

# 2016-17

Annual Report



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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](http://dha.gov.au/annualreports)).

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29 September 2017



Senator the Hon Marise Payne  
Minister for Defence  
Parliament House  
Canberra ACT 2600

Senator the Hon Mathias Cormann  
Minister for Finance  
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 2016–17* for the year ended 30 June 2017 (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 2017. The Board approved the report by a resolution at its meeting of 28 September 2017. 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 2016–17 to 2019–20 and Statement of Corporate Intent 2016–17.

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 dark blue ink, appearing to read 'Sandy Macdonald', is 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 2016 to 30 June 2017 as set out in our Corporate Plan 2016–17 to 2019–20 (Corporate Plan 2016–17) and publicly available Statement of Corporate Intent 2016–17 ([dha.gov.au/annualreports](http://dha.gov.au/annualreports)).

Unless otherwise stated, figures and percentages are quoted to one decimal place. Figures may be rounded in some instances.

## 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 2017.
- Part 3** Contains our Annual Performance Statement and a detailed assessment of our performance in 2016–17.
- 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 2016–17 (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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# 1

## The year in review

Chairman's review

Managing Director's review • Highlights and events





## Chairman's review

*Defence Housing Australia (DHA) delivered a disciplined, solid and resilient performance in 2016–17, once again demonstrating that it is one of the Government's most successful business enterprises.*

It gives me great pleasure to introduce DHA's Annual Report 2016–17. DHA achieved a great deal in the past year and, despite internal and external challenges, never lost sight of its purpose and its commitment to service delivery.

### Our support of the Defence community

We continued to deliver a high quality, diversified housing portfolio and related services to Australian Defence Force (ADF) members and their families. In doing so, we supported Defence capability by ensuring that service men and women can focus on their job at hand—defending our nation and maintaining the security of our region.

We also continued to support the broader Defence community. In 2016–17 we contributed approximately \$235,500 and goods in kind to various Defence community groups and not-for-profit organisations. Notable contributions included:

- \$92,600 to upgrade 27 Defence Community Organisation (DCO) community centres so that they could increase their capacity to serve ADF members and their families
- \$104,600 in support of Defence-related programs, including:
  - The Prince's Trust Australia Lead Your Own Business Program which supports ADF members transitioning out of military service to start a small business or consultancy
  - The Road Home which raises awareness and funding for research into health and wellbeing conditions affecting military veterans and emergency services personnel and their families
- \$38,300 in support of Defence-related events, including 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 available in their local area.

### Our support of the Australian Government

We completed all outstanding work arising from the recommendations of the Government's Forensic Review into our operations. We demonstrated we are one of the Government's most successful and reliable business enterprises by achieving a higher than budgeted dividend payment for the tenth consecutive year. We also continued to achieve industry recognition for our innovation, which reflects well on Government.



*DHA Board members, the Senior Executive Group and staff based at our regional office in Brisbane with ADF members and representatives from the Department of Defence, Defence Community Organisation and Defence Families of Australia at Gallipoli Barracks (QLD).*

I would like to thank the 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 Dan Tehan MP, for their continued support of DHA in 2016–17.

## **Our support of the broader community**

We continued to contribute to local and regional economies through our commitment to employ local businesses and tradespeople wherever possible to help us deliver quality housing and timely maintenance services. The Board and I are always pleased to see the great work done in helping us deliver a high quality property portfolio and new award winning, sustainable communities.

We also welcomed hundreds of new investors in 2016–17, which contributed to DHA managing 13,149 leased properties as at 30 June 2017. We value the contribution of investors to our business and look forward to offering more investors the opportunity to build wealth through our successful property investment program in 2017–18.

## Appointments

I welcomed stability on the Board in 2016–17 following a period with multiple vacant positions.

We welcomed two new commercial Board members, Ms Andrea Galloway and Mr Ewen Jones, in November and December 2016 respectively. Ms Galloway has considerable community housing experience and Mr Jones has experience in commercial property before a political career. Both have been very useful additions to the Board.

I was pleased that Commodore Vicki McConachie CSC RANR was reappointed to the Board for another three years in December 2016 as the nominee of the Chief of the Defence Force. All Board members very much value Commodore McConachie's Defence experience and legal acumen.

The Board was also delighted to formally appoint Ms Jan Mason as DHA Managing Director for a five year term in November 2016. Ms Mason's appointment brings discipline and energy to DHA. The organisation has already benefited greatly from her hard work to improve communication, collaboration and teamwork.

I am pleased that DHA's Board composition brings together a diverse range of skills and experience and, with four out of nine directors being female, complies with the Australian Government's target for women on government boards.

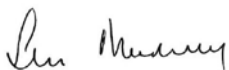
## Acknowledgements

In closing, I wish to acknowledge Mr Jon Brocklehurst, DHA's Chief Financial Officer and Head of Corporate Services, who died suddenly on 30 April 2017. Mr Brocklehurst contributed much to DHA over a decade of service through his good humour, people skills, persistence, leadership and first rate professionalism. The organisation feels his loss; DHA and Australia lost a fine public servant and citizen.

In adversity we found strength and I acknowledge and admire the efforts of Ms Mason, the executive team and all staff in the wake of Mr Brocklehurst's death. In these sad days, staff continued to support each other and ensure our customer service levels were not affected. The Board and I thank all the DHA team for staying on task.

Each time I travel to one of DHA's 20 regional offices I am impressed by the professionalism, passion, energy and commitment to service that staff display. Our people, often far distant from Canberra, are the reason for much of our success and, for that, the Board and I thank you.

I look forward to the year ahead as we celebrate 30 years of DHA's operations.



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

Chairman



## Managing Director's review

*I was very pleased to be appointed as DHA Managing Director in November 2016 for a five year term after acting in the position for 12 months. I feel privileged to lead such a unique organisation and one that plays such a critical role in supporting Defence capability.*

DHA is a unique and complex business with many challenges. DHA:

- › delivers housing and related services to ADF members and their families in accordance with service agreements with the Department of Defence and Defence policy
- › self funds its operations and maintains a robust financial position to deliver commercial returns to the Australian Government
- › is the only Government Business Enterprise (GBE) that employs its staff under the *Public Service Act 1999*.

### Our achievements

DHA's strong performance in 2016–17 demonstrates operational and commercial effectiveness under government ownership for the long term. I could not hope to summarise all of DHA's achievements in 2016–17 in this short review. In my opinion, DHA's top three achievements were as follows:

#### 1. Service delivery

We 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).

#### 2. Financial performance

We ensured sustainable government ownership for the long term by meeting or exceeding most financial targets and returning a higher than budgeted dividend to the Australian Government (\$39.6 million).

#### 3. Organisational capability

We rebuilt organisational governance foundations ensuring that, as a government-owned business, we operate commercially. This was achieved through improved staff engagement, teamwork, collaboration, communication and increased capability. Staff throughout DHA have been encouraged to adopt a whole of business focus.

Our Annual Performance Statement (refer **page 45** in **Part 3** of this report) details our achievement against the five purposes and associated 28 key performance indicators (KPIs) set out in our Corporate Plan 2016–17.

In addition, the new **Highlights and events** section following this review (refer to **page 8**) provides a summary of our significant achievements by month, including industry recognition for our efforts in residential development, workplace safety, customer service, marketing and reporting.

## Our challenges

DHA's success is affected by complex environmental and operational factors over which we have little or no control. These directly impacted our performance in 2016–17 and were largely the reason for us only substantially meeting eight KPIs and failing to meet one KPI. In my opinion, DHA's top three challenges were as follows:

### 1. Residential property market conditions

Our operations are sensitive to the residential property markets in which we operate. Market conditions in some locations negatively impacted our revenue streams and ability to cost-effectively source suitable land and housing to meet Defence's provisioning targets.

### 2. Maintaining customer service levels

As is the case for many businesses, increasing customer expectations and the use of technology are challenging our ability to maintain customer service levels. This is especially challenging for us in that our customer satisfaction rates are exceptionally high by industry standards (greater than 90 per cent).

### 3. Attracting and retaining skilled and capable staff

Our staff are critical to the organisation's success. Attracting and retaining skilled and capable staff, particularly residential property industry and information technology professionals within the Australian Public Service remuneration framework, was challenging in 2016–17 and will continue to be a challenge for the foreseeable future.

In speaking about organisational challenges, I also wish to acknowledge the tragic and unexpected death of Mr Jon Brocklehurst, DHA's highly regarded Chief Financial Officer and Head of Corporate Services, on 30 April 2017. Mr Brocklehurst was a dear friend to many of us at DHA. He was an integral part of the organisation's professional culture and success, and the epitome of our core values. I greatly valued his strong contribution, extraordinary competence, wisdom and good humour. I feel privileged to have known and worked so closely with him.

In the days and months following Mr Brocklehurst's death, DHA's amazing staff continued to impress me. I thank those who supported their colleagues who needed time to grieve and those who kept the business functioning at a high level for our customers and shareholders during this very difficult time. Everyone at DHA played a part in their own way and I am incredibly grateful to them for it.



*DHA Managing Director, Ms Jan Mason, and former Chief Financial Officer and Head of Corporate Services, Mr Jon Brocklehurst.*

Mr Brocklehurst's loss continues to be felt on both a personal and professional level across the organisation. However, his imprint and legacy will continue to live on through a special award that we have created to recognise a staff member who displays the sort of admirable characteristics that he embodied. The award will be presented for the first time as part of our Staff Awards of Excellence in October 2017.

An overarching analysis of our performance, including detailed information about our business challenges, is provided after our Annual Performance Statement (refer [page 61](#) in **Part 3** of this report).

## Our priorities for the year ahead

DHA's Corporate Plan 2017–18 reflects continued focus on business improvement and risk management in relation to:

- › provisioning programs to ensure we can provide high quality, well located accommodation to ADF members and their families in accordance with service agreements with Defence, especially in challenging markets such as Sydney (NSW)
- › property investment programs and improved service to investors to ensure that we can meet our future funding requirements
- › revised funding arrangements with Defence in relation to selected provisioning, construction and upgrade activities to ensure we do not bear unsuitable financial risk
- › continued review and improvement of our governance arrangements and internal processes to ensure our operations are ethical, efficient and effective.

I look forward to continuing to work with my senior executive team and staff across Australia to deliver quality outcomes for our customers and shareholders. I am confident that DHA will continue to make a positive contribution in 2017–18 and beyond.

**Ms Jan Mason**

Managing Director

## Highlights and events

### July 2016



- › Shout Ridge, a precinct within our Crimson Hill development in Sydney (NSW), received a 6 Star Green Star Multi Unit Residential Design V1 rating from the Green Building Council of Australia. The apartments are the first in Australia to receive the prestigious rating, which represents world leadership in environmentally friendly design.



- › We officially opened a 4,990m<sup>2</sup> water play park at our Breezes Muirhead development in Darwin (NT). The park engages children in active play, with water wheels, dams, switches and pumps demonstrating water management. It is the first water play park to be built within a residential community in the Territory.

- › Archaeologists and Wonnarua Elders recovered Indigenous artefacts at our Wirraway development in the Hunter Valley (NSW). The artefacts, which are believed to be 3,000 years old, indicate Indigenous people hunted in the area.
- › We held seminars at Campbell Barracks (WA) to inform Seaward Village residents of a proposal to upgrade the 153 houses DHA owns on base. A dedicated website ([seawardvillage.com.au](http://seawardvillage.com.au)) was established to keep residents and the public informed.

### August 2016



- › We officially opened two state-of-the-art parks at our Bluewattle development in Townsville (QLD). 'Birdwing' and 'Alfresco' were chosen following a public naming competition. The larger of the two, Birdwing Park, is butterfly themed with butterfly motifs decorating the top of the 10 metre tower and slides.



- › Our First Response Program was named as a finalist in the Comcare Work Health and Safety Awards (Category 1—Prevention Award). The Program comprehensively manages risks associated with field work and includes e-learning and SafeTCards (mobile duress devices) for field staff.
- › Over 100 families attended a community event to celebrate the official launch of stage six of our development at Woondella, Sale (VIC). The development features 47 new lots. We will retain 22 lots and build housing for ADF members and their families.
- › Representatives from the Fort Scratchley and Stockton historical societies toured our sites at Fort Wallace in Stockton and the Rifle Range at Fern Bay in Newcastle (NSW) to provide ideas and feedback on how to best preserve and respect the sites' history. Over 100 residents attended community information sessions to discuss our development plans for the sites.
- › Work began at our Palm Beach site, a former caravan park, in Rockingham (WA). We are building approximately 350 apartments and will retain 145 for ADF members.

## September 2016



- › We turned the first sod at our Victoria Rise development at Edmondson Park, Sydney (NSW). The development is named in honour of the suburb's strong Defence links. The suburb was named after local John Edmondson, who was posthumously awarded the Victoria Cross medal for bravery in World War Two.

*L to R: DHA Managing Director, Ms Jan Mason, DHA Chairman, Hon Sandy Macdonald, Federal Member for Werriwa, Ms Anne Stanley MP, and Lieutenant Colonel Phillip Coleman.*



- › We donated \$30,000 to Soldier On through the sale of our popular lime green Viking beanies to Canberra Raiders fans. Soldier On supports men and women who have been physically or psychologically affected by their military service.

*L to R: DHA Chairman, Hon Sandy Macdonald, Soldier On Chief Executive Officer, Mr John Bale, DHA Managing Director, Ms Jan Mason, and Canberra Raiders Chairman, Dr Allan Hawke.*

- › We were named as a finalist in three categories of the Customer Service Institute of Australia's (CSIA) 2016 Australian Service Excellence Awards (Customer Service Organisation of the Year—Government, Service Excellence in a Medium Contact Centre and Customer Service Executive of the Year). We achieved a score of 8.15 out of 10 from CSIA as part of our annual accreditation process, positioning us for 'international recognition' in terms of customer service.



- › Our First Response Program was a joint winner at the 2016 Comcare Work Health and Safety Awards (Category 1—the Prevention Award).
- › Our Prevention First management system was named as a finalist in the 24th National Safety Awards of Excellence (Category 1—Best Continuous Improvement of a WHS Management System).

*L to R: DHA Manager, Safety, Health, Environment and Quality, Ms Chelsea Cook, and Comcare Chief Executive Officer, Ms Jennifer Taylor.*

- › On 23 September 2016 we launched DHA Invest, a new Facebook page for our property investment program that provides current and prospective investors with updates on properties for sale, events and news. The page complements our corporate Facebook page which focuses on engaging ADF members and their families and Defence stakeholders.

## October 2016



- › We celebrated the completion of 44 three-bedroom townhouses at Enoggera, Brisbane (QLD). Our development was named after Major General Adrian Clunies-Ross AO MBE (Rtd) who had a distinguished military career, including commanding the 8th/9th Battalion which was formed at Gallipoli Barracks in Enoggera in 1973. All properties are being retained for ADF members and their families.

*L to R: DHA Managing Director, Ms Jan Mason, Lieutenant Colonel Benjamin Slaughter, Major General Adrian Clunies-Ross AO MBE (Rtd) and DHA Chairman, Hon Sandy Macdonald.*



- › Our General Manager, Property and Tenancy Services, Mr Brett Jorgensen, won the Customer Service Executive of the Year award at the CSIA's 2016 Australian Service Excellence Awards. As a former ADF member, Mr Jorgensen really understands the needs of ADF members and families. He has been a driving force behind changing and improving DHA's customer service delivery model since being appointed General Manager five years ago.



- › We opened the display suite and launched a sales campaign at Arkadia, our \$60 million 152-apartment development project in Alexandria, Sydney (NSW). Architects DKO and Breathe Architecture won a design excellence competition for their innovative plan. The building will be constructed predominantly from bricks in keeping with the site's history as a former brickworks.

- › We were awarded a high commendation at the 24th National Safety Awards of Excellence for our Prevention First management system (Category 1—Best Continuous Improvement of a WHS Management System). This is a great achievement given the number and calibre of nominations received.
- › Our property investment program *Look forward* advertising campaign won an ACT Division Australian Marketing Institute Marketing Excellence Award (Marketing Communication Business to Consumer and Business to Business category). The *Look forward* campaign was also named as one of five finalists in the national award, competing with major industry players such as Meat and Livestock Australia and Toyota.
- › Our Asche Duplex at Breezes Muirhead in Darwin (NT) won two awards at the 2016 Urban Development Institute of Australia Northern Territory Awards for Excellence (Environmental Excellence and Innovation in Development categories). Asche Duplex, which was designed by Troppo Architects and built by PTM Group, sets a benchmark for sustainable compact housing within the Darwin market.

## November 2016

- › The Board appointed Ms Jan Mason as DHA Managing Director for a five year term. DHA Chairman, Hon Sandy Macdonald, credited Ms Mason for her hard work to encourage communication, collaboration and teamwork throughout DHA, as well as her commitment to supporting ADF members and their families during her 12 months as Acting Managing Director.



- › We honoured our best and brightest at our 2016 Staff Awards of Excellence ceremony. Staff were awarded for excellence, teamwork, customer service and commitment to work, health and safety. Chief of the Defence Force, Air Chief Marshal Mark Binskin AC, was the keynote speaker and presented Employee of the Year, Mr Danny Williams, with his award.

*L to R: DHA Employee of the Year, Mr Danny Williams, and Chief of the Defence Force, Air Chief Marshal Mark Binskin AC.*



- › We celebrated the completion of 28 purpose-built Member Choice Accommodation (MCA) properties in Stafford, Brisbane (QLD) which contributed to us delivering more than 1,000 properties into the MCA portfolio. We first trialed the MCA program in Darwin in 2006 then, with agreement from Defence, rolled the program out nationally in 2012. MCA properties have proven hugely popular with single and unaccompanied ADF members as an alternative to private rental accommodation.

- › We officially opened the sales office and display suite at our Liv Apartments development in Fremantle (WA). Liv will comprise approximately 166 one, two and three-bedroom apartments when complete. Of these, 65 will be retained for ADF members and the remainder will be sold to the public.

- › Over 70 guests including new owners, Defence tenants, staff and contractors attended the official opening and plaque unveiling of Shout Ridge at our Crimson Hill development in Sydney (NSW) named in honour of Victoria Cross recipient Captain Alfred Shout VC.

## December 2016



- › Twelve months on from His Royal Highness, The Prince of Wales, turning the first sod at The Prince's Terrace Adelaide (SA), representatives from his Australian charity toured the site to see the construction progress firsthand and meet the local contractors. The development was the first project in Australia to achieve a 6 Star Green Star design rating from the Green Building Council of Australia.

*DHA General Manager, Property Provisioning Group, Mr John Dietz (pictured fifth from left), led representatives from DHA and the Prince's Charities Australia on a tour of The Prince's Terrace Adelaide.*



- › The peak Defence relocation period spans from the beginning of November to mid-January each year. On 19 December, our property management workforce experienced their busiest day of the year completing 628 inspections across the country. This included:
  - › pre-vacation property inspections before an ADF member relocated
  - › inspections after an ADF member vacated a property
  - › welcome visits when an ADF member first moved into a new service residence (DHA-managed property).

- › We acquired our first MCA properties in Ipswich (QLD) for single and unaccompanied ADF members working at RAAF Base Amberley. All 21 properties were reserved by ADF members within 24 hours. MCA properties are now available in most capital cities and in four regional centres across Australia.
- › Standard & Poor's confirmed our corporate credit issuer rating of AA+ and a standalone credit rating of BBB+. This profile rating is one notch above the target credit rating for GBEs specified by the Australian Government.

## January 2017



- › We completed another successful Defence peak relocation period with:
  - › 43,488 calls to the housing contact centres
  - › 33,231 calls to the maintenance contact centre
  - › 2,764 service residences vacated
  - › 20,271 property inspections completed
  - › 10,182 maintenance items raised
  - › 2,946 service residences reserved by ADF members.

Of note, 93 per cent of ADF members had a home allocated prior to arriving in their new location.



- › Construction commenced at our Liv Apartments development in Fremantle (WA). Liv was also officially accepted to apply to the prestigious One Planet Living program. The program is an initiative of Bioregional Australia to make sustainable living a reality. If successful, Liv Apartments would be the fifth endorsed One Planet Community in Australia and one of fewer than 20 worldwide.

## February 2017

- › We hosted the first of our 'The Inside Word' events for existing DHA investors in Canberra (ACT) and Sydney (NSW). Keynote speaker, Mr Chris Gray, one of Australia's leading independent property market experts, shared his strategies on creating wealth in the current property market and gave investors tips on how to build their property portfolio.
- › We launched the latest display village at our Breezes Muirhead development in Darwin (NT) with an outdoor street party. Attendees enjoyed displays from local radio station Hot 100, Greening Australia and the Territory Wildlife team, as well as face painting and a jumping castle.



- › Staff and our mascot, Rex D. Dog, attended over 15 Defence Community Organisation (DCO) Welcome Days around the country in January and February. DHA is a proud co-sponsor of the events as they are a great opportunity for Defence families to get to know each other and learn more about the services and support networks in their new area. Our story book *Sticking Together* was a big hit, with many families taking a copy and joining Rex's database to be kept up to date with Rex's fun adventures. Visit our website ([dha.gov.au/rex](http://dha.gov.au/rex)) for more information about Rex and to download free activity sheets.

*Rex D. Dog loved meeting all the Defence children and getting to pose for so many photos.*



We hosted a 'Welcome to Wirraway' event for new residents at our development in Thornton, Hunter Valley (NSW). Attendees enjoyed the free barbecue lunch, jumping castle and face painting. It was a great opportunity for current residents (ADF members), future residents (land purchasers who are building their own homes), representatives from the Defence community (DCO and RAAF Base Williamtown), neighbours from the surrounding area and DHA representatives to meet and socialise.

### March 2017

- › Over 190 Toowoomba (QLD) locals, including neighbours, local business people, community organisation representatives and elected officials, attended a community information day to discuss our Mount Lofty development project. Community consultation is an important part of each of our development projects as it provides welcome feedback into our masterplanning process.

## April 2017



- › Our Chairman, Hon Sandy Macdonald, The Prince's Trust Chief Executive, Dame Martina Milburn DCVO CBE, and The Prince's Charities Australia Trustee and Project Leader, Mr Dominic Richards, laid the first bricks at The Prince's Terrace Adelaide development in Bowden (SA). The project is committed to sustainable choices and has a strong focus on local, low carbon materials. The bricks used were more than 100 years old and have been re-used from former Bowden industrial buildings. Wherever possible, local builders and tradespeople have been employed to stimulate local economic growth and employment.

*DHA Chairman, Hon Sandy Macdonald, laid one of the first bricks at The Prince's Terrace Adelaide.*



- › We launched a new Defence Community Hub website for ADF members and their families posting to a new location. The Community Hub is a collaborative project with DCO and Defence Families of Australia (DFA). It is designed to connect ADF families to Defence and public community groups and centres, as well as provide local information about childcare, schools, healthcare services and public transport options. Refer to the website ([defencecommunityhub.org.au](http://defencecommunityhub.org.au)) for more information.

- › We were proud to host the ANZAC Lunch for Legacy in Sydney (NSW) for the third consecutive year in support of ADF members and their families. The event was attended by 175 guests and raised \$20,760 for Legacy Sydney. Television personality, Ms Melissa Doyle, was master of ceremonies. The keynote speakers were Ms Margaret Jackson AC, Chairman of The Prince's Charities Australia, and Mr Curtis McGrath OAM, an Australian Paralympian who took up canoeing after having both his legs amputated as a result of a mine blast while serving in the Australian Army in Afghanistan.



## May 2017



- › It was with great sadness that staff mourned the sudden death of our Chief Financial Officer and Head of Corporate Services, Mr Jon Brocklehurst, on 30 April 2017. Mr Brocklehurst worked with distinction at DHA over two terms, totalling over 10 years' service. We created an in memoriam book which included messages from Board members and staff and presented it to Mr Brocklehurst's family. DHA Managing Director, Ms Jan Mason, put an interim organisational structure in place to ensure service levels to ADF members and our investors were not affected.

*Mr Jon Brocklehurst served at DHA for more than 10 years as Chief Financial Officer.*

- › Architectus won the Contemporary Design award at the Ku-ring-gai Architecture & Urban Design Awards for Shout Ridge, which is part of our Crimson Hill development in Sydney (NSW). The architecture was chosen for its responsiveness and acknowledgement of the surrounding Lane Cove National Park and former university campus. The project was also highly commended in the Sustainable Building Design category.
- › We launched a sales campaign for The Residences at our Crimson Hill development in Sydney (NSW). The Residences are located in the Hamilton Corner precinct and are a boutique collection of double storey two and three-bedroom homes.

## June 2017



- › Troppo Architects won the Residential Architecture—Multiple Housing Award at the NT Australian Institute of Architecture Awards for the Asche Duplex at our Breezes Muirhead development in Darwin (NT). The duplex incorporates innovative design techniques and materials that supplement the energy efficiency provided by a solar powered system. It is an innovative approach to architecturally designed homes that can support more compact and sustainable living in the future.



› We completed another successful year supporting ADF members and their families who had to relocate with:

- › 148,637 calls to our housing contact centres
- › 142,603 calls to our maintenance contact centre
- › 7,281 service residences vacated
- › 69,059 property inspections
- › 247,575 maintenance items raised
- › 7,743 service residences reserved by ADF members.

Of note, 95.9 per cent of ADF members had a new home allocated prior to arriving in their new location.

› Parliamentary approval was granted for the upgrade of 153 houses we own on-base at Seaward Village (WA). The houses were constructed during the 1980s and 1990s and no longer meet current Defence housing minimum standards in terms of amenity. In agreement with Defence, we are undertaking upgrades in three phases over the next three years.

› Our Board of Directors and Senior Executive Group visited Townsville (QLD) and Brisbane (QLD) as part of their annual field trip. Highlights included meeting with staff in our regional offices and contact centres, tours of housing and developments and a visit to Gallipoli Barracks in Brisbane to meet with ADF members and stakeholders.

› Our 2015–16 annual report won a Silver Award at the Australasian Reporting Awards 2017. This was the third consecutive year we have been awarded a Silver Award for our annual report.

› We formed a community reference group for our Mount Lofty development in Toowoomba (QLD). The group is a forum for meetings between DHA, neighbours who live near the site and other interested parties to discuss the masterplan and development process.

# 2

## DHA overview

About us • Organisational structure • Financial structure  
Services to Defence • Services to investors • Housing portfolio



## Case study: 29 years serving the Defence community



In the early 1980s, Defence housing was outdated and, in some cases, dilapidated. Housing was a negative aspect of Defence Force life and had become a significant contributing factor in attracting and retaining Australian Defence Force (ADF) personnel.

Defence families recall housing with exposed concrete floors, grass growing through floorboards, no insulation, no heating or cooling, no curtains or blinds, bathrooms in need of repair and bare gardens. Repairs and maintenance were inexplicably slow and there was limited support when posting to a new location.

In 1984, the Australian Government launched a special taskforce to examine the various programs for housing assistance provided to ADF members. Based on its examination of Defence housing, the taskforce report confirmed that more than half of the Defence portfolio was in poor condition, below reasonable standard and inappropriately located.

