



# 2018-19 Annual Report



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30 September 2019



Senator the Hon Linda Reynolds CSC  
Minister for Defence  
Parliament House  
Canberra ACT 2600

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

The Hon Darren Chester MP  
Minister for Veterans and Defence Personnel  
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 2018–19 for the year ended 30 June 2019 (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 Accountability Rule 2014* and *Commonwealth Government Business Enterprise Governance and Oversight Guidelines*.

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 2018–19 to 2021–22 and Statement of Corporate Intent 2018–19.

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

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

Yours sincerely

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

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



# About this report

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

This report outlines DHA's performance against stated objectives and performance measures for the period 1 July 2018 to 30 June 2019 as set out in our Corporate Plan 2018–19 to 2021–2022 (Corporate Plan 2018–19) and publicly available Statement of Corporate Intent 2018–19 ([dha.gov.au/sci](http://dha.gov.au/sci)).

## Guide to this report

- Part 1** Provides a review of the year from our Chairman and Managing Director, and details of our significant highlights, events and achievements over the reporting period.
- Part 2** Provides an overview of our role, responsibilities, organisational structure, financial structure, and services to Defence, services to investors and our property portfolio as at 30 June 2019.
- Part 3** Contains our annual performance statement and detailed assessment of our performance in 2018–19.
- Part 4** Details our management and accountability processes, including corporate governance, external scrutiny and workforce management.
- Part 5** Contains our consolidated financial statements for 2018–19.
- 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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# Part 1

## Year in review

Chairman's review

Managing Director's review

2018–19 in summary

Highlights and events

Awards and achievements



# Chairman's review



Hon J.A.L. (Sandy) Macdonald

## *It gives me great pleasure to introduce Defence Housing Australia's (DHA's) Annual Report 2018–19.*

DHA achieved a great deal in the past year, despite a number of challenges. The Managing Director will comment more specifically on DHA's operational achievements, however I wanted to highlight some key areas.

## Support of the Australian Government

In 2018–19, DHA worked closely with Shareholder Ministers and their departmental representatives to ensure we continue to meet the current and future needs of the Australian Government.

DHA will return a dividend of \$24.5 million for 2018–19, a substantial effort given challenging external forces such as weakened residential property market conditions. We also achieved industry recognition for various aspects of our operations, including developments, work, health and safety, and marketing.

I would like to thank the Minister for Defence, Senator the Hon Linda Reynolds CSC, the Minister for Finance, Senator the Hon Mathias Cormann, and the Minister for Veterans and Defence Personnel, the Hon Darren Chester MP, for their continued support of DHA. I also wish to acknowledge the contribution of Senator the Hon Marise Payne and the Hon Christopher Pyne who served as Minister for Defence in the reporting period.

## Support of the Defence community

DHA acknowledges that our primary purpose is to provide adequate and suitable housing and related services for ADF members and their families. We are also proud members of the broader Defence community and play an important role in supporting Defence capability; to defend our country.

In 2018–19, DHA provided support to various Defence related groups and not for profit organisations. Key activities included the supply of equipment to Defence community centres and sponsorship of national ADF sporting teams, the Australian Military Wives Choir, Honouring Women United by Defence Service 2019 and the Prince's Trust Australia.

DHA was an official supporter of the Invictus Games held in Sydney in October 2018. Founded by HRH Prince Harry, Duke of Sussex, the Games are an international sports event for wounded, injured and ill veterans and active service personnel. Selected DHA staff also assisted at the Games in a voluntary capacity.

I was fortunate to attend and see, firsthand, the athleticism, comradery and courage of the participants, the friendliness and professionalism of the volunteers, and the enthusiasm of attendees. I commend all involved, particularly those DHA staff who gave up their time to assist as volunteers. It is an event that warms the heart.

## Support of the broader community

One of the most pleasing aspects of DHA's national operations is that we can contribute to local and regional economies. In 2018–19, we continued to employ local businesses and tradespeople wherever possible in maintaining our property portfolio, constructing new properties and creating new residential communities.

DHA also welcomed hundreds of new investors in 2018–19, which contributed to us managing 12,775 leased properties as at 30 June 2019. The Board and I value the contribution of investors to DHA's business and the funding it provides to help sustain the quality of our property portfolio for ADF members and their families.

## Appointments and acknowledgements

### Board

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

In 2018–19, I welcomed the reappointment of Mr Robert Fisher AM as a commercial director and the appointment of Mr Simon Lewis AO PSM as the nominee of the Secretary of the Department of Finance. The Board and I very much value their knowledge and experience with respect to the public service and the machinery of government generally.

I would like to acknowledge and thank former Board member, Ms Janice Williams, who left in April 2019 at the conclusion of her term. Ms Williams brought considerable property related experience and pragmatism to the Board, most notably in her position as Chair of the Board Investment Committee. She left a considerable legacy. The Board and I wish her well in her future endeavours.

I would like to thank all members of my Board. There are always challenges in a business as large and complex as DHA, but we continue to navigate them and deliver quality outcomes for ADF families, investors and shareholders.

### Managing Director

In January 2019, Ms Jan Mason retired as Managing Director. Ms Mason joined DHA at a challenging time and helped to identify and work through a number of complex strategic and operational issues. I would like to acknowledge and thank her for her exceptional service, leadership and contribution to DHA, and wish her well in retirement. Ms Mason has been an outstanding servant of the Commonwealth over a range of roles.

Mr Barry Jackson joined DHA as Managing Director in May 2019. Mr Jackson has considerable leadership and operational experience in both the public and private sector, which will be an asset as DHA's operations continue to evolve to meet the needs of shareholders and customers. The Board looks forward to working with Mr Jackson.

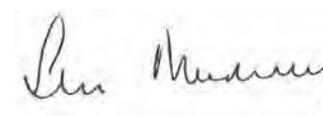
I would also like to thank Mr Brett Jorgensen and Mr Paul Groenewegen who served as Acting Managing Director prior to Mr Jackson's appointment, and other senior managers who assisted to backfill their substantive roles. They displayed leadership in a demanding period and helped ensure continuity of service, particularly over the Defence relocation period.

### Staff

I would like to acknowledge and thank the senior leadership team and all staff for their ongoing efforts and achievements in 2018–19. Special thanks to the staff across the country who united to provide emergency support to ADF members and investors during the unprecedented flooding in Townsville. It was undoubtedly one of the most challenging situations DHA has faced in our 30 year history. Your tireless efforts, strength and dedication to support those in need and each other was extraordinary.

The Board and I are consistently impressed and thankful for the professionalism and commitment to service that is displayed. DHA has highly motivated people at every level of the organisation and I thank them for their teamwork and commitment to our purpose.

I look forward to another exciting and transformational year ahead.



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

# Managing Director's review



Mr Barry Jackson

Firstly I would like to acknowledge and thank the Board for giving me the opportunity to lead an organisation like DHA that has a tradition of supporting ADF members during their service to Australia. I look forward to working with the Board and our Shareholder Ministers to ensure that DHA continues that tradition well into the future.

During 2018–19, we continued to ensure that our purpose—to deliver housing and related services that support the operational, recruitment and retention goals of the Australian Defence Force (ADF)—is at the forefront of everything that we do.

While 2018–19 was a challenging year for DHA we continued to deliver quality housing, exceed customer satisfaction targets and provided returns to government, even as external factors continued to challenge our traditional ways of doing business. Falling property markets, evolving housing preferences and rapid changes in the societal, technological, environmental and economic context compelled us to undertake a number of activities to address these challenges and position DHA to continue to meet the housing needs of ADF members in a financially sustainable way.

## Performance highlights

Some of the highlights and achievements for 2018–19 include:

- ▶ consistently providing a high level of service to ADF members and investors, with the result that we exceeded all customer service measures
- ▶ achieving higher than expected financial performance outcomes due to exceeding targeted net margins for development activities and realising savings on operating and personnel costs
- ▶ ensuring DHA has the policies and systems in place to implement the new accounting standards (AASB 16 Leases) from 1 July 2019
- ▶ an extension of the Defence Services Agreement (DSA) to 30 June 2028 endorsed by the Defence Investment Committee and subject to commitment of funds by the Minister for Finance.

- › an extension of the Living in Accommodation Booking and Allocation Services Agreement (second addendum to the DSA) to 30 June 2024
- › renewing our approach to capital planning in 2018 by incorporating greater detail and segmenting provisioning to reflect regional and Defence Housing Forecast areas by rent band
- › our role as an official supporter of the 2018 Invictus Games held in Sydney in October
- › launching our inaugural Diversity and Inclusion Strategy, focused on core principles of inclusive leadership, respectful participation and cooperation
- › close collaboration with shareholder departments to develop a comprehensive Corporate Plan and Statement of Corporate Intent for 2019–20.

## Our priorities for the year ahead

DHA operates in a dynamic environment and is subject to the variabilities of the residential property market, increased regulatory and lending criteria in the banking sector and broader economic conditions. As outlined in our 2019–20 Statement of Corporate Intent, whilst the current business model has successfully returned both significant dividends to the Government as well as high standards of accommodation for ADF members, it has become increasingly challenged by the variables noted above. As a priority in the coming year DHA will focus on:

- › defining a sustainable future operating model and associated funding requirements
- › working closely with the Department of Defence as both the policy owner and customer, to maximise flexibility in accommodation solutions to ensure that the housing needs of ADF personnel and their families continue to be met
- › ensuring that DHA is well placed to reduce exposure to property markets that will continue to be challenging
- › responding to the recommendations arising out of the current performance audit being undertaken by the Australian National Audit Office
- › amendments to Schedule 6 of the DSA and to the Defence Housing Australia Residency Agreement to clarify the nature and intention by both parties of the lease (to ensure compliance with the new accounting standard AASB 16 Leases) is in progress.

We recognise that our customers are central to the success of our business. We are committed to meeting their needs and providing value to the Australian Government as the owner of the business, by managing a high quality housing portfolio in a sustainable and fiscally prudent manner.

The context within which DHA operates is complex and constantly evolving. Our property portfolio covers every state and territory in Australia. This means that we must be sensitive to both national and regional changes in our operating environment and build our capacity to be responsive to external factors.

I am committed to ensuring DHA builds a high performance culture that encourages inspiring leadership and promotes our strategic direction. We expect our leaders to model our values by being accountable, visible, effective, trusted and make informed evidence based decisions. We will create a safe workplace where any individual or group feels welcomed, respected and valued to fully participate and contribute.

We will continue to support Defence capability by providing suitable housing for ADF members around Australia, putting our customers at the centre of everything we do, delivering shareholder value while operating within clear frameworks with a responsive and capable workforce.



**Mr Barry Jackson**  
Managing Director

# 2018-19 in summary

Quality services for Defence Housing Australia customers



17,948

Properties under management



\$11.2 b

Value of property portfolio



61,981

Property inspections undertaken



16,266

ADF members in receipt  
of rent allowance



10,544

Rent allowance  
applications processed



121,666

Housing Maintenance  
Centre calls received



1,755

Property additions  
to the portfolio



7,588

Housing allocations



12,755

Leases managed



245,697

Maintenance work orders raised



51,637

Living in accommodation calls



291,305

Living in accommodation bookings



326

Properties sold through the  
Property Investment Program



\$156.6 m

Revenue raised through the  
Property Investment Program



\$24.5 m

Dividend payments to the  
Australian Government



38,000

Survey invitations released  
with 19,000 responses



\$15.6 m

Revenue for Defence  
from property sales



\$35.4 m

Revenue raised  
from property sales

# Highlights and events



## July 2018

DHA staff celebrated NAIDOC Week by attending a range of First Nation community exhibitions and activities or in house cultural events and presentations.



## September 2018

Our staff united to support ADF families, investors and other key stakeholders by attending the 7th Brigade Open Day in Chermside, Brisbane.



Staff throughout the business participated in R U OK? Day as a reminder to engage in meaningful discussions about mental health and suicide prevention.

APS employment census survey results were announced following a high employee participation rate of 90 percent.

DHA's Board and Senior Executive group joined staff for the official opening of the Hunter Valley regional office and Maintenance Contact Centre following substantial refurbishments.

## August 2018

DHA Chairman, board members, staff and special guests gathered at the National Press Club to celebrate DHA's 30th anniversary.



DHA head office raised the Invictus flag, signalling our support for the 2018 Invictus Games, Sydney.

DHA proudly sponsored Army Art 2018, continuing our support for this Perth based exhibition showcasing existing and emerging West Australian artists to raise money for local charities.



## October 2018

DHA attended the opening ceremony of the Invictus Games at the Sydney Opera House as an official supporter of the games as part of the extended Defence family.

## November 2018

DHA staff across the country hosted awareness and fundraising events in support of White Ribbon Day following the launch of DHA's domestic and family violence policy.



The former Managing Director, Jan Mason, signed a determination under section 24(1) of the *Public Service Act 1999* providing a pay rise of 2 percent on 18 January 2019 and a further 2 percent increase on 18 January 2020, leaving other employment conditions outlined in the Enterprise Agreement unchanged.



## December 2018



DHA Chairman, executive and staff farewell retiring Managing Director, Jan Mason. In saying farewell, Jan noted 'staff levels of commitment to excellence and service far surpasses anything I've seen elsewhere in my career. I have no doubt that this dedication will underpin many more years of success for DHA'.



## January 2019

DHA hosted a free cricket clinic at Schofields Park for children aged five to 15 to raise awareness of our Akuna Vista development. The clinic, led by former Australian all-rounder and Head Coach of Elite Cricket, Jason Krejza, also featured guest appearances and demonstrations from Big Bash League players Gurinder Sandhu and Arjun Nair.



Rex D. Dog launched a new welcome pack for children of ADF members, including a greeting card with a message welcoming the child to their new posting location; a colouring book and coloured pencils; Rex plush toy; and a reusable drawstring bag.



DHA sponsored 21 Defence Community Organisation (DCO) welcome days over January and February.





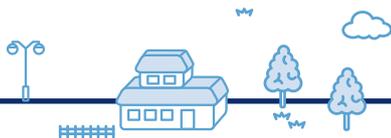
## February 2019

The official opening of Torhaven Park was attended by over 600 people celebrating DHA's investment of \$2 million to develop the parklands. Spanning over 22,000 square metres of sensitively landscaped natural environment, the park includes sculptured gardens, lush open green space and intricately designed wetlands.



DHA partnered with Relationships Australia to host the Breezes Muirhead Neighbourhood Day where residents and locals gathered for a family friendly event in Ted Rowe Park.

DHA launched its Diversity and Inclusion strategy on Harmony Day 21 March 2019, setting out how we will build and maintain a workplace where all staff feel welcome, respected and valued.



## April 2019

DHA sponsored the Hunter Defence Support Network (HDSN) first aid course for Defence spouses in the Maitland council area and the HDSN Youth Week event at Treetops Adventure Park for teenage children of serving members.





DHA supported the Defence led response to the Townsville floods with staff from across the business and country pulling together to provide emergency support to ADF members and investors.

The Minister for Veterans and Defence Personnel, Darren Chester MP and the former member for Curtin, Ms Julie Bishop joined DHA Chairman, Sandy Macdonald and Board member, Robert Fisher for a tour of Seaward Village upgraded properties stage 2.



## March 2019

DHA staff joined people all over the world celebrating International Women's Day and reflecting on our commitment to gender equality as an employer and corporate citizen.



As part of our commitment to reconciliation and building closer partnerships with Indigenous Australians, DHA endorsed three employee nominations for the Jawun Australian Public Service secondment program which strives to increase the capacity of Indigenous leaders, organisations and communities.

DHA successfully retained certification against AZ/NZS 4801:2001, 18001:2007 and ISO 9001:2015 for our integrated Safety, Health, Environment and Quality (SHEQ) management system. DHA has maintained certification against the three standards since 2015.



## May 2019

DHA was a proud sponsor of *Walking off the War Within*, a nationwide initiative aimed at raising awareness and starting conversations about post traumatic stress disorder and, more generally, the mental health of our returned soldiers.



DHA finalised negotiations for an extension of the Living in Accommodation Booking and Allocation Services Agreement to 30 June 2024.

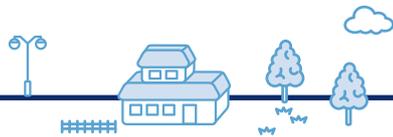


Townsville Housing Contact Centre celebrated five years of operation and service.



DHA celebrated National Reconciliation Week by installing signs acknowledging the Traditional Owners of the land in which we operate in all of our offices and launching Respecting Country protocols and resources to the business—key commitments of our 'Reflect' RAP.

DHA completed the final stage of development at Crimson Hill, with 'The Residences'—a boutique selection of 12 superbly appointed homes.



## June 2019

DHA signed major sponsorship agreements with the Australian Military Wives Choir, The Prince's Trust and The War Widows Guild of Australia, as well as 14 regional stakeholder engagement sponsorships.



# Awards and achievements



## Architecture and Design Sustainability

Green Building of the Year  
The Prince's Terrace Adelaide

## Architecture and Design Sustainability

Multiple Dwelling  
The Prince's Terrace Adelaide

## Australasian Reporting Awards

Gold Award for Distinguished  
Annual Reporting

## Australian Marketing Institute

Marketing Excellence for Property WA

## Housing Industry Association—CSR

South Australian Housing Kitchen  
and Bathroom  
Townhouse/Villa Development  
The Prince's Terrace Adelaide  
Built by Palumbo for DHA

## Housing Industry Association

Lawn Solutions Australian  
GreenSmart Award

Townhouse/Villa Development  
The Prince's Terrace Adelaide  
Built by Palumbo for DHA

## National Safety Council

Award for Excellence  
Best Continuous Improvement of WHS  
Management System

## The Urban Developer National Awards

Excellence in Sustainability  
The Prince's Terrace Adelaide

## Urban Development Institute of Australia

Awards for Excellence SA  
Environmental Excellence  
The Prince's Terrace Adelaide

## Urban Development Institute of Australia

Award for Excellence SA  
Small scale Development (Residential)  
The Prince's Terrace Adelaide

## Urban Development Institute of Australia

Award for Excellence NT  
Residential Development  
Breezes Muirhead, Darwin

## Urban Development Institute of Australia

Award for Excellence NT  
Urban Renewal  
RAAF Base Darwin

## Urban Development Institute of Australia

Awards for Excellence WA  
High Density  
Liv Apartments Fremantle

## Case study

# Game on down under

*'Be inspired, allow the examples of service and determination you all see to change something big or small in your own lives. Show the world what 'Game on down under' really means.'*

—HRH The Duke of Sussex,  
Prince Harry

DHA is proud to have been an official supporter of the 2018 Invictus Games in Sydney, the world's largest international sporting event celebrating the achievements of wounded, injured and sick service personnel. Above all, it demonstrates the healing power of sport on the path to recovery. As an official supporter of the Games, DHA embedded a team of staff and Board members at Games Head Quarters in Homebush to deliver a compelling engagement experience for competitors, their families and general public attendees.



Our Kids Zone in the Showground Dome of Sydney Olympic Park featured a number of activities designed to entertain Defence children aged up to 14 years. With wall to wall entertainment catering to a variety of ages, parents were able to enjoy some time out to enjoy a meal in the Dome while their children hung out with DHA's mascot, Rex D. Dog.

At Quay Centre, the main Games precinct at Sydney Olympic Park, we rolled out a live pin wall activation. Our pin wall acted as a metaphor for both the families that move in and out of our homes and our investors who lease their properties to DHA.

We also hosted a DHA investor hospitality experience throughout the Games.

A digital media and transit advertising campaign highlighting our supporter status of Invictus increased engagement with current and potential customers. Moreover, our sponsorship of the Games provided the perfect platform for DHA to broker lasting memories of shared experiences between investors, everyday Australians and ADF men and women.



# Part 2

## Agency overview

About us

Organisational structure

Financial structure

Services to Defence

Services to investors

Housing portfolio



# About us

DHA was established in 1988 under the *Defence Housing Australia Act 1987* (DHA Act) and is a corporate Commonwealth entity and Government Business Enterprise (GBE) in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). DHA is a statutory agency under the *Public Service Act 1999* (the Public Service Act) and is the only GBE to employ staff in accordance with the Public Service Act.

Refer to Part 4 of this report for more information about our legislative framework.

## Our purpose

In 2018–19, we consolidated our functions and objectives from three purposes<sup>1</sup> into two which reflect our statutory role under the DHA Act and our commercial obligations as a GBE:

### 1. Provide quality housing and related services

We administer Defence housing policy and provide housing and related services to ADF members and their families in accordance with service agreements with the Department of Defence. Our services under this purpose include:

- › provision a property portfolio, and manage and maintain housing
- › assist in finding a housing solution through our Housing Consultants located around Australia and online services system
- › provide a booking and allocation service
- › administer the payment of allowances for ADF members occupying rental accommodation
- › construct and acquire properties to meet Defence housing demands
- › redevelop properties to meet Defence standards.

### 2. Provide a commercial rate of returns to its Shareholders

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

Refer to Part 3 of this report for our Annual Performance Statement and detailed assessment of our performance in 2018–19.

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<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 *Defence Housing Australia Act 1987* and in the Defence Portfolio Budget Statements.

# Organisational structure

## Shareholder Ministers

Two Shareholder Ministers oversee the Australian Government's interests in DHA: the Minister for Defence and the Minister for Finance. As DHA sits within the Defence portfolio of the Australian Government, the Minister for Defence is DHA's responsible Minister. The Minister for Defence may delegate responsibility for DHA operational matters to a Defence Portfolio Minister.

Refer to page 82 in Part 4 of this report for more information about our Shareholder Ministers in 2018–19.

## Board

A Board of Directors is established in accordance with Part III of the *DHA Act 1987* and is the accountable authority of DHA under the PGPA Act. The Board 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 Part 6 Appendix A of this report for more information on our accountable authority.

## 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 comprising of the most senior staff in the organisation, supports the Managing Director in fulfilling DHA's purpose in accordance with the DHA Act. The group's broad role is to provide leadership, guide performance, implement and deliver against the Corporate Plan and ensure accountability of our activities. As at 30 June 2019, the group comprised of six direct reports to the Managing Director.

Refer to page 88 in Part 4 of this report for more information about the Managing Director and Senior Executive Group members.

Figure 2.1 shows our organisational structure, including our links to the Australian Government, as at 30 June 2019.

