSS and PSS are defined benefit schemes for the Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Government and is settled by the Government in due course. This liability is reported in the Department of Finance's (Finance) administered schedules and notes.

DHA makes employer contributions to the employee's superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. DHA accounts for these contributions as if they were contributions to defined contribution plans in accordance with AASB 119.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

Leave

The liability for employee benefits includes provisions for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including DHA's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

6 Rates, Repairs and Maintenance

| | Consolidated entity | |
|---|---------------------|-----------------|
| | 30 June 2018 | 30 June 2017 |
| | \$'000 | \$'000 |
| Rates and Municipal Charges | 10,834 | 11,522 |
| Stamp Duty and Land Tax Equivalents | 32,501 | 31,908 |
| Repairs and Maintenance | 45,269 | 43,802 |
| Other Property Charges | 106,997 | 111,006 |
| Total Rates, Repairs and Maintenance | 195,601 | 198,238 |

Rates, Repairs and Maintenance includes expenditure for investment properties of \$21,021,578 (2017: \$19,831,526).

Rates and Municipal Charges

Includes council and water rates for DHA's property portfolio, which are not recoverable from Defence.

The expenses are incurred from external parties, and are expensed in profit or loss in the month they are incurred.

Stamp Duty and Land Tax Equivalents

Stamp Duty and Land Tax Equivalents are related party transactions associated with Defence.

DHA provides services on a for-profit basis. Under the Competitive Neutrality arrangements, DHA is required to make State Tax Equivalent payments, including payroll tax, land tax and stamp duty.

DHA includes State Tax Equivalent payments in the expenditure items to which they relate. Payroll tax is included in Other Expenses. Land tax and stamp duty on property acquisitions are included in the table above.

Repairs and Maintenance

Includes repairs and maintenance expenses on the DHA property portfolio, which are not recoverable from Defence.

Expenses are incurred from external contractors and are expensed in the period in which they are incurred.

Other Property Charges

Includes recoverable rates, municipal charges, repairs and maintenance, insurance and Defence funded capital project expenses. DHA, in accordance with the Services Agreement, is entitled to recover from Defence these expenses. These recoveries form part of Defence Other Charges detailed in Note 2.

Expenses are incurred from external parties and sub-contractors and are expensed in profit or loss in the month they are incurred.

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

7 Depreciation and Amortisation

| | Consolidated entity | |
|--|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Depreciation | | |
| Investment Properties | 13,665 | 12,233 |
| Plant and Equipment | 3,492 | 3,280 |
| Total Depreciation | 17,157 | 15,513 |
| Amortisation | | |
| Software | 1,513 | 1,485 |
| Total Amortisation | 1,513 | 1,485 |
| Total Depreciation and Amortisation | 18,670 | 16,998 |

Depreciable assets are written down to their estimated residual values over their estimated useful lives using, in all cases, the straight-line method of depreciation. Office fit outs are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the straight-line method over the following useful lives:

| | 2018 | 2017 |
|-----------------------|----------------|----------------|
| Investment Properties | 50 years | 50 years |
| Plant and Equipment | Term of Lease | Term of Lease |
| Software | 2.5 to 6 years | 2.5 to 6 years |

Depreciation and amortisation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

8 Finance Costs

| | Consolidated entity 30 June | 30 June |
|--|---------------------------------------|---------------|
| | 2018 | 2017 |
| | \$'000 | \$'000 |

| | | |
|--------------------------|---------------|--------|
| Interest on Loans | 25,866 | 25,867 |
|--------------------------|---------------|--------|

Interest is accrued based on effective interest rates on the outstanding balance of the loan. Interest paid is a related party transaction with Defence.

9 Net Write-Down and Impairment of Assets

| | Consolidated entity 30 June | 30 June |
|--|---------------------------------------|---------------|
| | 2018 | 2017 |
| | \$'000 | \$'000 |

Non-Financial Assets

Write-downs and Impairments

| | | |
|--|---------------|--------|
| Investment Properties | 5,401 | 2,835 |
| Inventories | 15,717 | 12,930 |
| Crace Developments | - | 16 |
| Total Write-Downs and Impairments | 21,118 | 15,781 |

Reversal of Write-Downs and Impairments

| | | |
|------------------------|----------------|---------|
| Investment Properties | (1,077) | (1,203) |
| Inventories | (1,062) | (1,828) |
| Total Reversals | (2,139) | (3,031) |

| | | |
|--|---------------|--------|
| Net Write-Down and Impairment of Assets | 18,979 | 12,750 |
|--|---------------|--------|

9 Net Write-Down and Impairment of Assets (continued)

Inventories

To ensure compliance with *AASB 102 - Inventories*, an independent valuation to assess the net realisable value of inventory properties held by DHA was undertaken by registered valuers as at 31 December 2017. The carrying value of individual properties, where the cost of the property exceeded the net realisable value, have been written down accordingly. At the end of the reporting period DHA reassesses the net realisable value, and recognises a further write down or write back. A write back, where applicable, will not exceed cost. Refer to Note 15 for more information.

Investment Properties

Investment properties are initially recognised at cost. The carrying amount includes the cost of replacing parts of existing investment properties, at the time those costs are incurred. The carrying amount excludes costs of day-to-day servicing and maintenance of the investment property.

Investment properties are subsequently recognised at the lower of carrying value and recoverable amount. The recoverable amount is the higher of an assets' fair value less costs to sell; and value in use where the property is not identified for future sale.

Investment properties are derecognised either when they have been disposed of or when they are withdrawn from use and no future economic value is expected from its disposal.

The fair value of investment properties is assessed annually by independent valuers and a value in use calculation is prepared internally for assets not identified for future sale. Where the fair value less costs to sell and the value in use calculation for an individual property is less than its cost, the carrying value of the property is written down to the higher of the two valuation methods, and the loss is recognised as an impairment loss in the statement of comprehensive income. Refer to Note 16.

DHA uses a discounted cash flow to determine the value in use of investment properties. In determining the value in use, DHA applies the following assumptions:

- Rental and capital growth for the next 20 years by individual post codes from major industry publications.
- Consumer Price Index (CPI) rates in line with the mid-point of the Reserve Bank of Australia's (RBA) target inflation rate, being 2.5%.
- Weighted Average Cost of Capital (WACC), a discount rate calculated internally by management on an annual basis.
- Cash inflow estimates including rental income and other Defence fees and charges paid to DHA in accordance with the Services Agreement.
- Cash outflow estimates including annual repairs and maintenance based on historical data and judgements made by management.
- Major capital work expenditure estimates including internal and external repainting and replacement of carpets based on the age of the property.

10 Taxation

(a) Income Tax Expense

| | Consolidated entity | |
|---|---------------------|-----------------|
| | 30 June 2018 | 30 June 2017 |
| | \$'000 | \$'000 |
| Current Tax | 16,911 | 20,091 |
| Adjustments for Current Tax of Prior Periods | 1,696 | (2,906) |
| Deferred Tax | (4,412) | 1,210 |
| Adjustments for Deferred Tax of Prior Periods | (1,584) | 977 |
| Income Tax Expense | 12,611 | 19,372 |
| Income Tax Expense is Attributable to: | | |
| Profit from Continuing Operations | 12,611 | 19,372 |
| Income Tax Expense | 12,611 | 19,372 |

(b) Reconciliation of Income Tax Expense to Prima Facie Tax Payable

| | Consolidated entity | |
|--|---------------------|-----------------|
| | 30 June 2018 | 30 June 2017 |
| | \$'000 | \$'000 |
| Profit from Continuing Operations before Income Tax Expense | 56,869 | 85,347 |
| Tax at the Australian Tax Rate of 30.0% | 17,061 | 25,604 |
| Tax Effect of Amounts which are not Deductible/(Assessable) in Calculating Taxable Income: | | |
| Tax Cost Base Valuations | (4,362) | (4,091) |
| Adjustments relating to Prior Periods | 112 | (1,929) |
| Other | (200) | (212) |
| Income Tax Expense | 12,611 | 19,372 |

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

10 Taxation (continued)

(c) **Deferred Tax Assets/(Liabilities)**

| | Consolidated entity | |
|--|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Deferred Tax Assets/(Liabilities) recognised in the Statement of Comprehensive Income | | |
| Employee Benefits | 8,491 | 5,753 |
| Lease Incentives | 334 | 459 |
| Inventory Properties | (864) | (3,449) |
| Investment Properties | (9,223) | (9,399) |
| Make Good Provisions | 29,725 | 31,669 |
| Provisions - Other | 549 | 572 |
| Property, Plant and Equipment | (269) | (663) |
| R&D Expense | (3,790) | (5,908) |
| Other | (215) | (292) |
| Net Deferred Tax Asset | 24,738 | 18,742 |
| Comprising: | | |
| Deferred Tax Assets | 39,335 | 38,625 |
| Deferred Tax Liabilities | (14,597) | (19,883) |
| Net Deferred Tax Asset | 24,738 | 18,742 |
| Movements: | | |
| Opening balance at 1 July | 18,742 | 20,929 |
| Charged to the Statement of Comprehensive Income | 5,996 | (2,187) |
| Closing balance at 30 June | 24,738 | 18,742 |

10 Taxation (continued)

Accounting Policy

DHA, following amendment of the DHA Act, became a Commonwealth income tax payer on 1 July 2007.

As a result of DHA becoming a taxable entity on 1 July 2007, an unrecognised temporary difference (Deferred Tax Asset) was created between the accounting carrying value and the tax values for property held as Investment Property. The unrecognised value of the temporary difference at 30 June 2018 is \$448,725,757 (2017: \$464,033,421). The tax effect of this temporary difference is \$134,617,727 (2017: \$139,210,026).

Income Tax Expense

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation

DHA and DHA IML have elected to form a tax-consolidated group. The head entity within the tax-consolidated group is DHA.

DHA and DHA IML entered into a tax funding agreement in June 2013. The agreement outlines the terms on which DHA IML is required to contribute to the payment of the group's income tax liability. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable at the end of the financial year. The head entity may also request payment of interim funding amounts to assist with its obligations to pay income tax instalments. The funding amounts are recognised as current inter-company receivables or payables.

10 Taxation (continued)

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- Where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- Receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from or payable to the ATO, is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from or payable to the ATO, are classified as operating cash flows.

Non Refundable Research & Development Tax Incentive

DHA makes research and development tax incentive claims through AusIndustry and the ATO in relation to qualifying expenditure on major property developments and Information Technology development.

The permanent benefit arising from the non refundable research and development tax incentive is accounted for in accordance with *AASB 120 - Accounting for Government Grants and Disclosure of Government Grants*, and is capitalised to the extent that it relates to assets in accordance with Part 3 of the FRR. The capitalised amounts are recognised as income based on the underlying assets useful life, or when disposed.

The temporary timing benefit arising from the non refundable research and development tax incentive is accounted for in accordance with *AASB 112 - Income Taxes*.