The taskforce found that effective decision making and prompt action for managing housing was inhibited by divided responsibilities among a number of agencies that worked independently of each other. The taskforce recommended housing stock be managed on a commercial basis and that housing be managed as a discrete function.

Defence Housing Authority—now Defence Housing Australia (DHA)—was established as a statutory authority under the *Defence Housing Australia Act 1987* and began operations on 1 January 1988. We accepted responsibility for managing more than 23,000 Defence properties in more than 70 locations Australia wide, and set about a Commonwealth-funded \$750 million upgrade program over 10 years.

Our work over almost three decades has ensured housing now has a positive impact on ADF member morale and that Defence housing is provided and managed on a commercial basis, in a way that adds to shareholder value.

## About us

DHA was established 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 Act. Refer to **Part 4** of this report for more information about our legislative framework.

In 2012, we established DHA Investment Management Limited (DHA IML) as a wholly owned subsidiary of DHA. DHA IML holds an Australian Financial Services Licence to conduct a financial services business. DHA IML has its own governance structure, including a separate Board of Directors. Refer to **Part 4** in this report for a high level summary of DHA IML and its performance in 2016–17. Refer to **Part 5** in this report for the consolidated financial statements (DHA and DHA IML) for the period ended 30 June 2017.

## Role and responsibilities

Our primary role is to provide housing and related services to Australian Defence Force (ADF) members and their families 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.

## Mission and vision

We strive for excellence in the provision of housing and related services to members of the ADF and their families by:

- › supplying quality, integrated and community housing
- › achieving an exceptional degree of client and customer satisfaction
- › providing quality, environmentally sound and economic housing that fits community needs
- › achieving financial results that meet or exceed shareholder and investor expectations.

## Purposes

Our purposes<sup>1</sup> in 2016–17, as set out in our Corporate Plan, were:

### 1. Housing solutions for ADF members and their families

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).

### 2. Property, tenancy and investor management<sup>2</sup>

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. Property sourcing

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.

### 4. Portfolio management

We generate capital through our property investment program where we sell property on long term lease back 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.

<sup>1</sup> '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.

<sup>2</sup> DHA used the terms 'lessor' and 'Sale and Leaseback program' in our 2016–17 Corporate Plan and Statement of Corporate Intent. During the year, this terminology was changed to 'investor' and 'property investment program' respectively. These terms are used throughout this report.

## 5. Generate shareholder value

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.

Refer to **Part 3** in this report for our Annual Performance Statement and a detailed assessment of our performance in 2016–17.



# Organisational structure

## 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. In 2016–17, responsibility was delegated to the Minister for Defence Personnel. Refer to **page 96** in **Part 4** of this report for more information about our Shareholder Ministers in 2016–17.

## Board of Directors

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 95** in **Part 4** of this report for more information about our Board of Directors in 2016–17.

## 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 2017, the SEG comprised the Managing Director and five direct reports.

Refer to **page 103** 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 2017.



Figure 2.1: Organisational structure, 30 June 2017

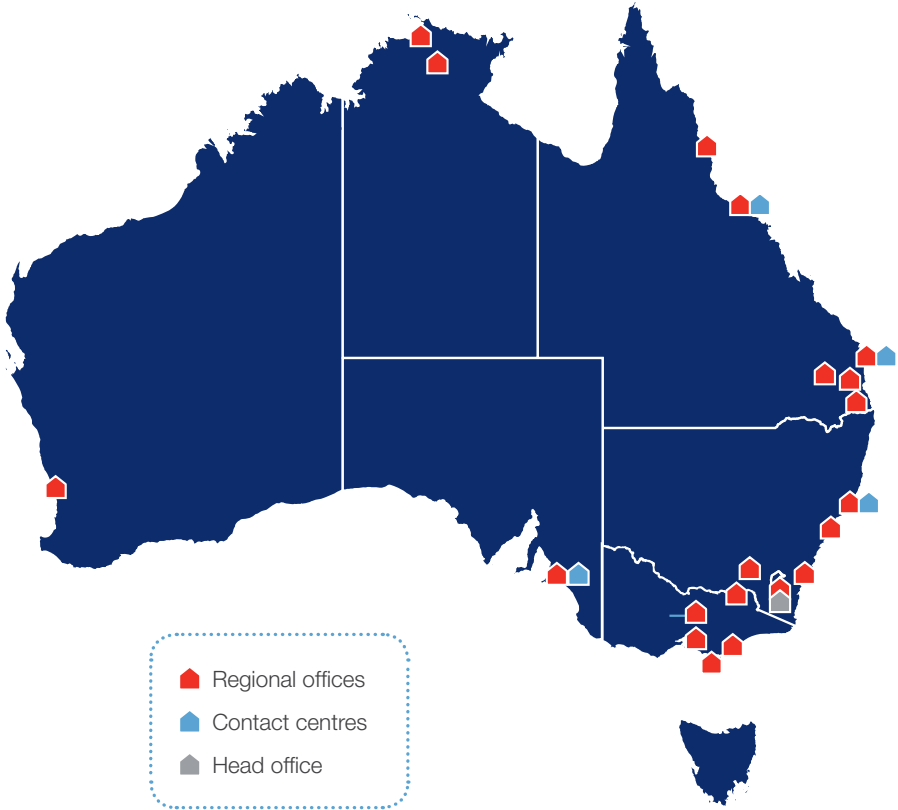


## Our staff and office network

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 2017



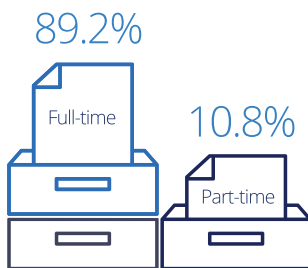
Staff are critical to the organisation’s success. As at 30 June 2017, we employed 658 staff across Australia. **Figures 2.3 to 2.6** show staff by gender, employment type, broadband classification and office type.<sup>3</sup>

Refer to **page 116 in Part 4 (Workforce management)** and **Part 6 (Appendix A)** of this report for more information about our workforce.

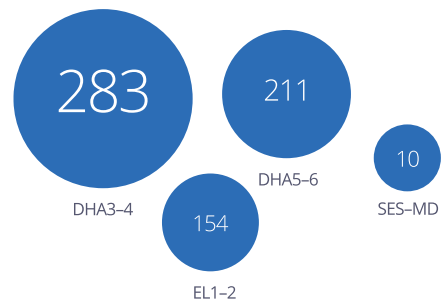
**Figure 2.3: Staff by gender, 30 June 2017<sup>3</sup>**



**Figure 2.4: Staff by employment type, 30 June 2017<sup>3</sup>**



**Figure 2.5: Staff by broadband classification, 30 June 2017<sup>3</sup>**



**Figure 2.6: Staff by office type, 30 June 2017<sup>3</sup>**



<sup>3</sup> Figures include ongoing and non-ongoing staff at their substantive classification as at 30 June 2017. They exclude inoperative staff (those on long-term leave), staff engaged through an employment agency and Board members.

## 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 2017, we had loans totalling \$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 taxes (e.g. stamp duty and land tax) or an equivalent in accordance with competitive neutrality requirements.

Refer to **page 88** in **Part 3** of this report for more information about our financial management and performance in 2016–17.

### Our credit rating

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

Their report issued on 21 December 2016 confirmed a corporate credit issuer rating of AA+. 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 by the Australian Government.

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

Once endorsed by the DHA Board and approved by Defence, the Capital Plan is incorporated in our Corporate Plan. It is then reviewed by Defence again and, once approved, 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. The plan is reviewed by Defence annually. Our ability to quickly recoup capital through the sale and lease back of MCA properties is a key consideration, as the program must be financially sustainable.

Refer to **Housing portfolio** in this section and **page 64** in **Part 3** of this report for more information about our housing portfolio and MWD and MCA provisioning in 2016–17.

## 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 71** 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 54 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 68** 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 730 businesses across Australia, to deliver these services. Wherever possible, we use local providers in each region to deliver a prompt, high quality service and support local economies.

Refer to **page 69** 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 2016–17.

## 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 allowances, 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 72** in **Part 3** of this report for more information about Online Services usage in 2016–17.

Refer to **page 127** 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 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 nine or 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 occupied
- › 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
  - › restoration of the property at lease-end (includes professional cleaning and, depending on the length of the lease, repainting and/or recarpeting).

As with any investment, investors retain some responsibilities and risks. These include the payment of compulsory insurances, applicable government or council rates and taxes and responsibility for some repairs and maintenance items.

Our web-based system, Online Services, provides investors with self-service capability to view information and perform a range of tasks. 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 71** in **Part 3** of this report for more information about our services to investors and investor satisfaction.

## Case study: Thousands of happy investors



Many people don't realise that you don't have to be an ADF member to buy a DHA investment property. As at 30 June 2017, we managed 13,149 properties on behalf of investors. Most DHA investors live in Australia, but some live overseas. They come from all walks of life and have different life experience. The one thing they have in common is that they all want to generate wealth and secure their financial future.

Ping, who lives with his wife, Lily, and their son, Andy, in Darwin (NT) is among our thousands of happy investors.

Before buying a DHA investment property, Ping and Lily had three non-DHA investment properties. 'We were always having problems with property managers,' said Ping.

Ping and Lily plan to retire to Queensland, so that's where they looked for their next investment property. But they felt it was essential to find a good property management team as they wouldn't be able to manage the property themselves or inspect it easily. That's why they chose DHA.

'In 2006 we bought a DHA property in Brisbane. It's perfect because they look after your investment. It's set and forget. As DHA is a government business, we trusted them to manage our property.'

Ping and Lily are now looking to buy their second DHA property. 'In my mind the perfect retirement is me and my wife travelling around the world. Our investment with DHA will allow us to achieve that.'

View this and more investor success stories on our website ([dha.gov.au/investorsuccess](http://dha.gov.au/investorsuccess)).

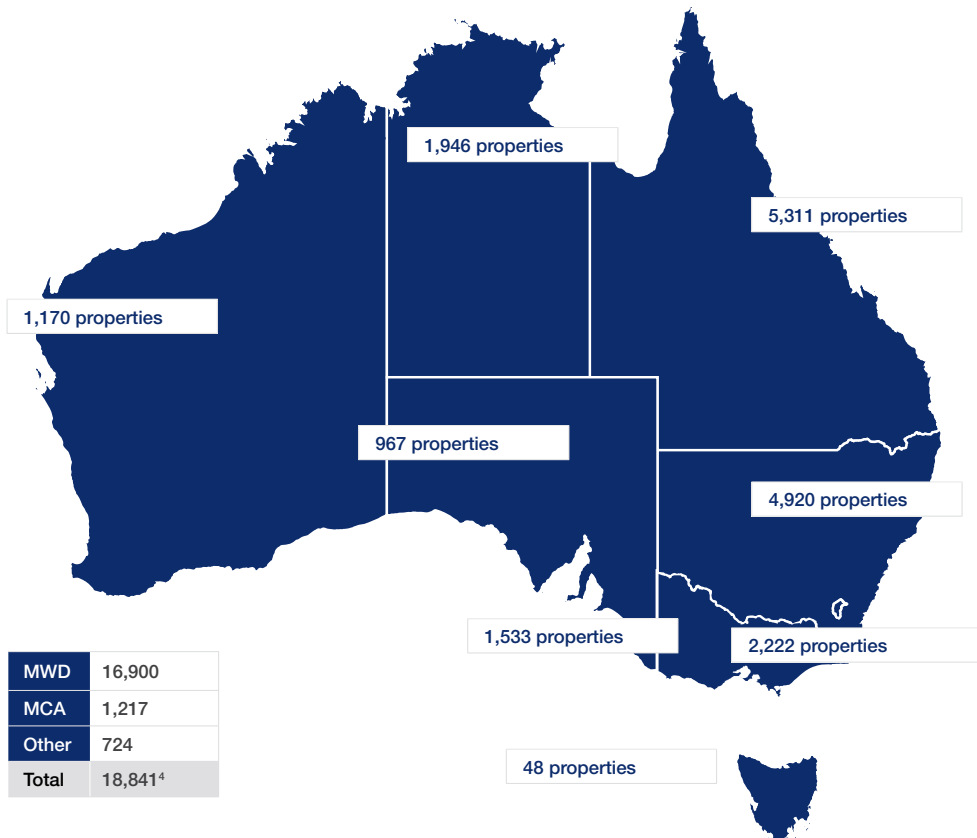
## Housing portfolio

As at 30 June 2017, we managed 18,841 properties worth \$11 billion in all capital cities, major regional centres and some remote locations of Australia where the ADF has a presence (refer **Figure 2.7**).<sup>4</sup>

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 76** in **Part 3** of this report for details of our housing portfolio by region.

**Figure 2.7: National housing portfolio, 30 June 2017**



<sup>4</sup> 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 724 properties that are either not on the Defence rent bill while they undergo major works or are being transferred out of the portfolio).

## 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).<sup>5</sup>

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.

#### 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.

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<sup>5</sup> 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.

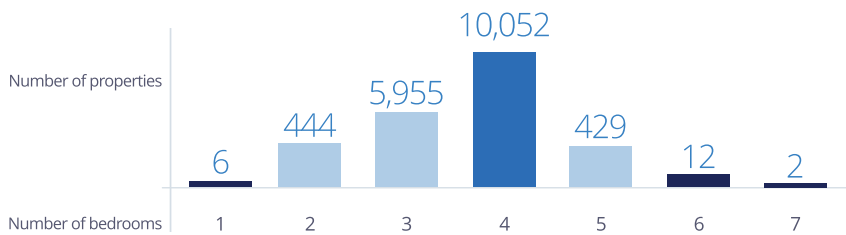
**Figure 2.8: MWD portfolio by type, 30 June 2017**



**Figure 2.9: MWD portfolio by age (years), 30 June 2017**

Age	Number of properties	Age	Number of properties	Age	Number of properties
0-2	2,257	11-15	3,773	31-40	38
3-5	2,107	16-20	1,424	41+	90
6-10	5,014	21-30	2,197		

**Figure 2.10: MWD portfolio by number of bedrooms, 30 June 2017**



## 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 2016–17.

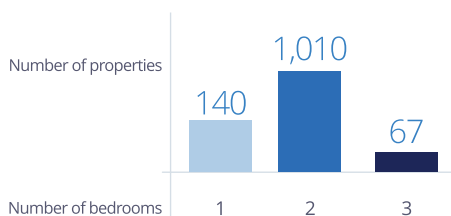
**Figure 2.11: MCA portfolio by type, 30 June 2017**



**Figure 2.12: MCA portfolio by age (years), 30 June 2017**

Age	Number of properties	Age	Number of properties	Age	Number of properties
0-2	702	11-15	87	31-40	5
3-5	249	16-20	13	41+	18
6-10	120	21-30	23		

**Figure 2.13: MCA portfolio by number of bedrooms, 30 June 2017**





## Portfolio ownership by type

Ownership of our portfolio can be segmented into four categories:

### 1. Leased

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

### 2. 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.

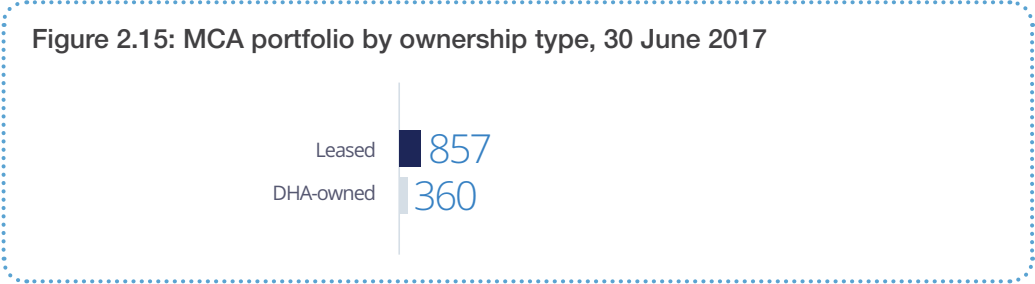
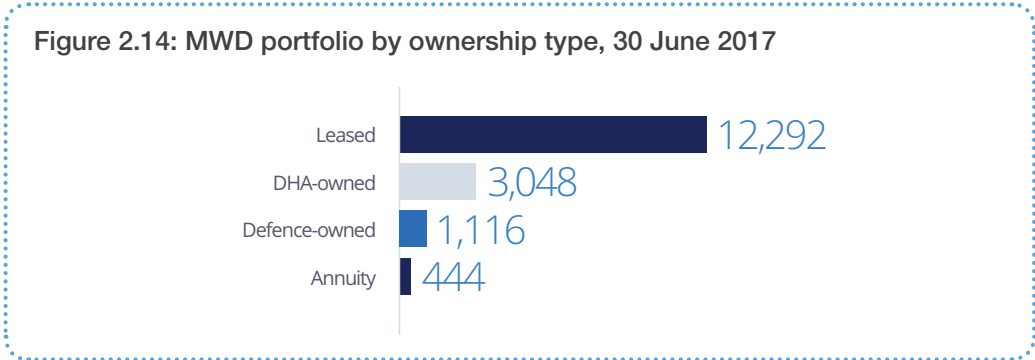
### 3. Defence-owned

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

### 4. 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 provides a breakdown of our MWD and MCA portfolios by ownership type.





# 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 2016–17 to 2019–20 (Corporate Plan 2016–17) and publicly available Statement of Corporate Intent 2016–17 (SCI) was approved by our Shareholder Ministers in September 2016.<sup>6</sup>

As set out in our Corporate Plan 2016–17, we worked to deliver two primary objectives for the Australian Government in the reporting period (refer to **Figure 3.1**). We set out to achieve these objectives through the fulfilment of five purposes (refer **Figure 3.2**). Each purpose has an associated set of performance measures, with 28 key performance indicators (KPIs) in total.

**Figure 3.1: DHA's objectives, 2016–17**

<b>OBJECTIVE 1</b>	<b>Continue to provide Australian Defence Force (ADF) members and their families with quality properties in close proximity to Defence establishments and excellent customer service.</b>
<b>OBJECTIVE 2</b>	<b>Maintain a robust financial position through increased focus on business efficiency, thus enabling us to add to shareholder value and deliver a solid return to the Australian Government.</b>

<sup>6</sup> 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.

Figure 3.2: DHA's purposes, 2016–17

<b>PURPOSE 1</b>	Housing solutions for ADF members and their families
<b>PURPOSE 2</b>	Property, tenancy and investor management <sup>7</sup>
<b>PURPOSE 3</b>	Property sourcing
<b>PURPOSE 4</b>	Portfolio management
<b>PURPOSE 5</b>	Generate shareholder value

## Annual Performance Statement

Our Annual Performance Statement, which starts on [page 45](#), has been prepared in accordance with guidelines provided by the Department of Finance. It shows how we performed against the five purposes and associated 28 KPIs set out in our Corporate Plan 2016–17. 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:

- Purposes 1 to 4 KPIs are provided after the statement (from [page 64](#))
- Purpose 5—financial related KPIs—are provided after the statement (from [page 88](#))
- Purpose 5—staff related KPIs—are provided in the [Workforce management](#) section in [Part 4](#) of this report (from [page 116](#)).

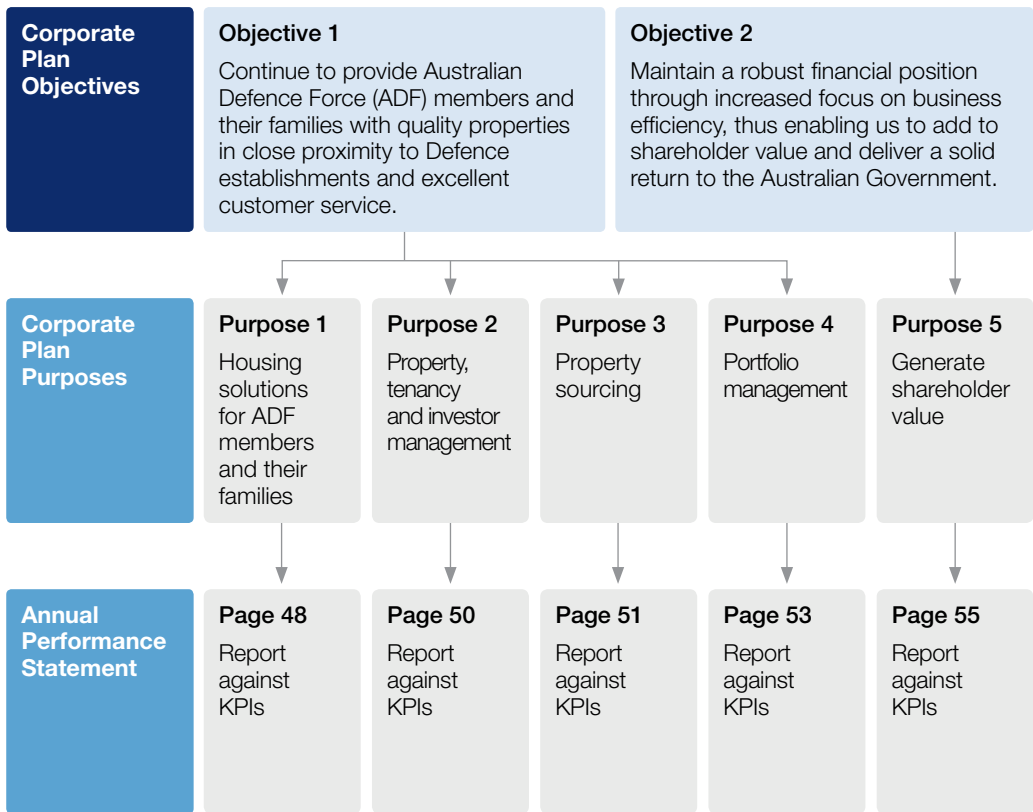
The detailed performance report includes commentary, charts and case studies. Where applicable, page numbers are provided in the statement for ease of reference.

<sup>7</sup> We used the term 'lessor' in our Corporate Plan 2016–17 and SCI. During the year, this terminology was changed to 'investor'. 'Investor' is used throughout this statement and report.

## The relationship between our Corporate Plan and Annual Performance Statement

Figure 3.3 sets out the relationship between reporting measures outlined in our Corporate Plan and Annual Performance Statement for 2016–17.

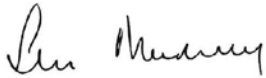
Figure 3.3: Relationship between DHA's Corporate Plan and Annual Performance Statement



# Annual Performance Statement

## Statement of preparation

On behalf of the DHA Board of Directors, the accountable authority of DHA, we present the agency's 2016–17 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 2017



**Jan Mason**




Managing Director

28 September 2017

## Our approach











This statement has been organised according to the five purposes in our Corporate Plan 2016–17 and shows our performance in the reporting period.

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

-  Met target
-  Substantially met target (≥85 per cent of the Corporate Plan target)
-  Did not meet target (<84 per cent of the Corporate Plan target).

## Results snapshot

**Table 3.1: Results against KPIs, 2016–17**

Purpose 1: Housing solutions for ADF members and their families			
KPI 1	Properties provisioned for Defence (MWD)		Table 3.2
KPI 2	Properties provisioned for Defence (MCA)		Table 3.3
KPI 3	Members satisfied with their service residence (SR)		Table 3.4
KPI 4	Members satisfied with overall customer service		Table 3.5
Purpose 2: Property, tenancy and investor management			
KPI 5	Members satisfied with completed maintenance		Table 3.6
KPI 6	Investors satisfied with overall customer service		Table 3.7
Purpose 3: Property sourcing			
KPI 7	New properties constructed or purchased (MWD)		Table 3.8
KPI 8	New properties constructed or purchased (MCA)		Table 3.9
Purpose 4: Portfolio management			
KPI 9	Revenue from the property investment program <sup>8</sup>		Table 3.10
KPI 10	Revenue from the disposal of surplus property		Table 3.11
KPI 11	Revenue from the sale of development land and property		Table 3.12

<sup>8</sup> We used the term 'Sale and Leaseback program' in our Corporate Plan 2016–17 and SCI. During the year, this terminology changed to 'property investment program'. 'Property investment program' is used throughout this statement and report.

<b>Purpose 5: Generate shareholder value</b>			
<b>Financial performance</b>			
KPI 12	Total shareholder return	✓	Table 3.13
KPI 13	Dividend yield	✓	Table 3.14
KPI 14	Dividend payout ratio	✓	Table 3.15
KPI 15	Earnings before interest and tax (EBIT)	✓	Table 3.16
KPI 16	Earnings before interest, tax and depreciation	✓	Table 3.17
KPI 17	Return on equity	✓	Table 3.18
KPI 18	Net profit after tax (NPAT)	✓	Table 3.19
<b>Business efficiency</b>			
KPI 19	Operating margin	✓	Table 3.20
KPI 20	Return on capital employed	✓	Table 3.21
<b>Leverage/solvency</b>			
KPI 21	Gearing ratio	✓	Table 3.22
KPI 22	Interest cover	✓	Table 3.23
KPI 23	Current ratio	✓	Table 3.24
KPI 24	Liquidity ratio	✓	Table 3.25
<b>Staff</b>			
KPI 25	Staff retention and turnover rate	✓	Table 3.26
KPI 26	Staff engagement <sup>9</sup>	✓	Table 3.27
KPI 27	Total recordable injury frequency rate (TRIFR)	✓	Table 3.28
KPI 28	Wages expense ratio	✓	Table 3.29

<sup>9</sup> We used the term 'staff satisfaction' in our Corporate Plan 2016–17 and SCI. This should have been 'staff engagement'. 'Staff engagement' is used throughout this statement and report.

## Purpose 1: Housing solutions for ADF members and their families

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).

**Table 3.2: Purpose 1, KPI 1 result**

<b>KPI 1: Properties provisioned for Defence (MWD)</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
17,269 properties	16,900 properties	✓
<p>As at 30 June 2017 we had provisioned 16,900 MWD properties, which represents 97.9 per cent of the Corporate Plan target. The negative variance of 369 properties was not unexpected.</p> <p>In the first half of 2016–17, we recognised that de facto Rent Allowance (RA)<sup>10</sup> was distorting Defence’s forecast of MWD demand for a service residence (SR) and was contributing to us having higher than desirable property vacancy rates in some locations. We presented this information to Defence as part of our draft provisioning schedule in December 2016.</p> <p>Following further analysis and discussion, both parties agreed to apply a discount to the housing demand advised in the Defence Housing Forecast (DHF). As part of this discount, we removed a substantial portion of the housing requirement for members receiving de facto RA as they were considered suitably housed. Our provisioning target was reduced to 16,907 properties in the provisioning schedule Defence approved in March 2017 (which forms our contractual KPI). This revised forecast also formed the basis of our Corporate Plan 2017–18.</p>		<p>Page 51</p> <p>Page 61</p> <p>Page 65</p>

<sup>10</sup> In accordance with Defence policy, when a MWOD recognises an interdependent partnership (de facto) their categorisation changes to MWD and they become eligible for a service residence (SR). We found that many of these members were choosing to remain in private rental accommodation and receive RA (i.e. referred to as de facto RA). This may be due to a range of factors, but most likely because they are not entitled to a Commonwealth-funded move. Under our contract with Defence, we have limited ability to make members occupy a vacant SR.