Figure 2.1

Organisational structure 30 June 2019



## Our office network

Staff in our 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. DHA staff are also located in three on base locations at Sale, Puckapunyal and Cerberus (Victoria) in accordance with a license agreement with Defence. Regional office staff are supported by staff in four regional contact centres, who are the first point of contact for housing services, maintenance services and the allocation of on base Living in Accommodation (LIA). Our Elizabeth Street office in the Sydney Central Business District is predominately occupied by Property Provisioning and Portfolio Management Group staff.

Staff in head office in Canberra are responsible for overseeing strategic development, operational programs, corporate governance and corporate support.

### Figure 2.2

Office network 30 June 2019



## Our staff

Staff are critical to the organisation's success. As at 30 June 2019, we employed 646 staff across Australia.

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

Refer to Part 4 Workforce Management and Part 6 Appendix B of this report for more information about our workforce.

### Figure 2.3

Staff by gender 30 June 2019<sup>3</sup>



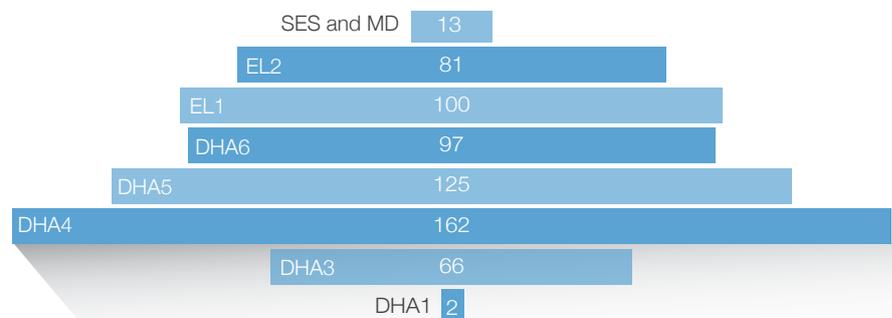
### Figure 2.4

Staff by employment type 30 June 2019



### Figure 2.5

Staff by broadband classification 30 June 2019



### Figure 2.6

Staff by office type 30 June 2019



<sup>2</sup> Figures include ongoing and non-ongoing staff at their substantive classification as at 30 June 2019. They exclude inoperative staff (those on long term leave), staff engaged through an employment agency and Board members.

<sup>3</sup> No staff have identified as Indeterminate

# 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. As outlined in our 2018–19 Corporate Plan, the dividend for 2018–19 is 60 percent 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 and generate 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. As at 30 June 2019, 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 tax (e.g. stamp duty, land tax and payroll tax) equivalents in accordance with competitive neutrality requirements.

Refer to page 59 in Part 3 of this report for more information about our financial performance in 2018–19.

## Our credit rating

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

Their report issued on 23 December 2018 confirmed a corporate credit issuer rating of AA+/Stable/ A-1+. This rating is reflective of their assessment of the effect of government ownership and the level of support implied by that ownership.

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

# Services to Defence

Defence is responsible for determining pay conditions for ADF members, including their entitlement to subsidised housing. We administer Defence housing policy and provide housing solutions and related services to 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 policy categorisation, rank, number, age and gender of dependants, and their posting location.

### **Member with dependants housing**

Each year, Defence provides us with a forecast, known as the Defence Housing Forecast (DHF), which details the number of Members with Dependants (MWD) requiring housing for the next five years by location or DHF area. Service residences provided by DHA are classified by market rent (known as rent bands). The DHF includes MWD housed in service residences and those in receipt of rent allowance.

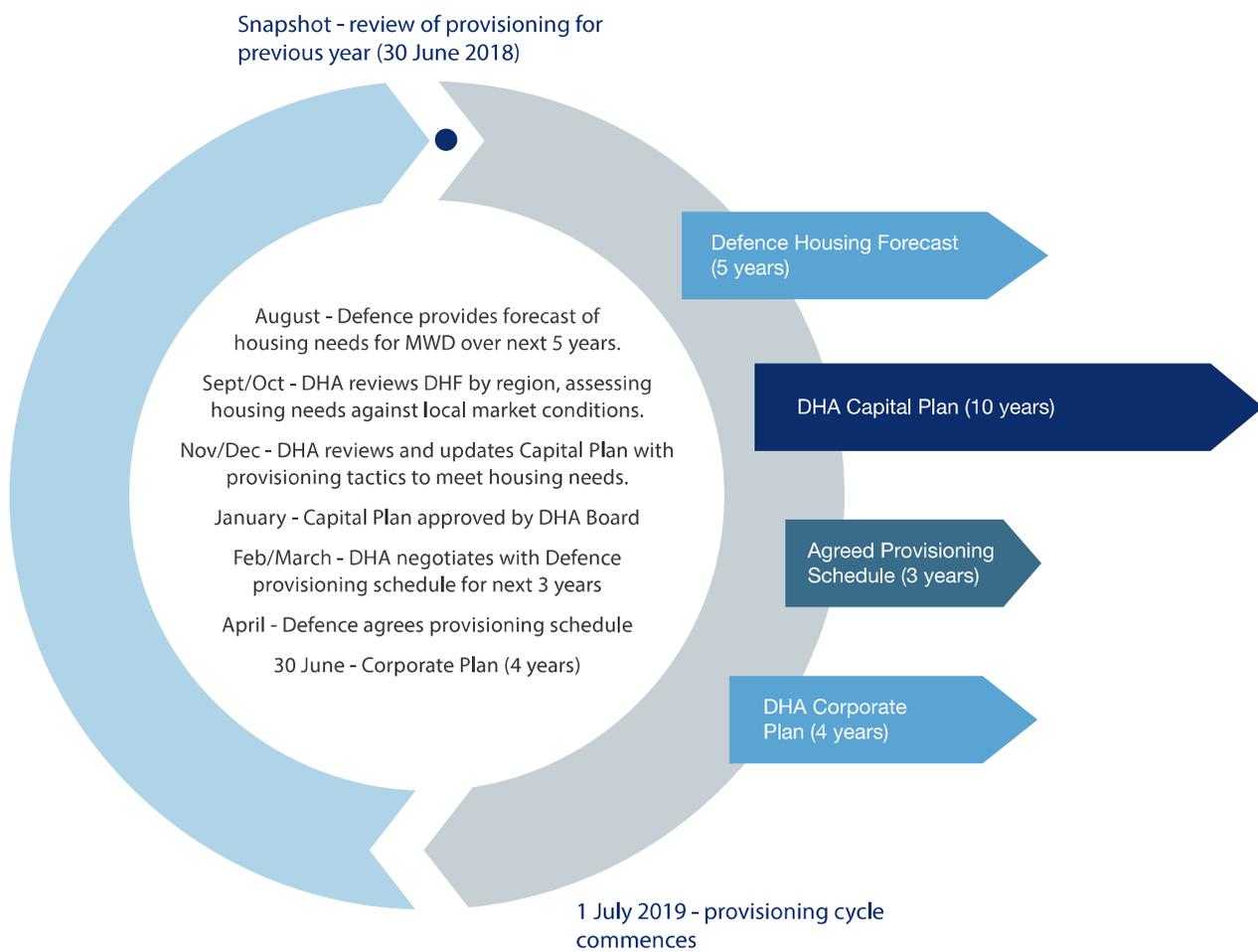
The DHF is used to determine a target demand for housing as the basis for preparing a capital plan. The capital plan, which takes into account properties we own, lease and manage on behalf of Defence, sets out how DHA intends to add to our portfolio (through development, construction, acquisition and direct leasing) and intends to dispose of properties from our portfolio over the next 10 years.

Once the Board has endorsed the capital plan, it is reflected in a Draft Provisioning Schedule (DPS) which sets out the proportion of MWD housing by DHF area we can supply Defence for the next three years for review by Defence. We generally plan to meet approximately 90 percent of the target demand requirement. The remainder of ADF members rent accommodation privately and receive rent allowance administered by DHA on behalf of Defence. Once negotiations are complete and Defence accepts the DPS it is reflected in the Agreed Provisioning Schedule (APS) and incorporated into our Corporate Plan. Under contractual arrangements with Defence, our target is to meet 99 percent of the MWD provisioning target as set out in the approved schedule.

Figure 2.7 shows an annual provisioning planning cycle.

Figure 2.7

Annual provisioning planning cycle



## Member Choice Accommodation housing

Unlike MWD housing, Defence does not provide us with a forecast of the number of Member Choice Accommodation (MCA) properties it requires. Defence nominates priority locations for MCA housing and a minimum number of properties in the priority locations for us to provision.

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

## Rent Allowance

When a Member with Dependants (MWD) or Member with Dependants (Unaccompanied) (MWD(U)) cannot be provided with service accommodation (either a service residence or MCA property) at the member's rent band classification, or if the home and grounds provided are not suitable for pets, an ADF member (and their family if applicable) may choose to rent through the private rental market.

ADF members are responsible for finding the accommodation but must engage with DHA (on behalf of Defence) to seek rent allowance approval. DHA is then responsible for administering the payment of their Defence funded rent allowance payment.

## Living in Accommodation

We manage the online booking system for approximately 41,000 Defence owned and maintained beds across 52 Defence bases and establishments. This Living in Accommodation (LIA) caters for ADF members, reservists and Defence employees who require permanent, transit, temporary and course accommodation to fulfil Defence's operational needs.

Refer to Part 3 of this report for more information about our housing portfolio, housing solutions, MWD and MCA provisioning in 2018–19.

## Related services

### Property and tenancy management

We ensure there is a range of quality, well maintained properties in key locations to meet the housing needs of ADF members and their families. From the moment an ADF member receives their posting order, we provide information and support to assist them to find a home that best suits their needs in their next posting location. We welcome members into their new property and conduct regular inspections to ensure the properties are well maintained.

We have dedicated, Australian based contact centres to take housing and maintenance calls from ADF members. We manage a panel of contractors who take care of all property maintenance. By using local contractors, we offer prompt, high quality service, while supporting local urban and regional economies.

### 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 1–15 years.

### Commonwealth Heritage Listed properties

On behalf of Defence, we manage and conserve 61 Commonwealth Heritage Listed (CHL) properties at ADF bases and establishments across Australia in accordance with the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). 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 defending our nation. We plan and undertake conservation activities in accordance with the EPBC Act, a heritage management framework and heritage strategy.

### Information technology and reporting

As the administrator of housing policy for Defence, we have designed and developed information technology platforms to effectively capture ADF member transactions, and enable ADF members, their dependants and our maintenance contractors to perform a range of tasks online. DHA continues to work with various parts of the Department of Defence to share the data and insights formulated from our close working relationship. This continues to provide inputs into the departments operations and decision making across operations and policy.

Our web based platform, online services went through a refresh during the 2018–19 period with a focus on overall customer experience and bringing the system into alignment with current industry expectations. The ADF member experience was piloted prior to the peak posting period (December–January). Following feedback from ADF members, program releases enhancing the systems capability occurred approximately every 4–6 weeks.

We had over 1,000 responses to our changes with the majority being of a positive nature.

Refer to Part 3 of this report for more information about our related services and Part 4 for more information about Information Management and Systems.

## Case study

# Services for our Defence members



*While Defence is responsible for determining ADF member pay, conditions and entitlement to subsidised housing, DHA's core business is to provide suitable housing and related services to ADF members.*

When Lieutenant Commander (LDCR) Johnathan Ford moved his family to Australia from the UK, he couldn't have been happier with the standard of housing DHA delivered.

'Ever since I was a kid I always wanted to be in the Army or the Marines and it hasn't disappointed,' said LDCR Ford, who served in the Royal Marines Commandos for 24 years before joining the Australian Navy.

'We moved from the UK to Australia because we wanted to invest in our family and give them every opportunity we could. One of those opportunities is a more outdoor life for our kids.'

LDCR Ford posted to Australia in 2014, relocating with his partner Heidi and their child, with a second on the way. This is a giant leap by anyone's measure, but Heidi is overjoyed with the quality of DHA homes and services.

'Compared to the properties back in the UK, DHA's houses are definitely more modern and better quality. Even when maintenance issues happen—and they happen everywhere you go—DHA has been so helpful in taking care of everything. They're brilliant! I literally phone them and someone contacts me within the next couple of days and then it's done.'

The housing package we secured is great. It has everything we wanted.

Life in the Defence Force has opened up so many doors for me, especially the opportunity to travel,' LDCR Ford added. 'While there are different challenges out here, it's great to be able to join another professional body with the same drive and we love our new home.'



# Services to investors

Investors are important to us as they help us sustain our property portfolio. We sell and lease back properties through our property investment program, directly lease properties from private owners, provide mid-lease sales support services and negotiate with existing investors to renew or extend leases.

## Our lease agreement

We provide investment opportunities across Australia. Distinguishing features of our lease agreement include:

- › a long lease term (typically six to 12 years; greater when lease options are exercised)
- › a reliable rental income payable from the date of settlement and no loss of rental income if the property is not occupied<sup>4</sup>
- › an extensive range of property care services provided during the lease term in return for a service fee and make good of the property at lease end (includes professional cleaning and, depending on the length of the lease, repainting and/or re-carpeting).

Our web based system, online services, provides investors with self service capability to view information and perform a range of tasks related to their properties.

Refer to page 38 in this section of the report for information about the proportion of our housing portfolio that is leased.

Refer to Part 3 of this report for more information about our services to investors and investor satisfaction.

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<sup>4</sup> Rent may be subject to abatement in limited circumstances.

## Case study

# Do what you love ... we do



*DHA is unlike any other business in the world. We provide housing to Defence personnel, funded through the sale and lease back of investment properties.*

We compete with property and non property investment companies, but our property investment program—with its rental guarantee and property care program—provides a rare intangible, called peace of mind. We take the hassle and worry out of owning property investments.

DHA investors, Tony and Bec Ward, live in Kurnell, on the edge of Sydney NSW, raising three healthy, active children while running a music recording studio as their small business. After building a small investment portfolio of four properties in the private rental market, they discovered DHA's property investment program and have never looked back.

'DHA is by far the best investment that we have ever made. So much so that after the first one, we bought another one pretty much straight away,' said Tony.

'What attracted us is that we didn't have to be involved in being a landlord. We were very aware of the costs involved in being a landlord and sometimes those costs can get out of control, just with the changeover of one tenant, there's almost 10 percent of your turnover for that year gone.

Another good thing about DHA is that they are hassle free to deal with. If you've got a question, they are just a call away—they answer the phone immediately and they have the answers. DHA not only takes care of everything, but they make you feel secure as well.

There are many benefits to a DHA property, but the main thing is time. With three children and our own business, we need to have time.

Bec and I are very passionate about music and having a studio was our dream. We started Studio 57 in 2004. We absolutely love it—it rewards us in so many ways. We started working with the Disability Society of Australia helping children that were in need. It evolved into a great little complex where we do rehearsals and recordings for bands. We work with kids to get them off the streets and get them into bands. We have about 160 students at any given time.

If I were to give my younger self some advice, I would recommend investing in a DHA property a lot earlier as it would have given me the opportunity to create more time for my family.'

# Housing portfolio

As at 30 June 2019, we managed 17,948 properties in all capital cities, major regional centres and remote locations of Australia where the ADF has a presence (refer Figure 2.8)<sup>5</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 66 in Part 3 of this report for details on our housing portfolio by region.

Figure 2.8

National housing portfolio 30 June 2019<sup>6</sup>



National portfolio	
MWD	16,358
MCA	1,373
Other	217
<b>Total</b>	<b>17,948</b>

<sup>5</sup> Property state information reported in this table is by Defence Housing Forecast (DHF) rather than physical locations, e.g. properties in Queanbeyan are in Canberra DHF and are reported in ACT. Properties in Albury are in Wodonga DHF and are reported in VIC.

<sup>6</sup> Total portfolio managed by DHA on behalf of Defence which 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 217 properties that are either not on the Defence rent bill while they undergo major works, are preparing for development or are being transferred out of the portfolio).

## Property type, amenity and location

### Our Member with Dependants portfolio

Member with Dependants (MWD) service residences must comply with minimum Defence standards in terms of location and amenity. Depending on the Defence Housing Forecast (DHF) area, service residences are either classified by market rent (known as rent bands) or by property amenity. In general, service residences should not be more than the greater of 30 kilometres one way by road (or 150 minutes for a round trip using public transport) from the base or establishment where the ADF member works.

Service residences generally comprise three to four bedrooms, separate lounge and dining areas, kitchen, laundry, bathroom, ensuite, single garage (or carport in the Northern Territory) and a 35 square metre backyard (or 25 square metre backyard in Sydney). Where newly constructed, MWD service residences must achieve a minimum six star energy efficiency rating (EER).<sup>7</sup>

As indicated in Figures 2.9 to 2.11, the majority of our MWD portfolio features modern, freestanding houses that are up 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 strict Defence compliance standards. ADF members typically choose to live in a rent band choice housing because the location suits their lifestyle.

Figure 2.9

MWD portfolio by type 30 June 2019

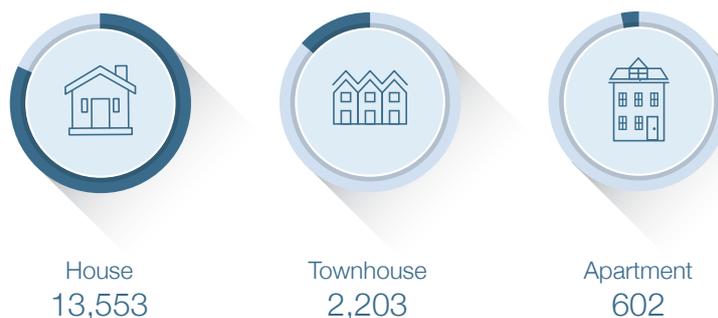


Figure 2.10

MWD portfolio by age (years) and number of properties 30 June 2019

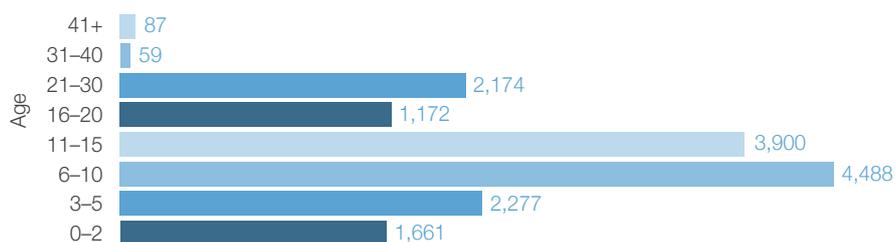


Figure 2.11

MWD portfolio by number of bedrooms 30 June 2019

Number of bedrooms	Number of properties
1	5
2	407
3	5,918
4	9,596
5	419
6	11
7	2

<sup>7</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.

**Our Member Choice  
Accommodation portfolio**

Our Member Choice Accommodation (MCA) properties offer Members without Dependents (MWOD) and Members with Dependents Unaccompanied (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 in Defence policy for MCA properties. As indicated in Figures 2.12 to 2.14, the majority of our MCA properties are two bedroom apartments that are up to five years old.

Refer to Part 3 of this report for more information about our MWD and MCA portfolio provisioning performance in 2018–19.

Figure 2.12

MCA portfolio by type 30 June 2019

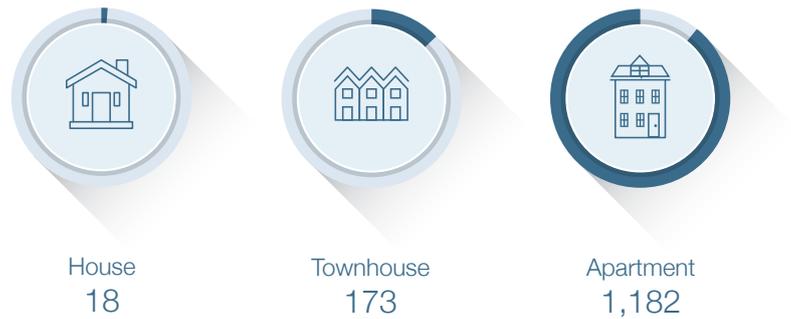


Figure 2.13

MCA portfolio by age (years) and number of properties 30 June 2019

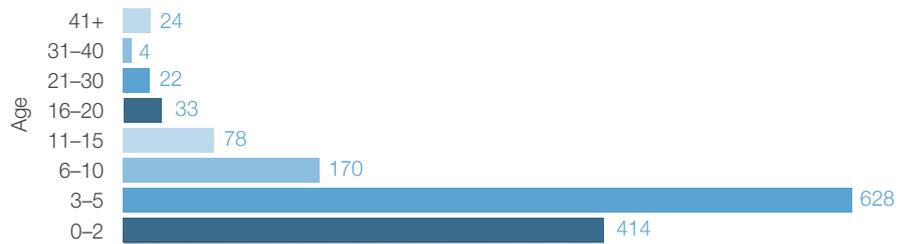


Figure 2.14

MCA portfolio by number of bedrooms 30 June 2019

Number of bedrooms	Number of properties
1	180
2	1136
3	57

## Portfolio ownership type

Ownership of our portfolio can be segmented into four categories:

### Leased

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

### DHA owned

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

### Defence owned

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

### Annuity

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

Figures 2.15 and 2.16 provides a breakdown of our MWD and MCA portfolios by ownership type.

### Figure 2.15

MWD portfolio by ownership type 30 June 2019



### Figure 2.16

MCA portfolio by ownership type 30 June 2019



## Case study

# Multi-award winning developments



*DHA's development projects won a number of awards this year in recognition of our commitment to building vibrant, healthy and sustainable homes for ADF members and the broader community.*

Throughout 2018–19, DHA received more than 11 industry acknowledgements, solidifying our place as a significant leader in Australia's development sector.

Setting DHA apart is our recent foray into higher density apartment living, innovative design concepts and commitment to building sustainable homes.

In particular, The Prince's Terrace Adelaide, has been widely recognised for its environmental footprint, receiving accolades at the Urban Development Institute of Australia (UDIA) SA Awards for Excellence, Urban Developer National Awards, and Architecture and Design Sustainability Awards over the past year.

Located in Bowden SA, The Prince's Terrace was the first residential project in the country to achieve a 6 Star Green Star design rating from the Green Building Council of Australia. The series of eight row houses and four mews apartments use 50 percent less energy and water than a typical urban townhouse with half the carbon emissions. An overall success for DHA, The Prince's Terrace received a number of other awards in 2018–19 for its world class urban design.

DHA's Breezes Muirhead and RAAF Base Darwin have also taken home accolades this year. Refer to the highlights and events in Part 1 of this report for further details.