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

11 Current Assets - Cash and Cash Equivalents

| | Consolidated entity | |
|--|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Cash at Bank | 32,920 | 5,846 |
| Term Deposits | 155,510 | 225,410 |
| Total Cash and Cash Equivalents | 188,430 | 231,256 |

Cash and cash equivalents means notes and coins held and any deposit held at call or readily convertible to cash with a bank or financial institution. As part of managing working capital, DHA invests in term deposits. These term deposits are classified as cash equivalents as they are readily convertible to a known amount of cash and are not subject to a significant risk of change in value. Cash is recognised at its nominal amount.

12 Current Assets - Trade and Other Receivables

| | Consolidated entity | |
|---|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Current | | |
| Receivables | 4,799 | 50,011 |
| Provision for Impairment of Receivables | (154) | (155) |
| | 4,645 | 49,856 |
| Accrued Income | 10,847 | 12,603 |
| Other Receivables | 4 | 6,027 |
| Total Receivables for Goods and Services | 15,496 | 68,486 |
| Good and Services | | |
| Goods and Services - Related Entities | 6,589 | 52,280 |
| Goods and Services - External Parties | 8,907 | 16,206 |
| Total Trade and Other Receivables (Net) | 15,496 | 68,486 |

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

12 Current Assets - Trade and Other Receivables (continued)

(a) Receivables are expected to be recovered in:

| | Consolidated entity | |
|---------------------|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Less than 12 Months | 15,496 | 68,486 |

Credit Terms are between 7 and 30 days.

(b) Receivables are aged as follows:

| | Consolidated entity | |
|-------------------|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Not overdue | 10,698 | 18,477 |
| 0 to 30 Days | 2,026 | 46,431 |
| 31 to 60 Days | 2,344 | 2,938 |
| 61 to 90 Days | 19 | 135 |
| More than 90 Days | 409 | 505 |
| | 15,496 | 68,486 |

Receivables for goods and services are recognised at the nominal amounts due, less any provision for impairment allowance. Collectability of debts is reviewed at 30 June each year. Allowances are made when the debts recovery is judged to be no longer probable.

13 Investment Properties Held for Sale

| | Consolidated entity | |
|---|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Investment Properties - at Cost | 6,974 | 2,728 |
| Investment Properties - at Cost (Less Impairment) | - | 1,015 |
| Total Investment Properties Held for Sale | 6,974 | 3,743 |

DHA applies *AASB 5 - Non-Current Assets Held for Sale and Discounted Operations* to its investment properties held for sale. These properties are carried at the lower of cost and fair value less costs to sell and are not depreciated.

DHA holds a small proportion of its investment properties for sale. Investment properties are deemed eligible for sale if identified as a sale and lease back property, when they have below average capital growth expectations, carry high repairs and maintenance expenditure, are permanently privately leased out, have no redevelopment opportunities or have low rental yield.

DHA will only classify Investment properties as held for sale once the property is available for immediate sale in its present condition, there is an active programme to locate a buyer and management is committed to selling the investment property. It is expected that the sale will be completed within 12 months.

14 Other Current Assets

| | Consolidated entity | |
|-----------------------------------|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Other Current Assets | | |
| Other Prepayments | 2,058 | 2,066 |
| Prepaid Property Rentals | 31,155 | 31,270 |
| Total Other Current Assets | 33,213 | 33,336 |

Includes commercial office rents, insurance premiums and rents to lessors all paid in advance.

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

15 Inventories

| | Consolidated entity | |
|--|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Completed Properties - at Cost | 304,782 | 400,178 |
| Completed Properties - at Net Realisable Value | 196,137 | 212,531 |
| Land Held for Sale - at Cost | 29,235 | 28,165 |
| Land Held for Sale - at Net Realisable Value | 261 | 1,128 |
| Work in Progress - at Cost | 428,235 | 368,178 |
| Work in Progress - at Net Realisable Value | 12,044 | 15,503 |
| Total Inventories | 970,694 | 1,025,683 |
| | | |
| Current Inventories | 454,133 | 588,158 |
| Non-Current Inventories | 516,561 | 437,525 |
| Total Inventories | 970,694 | 1,025,683 |

The total fair value of inventory as at 30 June 2018 is \$1,125,959,515 (2017: \$1,152,667,559).

For the period 1 July 2017 to 30 June 2018 DHA disposed of 20 inventory properties at a loss of \$162,102 (2017: 61 properties at a loss of \$1,001,936).

DHA accounts for inventory properties under *AASB 102 - Inventories*. Inventories are properties which are held to meet Defence provisioning requirements and are available for sale in the short to medium term in order to free capital for reinvestment.

Inventories are initially recognised at cost and are subsequently recognised at lower of cost or net realisable value. Net realisable value is estimated based on the finished product's gross expected realisation less costs to complete and selling costs.

Inventories are separated into the following categories:

- Completed properties - completed properties held for resale on normal trading cycle;
- Land held for sale; or
- Work in progress - incomplete construction projects.

Work in Progress

Development projects are classified as inventory properties whilst in progress where a significant majority of the property on completion of the development is expected to be sold as inventory stock.

Development project costs include variable and fixed costs as they relate directly to specific contracts, and those costs relating to general contract activity which can be allocated to the project on a reasonable basis.

16 Non-Current Assets - Investment Properties

| | Consolidated entity | |
|---|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Investment Properties | | |
| Investment Properties - at Cost | 1,016,620 | 923,232 |
| Less: Accumulated Depreciation | (110,888) | (104,281) |
| | 905,732 | 818,951 |
| Investment Properties - Impaired | | |
| Investment Properties - at Cost | 94,263 | 59,971 |
| Less: Accumulated Depreciation | (5,246) | (2,809) |
| Less: Accumulated Impairment | (7,976) | (3,458) |
| | 81,041 | 53,704 |
| Total Investment Properties | 986,773 | 872,655 |

The total fair value of Investment Properties (including Investment Properties - Held for Sale in Note 13) as at 30 June 2018 is \$2,011,022,543 (2017: \$1,789,381,678).

The fair value of DHA's investment properties as at 31 December 2017 and 31 December 2016 has been arrived at on the basis of a valuation carried out on the respective date by external independent valuers. On 30 June 2018, DHA has undertaken a review of the fair value determined on 31 December 2017 and determined that there is no material change. The valuers are members of the Institute of Valuers of Australia, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year. The fair value level in accordance with AASB 13 - *Fair Value Measurement* is level 2.

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

16 Non-Current Assets - Investment Properties (continued)

| Consolidated | Investment Properties \$'000 |
|---|------------------------------------|
| At 1 July 2017 | |
| Cost or Fair Value | 983,203 |
| Accumulated Depreciation and Impairment | <u>(110,548)</u> |
| Net Book Amount | 872,655 |
| Year ended 30 June 2018 | |
| Transfer from Inventory to Investment Property | 120,534 |
| Additions | 32,892 |
| Transfer to Assets Held for Sale | (25,327) |
| Depreciation Charge | (13,665) |
| Impairment Loss | (4,324) |
| Other Disposals | (419) |
| Depreciation/ Impairment Written Back on Disposal or Transfer | <u>4,427</u> |
| Closing Net Book Value as at 30 June | 986,773 |
| At 30 June 2018 | |
| Cost or Fair Value | 1,110,883 |
| Accumulated Depreciation and Impairment | <u>(124,110)</u> |
| Net Book Amount | 986,773 |
| Investment Properties \$'000 | |
| At 1 July 2016 | |
| Cost or Fair Value | 908,299 |
| Accumulated Depreciation and Impairment | <u>(100,935)</u> |
| Net Book Amount | 807,364 |
| Year ended 30 June 2017 | |
| Transfer from Inventory to Investment Property | 67,657 |
| Additions | 39,532 |
| Transfer to Assets Held for Sale | (28,955) |
| Depreciation Charge | (12,233) |
| Impairment Loss | (1,694) |
| Other Disposals | (3,329) |
| Depreciation/ Impairment Written Back on Disposal or Transfer | <u>4,313</u> |
| Closing Net Book Value as at 30 June | 872,655 |
| At 30 June 2017 | |
| Cost or Fair Value | 983,203 |
| Accumulated Depreciation and Impairment | <u>(110,548)</u> |
| Net Book Amount | 872,655 |

Investment Properties

DHA accounts for investment properties under *AASB 140 - Investment Property* and applies the Cost model. Investment properties are properties held for strategic long-term provisioning requirements.

16 Non-Current Assets - Investment Properties (continued)

Investment Properties (continued)

Investment properties are separated into the following categories:

- Completed properties;
- Land held for future development; or
- Work in progress - incomplete construction projects.

Transfers from inventory to investment are made when there is a change in use of a property in accordance with AASB 140.

17 Finance Lease Receivables

| | Consolidated entity | |
|--|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Current Finance Lease Receivables | | |
| Due not later than one year | 17,208 | 6,264 |
| Total Current Finance Lease Receivables | 17,208 | 6,264 |
| Non-Current Finance Lease Receivables | | |
| Due later than one year | 43,513 | 19,815 |
| Total Non-Current Finance Lease Receivables | 43,513 | 19,815 |
| Total Finance Lease Receivables | 60,721 | 26,079 |

DHA finances on-base housing constructions and certain off-base properties for Defence, under annuity arrangements provided for in the Services Agreement. Monthly payments are split, principal amounts are credited against the relevant receivable and the interest component is recorded as Annuity Revenue under Housing Services Provided (refer to Note 2).

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

18 Trade and Other Payables

| | Consolidated entity | |
|---------------------------------------|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Trade Creditors | 14,552 | 8,388 |
| Accrued Expenses | 37,003 | 32,056 |
| Stamp Duty and Land Tax Payable | 6,139 | 6,706 |
| Total Trade and Other Payables | 57,694 | 47,150 |

| | Consolidated entity | |
|--|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |

| | | |
|--|---------------|---------------|
| Trade payables expected to be settled within 12 months: | | |
| Related Entities | 6,229 | 13,266 |
| External Parties | 51,465 | 33,884 |
| Total | 57,694 | 47,150 |

| | | |
|-----------------------------|---------------|---------------|
| Total Trade Payables | 57,694 | 47,150 |
|-----------------------------|---------------|---------------|

19 Final Dividends

The DHA Board has declared a final dividend for the year ended 30 June 2018 of \$26,554,650 (2017: \$39,584,821). The DHA Board resolved on 17 May 2018 to pay a dividend of 60 percent of net profit after tax.

| | Consolidated entity | |
|-----------------------|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Final Dividend | 26,555 | 39,585 |

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
 (continued)

20 Borrowings

| | Consolidated entity | |
|---------------------------------------|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Loans from Commonwealth (Current) | 100,000 | - |
| Loans from Commonwealth (Non-Current) | 409,580 | 509,580 |
| Total Borrowings | 509,580 | 509,580 |

| | Consolidated entity | |
|--|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Maturity Schedule for Borrowings Payable: | | |
| Within 1 year | 100,000 | - |
| Between 1 to 5 years | 200,000 | 205,000 |
| More than 5 years | 209,580 | 304,580 |
| Total Borrowings | 509,580 | 509,580 |

DHA has an unsecured borrowing facility with the Commonwealth, incorporating all borrowings, underpinned by a Loan Agreement dated 21 February 2017, as amended. The Loan Agreement affords DHA the flexibility to borrow at either fixed or floating interest rates at market rates which includes a competitive neutrality charge. Note that even though the loan is with the Commonwealth, the Loan Agreement requires DHA to pay interest on the amounts drawn down to Defence.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. Subsequent recognition of loans and borrowings is at amortised cost, and interest is charged as an expense as it accrues. During 2017-18 the interest rate range applied to DHA's borrowings was from 3.77% to 6.16% (2017: 3.77% to 6.16%).