Table 3.3: Purpose 1, KPI 2 result

KPI 2: Properties provisioned for Defence (MCA)		
Corporate Plan target	Achievement	Result
1,280 properties	1,217 properties	✓
<p>As at 30 June 2017 we had provisioned 1,217 MCA properties, which represents 95.1 per cent of the Corporate Plan target. The negative variance of 63 properties was largely due to our inability to acquire suitable properties in selected locations (refer to <b>Purpose 3</b> on <b>page 52</b> for more information). The result does not reflect the outstanding results we achieved in relation to the MCA portfolio in 2016–17, including 25.4 per cent portfolio growth and the delivery of our 1,000th MCA property.</p>		Page 61 Page 66

Table 3.4: Purpose 1, KPI 3 result

KPI 3: Members satisfied with their service residence (SR)		
Corporate Plan target	Achievement	Result
>80%	87.3%	✓
<p>Annually, we survey MWD (or their partner) who have lived in their SR for more than 12 months to measure satisfaction with housing. In 2016–17, 87.3 per cent of 2,481 participants were satisfied with their current SR. This result is statistically similar to that achieved in 2015–16. Results for the past five years have consistently been above the target rate of 80 per cent.</p>		Page 70

Table 3.5: Purpose 1, KPI 4 result

KPI 4: Members satisfied with overall customer service		
Corporate Plan target	Achievement	Result
>80%	93.3%	✓
<p>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. In 2016–17, 93.3 per cent of 3,304 participants were satisfied with their customer service experience. This is similar to results achieved over the past five years.</p>		Page 74

## Purpose 2: Property, tenancy and investor management

Provide housing allocation and tenancy management services to ADF members and their families, and property management services to investors. Establish leases through the property investment program, extend existing leases and, where required, negotiate new leases to meet provisioning requirements.<sup>11</sup>

**Table 3.6: Purpose 2, KPI 5 result**

<b>KPI 5: Members satisfied with completed maintenance</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
>90%	95.9%	✓
<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. In 2016–17, 95.9 per cent of 8,079 surveyed tenants were satisfied with the overall service. This is similar to results achieved over the past five years.</p>		Page 71

**Table 3.7: Purpose 2, KPI 6 result**

<b>KPI 6: Investors satisfied with overall customer service</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
>90%	94.6%	✓
<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. In 2016–17, 94.6 per cent of 926 respondents indicated that they were satisfied with their overall customer service experience. This result is statistically similar to that achieved in 2015–16.</p>		Page 74

<sup>11</sup> We used the terms 'lessor' and 'Sale and Leaseback program' in our Corporate Plan 2016–17 and SCI. During the year, this terminology changed to 'investor' and 'property investment program'. 'Investor' and 'property investment program' is used throughout this statement and report.

## Purpose 3: Property sourcing

Buy land to meet our provisioning obligations to Defence, construct and, as required, purchase and/or lease new and established houses. Provide on-base and regional and/or remote housing services to Defence.

**Table 3.8: Purpose 3, KPI 7 result**

KPI 7: New properties constructed or purchased (MWD)		
Corporate Plan target	Achievement	Result
810 properties	727 properties	✓
<p>In 2016–17 we added 727 properties to the MWD portfolio through construction and acquisition activities, which represents 89.8 per cent of the Corporate Plan target. The negative variance of 83 properties was not unexpected.</p> <p>Our ability to add MWD properties to our portfolio was affected by external factors over which we had little or no control, including:</p> <ul style="list-style-type: none"> <li>› residential property market conditions (property supply, capital values and yields) and Defence policy (minimum specifications for properties and rent band classifications) which combined made it difficult to source suitable properties in selected locations</li> <li>› property development processes (approval processes, contractor management and project management, including inclement weather conditions) which delayed delivery of properties into our portfolio.</li> </ul> <p>Refer to the analysis on <a href="#">page 61</a> for more information about these external factors.</p> <p>Following discussions with Defence, and to take into account de facto RA, the target was reduced to 797 MWD properties in the provisioning schedule Defence approved in March 2017 (which forms our contractual KPI).</p> <p>In the third quarter (Q3), we further revised the program down to 730 properties due to:</p> <ul style="list-style-type: none"> <li>› Defence's agreement to defer construction of 10 properties in Tindal (NT) to 2017–18</li> <li>› delayed delivery of properties from two of our development projects in Melbourne (VIC) and Sydney (NSW)</li> <li>› our decision to reduce the number of properties we would retain from two of our development projects in Sydney.</li> </ul> <p>We were able to increase provisioning in some locations to mitigate the variance. This resulted in us achieving 99.6 per cent of the Q3 revised forecast.</p>		<p>Page 61 Page 65</p>

**Table 3.9: Purpose 3, KPI 8 result**

<b>KPI 8: New properties constructed or purchased (MCA)</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
247 properties	213 properties	✓
<p>In 2016–17 we added 213 properties to the MCA portfolio through construction and acquisition activities, which represents 86.2 per cent of the Corporate Plan target. The negative variance of 34 properties was not unexpected.</p> <p>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"> <li>▶ Defence policy (rent band classifications)</li> <li>▶ residential property market conditions (property supply, capital values and yields)</li> <li>▶ our MCA Agreement with Defence whereby we bear financial risk (which means we could only acquire properties where there was a high probability we could recoup the capital outlay by selling the properties through our property investment program).</li> </ul> <p>Refer to the analysis on <a href="#">page 61</a> for detailed information about these factors.</p> <p>We had particular difficulty acquiring suitable properties in Canberra (ACT), Cairns (QLD) and Ipswich (QLD). We were able to increase provisioning in some locations to mitigate the variance, but not enough to meet the target without bearing unsuitable financial risk.</p> <p>We worked with Defence to review the MCA Agreement with the aim of revising terms to ensure we can meet future provisioning targets without bearing unsuitable financial risk. We expect both parties will agree on revised terms in the first half of financial year 2017–18.</p>		<p>Page 61 Page 66</p>

## Purpose 4: Portfolio management

Generate capital through our property investment program where we sell property on long term lease back 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.<sup>12</sup>

**Table 3.10: Purpose 4, KPI 9 result**

<b>KPI 9: Revenue from the property investment program</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
\$350 million	\$363.9 million	✓
<p>The property investment program continued to be our key funding source to enable the delivery of our Corporate Plan. In 2016–17 we settled 655 properties, generating revenue of \$363.9 million. This result was \$13.9 million above the Corporate Plan target.</p> <p>The net margin percentage for sales from this program was also 1.6 per cent above the budgeted margin. This was largely due to margins achieved on sales in Sydney where market conditions remained strong in comparison to most other capital cities.</p>		Page 62 Page 89 Page 90

**Table 3.11: Purpose 4, KPI 10 result**

<b>KPI 10: Revenue from the disposal of surplus property</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
\$59.7 million	\$64.2 million	✓
<p>In 2016–17 we settled 116 properties that no longer met minimum Defence standards or provisioning requirements, generating revenue of \$64.2 million. This result was \$4.5 million above the Corporate Plan target.</p>		Page 62 Page 90

<sup>12</sup> We used the term 'Sale and Leaseback program' in our Corporate Plan 2016–17 and SCI. During the year, this terminology changed to 'property investment program'. 'Property investment program' is used throughout this statement and report.

Table 3.12: Purpose 4, KPI 11 result

KPI 11: Revenue from the sale of development land and property		
Corporate Plan target	Achievement	Result
\$155.6 million	\$116.4 million	✘
<p>In 2016–17 we settled 63 properties from development property sales, generating revenue of \$47.5 million. This result was \$31.1 million below target. We also settled 183 lots from development land sales, generating revenue of \$68.9 million. This result was \$8.1 million below the Corporate Plan target. Both results were not unexpected.</p> <p>The variance was largely due to factors over which we had little or no control that delayed progress of two of our development projects. Specifically:</p> <ul style="list-style-type: none"> <li>➤ Inclement weather delayed construction at our Crimson Hill development in Sydney (NSW).</li> <li>➤ In accordance with section 7(2) and (3) of the DHA Act, we can only enter into a contract of equal to or greater than \$15 million in value with written permission from the Minister for Defence. When both houses of Parliament were dissolved on 9 May for the 2016 federal election, caretaker conventions came into effect. The Minister cannot approve any contracts during the caretaker period, which meant we were unable to appoint a contractor to commence works at stage 7 of our Breezes Muirhead development in Darwin (NT).</li> </ul> <p>The aforementioned delays meant that property and land lots from these developments were not delivered in time for us to sell and realise the revenue in 2016–17. Importantly, the revenue is not lost, rather it is deferred to 2017–18.</p> <p>Of note, although we did not achieve the revenue target, net margin from the sale of development land and property was exceeded due to the realisation of better than budgeted margins.</p>		<p>Page 62 Page 90</p>

## Purpose 5: Generate shareholder value

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 3.13: Purpose 5, KPI 12 result**

<b>KPI 12: Total shareholder return</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
≥6.7%	7.2%	✓
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 0.5 per cent above the Corporate Plan target. This demonstrates that we continued to add to shareholder value.		Page 90

**Table 3.14: Purpose 5, KPI 13 result**

<b>KPI 13: Dividend yield</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
≥1.5%	2.3%	✓
In accordance with the GBE Guidelines, we pay an annual dividend to the Australian Government. We achieved a dividend yield of 2.3 per cent or 0.8 per cent above the Corporate Plan target. This demonstrates that we continued to deliver solid returns to the Australian Government relative to our commercial value.		Page 90

**Table 3.15: Purpose 5, KPI 14 result**

<b>KPI 14: Dividend payout ratio</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
60%	60%	✓
<p>We achieved a dividend payout ratio of 60 per cent of net profit after tax (NPAT) in line with the Corporate Plan target, demonstrating that we fulfilled our shareholder return obligations. This equates to an annual dividend of \$39.6 million which we will pay to the Australian Government in quarterly instalments throughout 2017–18.</p>		Page 90

**Table 3.16: Purpose 5, KPI 15 result**

<b>KPI 15: Earnings before interest and tax (EBIT)</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
\$108.9 million	\$103.6 million	✓
<p>Our EBIT was \$5.3 million lower than the Corporate Plan target. This result was not unexpected. The primary reason for the variance is that we had significantly higher levels of property impairment than budgeted. This means that the market value of properties in our portfolio was lower than the value listed on our balance sheet. Lower than anticipated revenue from housing services was also a contributing factor.</p>		Page 62 Page 88

**Table 3.17: Purpose 5, KPI 16 result**

<b>KPI 16: Earnings before interest, tax and depreciation</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
\$133.8 million	\$135.8 million	✓
<p>Our earnings before interest, tax and depreciation was \$2 million above the Corporate Plan target. This outcome demonstrates that our operating performance was sound and that we were profitable.</p>		Page 88



Table 3.18: Purpose 5, KPI 17 result

KPI 17: Return on equity		
Corporate Plan target	Achievement	Result
≥4.3%	4.3%	✓
<p>We achieved return on equity of 4.3 per cent in line with the Corporate Plan target. This confirms our net income as a percentage of shareholder equity was strong.</p>		

Table 3.19: Purpose 5, KPI 18 result

KPI 18: Net profit after tax (NPAT)		
Corporate Plan target	Achievement	Result
\$64.8 million	\$65.7 million	✓
<p>We achieved NPAT of \$0.9 million above the Corporate Plan target. This positive outcome was due to:</p> <ul style="list-style-type: none"> <li>➤ operating costs being \$7.5 million below budget</li> <li>➤ higher than anticipated property investment sales and land sales margins</li> <li>➤ a reduction in income tax expense arising from the disposal of certain investment stock acquired prior to 1 July 2007.</li> </ul>		<p>Page 62 Page 88 Page 90</p>

Table 3.20: Purpose 5, KPI 19 result

KPI 19: Operating margin		
Corporate Plan target	Achievement	Result
≥10.6%	11.6%	✓
<p>Operating margin is a measurement of our operating profitability as a percentage of our total revenue. The higher the operating margin, the smaller our operating expenses are in relation to total revenue, increasing the bottom line and indicating a more profitable operation. Our result in 2016–17 was 1 per cent above the Corporate Plan target.</p>		Page 89

Table 3.21: Purpose 5, KPI 20 result

KPI 20: Return on capital employed		
Corporate Plan target	Achievement	Result
≥6.1%	5.9%	✓
Our return on capital employed result was in line with the Corporate Plan target. This demonstrates that we were profitable and that our capital was employed efficiently.		

Table 3.22: Purpose 5, KPI 21 result

KPI 21: Gearing ratio		
Corporate Plan target	Achievement	Result
≥24.9%	24.9%	✓
Our gearing ratio result was in line with the Corporate Plan target. This demonstrates that our activities were well funded by equity compared to borrowings.		

Table 3.23: Purpose 5, KPI 22 result

KPI 22: Interest cover		
Corporate Plan target	Achievement	Result
≥5.2%	5.2%	✓
Our interest cover ratio result was in line with the Corporate Plan target. This demonstrates that we were well placed to pay interest on outstanding debt.		Page 91

Table 3.24: Purpose 5, KPI 23 result

KPI 24: Current ratio		
Corporate Plan target	Achievement	Result
≥6.3%	6.2%	✓
Our current ratio result was in line with the Corporate Plan target. This outcome demonstrates that we were well positioned to pay short term debt obligations.		Page 91

Table 3.25: Purpose 5, KPI 24 result

KPI 25: Liquidity ratio		
Corporate Plan target	Achievement	Result
≥6.3%	6.2%	✓
Our liquidity ratio was in line with the Corporate Plan target. This outcome demonstrates that we were well placed to pay off our short term debt obligations.		Page 91

Table 3.26: Purpose 5, KPI 25 result

KPI 26: Staff retention and turnover rate		
Corporate Plan target	Achievement	Result
≤15%	13.8%	✓
Our staff retention and turnover rate was less than the Corporate Plan target by 1.2 per cent. This outcome demonstrates that staff turnover was within appropriate levels and did not negatively impact our operations.		Page 117

**Table 3.27: Purpose 5, KPI 26 result**

<b>KPI 26: Staff engagement</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
≥75%	85%	✓
<p>Ninety one per cent of our staff participated in the 2017 Australian Public Service (APS) Census. This was a significant increase compared with our participation rate in the 2016 APS Census (80 per cent) and was the third highest participation rate of medium sized agencies in 2017.</p> <p>We achieved a staff engagement score of 85 per cent which demonstrates that our staff were satisfied, committed, motivated and enabled to improve business results. There is no comparable data as the index was a new section in the 2017 Census.</p> <p>There was a positive variance in our engagement score compared with the APS overall (+11 percentage points), smaller operational agencies (+5 percentage points) and medium sized agencies (+5 percentage points).</p>		Page 117

**Table 3.28: Purpose 5, KPI 27 result**

<b>KPI 27: Total recordable injury frequency rate (TRIFR)</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
≤11	5.9	✓
<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 incline in the number of incidents reported. This is testament to our efforts in affecting positive work, health and safety outcomes.</p>		Page 123

**Table 3.29: Purpose 5, KPI 28 result**

<b>KPI 28: Wages expense ratio</b>		
<b>Corporate Plan target</b>	<b>Achievement</b>	<b>Result</b>
≤6.2%	6.1%	✓
<p>Our wages expense ratio was in line with the Corporate Plan target. This demonstrates that our salary and related payroll expenses were well managed to budget.</p>		Page 117

## Overarching analysis of performance against our purposes

DHA improved its operational capability and governance foundations in 2016–17 to ensure that, as a government-owned business, we operated commercially. Stable leadership, including the Board's appointment of Ms Jan Mason as Managing Director for a five year team, supported operational effectiveness. These factors undoubtedly contributed to our strong performance against the purposes in our Corporate Plan.

In 2016–17, we achieved or exceeded 19 KPIs, substantially met eight KPIs (achieved  $\geq 85$  per cent of the target) and did not meet one KPI (achieved  $\leq 84$  per cent of the target). Reasons for substantial achievement and non-achievement were directly related to complex environmental and operational factors over which we had little or no control.<sup>13</sup> In summary:

### 1. Defence agreements, forecasting and policy

Our ability to achieve purpose 1 (housing solutions for ADF members and their families) and purpose 3 (property sourcing) was affected by our service agreements with Defence, the accuracy of their property forecasting and their policy framework and decisions.

We worked closely with Defence to share information and mitigate provisioning risks wherever possible. In the reporting period we:

- restructured our MWD portfolio and provisioning targets to account for de facto RA and mitigate higher than expected property vacancy levels in some locations
- improved our MCA modelling and worked with Defence to draft revised MCA Agreement terms (particularly the fees and charges structure) to ensure we can meet future provisioning targets without bearing unsuitable financial risk.

These factors negatively impacted our ability to achieve purpose 5 (generate shareholder value) as we received lower than anticipated revenue for housing services.

### 2. Residential property market conditions and macroeconomic factors

Our ability to meet purposes 1, 3 and 5 was affected by residential property market conditions, including property supply, capital values and yields. These factors negatively impacted our ability to source properties and land that met:

- Defence specifications in terms of location/amenity
- Defence requirements in terms of rent band classifications
- our requirements in terms of financial viability (i.e. capital and rental valuation within budget parameters).

<sup>13</sup> These factors were set out in the risk section of our Corporate Plan 2016–17 and in our organisational risk management plan.

This was particularly the case in Sydney (NSW) which continues to be a challenging market for us in terms of provisioning. In the reporting period we established an internal working group to identify possible mitigation strategies for future provisioning in the Sydney region. We will continue this work in 2017–18 and present our findings to Defence.

Our ability to meet purpose 4 (portfolio management) and purpose 5 was affected by property market conditions and macroeconomic factors. We experienced some challenges in selling properties in Perth (WA), Darwin (NT) and Sydney as part of our property investment and disposals programs, especially where the price exceeded \$1 million. We were able to mitigate this by selling more properties in regions that better aligned with investor preferences and demand. This is only a short term solution to our long term funding requirements, which are being considered as part of an independent review of our capital structure. The review, which commenced in June 2017, will consider a number of funding options and inform our Corporate Plan 2018–19.

Unfavourable market conditions also resulted in significantly higher property impairment than budgeted, which contributed to our EBIT being below the Corporate Plan target.

### **3. Property development and construction processes**

Our ability to achieve purposes 1, 3, 4 and 5 was affected by external factors relating to our property development and construction program, including:

- delays in awarding tenders and executing contracts
- delays in receiving development approvals, property titles and approval from third parties (i.e. local councils and energy providers)
- inclement weather.

These factors contributed to us not being able to achieve provisioning targets and not being able to realise revenue from the sale of property and land lots that were surplus to our needs as budgeted. It is important to note this revenue is not lost, but deferred to 2017–18.

Despite not achieving the revenue target, our net margin from development property and land sales was exceeded due to the realisation of better than budgeted margins. We were also able to generate revenue from the sale of excess land we owned in Sydney to an adjoining developer. This helped to ensure that we achieved some of our financial KPIs, including NPAT which is the basis for our annual dividend calculation.

#### 4. Other challenges

Our ability to deliver against our purposes was also affected by the following material operational challenges in 2016–17:

- › Maintaining customer service levels against increasing expectations and use of technology, particularly when our customer satisfaction ratings are exceptional by industry standards.
- › Attracting and retaining skilled and capable staff, particularly residential property industry and information technology professionals within the APS remuneration framework.
- › Maintaining staff wellbeing and our operations following the sudden death of our Chief Financial Officer and Head of Corporate Services, Mr Jon Brocklehurst, on 30 April 2017.

As detailed in the **Governance structure** section within **Part 4** of this report (refer **page 103**), interim management arrangements were still in place as at 30 June 2017. Revised management arrangements will be formalised in 2017–18.

## Detailed report on performance

This section provides a detailed report on our performance in 2016–17. It is segmented into three sections:

### 1. National operational performance

This section details our national performance in delivering:

- › housing solutions for ADF members and their families
- › property and tenancy services for ADF members and investors.

### 2. Regional operational performance

This section details our performance by region in delivering:

- › housing solutions for ADF members and their families
- › property and tenancy services for ADF members and investors.

### 3. Financial performance

This section details our performance in funding our operations and meeting our commercial return obligations.

## National operational performance

### Relevant purposes

- › Purpose 1: Housing solutions for ADF members and their families
- › Purpose 2: Property, tenancy and investor management
- › Purpose 3: Property sourcing

### Housing solutions for ADF members and families

**Part 2** of this report provided information about our **Services to Defence** and **Housing portfolio** (refer **page 29** and **35** respectively), including how we provision in accordance with Defence forecasts. This section provides information about our national MWD and MCA provisioning performance in 2016–17.



## MWD provisioning

As set out in **Table 3.2** (refer **page 48**) and **Table 3.8** (refer **page 51**), we substantially met our MWD provisioning targets in 2016–17. The negative variance was not unexpected due to:

- › de facto RA distorting Defence's forecast of ADF member demand for SR
- › deferred construction and delivery of properties from our development projects
- › difficulty in acquiring and leasing suitable properties that met Defence's specifications and rent band classifications as well as our own budget parameters.

**Table 3.30** details the complexity of our MWD provisioning program and the activities that contributed to our MWD provisioning performance in 2016–17. 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 3.30: National MWD portfolio performance, 30 June 2017**

	Final results	CP	Variance to CP	Revised APS	Variance to APS
<b>Opening balance</b>	<b>17,121</b>	<b>17,225</b>	<b>(104)</b>	<b>17,316</b>	<b>(195)</b>
Acquisitions	273	275	(2)	274	(1)
Constructions	454	535	(81)	523	(69)
Direct leases	125	193	(68)	219	(94)
Lease renewals/options	992	1,015	(23)	915	77
<b>Additions sub total</b>	<b>1,844</b>	<b>2,018</b>	<b>(174)</b>	<b>1,931</b>	<b>(87)</b>
Lease ends	1,812	1,745	67	2,060	(248)
Disposals	149	148	1	156	(7)
Handbacks/transfers	104	81	23	124	(20)
<b>Subtractions sub total</b>	<b>2,065</b>	<b>1,974</b>	<b>91</b>	<b>2,340</b>	<b>(275)</b>
<b>Closing balance</b>	<b>16,900</b>	<b>17,269</b>	<b>(369)</b>	<b>16,907</b>	<b>(7)</b>

### NOTES

CP = Corporate Plan

APS = Approved Provisioning Schedule

Opening balance = 1 July 2016

Closing balance = 30 June 2017

Brackets denote a negative number

## MCA provisioning

As set out in **Table 3.3** (refer **page 49**) and **Table 3.9** (refer **page 52**), we substantially met our MCA provisioning targets in 2016–17. The negative variance was not unexpected due to difficulty in acquiring suitable properties that met Defence's specifications and rent band classifications as well as our own budget and risk parameters.

The outcome does not reflect the outstanding results we achieved in relation to the MCA portfolio in 2016–17, including:

- growing the portfolio from 970 properties to 1,217 properties (25.4 per cent growth in 12 months)
- delivering 156 apartments in September to December 2016 to match Defence's peak relocation period
- delivering 65 MCA properties from three apartment complexes we developed in Brisbane.

**Table 3.31** details the complexity of our MCA provisioning program and the activities that contributed to our MCA provisioning performance in 2016–17.

**Table 3.31: National MCA portfolio performance, 30 June 2017**

	Final results	CP	Variance to CP
<b>Opening balance</b>	<b>970</b>	<b>982</b>	<b>(12)</b>
Acquisitions	148	172	(24)
Constructions	65	75	(10)
Direct leases	34	65	(31)
Lease renewals/options	27	33	(6)
Transfers	18	0	18
<b>Additions sub total</b>	<b>292</b>	<b>345</b>	<b>(53)</b>
Lease ends	(40)	(41)	1
Disposals	(5)	(6)	1
<b>Subtractions sub total</b>	<b>(45)</b>	<b>(47)</b>	<b>(2)</b>
<b>Closing balance</b>	<b>1,217</b>	<b>1,280</b>	<b>(63)</b>

### NOTES

CP = Corporate Plan

Opening balance = 1 July 2016

Closing balance = 30 June 2017

Brackets denote a negative number

## Defence upgrades program

We upgrade or modernise Defence-owned properties to provide a better standard of living for ADF members and their families that tenant the properties and extend the lifespan of the properties by 10–15 years. In 2016–17, we upgraded 64 Defence-owned properties against a Corporate Plan target of 89 upgrades. This achievement is impressive given the program's dependency on properties becoming vacant during the period before works can commence. Refer to our website ([dha.gov.au/upgrades](http://dha.gov.au/upgrades)) for more information about our upgrade projects.

## Seaward Village project

In the reporting period, we continued to consult with all stakeholders in relation to our plans to upgrade 153 properties at Seaward Village in Swanbourne (WA). Once we finalised an agreed approach, we made a joint submission with Defence to the Parliamentary Standing Committee on Public Works (PWC) for their consideration and referral to the Parliament (refer to [page 113](#) in [Part 4](#) of this report for more information about the PWC). Parliament approved the submission in June 2017. We will now undertake the work over three phases, with completion expected in April 2018, July 2019 and July 2020. Refer to the project website ([seawardvillage.com.au](http://seawardvillage.com.au)) for more information.

## Commonwealth Heritage Listed (CHL) properties

As at 30 June 2017, we owned 16 CHL properties in Fremantle (WA) and two heritage sites in the ACT and NSW which we will develop for future Defence housing. We also managed 61 CHL properties at ADF bases and establishments across Australia on behalf of Defence.

In 2016–17, we sought and received approval from the Department of the Environment and Energy and the Australian Heritage Council for the Heritage Management Plan for our properties at Gunners' Cottages in Fremantle. As at 30 June 2017, the plan was in the final stages of becoming a legislative instrument.

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

- conservation/reinstatement works at a property at HMAS Creswell (NSW)
- external path, garden and driveway upgrades at two properties at Duntroon (ACT)
- 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 approximately 41,200 Defence-owned and maintained LIA beds across 54 Defence bases and establishments. In 2016–17, we continued to expand our LIA service delivery model to perform tasks previously performed by Defence personnel. We also worked to transfer the management of LIA rooms for recruit schools into our online system to ensure Defence’s asset usage is maximised and that recruits are paying for meals and utilities appropriately. As at 30 June 2017, the process was still being transitioned from Defence to DHA. We expect the process to be completed early in 2017–18.

In the reporting period, we continued to see self-service rates for LIA bookings increase. Over 70 per cent of all LIA bookings in 2016–17 were made by ADF members or Defence personnel using the self-service system. Additionally, Toll Transitions directly entered 16.8 per cent into the system during Defence’s peak relocation period. We also achieved a 3 per cent increase in the number of LIA bulk bookings and a 4 per cent increase in individual transit LIA bookings in 2016–17 compared with 2015–16.