# Part 3

## Performance reporting

Reporting framework and performance overview

Annual Performance Statement

Regional report on operational 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).

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 Portfolio Budget Statements as we are part of the Defence portfolio.

## Corporate Plan

DHA's Corporate Plan 2018–19 to 2021–22 (Corporate Plan 2018–19) and publicly available Statement of Corporate Intent 2018–19 (SCI) was provided to our Shareholder Ministers in August 2018.<sup>8</sup>

As set out in our Corporate Plan 2018–19, we worked to achieve our objectives through the fulfilment of two purposes (refer Figure 3.1). Each purpose has an associated set of performance measures, with 31 key performance indicators (KPIs) in total.

## Figure 3.1

### DHA's purposes 2018–19

Purpose 1	Provide quality housing and related services
Purpose 2	Provide a commercial rate of return to its Shareholders

<sup>8</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.

# Annual Performance Statement

Our Annual Performance Statement has been prepared in accordance with guidelines provided by the Department of Finance and shows how we performed against the two purposes and associated key performance indicators (KPIs) as set out in our 2018–19 Corporate Plan.

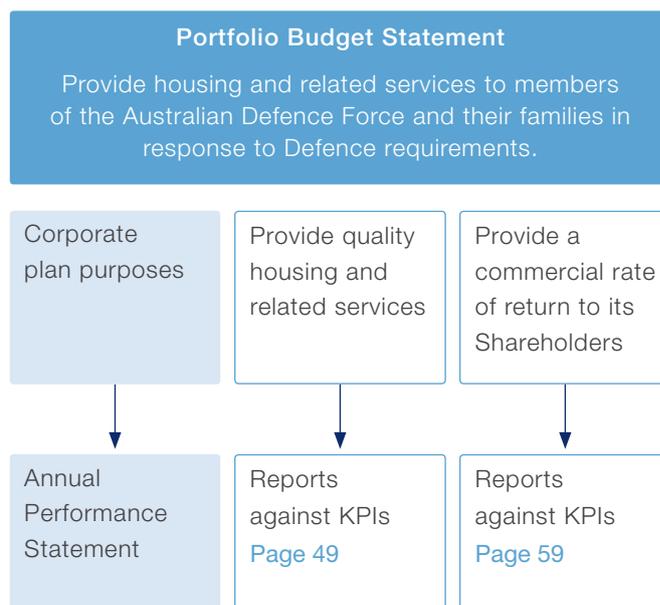
Following the performance results and analysis for each purpose, additional information on regional housing and related services is provided (from page 66).

## Relationship between our Corporate Plan and Annual Performance Statement

Figure 3.2 sets out the relationship between reporting measures outlined in our Corporate Plan and the Annual Performance Statement for 2018–19.

### Figure 3.2

Relationship between the Corporate Plan and Annual Performance Statement



## Statement of preparation

On behalf of the DHA Board of Directors, the accountable authority of DHA, we present the agency's 2018–19 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

30 September 2019



**Mr Barry Jackson**  
Managing Director

30 September 2019

## Our approach

This statement has been organised according to the two purposes in our Corporate Plan 2018–19 and shows our performance in the reporting period.

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

✓ Met target

✗ Did not meet target

## Results snapshot

**Table 3.1: Results against KPIs 2018–19**

Purpose 1: Provide housing solutions for ADF members and their families to meet Defence operational requirements		
Properties provisioned for Defence (MWD)	✗	Table 3.2
Properties provisioned for Defence (MCA)	✗	Table 3.3
Properties constructed or purchased (MWD)	✗	Table 3.4
Properties constructed or purchased (MCA)	✗	Table 3.5
Members satisfied with their service residence	✓	Table 3.6
Members satisfied with overall customer service	✓	Table 3.7
Members satisfaction with maintenance on occupation	✓	Table 3.8
Members satisfied with completed maintenance	✓	Table 3.9
Investors satisfied with overall customer service	✓	Table 3.10

Purpose 2: Provide a commercial rate of return for its Shareholders		
Revenue		
Revenue from investment products (including the property investment program)	✗	Table 3.14
Revenue from the disposal sales of surplus properties		Table 3.15
Revenue from the sale of development land and property	✗	Table 3.16
Financial performance		
Total shareholder return	✓	Table 3.17
Dividend yield	✓	Table 3.18
Dividend payout ratio	✓	Table 3.19
Earnings before interest and tax	✓	Table 3.20
Earnings before interest, tax and depreciation	✓	Table 3.21
Return on equity	✓	Table 3.22
Net profit after tax	✓	Table 3.23
Underlying net profit after tax	✓	Table 3.24
Business efficiency		
Operating margin	✓	Table 3.25
Return on capital employed	✓	Table 3.26
Debtors age (days)	✓	Table 3.27
Leverage/solvency		
Gearing ratio	✓	Table 3.28
Interest cover	✓	Table 3.29
Current ratio	✓	Table 3.30
Liquidity ratio	✗	Table 3.31
Staffing		
Staff retention and turnover rate	✓	Table 3.32
Staff engagement	✗	Table 3.33
Total recordable injury frequency rate (TFIFR) and OHS incident rate	✗	Table 3.34
Wages and expense ratio	✗	Table 3.35

## Overarching analysis of performance against our purposes

In 2018–19 we achieved 21 KPIs as set out in our Corporate Plan 2018–19, while a further ten KPIs were not met.

Our ability to achieve our KPIs is affected by our service agreements with Defence, their accuracy of housing requirement forecasting, their policy framework and decisions; as well as regional property markets and economic factors.

### **Purpose 1—Provide quality housing and related services**

On 16 July 2018, DHA requested a revision by Defence of the 2018–19 Provisioning Schedule to ensure a financially sustainable level of provisioning was delivered to continue to meet contractual requirements with Defence. A revised target was agreed as an amendment to the Approved Provisioning Schedule (APS). The 2018–19 Corporate Plan target was not amended to reflect this change. Despite the reduction, the revised provisioning target was not met due to:

- › provisioning efforts throughout the year focused on priority locations as determined by Defence
- › deferred and delayed activities in construction and retail construction projects and the acquisition program
- › unachieved targets in Adelaide and Wodonga
- › withdrawal from acquisitions under contractual terms in Rockingham
- › higher than planned volumes of properties being handed back to investors

Most significantly, we were able to meet all of our customer service related KPIs which reflects our dedication to improving our customer service in support of our key customer groups: ADF members and investors.

### **Purpose 2—Provide a commercial rate of return to its Shareholders**

We were able to meet the majority of our financial performance KPIs. While market conditions adversely affected DHA's full year revenue generation targets, the net margin achieved in development activities exceeded expectations and had a favourable impact on the annual financial performance targets. We also realised savings on our operating and personnel costs contributing to the higher than expected financial performance outcomes.

The financial KPIs that were not met can be attributed to the slow property market, strict lending conditions in the finance market and the availability of suitable stock nationally.

#### *Responding to challenging circumstances*

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

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

- › undertook a review of the property investment program and the disposal program to enable sustainable portfolio management while providing funding support
- › engaged an external provider, PwC, to review financial hurdles, as they relate to spot acquisitions, constructions and major developments
- › commenced a review of our major development projects, to examine the provisioning need and ensure that financial return measures are both acceptable and sustainable, with reference to current market conditions, Defence operational needs and project specific attributes.

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

- › reliance as a primary funding source creates risk
- › the availability of affordable and attractive investor properties that meet DHA and Defence requirements
- › exposure to regulatory and market movements.

We will therefore be reviewing the long term sustainability into 2019 and beyond.

### *Accounting standards implementation project*

From 2019–20, DHA must comply with new accounting standards that, due to the large number of leases managed (approximately 13,000), will have a greater impact on operations than any other public sector or corporate organisation. Accounting standard AASB 16 Leases imposes a significant compliance burden on DHA due to the intricacies of new accounting transaction treatments, combined with the sheer size of DHA's leasing arrangements (including sale and leaseback arrangement), and our unique requirement to prepare not for profit and profit financial statements.

In order to comply with the new accounting standards DHA consolidated various aspects of our accounting standards implementation and business improvement activities into a single project to upgrade the financial systems. The project went live on 30 June 2019.

Using existing technology and corporate data, the upgrade has automated complex leasing calculations to interface with the finance system and create accounting journals. The system will generate over 1.2 million accounting calculations and journal lines each year that would otherwise be calculated and entered manually, and has radically reduced the potential audit risk.

In total, nine major AASB 16 functions have been automated and, in the process, other improvements were identified to deliver additional benefits to the business with regard to transparency and auditability.

The system upgrade will ensure that DHA's approach is financially sustainable and will be able to evolve as needed in an ever changing operating environment.

### *Review of the capital program and provisioning approach*

DHA rebalanced its portfolio to ensure ongoing sustainability, optimal use of capital and that we met Defence's minimum provisioning requirements by region and by rent band. The changes occurring over a number of years, will see DHA successfully achieve 90 percent provisioning against target demand by 2020–21, minimising property vacancy, reducing lease commitments where possible in light of the accounting standard changes and realising savings over four years to relieve pressure on funding requirements.

## Purpose 1: Provide quality housing and related services

We administer Defence housing policy and provide housing and related services to ADF members and their families in accordance with service agreements with the Department of Defence. Our services under this purpose include:

- › provision a property portfolio, and manage and maintain housing
- › assist ADF members and their families find a housing solution through our Housing Consultants located around Australia and online services system
- › provide a booking and allocation service
- › administer the payment of allowances for ADF members occupying rental accommodation
- › construct and acquire properties to meet Defence housing demands
- › redevelop properties to meet Defence standards.

## Performance results

**Table 3.2: Purpose 1, KPI: Properties provisioned for Defence (MWD) result**

Corporate Plan target	Result	Achievement
16,775 properties	16,358 properties	✘
<p>On 16 July 2018, DHA requested a revision by Defence of the 2018–19 Provisioning Schedule to ensure a financially sustainable level of provisioning was delivered to continue to meet contractual requirements with Defence. A revised target of 16,543 properties was agreed as an amendment to the Approved Provisioning Schedule (APS). The 2018–19 Corporate Plan target was not amended to reflect this change. The actual achievement of 16,358 properties provisioned for MWD is a shortfall of 185 properties against the revised provisioning target and 417 properties against the target as set in the 2018–19 Corporate Plan. This result equates to 97.4 percent provisioning against the approved provisioning schedule.</p>		

**Table 3.3: Purpose 1, KPI: Properties provisioned for Defence (MCA) result**

Corporate Plan target	Result	Achievement
1,524 properties	1,373 properties	✘
<p>As stated above, the APS was revised in July 2018 and the provisioning target for MCA was reduced to 1,405. The 2018–19 Corporate Plan target was not amended to reflect this change. Provisioning efforts throughout the year focused on priority locations as determined by Defence, noting that provisioning in non priority locations is discretionary for DHA under the terms of the current contract. The result was a shortfall of 32 properties against the revised provisioning target and a shortfall of 151 properties against the target as set in the 2018–19 Corporate Plan.</p>		

**Table 3.4: Purpose 1, KPI: Properties constructed or purchased (MWD) result**

Corporate Plan target	Result	Achievement
507 properties	387 properties	✗
<p>As stated above, the APS was revised in July 2018 and the updated provisioning target for constructed or acquired properties was 439 properties. The result was a shortfall of 52 properties against the revised provisioning schedule and a shortfall of 120 against the Corporate Plan target. The shortfall relates to:</p> <ul style="list-style-type: none"> <li>➤ deferred and delayed activities in construction and retail construction projects and the acquisition program</li> <li>➤ unachieved targets in Adelaide and Wodonga</li> <li>➤ withdrawal from acquisitions under contractual terms in Rockingham.</li> </ul>		

**Table 3.5: Purpose 1, KPI: Properties constructed or purchased (MCA) result**

Corporate Plan target	Result	Achievement
393 properties	95 properties	✗
<p>As stated above, the APS was revised in July 2018 and the provisioning target for MCA was reduced to target 121 constructions and acquisitions. Sunset clauses on MCA acquisitions in Canberra were exercised without replacement stock being sought on the basis that Defence does not deem Canberra a priority provisioning location. Additions in Melbourne were foregone on the same basis. Whilst Newcastle and Ipswich were priority locations, acquisitions fell short of the target due to a lack of appropriate product. In total, there was a shortfall of 26 against the revised target and 298 properties against the target as set in the 2018–19 Corporate Plan.</p>		

**Table 3.6: Purpose 1, KPI: Members satisfied with their service residence (SR) result**

Corporate Plan target	Result	Achievement
>80%	89%	✓
<p>Annually, we survey MWD (or their partner) who have lived in their service residence for more than 12 months to measure their satisfaction with housing. In 2018–19, 89 percent of 2,603 survey participants were satisfied with their current service residence. This result is statistically consistent with the result achieved last year (90 percent) and the results for the past five years have been consistently above the target rate of 80 percent.</p>		

**Table 3.7: Purpose 1, KPI: Members satisfied with overall customer service result**

Corporate Plan target	Result	Achievement
>80%	95%	✓
<p>On a rolling quarterly basis, we survey MWD (or their partner) who have relocated into or from a service residence to measure overall satisfaction with their customer service experience in finding a new residence, vacating the current residence and moving into a new residence. In 2018–19, 95 percent of 2,612 participants were satisfied with their customer service experience which was consistent with last year's results.</p>		

**Table 3.8: Purpose 1, KPI: Members satisfaction with maintenance on occupation**

Corporate Plan target	Result	Achievement
>80%	98%	✓
<p>On a rolling quarterly basis, we randomly survey MWD (or their partner) to determine their level of satisfaction with the standard of maintenance of the property upon occupation. In 2018–19, 98 percent of 4,671 surveyed members were satisfied with the standard of maintenance on occupation which was consistent with last year's results.</p>		

**Table 3.9: Purpose 1, KPI: Members satisfied with completed maintenance result**

Corporate Plan target	Result	Achievement
>90%	97%	✓
<p>On a rolling quarterly basis, we randomly survey MWD (or their partner) who have had maintenance works undertaken at their service residence to determine whether the work was completed to a satisfactory standard as well as the contractors performance during the visit. During 2018–19, 97 percent of 6,496 surveyed members were satisfied with the overall service which indicates high levels of satisfaction across both categories.</p>		

**Table 3.10: Purpose 1, KPI: Investors satisfied with overall customer service result**

Corporate Plan target	Result	Achievement
>90%	94%	✓
<p>On an annual basis, we survey investors at all stages of their lease with DHA to measure satisfaction with customer service and aspects of property management. In 2018–19, 94 percent of 8,017 respondents indicated that they were satisfied with their overall customer service experience, this result is consistent with results from 2017–18.</p>		

## Performance analysis

### Housing solutions for ADF members and families

#### *Member with Dependants (MWD) provisioning summary*

As part of broader business strategies, the targets for MWD provisioning in 2018–19 were renegotiated with Defence in July 2018. The Corporate Plan was not subsequently adjusted, however internal provisioning targets were adjusted down to reflect the revised Approved Provisioning Schedule (APS).

**Table 3.11: National MWD portfolio performance 30 June 2019**

	Actual 2018–19	Corporate Plan 2018–19	Variance	Revised APS
Opening balance 1 July 2018	16,702	16,744	(42)	16,702
Acquisitions	135	189	(54)	184
Constructions	252	318	(66)	255
Direct leases	68	97	(29)	75
Lease renewals/options	1,235	1,212	23	1,238
Total additions	1,690	1,816	(126)	1,752
Lease ends	1,889	1,704	185	1,769
Disposals	90	73	17	81
Handbacks/transfers	55	8	47	61
Total subtractions	2,034	1,785	249	1,911
Closing balance 30 June 2019	16,358	16,775	(417)	16,543

### MCA provisioning summary

Concurrent with negotiating the revised Approved Provisioning Schedule (APS) for MWD provisioning, the MCA provisioning targets were reduced. Again, while no changes were made to the Corporate Plan targets, internal provisioning targets were adjusted to reflect the revised APS.

**Table 3.12: National MCA portfolio performance 30 June 2019**

	Actual 2018–19	Corporate Plan 2018–19	Variance	Revised APS
Opening balance (1 July 2018)	1,289	1,300	(11)	1,289
Acquisitions	70	98	(28)	96
Constructions	25	295	(270)	20
Direct leases	28	33	(5)	33
Lease renewals/options	32	32	0	31
Total additions	155	458	(303)	180
Lease ends	68	51	17	58
Disposals	4	183	(179)	6
Handbacks/transfers	(1)	0	(1)	0
Total subtractions	71	234	(163)	64
Closing balance (30 June 2019)	1,373	1,524	(151)	1,405

## Property and tenancy services for ADF members and investors

Complementing the housing solutions we provide ADF members and their families, DHA provides a suite of property and tenancy related services in accordance with Defence policy and service agreements with Defence. Additionally, we provide a number of property care services to investors in accordance with lease agreements.

Table 3.13 reflects the total number of property and tenancy related services being performed in the management of our extensive portfolio. Refer to page 68 for a regional breakdown of the totals.

### Housing allocations

We aim to maximise the number of properties available to ADF members and their families at all times, particularly during the peak Defence relocation period. One measure of our success is the percentage of ADF members who, before they arrive, reserve a Service Residence (SR) in the location where they are being posted. In the reporting period, 7,588 housing allocations were facilitated for DHA managed properties and 96.45 percent of ADF members selected a home, prior to arriving in their new location.

**Table 3.13: National property and tenancy services performance 30 June 2019**

Property and tenancy management service	Number
Housing allocations	7,588
Property inspections	61,981
ADF members receiving RA	16,266
Leases managed	12,775
Maintenance work orders raised	245,697

### DHA managed properties

Unlike traditional real estate property management, DHA delivers property management services only to ADF members and investors. We therefore undertake activities distinctly tailored to our customer focus and to ensure a high level of property care. Our focus on quality services result in a higher number of property inspections.

In 2018–19, we completed 61,981 property inspections. More than 11,699 were periodic inspections where we reviewed the condition of the property and, where applicable, provided an inspection report to the owner (investor).

We completed 7,101 welcome visits, where we met with the ADF member (or their appointed agent) who were tenancing the service residence for the first time. We went through the condition report, demonstrated how appliances work, and provided them with a welcome pack.

### DHA Contact Centres

The DHA Housing Contact Centres (HCC) and the Living in Accommodation Contact Centre (LIA CC) play an important role in delivering exceptional customer service for our housing, maintenance and Living in Accommodation (LIA) support and management services. During the reporting period we:

- › managed 291,305 bookings made by ADF members via the online system
- › processed 196,587 bookings through the LIA CC
- › received 121,266 calls at an average of 10,105 calls per month.

### Rent allowance

When a Member with Dependant (MWD) or Member with Dependents Unaccompanied (MWD(U) service residence (SR) or Member Choice Accommodation (MCA) property is not available at the ADF member's rent band classification, or if the home and grounds are not suitable for pets, an ADF member (and if applicable, their dependants) may choose to rent through the private market. ADF members are responsible for finding the accommodation however they must engage with DHA (as delegate for Defence) to seek approval. We are then responsible for administering the payment of their Defence funded rent allowance (RA).

In 2018–19, we administered 10,544 RA applications for ADF members nationally. The three locations with the highest number of RA applications were: Sydney (2,368), Brisbane (1,078), and Canberra (1,049). The majority of RA applications in these locations relate to MWOD or MWD(U). In Brisbane, 68 percent of applications were for MWOD and six percent for MWD(U). In Sydney, 60 percent of applications were for MWOD and 18 percent for MWD(U). Canberra received 39 percent of applications from MWD, 41 percent of applications from MWOD and 20 percent from MWD(U). This is indicative of provisioning difficulties in Canberra for MWD.

### Leased property management

In 2018–19, we managed 12,775 properties on behalf of investors. A dedicated team worked across the business to deliver positive outcomes for investors. We continued to improve our mid lease sales program assisting more than 150 owners in selling their property during the lease term, by providing access to a panel of real estate agents with experience in selling DHA investment properties.

In 2018–19, 81 percent of all sales facilitated through this program.

### Repairs and maintenance

Under the Services Agreement with Defence, we must maintain our properties to an agreed standard. For this reason, our current lease agreement with investors includes property care, which provides a range of property related services we undertake on behalf of the investor in return for a fixed service fee.

In 2018–19, we raised 245,697 work orders for maintenance of properties we managed including maintenance requests from tenants, maintenance we elected to undertake between tenancies and rectification of damage and defects. A panel of approximately 800 qualified businesses across Australia assisted us to ensure maintenance works were completed in a timely manner and to a high standard.

## Living in Accommodation

In 2018–19, we continued to transition to the management of LIA rooms for recruit schools. These arrangements are now embedded within our business as usual settings, ensuring Defence's asset usage is maximised.

In the reporting period, ADF members or Defence personnel made over 59 percent of all LIA bookings using the self service system. The remainder of all other bookings were managed by the LIA Contact Centre.

## Property upgrades

DHA has managed the Defence upgrades program on behalf of the Department of Defence since 2009. Since commencement and prior to 30 June 2018, a total of 775 upgrades to dwellings in Australia (including remote locations) were completed by DHA.

During the reporting period, DHA completed 51 upgrades:

- › two upgrades at HMAS Watson (NSW)
- › six upgrades at East Sale (VIC)
- › 43 upgrades at Seaward Village, Swanbourne (WA).

## Commonwealth Heritage Listed properties

As at 30 June 2019, on behalf of Defence, DHA managed 61 Commonwealth Heritage Listed (CHL) properties at ADF bases and establishments across Australia in accordance with the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). DHA owns 16 houses and two development sites which are Commonwealth Heritage Listed.

DHA undertook conservation activities in accordance with the EPBC Act and the DHA Heritage Strategy. Implementation of the DHA Heritage Strategy is monitored through annual evaluation and requires:

- › the maintenance and conservation of any identified heritage property
- › heritage studies, conservation management planning and other activities relating to the identification, protection, conservation, presentation and transmission of any Commonwealth Heritage values of a place
- › identification of Commonwealth heritage values on all DHA owned sites/properties.

During the reporting period, DHA continued a major program of works to conserve and upgrade Defence owned Commonwealth Heritage Listed properties, including:

- › heating and air conditioning installation to properties with insufficient services nationally
- › remediation of lead dust and lead paint issues of properties nationally
- › upgrade and refurbishment of VIP properties at RMC Duntroon, Canberra (ACT).