Borrowings are classified as current liabilities unless DHA has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

21 Other Financial Liabilities

| | Consolidated entity | |
|--|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Current | | |
| Revenue in Advance | 25,246 | 28,647 |
| Lease Incentive | 418 | 454 |
| Total Current | <u>25,664</u> | <u>29,101</u> |
| Non-Current | | |
| Lease Incentive | 694 | 1,078 |
| Total Non-Current | <u>694</u> | <u>1,078</u> |
| Total Other Financial Liabilities | <u>26,358</u> | <u>30,179</u> |

Rental and property management fee revenues are billed to Defence one month in advance, in line with the Services Agreement. For the year ended 30 June 2018, 100% of revenue in advance was in relation to payments received from Defence (2017: 100%).

Other Financial Liabilities

DHA classifies all financial liabilities as Other Financial Liabilities. Other Financial Liabilities are recognised and derecognised upon trade date.

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

22 Provisions

| | Consolidated entity | |
|-------------------------------------|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Current Provisions | | |
| Employee Benefits | | |
| Annual Leave | 5,266 | 5,009 |
| Long Service Leave | 7,056 | 6,323 |
| Total | 12,322 | 11,332 |
| Other | | |
| Make Good Provision | 7,620 | 9,837 |
| Other General Provisions | 6,824 | 17,782 |
| Total | 14,444 | 27,619 |
| Total Current Provisions | 26,766 | 38,951 |
| Non-Current Provisions | | |
| Other | | |
| Make Good Provision | 99,012 | 95,727 |
| Other General Provisions | 1,282 | 1,682 |
| Total | 100,294 | 97,409 |
| Employee Benefits | | |
| Long Service Leave | 2,815 | 2,931 |
| Total | 2,815 | 2,931 |
| Total Non-Current Provisions | 103,109 | 100,340 |
| Total Provisions | 129,875 | 139,291 |

22 Provisions (continued)

Movements in Provisions

| Consolidated Entity 2018 | Make Good Provision \$'000 | Other General Provisions \$'000 | Total \$'000 |
|----------------------------------|----------------------------------|--|-----------------|
| Carrying Amount at Start of Year | 105,564 | 19,464 | 125,028 |
| Additional Provisions Recognised | 11,219 | 9,081 | 20,300 |
| Amount Used | (10,151) | (20,439) | (30,590) |
| Carrying Amount at End of Period | <u>106,632</u> | <u>8,106</u> | <u>114,738</u> |

| Consolidated Entity 2017 | Make Good Provision \$'000 | Other General Provisions \$'000 | Total \$'000 |
|----------------------------------|----------------------------------|---------------------------------------|-----------------|
| Carrying Amount at Start of Year | 106,717 | 21,738 | 128,455 |
| Additional Provisions Recognised | 9,379 | 4,296 | 13,675 |
| Amount Used | (10,532) | (6,570) | (17,102) |
| Carrying Amount at End of Period | <u>105,564</u> | <u>19,464</u> | <u>125,028</u> |

Other general provisions include amounts set aside for:

- Fringe Benefits Tax and Goods and Service Tax;
- Employee performance bonuses

Employee Provisions

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in *AASB 119 - Employee Benefits*) and termination benefits expected to be settled within twelve months of the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Leave Liability

A liability is recognised for benefits accruing to employees in respect of annual leave and long service leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by DHA in respect of services provided by employees up to reporting date.

Make Good

DHA is required under the sale and leaseback agreement to undertake prescribed maintenance (make good) at the end of the lease period, where the lease term is six years or more. The make good provision provides for the cost of refurbishing the leased property as set out in the lease agreement.

22 Provisions (continued)

Provisions

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

23 Commitments

| | Consolidated entity | |
|-------------------------------------|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| By Type | | |
| Commitments Receivable | | |
| Operating Lease Income | 3,012,247 | 3,296,888 |
| Total Commitments Receivable | 3,012,247 | 3,296,888 |
| Commitments Payable | | |
| Capital Commitments | | |
| Construction Commitments | 449,624 | 480,950 |
| Total Capital Commitments | 449,624 | 480,950 |
| Other Commitments | | |
| House Operating Lease Rentals | 2,756,953 | 3,011,119 |
| Other Operating Leases | 15,616 | 22,895 |
| Total Other Commitments | 2,772,569 | 3,034,014 |
| Total Commitments Payable | 3,222,193 | 3,514,964 |
| Net Commitments Payable | (209,946) | (218,076) |
| By Maturity | | |
| Commitments Receivable | | |
| Operating Lease Income | | |
| One Year or Less | 392,694 | 396,682 |
| From One to Five Years | 1,338,730 | 1,368,560 |
| Over Five Years | 1,280,823 | 1,531,646 |
| Total Operating Lease Income | 3,012,247 | 3,296,888 |
| Total Commitments Receivable | 3,012,247 | 3,296,888 |

Commitments are GST inclusive where relevant.

23 Commitments (continued)

| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
|--|---------------------------|---------------------------|
| By Maturity | | |
| Commitments Payable | | |
| Capital Commitments | | |
| One Year or Less | 273,866 | 247,644 |
| From One to Five Years | 174,273 | 233,306 |
| Over Five Years | 1,485 | - |
| Total Capital Commitments | 449,624 | 480,950 |
| Operating Lease Commitments | | |
| One Year or Less | 353,499 | 353,280 |
| From One to Five Years | 1,308,429 | 1,335,819 |
| Over Five Years | 1,110,641 | 1,344,915 |
| Total Operating Lease Commitments | 2,772,569 | 3,034,014 |
| Total Commitments Payable | 3,222,193 | 3,514,964 |

Commitments are GST inclusive where relevant.

The Operating Lease Income Commitments Receivable is the expected future rent to be received by DHA, taking into consideration the number of properties available for lease and the estimated vacancy rate based on historical data. The amount represents the expected rental income to be received where DHA properties are occupied by a Defence member or a third party tenant.

Capital Commitments refers to construction project commitments and the payable figures above represent outstanding contractual payments for buildings under construction.

Operating Lease Commitments includes payables for both House Operating Lease Rentals and Other Operating Leases. For House Operating Lease Rentals, the commitment payable is the rent payable to the lessor by DHA over the life of the lease. Other Operating Lease Rentals are non-cancellable leases for commercial office accommodation and staff motor vehicles.

Operating Leases

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

DHA has three categories of operating leases:

- Residential properties (mostly acquired through the sale and leaseback program), for the housing of ADF members, under the Services Agreement between DHA and Defence;
- Commercial property for the administration of DHA; and
- Motor vehicles used in the operations of DHA.

Defence Housing Australia
Notes to the Consolidated Financial Statements
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(continued)

24 Cash Flow Reconciliation

| | Consolidated entity | |
|---|---------------------------|---------------------------|
| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
| Reconciliation of operating results to net cash from operating activities: | | |
| Profit for the Period | 44,258 | 65,975 |
| Depreciation - Plant and Equipment | 3,492 | 3,280 |
| Amortisation of Software | 1,513 | 1,485 |
| Depreciation - Investment Properties | 13,665 | 12,233 |
| Impairment Expense/(Write Back) | 4,324 | 1,648 |
| Loss/(Gain) on Disposal of Assets | (14,166) | (27,692) |
| Increase/(Decrease) in other Non Operating Cash Flow Revenue Items | 1 | (29) |
| Increase/(Decrease) in other Non Operating Cash Flow Expense Items | 4,568 | 2,045 |
| (Increase)/ Decrease in Net Receivables | 29,292 | (42,012) |
| (Increase)/Decrease in Deferred Tax Assets | (5,996) | 2,187 |
| (Increase)/ Decrease in Inventories | (72,493) | 525 |
| (Increase)/ Decrease in Prepayments | 122 | (5,849) |
| Increase/ (Decrease) in Provisions | (22,446) | (26,628) |
| Increase/(Decrease) in Supplier Payments | 10,544 | (3,842) |
| Increase/ (Decrease) in Other Liabilities | (3,821) | (23,907) |
| Increase/(Decrease) in Tax Liabilities | 3,083 | (16,164) |
| Net Cash (used by) Operating Activities | (4,060) | (56,745) |

25 Parent Entity Financial Information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | 30 June 2018 \$'000 | 30 June 2017 \$'000 |
|-----------------------------------|---------------------------|---------------------------|
| Financial Position | | |
| Current Assets | 716,106 | 934,905 |
| Non-current assets | <u>1,585,176</u> | <u>1,364,377</u> |
| Total assets | <u>2,301,282</u> | <u>2,299,282</u> |
| | | |
| Current Liabilities | 236,728 | 154,816 |
| Non-current liabilities | <u>513,383</u> | <u>610,998</u> |
| Total liabilities | <u>750,111</u> | <u>765,814</u> |
| Net assets | <u>1,551,171</u> | <u>1,533,468</u> |
| Shareholders' equity | | |
| Issued capital | 403,863 | 403,863 |
| Retained earnings | <u>1,147,308</u> | <u>1,129,605</u> |
| Total Equity | <u>1,551,171</u> | <u>1,533,468</u> |
| | | |
| Profit for the period | 44,257 | 65,725 |
| Other comprehensive income | <u>-</u> | <u>-</u> |
| Total comprehensive income | <u>44,257</u> | <u>65,725</u> |

25 Parent Entity Financial Information (continued)

(b) Guarantees entered into by the parent entity

DHA has not entered into any guarantees, on behalf of the consolidated group.

(c) Contingent liabilities of the parent entity

Refer to Note 30 for details of contingent liabilities of DHA.

(d) Contractual commitments for the acquisition of property, plant or equipment

Refer to Note 23 for details of contractual commitments for DHA.

26 Key Management Personnel Remuneration

(a) Director Remuneration

The aggregate remuneration of the Directors of DHA is set out below:

| | Consolidated entity | |
|------------------------------|---------------------|-----------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Short-term Employee Benefits | 512,205 | 469,754 |
| Post-employment Benefits | 59,991 | 51,354 |
| Total | 572,196 | 521,108 |

The Director's remuneration (excluding the Managing Director) includes fees and benefits, including travel and motor vehicle allowances, as prescribed by the Remuneration Tribunal's determination for part-time public office holders and superannuation payable in accordance with applicable legislation and fund requirements.

26. Key Management Personnel Remuneration (continued)

(b) Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of DHA, directly or indirectly. DHA has determined key management personnel to include the Managing Director, the Chief Financial Officer and other Senior Executive Group members reporting directly to the Managing Director including in an acting capacity.