### Case study: LIA Base Liaison Officer



*To improve our Living-in Accommodation (LIA) service delivery model, DHA created a Base Liaison Officer role to be the main point of contact for LIA stakeholders at 54 ADF bases across Australia. Mr Thomas Martin (pictured left) commenced in the role in July 2016.*

Thomas cites trying to learn each base’s intricacies and priorities, as well as the complex allocation rules that dictate where members can be allocated, as the biggest challenges of the new role.

‘Being a new role, I have had to build a relationship of trust remotely by providing accurate and detailed advice that is supported by data. It has been very rewarding, particularly when I have been able to visit the bases and meet stakeholders face-to-face to discuss their requirements in more detail,’ said Thomas.

Thomas’s hard work, professionalism and forecasting of Defence relocations is very impressive. He continues to be praised internally and by Defence stakeholders for his excellent customer service.

## 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 29, 33** and **35** respectively). This section provides more detail about our national property and tenancy management performance in 2016–17.

### Overview

DHA is one of the biggest property managers in Australia, with 18,841 properties under management as at 30 June 2017. Not surprisingly, as set out in **Table 3.32**, this resulted in a high number of property and tenancy related services being performed in 2016–17.

**Table 3.32: National property and tenancy services performance, 30 June 2017**

Property and tenancy management service	Number
Housing allocations	7,743
Property inspections	69,059
ADF members receiving RA	4,511
Leases managed	13,149
Maintenance work orders raised	247,575

### 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 and 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 SR in the location that they are being posted to before arriving in their new location.

In 2016–17, we facilitated 7,743 housing allocations and 95.9 per cent of ADF members had a home allocated to them prior to arriving in their new location. As set out in **Table 3.4** (refer **page 49**), 87.3 per cent of the 2,481 MWD who participated in our survey were satisfied with their SR. Results for the past five years have been above the target rate of 80 per cent set out in our Corporate Plan.

### Property inspections

In 2016–17, we completed 69,059 property inspections. Over 13,000 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 7,400 welcome visits, where we met with the ADF member (or their partner) tenanted 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 choice of two welcome gifts.

For the first time, we also completed 2,293 property completion certificate inspections that were a requirement of our service agreement with Defence. In 2006–07, Defence implemented minimum specifications for property inclusions and we were given 10 years to ensure properties complied. In accordance with the agreement, in 2016–17 we had to review and renew the standard on an individual property basis and complete any upgrades required. Considerable system enhancements, policies and staff training were needed to meet the new requirement. Pleasingly, at the end of the financial year, all properties met the minimum specification requirements, which was an excellent outcome for DHA and ADF members and their families.

Following feedback from ADF members and Defence Families of Australia, we also delivered a significant system enhancement to make the inspection process easier for ADF members and their families. In August 2016, we introduced an electronic 'Appointment of an agent' form in Online Services, where ADF members could delegate authority to someone to represent them at inspections. This function is critical as inspections often need to be completed when a member is not available (e.g. when they are sea-going, in training or on deployment). More than 3,000 members appointed an agent using this functionality since its launch.

## 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.

In 2016–17, we administered payments for 4,511 ADF members who received RA nationally. Sydney (1,243), Canberra (548) and Brisbane (526) were the three locations with the highest number of members on RA. 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.

## Leased property management

We recognise that investors are an important part of our business. In 2016–17, we managed 13,149 properties on behalf of investors and established a new dedicated team that will work across the business to deliver positive outcomes for investors. We also continued to improve our mid lease sales program, where investors who need to sell their property throughout the lease term can access a panel of real estate agents with experience in selling DHA investment properties. In 2016–17, 74 per cent of all mid lease sales were facilitated through this program.

## Repairs and maintenance

Under our service agreement with Defence, we must maintain our properties to minimum standards. For this reason, our current lease agreement 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 2016–17, we raised 247,575 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 730 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 3.6** (refer **page 50**), 95.9 per cent of the 8,079 MWD tenants surveyed in the reporting period were satisfied with completed maintenance. This is similar to results achieved over the past five years.

## 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 2016–17, we continued to enhance Online Services to improve communication with ADF members, their families and investors, and increase their self-service capability. As shown in **Figures 3.4** and **3.5**, this has contributed to the increased use of Online Services in 2016–17 compared with 2015–16, particularly in peak periods when ADF members relocate and when investors receive details of their property's annual rental valuation.

## Defence One

In early 2000, Defence announced plans to implement a new payroll system for ADF members. As DHA is the primary administrator for housing policy, we have been a 'Defence One' project partner since 2013. In November 2016, Defence announced plans to launch the system in early 2017–18. We subsequently developed a project plan for delivery of our contribution, which was agreed to and funded by Defence.

The project required complex changes to our housing related systems and processes. As at 30 June 2017, delivery of the project was still underway, however, our contribution had been very successful and was appreciated by Defence. Some of the benefits of the project that will improve ADF members' experience with DHA are:

- the ability to apply and receive RA and bond advances before securing a property
- a simpler process to change housing contributions or allowances when changing categorisation (e.g. from MWOD to MWD)
- a streamlined process for ceasing applicable contributions when ADF members are sea-going, on training or on deployment.

## Defence Community Hub

In April 2017, we launched a new Defence Community Hub website for ADF members and their families posting to a new location. The Community Hub was a collaborative project with Defence Community Organisation and Defence Families of Australia. It is designed to connect ADF families to Defence and public community groups and centres, as well as provide local information about childcare, schools, healthcare services and public transport options. Refer to the website ([defencecommunityhub.org.au](http://defencecommunityhub.org.au)) for more information.



Figure 3.4: ADF member Online Services sessions, 2015–16 and 2016–17

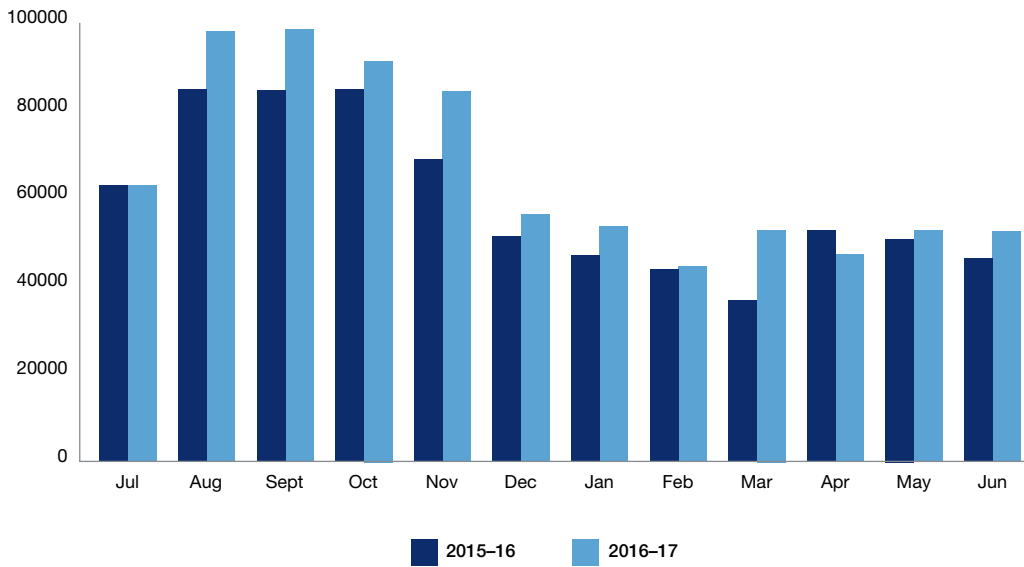
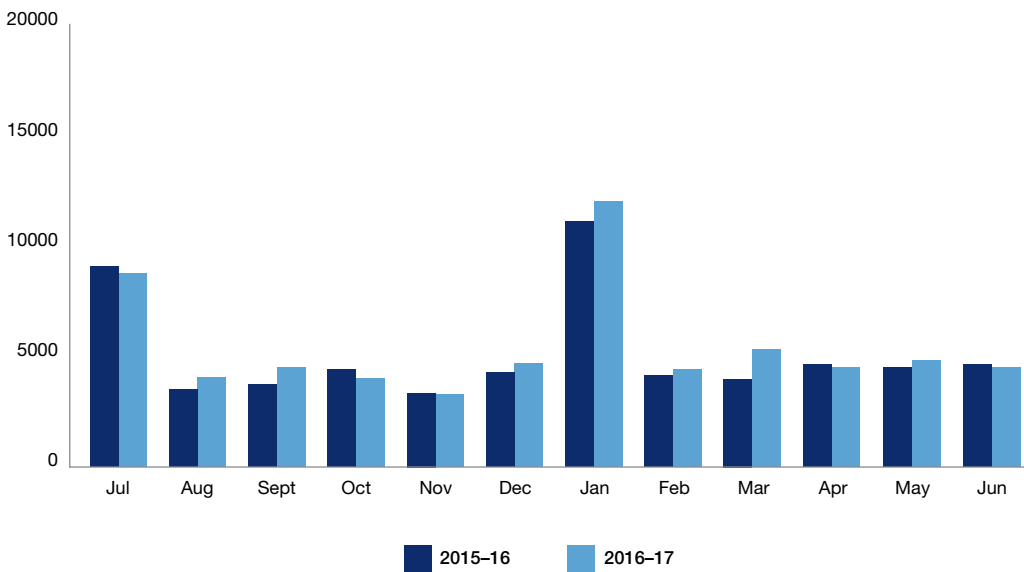


Figure 3.5: Investor Online Services sessions, 2015–16 and 2016–17



## 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/servicecharter](http://dha.gov.au/servicecharter)) and hard copies are available in our regional offices.

As set out in **Tables 3.5** and **3.7** (refer to **pages 49** and **50**), we exceeded both ADF member and investor customer service satisfaction targets in 2016–17 (93.3 per cent of 3,304 participants and 94.6 per cent of 926 respondents respectively). The results were statistically similar to those achieved in 2015–16.

In addition to seeking feedback via surveys, we invite general feedback, compliments and complaints from our customers, stakeholders and the public. In 2016–17, we received 846 formal complaints nationally. This was a 15 per cent decrease compared with complaints received in 2015–16 (1,015).

We manage all complaints in accordance with the resolution process set out in our service charter which has been developed in accordance with international standards (ISO 9001). 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)

For the twelfth consecutive year, we achieved independent certification from the CSIA against 25 international customer service standards. Pleasingly, we achieved a score of 8.15 out of 10; an improvement from the 8.08 score we achieved in 2015–16. While this seems like a minimal improvement, a score over eight is considered extremely high and positions DHA for 'international recognition' in terms of customer service.

DHA was named as a finalist in three categories of the CSIA 2016 Australian Excellence Awards:

- ▶ Customer Service Organisation of the Year—Government
- ▶ Service Excellence in a Medium Contact Centre
- ▶ Customer Service Executive of the Year.

Our General Manager, Property and Tenancy Services, Mr Brett Jorgensen, won the Customer Service Executive of the Year award. As a former ADF member, Mr Jorgensen really understands the needs of ADF members and families. He has been a driving force behind changing and improving DHA's customer service delivery model since being appointed General Manager five years ago.

## Case study: Increasing our use of social media



*We understand our customers like to receive information and communicate in different ways and that more people are choosing to use social media over other traditional media. For this reason, we continued to increase our use of social media in 2016–17.*

Our Defence Housing Australia Facebook page was launched in November 2014. The page is our primary social media channel to communicate with ADF members and their families. In 2016–17, we provided information about housing solutions, Defence community events, sponsorship, development updates and general information about DHA. As at 30 June 2017, the page had been liked 6,970 times.

We launched our DHA Invest Facebook page in September 2016. The page is specially designed for people interested in Australian residential property investment. Since its launch, we have provided information about our property investment program, events, investor testimonials and properties listed for sale. As at 30 June 2017, the page had been liked 6,502 times.

 [@defencehousingaustralia](https://www.facebook.com/defencehousingaustralia)

 [@dhainvest](https://www.facebook.com/dhainvest)

## Regional operational performance

### Northern Territory region

We managed 1,946 properties in the Northern Territory (NT) region as at 30 June 2017. The majority were located in Darwin, Tindal and Alice Springs 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 3.33: NT region property provisioning and related services, 2016–17**

	Darwin	Tindal Alice Springs	Total
<b>Property provisioning</b>			
<b>Property additions</b>			
MWD constructions/acquisitions	58	54	<b>112</b>
MCA constructions/acquisitions	34	0	<b>34</b>
<b>Closing balance (30 June 2017)</b>			
MWD properties	1,341	364	<b>1,705</b>
MCA properties	241	0	<b>241</b>
<b>Property and tenancy services</b>			
Housing allocations	668	168	<b>836</b>
Property inspections	6,186	1,766	<b>7,952</b>
ADF members receiving RA	300	19	<b>319</b>
Leases managed	1,021	6	<b>1,027</b>
Maintenance work orders raised	25,117	6,741	<b>31,858</b>



*Breezes Muirhead is community focused with approximately 30 hectares of open space and four community parks, including this 4,900m<sup>2</sup> water play park.*

### **Project spotlight: Breezes Muirhead**

Our award winning Breezes Muirhead development is located in the highly sought-after Darwin suburb of Muirhead and covers almost 170 hectares (which equates to approximately 240 football fields). Upon completion, Breezes will comprise 1,150 lots—accommodating 1,272 potential dwellings for around 2,200 people—and DHA will have built over 300 properties for ADF members and their families.

Breezes has been specifically designed for Darwin's tropical climate. Strategically planned street layouts and sweeping spaces capture the prevailing cross-flow breezes and inspired the development's name. Breezes also achieved UDIA's EnviroDevelopment certification (six leaves) in 2013 and is home to the largest installation of solar panels in a single suburb thanks to a partnership between DHA and Country Solar NT. These attributes and activities have contributed to Breezes winning multiple industry awards for urban design, planning and environmental sustainability.

Breezes is also community focused with approximately 30 hectares of open space, four community parks and an on-site Community Facilitator who organises regular events, activities and newsletters. In July 2016, we officially opened a 4,900m<sup>2</sup> water play park that engages children in active play, with water wheels, dams, switches and pumps demonstrating water management. Construction of Darwin's first dedicated dog park was also well underway and will be officially opened at Breezes in 2017–18.

Visit [breezesmuirhead.com.au](http://breezesmuirhead.com.au) for more information.

## Queensland regions

### North Queensland (NQLD) region

We managed 1,849 properties in the NQLD region as at 30 June 2017. 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 3.34: NQLD region property provisioning and related services, 2016–17**

	Townsville	Cairns	Total
<b>Property provisioning</b>			
<b>Property additions</b>			
MWD constructions/acquisitions	20	4	<b>24</b>
MCA constructions/acquisitions	0	0	<b>0</b>
<b>Closing balance (30 June 2017)</b>			
MWD properties	1,538	216	<b>1,754</b>
MCA properties	93	2	<b>95</b>
<b>Property and tenancy services</b>			
Housing allocations	717	100	<b>817</b>
Property inspections	6,460	905	<b>7,365</b>
ADF members receiving RA	329	54	<b>383</b>
Leases managed	1,461	185	<b>1,646</b>
Maintenance work orders raised	28,716	5,054	<b>33,770</b>

### South Queensland (SQLD) region

We managed 3,462 properties in the SQLD region as at 30 June 2017. The majority were located in Brisbane and Ipswich and a smaller number were located in Toowoomba, Canungra and the Gold Coast.<sup>14</sup> The majority of properties were three and four-bedroom freestanding houses. We also managed an increasing 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 3.35: SQLD region property provisioning and related services, 2016–17**

	Brisbane	Ipswich	Toowoomba	Total
<b>Property provisioning</b>				
<b>Property additions</b>				
MWD constructions/acquisitions	107	45	12	<b>164</b>
MCA constructions/acquisitions	84	21	0	<b>105</b>
<b>Closing balance (30 June 2017)</b>				
MWD properties	1,936	1,033	211	<b>3,180</b>
MCA properties	261	21	0	<b>282</b>
<b>Property and tenancy services</b>				
Housing allocations	1,032	427	107	<b>1,566</b>
Property inspections	9,938	4,212	764	<b>14,914</b>
ADF members receiving RA	526	213	36	<b>775</b>
Leases managed	1,761	873	197	<b>2,831</b>
Maintenance work orders raised	27,603	16,276	2,905	<b>46,784</b>

<sup>14</sup> 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 4,613 properties in the New South Wales (NSW) region as at 30 June 2017.<sup>15</sup> The majority were located in Sydney and a smaller number were located in 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 3.36: NSW region property provisioning and related services, 2016–17**

	Sydney	Hunter Valley	Nowra	Total
<b>Property provisioning</b>				
<b>Property additions</b>				
MWD constructions/acquisitions	150	49	13	<b>212</b>
MCA constructions/acquisitions	0	5	0	<b>5</b>
<b>Closing balance (30 June 2017)</b>				
MWD properties	3,100	1,032	354	<b>4,486</b>
MCA properties	112	15	0	<b>127</b>
<b>Property and tenancy services</b>				
Housing allocations	1,160	408	124	<b>1,692</b>
Property inspections	10,698	4,201	1,296	<b>16,195</b>
ADF members receiving RA	1,243	189	139	<b>1,571</b>
Leases managed	2,138	899	294	<b>3,331</b>
Maintenance work orders raised	36,752	15,362	5,265	<b>57,379</b>

<sup>15</sup> Properties in Wagga Wagga and Albury (NSW) are included in the ACT and Riverina region on page 82.





*Crimson Hill was the first apartments in Australia to achieve a 6 Star Green Star design rating from the Green Building Council of Australia.*

### **Project spotlight: Crimson Hill**

Our award winning Crimson Hill development adjoins Lane Cove National Park on Sydney's North Shore. The name Crimson Hill was selected in recognition of the rich, vibrant colour of the Victoria Cross medal ribbon. Crimson Hill continues to honour the Victoria Cross by naming each of its precincts and two community facilities after recipients of the prestigious award.

The Crimson Hill masterplan incorporates five distinct precincts united by communal public spaces, including a community centre and a state-of-the-art futsal synthetic sports field. Upon completion, Crimson Hill will feature a mix of 345 architecturally designed apartments, townhouses and homes that blend sympathetically into the surrounds. DHA will retain approximately 40 per cent of the apartments for ADF members and their families.

Crimson Hill incorporates a number of intelligent, sustainable design features. These contributed to Crimson Hill achieving UDIA EnviroDevelopment certification (six leaves) in 2014. More recently, Shout Ridge, the final release of apartments, was the first apartments in Australia and the second project in Australia to achieve a 6 Star Green Star Multi Unit Residential Design V1 rating from the Green Building Council of Australia. This rating represents world leadership in environmental sustainability and positions DHA as one of the most progressive residential developers in Australia.

Visit [crimsonhill.com.au](http://crimsonhill.com.au) for more information.

## Australian Capital Territory and Riverina region

We managed 2,862 properties in the Australian Capital Territory (ACT) and Riverina region as at 30 June 2017. The majority were located in the Canberra region, which includes properties in adjacent NSW cities.<sup>16</sup> A smaller number were located in Wagga Wagga (NSW), Albury (NSW) and Wodonga (VIC).<sup>17</sup> 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 3.37: ACT and Riverina region property provisioning and related services, 2016–17**

	Canberra	Wagga Wagga	Albury / Wodonga	Total
<b>Property provisioning</b>				
<b>Property additions</b>				
MWD constructions/acquisitions	103	15	15	<b>133</b>
MCA constructions/acquisitions	32	0	0	<b>32</b>
<b>Closing balance (30 June 2017)</b>				
MWD properties	1,954	307	333	<b>2,594</b>
MCA properties	268	0	0	<b>268</b>
<b>Property and tenancy services</b>				
Housing allocations	1,045	176	187	<b>1,408</b>
Property inspections	7,433	1,228	1,532	<b>10,193</b>
ADF members receiving RA	548	37	34	<b>619</b>
Leases managed	1,793	167	257	<b>2,217</b>
Maintenance work orders raised	23,566	4,112	4,732	<b>32,410</b>

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

17 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 1,248 properties in the Victoria (VIC) and Tasmania (TAS) region as at 30 June 2017.<sup>18</sup> The majority were located in Victoria, including Melbourne, Puckapunyal and Sale. We also managed 48 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 3.38: VIC and TAS region property provisioning and related services, 2016–17**

	Victoria	Tasmania	Total
<b>Property provisioning</b>			
<b>Property additions</b>			
MWD constructions/acquisitions	17	0	<b>17</b>
MCA constructions/acquisitions	5	0	<b>5</b>
<b>Closing balance (30 June 2017)</b>			
MWD properties	1,181	48	<b>1,229</b>
MCA properties	19	0	<b>19</b>
<b>Property and tenancy services</b>			
Housing allocations	493	12	<b>505</b>
Property inspections	4,125	44	<b>4,169</b>
ADF members receiving RA	341	17	<b>358</b>
Leases managed	506	15	<b>521</b>
Maintenance work orders raised	16,631	399	<b>17,030</b>

<sup>18</sup> Properties in Wodonga (VIC) are included in the ACT and Riverina region on page 82.

## South Australia region

We managed 967 properties in the South Australia (SA) region as at 30 June 2017. 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 3.39: SA region property provisioning and related services, 2016–17**

	Total
<b>Property provisioning</b>	
<b>Property additions</b>	
MWD constructions/acquisitions	29
MCA constructions/acquisitions	27
<b>Closing balance (30 June 2017)</b>	
MWD properties	884
MCA properties	83
<b>Property and tenancy services</b>	
Housing allocations	466
Property inspections	3,662
ADF members receiving RA	225
Leases managed	794
Maintenance work orders raised	14,183



*The Prince's Feathers, carved by a local stone mason in locally sourced stone, will adorn the front of the Terrace.*

### **Project spotlight: The Prince's Terrace Adelaide**

Located in the revitalised urban precinct of Bowden in Adelaide, The Prince's Terrace Adelaide is a ground breaking collaboration between DHA, the Prince's Foundation and the South Australian Government's renewal authority (Renewal SA). When completed, the project will provide eight terraces and four flats built as mews behind the terraces. DHA will retain all 12 dwellings for ADF members and their families.

The Prince's Terrace Adelaide encapsulates innovation and world leadership in sustainable design. It was the first residential project in Australia to receive a 6 Star Green Star design rating from the Green Building Council of Australia. The homes are predicted to use 50 per cent less energy and potable water than a typical urban townhouse, with a carbon footprint of less than 40 per cent compared to a standard house.

The project is committed to sustainable choices and has a strong focus on local, low carbon materials, including local concrete made with ash and local granite and bricks re-used from 100-year-old former Bowden industrial buildings. Wherever possible, local builders and tradespeople have been employed to stimulate local economic growth and employment.

The project was officially opened by His Royal Highness, the Prince of Wales, in November 2015. In honour of His Royal Highness, local firm Historic Stone Restorations has carved The Prince's Feathers from stone sourced from local company Tillet Natural Stone Industries to adorn the front of the Terrace. The project is due for completion in November 2017.

## Western Australia region

We managed 1,170 properties in the Western Australia (WA) region as at 30 June 2017. The majority were located in Perth and Rockingham, but we also managed a small number of properties in Broome, Exmouth, Geraldton and Karratha. 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 3.40: WA region property provisioning and related services, 2016–17**

	Total
<b>Property provisioning</b>	
<b>Property additions</b>	
MWD constructions/acquisitions	36
MCA constructions/acquisitions	5
<b>Closing balance (30 June 2017)</b>	
MWD properties	1,068
MCA properties	102
<b>Property and tenancy services</b>	
Housing allocations	453
Property inspections	4,609
ADF members receiving RA	261
Leases managed	782
Maintenance work orders raised	14,161



*The Queen Street façade features a mix of materials influenced by the character of the neighbouring warehouses and the port.*

### **Project spotlight: Liv Apartments**

Our Liv Apartments is a contemporary new development located in East Fremantle. Upon completion, Liv will comprise 166 one, two and three-bedroom apartments across three uniquely designed buildings. DHA will retain 65 apartments for ADF members and their families.

Liv has been designed to complement its surrounds. The Queen Street façade is urban and industrial, echoing the vibrant surroundings, and features a mix of materials influenced by the character of neighbouring warehouses and the port. In contrast, the Quarry Street façade has a more relaxed and residential community feel. The façade is designed to complement the neighbouring limestone and brick buildings.

Liv is committed to environmental sustainability and will include energy saving fittings and fixtures, water reduction strategies, bike facilities and an edible courtyard garden. These and other design features have contributed to Liv achieving a 4 Star Green Star equivalent rating, a One Planet Community rating and a very impressive 7.5 star average energy efficiency rating (NatHERS) for the development and minimum 6 star rating for individual apartments.

Another unique feature of Liv is that cats and small dogs are welcome. Liv is situated near designated dog exercise areas in Fremantle Park and Stevens Street Reserve, the pet friendly Bathers Beach and pet friendly cafes.

Visit [livapartments.com.au](http://livapartments.com.au) for more information.

## Financial performance

### Relevant purposes:

- › Purpose 4: Portfolio management
- › Purpose 5: Generate shareholder value

### Overview

As DHA does not receive funding directly from the Federal Budget, we seek to generate sufficient revenue to enable us to achieve our role on a commercially sustainable basis. As a GBE, we are required to maintain a strong financial position and to meet commercial return obligations, including the payment of dividends to the Australian Government.

Relative to 2015–16, our Corporate Plan 2016–17 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<sup>19</sup>
- › implementation of improved internal processes and governance arrangements.

This section provides an overview of our financial performance and management arrangements in 2016–17.

Refer to **Part 5** of this report for our consolidated financial statements for 2016–17 (DHA and DHA IML).

Refer to **Part 6 (Appendix C)** for a summary of our five year financial performance.

### Financial results

DHA's financial performance in 2016–17 was sound. For the year ended 30 June 2017:

- › Earnings before interest and tax (EBIT) was \$103.6 million or \$5.2 million lower than the Corporate Plan target due to higher levels of property impairment than budgeted.
- › Net profit after tax (NPAT) was \$65.7 million or \$0.9 million above the Corporate Plan target due to lower than budgeted operating costs, higher than anticipated property sales and land sales margins and lower than budgeted income tax expenses arising from the disposal of investment stock acquired prior to 1 July 2007.

<sup>19</sup> We used the term 'Sale and Leaseback program' in our Corporate Plan 2016–17 and SCI. During the year, this terminology changed to 'property investment program'. 'Property investment program' is used throughout this statement and report.