## Online services and information technology

Our web based platform, Online Services, complements our traditional service delivery and provides ADF members (or their delegates), investors and contractors with the ability to view various property related information and access self service activities.

In 2018–19, the online services platform was improved to allow DHA's repairs and maintenance panel of contractors the ability to complete a range of tasks online, including the annual rate review process and work health and safety reviews. The Defence Community Hub is now available in online services, providing ADF members and their families with the opportunity to research information about their new posting locations such as childcare, schools and community groups and centres. Visibility of vacant service residences in a location are available for ADF members to view prior to them re-signing a rental property lease.

Refer to Figure 3.3 and 3.4 on page 58 for online service usage.

### Customer satisfaction and surveys

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

As set out in Tables 3.6 to Table 3.10 (refer to pages 50 and 51), we exceeded both ADF member and investor customer service satisfaction targets (95 percent of 2,612 participants and 94 percent of 8,017 respondents respectively) in 2018–19. The results were statistically similar to those achieved in 2017–18.

In addition to seeking feedback via surveys, we invite general feedback, compliments and complaints from our customers, stakeholders and the public. In 2018–19, we received 565 formal complaints nationally. This was a 25 percent decrease compared with the 760 complaints received in 2017–18.

We manage all complaints in accordance with the resolution process set out in our service charter and complaints management framework, which has been developed in accordance with international standard ISO 9001:2018. Wherever possible, complaints are resolved at a local level, with assistance from our national team as needed. We use the information gained from compliments and complaints to inform business change and develop future initiatives to increase customer satisfaction.

### Customer Service Institute of Australia

Since 2006, DHA achieved independent certification from the Customer Service Institute of Australia (CSIA) against 27 international customer service standards. In 2018–19, we elected to undertake a 'health check' rather than full certification through CSIA. Assessment is made via onsite face to face interviews with senior executives and subject matter experts. DHA maintained our score of 8.52.

Figure 3.3

ADF member online services sessions 2017-18 and 2018-19

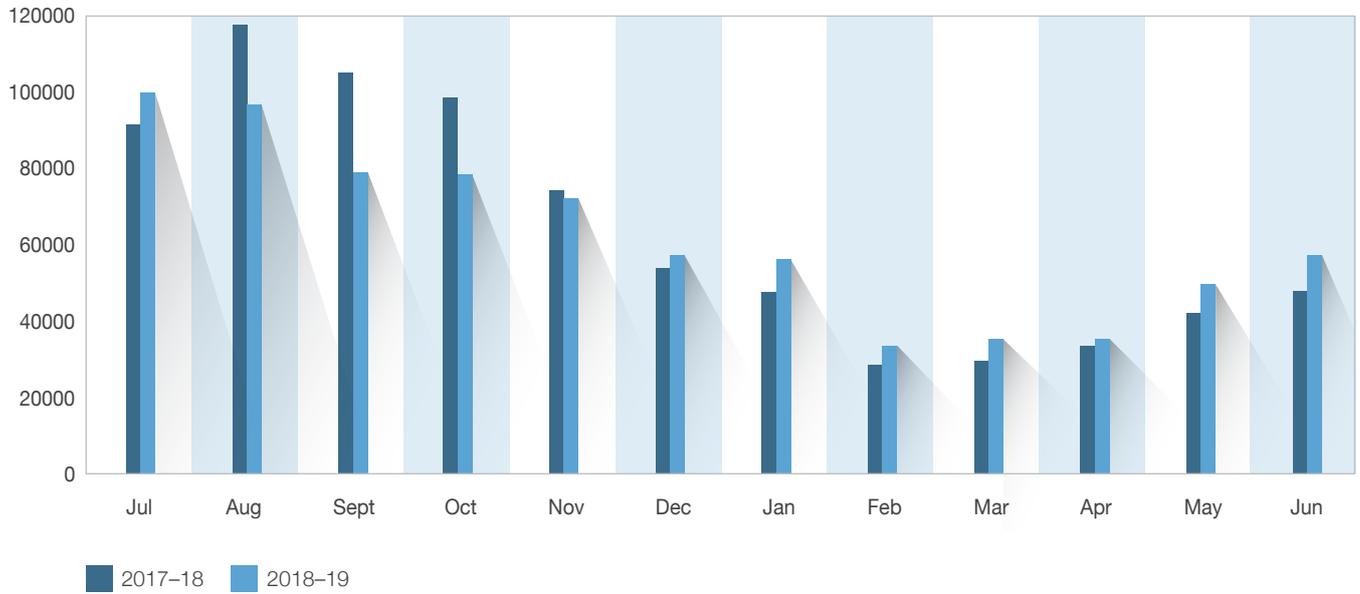
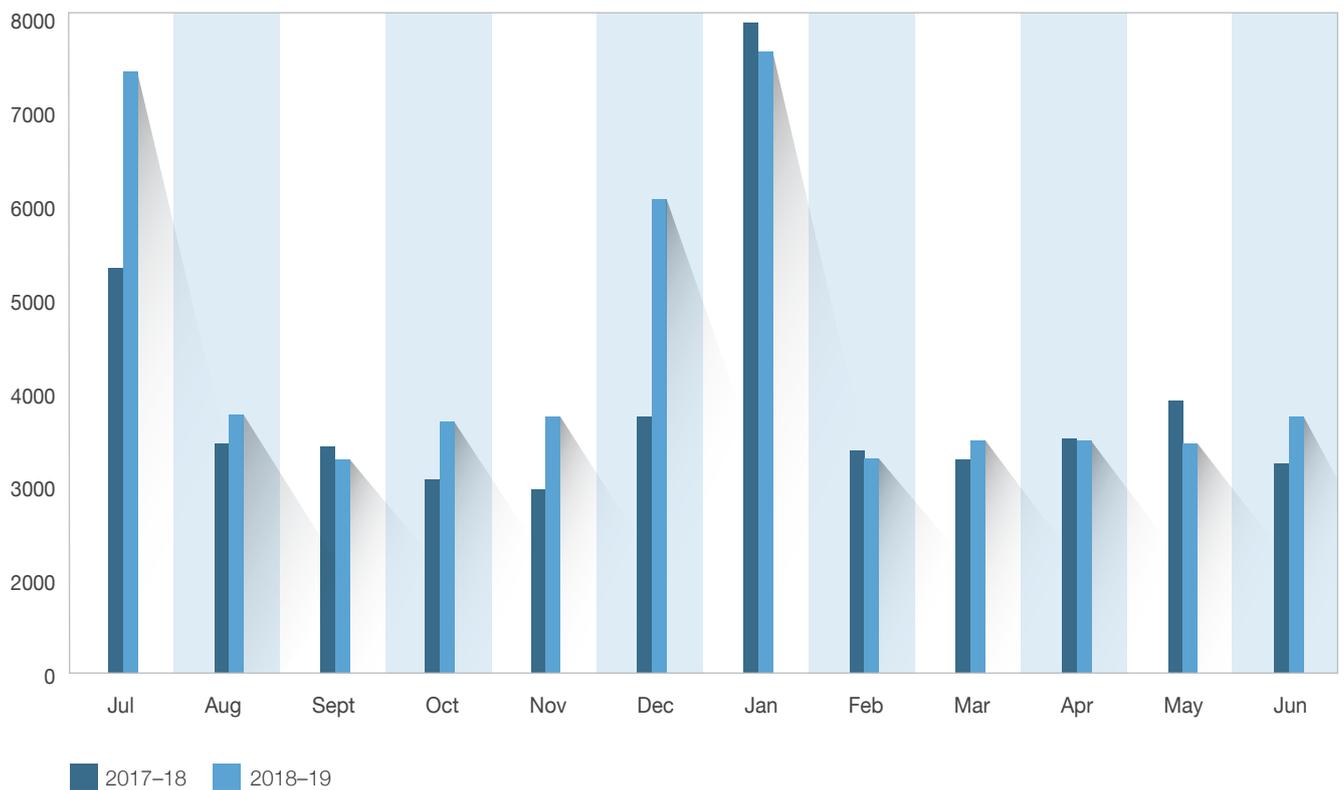


Figure 3.4

Investor online services sessions 2017-18 and 2018-19



## Purpose 2: Provide a commercial rate of return for its Shareholders

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

DHA is committed to achieving a sustainable long term financial structure and paying annual dividends to the Australian Government. As a GBE, DHA does not receive funding directly from the Federal Budget and

instead seeks to generate sufficient revenue to deliver on outcomes on a commercially sustainable basis. In doing so, DHA continues to manage a range of pressures, efficiencies and savings, while maintaining high standards of service delivery and customer satisfaction.

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

of housing in strategic locations around Australia.

Our 2018–19 Corporate Plan reflected a reduction in our business risk profile and associated profits largely driven by a reduced property investment program and rephasing of revenues arising from DHA's major developments. This reflects a repositioning to enable funding surety until such time as reliance on the property investment program is reduced and development delivery changes in response to challenging property market conditions in key areas of Defence provisioning.

## Performance results

**Table 3.14: Purpose 2, KPI: Revenue from investment products (including the property investment program) result**

Corporate Plan target	Result	Achievement
\$230.6 m	\$156.6 m	✗
A shortfall in the property investment program revenue was recorded against the target primarily due to softening property markets and restrictions on lending impacting investors' ability to secure finance.		

**Table 3.15: Purpose 2, KPI: Revenue from the disposal sales of surplus properties result**

Corporate Plan target	Result	Achievement
\$30.1 m	\$35.4 m	✓
In 2018–19, 53 properties were sold that no longer met minimum Defence standards or provisioning requirements generating revenue of \$35.4 million against a Corporate Plan target of \$30.1 million.		

**Table 3.16: Purpose 2, KPI: Revenue from the sale of development land and property result**

Corporate Plan target	Result	Achievement
\$186.0 m	\$140.1 m	✗
<p>Our development land sales revenue was \$140.1 million in 2018–19, against a Corporate Plan target of \$186.0 million. The shortfall was due to slow sales rates on developments in WA, NSW and NT as a result of poor market conditions. While the sales revenues were behind budget targets, the margin results were favourable to budget.</p>		

**Table 3.17: Purpose 2, KPI: Total shareholder return result**

Corporate Plan target	Result	Achievement
6.0%	6.5%	✓
<p>The shareholder return is the internal rate of return of all cash flows paid to Shareholders during the year. We achieved shareholder return of 0.5 percent above the Corporate Plan target.</p>		

**Table 3.18: Purpose 2, KPI: Dividend yield result**

Corporate Plan target	Result	Achievement
0.8%	1.0%	✓
<p>In accordance with GBE Guidelines, we pay an annual dividend to the Australian Government. We achieved a dividend yield of one percent which was slightly above the Corporate Plan target.</p>		

**Table 3.19: Purpose 2, KPI: Dividend payout ratio result**

Corporate Plan target	Result	Achievement
60%	60%	✓
<p>In line with the Corporate Plan target, we delivered a dividend equivalent to 60 percent of the net profit after tax (NPAT). This equates to \$24.5 million, which we will pay to the Australian Government in quarterly instalments throughout 2019–20.</p>		

**Table 3.20: Purpose 2, KPI: Earnings before interest and tax (EBIT) result**

Corporate Plan target	Result	Achievement
\$73.5 m	\$75.1 m	✓
<p>Our EBIT was \$1.6 million higher than the Corporate Plan target. While revenues from investment activities have lagged behind budget due to uncertainties in the property market, the favourable net margins on business lines in addition to savings in operating costs have resulted in the higher than target result.</p>		

**Table 3.21: Purpose 2, KPI: Earnings before interest, tax and depreciation result**

Corporate Plan target	Result	Achievement
\$104.4 m	\$112.1 m	✓
Earnings before interest, tax and depreciation was \$7.7 million above the Corporate Plan target prior to impairment being calculated.		

**Table 3.22: Purpose 2, KPI: Return on equity**

Corporate Plan target	Result	Achievement
2.4%	2.4%	✓
The return on equity of 2.4 percent is in line with the Corporate Plan target. This result was driven by a favourable performance in profit outcomes.		

**Table 3.23: Purpose 2, KPI: Net profit after tax**

Corporate Plan target	Result	Achievement
\$37.6 m	\$40.9 m	✓
Consistent with our EBIT result outlined above, we achieved NPAT of \$3.3 million above the Corporate Plan target. While revenues from investment activities have lagged behind budget due to uncertainties in the property market, the net margins on business lines in addition to operating costs savings resulted in the higher than target outcome.		

**Table 3.24: Purpose 2, KPI: Underlying net profit after tax result**

Corporate Plan target	Result	Achievement
\$37.6 m	\$40.9 m	✓
Consistent with our NPAT result outlined above, we achieved underlying net profit after tax of \$3.3 million above the Corporate Plan target.		

**Table 3.25: Purpose 2, KPI: Operating margin result**

Corporate Plan target	Result	Achievement
9.9%	12.4%	✓
Operating margin is a measurement of our operating profitability as a percentage of total revenue and is favourable to the Corporate Plan target due to a positive profit outcome.		

**Table 3.26: Purpose 2, KPI: Return on capital employed result**

Corporate Plan target	Result	Achievement
3.8%	3.8%	✓
Our return on capital employed result was in line with the Corporate Plan target.		

**Table 3.27: Purpose 2, KPI: Debtors age (days) result**

Corporate Plan target	Result	Achievement
12.85	6.8	✓
Our debtors age (days) is lower than the Corporate Plan target, reflecting a reduction in the number of days taken to collect outstanding debts.		

**Table 3.28: Purpose 2, KPI: Gearing ratio result**

Corporate Plan target	Result	Achievement
24.6%	24.5%	✗
This ratio compares the shareholder equity in DHA to the value of borrowed funds. Our gearing ratio result was in line with the Corporate Plan target.		

**Table 3.29: Purpose 2, KPI: Interest cover result**

Corporate Plan target	Result	Achievement
4.2	4.7	✓
Our interest cover ratio result was higher than the Corporate Plan target, reflective of the higher than budgeted Earnings Before Interest, Tax and Depreciation.		

**Table 3.30: Purpose 2, KPI: Current ratio result**

Corporate Plan target	Result	Achievement
5.6	7.5	✓
A measure of DHA's ability to pay short term and long term debt obligations. Our current ratio result was better than the Corporate Plan target.		

**Table 3.31: Purpose 2, KPI: Liquidity ratio result**

Corporate Plan target	Result	Achievement
0.9	2.1	✓
A ratio used to determine DHA's ability to pay off its short term debt obligations. Our liquidity ratio was better than the Corporate Plan target.		

**Table 3.32: Purpose 2, KPI: Staff retention and turnover rate result**

Corporate Plan target	Result	Achievement
<15%	13.6%	✓
Our staff retention and turnover rate was lower than the Corporate Plan target rate by 1.4 percent. Operations were not negatively impacted by this rate.		

**Table 3.33: Purpose 2, KPI: Staff engagement result**

Corporate Plan target	Result	Achievement
>75%	74%	✗
In 2018–19, DHA achieved the third highest participation rate of medium sized agencies with 88 percent of our staff participating in the Australian Public Service (APS) Census. This result was 11 percent higher than the 2019 whole of APS Census participation rate of 77 percent. Since 2017, staff engagement has decreased by 11 percent, but has remained stable over the past two years at 74 percent, demonstrating that staff remained committed, motivated and enabled to improve business outcomes. There was a positive variance in our engagement score compared with the APS overall score (+2 percentage points). DHA is currently undergoing changes within the organisation and will reduce the 2019–20 Corporate Plan target to 70 percent in line with the average result of the APS Employee Census survey.		

**Table 3.34: Purpose 2, KPI: Total recordable injury frequency rate (TRIFR) and OHS incident rate<sup>9</sup> result**

Corporate Plan target	Result	Achievement
<7	7.05	✗
TRIFR is the number of recordable injuries per million work hours. The result slightly exceeded the target set in the Corporate Plan, however the result is still lower than earlier years. We continue to see a steady rate in the number of incidents reported, which is a testament to the embedded work, health and safety outcomes.		

**Table 3.35: Purpose 2, KPI: Wage and expense ratio result**

Corporate Plan target	Result	Achievement
7.0%	8.0%	✗
This measures DHA wage and salary costs compared to total revenue. Our wages expense ratio was higher than the Corporate Plan target. Personnel costs were lower than the Corporate Plan targets, this ratio is adversely affected by lower than expected revenue.		

9 Total recordable injury frequency rates (TRIFR) has been used instead of Lost time injury frequency rate (LTIFR) as it is more descriptive and has greater business meaning.

## Performance analysis

This section provides an overview of our financial performance and management arrangements in 2018–19. Refer to Part 5 of this report for our financial statements for 2018–19 and Part 6 Appendix D of this report for a summary of our five year financial performance.

### Financial results

Overall, DHA's financial performance in 2018–19 was higher than targets set in the Corporate Plan. Uncertainties in the property market in key Defence provisioning areas, in particular Darwin and Townsville, have significantly impacted our revenue outcomes on the property investment and disposal programs and on the carrying value of our owned portfolio. However, DHA has achieved net margins that exceed the Corporate Plan targets for the year and DHA realised savings on its operating and personnel costs and repairs and maintenance spend.

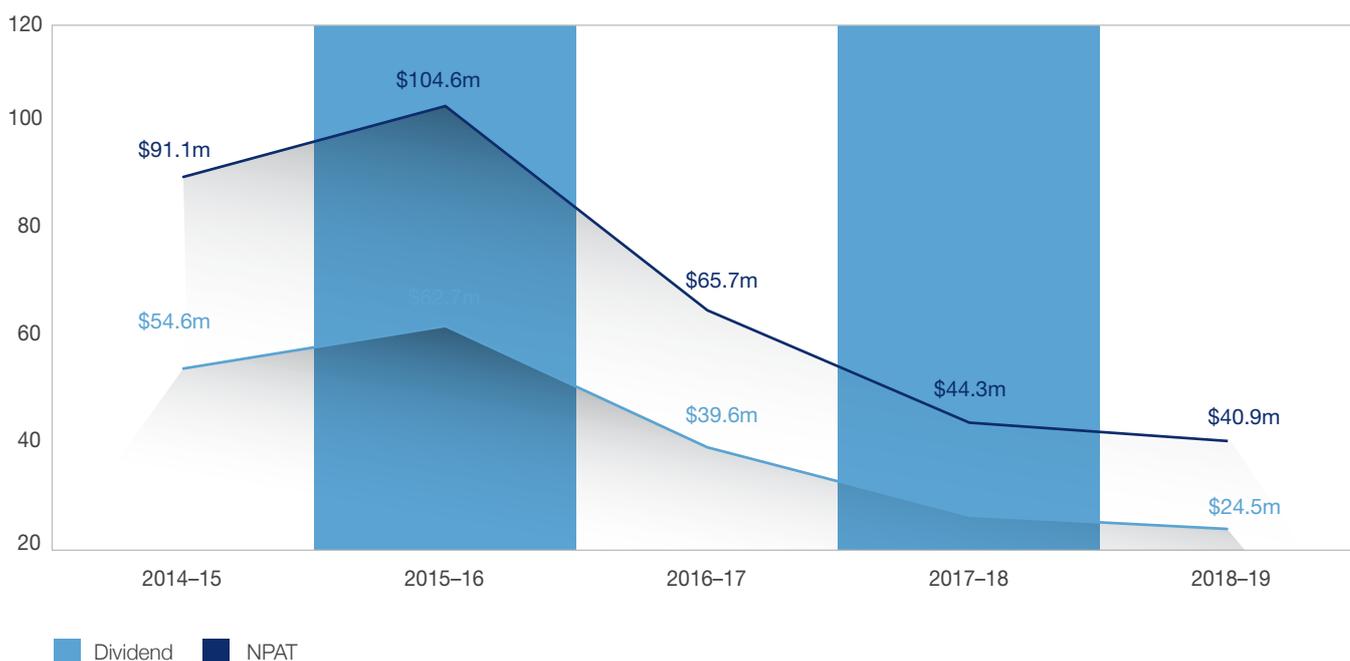
### Returns to the Australian Government

In accordance with the GBE Guidelines, we will pay an annual dividend to the Government. Based on 60 percent of our NPAT. We will pay the Government a \$24.5 million dividend for 2018–19 (paid in quarterly instalments throughout 2019–20). This equates to \$208.0 million paid in dividends over the past five years (refer Figure 3.5).

We 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 6.5 percent which was 0.5 percent above the Corporate Plan target of 6.0. This demonstrates that we continued to add to shareholder value.

Figure 3.5

Net Profit After Tax and annual dividend payments 2014–15 to 2018–19



### *Capital management*

As at 30 June 2019, we employed total capital of more than \$2.3 billion, funded through \$1.8 billion in equity and \$509.6 million in debt through a loan agreement with the Commonwealth. The Australian Government, as our owner, contributed equity of \$403.9 million. Debt is sourced through a loan arrangement with the Department of Finance.

We do not have a commercial overdraft facility or access to re-drawable loan facilities. There were no new borrowings during the reporting period, gearing was 24.5 percent and the financial results for the year provided interest cover at 4.7 times.

### *Capital structure review*

In April 2018, due to considerable interdependencies and interlinkages, DHA combined its capital structure review, accounting standards project and a significant and coordinated review of its business model into a single project.

### *Credit rating*

Standard & Poor's Rating Services conducts an annual credit rating assessment of DHA. Their report issued on 23 December 2018 confirmed a corporate credit issuer rating of AA+/Stable/ A-1+. This rating is reflective of their assessment of the effect of government ownership and the level of support implied by that ownership.

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

### *Taxation*

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

Our current tax expense represents amounts paid and payable to the Australian Taxation Office and is in the order of \$17.3 million for 2018–19. We paid \$35.0 million and will pay a further \$5.6 million to the Commonwealth (totalling \$40.6 million) in state tax equivalent payments for 2018–19.

# Regional report on operational performance

This section provides a detailed report on our operational performance by region in 2018–19.