The aggregate remuneration of key management personnel of DHA during the financial year (including the Managing Director) is set out below:

| | Consolidated entity 30 June 2018 \$ | 30 June 2017 \$ |
|--|--|-----------------------|
| Short-Term Employee Benefits | | |
| Salary | 1,904,433 | 2,253,450 |
| Performance Bonus | 228,034 | 386,278 |
| Total Short-Term Employee Benefits | 2,132,467 | 2,639,728 |
| Post-Employment Benefits | | |
| Superannuation | 259,628 | 323,030 |
| Total Post-Employment Benefits | 259,628 | 323,030 |
| Other Long-Term Employee Benefits | | |
| Annual Leave Accrued | 145,799 | 157,548 |
| Long Service Leave | 65,358 | 70,897 |
| Total Other Long-Term Employee Benefits | 211,157 | 228,445 |
| Termination Benefits | | |
| Termination Benefits | - | 138,019 |
| Termination benefits | - | 138,019 |
| Total Employment Benefits | 2,603,252 | 3,329,222 |

The total number of key management personnel that are included in the above table are 10 individuals (2017:15 individuals).

The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Ministers. The Portfolio Ministers' remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

Defence Housing Australia
Notes to the Consolidated Financial Statements
30 June 2018
(continued)

27 Remuneration of Auditors

| | Consolidated entity | |
|---|---------------------|-----------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Amount Received or Due and Receivable by Auditors | | |
| Australian National Audit Office (ANAO) for the Audit of the Financial Statements | 254,000 | 193,000 |
| | 254,000 | 193,000 |
| Audit Fees relating to the audit of DHA IML are paid to the ANAO | 19,000 | 19,000 |
| | 19,000 | 19,000 |
| Audit of the Australian Financial Services License (AFSL) for DHA IML | 6,000 | 6,000 |
| | 6,000 | 6,000 |

Deloitte Touche Tohmatsu has been contracted by the ANAO to provide audit services for 2017-18 on the ANAO's behalf. Fees for these services are included above. No other services were provided by the ANAO or Deloitte during the reporting period.

28 Related Party Disclosures

The entity is an Australian Government controlled entity. Related parties to this entity are the Directors, Key Management personnel and Executive, and other Australian Government entities. DHA forms part of the Defence Portfolio. DHA reports to two shareholder ministers; the Minister for Defence and the Minister for Finance.

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. These transactions have not been separately disclosed.

DHA and Defence have entered into a Services Agreement on housing and related matters which details the provision of services to Defence. Transactions between Defence, Finance and DHA are highlighted throughout the financial statement notes.

There have been no financial transactions between the key management personnel and DHA outside the normal employment contracts under the *Public Service Act 1999*.

DHA and DHA IML entered into the Services Agreement on 23 May 2013 to assist in running the business of DHA IML. DHA IML has not provided remuneration to its key management personnel. Under the Services Agreement, DHA IML pays a quarterly service fee to DHA to reimburse DHA for directors' fees paid to DHA IML director Martin Brady totalling \$15,628 to 30 June 2018 (2017: \$15,321), and to cover the staff costs associated with managing the subsidiary entity.

29 Economic Dependency

DHA depends on Defence in accordance with the Services Agreement. DHA received 58.5% of its total revenue from Defence for the year ended 30 June 2018 (2017: 52.5%).

30 Contingent Assets and Liabilities

| Consolidated and Parent Entity | Guarantees | | Total | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Contingent Assets | | | | |
| Balance from previous period | 9,050 | - | 9,050 | - |
| New | - | 9,050 | - | 9,050 |
| Expired | - | - | - | - |
| Total Contingent Assets | 9,050 | 9,050 | 9,050 | 9,050 |
| Contingent Liabilities | | | | |
| Balance from previous period | 12,951 | 16,558 | 12,951 | 16,558 |
| New | 3,612 | 5,498 | 3,612 | 5,498 |
| Obligations Expired | (2,272) | (9,105) | (2,272) | (9,105) |
| Total Contingent Liabilities | 14,291 | 12,951 | 14,291 | 12,951 |
| Net Contingent Liabilities | 5,241 | 3,901 | 5,241 | 3,901 |

Quantifiable Contingencies

Contingent assets and liabilities take the form of bank guarantees and financial undertakings which arise as a result of DHA's normal business operations. The amount disclosed represents the aggregate amount of such guarantees and financial undertakings. No financial assets or liabilities are expected to arise from provisions of the guarantees or financial undertakings.

Unquantifiable Contingencies

As at 30 June 2018, DHA has no unquantifiable contingencies.

Remote Contingencies

As at 30 June 2018, DHA has no remote contingencies.

Defence Housing Australia
Notes to the Consolidated Financial Statements
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(continued)

31 Financial Instruments

The main risks arising from DHA's financial instruments are interest rate risk, credit risk and liquidity risk. DHA uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring the level of exposure to interest rates and assessments of forecasts for interest rates. Ageing analysis and monitoring of specific credit tolerances are undertaken to manage credit risk. Liquidity risk is monitored through the development of rolling cash flow forecasts.

Carrying Value

The carrying value of the DHA's financial assets and liabilities at the reporting date are as follows:

| | Consolidated entity | |
|---|---------------------|-----------------|
| | 30 June 2018 | 30 June 2017 |
| | \$'000 | \$'000 |
| Financial Assets | | |
| Cash at Bank | 32,920 | 5,846 |
| Term Deposits | 155,510 | 225,410 |
| Trade and Other Receivables | 15,496 | 68,486 |
| Finance Lease Current | 17,208 | 6,264 |
| Finance Lease Non-Current | 43,513 | 19,815 |
| Carrying Amount of Financial Assets | <u>264,647</u> | <u>325,821</u> |
| Financial Liabilities | | |
| Borrowings (Current) | 100,000 | - |
| Borrowings (Non-Current) | 409,580 | 509,580 |
| Trade and Other Payables | 57,694 | 47,150 |
| Other Financial Liabilities (Non-Current) | 694 | 1,078 |
| Dividends | 26,555 | 39,585 |
| Other Financial Liabilities (Current) | 25,664 | 29,101 |
| Carrying Amount of Financial Liabilities | <u>620,187</u> | <u>626,494</u> |
| | | |
| | Consolidated entity | |
| | 30 June 2018 | 30 June 2017 |
| | \$'000 | \$'000 |
| Net Income from Financial Assets | | |
| Interest | 4,703 | 7,386 |
| Annuity Revenue | 1,025 | - |
| Net Gain Loans and Receivables | <u>5,728</u> | <u>7,386</u> |

31 Financial Instruments (continued)

| | Consolidated entity | |
|--|---------------------|-----------------|
| | 30 June 2018 | 30 June 2017 |
| | \$'000 | \$'000 |
| Net Expenses from Financial Liabilities | | |
| Finance Costs | 25,866 | 25,867 |
| Net Loss Financial Liabilities - Amortised Cost | 25,866 | 25,867 |

Fair Value

The fair value of financial assets and liabilities have been derived as follows:

- The fair value of government loans is calculated by the Australian Office of Financial Management. The loans are valued by calculating the net present values of all future contracted payments at the relevant interest rate. The fair value of DHA's loans with the Commonwealth was \$535,650,410 for 2018 (2017: \$541,602,417).
- The Directors consider that the carrying amounts of all other financial assets and liabilities recorded at amortised cost in the financial statements approximates their fair values.

In accordance with *AASB 7 - Financial Instruments Disclosures*, the fair value of Government loans have been determined using level 2 of the fair value hierarchy.

Credit Risk

Credit risk arises from the financial assets of DHA, which comprise cash and cash equivalents and trade and other receivables. Exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

DHA does not hold any credit derivatives to offset its credit exposure.

DHA trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it policy to securitise its trade and other receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that DHA's potential exposure to bad debts is not significant.

There are no significant concentrations of credit risk within DHA and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

Liquidity Risk

DHA manages liquidity risk by maintaining an appropriate level of marketable securities on hand to meet outgoing commitments in the event of failure to receive any revenue from the normal course of business and ensuring capacity exists to borrow under the Cash Advance Facility based upon regular cash flow forecasts prepared by DHA Finance.

Other than Commonwealth loans all financial liabilities will mature within one year. Refer to Note 20 for ageing of Commonwealth loans.

Market Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. DHA has exposure to interest rate risk arising from fluctuations in interest rates applicable to cash and borrowings.

31 Financial Instruments (continued)

Market Risk (continued)

DHA manages interest rate risk by ensuring that investments mature commensurate with cash flow requirements to maximise interest income. DHA also seeks to ensure an appropriate mix of maturities across the yield curve to avoid concentration of maturities on any given date and higher volatility inherent in longer dated investments. Interest rate risk on borrowings is managed by ensuring maturing loans are rolled over taking into consideration the interest rate outlook and the maturity profile of existing borrowings.

The table below details the interest rate sensitivity analyses of the entity at the reporting date, holding all other variables constant.

Sensitivity analysis of the risk that DHA is exposed to in 2018

| | Risk Variable | Change in Risk Variable % | Average Cash \$'000 | Effect on | |
|--------------------|---------------|---------------------------|---------------------|-----------------|---------------|
| | | | | Profit and Loss | Equity \$'000 |
| Interest Rate Risk | Interest | 0.20 | 142,358 | | 285 |

Sensitivity analysis of the risk that DHA is exposed to in 2017

| | Risk Variable | Change in risk variable % | Average Cash \$'000 | Effect on | |
|--------------------|---------------|---------------------------|---------------------|-----------------|---------------|
| | | | | Profit and Loss | Equity \$'000 |
| Interest Rate Risk | Interest | 0.30 | 177,777 | | 533 |

Interest rate sensitivity analysis has been calculated on a "reasonable possible" basis. The rate of 20 basis points (2017: 30 basis points) was determined by using the standard parameters issued by Finance.

Financial Risk Management

DHA's principle financial instruments comprise receivables, payables, government loans, finance leases, cash and short term deposits.

DHA's Treasury Policy provides a framework to manage core risks, including financial risk management, which pertain to DHA's financial market investments, borrowings and associated activities.

Primary responsibility for the overall financial risk management rests with the Chief Financial Officer, duly supported by the Chief Risk Officer through the identification, assessment and regular reporting to the DHA Board.

32 Subsequent Events

On 28 June 2018 paper work was submitted with ASIC to cancel AFSL No. 432370 in accordance with the DHA IML Board resolution of 14 June 2018. ASIC on 19 July 2018 have confirmed the cancellation of the DHA IML AFSL. The process to voluntarily deregister the corporate entity has commenced and will be completed during FY2018-19.

There are no other events post 30 June 2018 which would have a material impact on the financial statements or operations of the DHA business.

'Families still have a lot of issues to deal with, but housing is no longer one of them. As long as the Defence force exists, and you have families with spouses who are deployed, you need to have organisations who actually understand what the issues are for these people.'

Eileen Jerga AM, National Consultative Group of Service Families
(now DFA) 1992—1996

Part 6

Appendices and reference information

Appendix A—Workforce statistics

Appendix B—Work, health and safety

Appendix C—Five year financial summary

Appendix D—Advertising and market research

Appendix E—Environmental performance

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Service and office directory

Acronyms and abbreviations

Alphabetical index



Appendix A: Workforce statistics

This appendix provides statistics on our workforce, including staff profile and remuneration, as at 30 June 2017 and 30 June 2018 (unless otherwise stated).