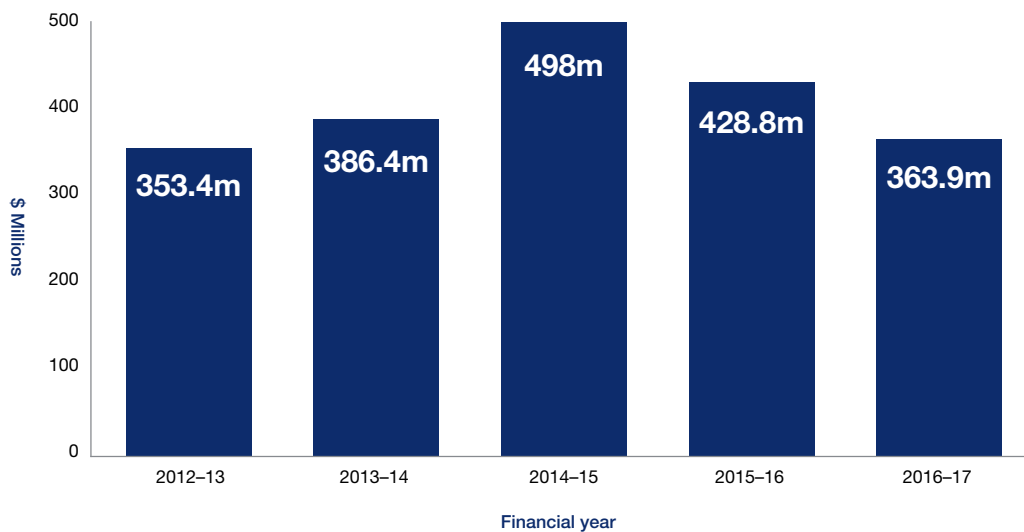
- Operating expenditure was \$7.5 million below the Corporate Plan target due to lower than anticipated expenditure on direct personnel, travel, consultancy, legal and marketing costs.
- Our cash balance was \$230.6 million or \$98.6 million above budget due to lower than anticipated spend on investment activities (\$213.4 million).

Refer to our **Annual Performance Statement** (from **page 55**) for full details of how we performed against the financial related KPIs in our Corporate Plan.

### Revenue generation

Apart from payments we receive for the housing services we deliver to Defence, our property investment program continued to be our major source of revenue in 2016–17. The program has historically performed well and proven to be a reliable funding source in varying market conditions. It has generated over \$2 billion in revenue in the past five years (refer **Figure 3.6**).

**Figure 3.6 Property investment program revenue, 2012–13 to 2016–17**



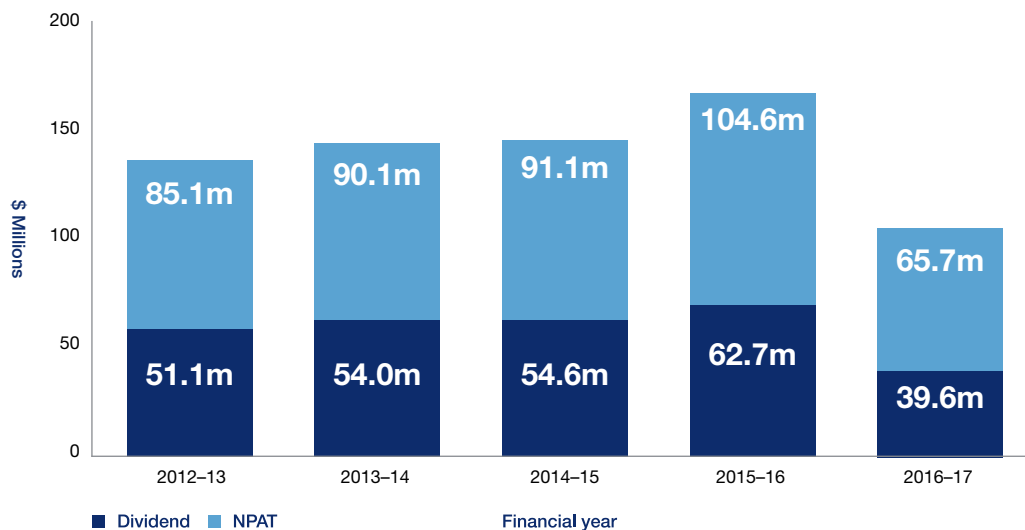
Our property investment and disposals programs achieved \$13.9 million and \$4.5 million above the Corporate Plan targets respectively. This was a particularly good outcome given property market conditions in Darwin, Perth and Sydney negatively impacted sales, particularly where the price exceeded \$1 million. However, Sydney properties sold at good margins, contributing to overall margins being better than budgeted for the property investment program.

While we did not achieve the Corporate Plan target for development land and property sales (\$39.2 million negative variance), we did realise better than budgeted margin for two projects in Sydney and Brisbane. In addition, revenue from this program is not lost, but rather deferred to 2017–18.

### 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 \$39.6 million dividend for 2016–17 (paid in quarterly instalments throughout 2017–18). This equates to \$262 million paid in dividends over the past five years (refer [Figure 3.7](#)).

**Figure 3.7: NPAT and annual dividend payments, 2012–13 and 2016–17**



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 7.2 per cent which was 0.5 per cent above the Corporate Plan target. This demonstrates that we continued to add to shareholder value.

## Financial management

### Capital management

As at 30 June 2017, we had a strong balance sheet. We employed total capital of \$2 billion, funded through \$1.5 billion in equity and \$509.6 million in debt through a loan agreement with the Commonwealth. Our gearing was 24.9 per cent, demonstrating that our activities were well funded compared to borrowings.

The total amount of our Commonwealth loan facility is \$635 million, leaving head room of \$125 million as at 30 June 2017. Maturities are scheduled on a rolling basis over the next 10 years. Our interest cover was 5.2 per cent, demonstrating that we were well placed to pay interest on outstanding debt. We do not have a commercial overdraft facility or access to re-drawable loan facilities.

### Capital structure review

In June 2017, in accordance with one of the recommendations of the Forensic Review into our operations, we engaged Citibank Group to undertake an independent review of our capital management strategies and funding options. A steering committee, chaired by the Managing Director and comprising senior personnel from DHA and the departments of Defence and Finance, is overseeing the project. This work is well underway and the outcome is expected to inform our Corporate Plan 2018–19. Refer to the **External scrutiny** section in **Part 4** of this report for more information about the Forensic Review.

### Credit rating

Standard & Poor's Rating Services conducts an annual credit rating assessment of DHA. Their report issued on 21 December 2016 confirmed a corporate credit issuer rating of AA+. 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

DHA is 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 taxes (e.g. stamp duty and land tax) or an equivalent to comply with competitive neutrality requirements.

Our current tax expense represents amounts paid and payable to the Australian Taxation Office and is in the order of \$20.1 million for financial year 2016–17. We also paid \$35.5 million and will pay a further \$6.6 million to the Commonwealth (totalling \$42.1 million) in state tax equivalent payments in 2016–17.

During the reporting period, we submitted a research and development application to AusIndustry as part of the Australian Government's 'R&D Tax Incentive' program (refer to case study) for the 2015–16 financial year. The claim resulted in a tax offset of \$4.8 million. For 2016–17, we anticipate registering further eligible research and development (R&D) activities on selected residential development projects.

### Case study: R&D tax incentive



The 'R&D Tax Incentive' program was developed by the Australian Government to encourage innovation across all industries by helping companies offset the cost of research and development (R&D) activities. Eligible R&D activities are registered annually through AusIndustry with the claim being administered by the Australian Taxation Office through a company's annual tax return.

DHA has successfully registered various eligible R&D activities and claimed an R&D tax offset annually since the 2011 financial year. The majority have been linked to our residential development projects, including Breezes Muirhead (Darwin, NT), Bluewattle (Townsville, QLD) and Wirraway (Thornton, NSW). Since 2011, over \$7.7 million has been returned to our projects through the incentive program. This demonstrates that problems can be transformed with creative solutions to achieve sound business outcomes.

# 4

## Management and accountability

Legislative framework • Governance structure  
Planning and reporting framework • 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 we operate in 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 Defence Housing Authority, was established as a statutory authority<sup>20</sup> on 1 January 1988 under the *Defence Housing Authority Act 1987*. On 23 November 2006, in accordance with the *Defence Housing Authority Amendment Act 2006*, 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:

1. 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; and
  - b. officers and employees of the Department and their families; and
  - c. persons contracted to provide goods or services to the Department and their families; and
  - 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. We did not provide any such services in 2016–17.

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<sup>20</sup> A statutory authority is a body created by the Parliament for a specific purpose.

## ***Public Governance, Performance and Accountability Act 2013***

In accordance with definitions in section 8 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), DHA is both a corporate Commonwealth entity<sup>21</sup> and a Government Business Enterprise (GBE).<sup>22</sup>

As its name suggests, this Act and the *Public Governance Performance and Accountability Rule 2014* (PGPA Rule), set the standards of governance, performance and accountability for Commonwealth entities and companies. The Act also imposes specific duties on our Board of Directors and senior executives relating to the use and management of resources.

As a GBE, DHA must also operate in accordance with the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines* (GBE Guidelines). The Guidelines prescribe additional considerations on Board and corporate governance, financial governance and planning and reporting. A principal objective of the Guidelines is that we must add to shareholder value by making commercial returns and paying commercial dividends. We must deliver on these requirements while also fulfilling our functions under the DHA Act.

## **Other applicable legislation**

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

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

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

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21 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.

22 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 2017, was one of two GBEs prescribed in section 5(1) of the PGPA Rule.

## Governance structure

Our 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 2016–17

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 2017.

The Minister for Defence delegated responsibility for DHA operational matters to the Minister for Defence Personnel. The Hon Dan Tehan MP was sworn in as the Minister for Defence Personnel on 19 July 2016 and held this position as at 30 June 2017.

#### Ministerial directions and policy orders in 2016–17

DHA did not receive any direction by a Minister under an Act, instrument or any government policy order during the period.

As a GBE and Australian Public Service (APS) employer, we were encouraged to make details of our senior executive remuneration publicly available. In the reporting period we published reports related to remuneration in 2015–16 and 2016–17. Refer to our website ([dha.gov.au/remuneration](http://dha.gov.au/remuneration)) to read the reports.

As a corporate Commonwealth entity, we were advised that we would need to comply with the Senate Order on Entity Contracts (known as the Murray Motion) from 1 July 2017 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](http://dha.gov.au/entitycontracts)) to read the report.



## Board of Directors

Our Board of Directors 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 directors with a mix of APS, Defence and commercial (e.g. property development, business or finance) experience
- › one executive director who is also the DHA Managing Director.

Refer over the page for details of our Board members as at 30 June 2017.

### 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 IIIA of the Act).

The Board and each of its committees has a charter that sets out its purpose, composition and meeting and administrative arrangements. Refer to **Table 4.1 (page 101)** for details of each committee, its role and members in 2016–17.

### Board and committee meetings

The Board formally met 10 times in 2016–17. The Board also considered three time-critical matters between scheduled meetings. Refer to **Table 4.2 (page 102)** for details of Board member attendance at meetings.

### Board member related entity transactions in 2016–17

There were no related entity transactions disclosed during the reporting period.<sup>23</sup>

<sup>23</sup> A related party transaction is where a Board member approves 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).

## Board members as at 30 June 2017

### 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 businesses (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 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 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.

Table 4.1: Board committees, 2016–17

Committee	Role	Members
<b>Board Audit Committee (BAC)</b>	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 <sup>1</sup> Mr Ewen Jones <sup>2</sup>
<b>Board Property Committee (BPC)</b>	Provides advice and assurance and, where appropriate, makes recommendations to the Board on property 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 Mr Martin Brady <sup>3</sup> Hon Alan Ferguson Mr Robert Fisher Ms Andrea Galloway <sup>1</sup> Mr Ewen Jones <sup>2</sup>
<b>Nomination and Remuneration Committee (N&amp;RC)</b>	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
<b>DHA Advisory Committee (DHA AC)</b>	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

## NOTES

1. Ms Galloway was appointed to the BAC and BPC from 8 December 2016.
2. Mr Jones was appointed to the BAC and BPC from 2 February 2017.
3. Mr Brady was a member of the BPC from 1 July 2016 to 2 February 2017.

Table 4.2: Board meetings and member attendance, 2016–17

Board member	Scheduled meetings held and number of meetings attended				
	Board	BAC	BPC	N&RC	DHA AC
	10	4	7	4	3
Hon Sandy Macdonald	10	n/a	7	4	n/a
Ms Jan Mason <sup>1</sup>	9	4	7	n/a	2
Mr Martin Brady <sup>2</sup>	9	4	4	4	n/a
Ms Janice Williams	10	4	7	4	n/a
CDRE Vicki McConachie	9	4	n/a	n/a	3
Hon Alan Ferguson	9	n/a	6	n/a	n/a
Mr Robert Fisher	6	3	6	n/a	n/a
Ms Andrea Galloway <sup>3</sup>	7	2	5	n/a	n/a
Mr Ewen Jones <sup>4</sup>	5	1	3	n/a	n/a

## NOTES

- Ms Mason did not attend one Board meeting as it related to the appointment of the Managing Director. Ms Mason is not a member of the Board committees but attended all but one meeting in her capacity as Acting Managing Director (1 July 2016 to 1 November 2016) and Managing Director (2 November 2016 to 30 June 2017).
- Mr Brady was a member of the BPC from 1 July 2016 to 2 February 2017.
- Ms Galloway was appointed to the Board on 9 November 2016. She was appointed to the BAC and BPC from 8 December 2016.
- Mr Jones was appointed to the Board on 21 December 2016. He was appointed to the BAC and BPC from 2 February 2017.

## Senior leadership team

### Managing Director

The Managing Director is employed by the Board in accordance with Part VI (Division 1) of the DHA Act and is its only executive director. 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 was Acting Managing Director from 2 November 2015 to 1 November 2016.

### 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.

The SEG was established following a top level executive restructure in August 2016. The new structure has five direct reports to the Managing Director instead of two. In November 2016, common functions within the business were also brought together where there was a natural fit to enable us to deliver services more effectively. Minimal staff were impacted by the changes.

The Managing Director implemented interim management arrangements in May 2017 following the sudden death of Mr Jon Brocklehurst, DHA's Chief Financial Officer and Head of Corporate Services. These arrangements were in place as at 30 June 2017 and the acting responsibilities of the relevant SEG members are reflected in their biographies over the page.

### Executive and national committees

The Managing Director and SEG 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 (page 107)** for details of each committee, their role and members in 2016–17. Note, this excludes external committees and groups that have governance oversight of projects or programs.

## Senior leadership team as at 30 June 2017

### 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



#### Biography

Ms Mason joined DHA as Acting Managing Director in November 2015. She was appointed Managing Director on 2 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 DHA Act and conducts DHA's day-to-day business in accordance with the PGPA Act, the Public Service Act and other relevant legislation
- › Relationship management, including Shareholder Ministers, departmental secretaries and the Chief of the Defence Force
- › Strategic management, including achievement against the Corporate Plan and oversight of the SEG and staff

#### Acting responsibilities

- › Business Enablement and People and Capability

### Mr Elvio Bechelli, Acting Chief Financial Officer

Bachelor of Business | Certified Practising Accountant



Mr Bechelli joined DHA in December 2013 as General Manager, Sales and Marketing. Before joining DHA he held various positions in the financial services sector, working as Chief Financial Officer for FuturePlus Financial Services and St George Bank. He has extensive knowledge in investor relations, income tax compliance, Australian Prudential Regulation Authority reporting and compliance, statutory reporting, ASX reporting, property and procurement functions and superannuation.

#### Key responsibilities

- › Fiscal management
- › Investment management and funding strategies
- › Strategic planning and valuation services



## Mr John Dietz, General Manager, Property Provisioning Group

Master of Project Management (in progress) | Bachelor of Economics | Bachelor of Science



Mr Dietz joined DHA as General Manager, Property Provisioning Group in February 2011. Before joining DHA he held various appointments within the Defence industry predominantly focused on project management and the delivery of large commercial software, information technology, accreditation and security access control systems.

### Key responsibilities

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

## Ms Suzanne Pitson, General Manager, Sales and Marketing

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



Ms Pitson joined DHA as General Manager, Sales and Marketing 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.

### Key responsibilities

- › Funding delivery, including the property investment program (formerly known as the Sale and Leaseback program), disposals program and mid-lease sales program
- › MCA and Rent Band Choice portfolio management
- › Investment marketing and brand
- › Research services

### Acting responsibilities

- › Communication and Client Relations

## 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 Chairman of the Board, Board members and the Managing Director
- › Governance and legislative compliance
- › Shareholder and ministerial relations
- › Customer relations
- › Legal services
- › Internal audit

## Mr Brett Jorgensen, General Manager, Property and Tenancy Services

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



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

### Key responsibilities

- › National service delivery, including regional offices, maintenance contact centre, housing contact centres and the Living-in Accommodation contact centre
- › Property and tenancy services
- › Repairs and maintenance contractor management
- › Support services

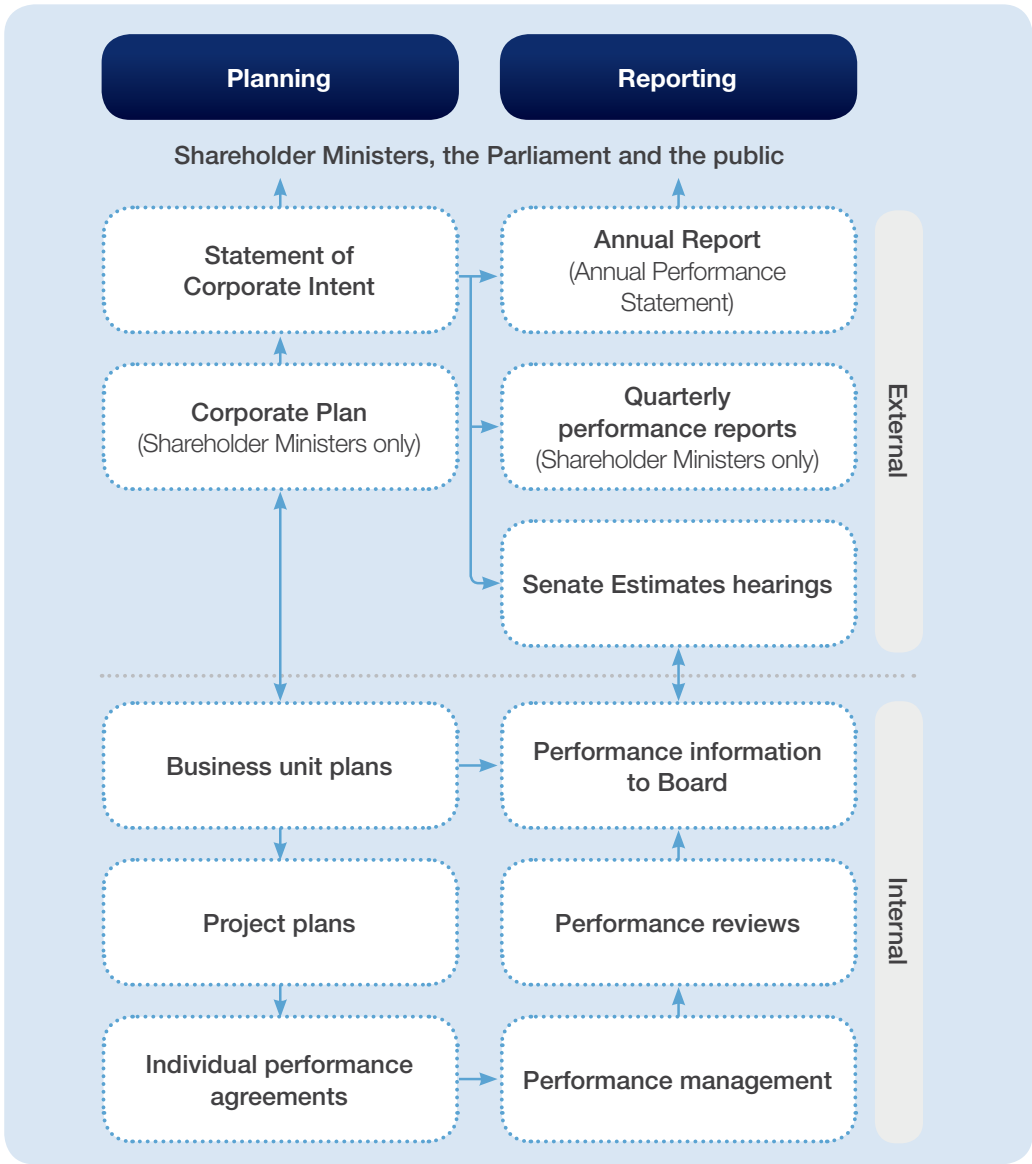
Table 4.3: Executive and national committees, 2016–17

Committee	Role	Members
<b>Executive Property Committee (EPC)</b>	Provides advice and assurance and, where appropriate, makes recommendations to the Managing Director and/or Board (via the BPC) 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.	Managing Director SEG Senior managers who have oversight and accountability of property or financial related activities or programs
<b>Leadership Group</b>	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 SEG Senior managers who have oversight and accountability of national programs or projects
<b>Opportunity and Capability Committee (OCC)</b>	Provides transparency and accountability in decision making and implementation of non-business-as-usual projects and associated budgets.	Managing Director SEG General Manager, Business Enablement Division National Manager, Strategic Planning
<b>National Safety, Health, Environment and Quality (SHEQ) Committee</b>	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 SEG General Manager, Business Enablement Division National Manager, SHEQ National Group Operations Directors Staff Advisory Group representative
<b>Staff Consultative Group (SCG)</b>	Considers and engages in discussions with management on workplace issues.	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 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, 2016–17**



## Risk management, internal audit and compliance

Risk management and internal audit supports the achievement of our purposes and key performance indicators (KPIs), and ensures we comply with our legislative and contractual requirements in an ethical, efficient and effective manner. At an operational level, the Managing Director and SEG are accountable for these functions, however, the framework is overseen by the Board Audit Committee (BAC).

As DHA has a unique risk profile when compared with other government entities, the Managing Director and Board sought to strengthen our risk and internal audit functions in 2016–17. A Chief Risk Officer and Internal Audit Manager were engaged. Each manages a separate yet complementary program to actively manage, evaluate and provide guidance on organisational risk and internal controls.

### Risk management

Our risk management plan has been developed to be consistent with the Commonwealth risk management policy and the international standard on risk management (ISO 31000:2009). The plan is updated annually and a detailed evaluation is undertaken biannually. Risk identification is informed by environmental scans, feedback from first line risk owners, the Chief Risk Officer, senior executives, the Chief Financial Officer, the Managing Director and the Board.

Our risk management function is being transformed from a compliance-based function focused on minimising risk to be integrated in organisational decision making. The aim is to use risk management to identify and pursue opportunities in line with our risk appetite and tolerances, and prioritise activities, allocate resources and deliver the purposes in our Corporate Plan more effectively and efficiently.

### Compliance, fraud and corruption management

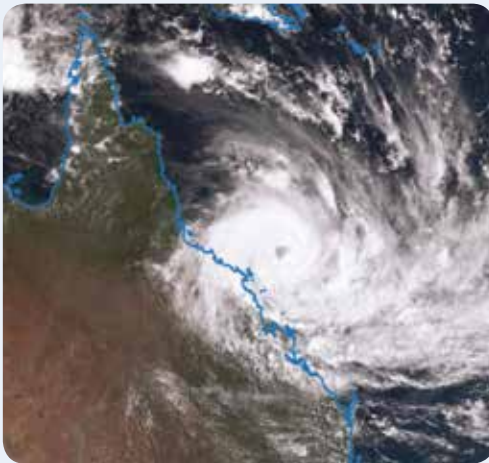
Compliance, fraud and corruption control is a subset of our risk management framework. Our fraud control framework establishes processes and controls for the prevention, detection, monitoring, reporting and evaluation of suspected fraud. The framework is consistent with the Commonwealth fraud control framework (section 10 of the PGPA Rule). There were no reports of suspected fraud made in 2016–17.

## Business continuity and disaster recovery

Business continuity is a subset of our risk management framework. Our Business Continuity Plan (BCP) sets out processes in the event of a crisis or disruption to our business to enable continuation or timely resumption of critical functions.

In accordance with improvements we are making to our risk management framework, we will revise our BCP in 2017–18 to ensure it suits our unique risk profile and is consistent with the Government's Protective Security Policy Framework and Australian National Audit Office (ANAO) guidance.

### Case study: Tropical Cyclone Debbie



Queensland was severely impacted by Tropical Cyclone Debbie during the week of 24 to 31 March 2017. Branded as the most dangerous cyclone to impact Queensland since Cyclone Yasi in 2011, the event caused significant flooding along the eastern coastline.

In the lead up to the cyclone, we established a core group of staff to monitor weather conditions, determine how our operations may be affected and employ our Business Continuity Plan (BCP) as needed.

We elected to close our regional offices and contact centres in Brisbane,

Ipswich and Townsville to ensure the safety of our staff. To ensure continuity of service during the danger period, calls were managed by other contact centres and offices. Staff in these offices also postponed all planned property inspections. We also provided updates to ADF members and their families, investors and other stakeholders during the danger period via social media.

Thankfully, our staff and tenants were all safe and the cyclone caused only minimal damage to a small number of properties we manage. While we did not need to implement our BCP in full, it was a good opportunity to test elements of it and to demonstrate that our proactivity, collaboration and teamwork in these types of situations is highly effective so as not to disrupt our service delivery.

## 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.

Our three year internal audit plan is reviewed annually to align with current and emerging risks. It provides a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal audits are conducted across a range of business areas and encompass the review of financial and non-financial operations.

In 2016–17, internal audit services were provided by KPMG under a co-sourced arrangement. Reviews were completed on acquisitions, development projects, procurement, 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.<sup>24</sup> 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 two instances of significant non-compliance with finance law for the 2016–17 reporting period:

1. A breach of section 27 of the PGPA Act, whereby a staff member who had tendered their resignation downloaded DHA intellectual property to a portable storage device without authorisation. The matter was swiftly identified through our security reporting systems, the materials were recovered and the staff member's separation date was brought forward. All staff were reminded of their obligations in respect of information technology security and data management. Work was underway as at 30 June 2017 to further restrict staff members' ability to download data to a portable storage device.
2. A breach of section 25 of the PGPA Act, whereby former staff may have had access to an electronic newspaper subscription service after their separation date. The subscription was immediately cancelled once the matter came to our attention. We also updated various policies and procedures, including our separation process, to ensure that any subscriptions for staff are cancelled as part of our clearance process.

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<sup>24</sup> Finance law incorporates the PGPA Act, any rules covered by the PGPA Act, any instrument under the PGPA Act and an Appropriation Act.

## Procurement and consultancies

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

We advertise tender opportunities via AusTender ([tenders.gov.au](http://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.

In accordance with one of the recommendations of the Forensic Review into DHA's operations, we centralised procurement activities in 2016–17. The team assists with procurement processes to:

- › ensure policies and processes are adhered to
- › ensure procurement is undertaken in a consistent, fair, ethical and transparent manner
- › promote competition amongst suppliers and achieve value for money.

### 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](http://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 2016–17, we entered into 382 new contracts worth \$21.5 million.

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 taxation services, a review of our governance framework for development projects and independent reviews of our contact centre operations, facility management and subsidiary company.

More information on the use of advertising and market research services in 2016–17 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 2016–17. DHA representatives and the Minister for Defence appeared before the Committee on three occasions in 2016–17.

#### Parliamentary Standing Committee on Public Works (PWC)

In March 2014, in accordance with subsection 6A(3) of the *Public Works Committee Act 1969*, 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 less than \$15 million
- › Major works: Works with a proposed cost of over \$15 million.