## Northern Territory region

As at 30 June 2019, DHA managed 1,808 properties in the Northern Territory (NT) region. The majority were located in Darwin and Tindal and were freestanding three and four bedroom houses. We 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 3.36: NT region property provisioning and related services 2018–19**

	Darwin	Tindal Alice Springs	Total
Property provisioning			
Property additions			
MWD constructions/acquisitions	0	0	0
MCA constructions/acquisitions	0	0	0
Closing balance (30 June 2019)			
MWD properties	1,242	354	1,596
MCA properties	212	0	212
Property and tenancy services			
Housing allocations	604	114	718
Property inspections	5,612	1,096	6,708
ADF Members receiving rent allowance	1,342	62	1,404
Leases managed	885	0	885
Maintenance work orders raised	23,260	5,745	29,005

## North Queensland region

As at 30 June 2019, DHA managed 1,762 properties in the North Queensland (NQLD) region. The majority were located in Townsville and Cairns and were three and four bedroom freestanding houses. We 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 3.37: NQLD region property provisioning and related services 2018–19**

	Townsville	Cairns	Total
Property provisioning			
Property additions			
MWD constructions/acquisitions	4	0	4
MCA constructions/acquisitions	0	17	17
Closing balance (30 June 2019)			
MWD properties	1,445	196	1,641
MCA properties	100	21	121
Property and tenancy services			
Housing allocations	637	102	739
Property inspections	5,252	753	6,005
ADF Members receiving rent allowance	1,298	256	1,554
Leases managed	1,427	170	1,597
Maintenance work orders raised	25,679	3,721	29,400

## South Queensland region

As at 30 June 2019, DHA managed 3,420 properties in the South Queensland (SQLD) region. The majority were located in Brisbane and Ipswich and a smaller number were located in Toowoomba, Canungra and the Gold Coast. The majority of properties were three and four bedroom freestanding houses. We also managed a number of townhouses and high rise apartments. Properties in the region accommodated members working at a number of ADF bases and establishments, including Gallipoli Barracks and RAAF Base Amberley.

**Table 3.38: SQLD region property provisioning and related services 2018–19**

	Brisbane	Ipswich	Toowoomba	Total
Property provisioning				
Property additions				
MWD constructions/acquisitions	36	54	0	90
MCA constructions/acquisitions	0	6	0	6
Closing balance (30 June 2019)				
MWD properties	1,906	1,042	188	3,136
MCA properties	255	29	0	284
Property and tenancy services				
Housing allocations	817	436	86	1,339
Property inspections	7,829	3,746	617	12,192
ADF Members receiving rent allowance	1,728	1,098	168	2,994
Leases managed	1,794	879	185	2,858
Maintenance work orders raised	26,564	14,067	2,428	43,059

## New South Wales region

As at 30 June 2019, DHA managed 4,517 properties in the New South Wales (NSW) region. The majority were located in Sydney and a smaller number were located in the Hunter Valley (Newcastle and 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, School of Infantry Singleton and HMAS Creswell.

**Table 3.39: NSW region property provisioning and related services 2018–19**

	Sydney	Hunter Valley	Nowra	Total
Property provisioning				
Property additions				
MWD constructions/acquisitions	64	40	26	130
MCA constructions/acquisitions	3	5	0	8
Closing balance (30 June 2019)				
MWD properties	3,000	966	374	4,340
MCA properties	144	33	0	177
Property and tenancy services				
Housing allocations	1,099	399	137	1,635
Property inspections	10,360	3,378	1,978	15,716
ADF Members receiving rent allowance	4,252	852	331	5,435
Leases managed	2,058	848	295	3,201
Maintenance work orders raised	33,561	14,028	5,576	53,165

## Australian Capital Territory

As at 30 June 2019, DHA managed 2,863 properties in the Australian Capital Territory (ACT) and Riverina region. The majority were located in the Canberra region, which includes properties in adjacent NSW cities. A smaller number were located in Wagga Wagga (NSW), Albury (NSW) and Wodonga (VIC). The majority of properties were three and four bedroom freestanding houses, however, we 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, Latchford Barracks and the Royal Military College, Duntroon.

**Table 3.40: ACT region property provisioning and related services 2018–19**

	Canberra	Wagga Wagga	Albury/Wodonga	Total
Property provisioning				
Property additions				
MWD constructions/acquisitions	74	14	0	88
MCA constructions/acquisitions	3	0	0	3
Closing balance (30 June 2019)				
MWD properties	1,995	288	306	2,589
MCA properties	274	0	0	274
Property and tenancy services				
Housing allocations	968	162	151	1281
Property inspections	6,898	1,336	1,421	9,655
ADF Members receiving rent allowance	1,632	234	192	2,058
Leases managed	1,853	168	254	2,275
Maintenance work orders raised	22,029	3,742	4,586	30,357

## Victoria and Tasmania region

As at 30 June 2019, DHA managed 1,197 properties in the Victoria (VIC) and Tasmania (TAS) region. The majority were located in Victoria, including Melbourne, Puckapunyal, Frankston and Sale. We managed 29 properties in Hobart. The majority of properties were three and four bedroom freestanding houses, however, we 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 3.41: VIC and TAS region property provisioning and related services 2018–19**

	Victoria	Tasmania	Total
Property provisioning			
Property additions			
MWD constructions/acquisitions	35	0	35
MCA constructions/acquisitions	0	0	0
Closing balance (30 June 2019)			
MWD properties	1,145	29	1,174
MCA properties	23	0	23
Property and tenancy services			
Housing allocations	537	12	549
Property inspections	4,297	60	4,357
ADF Members receiving rent allowance	899	31	930
Leases managed	442	7	449
Maintenance work orders raised	14,238	287	14,525

## South Australia region

As at 30 June 2019, DHA managed 1,098 properties in the South Australia (SA) region. The majority were located in and around Adelaide and were three and four bedroom freestanding houses. We 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 3.42: SA region property provisioning and related services 2018–19**

	Total
Property provisioning	
Property additions	
MWD constructions/acquisitions	34
MCA constructions/acquisitions	36
Closing balance (30 June 2019)	
MWD properties	936
MCA properties	162
Property and tenancy services	
Housing allocations	482
Property inspections	3,818
ADF Members receiving rent allowance	941
Leases managed	859
Maintenance work orders raised	14,109

## Western Australia region

As at 30 June 2019, DHA managed 1,066 properties in the Western Australia (WA) region. The majority were located in Perth and Rockingham, and a small number of properties were located in Broome, Exmouth, Geraldton, Karratha and Pearce. The majority of properties were three and four bedroom freestanding houses, however, we 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 3.43: WA region property provisioning and related services 2018–19**

	Total
Property provisioning	
Property additions	
MWD constructions/acquisitions	6
MCA constructions/acquisitions	25
Closing balance (30 June 2019)	
MWD properties	946
MCA properties	120
Property and tenancy services	
Housing allocations	459
Property inspections	3,845
ADF Members receiving rent allowance	950
Leases managed	658
Maintenance work orders raised	12,941



# Part 4

## Management and accountability

Legislative framework

Corporate governance structure

Risk management, internal audit and compliance

Procurement and consultancies

External scrutiny

Workforce management

Information management and systems



# Legislative framework

## The legislative framework in which DHA operates influences our corporate governance

The most important pieces of legislation in which DHA is governed by are as follows:

### **Defence Housing Australia Act 1987**

Defence Housing Australia (DHA), formerly known as the Defence Housing Authority, was established as a statutory authority<sup>10</sup> on 1 January 1988 under the *Defence Housing Authority Act 1987* (Cth).

On 23 November 2006, in accordance with the *Defence Housing Authority Amendment Act 2006* (Cth), the Authority was renamed Defence Housing Australia and our principal Act was renamed *Defence Housing Australia Act 1987* (DHA Act).

The DHA Act sets out our functions, powers, corporate structure and delegations in accordance with section 5 of the Act. The main function of DHA is to provide adequate and suitable housing for, and housing related services to:

- a. members of the Defence Force and their families
- b. officers and employees of the Department of Defence and their families
- c. persons contracted to provide goods or services to the Department and their families
- d. persons contracted to provide goods or services to the Defence Force and their families

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

In accordance with section 6 of the Act, DHA may provide housing and housing related services to non-corporate Government entities other than the Department in order to meet the requirements of that entity. DHA did not provide any such services in 2018–19.

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<sup>10</sup> A statutory authority is a body created by the Parliament for a specific purpose.

### Public Governance, Performance and Accountability Act 2013

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

In accordance with definitions in section 8 of the PGPA Act, DHA is a Corporate Commonwealth entity<sup>11</sup>. As a Corporate Commonwealth entity, DHA must comply with the following PGPA Act associated instruments and policies:

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

In 2018–19, the Government made amendments to the PGPA Rule that requires Commonwealth entities and company annual reports to:

- › be published on the Australian Government Transparency Portal ([transparency.gov.au](http://transparency.gov.au))
- › include the disclosure of executive remuneration information.

#### *Significant issues relating to non-compliance with finance law*

In accordance with section 19 of the PGPA Act, the Board (as the accountable authority of DHA) must notify our Minister as soon as practicable after a significant non-compliance with finance law<sup>12</sup> issue is identified. 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 one case of significant non-compliance with the finance law for the 2018–19 reporting period. A breach of section 25 of the PGPA Act, whereby a staff member approved contractors' invoices and payments were made without verifying the completed maintenance works against the claims for payment. Subsequent inspections showed that the invoiced work had not been completed at the time payments were made.

Remedial action taken included:

- › DHA's internal controls identified the reported instances of non-compliance in a timely manner, the employee who caused the non-compliance has been reprimanded and staff training has been provided to reduce the risk of this type of non-compliance reoccurring.
- › DHA is conducting a review of our system based internal controls to identify possible improvements and additional preventative measures in relation to procurement safeguards.
- › DHA worked closely with the contractors to resolve the matter.

11 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.

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

## DHA as a Government Business Enterprise

In accordance with section 5 of the PGPA Rule, DHA is one of nine Government Business Enterprises (GBEs)<sup>13</sup>. As a GBE, DHA is expected to comply with *Resource Management Guide No. 126 Commonwealth Government Business Enterprises—Governance and Oversight Guidelines* (GBE Guidelines).

The GBE Guidelines provide guidance in relation to board and corporate governance, planning and reporting, financial governance and other governance matters. A principal objective for each GBE is that it adds to shareholder value. To achieve this, DHA is expected to operate efficiently and to earn at least a commercial rate of return and to pay dividends from those returns.

## Other applicable legislation and processes

DHA is the only GBE that employs staff under the *Public Service Act 1999*. As an Australian Government employer, we must adhere to the provisions and statutes of various Commonwealth 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, that detailed as follows:

## *Freedom of Information Act 1982*

Individuals can submit a request to DHA under the *Freedom of Information Act 1982* (FOI Act) to access documents we hold and seek to obtain copies of those documents.

Our responsibilities and functions under the FOI Act are delegated to a core group of staff. All new staff are required to complete FOI Act training as part of our induction process. In addition, ongoing staff complete mandatory refresher training annually.

In 2018–19, we received 17 requests for information. Of these, 12 were granted in part, one request was provided under administrative access outside the formal FOI process, two were withdrawn and two remained in progress as at 30 June 2019. Additionally we managed two third party consultations.

Consistent with the Information Publication Scheme, an agency plan and FOI disclosure log is published on our website ([dha.gov.au/foi](http://dha.gov.au/foi)).

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<sup>13</sup> A Government Business Enterprise (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.

### *Privacy Act 1988*

Personal information related to the administration of DHA's programs and services is protected by the *Privacy Act 1988* (Privacy Act). To this end, we have comprehensive policies and processes in place to protect the personal information of our customers and staff.

Our responsibilities and functions under the Privacy Act are delegated to a core group of staff. All new staff are required to complete Privacy Act training as part of our induction process. In addition, ongoing staff complete mandatory refresher training annually.

Our privacy policy is published on our website ([dha.gov.au/policies/privacy](http://dha.gov.au/policies/privacy)) and sets out:

- › how we collect, hold, use and disclose personal information
- › how individuals may seek to access or correct personal information
- › how individuals can make a complaint if they believe we have breached our obligations under the Act.

As we develop new projects and programs, we undertake privacy impact assessments to:

- › minimise privacy risks and impacts
- › ensure compliance with statutory obligations.

In 2018–19, we managed 282 privacy queries, including 27 minor privacy breaches or investigations that largely resulted from human error. DHA was not the subject of any Office of the Australian Information Commissioner (OAIC) reviews, however, in April 2019 we notified the OAIC of a notifiable data breach by a DHA contractor.

The notification was assessed by the OAIC and the file was closed without further action.

### *Public Interest Disclosure Act 2013*

DHA is committed to the highest standards of ethical and accountable conduct. The *Public Interest Disclosure Act 2013* (PID Act) allows for investigations of serious wrongdoing in the Australian Public Service and provides protections for staff who disclose or report suspected wrongdoing.

Our responsibilities and functions under the PID Act are delegated to a core group of staff. All new staff are required to complete PID Act training as part of our induction process. In addition, ongoing staff complete mandatory refresher training annually. In 2018–19, we managed 12 disclosures.

### *Modern Slavery Act 2018*

In 2018–19, the Government introduced the *Modern Slavery Act 2018*. The Act requires entities based or operating in Australia, with an annual consolidated revenue of more than \$100 million, to report annually on the risks of modern slavery in their operations and supply chains, as well as actions taken to address those risks. As the Act is likely to apply to DHA, we are undertaking the steps necessary to ensure reporting compliance. The first statements required under the Act are due by 31 December 2020.

# Corporate governance structure

DHA's corporate governance structure ensures we deliver outcomes in a controlled, transparent and accountable manner

Our governance framework comprises the principles, practices and tools needed to ensure our approach to governance is consistent and coordinated.

Our performance framework provides strategic direction and alignment across the business through a clear line of sight through all planning and reporting activities, including:

- › coordinated business planning as reflected in our Corporate Plan strategic priorities, goals and objectives
- › performance monitoring and reporting through regular reviews of strategic and organisational performance measures—refer to our Annual Performance Statement on page 43.

## 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 delegated responsibility for DHA operational matters to the Defence portfolio minister. In accordance with the DHA Act and a ministerial determination, DHA must seek approval of the Minister for Defence (or their delegate) for any contracts we wish to execute which are greater than or equal to \$15 million in value.

### Shareholder Ministers in 2018–19

DHA's Shareholder Ministers for the reporting period were as follows:

From 1 July 2018 to 28 August 2018:

- › Minister for Defence: Senator the Hon Marise Payne
- › Minister for Finance: Senator the Hon Mathias Cormann
- › Minister for Defence Personnel: The Hon Darren Chester MP

From 28 August 2018 to 11 April 2019:

- › Minister for Defence: The Hon Christopher Pyne MP
- › Minister for Finance: Senator the Hon Mathias Cormann
- › Minister for Defence Personnel: The Hon Darren Chester MP

The 45th Parliament was suspended on 11 April 2019 and the House of Representatives was dissolved the same day. A general election for the House of Representatives and half of the Senate was held on 18 May 2019.

The Ministry of the 46th Parliament of Australia was sworn in on 29 May 2019.

From 29 May 2019 to 30 June 2019:

- › Minister for Defence: Senator the Hon Linda Reynolds CSC
- › Minister for Finance: Senator the Hon Mathias Cormann
- › Minister for Veterans and Defence Personnel: The Hon Darren Chester MP

### Ministerial directions and policy orders in 2018–19

DHA did not receive any new ministerial directions or policy orders in 2018–19.

DHA worked to meet the April 2018 ministerial direction to relocate all of our Australian Capital Territory offices (head office and ACT regional office) to the Gungahlin Town Centre by no later than 18 March 2022.

We conducted a two stage procurement process to identify a developer who owns and/or controls land in the Gungahlin Town Centre to construct and fit out office accommodation. As at 30 June 2019, we had completed our evaluation and, pending ministerial approval under section 7(2) of the DHA Act, were on track to engage the successful tenderer and relocate our ACT offices by the prescribed deadline.

## Board of Directors

Our Board is established in accordance with Part III of the DHA Act and is the accountable authority for DHA under the PGPA Act. Our Board is responsible for the proper and efficient performance of DHA's functions. The Board makes decisions on organisational direction and strategy, which are articulated through our Corporate Plan.

### Board members

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

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

Refer to page 82 for Board members biographies. Refer to Part 6 Appendix A of this report for details of our accountable authority as required by the PGPA Rule.

## Board members as at 30 June 2019



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

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).



**Mr Barry Jackson**  
Managing Director

Mr Jackson joined DHA as Managing Director in May 2019. Before joining DHA he held senior executive roles within the Department of Human Services, the Department of Finance and the Department of Foreign Affairs and Trade. He also has more than 25 years' experience in the private sector, primarily in the areas of construction, property and strategic and business process management. He was Chief Executive Officer for UGL Services Australia and New Zealand, Australia's largest provider of property management services, for two years.



**Mr Martin Brady AO**  
Director

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.



**Commodore Vicki McConachie  
CSC RAN**

**Director**

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.



**Mr Simon Lewis AO PSM**

**Director**

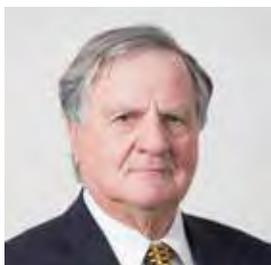
Mr Lewis was appointed to the Board as the nominee of the Department of Finance Secretary in April 2019. He has a long and distinguished career in the Australian Public Service spanning more than four decades, including a five year term as the Secretary of the Department of Veterans' Affairs and senior roles at the Department of Defence and the Department of Finance. He was made an Officer of the Order of Australia in 2019 for distinguished service to public administration, transformational change and organisational design in a range of portfolio areas. He was also awarded a Public Service Medal in 2007 for outstanding public service and the Centenary Medal in 2001 for his contribution to Australian society and government. His former board appointments include President of the Repatriation Commission, Chairman of the Military Rehabilitation and Compensation Commission and a member of the ANZAC Centenary advisory board.



**Hon Alan Ferguson**

**Director**

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

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

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 was most recently the Managing Director and CEO of Evolve Housing, one of Australia's largest community housing providers. She was the Australian and NSW winner of the 2014 Telstra Business Women's Award (Business Innovation category). She is a member of the Board of Coleman Greig Lawyers and a member of the Advisory Board for The Salvation Army Australia—NSW, QLD and the ACT.



**Mr Ewen Jones**  
Director

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 and a member of the National Film and Sound Archive Australia Board.

## Board and legislated 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. The Board and each of its committees has a charter that sets out its purpose, composition and meeting and administrative arrangements.

The Board considers the charters and the composition of committees periodically.

Amendments to the DHA Act in 2006 established the DHA Advisory Committee to advise on the performance of DHA's functions (refer to Part III A of the Act).

**Table 4.1: Board and legislated committees 2018–19**

Committee	Role	Members
Board Audit Committee (BAC)	Assists the Board to comply with its statutory and fiduciary duties, and improve DHA's performance in respect to financial reporting, performance reporting, risk oversight and management, internal controls (including internal audit) and compliance with relevant laws and policies	M Brady (Chair) J Williams <sup>1</sup> V McConachie R Fisher A Galloway E Jones S Lewis <sup>2</sup> P Logan <sup>3</sup>
Board Investment Committee (BIC)	Provides advice, assurance and where appropriate, makes recommendations to the Board on investment related proposals, transactions, projects and related issues to ensure decisions take account of DHA's contractual obligations with the Department of Defence and our commercial interests	J Williams (Chair) <sup>1</sup> R Fisher (Chair) <sup>4</sup> J Macdonald A Ferguson A Galloway E Jones
Nomination and Remuneration Committee (N&RC)	Assists the Board in relation to reviewing the Managing Director's remuneration and performance, considering proposed recruitment of Senior Executive Service employees, and informing Shareholder Ministers of impending reappointments or vacancies on the Board, including recommending possible candidates where appropriate	J Macdonald (Chair) M Brady J Williams <sup>1</sup> R Fisher <sup>4</sup>
DHA Advisory Committee (DHA AC)	Provides general advice and information on the performance of DHA's role	V 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

- Ms Janice Williams' completed her term on 27 April 2019.
- Mr Simon Lewis was appointed to the Board and as a member of the BAC from 28 April 2019.
- Mr Paul Logan was appointed as an independent member of the BAC on 28 September 2017.
- Mr Robert Fisher was appointed as the Chair of the BIC from 28 April 2019 and appointed to the Nomination and Remuneration Committee on 13 March 2019.

## Board and legislated committee meetings 2018–19

The Board met nine times in 2018–19. The Board also considered seven time critical matters between scheduled meetings.

**Table 4.2: Board meetings and member attendance 2018–19**

Board member	Scheduled meetings held and number of meetings attended				
	Board	BAC	BIC	N&RC	DHA AC
	9	5	8	4	4
J Macdonald	9	n/a	8	4	n/a
M Brady	9	5	n/a	4	n/a
J Williams <sup>1</sup>	7	4	7	4	n/a
V McConachie	7	3	n/a	n/a	1
A Ferguson	9	n/a	8	n/a	n/a
R Fisher <sup>2</sup>	9	5	8	1	n/a
A Galloway	9	5	8	n/a	n/a
E Jones	9	5	8	n/a	n/a
S Lewis <sup>3</sup>	2	1	n/a	n/a	n/a
J Mason <sup>4</sup>	5	3	5	n/a	2
B Jackson <sup>5</sup>	1	n/a	n/a	n/a	1
P Groenewegen <sup>6</sup>	1	1	1	n/a	n/a
B Jorgensen <sup>7</sup>	2	1	2	n/a	1
P Logan	n/a	4	n/a	n/a	n/a

### NOTES

1. Ms Janice Williams completed her term on 27 April 2019. She attended all possible meetings prior to this date.
2. Mr Robert Fisher was appointed as the Chair of the BIC from 28 April 2019 and appointed to the Nomination and Remuneration Committee on 13 March 2019.
3. Mr Simon Lewis was appointed to the Board and as a member of the BAC from 28 April 2019. He attended all possible meetings following his appointment.
4. Ms Jan Mason separated from DHA on 4 January 2019. She attended all possible meetings during her appointment.
5. Mr Barry Jackson was appointed DHA Managing Director from 13 May 2019. He attended all meetings following his appointment.
6. Mr Paul Groenewegen was appointed DHA Acting Managing Director from 5 January to 3 February 2019. He attended all possible meetings during his appointment.
7. Mr Brett Jorgensen was appointed DHA Acting Managing Director from 4 February to 12 May 2019. He attended all possible meetings during his appointment.

### Board member related party transactions 2018–19

A related party transaction is where a Board member approved payment for a good or service from another entity or provisioning 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). In 2018–19, DHA Board members did not disclose any related party transactions.