Staffing profile (by headcount)

Table 6.1: Staff by classification and gender,²² 2016–17 and 2017–18²³

| Classification | 2016–17 | | 2017–18 | |
|----------------|------------|------------|------------|------------|
| | Female | Male | Female | Male |
| DHA1 | - | - | 1 | 1 |
| DHA3 | 79 | 25 | 58 | 15 |
| DHA4 | 142 | 37 | 141 | 35 |
| DHA5 | 69 | 33 | 74 | 41 |
| DHA6 | 72 | 37 | 65 | 36 |
| EL1 | 52 | 43 | 48 | 41 |
| EL2 | 20 | 39 | 28 | 49 |
| SES and MD | 3 | 7 | 5 | 7 |
| Total | 437 | 221 | 420 | 225 |

²² As at 30 June 2017 no staff have identified as Gender X.

²³ Figures include ongoing and non-ongoing staff at their substantive classification as at 30 June 2017 or 30 June 2018. Inoperative staff (those on long term leave), staff engaged through an employment agency and Board members are excluded.

Table 6.2: Staff by classification and employment type, 2016–17 and 2017–18²³

| Classification | 2016–17 | | 2017–18 | |
|----------------|------------|-----------|------------|-----------|
| | Full-time | Part-time | Full-time | Part-time |
| DHA1 | - | - | 2 | - |
| DHA3 | 88 | 16 | 58 | 15 |
| DHA4 | 157 | 22 | 154 | 22 |
| DHA5 | 94 | 8 | 105 | 10 |
| DHA6 | 100 | 9 | 87 | 14 |
| EL1 | 82 | 13 | 73 | 16 |
| EL2 | 56 | 3 | 69 | 8 |
| SES and MD | 10 | 0 | 11 | 1 |
| Total | 587 | 71 | 559 | 86 |

Table 6.3: Ongoing staff by length of service and classification, 2016–17 and 2017–18²³

| Length of service | 2016–17 | | | 2017–18 | | |
|-------------------|------------|------------|------------|------------|------------|------------|
| | DHA 2–4 | DHA 5–6 | EL 1–MD | DHA 1–4 | DHA 5–6 | EL 1–MD |
| <2 years | 81 | 30 | 22 | 68 | 37 | 29 |
| 2–5 years | 81 | 61 | 41 | 71 | 41 | 37 |
| 6–10 years | 44 | 54 | 54 | 47 | 56 | 51 |
| ≥11 years | 38 | 46 | 35 | 38 | 62 | 48 |
| Total | 244 | 191 | 152 | 224 | 196 | 165 |

²³ Figures include ongoing and non-ongoing staff at their substantive classification as at 30 June 2017 or 30 June 2018. Inoperative staff (those on long term leave), staff engaged through an employment agency and Board members are excluded.

Table 6.4: Staff by office type, 2016–17 and 2017–18²⁴

| | 2016–17 | 2017–18 |
|-------------------|---------|---------|
| Office type | Total | Total |
| Head office | 234 | 228 |
| Sydney CBD office | 32 | 38 |
| Regional office | 289 | 283 |
| Contact centre | 103 | 96 |
| Total | 658 | 645 |

Table 6.5: Staff by location, 2016–17 and 2017–18²⁴

| | 2016–17 | 2017–18 |
|----------|---------|---------|
| Location | Total | Total |
| ACT | 258 | 254 |
| NSW | 128 | 129 |
| NT | 32 | 27 |
| QLD | 131 | 132 |
| SA | 56 | 54 |
| VIC | 33 | 29 |
| WA | 20 | 20 |
| Total | 658 | 645 |

²⁴ Figures include ongoing staff at their substantive classification as at 30 June 2017 or 30 June 2018. Non-ongoing staff, inoperative staff (those on long term leave), staff engaged through an employment agency and Board members are excluded.

Table 6.6: Staff by employment instrument, 2016–17 and 2017–18²⁴

| | 2016–17 | 2017–18 |
|---|------------|------------|
| Employment instrument | Number | Number |
| Enterprise Agreement (EA) | 537 | 503 |
| EA with individual flexibility agreement ¹ | 111 | 130 |
| Common law contract | 0 | 0 |
| Public Service Act section 24(1) determination ² | 9 | 11 |
| Remuneration Tribunal determination | 1 | 1 |
| Total | 658 | 645 |

NOTES

1. The Fair Work Act 2009 requires that all enterprise agreements (EA) contain provision for an individual flexibility arrangement. Where DHA and a staff member agree to vary specific terms and conditions in DHA's EA, an individual flexibility agreement (IFA) is entered into. Refer to our website (dha.gov.au/ea) for a full copy of the EA.
2. In accordance with section 24(1) of the Public Service Act 1999, an agency head may determine in writing the terms and conditions of employment applying to an Australian Public Service employee. In DHA's case, this applies to senior executive service (SES) band staff only.

Table 6.7: Staff gross salary ranges by classification, 2016–17 and 2017–18²⁵

| | 2016–17 | 2017–18 |
|----------------|---------------------|---------------------|
| Classification | Salary range | Salary range |
| DHA1 | - | \$47,686–\$53,326 |
| DHA3 | \$57,727–\$63,964 | \$58,881–\$65,243 |
| DHA4 | \$63,784–\$71,275 | \$65,059–\$72,700 |
| DHA5 | \$71,860–\$78,435 | \$73,29–\$80,003 |
| DHA6 | \$79,327–\$91,210 | \$80,91–\$93,034 |
| EL1 | \$96,310–\$117,538 | \$98,236–\$119,889 |
| EL2 | \$114,452–\$146,852 | \$116,741–\$149,790 |
| SES and MD | \$206,907–\$384,280 | \$210,000–\$434,537 |

²⁴ Figures include ongoing staff at their substantive classification as at 30 June 2017 or 30 June 2018. Non-ongoing staff, inoperative staff (those on long term leave), staff engaged through an employment agency and Board members are excluded.

²⁵ In accordance with the EA, a two per cent salary increase was payable on the 12 month anniversary for eligible staff at DHA trainee to EL2 levels. The increase took effect on 18 January 2017. The 2016–17 figures quoted reflect this increase. The Managing Director and Board also chose to nominally increase the salary of SES staff and the Managing Director respectively in 2016–17.

Performance payments

Table 6.8: Maximum potential performance bonus by classification, 2017–18

| Classification | Maximum potential performance payment |
|----------------|---------------------------------------|
| DHA1–DHA4 | 7.5% ¹ |
| DHA5–EL1 | 12.5% ² |
| EL2–SES | 15% ³ |
| MD | 15% ⁴ |

NOTES

1. In accordance with the EA, DHA1–DHA4 staff may be eligible for performance pay of up to 7.5 per cent of their annual gross base salary.
2. In accordance with the EA, DHA5–EL1 staff may be eligible for performance pay of up to 12.5 per cent of their annual gross base salary.
3. In accordance with the EA and section 24(1) of the *Public Service Act 1999*, EL2–SES staff may be eligible for performance pay of up to 15 per cent of their annual gross base salary.
4. In accordance with the Remuneration Tribunal's determination for Principal Executive Office holders, the Managing Director may be eligible for performance pay of up to 15 per cent of total gross remuneration.

Table 6.9: Performance pay by classification, 2017–18²⁶

| Classification | Number of payments | Aggregated amount (\$) | Average amount (\$) | Range of payments (\$) |
|-------------------------|--------------------|------------------------|---------------------|------------------------|
| DHA3 | 77 | 210,000 | 2,730 | 162–8,084 |
| DHA4 | 175 | 668,000 | 3,820 | 233–8,084 |
| DHA5 | 92 | 671,000 | 7,294 | 1,369–10,851 |
| DHA6 | 98 | 816,000 | 8,322 | 382–12,651 |
| EL1 | 89 | 976,000 | 10,962 | 1,435–14,692 |
| EL2 | 57 | 1,058,000 | 18,563 | 869–29,823 |
| SES and MD | 9 | 292,000 | 32,456 | 9,975–57,197 |
| Total, average or range | 597 | 4,691,000 | 7,858 | 162–57,197 |

²⁶ Table 6.9 sets out performance pay for the 2016–17 performance cycle that was paid to eligible staff in 2017–18. The table excludes 10 staff who were otherwise eligible for a performance bonus but did not receive a payment as they were rated as 'Not meeting expectations/targets'. Aggregated amount is rounded to the nearest thousand, average amount and range of payment figures are all rounded up to the nearest dollar.

Executive remuneration

Defence Housing Australia's (DHA) remuneration arrangements are unique because it is the only Government Business Enterprise (GBE) to employ its staff under the *Public Service Act 1999* (Public Service Act). As such, DHA is required to disclose employee remuneration in multiple forms.

As DHA is a reporting entity under the *Privacy Act 1988* (Privacy Act) any remuneration disclosure must be in accordance with obligations under the Privacy Act. DHA is unable to publish information, which constitutes personal information under the Privacy Act, without written prior consent from the individual (or individuals) concerned, whether they are named or would be otherwise reasonably identifiable.

Tables 6.10 and **6.11** comply with GBE remuneration disclosure requirements specified in Resource Management Guide No. 126: *Commonwealth Government Business Enterprises—Governance and Oversight Guidelines* (GBE Guidelines).

DHA's full remuneration report is published on its website (dha.gov.au/remuneration). It:

- › demonstrates how DHA's remuneration strategy is aligned to its purposes and strategic objectives, as set out in its Corporate Plan and Statement of Corporate Intent which are approved by DHA's Board and considered by the Minister for Defence and the Minister for Finance
- › sets out the remuneration strategy and governance arrangements for DHA's Board members, Managing Director, Senior Executive Service (SES) employees and other employees (DHA1 to EL2)
- › provides aggregated information about the remuneration paid to substantive executives (Senior Executive Service employees) and highly paid officers (non-SES employees paid \$200,001 or higher) in 2017–18 using a template provided by the Secretary of the Department of the Prime Minister and Cabinet.