In 2016–17, the PWC reviewed and endorsed a joint submission from DHA and Defence to upgrade the dwellings at Seaward Village, Swanbourne (WA). Refer to [page 67](#) for more information about the Seaward Village project.

### External entities

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

DHA was one of a number of entities mentioned in ANAO Report No. 33 of 2016–17—Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2017. DHA was not the subject of any Auditor-General reports tabled in the Parliament in 2016–17. In accordance with the ANAO's better practice guidelines, our Internal Audit Manager and the BAC also considered a number of published reports on other agency's operations that were relevant to DHA, including:

- › Managing Underperformance in the Australian Public Service (Report No. 52 of 2016–17)
- › Cybersecurity Follow-up Audit (Report No. 42 of 2016–17).

### Commonwealth Ombudsman

The Ombudsman's office received 630 approaches across Defence related agencies in the reporting period. Of these, 51 approaches (8.1 per cent) related to DHA. As at 30 June 2017, the Ombudsman's office had investigated eight matters and declined to investigate 34 matters. Reasons for non-investigation include:

- › DHA already investigating or having investigated the matter
- › another agency being responsible for the matter, 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 scheme, including a disclosure log, on our website ([dha.gov.au/foi](http://dha.gov.au/foi)). In accordance with part 22 of the FOI Act we no longer need to publish a section 8 statement in our Annual Report.

### Office of the Information Commissioner (OAIC)

DHA was not subject to any OAIC reviews in 2016–17, however, we voluntarily disclosed four minor data privacy breaches or investigations in the same period. As part of our disclosure, we advised what steps we had taken to contain and/or mitigate the breach. The OAIC did not require us to take any further action.

We review our privacy policy and procedures at least annually. In 2016–17, we also established a working group to better understand how information is collected, used and stored across the organisation. This information will be used to review and amend business processes and implement privacy impact assessments in 2017–18.

## Other investigations

### Forensic Review

In our *Annual Report 2015–16* we reported that in May 2015, following completion of an independent scoping study, the government announced it would retain ownership of DHA and undertake a reform project to review, among other things, our accounting, information technology and business planning systems. The Department of Finance engaged KordaMentha (KM) to conduct a Forensic Review into our operations from July 2015.

We received a copy of KM's final report on 8 April 2016. We immediately commenced a major business transformation program to implement the 34 recommendations by 30 June 2016. We fully or partially completed 33 recommendations as at 30 June 2016.<sup>25</sup> The remaining item was suspended with agreement from all parties.

We also elected to pursue a scope of works beyond the 34 recommendations. The works included implementation of improved reporting and enhancements to planning and supporting information technology tools. We established a small team to complete this additional work by 30 June 2017 and provided status reports to our Shareholder Ministers via our quarterly performance reports.

As at 30 June 2017, we had completed all but one piece of this work as intended. Due to a range of reasons, including procurement related issues and the availability of key Defence and Finance departmental personnel who wanted to be part of the Steering Committee, we did not commence an independent review of our funding options and capital management strategies until mid-June 2017. This work is well underway and the outcome is expected to inform our Corporate Plan 2018–19.

### Australian Federal Police

In our *Annual Report 2015–16*, we reported that a matter relating to DHA had been referred to the Australian Federal Police (AFP) and that they were undertaking an investigation. The AFP continued to investigate the matter in 2016–17 and we complied with requests for information. As at 30 June 2017, we had not been informed of the status of the investigation.

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<sup>25</sup> Recommendations were considered fully completed where business change had been implemented and there was an audit trail to substantiate it. Recommendations were considered partially completed where we relied on receipt of information from third parties, the work could not be meaningfully completed in the short time frame (eight weeks) or the work was part of a longer term restructuring or transformational program we chose to pursue beyond the Forensic Review recommendations.

## 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 2015–16 and 2016–17. Refer to **Part 6 (Appendix A)** in this report for our workforce statistics.

**Table 4.4: Workforce summary, 2015–16 and 2016–17**

Indicator	2015–16	2016–17
<b>Headcount</b>		
Total number of staff employed <sup>1</sup>	599	658
Wages expense ratio	5.9%	6.1%
<b>Diversity (as a percentage of the workforce)<sup>2</sup></b>		
Men	36.3%	33.6%
Women	63.7%	66.4%
Aboriginal and Torres Strait Islander	1.5%	1.4%
Staff with a disability	0.7%	0.9%
<b>Retention</b>		
Staff retention and turnover rate <sup>3</sup>	13.1%	13.8%
<b>Engagement</b>		
Staff engagement <sup>4</sup>	n/a	85.0%

#### NOTES

- Figures include ongoing and non-ongoing staff at their substantive classification as at 30 June 2016 or 30 June 2017. Inoperative staff (those on long term leave), staff engaged through an employment agency and Board members are excluded.
- Diversity figures are as identified by staff. They exclude the Managing Director and Board members.
- 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.
- As measured by our Engagement Employee Index score in the 2017 APS Census. There is no comparative figure for 2015–16 as the Index was a new section in the 2017 Census.



We employed 59 more operative staff in 2016–17 compared with 2015–16. The majority of the increase (35 positions) was in our contact centres and regional offices. Each year we temporarily increase the number of staff employed to manage the surge in workload associated with Defence's peak relocation period. In 2016–17, we recruited earlier for the 2017–18 period to enable sufficient time to train new staff. There was also a moderate increase in positions at head office and a small reduction in positions at our Sydney central business district office.

There were small variances in gender diversity, staff who identified as being of Aboriginal and Torres Strait Islander descent and staff who identified as having a disability in 2016–17 compared with 2015–16, but nothing of statistical significance.

Both our wages expense ratio and staff retention and turnover rate in 2016–17 were in keeping with 2015–16 results. This confirms we are managing our payroll expenses effectively and retaining staff at appropriate levels.

In 2016–17, 91 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) and was the third highest participation rate of medium sized agencies in 2017.

We achieved a staff engagement score of 85 per cent which demonstrates that our staff were satisfied, committed, motivated and enabled to improve business results. There is no comparable data as the index was a new section in the 2017 Census. There was a positive variance in our engagement score compared with the APS overall score (+11 percentage points), smaller operational agencies (+5 percentage points) and medium sized agencies (+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](http://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.<sup>26</sup>
- 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).<sup>27</sup>
- 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 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](http://dha.gov.au/remuneration)) in accordance with APS and GBE guidance. These reports provide more detailed information about our remuneration strategy and salary rates.

<sup>26</sup> 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).

<sup>27</sup> The Remuneration Tribunal is an independent statutory body established under the *Remuneration Tribunal Act 1973* that oversees the remuneration of key Commonwealth offices.

## Case study: Flexibility key to work life balance



*'The ability to work for head office without physically relocating is an amazing opportunity and gives me the chance to use my Master of Marketing qualification. Otherwise, I may have been forced to choose between relocating interstate or sacrificing my career opportunities in the longer term'.*

We are committed to the Australian Public Service Commission's *Gender Equality Strategy 2016–19*, whereby agencies must ensure male and female employees at all levels have access to flexible working arrangements where business operations can accommodate them.

Flexible working arrangements may include part time hours, job sharing, home based work, changed starting and finishing times or working more hours over fewer days. In 2016–17, 91 staff had formally approved flexible working arrangements in place.<sup>28</sup> Reasons for flexibility included parenting or carer responsibilities, pursuing formal study, undertaking volunteer work or working in one of our regional offices or at home.

Mr Dragos Nastasie (pictured above) began working with DHA in our Adelaide Contact Centre in July 2014. When a position opened up in Canberra's head office as a Defence Communication Officer, he thought it would be a great opportunity to use his Master of Marketing qualification.

Dragos starts work at 7.30am and finishes early to match the hours of his manager in Canberra. For Dragos, it maximises contact hours with his manager and also provides him with a better work life balance.

## 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.<sup>29</sup> Refer to **Part 6 (Appendix A)** of this report for more information about performance payments.

28 In accordance with the EA, ongoing staff who have at least six months of continuous service with DHA during the relevant appraisal cycle and are still employed on 30 June that year may be eligible for a performance payment. Pro rata payments are made where a staff member was employed on a part-time basis, on paid or unpaid leave of more than 12 weeks, or commenced at DHA during the appraisal cycle. Non-ongoing employees and agency staff are not entitled to performance pay.

29 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.

## 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 2016–17, all staff were required to complete new modules on mental health and protective security and refresher modules on governance and compliance.

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 2016–17, staff completed 6,673 learning events via e-learning and 883 learning events via face-to-face workshops. We also paid for 187 staff to complete external short courses.

### 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 2016–17, 37 employees undertook supported studies. Of these, 21 received funding to the value of \$71,950 and 26 accessed study leave.

**Table 4.5** provides a comparative overview of staff learning and development statistics in 2015–16 and 2016–17.

**Table 4.5: Learning and development, 2015–16 and 2016–17**

Indicator	2015–16	2016–17
Percentage of salaries spent on training staff	1.6%	1.4%
Internal learning events completed by staff	3,863	7,556
Staff undertaking supported studies <sup>1</sup>	25	37

#### NOTE

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



### **Workforce planning**

To assist in building a diverse and fit for purpose workforce to achieve strategic objectives, workforce planning was a key focus in 2016–17. All business groups completed workforce planning workshops to identify critical capability gaps and inform the development of tailored people strategies to assist in mitigating future workforce risk. Workforce planning will continue to evolve over the next few years to support business needs and provide greater opportunities to attract, develop and retain skilled, engaged and committed employees.

### **Universal competency framework**

To complement our workforce planning strategy, in 2016–17 we used a universal competency framework to identify essential behavioural competencies for effective performance of more than 200 roles throughout the organisation. We will use this information to enhance recruitment, succession planning and talent management, and better inform development needs within the organisation.



## Case study: Welcome aboard



*Darwin Regional Support Officer, Ms Amanda Jeffries, welcoming new Property Manager, Mr Alex Vo, to the Darwin regional office.*

We recognise that starting a new job can be stressful and that first impressions count. In May 2017, we launched a new induction and onboarding program for staff, including a Welcome Crew network of staff across the country who help new starters settle in on their first day.

The program includes a suite of online and face-to-face activities and resources to ensure all new staff have a consistent experience on their first day, regardless of their role or location. It provides new starters with the most important information they need, while also ensuring that they have the opportunity to meet other staff, network and become part of the DHA community.

A key component of the new onboarding program is a series of short videos that help give new starters context and background to DHA's organisational structure and operations. A new 'passport' approach in our Learning Management System also assists new starters with completing mandatory compliance and safety e-learning modules.

The program is available to all new ongoing, non-ongoing and temporary agency staff, and is in addition to formal and informal development from their team for on-the-job training and team specific tasks.

## 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 (HSEQ) strategy, policies, Prevention First management system and quality management framework.

Since implementing the Prevention First system in 2014, we have focused on promoting incident reporting to develop a 'just' safety culture (one where incident reporting is encouraged) and enhancing the wellbeing of individuals and teams through our Psychosocial Wellbeing Program. In 2016–17, we focused on the prevention and management of injuries and illness, including:

- › launching a mandatory staff mental health program (refer to the case study on [page 124](#))
- › implementing mandatory workstation assessments for new staff members
- › installing defibrillators in all office locations across Australia
- › making first aid training available to all staff.

**Table 4.6** provides a comparative overview of our work, health and safety (WHS) performance in 2015–16 and 2016–17. It shows that we achieved a record low total recordable injury frequency rate (TRIFR) of 5.86, far exceeding the benchmark and stretch target of <11 we set ourselves in our Corporate Plan. Our performance also shows a steady incline in the number of incidents reported and a decrease in the number of incidents deemed to be WHS-related.

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

**Table 4.6: WHS performance, 2015–16 and 2016–17**

Indicator	2015–16	2016–17
Total recordable injury frequency rate (TRIFR) <sup>1</sup>	10.27	5.86
Total incidents reported	426	528
WHS incidents	177	168
<i>Staff</i>	86	85
<i>Contractors</i>	68	51
<i>Tenants and others</i>	23	32

NOTE

1. TRIFR is the number of recordable injuries per million work hours.

### Case study: *WeWorkWell@Work*

In 2016–17, we launched our WeWorkWell@Work mental health program. Staff completed six mandatory e-learning modules and had the opportunity to complete a seventh module on resilience and self-care.

The program has helped facilitate greater awareness of mental health issues in the workplace, de-stigmatise mental health issues through different perspectives and frames of reference, and increase staff capability to identify early warning signs of mental illness in a colleague or themselves.

All leaders and managers also completed a mental health masterclass, empowering them to have genuine conversations with staff about their wellbeing and better recognise the early signs of decline in their staff.

Our great work in managing and promoting mental health saw us achieve 94 per cent against the Australian Medical Association's mental health best practice guide—a new benchmark against their accredited businesses.



## Industry recognition

For all our efforts in affecting WHS outcomes, in 2016–17 we:

- › jointly won a Comcare National Work, Health and Safety Award for our First Response program that comprehensively manages risks associated with field work
- › received a high commendation at the 24th National Safety Council of Australia Awards of Excellence for our Prevention First management system
- › received provisional Australian Medical Association (AMA) accreditation against the AMA's mental health best practice guide for our approach to managing psychosocial wellbeing in the workplace, setting a new business benchmark (94 per cent)
- › were recertified against Australian and international standards for our Prevention First and quality management systems, with the licensor auditors noting our programs as being 'truly remarkable'.

## 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](http://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 2016–17 we contributed approximately \$235,500 and goods in kind to various Defence community groups and not for profit organisations. Notable contributions included:

- › \$92,600 to upgrade 27 Defence Community Organisation (DCO) community centres so that they could increase their capacity to serve ADF members and their families
- › \$104,600 in support of Defence-related programs, including:
  - › The Prince's Trust Australia Lead Your Own Business Program which supports ADF members transitioning out of military service to start a small business or consultancy
  - › The Road Home which raises awareness and funding for research into health and wellbeing conditions affecting military veterans and emergency services personnel and their families
- › \$38,300 in support of Defence-related events, including 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.

### 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 personal or family illness.

In 2016–17, 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 over 990 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 June 2017, staff from our Sydney regional office constructed flat pack furniture for St Vincent de Paul NSW to donate to families in need.

## 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. 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 2016–17 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). Refer to **Part 3** of this report (from **page 72**) for more information about how ADF members and investors used Online Services in 2015–16 and 2016–17.

Our website, including our web based Online Services platform, has been designed 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 of the Web Content Accessibility Guidelines version 2, developed by the World Wide Web Consortium.

### Information governance

In 2016–17, we achieved third party ISO 9001:2008 certification for our Quality Management System (QMS). Our QMS provides overarching instruction on how we oversee all activities and tasks to maintain service excellence and keep customers at the forefront of policy, processes and decision making.

We worked to enhance our protective security plan to ensure related risks are appropriately managed and mitigated. 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](http://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 2017 was broadly consistent with the budget. The net loss after tax for the period was \$86,702 against a budgeted net loss of \$110,629. This was due to the service fee paid by DHA IML to DHA being reduced during the year, consistent with its diminished role following the Fund's wind up. The audited financial statements in **Part 5** of this report are presented on a consolidated basis and include DHA IML financial results.

### Future funds

The future of DHA IML is being considered as part of an independent review of DHA's capital management strategy. DHA IML's AFSL has been retained until such time as a decision is made about its future. Ministerial approval must be given before DHA (or DHA IML) may pursue any further residential real estate fund arrangements.



# 5

Consolidated financial statements



**Defence Housing Australia** ABN 72 968 504 934  
**Annual Report - 30 June 2017**

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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 the consolidated entity for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial positions of Defence Housing Australia and the consolidated entity as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of Defence Housing Australia and the consolidated entity, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

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

The consolidated entity comprises Defence Housing Australia and its subsidiary.

### 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 Defence Housing Australia and 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* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). 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 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 Defence Housing Australia and the consolidated entity's ability to continue as a going concern, disclosing matters related to going concern taking into account whether the entities' 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 matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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#### 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 Defence Housing Australia and 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 Defence Housing Australia or 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 Defence Housing Australia or 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



Clea Lewis

Executive Director

Delegate of the Auditor-General

Canberra

17 August 2017

Defence Housing Australia  
Statement by the Directors, Managing Director and Acting Chief Financial Officer  
30 June 2017

**Statement by Directors, Managing Director and Acting Chief Financial Officer**

In our opinion, the attached financial statements for the year ended 30 June 2017 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



Mr Elvio Bechelli  
Acting Chief Financial Officer

17/0/17

**Defence Housing Australia**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 30 June 2017**

		Consolidated entity	
		30 June 2017	30 June 2016
	Notes	\$'000	\$'000
<b>INCOME</b>			
<b>Revenue</b>			
Housing Services Provided	2	677,244	669,958
Allocation Services Provided	3	12,449	11,721
Sale of Inventories		494,086	643,354
Interest Received		7,386	8,582
Other Income		29	64
<b>Total Revenue</b>		<u>1,191,194</u>	<u>1,333,679</u>
<b>Gains</b>			
Gains from Disposal of Investment Properties	4	27,692	36,333
<b>Total Income</b>		<u>1,218,886</u>	<u>1,370,012</u>
<b>EXPENSES</b>			
Employee Benefits	5	63,108	63,882
Housing Services Lease Rentals		355,414	355,173
Rates, Repairs and Maintenance	6	198,238	181,294
Depreciation and Amortisation	7	16,998	15,764
Cost of Inventories Sold		424,691	539,940
Finance Costs	8	25,867	26,521
Write-Down and Impairment of Assets	9	12,750	2,882
Other Expenses		36,502	44,915
<b>Total Expenses</b>		<u>1,133,568</u>	<u>1,230,371</u>
<b>Share of Joint Venture Profits</b>			
Share of Joint Venture Profits accounted for using the Equity Method		29	432
<b>Total Share of Joint Venture Profit</b>		<u>29</u>	<u>432</u>
<b>Profit Before Income Tax on Continuing Operations</b>		<u>85,347</u>	<u>140,073</u>
Income Tax Expense		19,363	35,411
Share of Income Tax on Joint Venture Profit		9	130
<b>Total Income Tax Expense</b>	10	<u>19,372</u>	<u>35,541</u>
<b>Profit After Income Tax</b>		65,975	104,532
Other Comprehensive Income		-	-
<b>Total Comprehensive Income</b>		<u>65,975</u>	<u>104,532</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 2017**

	Notes	Consolidated entity 30 June 2017 \$'000	30 June 2016 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	11	231,256	321,233
Trade and Other Receivables	12	68,486	46,289
Other Current Assets	14	33,336	33,751
Inventories	15	588,158	563,401
Current Tax Assets		4,339	-
Finance Lease Receivables	17	6,264	-
Investment Properties Held for Sale	13	3,743	16,764
<b>Total Current Assets</b>		<u>935,582</u>	<u>981,438</u>
<b>Non-Current Assets</b>			
Deferred Tax Assets	10	18,742	20,929
Inventories	15	437,525	521,826
Investment Properties	16	872,655	807,364
Property, Plant and Equipment		8,497	9,030
Intangibles		6,448	5,685
Finance Lease Receivables	17	19,815	-
Investments Accounted for Using the Equity Method		38	91
<b>Total Non-Current Assets</b>		<u>1,363,720</u>	<u>1,364,925</u>
<b>Total Assets</b>		<u>2,299,302</u>	<u>2,346,363</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	18	47,150	58,452
Current Tax Liabilities		-	11,825
Dividend Payable	19	39,585	62,719
Other Financial Liabilities	21	29,101	52,808
Provisions	22	38,951	40,682
<b>Total Current Liabilities</b>		<u>154,787</u>	<u>226,486</u>
<b>Non-Current Liabilities</b>			
Borrowings	20	509,580	509,580
Other Financial Liabilities	21	1,078	1,278
Provisions	22	100,340	101,892
<b>Total Non-Current Liabilities</b>		<u>610,998</u>	<u>612,750</u>
<b>Total Liabilities</b>		<u>765,785</u>	<u>839,236</u>
<b>Net Assets</b>		<u>1,533,517</u>	<u>1,507,127</u>
<b>EQUITY</b>			
Contributed Equity		403,863	403,863
Retained Earnings		<u>1,129,654</u>	<u>1,103,264</u>
<b>Total Equity</b>		<u>1,533,517</u>	<u>1,507,127</u>

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

**Defence Housing Australia**  
**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2017**

		Consolidated entity	
		30 June 2017	30 June 2016
	Notes	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash Received</b>			
Sales of Goods and Services		582,789	653,385
Sales of Inventory		480,786	622,884
Interest		8,533	7,341
Stamp Duty and Land Tax Equivalents Received		39,952	21,592
GST Received		23,055	24,641
<b>Total Cash Received</b>		<u>1,135,115</u>	<u>1,329,843</u>
<b>Cash Used</b>			
Employees		80,517	81,578
Suppliers		559,393	549,073
Borrowing Costs		19,418	26,521
Income Taxes Paid		32,337	28,221
Acquisition and Construction of Inventories		416,671	498,386
Stamp Duty and Land Tax Equivalents Paid		38,937	42,059
Other Expenses		17,602	22,020
GST Paid		26,985	35,929
<b>Total Cash Used</b>		<u>1,191,860</u>	<u>1,283,787</u>
<b>Net Cash (used by)/from Operating Activities</b>	24	<u>(56,745)</u>	46,056
<b>INVESTING ACTIVITIES</b>			
<b>Cash Received</b>			
Proceeds from Sales of Investment Properties		69,668	96,488
<b>Total Cash Received</b>		<u>69,668</u>	<u>96,488</u>
<b>Cash Used</b>			
Acquisitions and Construction of Investment Properties		36,228	25,271
Acquisition of Plant and Equipment		3,953	5,812
<b>Total Cash Used</b>		<u>40,181</u>	<u>31,083</u>
<b>Net Cash from Investing Activities</b>		<u>29,487</u>	65,405
<b>FINANCING ACTIVITIES</b>			
<b>Cash Used</b>			
Dividend Paid		62,719	54,637
<b>Total Cash Used</b>		<u>62,719</u>	<u>54,637</u>
<b>Net Cash (used by) Financing Activities</b>		<u>(62,719)</u>	(54,637)
<b>Net (Decrease)/Increase in Cash Held</b>		<u>(89,977)</u>	56,824
Cash and Cash Equivalents at the Beginning of the Reporting Period		<u>321,233</u>	<u>264,409</u>
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	11	<u>231,256</u>	<u>321,233</u>

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



**Defence Housing Australia**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 30 June 2017**

Consolidated entity	Retained earnings \$'000	Contributed equity \$'000	Total equity \$'000
<b>Balance at 1 July 2015</b>	<u>1,061,451</u>	<u>403,863</u>	<u>1,465,314</u>
Profit for the Year	104,532	-	104,532
Other Comprehensive Income	-	-	-
<b>Total Comprehensive Income</b>	<u>104,532</u>	<u>-</u>	<u>104,532</u>
<b>Transactions with Owners</b>			
Returns on Capital:			
Dividends	(62,719)	-	(62,719)
<b>Balance at 30 June 2016</b>	<u>1,103,264</u>	<u>403,863</u>	<u>1,507,127</u>
<b>Balance at 1 July 2016</b>	<u>1,103,264</u>	<u>403,863</u>	<u>1,507,127</u>
Profit for the Year	65,975	-	65,975
Other Comprehensive Income	-	-	-
<b>Total Comprehensive Income</b>	<u>65,975</u>	<u>-</u>	<u>65,975</u>
<b>Transactions with Owners</b>			
Returns on Capital:			
Dividends	(39,585)	-	(39,585)
<b>Balance at 30 June 2017</b>	<u>1,129,654</u>	<u>403,863</u>	<u>1,533,517</u>

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

Defence Housing Australia  
Notes to the Consolidated Financial Statements  
30 June 2017

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

## 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 the 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 *Public Governance, Performance and Accountability Act 2013 (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) for reporting periods ending on or after 1 July 2016; 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 2017 and the results of DHA IML for the period ended 30 June 2017. DHA and DHA IML are referred to in this financial report as the consolidated entity.

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% (2016: 2.50%) and a discount rate of 2.50% (2016: 2.03%), being the five year commercial bank swap rate as at 30 June 2017. 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.

Defence Housing Australia  
Notes to the Consolidated Financial Statements  
30 June 2017  
(continued)

## 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 AASB prior to the signing of the statement by the Directors, Managing Director and Acting Chief Financial Officer, that are expected to have an impact on DHA's financial statement for future reporting periods:

- AASB 15 - *Revenue from Contracts with Customers*, applicable to reporting periods beginning on or after 1 January 2018. To be applied by DHA for the financial report for the period ended 30 June 2019. Preliminary assessment of AASB 15 indicates there is unlikely to be a material impact on the financial statements of DHA.
- AASB 16 - *Leases* provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The accounting model for lessees will require lessees to recognise all leases on balance sheet, with exemptions available for short-term leases and leases of low value assets. AASB 16 applies to annual periods beginning on or after 1 January 2019 which will be for DHA's financial year ending 30 June 2020. The management of DHA anticipate that the application of AASB 16 in the future will have a material impact on the amounts reported and disclosures made in the financial statements. Management are in the process of assessing the impact of the standard, including any resulting impacts on processes, systems and controls. Given there are a number of judgements and accounting policy choices available in the implementation of AASB 16, it is not practicable to provide a reasonable estimate of the impact until further guidance is received regarding the approach to the judgments and accounting policy choices to be adopted across Government. DHA does not intend to early adopt this standard.

As at 30 June 2017 DHA has the following operating leases that will be impacted by this standard:

- 13,149 residential leases between DHA and investors;
- 165 leases for the provision of motor vehicles; and
- 24 leases for the provision of office accommodation.

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

### (e) Change in prior year comparative

In accordance with the PGPA Act FRR Section 24 workers' compensation premiums and payroll tax are not considered to be employee benefits. DHA has therefore amended prior year comparatives for employee expenses (Note 5) to conform with the current year presentation. Workers' Compensation premiums and Payroll tax have been reported on the Statement of Comprehensive Income as 'Other Expenses'.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2017**  
 (continued)

## 2 Housing Services Provided

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
Defence Rent and Charges	521,886	518,905
Defence Other Charges	93,248	83,237
Lessor Management Fees	51,088	51,101
Other Revenue	11,022	16,715
<b>Total Housing Service Provided</b>	<b>677,244</b>	<b>669,958</b>

### Defence Rent and Charges

Defence Rent and Charges includes rent from investment properties of \$57,486,658 (2016: \$57,654,277).