## Senior leadership team

### Managing Director

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

Following the retirement of Ms Jan Mason as Managing Director effective 4 January 2019, the Board appointed the following existing DHA personnel as Acting Managing Director:

- › Mr Paul Groenewegen: 5 January 2019 to 3 February 2019
- › Mr Brett Jorgensen: 4 February 2019 to 12 May 2019

Following a competitive recruitment process, the Board appointed Mr Barry Jackson as DHA Managing Director for a five year term from 13 May 2019.

### Senior Executive Group

The Senior Executive Group (SEG), which comprises the most senior staff in the organisation, supports the Managing Director in fulfilling DHA's purpose. The SEG's broad role is to provide leadership, guide performance, implement and deliver against the Corporate Plan, and ensure accountability of DHA's activities.

Refer to page 88 for further details on our senior executive members.

## Executive profiles as at 30 June 2019



### Mr Barry Jackson

#### Managing Director

New Zealand Certificate in Quantity Surveying | Quantity Surveyors Registration Board

Mr Jackson joined DHA as Managing Director in May 2019. Before joining DHA he held senior executive roles within the Department of Human Services, the Department of Finance and the Department of Foreign Affairs and Trade. He has more than 25 years' experience in the private sector, primarily in the areas of construction, property and strategic and business process management. He was Chief Executive Officer for UGL Services Australia and New Zealand, Australia's largest provider of property management services, for two years.

#### Key responsibilities

- › ensure DHA fulfils its role in accordance with the DHA Act
- › conduct 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 Senior Executive Group and staff.



### Mr Paul Groenewegen

#### Chief Financial Officer

Bachelor of Commerce | Graduate Diploma of Applied Corporate Governance

Certified Practising Accountant | Graduate Member of the Australian Institute of Company Directors

Mr Groenewegen joined DHA as Chief Financial Officer in August 2018. Before joining DHA he held various executive and consulting roles with government entities, industry organisations and prudential regulators, including the Australian Prudential Regulation Authority and the Private Health Insurance Administration Council. His expertise includes oversight of whole of government payments through to the financial management of complex multi-program organisations.

#### Key responsibilities

- › strategic planning and performance framework
- › budgets and forecasting
- › financial management and reporting services, including financial and project accounting, tax, assets, treasury, revenue, financial systems and business support
- › provisioning and managing the investment portfolio
- › research services, horizon scanning and performance measuring
- › valuation services.



### Mr Ross Jordan

#### General Manager, Governance

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

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

#### Key responsibilities

- › company secretariat for the Board and Chairman, Board committees and key executive committees
- › legislative compliance and requirements, including Freedom of Information, Power of Attorney, Privacy, Public Interest Disclosures, DHA Act and PGPA Act
- › internal audit functions to provide independent and objective assurance and advisory services
- › risk, resilience and corporate compliance including oversight of the enterprise risk management, fraud control and anti-corruption, enterprise resilience insurance and compliance
- › complaints management.



**Mr Brett Jorgensen**

**General Manager, Property Provisioning Group**

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

Mr Jorgensen joined DHA as the National Manager, Governance in August 2008. He was appointed General Manager, Property and Tenancy Services in May 2012 and General Manager, Property Provisioning Group in August 2018. 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

- › property sourcing, direct leasing and acquisition
- › development and construction, including project, financial management and reporting
- › property sales and marketing
- › property quality assurance and upgrades.



**Ms Suzanne Pitson**

**General Manager, Portfolio Management Group**

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

Ms Pitson joined DHA as General Manager, Sales and Marketing in February 2017 and was appointed General Manager, Portfolio Management Group in September 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

- › generate revenue through the property investment program and disposals
- › manage the inventory portfolio
- › strata management
- › oversee and negotiate contractual arrangements with Defence
- › strategic communication and brand stewardship
- › investor relations.



**Ms Christine Steele**

**Acting General Manager, Property and Tenancy Services**

Bachelor of Arts | Member of the Australian Institute of Company Directors

Ms Steele joined DHA as the Head of Service Delivery, North West in March 2018. She was appointed Acting General Manager, Property and Tenancy Services in August 2018. Before joining DHA she was the State Manager for South Australia-Northern Territory with the Department of Health. She has also held senior executive roles at the Department of Social Services, the Department of Health and Ageing and the Department of Education, Employment and Workplace Relations, and was the Head of Research Services at Flinders University.

Key responsibilities

- › providing housing allocations
- › property maintenance services
- › portfolio and housing stock management
- › Living in Accommodation booking services
- › administration of rent allowance
- › leasing.



**Mr Shane Nielsen**  
**General Manager, People and Corporate Capability**

Bachelor of Applied Science  
(Computing Science)

Mr Nielsen joined DHA in August 2006. He was appointed Chief Information Officer in 2008 and General Manager, People and Corporate Capability in September 2017. Before joining DHA he held various appointments in the financial services sector including at Macquarie Bank and Zurich Capital Markets. He has extensive knowledge in Information Communication and Technology (ICT) delivery, digital delivery and business process re-engineering and optimisation.

Key responsibilities

- › business solutions, technology and services
- › commercial office accommodation
- › health, safety, environment and quality
- › people and capability services
- › compensation and early intervention (case management)
- › procurement
- › protective security.

**Executive and national committees or groups**

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

Refer to Table 4.3 for details of each committee in 2018–19. Note, this does not include all committees and groups that have governance oversight of projects or programs.

**Table 4.3: Executive and national committees 2018–19**

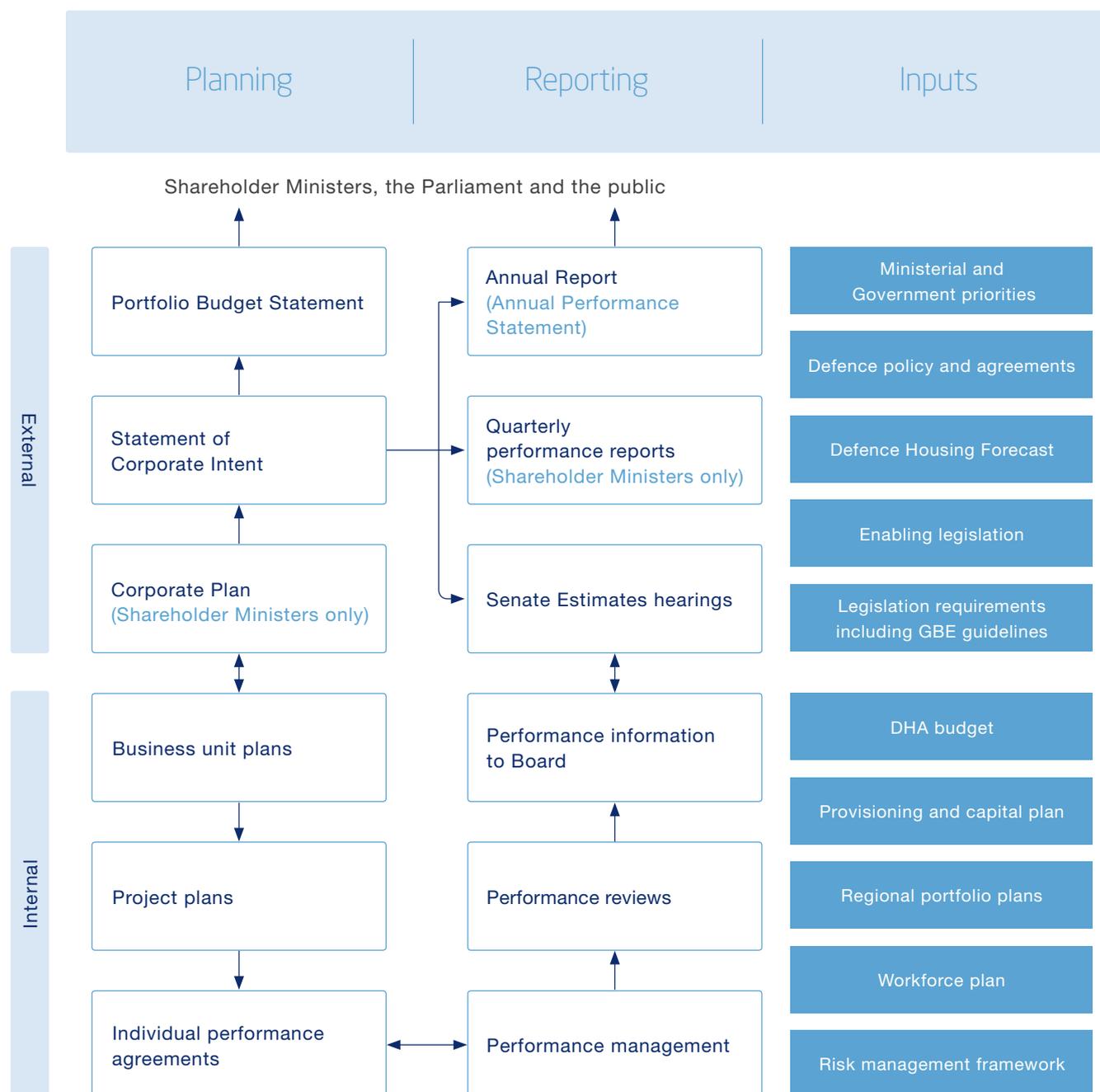
Committee	Role	Members
Executive Property Committee (EPC)	Provides advice and assurance and, where appropriate, makes recommendations to the Managing Director and/or Board (via the BIC) on property related proposals, transactions, projects and related issues to ensure decisions take into account DHA's contractual obligations with the Department of Defence and our commercial interests	General Manager, Governance (Chair)
Leadership Group	Provides a forum for collaboration and information sharing, with at least one presentation at each meeting on a business program, project or topic of interest	Managing Director (Chair)
Opportunity and Capability Committee (OCC)	Provides transparency and accountability in decision making and implementation of non-business as usual projects and associated budgets	Managing Director (Chair)
National Safety, Health, Environment and Quality (SHEQ) Committee	Oversees the development and implementation of SHEQ strategies, including the psychosocial wellbeing strategy, and is responsible for quality and change management to ensure significant projects are implemented and managed in a consistent and transparent manner	Managing Director (Chair)
Staff Consultative Group (SCG)	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
Reconciliation Action Plan (RAP) Working Group	Developed DHA's RAP in consultation with Reconciliation Australia and undertakes research, facilitates consultation with staff and external stakeholders and plans and organises activities to promote awareness and understanding of the RAP	General Manager, Portfolio Management Group (RAP Champion) 15 staff representatives from various offices and business groups.

## Planning and reporting framework

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

Figure 4.1

DHA's approach to planning and reporting 2018–19



# Risk management, internal audit and compliance

DHA operates in a complex environment and recognises that risk is inherent in all that we do

We proactively identify, engage with and manage risk at all levels and across all facets of our business to create or protect value in support of improving performance, encouraging innovation and achieving our purposes, objectives and strategic priorities. The function is supported by a co-sourced internal audit function that provides independent assurance of the systems of control.

We have established formal, fit for purpose accountability and responsibility for risk and internal audit at an enterprise level, broadly consistent with the 'three lines of defence' risk principles:

- › Our Board, as accountable authority for DHA under the PGPA Act, is charged with ensuring effective risk oversight, management systems and internal controls.
- › The Managing Director and Senior Executive Group are responsible for implementing appropriate risk systems and ensuring resources and capability supports effective risk management and its integration in decision making processes.

## Risk management

DHA manages risk in accordance with our Enterprise Risk Management Framework (ERMF) which has been developed in accordance with the Commonwealth Risk Management Policy and the underpinning international standard relating to risk management (ISO 31000:2018).

A key element of our ERMF is ongoing review and continuous improvement, ensuring it remains consistent with changes in technologies, the environment, our operating model, broader Government guidance and, more importantly, that it remains fit for purpose to support achievement of our purpose, objectives and strategic priorities.

The current ERMF comprises of a policy, plan and associated procedures that outline the process for managing risks throughout the business. This includes acknowledging that risk management is a dynamic and iterative process.

In 2018–19, we commenced a detailed review and transformation of our ERMF. It will result in revision to key elements of our framework, including an updated risk management policy, with the aim of seeing our people engaging in risks in ways that are consistent with our strategy.

The review and transformation is being undertaken in conjunction with a risk initiated Governance Reform Program which will review all aspects of governance and management systems of control.

DHA is continuing to mature our risk philosophy and approach, embedding risk principles into our culture. A key element of this approach is increasing the risk capability at all levels of the organisation. To achieve this, we are educating and empowering our people to have the knowledge, judgment, confidence and support to make more informed risk based decisions. All new staff are required to complete risk management training as part of our induction process and ongoing staff complete mandatory refresher training annually.

We are confident increased risk based decision making will make our business better—more efficient, agile and responsive. However, we recognise that we need to continuously improve. To this end, we are developing measures to build, test and refine our approach. These measures will complement our integrated business planning and will assist us to better understand how we prioritise our resources.

## Fraud control and anti-corruption

We are cognisant that fraud and corruption can damage the performance and reputation of our business. As a GBE, we consistently monitor and update our fraud control and anti-corruption framework, which is consistent with the Commonwealth fraud control framework (section 10 of the PGPA Rule).

Fraud control and anti-corruption is a subset of DHA's risk portfolio and the disciplines reflect our enterprise risk philosophy and principles. In accordance with the transformation of our ERMF, we are developing an evidence based fraud and anti-corruption framework with improved controls and a business engagement plan to further educate our people to prevent, detect, monitor and report potential fraudulent or corrupt conduct.

Increased staff awareness has resulted in increased reporting of potential fraudulent or corrupt conduct, with six allegations reported in 2018–19. As at 30 June 2019, the six investigations were ongoing.

## Resilience

We consolidated business continuity, disaster recovery, crisis and emergency management under the discipline of resilience in the 2018–19 period. Despite being a standalone discipline, resilience forms part of our overarching risk management portfolio and we are improving it as a subset of our maturing enterprise risk philosophy and principles.

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

## Internal audit

Internal audit is a central component of our governance framework. Audit strengthens accountability and promotes good governance and transparency through independent and objective assurance.

Each year, we develop a risk based rolling work program of internal audit priorities for the coming 12 months. The program is developed in consultation with the Managing Director, Senior Executive Group and the Board Audit Committee (BAC), and is designed to ensure broad coverage of business areas and activities. The program of work is revised biannually to ensure alignment with current and emerging risks. 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.

In 2018–19, EY continued to provide internal audit services under a co-sourced arrangement. They completed reviews on our acquisitions process, delegations, complaints management, repairs and maintenance contractors and information management systems.

## Case study

# Mates across the states

*In February, the city of Townsville experienced mass flooding when the convergence of a monsoon storm system and a slow moving tropical low brought more than a year's worth of rain to the district in one week. Up to 318 properties were affected and 245 ADF members required rehousing. DHA staff from all over the country pulled together during this unprecedented event to help those in need.*



Source: Department of Defence, Commonwealth of Australia 2018

As soon as the news of the situation came to hand, DHA established a Recovery Action Group with representatives drawn from across the business. Their purpose was to secure safe conditions, functional communications and emergency shelter for ADF members and their families, and to provide assurance to our investors with properties in the region.

Townsville staff worked tirelessly to ensure availability of housing stock to accommodate ADF members, with the numbers of those affected changing daily for almost two consecutive weeks. Staff set up on base information hubs and worked a phenomenal 160 continuous hours in the immediate wake of the floods.

Our Adelaide and Hunter Contact Centres pitched in, taking calls from the region and keeping centres operating over the weekend. DHA flew in staff from other regions to provide relief for the Townsville team, while other arms of the business demonstrated strength and dedication to support their colleagues with a 'mates across the states' attitude.

All lines of communication were kept open—between our divisions and our customers—to ensure vital and timely information provided assurance, certainty and safety to our personnel, ADF members and investors during this unprecedented flood event.

In what was undoubtedly one of the most challenging situations DHA has faced in our 30 year history, staff united to uphold the commitment that characterises our service to ADF members, their families and our investors' day in and day out.

# Procurement and consultancies

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

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

## Senate Order on Entity Contracts

As a corporate Commonwealth entity, from 1 July 2017 DHA complied 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](https://dha.gov.au/entitycontracts)) to read the report.

## Consultancies

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 2018–19, we entered into 325 new contracts worth \$15.1 million including GST.

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

Remaining contracts were for corporate related items including: continued advice on implementing the new leasing and revenue standards and external support in reviewing DHA's business model.

More information on the use of advertising and market research services in 2018–19 is provided in Part 6 Appendix E 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

In 2018–19, DHA was not the subject of any inquiries or reports by the Senate Standing Committee on Foreign Affairs, Defence and Trade (the Committee). DHA officers and the Assistant Minister for Defence appeared before the Committee on 24 October 2018 and 20 February 2019. DHA was excused from appearing before the Committee on 10 April 2019. DHA responded to Questions on Notice as requested to do so.

### Parliamentary Standing Committee on Public Works

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

- › medium works with a proposed cost of over \$15 million but fewer than \$75 million
- › major works with a proposed cost of more than \$75 million.

In 2018–19, we did not make any new submissions to the PWC. We progressed works on the following PWC endorsed projects:

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

We provided the PWC with a report on the completion of stage one of the Seaward Village project in December 2018.

## Government agencies

### Australian National Audit Office (ANAO)

DHA was the subject of an ANAO Performance Audit (Management of Defence Housing Australia) which commenced in April 2019. The ANAO proposed to examine whether DHA has:

- › established a fit for purpose services agreement with Defence
- › entered into value for money purchasing arrangements
- › provided services to Defence personnel effectively
- › complies with governance, reporting and government business enterprise requirements.

The report is expected to be presented for tabling in the autumn 2020 session of the Parliament.

In accordance with the ANAO's better practice guidelines, in 2018–19 DHA representatives and Board Audit Committee (BAC) members considered a number of published reports on other agency's operations that were relevant to DHA, including:

- › Efficiency of Veterans Service Delivery by the Department of Veterans' Affairs (Report No. 52 of 2017–18).
- › Cyber Resilience (Report No. 53 of 2017–18).
- › Operational Efficiency of the Australian Commission for Law Enforcement Integrity (Report No. 4 of 2018–19).
- › Army's Protected Mobility Vehicle—Light (Report No. 6 of 2018–19).
- › Procurement Processes and Management of Probity by the Moorebank Intermodal Company (Report No. 9 of 2018–19).

- › Joint Strike Fighter—Introduction into Services and Sustainment Planning (Report No. 14 of 2018–19).
- › Implementation of the Australian Government's Workplace Bargaining Framework (Report No. 16 of 2018–19).
- › Implementation of the Annual Performance Statements Requirements 2017–18 (Report No. 17 of 2018–19).
- › Cape Class Patrol Boat—In Service Support (Report No. 21 of 2018–19).
- › ANZAC Class Frigates—Sustainment (Report No. 30 of 2018–19).
- › Defence's Management of its Projects of Concern (Report No. 31 of 2018–19).
- › Modernising Army Command and Control—the Land 200 Program (Report No. 40 of 2018–19).

### Commonwealth Ombudsman

DHA maintains a collaborative and productive working relationship with the Office of the Commonwealth Ombudsman. We review any reports published and monitor any recommendations implemented.

In 2018–19, the Commonwealth Ombudsman received 471 approaches across Defence related agencies. Of these, 26 approaches (5.5 percent) related to DHA.

As at 30 June 2019, the Ombudsman's office was investigating one DHA related approach and had managed the remaining 25 approaches using early resolution tools. This included:

- › two matters where the complainant was referred to another oversight agency
- › 11 matters where the complainant was referred to DHA (as they had not previously sought assistance from DHA)
- › 12 matters where the Ombudsman's office explained the actions or decisions of DHA to the complainant.

### Information Publication Scheme

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

### Office of the Australian Information Commissioner

DHA maintains a collaborative and productive working relationship with the Office of the Australian Information Commissioner (OAIC). We review any reports published and monitor any recommendations implemented.

In 2018–19, DHA was not subject to any OAIC reviews. We notified the OAIC of a data breach by a DHA contractor. The OAIC assessed the notification and the file was closed without further action.

# 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 contributing to high quality and professional outcomes

## Workforce summary

In 2018–19, 88 percent of our staff participated in the Australian Public Service (APS) Census. This was a slight reduction on our participation rate in the 2018 APS Census (90 percent), however higher than the 2019 whole of APS Census

participation rate (77 percent) and was the third highest participation rate of medium sized agencies in 2018.

We achieved a staff engagement score of 74 percent, with no change from 2018, demonstrating our staff were committed, motivated and

enabled to improve business results. There was a positive variance in our engagement score compared with the APS overall score (+2 percentage points). Refer to Table 4.4 for a detailed analysis on our workforce.

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

Indicator	2017–18	2018–19
Headcount		
Total number of staff employed <sup>14</sup>	645	646
Wages expense ratio	6.9%	7.99%
Diversity (as a percentage of the workforce) <sup>15</sup>		
Men	34.9%	36%
Women	65.1%	64%
Aboriginal and Torres Strait Islander	1.6%	1.3%
Staff with a disability	1.2%	1.45%
Retention		
Staff retention and turnover rate <sup>16</sup>	13%	13.6%
Engagement		
Staff engagement <sup>17</sup>	74%	74%

<sup>14</sup> Figures include ongoing and non-ongoing staff at their substantive classification as at 30 June 2018 or 30 June 2019. Inoperative staff (those on long term leave), staff engaged through an employment agency and Board members are excluded.

<sup>15</sup> Diversity figures are as identified by staff. These figures exclude the Managing Director and Board members. No staff have identified as Indeterminate.

<sup>16</sup> Staff retention and turnover rate is calculated by dividing the inverting aggregated staff initiated separate rate by average head count for the previous four quarters.

<sup>17</sup> As measured by our Engagement Employee Index score in the 2017 and 2018 APS employee census.

## Employment conditions

The DHA Enterprise Agreement 2015 (EA) provides a suite of employment conditions, including leave entitlements, flexible working arrangements, learning and development opportunities and employee wellbeing and assistance programs.

The EA nominally expired on 10 January 2019, but continues to operate until replaced by a new agreement, or terminated by the Fair Work Commission. Rather than negotiate a new agreement, a decision was made to provide pay increases of two percent per annum, to DHA employees under a determination made under section 24(1) of the *Public Service Act 1999*, an option available under the Government's *Workplace Bargaining Policy 2018*.

## Remuneration

DHA's remuneration arrangements are unique because we are the only Government Business Enterprise (GBE) to employ its staff under the Public Service Act. As such, DHA plans and reports in accordance with the PGPA Act and related instruments and policies including the PGPA Rule, and the GBE Guidelines.