Table 6.10: DHA public office holder remuneration (2016–17 and 2017–18)

| Name | Period | Short term benefits | | | Post-employment | Other long term benefits | | Termination benefits | Total remuneration |
|-------------------------|--------|-----------------------------------|---|-------------------------------|---|--------------------------------|---------------------------------|----------------------|--------------------|
| | | Base salary and fees ¹ | Short term incentives or bonuses ² | Non-cash benefit ³ | Superannuation contributions ⁴ | Short term incentives deferral | Long service leave ⁵ | | |
| | | € | € | € | € | € | € | € | \$ |
| A Ferguson | 2017 | 55,981 | 1,568 | – | 8,615 | – | – | – | 66,164 |
| | 2018 | 57,079 | 1,942 | – | 8,787 | – | – | – | 67,808 |
| J Williams | 2017 | 63,646 | – | – | 6,046 | – | – | – | 69,692 |
| | 2018 | 64,892 | – | – | 6,062 | – | – | – | 70,955 |
| R Fisher | 2017 | 64,816 | – | – | 6,158 | – | – | – | 70,974 |
| | 2018 | 64,892 | – | – | 6,165 | – | – | – | 71,058 |
| A Galloway ⁶ | 2017 | 40,010 | – | – | 6,064 | – | – | – | 46,074 |
| | 2018 | 64,892 | – | – | 9,899 | – | – | – | 74,792 |
| E Jones ⁷ | 2017 | 32,373 | – | – | 5,066 | – | – | – | 37,439 |
| | 2018 | 64,892 | – | – | 9,899 | – | – | – | 74,792 |
| M Brady | 2017 | 92,326 | 2,148 | – | 8,771 | – | – | – | 103,245 |
| | 2018 | 88,334 | 1,699 | – | 8,335 | – | – | – | 98,368 |
| J Macdonald | 2017 | 111,931 | 4,956 | – | 10,633 | – | – | – | 127,521 |
| | 2018 | 114,157 | 5,052 | – | 10,845 | – | – | – | 130,054 |
| J Mason | 2017 | 378,891 | 38,334 | 2,813 | 47,705 | – | 13,260 | – | 481,003 |
| | 2018 | 429,733 | 62,748 | 3,354 | 20,049 | – | 14,936 | – | 530,820 |
| Total ⁸ | 2017 | 839,974 | 47,006 | 2,813 | 99,058 | – | 13,260 | – | 1,002,111 |
| | 2018 | 948,871 | 71,441 | 3,354 | 80,041 | – | 14,936 | – | 1,118,646 |

NOTES

1. In accordance with section 17 of the *Defence Housing Australia Act 1987* (the DHA Act), the fees payable to DHA Board members are prescribed by the Remuneration Tribunal's determination for holders of part time public office. In accordance with section 50 of the DHA Act, the Managing Director's base salary is determined by the DHA Board within the parameters of the Remuneration Tribunal's determination for Principal Executive Office (PEO) holders.
2. For Board members, 'short term incentives or bonuses' includes motor vehicle allowance. For the Managing Director, 'short term incentives or bonuses' includes performance pay for the 2015–16 and 2016–17 performance cycle that was paid in 2016–17 and 2017–18 respectively in accordance with the Remuneration Tribunal's determination for PEO holders.
3. For the Managing Director, 'non cash benefits' includes the notional value of a paid car space.
4. Superannuation is payable in accordance with applicable legislation and fund requirements.
5. Only the Managing Director is eligible for leave provisions, including long service leave.
6. A Galloway was appointed to the DHA Board on 9 November 2016.
7. E Jones was appointed to the DHA Board on 21 December 2016.
8. The Commonwealth employs CDRE McConachie and P Logan on a full time basis. For this reason, in accordance with *Determination 2017/10*, they are not entitled to be remunerated as a part time office holder or independent member of the Board Audit Committee respectively.

Table 6.11: DHA executive management remuneration (2016–17 and 2017–18)

| Name | Period ¹ | Short term benefits | | | Post-employment | Other long term benefits | | Termination benefits | Total remuneration |
|------------------------|---------------------|-----------------------------------|---|-------------------------------|---|--------------------------------|---------------------------------|----------------------|--------------------|
| | | Base salary and fees ¹ | Short term incentives or bonuses ² | Non-cash benefit ³ | Superannuation contributions ⁴ | Short term incentives deferral | Long service leave ⁵ | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| J Abbot ⁶ | 2017 | – | – | – | – | – | – | – | – |
| | 2018 | 219,748 | 12,793 | 3,354 | 32,547 | – | 8,421 | – | 276,863 |
| R Jordan | 2017 | 207,175 | 25,947 | 2,728 | 38,367 | – | 7,139 | – | 281,354 |
| | 2018 | 210,888 | 28,760 | 3,354 | 39,193 | – | 7,287 | – | 289,482 |
| M Kelly ⁷ | 2017 | – | – | – | – | – | – | – | – |
| | 2018 | 230,404 | 29,214 | 3,354 | 31,581 | – | 8,249 | – | 302,802 |
| S Nielsen ⁸ | 2017 | – | – | – | – | – | – | – | – |
| | 2018 | 253,346 | 35,183 | 3,354 | 38,798 | – | 8,782 | – | 339,463 |
| B Jorgensen | 2017 | 247,691 | 32,976 | 2,728 | 44,723 | – | 8,799 | – | 336,917 |
| | 2018 | 258,623 | 39,270 | 3,354 | 48,178 | – | 8,954 | – | 358,379 |
| Total | 2017 | 454,866 | 58,921 | 5,456 | 83,090 | – | 15,938 | – | 618,271 |
| | 2018 | 1,173,009 | 145,220 | 16,770 | 190,297 | – | 41,693 | – | 1,566,989 |

NOTES

- The table includes remuneration of individuals employed by DHA as members of the Senior Executive Group (SEG) as at 30 June 2017 and 30 June 2018 who provided DHA written consent to disclose their personal information. The table excludes remuneration of:
 - individuals who did not provide DHA written consent to disclose their personal information;
 - former-SEG members;
 - separated employees;
 - the Managing Director (refer Table 6.10); and
 - monies paid to an estate.
DHA's full remuneration report for 2016–17 is available on its website (refer to www.dha.gov.au/remuneration)
- 'Short term incentives or bonuses' includes performance pay for the 2015–16 and 2016–17 performance cycle that was paid in 2016–17 and 2017–18 respectively in accordance with DHA's performance bonus scheme, any lease payouts made in service and any motor vehicle allowances payable.
- 'Non-cash benefits' includes an allowance for the notional value of a paid car space.
- Superannuation is payable in accordance with applicable legislation and fund requirements.
- 'Long service leave' includes accrued long service leave liability. It excludes accrued annual leave.
- J Abbot was appointed as Chief Financial Officer on 1 February 2018. Full year (FY) remuneration for 2017–18 is reported. J Abbot was not a member of the SEG in 2016–17.
- M Kelly was appointed as Acting General Manager, Property and Tenancy Services on 30 October 2017. FY remuneration for 2017–18 is reported. M Kelly was not a member of the SEG in 2016–17.
- S Nielsen was appointed as General Manager, People and Corporate Capability on 4 September 2017. FY remuneration for 2017–18 is reported. S Nielsen was not a member of the SEG in 2016–17.

Appendix B:

Work, health and safety

This appendix outlines our work, health and safety (WHS) performance in accordance with the *Work Health and Safety Act 2011* (WHS Act).

Table 6.12: WHS performance, 2016–17 and 2017–18

| Indicator | 2016–17 | 2017–18 |
|---|------------------|---------|
| Incident reporting | | |
| Total incidents reported | 519 ³ | 678 |
| WHS incidents | 16 ³ | 190 |
| Staff | 83 ³ | 74 |
| Contractors | 49 ³ | 71 |
| Tenants and others | 29 ³ | 45 |
| Recordable injury rate | | |
| Total recordable injury frequency rate ¹ | 5.86 | 5.49 |
| Lost time rate | | |
| Lost time injury frequency rate ² | 4.18 | 2.35 |
| Audits and office inspections | | |
| Contractor and internal audits conducted | 511 | 897 |
| Desktop | 417 ³ | 789 |
| Onsite | 94 ³ | 89 |
| Safety interaction | 207 | 403 |
| Office inspections conducted | 79 | 77 |
| Workers' compensation | | |
| Workers' compensation claims (accepted in financial year) | 7 ³ | 2 |

NOTES

1. Number of recordable injuries per million work hours.
2. Number of lost time injuries per million work hours.
3. Figure differs to those reported in 2016–17 due to late reporting of incidents

Notifiable incidents

As shown in [Figure 6.1](#), the number of all incidents reported continues to increase year-on-year as DHA's reporting culture matures. Importantly, while the number of incidents reported increased by 30 per cent in 2017–18, the percentage of those deemed WHS incidents involving DHA staff decreased by 12 per cent and we saw a 70 per cent reduction in accepted workers compensation claims.

Of the 188 incidents deemed as WHS related in 2017–18, five were notified to an authority in line with the WHS Act due to them being classified as dangerous incidents.

Figure 6.1:

WHS incidents by person involved 2015–16, 2016–17 and 2017–18

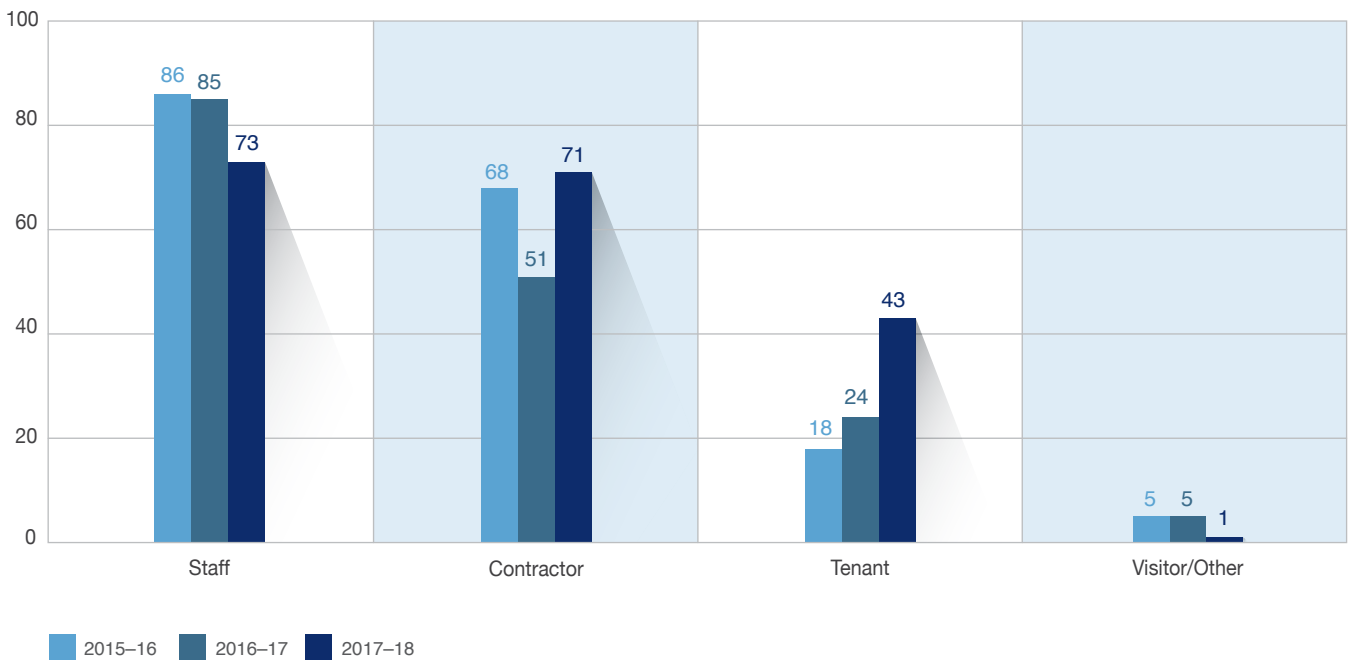
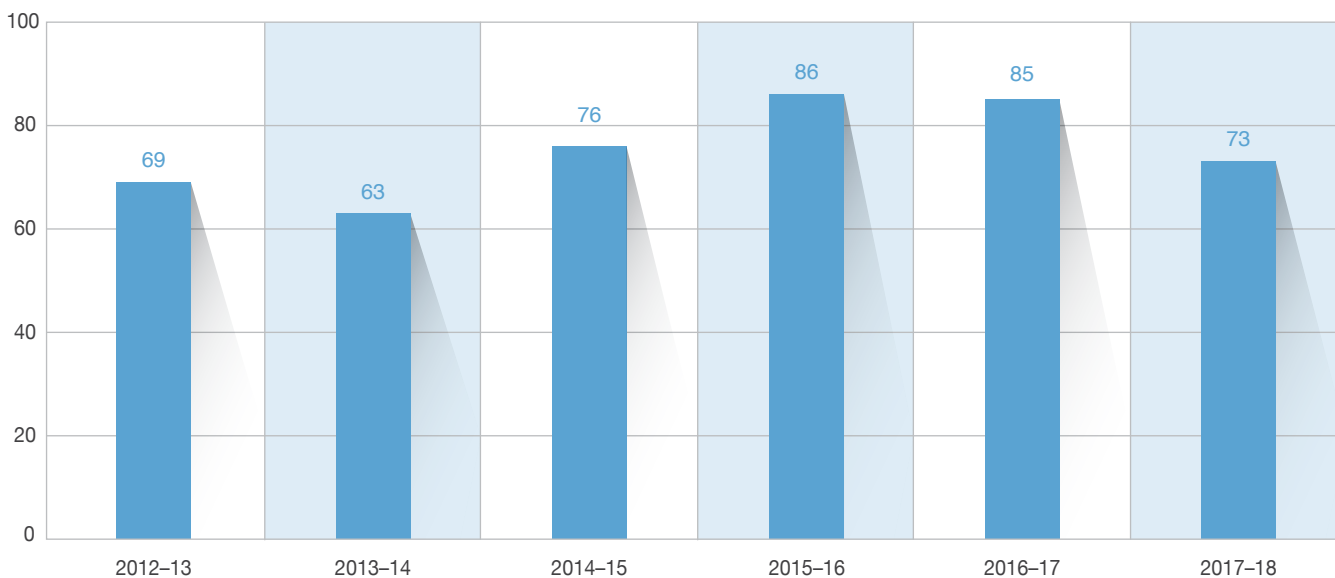