Rent and property management fees are charged to Defence in line with the Services Agreement and Members Choice Accommodation contracts. 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, utilities 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.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2017**  
(continued)

### 3 Allocation Services Provided

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Allocation Administration Fees</b>	<b>12,449</b>	<b>11,721</b>

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 2017 \$'000	30 June 2016 \$'000
Proceeds from Sale	69,666	97,578
Carrying Value of Assets Sold	(40,922)	(60,273)
Selling Expenses	(1,052)	(972)
<b>Net Gains from Disposal of Investment Properties</b>	<b>27,692</b>	<b>36,333</b>

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 2017**  
(continued)

## 5 Employee Benefits

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
Wages and Salaries	47,256	47,349
Superannuation:		
Defined Contribution Plans	7,634	7,219
Defined Benefit Plans	2,615	2,979
Leave and Other Entitlements	5,603	6,335
<b>Total Employee Benefits</b>	<b>63,108</b>	<b>63,882</b>

Payroll tax equivalent and workers' compensation premiums are related party transactions with Defence, and are reported on the Statement of Comprehensive Income as Other Expenses. All other employee benefits are incurred with external parties.

### Superannuation

Staff of DHA are employed under the *Public Service Act 1999* and are entitled to benefits from the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) and the Public Sector Superannuation accumulation plan (PSSap), under the *Superannuation (Productivity Benefit) Act 1988*. DHA meets its liability for the employer share of benefits payable under the Superannuation Acts by fortnightly payments to the Commonwealth Superannuation Corporation (CSC) in accordance with section 159(2) of the *Superannuation Act 1976* and section 15 of the *Superannuation Act 1990*, or to other superannuation funds nominated by employees in accordance with part 3A of the *Superannuation Guarantee (Administration) Act 1992*. The CSS and PSS are defined benefit schemes for the Government. The PSSap is a defined contribution scheme.

The Department of Finance has advised the Commonwealth Superannuation Corporation (CSC) that for the purpose of actuarial costing of the CSS and PSS, it is essential to be able to identify employer superannuation contributions made under each scheme by the organisation. The separate CSS, PSS and PSSap employer superannuation contribution rates and contributions paid by DHA for the reporting period are:

- CSS members: Contributions at the rate of 16.2% (2016: 16.2%) of salary for superannuation purposes, amounting to \$77,434 (2016: \$92,223);
- PSS members: Contributions at the rate of 18.8% (2016: 18.5%) of salary for superannuation purposes, amounting to \$2,537,375 (2016: \$2,886,664); and
- PSSap members: Contributions at the rate of 15.4% (2016: 15.4%) of salary for superannuation purposes, amounting to \$5,349,618 (2016: \$5,287,417).

For other schemes (choice funds nominated by employees) the contribution rate was 15.4% (2016: 15.4%) and this amounted to \$1,420,593 (2016: \$1,931,538).

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of 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. The entity accounts for the contributions as if they were contributions to defined contribution plans.



**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2017**  
(continued)

## 6 Rates, Repairs and Maintenance

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
Rates and Municipal Charges	11,522	11,067
Stamp Duty and Land Tax Equivalents	31,908	29,979
Repairs and Maintenance	43,802	40,852
Other Property Charges	111,006	99,396
<b>Total Rates, Repairs and Maintenance</b>	<b>198,238</b>	<b>181,294</b>

Rates, Repairs and Maintenance includes expenditure for investment properties of \$19,831,526 (2016: \$19,264,382).

### **Rates and Municipal Charges**

Includes land tax, 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 2017  
(continued)

## 7 Depreciation and Amortisation

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Depreciation</b>		
Investment Properties	12,233	11,437
Plant and Equipment	<u>3,280</u>	<u>2,875</u>
<b>Total Depreciation</b>	<u>15,513</u>	<u>14,312</u>
<b>Amortisation</b>		
Software	<u>1,485</u>	<u>1,452</u>
<b>Total Amortisation</b>	<u>1,485</u>	<u>1,452</u>
<b>Total Depreciation and Amortisation</b>	<u>16,998</u>	<u>15,764</u>

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:

	2017	2016
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.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2017**  
 (continued)

**8 Finance Costs**

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Interest on Loans</b>	25,867	26,521

Interest is accrued based on effective interest rates on the outstanding balance of the loan.

**9 Write-Down and Impairment of Assets**

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Non-Financial Assets</b>		
<b>Write-downs and Impairments</b>		
Investment Properties	2,835	407
Inventories	12,930	5,722
Crace Developments	16	11
<b>Total Write-Downs and Impairments</b>	<b>15,781</b>	<b>6,140</b>
<b>Reversal of Write-Downs and Impairments</b>		
Investment Properties	(1,203)	(2,080)
Inventories	(1,828)	(1,178)
<b>Total Reversals</b>	<b>(3,031)</b>	<b>(3,258)</b>
<b>Net Write-Down and Impairment of Assets</b>	<b>12,750</b>	<b>2,882</b>

## 9 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 2016. 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 Inventories 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 written down 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 15.

DHA uses a discounted cash flow model 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 between 2-3%.
- 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.

Defence Housing Australia  
Notes to the Consolidated Financial Statements  
30 June 2017  
(continued)

## 10 Taxation

### (a) Income tax expense

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
Current Tax	20,091	39,734
Adjustments for Current Tax of Prior Periods	(2,906)	(8,676)
Deferred Tax	1,210	(1,545)
Adjustments for Deferred Tax of Prior Periods	977	6,028
	<u>19,372</u>	<u>35,541</u>
Income Tax Expense is Attributable to:		
Profit from Continuing Operations	<u>19,372</u>	<u>35,541</u>
Aggregate Income Tax Expense	<u>19,372</u>	<u>35,541</u>

### (b) Reconciliation of Income Tax Expense to Prima Facie Tax Payable

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
Profit from Continuing Operations before income Tax Expense	85,347	140,073
Tax at the Australian Tax Rate of 30.0%	25,604	42,023
Tax Effect of Amounts which are not Deductible/(Assessable) in Calculating Taxable Income:		
Tax Cost Base Valuations	(4,091)	(3,523)
Adjustments relating to Prior Periods	(1,929)	(2,648)
Other	(212)	(311)
<b>Income Tax Expense</b>	<u>19,372</u>	<u>35,541</u>

Defence Housing Australia  
Notes to the Consolidated Financial Statements  
30 June 2017  
(continued)

**10 Taxation (continued)**

**(c) Deferred Tax Assets/(Liabilities)**

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Deferred Tax Assets/(Liabilities) recognised in the Statement of Comprehensive Income</b>		
Accrued Income	-	(1)
Employee Benefits	5,753	5,772
Lease Incentives	459	508
Inventory Properties	(3,449)	(10,904)
Investment Properties	(9,399)	(4,019)
Make Good Provisions	31,669	32,015
Provisions - Other	572	598
Property, Plant and Equipment	(663)	224
R&D Expense	(5,908)	(3,435)
Other	(292)	171
<b>Net Deferred Tax Asset</b>	<b>18,742</b>	<b>20,929</b>
<b>Comprising:</b>		
Deferred Tax Assets	38,625	39,064
Deferred Tax Liabilities	(19,883)	(18,135)
<b>Net Deferred Tax Asset</b>	<b>18,742</b>	<b>20,929</b>
<b>Movements:</b>		
Opening balance at 1 July	20,929	25,412
Charged to the Statement of Comprehensive Income	(2,187)	(4,483)
<b>Closing balance at 30 June</b>	<b>18,742</b>	<b>20,929</b>

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2017**  
(continued)

## 10 Taxation (continued)

### Accounting Policy

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 2017 is \$464,033,421 (2016: \$469,558,803). The tax effect of this temporary difference is \$139,210,026 (2016: \$140,867,641).

### Income Tax Expense

DHA, following amendment of the *Defence Housing Australia Act 1987*, became a Commonwealth income tax payer on 1 July 2007.

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 *Public Governance, Performance and Accountability Financial Reporting Rule 2015 (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**  
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 (continued)

**11 Current Assets - Cash and Cash Equivalents**

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
Cash at Bank and on hand	5,846	25,733
Short Term Investments	225,410	295,500
<b>Total Cash and Cash Equivalents</b>	<b>231,256</b>	<b>321,233</b>

Cash and Cash Equivalents means notes and coins held and any deposits held at call or readily convertible to cash with a bank or financial institution, including term deposits with terms up to 12 months. Cash is recognised at its nominal amount.

**12 Current Assets - Trade and Other Receivables**

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Current</b>		
Receivables	50,011	36,963
Provision for Impairment of Receivables	(155)	(30)
	<b>49,856</b>	<b>36,933</b>
Accrued Income	12,603	7,869
Other Receivables	6,027	1,487
<b>Total Receivables for Goods and Services</b>	<b>68,486</b>	<b>46,289</b>
<b>Good and Services</b>		
Goods and Services - Related Entities	52,280	40,090
Goods and Services - External Parties	16,206	6,199
<b>Total Trade and Other Receivables (Net)</b>	<b>68,486</b>	<b>46,289</b>

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

**12 Current Assets - Trade and Other Receivables (continued)**

(a) Receivables are expected to be recovered in:

	Consolidated entity	
	30 June 2017	30 June 2016
	\$'000	\$'000
Less than 12 Months	68,486	46,289

Credit Terms are between 7 and 30 days.

(b) Receivables are aged as follows:

	Consolidated entity	
	30 June 2017	30 June 2016
	\$'000	\$'000
Not overdue	18,477	9,328
0 to 30 Days	46,431	36,160
31 to 60 Days	2,938	428
61 to 90 Days	135	43
More than 90 Days	505	332
	68,486	46,289

Receivables for goods and services are recognised at the nominal amounts due, less any provision for bad and doubtful debts. Collectability of debts is reviewed at 30 June each year. Allowances are made when the debts recovery is judged to be no longer probable.

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

### 13 Investment Properties Held for Sale

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
Investment Properties - at Cost	2,728	14,918
Investment Properties - at Cost (Less Impairment)	1,015	1,846
<b>Total Investment Properties Held for Sale</b>	<b>3,743</b>	<b>16,764</b>

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 proportion of its investment properties for sale. Investment properties are deemed eligible for sale if identified as a sale and lease back property, or 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 2017 \$'000	30 June 2016 \$'000
<b>Other Current Assets</b>		
Other Prepayments	2,066	1,776
Prepaid Property Rentals	31,270	31,975
<b>Total Other Current Assets</b>	<b>33,336</b>	<b>33,751</b>

Includes commercial office rents, insurance premiums and rents to lessors all paid in advance.

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**Notes to the Consolidated Financial Statements**  
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## 15 Inventories

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
Completed Properties - at Cost	400,178	441,689
Completed Properties - at Net Realisable Value	212,531	170,672
Land Held for Sale - at Cost	28,165	43,479
Land Held for Sale - at Net Realisable Value	1,128	1,749
Work in Progress - at Cost	388,178	416,452
Work in Progress - at Net Realisable Value	15,503	11,186
<b>Total Inventories</b>	<b>1,025,683</b>	<b>1,085,227</b>
Current Inventories	588,158	563,401
Non-Current Inventories	437,525	521,826
	<b>1,025,683</b>	<b>1,085,227</b>

The total fair value of inventory as at 30 June 2017 is \$1,152,667,559 (2016: \$1,201,172,364).

For the period 1 July 2016 to 30 June 2017 DHA disposed of 61 inventory properties at a loss of \$1,001,936 (2016: 109 properties at a loss of \$1,563,045).

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.

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.

### 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.

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

**16 Non-Current Assets - Investment Properties**

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Investment Properties</b>		
Investment Properties - at Cost	923,232	874,078
Less: Accumulated Depreciation	<u>(104,281)</u>	<u>(97,054)</u>
	<b>818,951</b>	<b>777,024</b>
<b>Investment Properties - Impaired</b>		
Investment Properties - at Cost	59,971	34,221
Less: Accumulation Depreciation	<u>(2,809)</u>	<u>(1,983)</u>
Less: Impairments	<u>(3,458)</u>	<u>(1,898)</u>
	<b>53,704</b>	<b>30,340</b>
<b>Total Investment Properties</b>	<b>872,655</b>	<b>807,364</b>

The total fair value of Investment Properties (including Investment Properties - Held for Sale in Note 13) as at 30 June 2017 is \$1,789,381,678 (2016: \$1,675,084,799).

The fair value of DHA's investment properties as at 31 December 2016 and 31 December 2015 has been arrived at on the basis of a valuation carried out on the respective date by external independent valuers. On 30 June 2017, DHA has undertaken a review of the fair value determined on 31 December and determine 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 2017  
(continued)

**16 Non-Current Assets - Investment Properties (continued)**

Consolidated	Investment Properties \$'000
<b>At 1 July 2016</b>	
Cost or fair value	908,299
Accumulated depreciation	<u>(100,935)</u>
<b>Net Book Amount</b>	<b>807,364</b>
<b>Year ended 30 June 2017</b>	
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	<b>872,655</b>
<b>At 30 June 2017</b>	
Cost or Fair Value	983,203
Accumulated Depreciation and Impairment	<u>(110,548)</u>
<b>Net Book Amount</b>	<b>872,655</b>
<b>Investment Properties \$'000</b>	
<b>At 1 July 2015</b>	
Cost or fair value	896,137
Accumulated depreciation	<u>(98,501)</u>
<b>Net Book Amount</b>	<b>797,636</b>
<b>Year ended 30 June 2016</b>	
Transfer from Inventory to Investment Property	52,635
Additions	31,138
Transfer to Assets Held for Sale	(67,144)
Depreciation charge	(11,437)
Impairment loss	1,673
Other Disposals	(4,467)
Depreciation/ Impairment Written Back on Disposal or Transfer	<u>7,330</u>
Closing Net Book Value 30 June	<b>807,364</b>
<b>At 30 June 2016</b>	
Cost or fair value	908,299
Accumulated depreciation	<u>(100,935)</u>
<b>Net Book Amount</b>	<b>807,364</b>

Defence Housing Australia  
Notes to the Consolidated Financial Statements  
30 June 2017  
(continued)

## 16 Non-Current Assets - Investment Properties (continued)

### Investment Properties

DHA accounts for investment properties under AASB 140 - *Investment Property* and applies the Cost model. Investment properties are properties held for long-term provisioning requirements or for capital appreciation.

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 property are made when there is a change in the circumstances of a property and it is deemed that the property is now held for capital growth or strategic provisioning.

## 17 Finance Lease Receivables

	Consolidated entity	
	30 June 2017	30 June 2016
	\$'000	\$'000
<b>Current Finance Lease Receivables</b>		
Due not later than one year	6,264	-
<b>Total Current Finance Lease Receivables</b>	<u>6,264</u>	<u>-</u>
<b>Non-Current Finance Lease Receivables</b>		
Due later than one year	19,815	-
<b>Total Non-Current Finance Lease Receivables</b>	<u>19,815</u>	<u>-</u>
<b>Total Finance Lease Receivables</b>	<u>26,079</u>	<u>-</u>

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 Other Revenue under Housing Services Provided.

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

### 18 Trade and Other Payables

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
Trade Creditors	8,388	7,700
Accrued Expenses	32,056	42,811
Stamp Duty and Land Tax Payable	6,706	7,941
<b>Total Trade and Other Payables</b>	<b>47,150</b>	<b>58,452</b>

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Trade payables expected to be settled within 12 months:</b>		
Related Entities	13,266	9,769
External Parties	33,884	48,683
<b>Total</b>	<b>47,150</b>	<b>58,452</b>
<b>Total Trade Payables</b>	<b>47,150</b>	<b>58,452</b>

### 19 Final Dividends

The DHA Board has declared a final dividend for the year ended 30 June 2017 of \$39,584,821 (2016: \$62,718,905). The DHA Board resolved on 11 May 2017 to pay a dividend of 60 percent of net profit after tax.

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Final Dividend</b>	<b>39,585</b>	<b>62,719</b>



**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
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(continued)

## 20 Borrowings

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
Loans from Department of Defence (Non-Current)	<u>509,580</u>	<u>509,580</u>
<b>Total Borrowings</b>	<b><u>509,580</u></b>	<b><u>509,580</u></b>
	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Maturity Schedule for Borrowings Payable:</b>		
In two to five years	205,000	180,000
In more than five years	<u>304,580</u>	<u>329,580</u>
<b>Total Borrowings</b>	<b><u>509,580</u></b>	<b><u>509,580</u></b>

DHA has an unsecured borrowing facility with the Department of Finance, incorporating all borrowings, underpinned by a Loan Agreement dated 21 February 2017. 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. Government policy requires all loan arrangements to be appropriated through and borrowed from 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 2016-17 the interest rate range applied to DHA's borrowings was from 3.77% to 6.16% (2016: 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**  
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**21 Other Financial Liabilities**

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Current</b>		
Revenue in Advance	28,647	52,394
Lease Incentive	454	414
<b>Total Current</b>	<b>29,101</b>	<b>52,808</b>
<b>Non-Current</b>		
Lease Incentive	1,078	1,278
<b>Total Non-Current</b>	<b>1,078</b>	<b>1,278</b>
<b>Total Other Financial Liabilities</b>	<b>30,179</b>	<b>54,086</b>

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 2017 100% of revenue in advance was in relation to payments received from Defence (2016: 100%).

**Financial Liabilities**

DHA classifies its financial liabilities as Other Financial Liabilities. The financial liabilities are recognised and derecognised upon trade date.

Defence Housing Australia  
Notes to the Consolidated Financial Statements  
30 June 2017  
(continued)

## 22 Provisions

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Current Provisions</b>		
<b>Employee Benefits</b>		
Annual Leave	5,009	5,109
Long Service Leave	6,323	6,009
Provision for Redundancy	-	37
	<u>11,332</u>	<u>11,155</u>
<b>Other</b>		
Make Good Provision	9,837	9,131
Other General Provisions	17,782	20,396
	<u>27,619</u>	<u>29,527</u>
<b>Total Current Provisions</b>	<u>38,951</u>	<u>40,682</u>
<b>Non-Current Provisions</b>		
<b>Other</b>		
Make Good Provision	95,727	97,586
Other General Provisions	1,682	1,342
	<u>97,409</u>	<u>98,928</u>
<b>Employee Benefits</b>		
Long Service Leave	2,931	2,964
	<u>2,931</u>	<u>2,964</u>
<b>Total Non-Current Provisions</b>	<u>100,340</u>	<u>101,892</u>
<b>Total Provisions</b>	<u>139,291</u>	<u>142,574</u>

Defence Housing Australia  
Notes to the Consolidated Financial Statements  
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## 22 Provisions (continued)

### Movements in Provisions

Consolidated entity and parent 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>
Consolidated entity and parent entity 2016	Make Good Provision \$'000	Other General Provisions \$'000	Total \$'000
Carrying amount at start of year	100,523	27,718	128,241
Additional provisions recognised	19,423	15,275	34,698
Amount used	(13,229)	(21,255)	(34,484)
Carrying amount at end of period	<u>106,717</u>	<u>21,738</u>	<u>128,455</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.

## 22 Provisions (continued)

### 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.

### 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  
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**23 Commitments**

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>By Type</b>		
<b>Commitments Receivable</b>		
Operating Lease Income	3,296,888	3,433,430
<b>Total Commitments Receivable</b>	<u>3,296,888</u>	<u>3,433,430</u>
<b>Commitments Payable</b>		
<b>Capital Commitments</b>		
Construction Commitments	480,950	316,650
<b>Total Capital Commitments</b>	<u>480,950</u>	<u>316,650</u>
<b>Other Commitments</b>		
House Operating Lease Rentals	3,011,119	2,638,701
Other Operating Leases	22,895	20,744
<b>Total Other Commitments</b>	<u>3,034,014</u>	<u>2,659,445</u>
<b>Total Commitments Payable</b>	<u>3,514,964</u>	<u>2,976,095</u>
<b>Net Commitments By Type</b>	<u>(218,076)</u>	457,335
<b>By Maturity</b>		
<b>Commitments Receivable</b>		
<b>Operating Lease Income</b>		
One Year or Less	396,682	395,466
From One to Five Years	1,368,560	1,333,861
Over Five Years	1,531,646	1,704,103
<b>Total Operating Lease Income</b>	<u>3,296,888</u>	<u>3,433,430</u>
<b>Total Commitments Receivable</b>	<u>3,296,888</u>	<u>3,433,430</u>

Commitments are GST inclusive where relevant

Defence Housing Australia  
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### 23 Commitments (continued)

**By Maturity**

<b>Commitments Payable</b>		
<b>Capital Commitments</b>		
One Year or Less	247,644	279,310
From One to Five Years	233,306	37,340
<b>Total Capital Commitments</b>	<u>480,950</u>	<u>316,650</u>

**Operating Lease Commitments**

One Year or Less	353,280	350,087
From One to Five Years	1,335,819	1,208,529
Over Five Years	1,344,915	1,100,829
<b>Total Operating Lease Commitments</b>	<u>3,034,014</u>	<u>2,659,445</u>

<b>Total Commitments Payable</b>	<u>3,514,964</u>	<u>2,976,095</u>
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Commitments are GST inclusive where relevant

Capital Commitments refer to construction project commitments and the figures above represent outstanding contractual payments for buildings under construction.

Operating Lease Commitments include 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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## 24 Cash Flow Reconciliation

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Reconciliation of operating results to net cash from operating activities:</b>		
Profit for the Period	65,975	104,532
Depreciation - Plant and Equipment	3,280	2,875
Amortisation of software	1,485	1,452
Depreciation - Investment Properties	12,233	11,437
Impairment Expense/(Write Back)	1,648	(1,523)
Gain on Disposal of Assets	(27,692)	(36,333)
(Decrease) on other Non Operating Cash Flow Revenue Items	(29)	(432)
Increase in other Non Operating Cash Flow Expense Items	2,045	7,994
(Increase)/ Decrease in Net Receivables	(42,012)	(30,106)
(Increase)/Decrease in Deferred Tax Assets	2,187	4,483
(Increase)/ Decrease in Inventories	525	(30,291)
(Increase)/ Decrease in Prepayments	(5,849)	(1,405)
Increase/ (Decrease) in Provisions	(26,628)	8,990
Increase/(Decrease) in Supplier Payments	(3,842)	(3,139)
Increase/ (Decrease) in Other Liabilities	(23,907)	11,515
Increase/(Decrease) in Tax Liabilities	(16,164)	(3,993)
<b>Net Cash (used)/provided by Operating Activities</b>	<b>(56,745)</b>	<b>46,056</b>



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## 25 Parent Entity Financial Information

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30 June 2017 \$'000	30 June 2016 \$'000
<b>Financial Position</b>		
Current Assets	934,905	980,645
Non-current assets	<u>1,364,377</u>	<u>1,365,919</u>
<b>Total assets</b>	<u>2,299,282</u>	<u>2,346,564</u>
Current Liabilities	154,816	226,486
Non-current liabilities	<u>610,998</u>	<u>612,750</u>
<b>Total liabilities</b>	<u>765,814</u>	<u>839,236</u>
<b>Net assets</b>	<u>1,533,468</u>	<u>1,507,328</u>
<b>Shareholders' equity</b>		
Issued capital	403,863	403,863
Retained earnings	<u>1,129,605</u>	<u>1,103,465</u>
<b>Total Equity</b>	<u>1,533,468</u>	<u>1,507,328</u>
<b>Profit for the period</b>	65,725	104,635
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>	<u>65,725</u>	<u>104,635</u>

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Notes to the Consolidated Financial Statements  
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## 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 2017	30 June 2016
	\$	\$
Short-term employee benefits	469,754	375,245
Post-employment benefits	<u>51,354</u>	<u>30,067</u>
	<u>521,108</u>	<u>405,312</u>

The Director's compensation (excluding the managing director) includes wages and salaries, leave accruals, performance and other bonuses, superannuation, motor vehicles, any other allowances and fringe benefits included in remuneration agreements.

Defence Housing Australia  
Notes to the Consolidated Financial Statements  
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## 26. Key Management Personnel Remuneration (continued)

### (b) Key Management Personnel

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 2017 \$	30 June 2016 \$
<b>Short-Term Employee Benefits</b>		
Salary	2,253,450	3,387,544
Performance Bonus	386,278	445,213
Retention Bonus	-	15,000
<b>Total Short-Term Employee Benefits</b>	<u>2,639,728</u>	<u>3,847,757</u>
<b>Post-Employment Benefits</b>		
Superannuation	323,030	493,300
<b>Total Post-Employment Benefits</b>	<u>323,030</u>	<u>493,300</u>
<b>Other Long-Term Employee Benefits</b>		
Annual Leave Accrued	157,548	220,154
Long Service Leave	70,897	99,026
<b>Total Other Long-Term Employee Benefits</b>	<u>228,445</u>	<u>319,180</u>
<b>Termination Benefits</b>		
Termination Benefits	138,019	454,116
<b>Termination benefits</b>	<u>138,019</u>	<u>454,116</u>
<b>Total Employment Benefits</b>	<u>3,329,222</u>	<u>5,114,353</u>

The total number of key management personnel that are included in the above table are 15 individuals (2016: 13 individuals).

The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

**Defence Housing Australia**  
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 (continued)

## 27 Remuneration of Auditors

	Consolidated entity	
	30 June 2017	30 June 2016
	\$	\$
Amount Received or Due and Receivable by Auditors		
Australian National Audit Office (ANAO) for the Audit of the Financial Statements	193,000	193,000
	<b>193,000</b>	<b>193,000</b>
Audit Fees relating to the audit of DHA IML are paid to the ANAO. DHA IML is liable for 100% of these fees.	19,000	18,000
	<b>19,000</b>	<b>18,000</b>
Audit of the Australian Financial Services License (AFSL) for DHA IML	6,000	6,000
	<b>6,000</b>	<b>6,000</b>

No other services were provided by the ANAO during the reporting period. Deloitte Touche Tohmatsu has been contracted by the ANAO to provide audit services for 2016-17 on the ANAO's behalf. Fees for these services are included above.

## 28 Related Party Disclosures

The entity is an Australian Government controlled entity. Related parties to this entity are Directors, Key Management personnel and Executive, and other Australian Government entities. DHA forms part of the Department of 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 Department of Defence have entered into a Services Agreement on housing and related matters which details the provision of services to Department of Defence. Transactions between Department of Defence 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 Investment Management Limited (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 \$15,321 to 30 June 2017 (2016: \$9,065), and for the staff costs associated with managing the subsidiary entity.

## 29 Economic Dependency

DHA depends on Defence in accordance with the Services Agreement. DHA received 52.5% of its total revenue from Defence for the year ended 30 June 2017 (2016: 44.99%).

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
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(continued)

### 30 Contingent Assets and Liabilities

Consolidated and Parent Entity	Guarantees		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Contingent Assets</b>				
Balance from previous period	-	-	-	-
New	9,050	-	9,050	-
Expired	-	-	-	-
<b>Total Contingent Assets</b>	<b>9,050</b>	<b>-</b>	<b>9,050</b>	<b>-</b>
<b>Contingent Liabilities</b>				
Balance from previous period	16,558	21,478	16,558	21,478
New	5,498	7,280	5,498	7,280
Obligations Expired	(9,105)	(12,200)	(9,105)	(12,200)
<b>Total Contingent Liabilities</b>	<b>12,951</b>	<b>16,558</b>	<b>12,951</b>	<b>16,558</b>
<b>Net Contingent Liabilities</b>	<b>3,901</b>	<b>16,558</b>	<b>3,901</b>	<b>16,558</b>

#### 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 2017, DHA has no unquantifiable contingencies.

#### Remote Contingencies

As at 30 June 2017, DHA has no remote contingencies.