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.

Figure 4.1 on page 92 shows the alignment between DHA's strategic planning, reporting and individual performance.

In summary:

- ▶ The EA sets out conditions of service for staff employed from DHA1 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>18</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>19</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 in accordance with applicable legislation and fund requirements. 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 accrue leave and may be entitled to a potential performance bonus.

Refer to Part 6 Appendix B of this report for more information about salary rates and full disclosure on executive remuneration.

<sup>18</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.

<sup>19</sup> The Remuneration Tribunal is an independent statutory body established under the Remuneration Tribunal Act 1973 that oversees the remuneration of key Commonwealth offices.

## Employee performance management framework and payments

All staff employed for three months or more are required to prepare a Performance Development Agreement (PDA). PDAs are developed by cascading 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 provided for in the EA. The Managing Director determines the performance measures and objectives of the bonus program, participant eligibility and performance outcomes.

### *Managing Director*

In accordance with the Tribunal's Determination for Principal Executives Offices, the Managing Director is eligible for performance pay of up to 15 percent of total remuneration. Performance requirements and related performance assessments are determined annually by the Board's Nomination and Remuneration Committee and referred to the Board for approval.

### *Senior Executive staff*

DHA's performance bonus program provides SES employees with the opportunity to receive potential remuneration of up to 15 percent of their annual gross base salary. The Managing Director reviews performance measures for SES employees at least biannually to ensure alignment with DHA's organisational strategies, corporate goals and workforce resources.

Refer to Part 6 Appendix B of this report for further detail on performance payments.

In 2018–19, DHA procured an online system for managing and monitoring employee performance, with a view to increase accountability and expectation setting and improve the quality of employee performance objectives. The system will be launched in 2019–20 and will deliver a more effective reporting functionality to ensure that:

- › both managers and employees are meeting their performance management responsibilities
- › it increases transparency in monitoring progress and the application of performance ratings
- › it allows for greater alignment of employee effort to corporate objectives and organisational outcomes
- › it supports managers to have more frequent and quality performance conversations.

### **Salary packaging**

Board members are entitled to salary packaging, whereby they may elect to have all or part of their fees paid to a complying superannuation fund as a pre-tax salary deduction.

The Managing Director and all other staff are entitled to salary packaging, whereby they can elect to receive part of their salary in forms other than cash. At DHA, salary packaging options include cars (novated lease), additional superannuation and head office car parking. Salary packaging is subject to necessary internal approvals.

### **Travel and related allowances**

DHA coordinates Board members' and the Managing Director's official business travel and pays related allowances in accordance with the Tribunal's principal determination for official travel by office holders. DHA uses whole of government procurements arrangements to access competitive travel rates for senior executive members and other staff ensuring value for money in accordance with the PGPA Act and Australian Government travel policies.

### **Flexibility arrangements**

In accordance with Part F (Flexible Working Arrangements) of the EA, the Managing Director and staff member employed under the EA may agree to enter into an individual flexibility agreement (IFA) to vary arrangements about when work is performed, overtime rates, penalty rates, allowances, remuneration and leave. An IFA must meet the genuine needs of DHA and the employee in relation to one or more of the aforementioned items and be agreed to by DHA and the employee in writing. IFAs are reviewed at least every six months.

Refer to Part 6 Appendix B of this report for further details on employment instruments.

## 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 2018–19, all staff were required to complete refresher modules on governance and compliance, with a completion rate of 97 percent across the organisation.

Programs are delivered via e-learning, face to face or a blend of both. They are presented by external providers and internal specialists, ensuring we have the right balance of expertise and corporate knowledge to provide staff the personal development they need to be successful in their role. In 2018–19, staff completed 8,600 learning events via e-learning and 1,110 learning events via face to face workshops. We also paid for 112 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 paid exam leave. In 2018–19, 59 employees undertook supported studies. Of these 27 received funding to the value of \$89,217.50 and 32 accessed study leave.

### Partnership with Defence in training

During 2018–19, DHA took part in a partnership with the Defence Learning Branch within the Department of Defence. This resulted in three DHA staff taking part in extensive and comprehensive leadership training at no cost to DHA. DHA also took advantage of the economy of scale that Defence can provide with 16 staff enrolling in Australian Public Service Commission (APSC) training courses at reduced rates.

### Recruitment panel training

During 2018–19, DHA delivered a comprehensive training workshop targeted to DHA employees involved in recruitment activities. This included training to become a panel member of a selection committee or a hiring manager. The one day workshop was delivered in house. It covered understanding and commencing recruitment, the selection process and how to get the best candidate for a role. The workshop continued to support DHA's recruitment platform and was attended by more than 39 employees during the course of the year.

**Table 4.5: Learning and development 2017–18 and 2018–19**

Indicator	2017–18	2018–19
Percentage of salaries spent on training staff	1.3%	1.1%
Internal learning events completed by staff	8,827	9,710
Staff undertaking supported studies <sup>20</sup>	53	59

<sup>20</sup> Formal study includes study, research, training or other educational activities conducted in Australia by a higher education provider or registered training organisation.

## Reconciliation Action Plan

Participation in the APS Jawun Indigenous Secondment program for round two in 2019 was a key focus for the organisation in continuing our commitment to reconciliation and meeting actions from our Reconciliation Action Plan (RAP). Three employees participated and their secondments were in remote Western Australia, Northern Territory and rural New South Wales. Participants were immersed into the local Indigenous community and contributed to key areas of focus for their host Indigenous organisation to create real change. They each spent six weeks in their respective community and received glowing feedback about their contributions. Not only were their experiences beneficial to the community they worked with, but they returned with new perspectives on how to improve the lives of Indigenous people through DHA and shared that knowledge and experience with colleagues.

## 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 Safety, Health, Environment and Quality (SHEQ) commitment, strategy, system, and initiatives.

Table 4.6: WHS performance 2017–18 and 2018–19

Indicator	2017–18	2018–19
Total recordable injury frequency rate (TRIFR) <sup>21</sup>	5.49	7.05
Total incidents reported	681	673
WHS incidents	191	152
Staff	74	61
Contractors	71	34
Tenants and others	46	57

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

Table 4.6 provides a comparative overview of our work, health and safety (WHS) performance in 2017–18 and 2018–19. Our performance shows a decline or plateau in the number of total incidents reported in those deemed as WHS related. This has also been shown in the number of staff related incidents. Although this plateau has occurred, our achievement of total recordable injury frequency rate (TRIFR) of 7.05, marginally exceeded the benchmark target of <7 established in our Corporate Plan.

## Industry recognition

For all our efforts in affecting WHS and quality outcomes, in 2018–19 we:

- ▶ received a National Safety Council of Australia Award for Best Continuous Improvement of a WHS Management System,
- ▶ were recertified against the International standards, ISO45001 Occupational Health and Safety, and ISO9001 Quality Management, for our integrated safety and quality management system.

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



## 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. 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 commitment to support Defence community organisations and events through our annual sponsorship budget. The support is allocated against criteria and aligned with our strategic objectives, values and priorities. In 2018–19 we contributed approximately \$123,160, and goods in kind to various Defence community groups and not for profit organisations. Notable contributions are detailed below:

- › Funding of \$258,500 for the operation of the 2018 Invictus Games in Sydney. We also hosted two free experiential activations at Sydney Olympic Park; a life size pin wall and a children's activity zone, entertaining over 1,500 ADF members, their children and the general public to enhance their visitor experience at the Games.

- › Funding of \$109,621 in support of local initiatives in the communities we operate in. Support was provided through either funding or the supply of equipment to enhance community integration and engagement programs in Defence Community centres, schools or Defence sporting groups including major sponsorship of the ADF Rugby League men's and women's national teams.
- › Funding of \$13,359, in support of Defence related events and programs, including 21 Defence Community Organisation (DCO) welcome days where ADF members and their families can familiarise themselves with local services and networks in their posting region and meet other ADF members and families.

### *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:

- › Workplace Giving program whereby philanthropic staff have the opportunity to voluntarily donate to charities through a once off or fortnightly donation directly from their pay.
- › Shared Benefits scheme whereby staff can donate an amount of their accrued personal leave to a registry for the benefit of other employees who require an extended leave of absence, most often due to serious personal or family illness. More than 757 hours of personal leave was donated to the Shared Benefits scheme during the reporting period.

In 2018–19, DHA staff made donations to the following organisations:

- › Assistance Dogs Australia
- › Animal Welfare Foundation Australia
- › Beyond Blue
- › Cancer Council Australia
- › Fred Hollows Foundation
- › Legacy Australia
- › Make-A-Wish Foundation
- › RSPCA Australia
- › Salvation Army
- › Starlight Children Foundation Australia
- › SIDS and Kids
- › Soldier On
- › White Ribbon Australia

### *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.

DHA was proud to be an official supporter of the 2018 Invictus Games in Sydney, the world's largest international sporting event that celebrates the achievements of wounded, injured and sick service personnel. A number of DHA employees played a key role in the Games by volunteering their time to make the games a memorable and inspiring experience for competitors, their families and spectators.

## Case study

# Partnership with Jawun advances knowledge, awareness and reconciliation



*Since the launch of our inaugural Reflect Reconciliation Action Plan (RAP), DHA has taken decisive steps to enhance our engagement with Indigenous peoples, communities and culture.*

As part of this shared commitment to reconciliation and building closer partnerships with Australia's first peoples, DHA partnered with Jawun at the beginning of 2019.

Jawun means 'friend' in the Kuku Yalanji language of Mossman Gorge and captures the spirit of an innovative body bringing government, corporate and philanthropic organisations together with Indigenous people to affect real change.

Jawun is a not for profit organisation that manages secondments from government agencies and private companies to a range of Indigenous organisations in urban, regional and remote communities across the country.

Three DHA employees—our Corporate Shared Services Manager, NT & WA Regional Director and Brisbane Acting Regional Director, were all successfully accepted into the Jawun secondment program in the reporting period.

The program consists of a six week placement where participants have the opportunity to work on a number of projects and initiatives aimed at increasing the capacity of Indigenous leaders, organisations and communities.

Placements for our staff were based at the following locations:

- › Yerin Aboriginal Health Service on the Central Coast, NSW
- › Binarri-binyja Yarrowoo in the East Kimberleys, WA
- › Regional Anangu Services Aboriginal Corporation in Alice Springs, NT.

The staff thoroughly enjoyed this unique opportunity to share their professional expertise in support of Indigenous organisations striving to achieve their development goals.

# 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 communication technology systems as repositories of enterprise assets and customer information. These 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, support a knowledge base for all staff. Workflow systems aid in monitoring, tracking, escalating and reporting customer enquiries, requests, complaints and other information.

## Change in accounting standards

The new leasing standards heavily affect DHA's operations. As a result, we focused on the development of a new system to ensure compliance with the standards. Following a review of the market for software, it was agreed that DHA would be required to implement a solution to facilitate the approximately 13,000 leases DHA manages as part of our property and investment program.

This has been a complex piece of work with strong input from our internal finance experts, external advisory consultants and the ANAO. To ensure DHA meets our obligations, and due to this complexity, a dedicated team was established.

To be delivered in the upcoming financial year, a phase two piece of work is expected for the leasing standards to deliver process improvement and the timeliness of business information to facilitate decision making.

## Legacy system migration

For aspects of property management, DHA has utilised a legacy system. During the course of the reporting period, we committed to migrating key processes and data into our whole of business enterprise platform. DHA took the opportunity to transport functionality, improve business capability and overall quality controls in the effective management of our data.

This piece of work is nearing completion and has seen positive feedback from staff in order to further improve our controls and align systems to agreed business process management. It is expected savings will flow in relation to productivity and reduced data errors and further move DHA into a single platform for managing properties, tenancies and leases.

## Staff mobile capability

In 2017–18, we continued to upgrade our mobile technology capability and evolve our external facing systems based on direct and indirect feedback from stakeholders. This is a combination of applications, end user assets and a strengthening of our security posture.

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).

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 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

Our Safety, Health, Environment and Quality (SHEQ) Management System (ISO9001:2008 certified) 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.

Information, knowledge, intellectual property and data (collectively 'information assets') are valuable assets to DHA and must be protected against accidental and malicious loss of confidentiality.

As an agency of the Australian Government, DHA is required to align ourselves with compliance under the Protective Security Policy Framework (PSPF), protecting the confidentiality of our information assets appropriate to the risk of damage that loss of confidentiality may cause. In 2017–18, we implemented the DHA Information Classification Policy and guideline to provide guidance on the process of classifying DHA information assets. Classification marking software further supported this implementation.

In the reporting period, 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.



# Part 5

## Financial statements

Consolidated financial statements



**Defence Housing Australia** ABN 72 968 504 934  
**Annual report - 30 June 2019**

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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 ('the Entity') for the year ended 30 June 2019:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

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

### Basis for opinion

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

### Other information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### **Accountable Authority's responsibility for the financial statements**

As the Accountable Authority of the Entity, the Chairman of the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under the Act. The Chairman of the Board is also responsible for such internal control as the Chairman of the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

Australian National Audit Office

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

Clea Lewis

Executive Director

Delegate of the Auditor-General

Canberra

19 September 2019

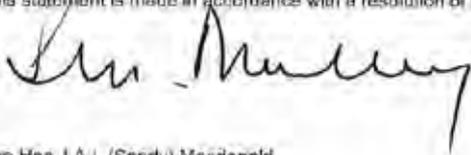
Defence Housing Australia  
Statement by Directors, Managing Director and Chief Financial Officer  
30 June 2019

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

In our opinion, the attached financial statements for the year ended 30 June 2019 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



Mr Barry Jackson  
Managing Director



Mr Paul Groenewegen  
Chief Financial Officer

**Defence Housing Australia  
Statement of Comprehensive Income  
For the year ended 30 June 2019**

		30 June 2019 <sup>(a)</sup> \$'000	30 June 2018 <sup>(b)</sup> \$'000
	Notes		
<b>INCOME</b>			
<b>Revenue</b>			
Revenue from Contracts with Customers	3	102,801	-
Housing Services Lease Rentals	5	484,734	-
Housing Services Provided	2	-	686,389
Allocation Services Provided	6	-	13,285
Sale of Inventories	4	334,256	396,034
Interest Received	7	5,760	4,703
Other Income		104	58
<b>Total Revenue</b>		<b>927,655</b>	<b>1,100,469</b>
<b>Gains</b>			
Gains from Disposal of Investment Properties	8	7,676	14,166
Impairment Loss Reversal on Financial Instruments		99	1
<b>Total Gains</b>		<b>7,775</b>	<b>14,167</b>
<b>Total Income</b>		<b>935,430</b>	<b>1,114,636</b>
<b>EXPENSES</b>			
Employee Benefits	9	68,710	66,809
Housing Services Lease Rentals		307,932	357,164
Rates, Repairs and Maintenance	10	140,058	195,601
Depreciation and Amortisation	11	19,884	18,670
Cost of Inventories Sold		257,730	334,890
Finance Costs	12	24,506	25,866
Net Write-Down and Impairment of Assets	13	14,155	18,979
Other Expenses		46,148	39,787
<b>Total Expenses</b>		<b>879,123</b>	<b>1,057,766</b>
<b>Share of Joint Venture Profit/(Loss)</b>			
Share of Joint Venture Profit/(Loss) accounted for using the Equity Method		76	(1)
<b>Total Share of Joint Venture Profit/(Loss)</b>		<b>76</b>	<b>(1)</b>
<b>Profit Before Income Tax on Continuing Operations</b>		<b>56,383</b>	<b>56,869</b>
Income Tax Expense	14	15,475	12,611
<b>Total Income Tax Expense</b>		<b>15,475</b>	<b>12,611</b>
<b>Profit After Income Tax</b>		<b>40,908</b>	<b>44,258</b>
<b>Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>		<b>40,908</b>	<b>44,258</b>

(a) The balance represents DHA as a stand-alone entity. Refer to Note 1(b).

(b) DHA adopted AASB 15 *Revenue from Contracts with Customers* using the modified retrospective approach, therefore the 30 June 2018 comparatives were not restated - refer Note 1(d) New Australian Accounting Standards for the details of the impact of transition.

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

**Defence Housing Australia  
Statement of Financial Position  
As at 30 June 2019**

	Notes	30 June 2019 <sup>(c)</sup> \$'000	30 June 2018 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	15	212,924	188,430
Trade and Other Receivables	16	14,001	15,496
Other Current Assets	18	29,854	33,213
Inventories	19	488,824	454,133
Current Tax Assets		-	1,256
Finance Lease Receivables	21	-	17,208
Investment Properties Held for Sale	17	1,918	6,974
<b>Total Current Assets</b>		<b>747,521</b>	<b>716,710</b>
<b>Non-Current Assets</b>			
Deferred Tax Assets	14	28,314	24,738
Inventories	19	489,733	516,561
Investment Properties	20	1,037,730	986,773
Property, Plant and Equipment		6,244	7,811
Intangibles		4,526	5,169
Finance Lease Receivables	21	-	43,513
Other Receivables		678	-
Investments Accounted for Using the Equity Method		7	7
<b>Total Non-Current Assets</b>		<b>1,567,232</b>	<b>1,584,572</b>
<b>Total Assets</b>		<b>2,314,753</b>	<b>2,301,282</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	22	60,712	57,694
Current Tax Liabilities		3,251	-
Dividend Payable	23	24,545	26,555
Borrowings	24	150,000	100,000
Other Financial Liabilities	25	20,317	25,664
Provisions	26	26,731	26,766
<b>Total Current Liabilities</b>		<b>285,556</b>	<b>236,679</b>
<b>Non-Current Liabilities</b>			
Borrowings	24	359,580	409,580
Other Financial Liabilities	25	386	694
Provisions	26	101,697	103,109
<b>Total Non-Current Liabilities</b>		<b>461,663</b>	<b>513,383</b>
<b>Total Liabilities</b>		<b>747,219</b>	<b>750,062</b>
<b>Net Assets</b>		<b>1,567,534</b>	<b>1,551,220</b>
<b>EQUITY</b>			
Contributed Equity		403,863	403,863
Retained Earnings		1,163,671	1,147,357
<b>Total Equity</b>		<b>1,567,534</b>	<b>1,551,220</b>

(c) The balance represents DHA as a stand-alone entity. Refer to Note 1(b).

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

**Defence Housing Australia  
Statement of Changes in Equity  
For the year ended 30 June 2019**

	Retained earnings \$'000	Contributed equity \$'000	Total equity \$'000
<b>Balance at 1 July 2017 (Consolidated)</b>	1,129,654	403,863	1,533,517
Profit for the Year	44,258	-	44,258
Other Comprehensive Income	-	-	-
<b>Total Comprehensive Income</b>	<b>44,258</b>	<b>-</b>	<b>44,258</b>
<b>Transactions with Owners</b>			
<b>Return of Capital</b>			
Dividends	(26,555)	-	(26,555)
<b>Balance at 30 June 2018 (Consolidated)</b>	<b>1,147,357</b>	<b>403,863</b>	<b>1,551,220</b>
<b>Balance at 1 July 2018 (Consolidated)</b>	1,147,357	403,863	1,551,220
Equity in subsidiary DHA IML	(49)	-	(49)
<b>Balance at 1 July 2018 (Parent only) <sup>(d)</sup></b>	<b>1,147,308</b>	<b>403,863</b>	<b>1,551,171</b>
Profit for the Year	40,908	-	40,908
Other Comprehensive Income	-	-	-
<b>Total Comprehensive Income</b>	<b>40,908</b>	<b>-</b>	<b>40,908</b>
<b>Transactions with Owners</b>			
<b>Return of Capital</b>			
Dividends	(24,545)	-	(24,545)
<b>Balance at 30 June 2019</b>	<b>1,163,671</b>	<b>403,863</b>	<b>1,567,534</b>

(d) Opening balance of \$1,147,308K represents DHA as a stand-alone entity for the first year. The difference relates to equity in subsidiary DHA IML. Refer to Note 1(b).

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

**Defence Housing Australia  
Statement of Cash Flows  
For the year ended 30 June 2019**

	30 June 2019 <sup>(e)</sup> \$'000	30 June 2018 \$'000
<b>OPERATING ACTIVITIES</b>		
<b>Cash Received</b>		
Sales of Goods and Services	676,772	673,540
Sales of Inventory	331,600	390,882
Interest	5,745	5,397
Stamp Duty and Land Tax Equivalents Received	34,653	32,572
GST Received	19,000	17,744
<b>Total Cash Received</b>	<u>1,067,770</u>	<u>1,120,135</u>
<b>Cash Used</b>		
Employees	89,462	85,072
Suppliers	517,143	556,889
Borrowing Costs	24,506	32,315
Income Taxes Paid	17,022	11,172
Acquisition and Construction of Inventories	276,709	363,652
Stamp Duty and Land Tax Equivalents Paid	36,950	36,110
Other Expenses	15,049	12,786
GST Paid	20,556	26,199
<b>Total Cash Used</b>	<u>997,397</u>	<u>1,124,195</u>
<b>Net Cash from/(used by) Operating Activities</b>	28 <u>70,373</u>	<u>(4,060)</u>
<b>INVESTING ACTIVITIES</b>		
<b>Cash Received</b>		
Proceeds from Sales of Investment Properties	20,442	34,131
Investment in Associates	611	-
<b>Total Cash Received</b>	<u>21,053</u>	<u>34,131</u>
<b>Cash Used</b>		
Acquisitions and Construction of Investment Properties	36,763	28,332
Acquisition of Plant and Equipment	2,998	4,980
<b>Total Cash Used</b>	<u>39,761</u>	<u>33,312</u>
<b>Net Cash (used by)/from Investing Activities</b>	<u>(18,708)</u>	819
<b>FINANCING ACTIVITIES</b>		
<b>Cash Used</b>		
Dividend Paid	26,555	39,585
<b>Total Cash Used</b>	<u>26,555</u>	<u>39,585</u>
<b>Net Cash (used by) Financing Activities</b>	<u>(26,555)</u>	<u>(39,585)</u>
<b>Net Increase/(Decrease) in Cash Held</b>	<u>25,110</u>	<u>(42,826)</u>
Cash and Cash Equivalents at the Beginning of the Reporting Period (Consolidated)	188,430	231,256
DHA IML Cash Balance at the Beginning of the Reporting Period	(616)	-
<b>Cash and Cash Equivalents at the Beginning of the Reporting Period<sup>(e)</sup></b>	<u>187,814</u>	<u>231,256</u>
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	15 <u>212,924</u>	<u>188,430</u>

(e) The balance in 2019 represents DHA as a stand-alone entity. Refer to Note 1(b).