Figure 6.2:

Staff WHS incidents, 2012–13 to 2017–18



As shown in Figure 6.1, staff were involved in the highest number of WHS incidents (73) in 2017–18, however this number was consistent with staff incidents in 2016–17 (83).

There were three lost time injuries in 2017–18, which translates to a staff lost time injury frequency rate of 2.35. The total recordable injury frequency rate (TRIFR) was 5.49 based on seven injuries requiring medical treatment. This equates to a 6.5 per cent reduction in TRIFR from 2016–17 where there were seven recordable injuries requiring medical treatment.

Of the other 487 incidents reported in 2017–18:

- 53 were security issues and were managed separately
- 434 were not WHS related as there was no link to the work of DHA or our contractors.

Safety audits and inspections

As part of our regular Health, Safety, Environment and Quality program, we undertook 897 contractor and safety audits and 80 office inspections during 2017–18. A total of 655 corrective actions were raised following these audits. The results of the corrective actions have assisted in various initiatives, including data trend analysis, targeted audit and safety campaigns and local area risk mitigation strategies.

In 2017–18, we were recertified against two international standards, ISO45001 Occupational health and safety, and ISO9001 Quality management for our integrated Safety, Health, Environment and Quality management system. Our continuing efforts in the program have included commencing the national roll out of

safe driver training, embedding the organisational change management framework and securing an award for our Psychosocial Wellbeing Program that launched in 2016. Furthermore for the latter program, we have been accredited by the Australian Medical Association (of WA), mental health's best practice guide.

Workers' compensation

Comcare, the Australian Government's insurer, regulator and scheme manager, accepted two workers' compensation claims in 2017–18 (including two for injuries that occurred in 2015–16). Of the compensable injuries in 2017–18, two claim were for musculoskeletal injuries. Comcare disallowed two claims.

Appendix C:

Five year financial summary

This appendix provides a comparative overview of DHA's key financial performance results for the last five financial years.

Table 6.13: Financial performance, 2013–14 to 2017–18

| | 2013–14 | 2014–15 | 2015–16 | 2016–17 | 2017–18 |
|---|---------|---------|---------|---------|---------|
| Financial performance | | | | | |
| Net profit after tax (\$m) | 90.1 | 91.1 | 104.6 | 65.7 | 44.3 |
| Annual dividend (\$m) | 54.0 | 54.6 | 62.7 | 39.6 | 26.6 |
| Return on equity (%) | 6.4 | 6.3 | 7.0 | 4.3 | 2.9 |
| Property investment revenue (\$m) ¹ | 386.4 | 498.0 | 428.8 | 363.9 | 278.5 |
| Disposals program revenue (\$m) | 54.6 | 44.4 | 59.0 | 64.2 | 32.2 |
| Development land and property sales revenue (\$m) | 114.0 | 127.1 | 238.5 | 116.4 | 104.9 |
| Business efficiency | | | | | |
| Return on capital employed (%) | 8.0 | 8.4 | 9.2 | 5.9 | 4.2 |
| Leverage/solvency | | | | | |
| Gearing ratio (%) ² | 35.7 | 34.8 | 25.8 | 24.9 | 24.7 |
| Interest times cover | 5.1 | 5.8 | 7.0 | 5.2 | 4.7 |
| Current ratio | 2.4 | 3.1 | 4.7 | 6.2 | 3.4 |
| Liquidity ratio ³ | 1.9 | 4.0 | 4.7 | 6.2 | 5.8 |
| Portfolio management | | | | | |
| Value of portfolio under management (\$b) | 9.5 | 10.0 | 10.6 | 11.0 | 11.1 |
| Total properties under management | 18,577 | 18,872 | 18,767 | 18,841 | 18,395 |
| New constructions and acquisitions | 790 | 1,154 | 864 | 940 | 473 |

NOTES

1. Formerly known as the Sale and Leaseback program.
2. Financial years 2013–14 and 2014–15 used the gearing ratio of total liabilities over total assets. In 2015–16, the methodology was revised to total liabilities over equity plus total liabilities.
3. Liquidity ratio excludes current borrowings as borrowed items are rolled on maturity and not considered to be at risk.

Appendix D: Advertising and market research

In accordance with section 311A of the *Commonwealth Electoral Act 1918*, this appendix discloses payments of \$13,201 or more (including GST) for advertising and market research services provided during the reporting period.

Table 6.14: Advertising expenditure, 2017–18

| Organisation | Purpose of creative services | Expenditure (\$, inc GST) |
|---------------|---|---------------------------|
| McCann | Property investment program advertising campaign (Look forward) | 355,899 |
| Heard | Akuna Vista sales campaign | 193,825 |
| Sprout Agency | Breezes Muirhead sales campaign | 114,836 |
| Martins | Breezes sales campaign Stage 6 | 43,718 |
| 12below | Torhaven brand development | 38,060 |
| 12below | Torhaven sales campaign | 19,921 |

NOTE

Includes amount paid in creative head hours only (i.e. not media). McCann advertising expenditure includes television production for the 2017–18 campaign launch. Figures rounded to the nearest dollar.

Table 6.15: Direct mail expenditure, 2017–18

| Organisation | Purpose of direct mail | Expenditure (\$, inc GST) |
|---------------|---------------------------------|---------------------------|
| Sprout Agency | Breezes Muirhead sales campaign | 16,677 |

Table 6.16: Media advertising expenditure, 2017–18

| Organisation | Purpose of media placement | Expenditure (\$, inc GST) |
|--------------|---|---------------------------|
| Dentsu X | Property investment program advertising (Look forward) campaign | 211,764 |
| Heard | Akuna Vista sales campaign | 44,495 |

NOTE

Includes planning and placement of campaign advertising, including distribution and other fees.

Table 6.17: Market research expenditure, 2017–18

| Organisation | Purpose of market research | Expenditure (\$, inc GST) |
|----------------|-------------------------------------|---------------------------|
| Field Works | DHA maintenance and housing surveys | 133,336 |
| Colmar Brunton | DHA brand campaign | 107,800 |
| Colmar Brunton | Segmentation project | 37,301 |

Appendix E: Environmental performance

We are committed to improving our environmental performance in accordance with government policy. We manage environmental impacts through a number of policies and administrative controls. We use a range of communication methods, including all staff messages and intranet content, to support staff to mitigate environmental impacts.

Property portfolio

We are committed to creating healthy and sustainable communities for ADF members, their families and the broader community.

Design and construction

In designing and constructing properties and communities, we focus on five key areas of sustainability:

1. Energy consumption
2. Water consumption
3. Effective waste management
4. Human wellbeing
5. Biodiversity of local flora and fauna.

Since 1 July 2010, all of our new housing has been built to achieve a minimum six star energy rating (EER).²⁷ Where possible, housing in our new developments also:

- › complies with the Australian Government's Livable Housing design guidelines—silver level (refer to livablehousingaustralia.org.au for more information)
- › seeks to meet the requirements of the Urban Development Institute of Australia's EnviroDevelopment certification—six leaf level (refer to envirodevelopment.com.au for more information).

Two of our development projects were the first in Australia to achieve a 6 Star Green Star design rating from the Green Building Council of Australia:

- › The Prince's Terrace in Bowden, Adelaide (SA) was the first residential project in Australia to achieve the rating

- › Shout Ridge, a precinct of our Crimson Hill development in Lindfield, Sydney (NSW) was the first apartment project in Australia to achieve the rating.

Heritage properties

On behalf of Defence, we manage and conserve 61 heritage properties at ADF bases and establishments across Australia in accordance with the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). We also own 16 heritage listed properties and two heritage development sites. We plan and undertake conservation activities in accordance with the EPBC Act, a heritage management framework and heritage strategy.

²⁷ EER must be certified by an independent accredited assessor, using AccuRate (NatHERS replacement), other equivalent methods (e.g. state systems such as BERS Pro and BASIX) or, where permitted, Building Code of Australia Deemed-to-Satisfy provisions.

Office energy use

We do not have control over the energy efficiency of fixtures and fittings within our offices as they are all commercially leased. However, wherever possible, we reduce energy consumption through the use of:

- › automated essential lighting and heating and cooling outside of business hours
- › power management functionality and features of information communications technology (ICT) equipment.

Energy efficiency is one of a number of factors we take into account when considering new commercial premises for leasing when a current lease is due to expire.

Travel and transport

We encourage staff to use videoconferencing and teleconference technologies as effective alternatives to air travel or the use of fleet vehicles and hire cars. DHA signed up to the Whole of Government, Travel Services—Phase 1 agreement.