Defence Housing Australia  
Notes to the Consolidated Financial Statements  
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### 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 allowances 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 2017 \$'000	30 June 2016 \$'000
<b>Financial Assets</b>		
Cash at Bank and on hand	5,846	25,733
Short Term Investments	225,410	295,500
Trade and Other Receivables	68,486	46,289
Finance Lease Current	6,264	-
Finance Lease Non-Current	19,815	-
Carrying Amount of Financial Assets	325,821	367,522
<b>Financial Liabilities</b>		
Borrowings	509,580	509,580
Trade and Other Payables	47,150	58,452
Other Financial Liabilities (Non-Current)	1,078	1,278
Dividends	39,585	62,719
Other Financial Liabilities (Current)	29,101	52,808
	626,494	684,837
Consolidated entity		
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Net Income from Financial Assets</b>		
Interest	7,386	8,582
<b>Net Gain Loans and Receivables</b>	7,386	8,582

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
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 (continued)

### 31 Financial Instruments (continued)

	Consolidated entity	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Net Expenses from Financial Liabilities</b>		
Interest Expense	25,867	26,521
Net Loss Financial Liabilities - Amortised Cost	25,867	26,521

#### 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 Defence was \$541.602 million for 2017 (2016: \$563.338 million).
- 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 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.

The table above illustrates DHA's gross exposure to credit risk. For ageing of Trade Receivables refer to Note 12.

#### 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 annual cash flow forecasts prepared by DHA Finance.

Other than Defence loans all financial liabilities will mature within one year. Refer to Note 20 for ageing of Defence loans.

### 31 Financial Instruments (continued)

#### Market Risk

DHA manages interest rate risk by ensuring that both investments and borrowings mature commensurate with cash flow requirements to minimise repricing risk arising from changes in interest rates. 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 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.

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 2017

	Risk Variable	Change in risk variable %	Effect on	
			Average Cash \$'000	Profit and Loss and Equity \$'000
Interest Rate Risk	Interest	0.30	177,777	533

#### Sensitivity analysis of the risk that DHA is exposed to in 2016

	Risk Variable	Change in risk variable %	Effect on	
			Average Cash \$'000	Profit and Loss and Equity \$'000
Interest Rate risk	Interest	0.30	226,667	680

Interest rate sensitivity analysis has been calculated on a "reasonable possible" basis. The rate of 30 basis points (2016: 30 basis points) was determined by using the standard parameters issued by the Department of Finance.

#### Financial Risk Management

DHA's principle financial instruments comprise receivables, payables, government loans, finance leases, cash and short term deposits.

It manages its exposure to key financial risks in accordance with DHA's Treasury and Risk Management policy. The objective of the policy is to support the delivery of DHA's financial targets whilst protecting future financial security.

Primary responsibility for identification and control of financial risks rests with DHA's Chief Risk Officer who regularly reports to the DHA Board.

### 32 Subsequent Events

There have been no events post 30 June 2017 which would have a material impact on the financial statements or operations of the DHA business.



# 6

## Appendices and reference information

Appendix A–E • Index of annual report requirements  
Acronyms and abbreviations • Service and office directory • Alphabetical index



## Appendix A: Workforce statistics

This appendix provides statistics on our workforce, including staff profile and remuneration, as at 30 June 2016 and 30 June 2017 (unless otherwise stated).

### Staffing profile (by headcount)

Table 6.1: Staff by classification and gender, 2015–16 and 2016–17<sup>30</sup>

Classification	2015–16		2016–17	
	Female	Male	Female	Male
DHA3	93	27	79	25
DHA4	88	19	142	37
DHA5	74	34	69	33
DHA6	53	37	72	37
EL1	46	47	52	43
EL2	25	44	20	39
SES and MD	3	9	3	7
<b>Total</b>	<b>382</b>	<b>217</b>	<b>437</b>	<b>221</b>

<sup>30</sup> Figures include ongoing and non-ongoing staff at their substantive classification as at 30 June 2016 or 30 June 2017. 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, 2015–16 and 2016–17<sup>30</sup>

Classification	2015–16		2016–17	
	Full-time	Part-time	Full-time	Part-time
DHA3	108	12	88	16
DHA4	93	14	157	22
DHA5	103	5	94	8
DHA6	84	6	100	9
EL1	82	11	82	13
EL2	63	6	56	3
SES and MD	12	0	10	0
<b>Total</b>	<b>545</b>	<b>54</b>	<b>587</b>	<b>71</b>

Table 6.3: Ongoing staff by length of service and classification, 2015–16 and 2016–17<sup>31</sup>

Length of service	2015–16			2016–17		
	DHA 2–4	DHA 5–6	EL 1–MD	DHA 2–4	DHA 5–6	EL 1–MD
<2 years	43	24	31	81	30	22
2–5 years	65	59	40	81	61	41
6–10 years	48	55	62	44	54	54
≥11 years	26	38	28	38	46	35
<b>Total</b>	<b>182</b>	<b>176</b>	<b>161</b>	<b>244</b>	<b>191</b>	<b>152</b>

31 Figures include ongoing staff at their substantive classification as at 30 June 2016 or 30 June 2017. Non-ongoing staff, 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, 2015–16 and 2016–17<sup>32</sup>

	2015–16	2016–17
Office type	Total	Total
Head office	206	234
Sydney CBD office	36	32
Regional office	271	289
Contact centre	86	103
<b>Total</b>	<b>599</b>	<b>658</b>

Table 6.5: Staff by office location, 2015–16 and 2016–17<sup>32</sup>

	2015–16	2016–17
Location	Total	Total
ACT	241	258
NSW	129	128
NT	31	32
QLD	110	131
SA	41	56
VIC	29	33
WA	18	20
<b>Total</b>	<b>599</b>	<b>658</b>

<sup>32</sup> Figures include ongoing and non-ongoing staff at their substantive classification as at 30 June 2016 or 30 June 2017. Inoperative staff (those on long term leave), staff engaged through an employment agency and Board members are excluded.

## Remuneration

**Table 6.6: Staff by employment instrument, 2015–16 and 2016–17<sup>32</sup>**

	2015–16	2016–17
Employment instrument	Number	Number
Enterprise Agreement (EA)	416	537
EA with individual flexibility agreement <sup>1</sup>	171	111
Common law contract	11	0
Public Service Act section 24(1) determination <sup>2</sup>	0	9
Remuneration Tribunal determination	1	1
<b>Total</b>	<b>599</b>	<b>658</b>

### 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](http://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, 2015–16 and 2016–17<sup>33</sup>**

	2015–16	2016–17
Classification	Salary range	Salary range
DHA3	\$56,595–\$62,710	\$57,727–\$63,964
DHA4	\$62,533–\$69,877	\$63,784–\$71,275
DHA5	\$70,451–\$76,897	\$71,860–\$78,435
DHA6	\$77,772–\$89,421	\$79,327–\$91,210
EL1	\$94,421–\$115,233	\$96,310–\$117,538
EL2	\$112,208–\$143,973	\$114,452–\$146,852
SES and MD	\$192,606–\$376,775	\$206,907–\$384,280

<sup>33</sup> 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, 2016–17**

Classification	Maximum potential performance payment
DHA1–DHA4	7.5% <sup>1</sup>
DHA5–EL1	12.5% <sup>2</sup>
EL2–SES	15% <sup>3</sup>
MD	15% <sup>4</sup>

### 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, 2016–17<sup>34</sup>**

Classification	Number of payments	Aggregated amount (\$)	Average amount (\$)	Range of payments (\$)
DHA3	133	408,000	3,051	258–4,549
DHA4	115	420,000	3,687	257–5,241
DHA5	94	664,000	7,073	1,979–10,638
DHA6	93	757,000	8,191	1,242–11,850
EL1	81	808,000	10,018	1,181–14,404
EL2	61	1,056,000	17,903	2,160–31,255
SES and MD	10	316,000	31,610	25,279–38,334
<b>Total, average or range</b>	<b>587</b>	<b>4,429,000</b>	<b>7,545</b>	<b>258–38,334</b>

<sup>34</sup> Table 6.9 sets out performance pay for the 2015–16 performance cycle that was paid to eligible staff in 2016–17. 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, average amount and range of payment figures are all rounded up to the nearest thousand.

## Executive remuneration

DHA received multiple requests to disclose information relating to senior executive remuneration for the 2016–17 financial year due to our status as both a Government Business Enterprise (GBE) and Australian Public Service (APS) employer (DHA is the only GBE to employ its staff under the *Public Service Act 1999*). In summary:

1. On 16 February 2017, the Minister for Finance requested all GBEs provide additional transparency by publishing disaggregated senior executive remuneration for the 2015–16 financial year and beyond.
2. On 16 May 2017, the Secretary of the Department of the Prime Minister and Cabinet requested all APS leaders provide greater transparency of senior executive and highly paid officer remuneration for the 2016–17 financial year and beyond in accordance with an aggregated disclosure template provided.
3. On 30 August 2017, our Shareholder Ministers requested that, as a GBE, we publish disaggregated senior executive remuneration in our 2016–17 Annual Report and beyond.

As DHA is a reporting entity under the *Privacy Act 1988* (Privacy Act) our remuneration disclosures must take account of our legal obligations under the Privacy Act. This means we cannot legally publish disaggregated detail of remuneration, which constitutes personal information under the Privacy Act, without prior written consent from the individuals concerned, whether they are named or otherwise reasonably identifiable.

We complied with the requests as follows:

1. We published disaggregated information relating to senior executive remuneration for the 2015–16 financial year on the proviso that it was a ministerial requirement and was not in breach of the Privacy Act. Refer to the Remuneration Report 2015–16 on our website ([dha.gov.au/remuneration](http://dha.gov.au/remuneration)) to read the report in full.
2. We published aggregated information relating to senior executive remuneration for the 2016–17 financial year in line with the template provided by the Secretary of the Department of the Prime Minister and Cabinet. Refer to the Remuneration Report 2016–17 on our website ([dha.gov.au/remuneration](http://dha.gov.au/remuneration)) to read the report in full.
3. At the time of publishing this report we had received consent from Board members and the Managing Director, as office holders of DHA, to publish disaggregated information relating to their remuneration in the 2016–17 financial year (refer **Table 6.10**). We had not received consent from other senior executives to publish their names and remuneration. We will update our Remuneration Report 2016–17 and publish a revised version on our website should consent be granted.

Table 6.10: Senior executive remuneration, 2016–17

Board member	Base salary or fees <sup>1</sup>	Other fees and benefits <sup>2</sup>	Superannuation <sup>3</sup>	Long service leave <sup>4</sup>	Average total remuneration
	\$	\$	\$	\$	\$
CDRE Vicki McConachie <sup>5</sup>	0	0	0	0	0
Mr Ewen Jones <sup>6</sup>	29,277	3,096	5,066	0	37,439
Ms Andrea Galloway <sup>7</sup>	35,735	4,275	6,064	0	46,074
Hon Alan Ferguson	55,981	1,568	8,615	0	66,164
Ms Janice Williams	55,981	7,665	6,046	0	69,692
Mr Robert Fisher	55,971	8,845	6,158	0	70,973
Mr Martin Brady	55,981	38,493	8,771	0	103,245
Hon Sandy Macdonald	111,931	4,957	10,633	0	127,521
Ms Jan Mason	378,891	41,147	47,705	13,260	481,003

## NOTES

- In accordance with section 17 of the *Defence Housing Australia Act 1988* (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 2016–17, this was *Determination 2015/20* (effective 1 January 2016) and *Determination 2016/18* (effective 8 December 2016). 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 Officer (PEO) holders. In 2016–17, this was *Determination 2015/19* (effective 1 January 2016) and *Determination 2016/15* (effective 8 December 2016). All figures are actual amounts, rounded to the nearest dollar.
- For Board members, 'other fees and benefits' is prepared on a cash basis and includes fees for membership of DHA's Board Audit Committee and the DHA IML Board, and motor vehicle allowance (untaxed). For the Managing Director, 'other fees and benefits' is prepared on a cash basis and includes performance pay for the 2015–16 performance cycle that was paid in 2016–17 in accordance with the Remuneration Tribunal's determination for PEO holders (refer Table 6.8) and an allowance for the notional value of a paid car space. Figures are rounded to the nearest dollar.
- Superannuation is payable in accordance with applicable legislation and fund requirements. Figures are rounded to the nearest dollar.
- Only the Managing Director is eligible for leave provisions, including long service leave. Figures are rounded to the nearest dollar.
- In accordance with the Remuneration Tribunal's determination for holders of part time public office, CDRE McConachie is not entitled to be remunerated as a member of DHA's Board (part time public office) as she is employed on a full time basis by the Commonwealth. She is entitled to receive travel allowances for official business as a Board member.
- Mr Jones was appointed to the DHA Board on 21 December 2016.
- Ms Galloway was appointed to the DHA Board on 9 November 2016.



## 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 6.11: WHS performance, 2015–16 and 2016–17**

Indicator	2015–16	2016–17
<b>Incident reporting</b>		
Total incidents reported	426	528
WHS incidents	177	168
<i>Staff</i>	86	85
<i>Contractors</i>	68	51
<i>Tenants and others</i>	23	32
<b>Recordable injury rate</b>		
Total recordable injury frequency rate <sup>1</sup>	10.27	5.86
<b>Audits and office inspections</b>		
Contractor and internal audits conducted	962	511
<i>Desktop</i>	864	415
<i>Onsite</i>	98	96
Safety interaction	76	207
Office inspections conducted	81	79
<b>Workers' compensation</b>		
Workers' compensation claims (accepted in financial year)	10	6

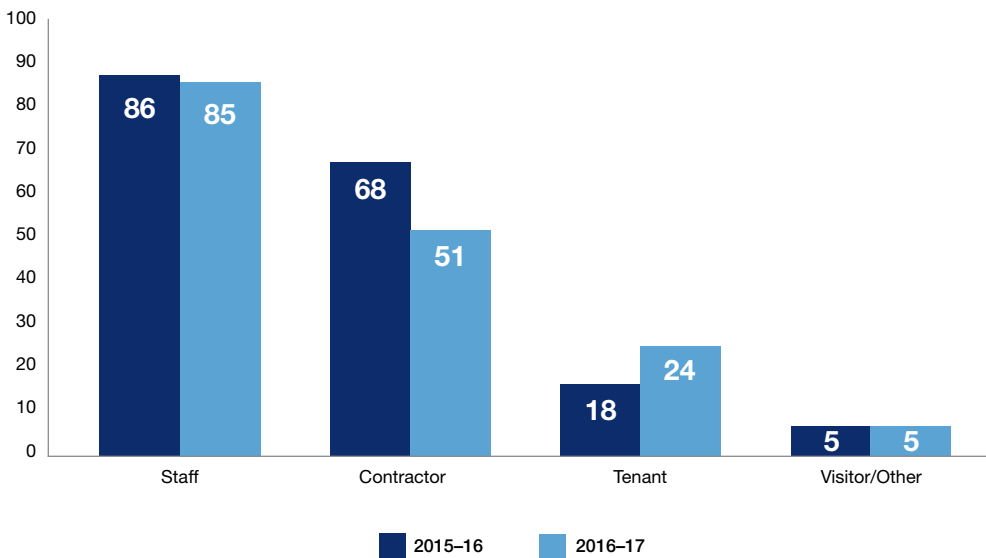
NOTE

1. Number of recordable injuries per million work hours.

## Notifiable incidents

As shown in **Figure 6.1**, the number of all incidents reported continues to increase year-on-year. Importantly, while the number of incidents reported increased by 19 per cent in 2016–17, the percentage of those deemed WHS incidents decreased from 46 per cent to 31 per cent.

**Figure 6.1: WHS incidents by person involved, 2015–16 and 2016–17**



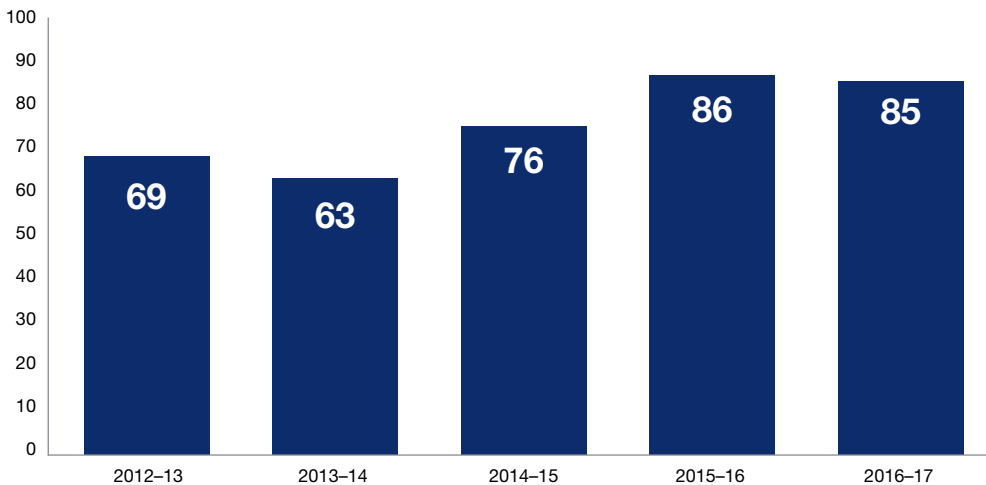
Of the 168 incidents deemed as WHS related in 2016–17, eight were notified to an authority in line with the WHS Act due to them being classified as dangerous incidents.

As shown in **Figure 6.2**, staff were involved in the highest number of WHS incidents (85) in 2016–17, however, this number was consistent with staff incidents in 2015–16 (86).

There were five lost time injuries in 2016–17 which translates to a staff lost time injury frequency rate of 4.18. The total recordable injury frequency rate (TRIFR) was 5.86 based on seven injuries requiring medical treatment. This equates to a 43 per cent reduction in TRIFR from 2015–16 where there were 12 recordable injuries requiring medical treatment.

Of the other 360 incidents reported in 2016–17:

- 18 were security issues and were managed separately
- 342 were not WHS related as there was no link to the work of DHA or our contractors.

**Figure 6.2: Staff WHS incidents, 2012–13 to 2016–17**

## Safety audits and inspections

As part of our regular Health, Safety, Environment and Quality monitoring program, we undertook 511 contractor and internal audits and 79 office inspections during 2016–17. A total of 421 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 2016–17, we were recertified against Australian and international standards for our WHS (Prevention First) and quality management systems. In completing the surveillance audits, the licensor auditors noted our programs as being ‘truly remarkable’. Their comments recognise the continual improvements we have made and recent initiatives implemented such as the Psychosocial Wellbeing Program, the First Response SafeTCard program, first aid training for all staff, defibrillators installed in all offices and mandatory workstation assessments available for all new starters.

## Workers’ compensation

Comcare, the Australian Government’s insurer, regulator and scheme manager, accepted six workers’ compensation claims in 2016–17 (including two for injuries that occurred in 2015–16). Of the compensable injuries in 2016–17, one claim was for a medical condition (muscle tension dysphonia) and the remainder were for musculoskeletal injuries. Comcare disallowed four claims.

## Appendix C: Five year financial summary

This appendix provides a comparative overview of our key financial performance results for the last five financial years.

**Table 6.12: Financial performance, 2012–13 to 2016–17**

	2012–13	2013–14	2014–15	2015–16	2016–17
<b>Financial performance</b>					
Net profit after tax (\$m)	85.1	90.1	91.1	104.6	65.7
Annual dividend (\$m)	51.1	54.0	54.6	62.7	39.6
Return on equity (%)	6.2	6.4	6.3	7.0	4.3
Property investment revenue (\$m) <sup>1</sup>	353.4	386.4	498.0	428.8	363.9
Disposals program revenue (\$m)	51.2	54.6	44.4	59.0	64.2
Development land and property sales revenue (\$m)	58.9	114.0	127.1	238.5	116.4
<b>Business efficiency</b>					
Return on capital employed (%)	7.5	8.0	8.4	9.2	5.9
Inventory property turnover (years) <sup>2</sup>	2.0	1.7	1.5	1.8	2.1
<b>Leverage/solvency</b>					
Gearing ratio (%) <sup>3</sup>	35.8	35.7	34.8	25.8	24.9
Interest times cover	4.2	5.1	5.8	7.0	5.2
Current ratio	2.7	2.4	3.1	4.7	6.2
Liquidity ratio <sup>4</sup>	2.2	1.9	4.0	4.7	6.2

	2012–13	2013–14	2014–15	2015–16	2016–17
<b>Portfolio management</b>					
Value of portfolio under management (\$b)	9.0	9.5	10.0	10.6	11.0
Total properties under management	18,304	18,577	18,872	18,767	18,841
New constructions and acquisitions	649	790	1,154	864	940

## NOTES

1. Formerly known as the Sale and Leaseback program.
2. This figure relates to property investment program properties only.
3. Financial years 2012–13 to 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.
4. 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 \$13,001 or more (including GST) for advertising and market research services provided during the reporting period.

**Table 6.13: Advertising expenditure, 2016–17**

Organisation	Purpose of creative services	Expenditure (\$, inc. GST)
McCann	Property investment program advertising campaign (Look forward)	519,775
Rare	Liv Apartments sales and marketing campaign	260,685
Hoyne	Arkadia sales and marketing campaign	177,154
Martins Integrated	Breezes Muirhead sales and marketing campaign	80,152
12 Below	Crimson Hill sales and marketing campaign	30,085
Artifice Design	Crimson Hill sales and marketing campaign	24,574
Townsquare	DHA developer campaign	20,185
Evolution Creative	Bluewattle sales and marketing campaign	18,377
12 Below	Woondella sales and marketing campaign	18,339

**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 6.14: Direct mail expenditure, 2016–17**

Organisation	Purpose of direct mail	Expenditure (\$, inc. GST)
Hoyne	Arkadia sales and marketing campaign	17,891
Colliers	Arkadia sales and marketing campaign	15,357

**Table 6.15: Media advertising expenditure, 2016–17**

Organisation	Purpose of media placement	Expenditure (\$, inc. GST)
Dentsu Mitchell	Property investment program advertising ( <i>Look forward</i> ) campaign	208,886
Rare	Liv Apartments sales and marketing campaign	19,536

## NOTE

Includes planning and placement of campaign advertising, including distribution and other fees.

**Table 6.16: Market research expenditure, 2016–17**

Organisation	Purpose of market research	Expenditure (\$, inc. GST)
Colmar Brunton	DHA brand campaign	141,361
Field Works	DHA maintenance and housing surveys	128,188
Colmar Brunton	Segmentation project	57,200
Colliers	Arkadia sales and marketing campaign	18,317

## 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.

### 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. 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 2017, we leased 207 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

We adopt a number of practices to assist in minimising the disposal of waste to landfill:

- › 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.

In 2016–17 our Hunter Valley regional office was the first to implement a centralised waste area as an alternative to traditional waste bins at each desk. This has resulted in keeping thousands of plastic bin liners out of landfill and increased recycling rates. This initiative will be one of many environmental projects implemented in our offices in 2017–18.

## 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).<sup>35</sup> 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](http://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](http://envirodevelopment.com.au) for more information).

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<sup>35</sup> 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.

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.

## 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 2017).

**Table 6.17: Annual report requirements, 2016–17**

Description	Page(s)
<b>17BB Approval of annual report by the accountable authority</b>	
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<b>17BD Plain English and clear design (aids to access)</b>	
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d. Name and title of the persons holding the position of responsible Minister (or responsible Ministers) during the period	24, 96
e. Any directions given to the entity during the period by a Minister under an Act or instrument during the period	96

Description	Page(s)
f. Any government policy orders that applied in relation to the entity during the period under section 22 of the PGPA Act	96
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	45–63
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	111
j. If a statement is included under (i), an outline of the action that has been taken to remedy the non-compliance	111
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)	97–102
l. An outline of the organisation structure of the entity (including any subsidiaries of the entity)	21, 25, 128
m. An outline of the location (whether or not in Australia) of major activities or facilities of the entity	26, 201–2
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p. Any significant activities and changes that affected the operations or structure of the entity during the reporting period	4, 7, 63, 103
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	113–14

Description	Page(s)
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
<b>17BF Disclosure requirements for Government Business Enterprises (GBE)</b>	
a. An assessment of: <ul style="list-style-type: none"> <li>ii. Significant changes in the entity's overall financial structure and financial condition during the period</li> <li>iii. Any events or risks that could cause financial information that is reported not to be indicative of future operations or financial condition</li> </ul>	55–9, 61–3, 88–92  n/a
b. Dividends paid or recommended in relation to the period	55–6, 90
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## 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 Organization for Standardization
Investor	Owner of a DHA investment property (formerly referred to as a lessor)
KM	KordaMentha
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 program
Public Service Act	<i>Public Service Act 1999</i>
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 and Development
RA	Rent Allowance
RAAF	Royal Australian Air Force
RANR	Royal Australian Navy Reserve
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
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>



# 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

### 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

### General enquiries

E. info@dha.gov.au

### Media enquiries

E. media@dha.gov.au

### International enquiries

T. + 61 2 6268 3700

## Offices

### ACT

#### Head office

26 Brisbane Ave  
Barton ACT 2600

#### Canberra regional office

Level 5, TransACT House  
470 Northbourne Ave  
Dickson ACT 2602

### 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

**NT****Darwin regional office**

Level 1, Building 4  
631 Stuart Hwy  
Berrimah NT 0828

**Tindal regional office**

By appointment only  
Unit 2, 42 Katherine Ter  
Katherine NT 0850

**QLD****Brisbane regional office**

Level 4, 76 Skyring Ter  
Newstead QLD 4006

**Cairns regional office**

Grove House 10 Grove St  
Cairns QLD 4870

**Canungra regional office**

Defence personnel only  
Building N03, Kokoda Barracks  
Beechmont Rd  
Canungra QLD 4275

**Ipswich regional office**

Level 1, 15 Gordon St  
Ipswich QLD 4305

**Toowoomba regional office**

By appointment only  
Shop 4A Shopping Centre  
2 Plaza Circle  
Highfields QLD 4352

**Townsville regional office**

63–65 Bamford Ln  
Kirwan QLD 4817

**SA****Adelaide regional office**

Level 1, 1 Main St  
Mawson Lakes SA 5095

**VIC****Cerberus regional office**

Defence personnel only  
Building 190, Phillip Rd  
Cerberus VIC 3920

**Melbourne regional office**

Suite 305, Level 3  
120 Bay St  
Port Melbourne VIC 3207

**Puckapunyal regional office**

Defence personnel only  
Building 549, Vivi St  
Puckapunyal VIC 3662

**Sale regional office**

Defence personnel only  
Building 115, Catalina St  
RAAF Base East Sale VIC 3852

**Wodonga regional office**

83 Hume St  
Wodonga VIC 3690

**WA****Perth regional office**

Unit 43, Level 1 Fremantle Malls  
27–35 William St  
Fremantle WA 6160

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