With the exception of Board members and the Managing Director, all travel bookings are managed by a centralised team. Staff must demonstrate a genuine business need to travel and seek delegate approval before requesting a booking.

As at 30 June 2018, we leased 206 vehicles via sgfleet under the Department of Finance fleet service contract. Fleet vehicles are provided where there is a job specific need, including property managers and development managers, or as a pool car for an office. The number and type of vehicles is reviewed periodically to ensure genuine business need.

Resource efficiency and waste

To minimise our environmental impact through disposal to waste landfill, in 2017–18 we implemented nationally 'Follow-me' printing, reducing our print paper usage by more than 20% and rolled out dedicated recycling bins in all DHA leased premises

Further, we have continued a number of regular practices to reduce our environmental footprint:

- › Each of our offices use recycling systems, including general paper, secure paper, cardboard, plastics, toner cartridges, mobile phones and other equipment.
- › Staff use dual monitors in the office, as well as mobile tablet devices, to reduce paper consumption.
- › Where printing is needed, the default setting is two sided printing in grayscale.
- › We continue to increase the number of transactions staff, customers, contractors and prospective investors can complete online to reduce reliance on printed documentation.

Index of annual report requirements

This list of requirements has been prepared in accordance with the *Public Governance Performance and Accountability Act 2013* (PGPA Act), the *Public Governance Performance and Accountability Rule 2014* (PGPA Rule) and *Resource Management Guide No. 136, Annual report for corporate Commonwealth entities* (as published by the Department of Finance in June 2018).

Table 6.18: Annual report requirements, 2017–18

| Table of contents | Pages |
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| 17BB Approval of annual report by the accountable authority | |
| Detail of how and when the report was approved by the accountable authority and confirmation that the report has been prepared in accordance with section 46 of the PGPA Act | iii |
| 17BD Plain English and clear design (aids to access) | |
| Table of contents | vi |
| Index [alphabetical] | 198 |
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| Details of contact officer | ii |
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| Electronic address of the annual report | ii |
| 17BE Contents of the annual report | |
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| b. Summary of the objects and function of the entity as set out in the legislation | 86 |
| c. The purposes of the entity as included in the entity's Corporate Plan | 23, 46 |
| d. Name and title of the persons holding the position of responsible Minister (or responsible Ministers) during the period | 27, 88 |
| e. Any directions given to the entity during the period by a Minister under an Act or instrument during the period | 88 |
| f. Any government policy orders that applied in relation to the entity during the period under section 22 of the PGPA Act | 89 |
| g. Particulars of non-compliance if, during the period, the entity has not complied with a direction or order referred to in (e) or (f) | n/a |
| h. The Annual Performance Statements of the entity during the period in accordance with paragraph 39(1)(b) of the PGPA Act and section 16F of the PGPA Rule | 47–61 |

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| i. A statement of any significant issue reported to the responsible Minister under paragraph 19(1) (e) of the PGPA Act that relates to non-compliance with the finance law | 103 |
| j. If a statement is included under (i), an outline of the action that has been taken to remedy the non-compliance | 103 |
| k. Information on the accountable authority, or each member of the accountable authority, of the entity during the period (includes name, qualifications, experience, the number of meetings attended and whether the member is an executive or non-executive member) | 89–94 |
| l. An outline of the organisation structure of the entity (including any subsidiaries of the entity) | 22, 27, 118 |
| m. An outline of the location (whether or not in Australia) of major activities or facilities of the entity | 28, 92–93 |
| n. Information in relation to the main corporate governance practices used by the entity during the period | 95–99 |
| o. The decision making process undertaken by the accountable authority in relation to related entity transactions | 93–94 |
| p. Any significant activities and changes that affected the operations or structure of the entity during the reporting period | 5, 6, 18, 62, 83, 104 |
| q. Particulars of judicial decision or decisions of administrative tribunals made during the period | n/a |
| r. Particulars of any report on the entity given during the period by the Auditor-General, a Committee of either House of the Parliament, the Commonwealth Ombudsman or the Office of the Australian Information Commissioner | 105–106 |
| s. If the accountable authority has been unable to obtain information from a subsidiary of the entity that is required to be included in the annual report, an explanation of the information and the effect of not having it in the report | n/a |
| t. Details of any indemnity that applied during the period to the accountable authority, a member of the accountable authority or officer of the entity against a liability | n/a |

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| 17BF Disclosure requirements for Government Business Enterprises (GBE) | |
| a. An assessment of: | |
| i Significant changes in the entity's overall financial structure and financial condition during the period | 5-6, 61-62, 82-83 |
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| b. Dividends paid or recommended in relation to the period | 56-57, 185 |
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| Work, health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>) | 111, 182-184 |
| Advertising and market research (section 311A of the <i>Commonwealth Electoral Act 1918</i>) | 186 |
| Ecological sustainable development and environmental performance (section 516A of the <i>Environment Protection and Biodiversity Act 2010</i>) | 187 |
| Other | |
| Correction of material errors in previous annual reports | n/a |
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Service and office directory

Services

Housing enquiries

T. 139 342
0830-1700
Monday to Friday

Maintenance enquiries

T. 139 342
General maintenance 0830-1630
Monday to Friday
Emergency maintenance
24-hour service

Investor enquiries

T. 133 342
0830-1700
Monday to Friday
E. lessormanagement@dha.gov.au

Property investment enquiries

T. 133 342
0830-1700
Monday to Friday
E. sales@dha.gov.au

Development enquiries

E. developments@dha.gov.au

Contractor enquiries

E. contractors@dha.gov.au

Media enquiries

E. media@dha.gov.au

International enquiries

T. +61 2 6268 3700

Offices

Head office

26 Brisbane Ave
Barton ACT 2600

Canberra regional office

Tenancy 12, 26 Ipswich St
Fyshwick ACT 2609

NSW

Hunter regional office

Suite 2, 45D Fitzroy St
Carrington NSW 2294

Nowra regional office

Suite 3, Level 2 Bridgeton House
55-57 Berry St
Nowra NSW 2541

Sydney regional office

Level 5, 111 Phillip St
Parramatta NSW 2150

Sydney CBD office

Suite 201, Level 2, 287 Elizabeth St
Sydney NSW 2000

Wagga Wagga regional office

Ground Floor T3, 193-195 Morgan St
Wagga Wagga NSW 2650

Acronyms and abbreviations

| | |
|---------|---|
| AC | Companion of the Order of Australia or Advisory Committee |
| ACT | Australian Capital Territory |
| ADF | Australian Defence Force |
| AFP | Australian Federal Police |
| AFSL | Australian Financial Services Licence |
| AM | Member of the Order of Australia |
| ANAO | Australian National Audit Office |
| ANZAC | Australian and New Zealand Army Corps |
| AO | Officer of the Order of Australia |
| APS | Australian Public Service |
| APSC | Australian Public Service Commission |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange |
| BAC | Board Audit Committee |
| BCP | Business Continuity Plan |
| BPC | Board Property Committee |
| Board | Board of Directors |
| CBD | Central Business District |
| CBE | Commander of the Order of the British Empire |
| CHL | Commonwealth Heritage Listed |
| CP | Corporate Plan |
| CSC | Conspicuous Service Cross |
| CSIA | Customer Service Institute of Australia |
| DCO | Defence Community Organisation |
| DCVO | Dame Commander of the Royal Victorian Order |
| Defence | Department of Defence |
| DFA | Defence Families of Australia |

| | |
|----------------|--|
| DHA | Defence Housing Australia |
| DHA AC | DHA Advisory Committee |
| DHA Act | <i>Defence Housing Australia Act 1987</i> |
| DHA IML | DHA Investment Management Limited |
| DHF | Defence Housing Forecast |
| DTA | Digital Transformation Agency |
| EA | Enterprise Agreement |
| EBIT | Earnings Before Interest and Tax |
| EER | Energy Efficiency Rating |
| EPBC Act | <i>Environment Protection and Biodiversity Conservation Act 1999</i> |
| EPC | Executive Property Committee |
| Finance | Department of Finance |
| FBT | Fringe Benefits Tax |
| FOI | Freedom of Information |
| FOI Act | <i>Freedom of Information Act 1982</i> |
| Fund | DHA Residential Property Fund No. 1 |
| GBE | Government Business Enterprise |
| GBE Guidelines | <i>Commonwealth Government Business Enterprise Governance and Oversight Guidelines</i> |
| GST | Goods and Services Tax |
| Hon | Honourable |
| HSEQ | Health, Safety, Environment and Quality |
| ICT | Information Communications Technology |
| ISO | International Organisation for Standardisation |
| Investor | Owner of a DHA investment (formerly referred to as a lessor) |
| KPI | Key Performance Indicator |
| Lessor | Owner of a DHA investment property now referred to as an investor |
| LIA | Living-in Accommodation |

| | |
|-----------------------------|--|
| MBE | Member of the Order of the British Empire |
| MCA | Member Choice Accommodation |
| MD | Managing Director |
| MP | Member of Parliament |
| MWD | Member with Dependants |
| MWD(U) | Member with Dependants (Unaccompanied) |
| MWOD | Member without Dependants |
| NatHERS | Nationwide House Energy Rating Scheme (replaced by ACCURate) |
| N&RC | Nomination and Remuneration Committee |
| NQLD | North Queensland |
| NPAT | Net Profit After Tax |
| NSW | New South Wales |
| NT | Northern Territory |
| PBS | Portfolio Budget Statements |
| PDA | Performance Development Agreement |
| PGPA Act | <i>Public Governance, Performance and Accountability Act 2013</i> |
| PGPA Rule | <i>Public Governance, Performance and Accountability Rule 2014</i> |
| Property investment program | Formerly known as the Sale and Leaseback or SLB program |
| Public Service Act | Public Service Act 1999 |
| PWC | Parliamentary Standing Committee on Public Works |
| OAIC | Office of the Australian Information Commissioner |
| OBE | Order of the British Empire |
| OCC | Opportunity and Capability Committee |
| Q3 | Quarter Three |
| QLD | Queensland |
| QMS | Quality Management System |
| R&D | Research Development |
| RA | Rent Allowance |

| | |
|--------------------|---|
| RAAF | Royal Australian Air Force |
| RANR | Royal Australian Navy Reserve |
| RAP | Reconciliation Action Plan |
| RBCH | Rent Band Choice Housing |
| Rtd | Retired |
| SA | South Australia |
| SCI | Statement of Corporate Intent |
| SCG | Staff Consultative Group |
| SEG | Senior Executive Group |
| Services Agreement | Services Agreement on Housing and Related Matters |
| SES | Senior Executive Service |
| SHEQ | Safety, Health, Environment and Quality |
| SLB | Sale and Leaseback (now referred to as the property investment program) |
| SQLD | South Queensland |
| SR | Service residence |
| TAS | Tasmania |
| TRIFR | Total recordable injury frequency rate |
| VC | Victoria Cross |
| VIC | Victoria |
| WA | Western Australia |
| WGP | Workplace Giving Program |
| WHS | Work, Health and Safety |
| WHS Act | <i>Work Health and Safety Act 2011</i> |

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