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

**Notes to the Financial Statements**

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## 1 Overview

### (a) Objectives of DHA

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

DHA is structured to meet one outcome:

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

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

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

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

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

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

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

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

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

DHA has not prepared a consolidated financial report as the only subsidiary, DHA Investment Management Limited (DHA IML), was wound up and deregistered by the Australian Securities and Investments Commission (ASIC) on 13 January 2019. The results of DHA IML were immaterial to DHA for the period. As such, no consolidated financial report has been prepared.

DHA has also elected to prepare separate financial statements applying the exemption for consolidation under paragraph 17 of AASB 127 Separate Financial Statements. The result of DHA's investment in the joint ventures, which are immaterial, has been equity accounted for.

### (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:

## 1 Overview (continued)

### (c) Significant Accounting Judgements and Estimates (continued)

- 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 cost, 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 cost to complete and selling costs. Where the net realisable value is lower than cost to date for the development site, the cost to date is 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% (2018: 2.50%) and a discount rate of 1.23% (2018: 2.47%), being the five year commercial bank swap rate as at 30 June 2019. 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.
- DHA has analysed the agreements between DHA, Department of Defence and the Australian Defence Force Member in order to determine if there is a lease agreement under AASB 117 and AASB 16. AASB 117 defines a lease as an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. AASB 16 states that a lease is present if a contract "conveys the right to control the use of an identified asset for a period of time in exchange of consideration." AASB 16 Leases further sets out that to assess whether a contract conveys the right to control the use of an identified asset for a period of time, an entity shall assess whether, throughout the period of use, the customer has both of the following:
  - (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
  - (b) the right to direct the use of the identified asset.

DHA has concluded that the Defence Services Agreement between DHA and Defence is a lease in accordance with AASB 117 and AASB 16, as it satisfies the definition of a lease under AASB 117 and AASB 16.

## 1 Overview (continued)

### (c) Significant Accounting Judgements and Estimates (continued)

- DHA has analysed the services provided in return for lessor management fees and concluded that some activities do not represent the transfer of goods or services from DHA to the lessor. Specifically, bill paying services and market rent review services were considered a performance obligation and recognised as revenue under AASB 15; while property administration, annual market rent reviews as defined by the lease and maintenance and restoration services are part of the overall lease and accounted for as a reduction to rental expense.

Judgement was required in determining the split between the portion that represents the transfer of goods or services to the lessor (herein called 'lessor management fee revenue') and the portion that relates to the lease. DHA utilised internal business and product line costing methodologies across historical financial data, to determine the split.

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.

### (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. The impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* is discussed below. Several other new standards and amendments apply for the first time from 1 July 2018, but these do not have a material impact on the financial statements.

#### AASB 9 Financial Instruments

DHA applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. The modified retrospective approach has been adopted and therefore the 30 June 2018 comparatives have not been restated.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates noting that Department of Defence is the primary counterparty. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. DHA has not identified any material impacts in relation to historic loss rates.

The adoption of AASB 9 Financial Instruments for the first time from 1 July 2018 does not have a material impact on DHA's financial statements. AASB 9 Financial Instruments adopts a principles-based approach to the measurement of financial assets, requiring evidence through observation of the entity's business model, the entity's purpose in holding financial assets and the valuation basis, as a consequence of this approach.

#### Classification of financial assets on the date of initial application of AASB 9

Financial Assets Class	AASB 139 Original Classification	AASB 9 New Classification
Cash at Bank	Loans and Receivables	Amortised Cost
Term Deposits	Loans and Receivables	Amortised Cost
Trade Receivables	Loans and Receivables	Amortised Cost
Finance Lease Current	Loans and Receivables	Amortised Cost
Finance Lease Non-Current	Loans and Receivables	Amortised Cost

## 1 Overview (continued)

### (d) New Australian Accounting Standards (continued)

	<b>AASB 139</b> <b>Carrying</b> <b>Amount at 1</b> <b>July 2018</b> <b>\$'000</b>	<b>AASB 9</b> <b>Carrying</b> <b>Amount at 1</b> <b>July 2018</b> <b>\$'000</b>
<b>Financial Assets Class</b>		
Cash at Bank	32,920	32,920
Term Deposits	155,510	155,510
Trade Receivables	15,496	15,496
Finance Lease Current	17,208	17,208
Finance Lease Non-Current	43,513	43,513
<b>Total Financial Assets</b>	<b>264,647</b>	<b>264,647</b>

Upon the adoption of AASB 9, DHA had the following required reclassifications:

<b>Financial Assets under AASB 9</b>	<b>30 June 2019</b> <b>\$'000</b>
<b>Financial Assets at Amortised Cost</b>	
Cash at Bank	19,924
Term Deposits	193,000
Trade Receivables	14,001
Finance Lease Current	-
Finance Lease Non-Current	-
<b>Total Financial Assets at Amortised Cost</b>	<b>226,925</b>
<b>Financial Assets under AASB 139</b>	<b>30 June 2018</b> <b>\$'000</b>
<b>Loans and Receivables</b>	
Cash at Bank	32,920
Term Deposits	155,510
Trade Receivables	15,496
Finance Lease Current	17,208
Finance Lease Non-Current	43,513
<b>Total Loans and Receivables</b>	<b>264,647</b>

### **AASB 15 Revenue from Contracts with Customers**

AASB 15 and its associated amendments supersede *AASB 111 Construction Contracts*, *AASB 118 Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a single comprehensive five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

## 1 Overview (continued)

### (d) New Australian Accounting Standards (continued)

AASB 15 is effective for DHA from 1 January 2018. DHA elected to adopt the standard using the modified retrospective method of adoption as permitted by AASB 15 with an initial date of application of 1 July 2018. Under this method, the cumulative effect of initially adopting AASB 15 is recognised at the date of initial application by adjusting opening retained earnings or other relevant components of equity. Therefore, comparative information has not been restated and continues to be reported under previous accounting standards applicable to revenue, so previous revenue-related accounting policies apply. DHA elected to apply the new standard only to contracts that were not completed contracts as at 1 July 2018.

#### Overview

DHA undertook a comprehensive project to analyse the impact of the new revenue standard with the primary focus being to understand whether the timing and amount of revenue recognised could differ under AASB 15. The key contracts were identified and have been reviewed and assessed against the requirements of AASB 15, compared to DHA's current accounting policies and practices, and potential differences have been identified. Key judgements and assumptions have been determined and documented, with a revenue recognition approach and policies approved.

Based on this assessment, the application of AASB 15 does not have a material impact on the recognition or timing of DHA's revenue from contracts with customers and hence does not result in a material net adjustment to opening retained earnings. In addition, there is no material net impact on the current reporting period's profit after income tax and no impact on other comprehensive income or the cash flow statement. The key impacts are:

- A reduction in lessor management fee revenue with a corresponding reduction in Housing Services Lease Rentals expense;
- A change from the gross presentation of certain items incurred on behalf of, and reimbursed by, Defence within the statement of comprehensive income to net;
- Updates to the wording for key revenue-related accounting policies.

These changes are explained further below.

Some of the key issues considered as part of the AASB 15 assessment included:

- Non-lease versus lease components: Identifying the activities and payments within the Services Agreement with Defence and arrangements with other customers relate to the provision of accommodation (leases) versus those that relate to the transfer of goods or services to customers and hence represent revenue within scope of AASB 15;
- Non-cash consideration: Determining how and when to value non-cash consideration when determining the transaction price;
- Principal versus agent: Determining whether and when DHA is acting as principal or agent with respect to certain types of costs DHA incurs in relation to activities performed for, and services provided to, Defence or ADF Members; and
- Disclosures: Specific quantitative and qualitative disclosures required under AASB 15.

DHA's accounting policies which address these key issues are set out in Note 3 below.

## 1 Overview (continued)

### (d) New Australian Accounting Standards (continued)

DHA's revenue streams within the scope of AASB 15, and presented in the Statement of Comprehensive Income in the line item entitled 'Revenue from Contracts with Customers', include:

<b>AASB 15 revenue stream</b>	<b>Description</b>	<b>Previous classification under AASB 118</b>
Allocation Services Provided	Services provided under the Allocation and Tenancy Management ("ATM") Services and the Living in Allowance ("LIA") Services contracts	Allocation Services Provided
Lessor management fees revenue	Management and maintenance services provided to lessors in relation to sale and leaseback ("SLB") and direct lease properties	Housing Services Provided – Lessor management fees
Defence property management services	Fees and charges levied to Defence under the Services Agreement in relation to Defence owned properties which DHA manages (excluding those where DHA is acting as agent)	Housing Services Provided – Defence Other Charges
Defence other charges	Revenue received from Defence to recoup expenses incurred under the Services Agreement, such as upgrades to the properties, reimbursements of rates, municipal charges, insurance and utilities but only where DHA is acting as principal	Housing Services Provided – Defence other charges
Construction services revenue	Construction services provided to Defence under the Services Agreement and other non-Defence customers	Housing Services Provided – Defence Other Charges

The other items comprising Total Revenue which are not in the scope of AASB 15 but instead are in the scope of other standards include the following:

<b>Other revenue stream</b>	<b>Description</b>	<b>Previous classification under AASB 118 and AASB 117</b>
Lease rentals	Defence Rent - Rent received from Defence for investment properties	Housing Services Provided – Defence Rent and Charges
Lease rentals	Other - relates to rent received from the private rental market	Housing Services Provided - Other revenue
Other income	Annuity revenue - Interest income recognised in relation to construction services DHA provides to Defence under annuity arrangements	Housing Services Provided – Annuity revenue
Interest received	Interest received on financial assets	Interest Received

#### *Impact on Statement of Comprehensive Income*

The current financial year impact on the financial statements of adopting AASB 15 as compared to the relevant standards and related Interpretations that were in effect before the change, is set out below. The column entitled "AASB 15 and other standards" shows amounts prepared and disclosed under AASB 15 and other relevant standards applicable at 30 June 2019. The column entitled "Previous AASB standards" shows what the amounts would have been had AASB 15 not been adopted for the 30 June 2019 year. The 30 June 2018 column is the comparative information as prepared under previous accounting standards. Only those line items impacted have been disclosed, all other line items within the Statement of Comprehensive Income are unaffected by AASB 15.

**Defence Housing Australia**  
**Notes to the Financial Statements**  
**30 June 2019**  
(continued)

**1 Overview (continued)**

**(d) New Australian Accounting Standards (continued)**

	30 June 2019			30 June 2018	
	AASB 15 and other standards \$'000	Lessor management fee (a) \$'000	Presentation adjustment (b) \$'000	Previous AASB standards \$'000	Previous AASB standards \$'000
Lease Rental - Defence Rent	-	-	473,796	473,796	528,137
Defence Other Charges	-	-	86,338	86,338	95,656
Lessor Management Fee	-	50,801	-	50,801	51,411
Other Revenue	-	-	10,938	10,938	10,160
Annuity Revenue	-	-	2,116	2,116	1,025
<b>Housing Services Provided</b>	<b>-</b>	<b>50,801</b>	<b>573,188</b>	<b>623,989</b>	<b>686,389</b>
<b>Allocation Services Provided</b>	<b>-</b>	<b>-</b>	<b>13,149</b>	<b>13,149</b>	<b>13,285</b>
<b>Interest Received - Annuity Revenue</b>	<b>2,116</b>	<b>-</b>	<b>(2,116)</b>	<b>-</b>	<b>-</b>
<b>Sale of Inventories</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>334,256</b>	<b>396,034</b>
Allocation Services Provided	13,149	-	(13,149)	-	-
Defence Property Management Services	59,029	-	(59,029)	-	-
Construction Services Revenue	19,275	-	(19,275)	-	-
Defence Other Charges	7,930	-	(7,930)	-	-
Lessor Management Fee Revenue	3,312	(3,312)	-	-	-
Non Defence Other Charges	106	-	(106)	-	-
<b>Revenue from Contracts with Customers</b>	<b>102,801</b>	<b>(3,312)</b>	<b>(99,489)</b>	<b>-</b>	<b>-</b>
Defence Rent	473,796	-	(473,796)	-	-
Other Rentals	10,938	-	(10,938)	-	-
<b>Housing Services Lease Rentals</b>	<b>484,734</b>	<b>-</b>	<b>(484,734)</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>					
Housing Services Lease Rentals	307,932	47,489	-	355,421	357,164

(a) Lessor management fee (refer to the column reference (a) in the table above)

On transition to AASB 15, while there is no change to the timing of revenue recognition, there is a change arising in the measurement of the lessor management fees.

The total lessor management fee received by DHA effectively compensate DHA for providing both:

- Separate services, e.g., Management of property-related expenses and certain valuation services; and
- Compensation to DHA for having to assume and pay for additional activities and services as a tenant, e.g., property administration, repair and maintenance of the property, restoration services and valuation activities required to comply with the contract

## **1 Overview (continued)**

### **(d) New Australian Accounting Standards (continued)**

After completing the AASB 15 assessment process, DHA concluded that some of these activities do not represent the transfer of separate goods or services from DHA to the lessor. Therefore, a portion of the lessor management fee charged to lessors should not be considered revenue from contracts with customers, but instead should be considered part of the lease arrangement, i.e., as a reduction of the lease expense relating to amounts paid to lessors for the use of properties.

Judgement was required in determining the split between the portion that represents the transfer of goods or services to the lessor (herein called "lessor management fee revenue") and that which should be recognised as a reduction of the rental expense.

(b) Presentation adjustments (refer to the column reference (b) in the table above)

For the year ended 30 June 2019, DHA has made adjustments to separately present different sources of revenue from contracts with customers and revenue within scope of other standards. For example, Defence Other Charges presented in "Housing Services Provided" for the year ended 30 June 2018 is presented as Defence Property Management Services, Construction Services Revenue and Defence Other Charges in "Revenue from Contracts with Customers" for the year ended 30 June 2019 (within scope of AASB 15). Defence Rent, presented in "Housing Services Provided" at 30 June 2018 is presented in "Housing Services Lease Rentals" at 30 June 2019 (within scope of AASB 117).

## **1 Overview (continued)**

### **(d) New Australian Accounting Standards (continued)**

#### **Standards Issued But Not Yet Effective**

Australian Accounting Standards and Interpretations that are issued, but are not yet effective, up to the date of issuance of DHA's financial statements are disclosed below. DHA intends to adopt these new standards and interpretations, if applicable, when they become effective.

#### **AASB 16 Leases**

AASB 16 was issued in February 2016 and replaces AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases - Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for leases using a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use (ROU) asset). Lease payments include all payments the lessee is required to make under the lease over the lease term except those variable payment not based on an index or rate. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the ROU asset over the lease term.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). A lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the ROU asset.

Lessor accounting under AASB 16 is substantially unchanged from current accounting under AASB 117, other than in respect of subleases. Lessors will continue to classify all leases using the same classification principles as those in AASB 117 and distinguish between two types of leases: operating leases and finance leases. The classification of subleases will now be made by reference to the ROU asset associated with the head lease (and not the underlying asset associated with the head lease).

AASB 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to provide more extensive disclosures than under AASB 117.

#### **Transition to AASB 16**

DHA will adopt AASB 16 from 1 July 2019 (being the date of initial application). DHA plans to adopt the modified retrospective transition approach, with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings.

DHA is not required, or permitted, to reassess sale and leaseback transactions entered into before the date of initial application to determine whether the transfer of the underlying asset satisfies the requirements in AASB 15 to be accounted for as a sale. DHA currently accounts for sale and leaseback transactions as a sale as all of the risk and rewards of ownership are considered to transfer to the new owner at the date of sale. Using the practical expedient provided in AASB 16 relating to sale and leasebacks, DHA will:

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

## 1 Overview (continued)

### (d) New Australian Accounting Standards (continued)

DHA will not elect to use the recognition and measurement exemptions available under the standard for lease contracts where the lease terms ends within 12 months from the date of initial application or for lease contracts where the underlying asset is of low-value.

Throughout 2018 and 2019, DHA performed a detailed impact assessment of AASB 16. In summary, the impact of AASB 16 adoption is expected to be as follows:

#### *Impact on the Statement of Financial Position as at 1 July 2019*

		Low \$'000	High \$'000
<b>Assets</b>			
Investment Properties (Right-of-use Assets)	Between	1,590,000	1,620,000
Deferred Tax Assets	Between	50,000	60,000
<b>Total Assets</b>		1,640,000	1,680,000
<b>Liabilities</b>	Between	(1,780,000)	(1,810,000)

The difference between assets and liabilities on the date of initial application will be charged to Retained Earnings.

Due to the significant accounting judgement and estimates detailed below only estimates are possible at the time.

Information on DHA's operating lease commitments are provided in Note 27.

The weighted average discount rate to be used on transition is expected to be 1.7%.

#### *Impact on the Statement of Financial Performance for the Year Ending 30 June 2020*

Due to the adoption of AASB 16, the composition and nature of DHA's leases expense will change. DHA's Housing Services Lease Rentals expense will decrease, while interest expense and depreciation will increase. This will lead to a net reduction in profit before tax in the year of adoption compared to current accounting standards.

The adoption of AASB 16 will also have an impact on the recognition of gains or losses arising from sale and leaseback transactions. AASB 16 requires that DHA, as seller-lessee, measure the ROU asset arising from the leaseback as a proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee.

Accordingly, at the time of sale, DHA will only recognise the portion of any gain or loss that relates to the rights transferred to the buyer-lessor, with the balance deferred and recognised over the life of the leased asset. This will result in a lower gain (or lower loss) being recognised immediately upon sale of the property.

Based on the leases expected to be recognised on balance sheet at 1 July 2019, and sale and leaseback transactions expected to occur in the 30 June 2020 year, the estimated impact on profit or loss for the year ending 30 June 2020 is expected to be a reduction of \$7 million to \$9 million.

The actual impact on profit or loss may ultimately differ to this estimate depending on factors including, but not limited to, changes in lease portfolio, changes in market rates of rentals, differences in actual discount rates to those assumed in this estimate, the volume of sale and leaseback transactions, sales prices and margin achieved on sale and leaseback transactions, and changes in other judgements and estimates set out below.

## 1 Overview (continued)

### (d) New Australian Accounting Standards (continued)

#### **Significant Accounting Judgements and Estimates**

The application of AASB 16 will require significant judgement and areas of estimation. In determining the estimate of the potential transition adjustment, the following significant judgements and estimates have been made:

##### *Lessee Accounting*

##### *Lease Term*

DHA has used judgement in determining whether options for extension or termination contained in lease arrangements would or would not be considered reasonably certain of being exercised. DHA make this judgement on a lease-by-lease basis, and consider all relevant facts and circumstances that create an economic incentive for DHA to exercise, or not exercise, an option, including any expected changes in the facts and circumstances from the commencement date until the exercise date of the option. For most property leases, DHA has concluded it is reasonably certain to exercise options to extend the lease, and accordingly have included the period covered by those lease extensions.

##### *Discount Rate*

Significant judgement is involved in determining the discount rate to apply to calculate the lease liability when initially recognising a lease. In line with the requirements of applying the modified retrospective approach, DHA is required to use the Incremental Borrowing Rate (IBR) to discount the lease payments when calculating the lease liabilities to be recognised on transition. The IBR is the rate of interest DHA would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. On this basis, DHA has applied an IBR ranging from 1.36% to 4.36%, dependent on the lease term.

The IBR to be adopted by DHA reflects its corporate credit issuer rating of AA+ which considers its ownership by, and relationship with, the Commonwealth Government. DHA has assessed that no other significant adjustments are required for other lessee or lease-specific factors.

##### *Transition Impairment*

Under the modified retrospective transition approach, DHA is required to assess whether ROU assets recognised on transition relating to leases previously classified as operating leases need to be impaired in accordance with the requirements of AASB 136 *Impairment of Assets*. DHA will not rely on its assessment of whether leases are onerous applying AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment assessment. In performing this assessment, there are a number of significant judgements to be considered:

- **Identifying the cash generating unit (CGU):** DHA has determined that each individual ROU asset for each property represents a CGU as each property is capable of generating cash inflows which are largely independent of any other asset/CGU.
- **Determining the recoverable amount:** AASB 136 requires that of the two methods available for determining the recoverable amount, being fair value less costs of disposal and value in use, the one that generates the highest recoverable amount is to be used. DHA has concluded that value in use will consistently generate a higher recoverable amount.
- **Determining the discount rate:** DHA has used a rate that reflects the nominal pre-tax discount rate implied by the capital value of the related properties, the expected future rents from the properties and other cash flows for associated property related services.

## **1 Overview (continued)**

### **(d) New Australian Accounting Standards (continued)**

#### ***Lessor Accounting***

##### *Identification of a Lease*

Where DHA enters into leases of residential properties as lessor, i.e., when leasing to Defence or to the private market, judgement is required in determining when a lease is entered into, and who the lease is being entered into with.

When leasing properties for the purposes of providing housing for ADF Members, DHA has determined that the lease is with the Department of Defence (Defence) and it commences when a property first enters the DHA portfolio and is available to be occupied by an ADF Member.

##### *Nature of the Lease Payment*

DHA has concluded that leases with Defence contain no fixed, in-substance fixed, lease payments. This is on the basis that lease payments will only be received from Defence as and when a property is tenanted, and are therefore variable in nature based on the use of the asset. DHA will recognise these payments as revenue when they are earned. There are also no variable lease payments based on an index or a rate.

Leases with Defence will typically be classified as operating leases because the significant risks and rewards of ownership have not been transferred to Defence given the contingent nature of the lease payments.

**Defence Housing Australia**  
**Notes to the Financial Statements**  
**30 June 2019**  
(continued)

**2 Housing Services Provided**

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
Defence Rent and Charges	-	528,137
Defence Other Charges	-	95,656
Lessor Management Fees	-	51,411
Other Revenue	-	10,160
Annuity Revenue	-	1,025
<b>Total Housing Services Provided</b>	<b>-</b>	<b>686,389</b>

DHA has adopted AASB 15 using the modified retrospective approach. Therefore, the 30 June 2018 comparatives have not been restated. Refer Note 1(d) new Australian Accounting Standards for details of the impact of transition.

**3 Revenue from Contracts with Customers**

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
<b>Revenue from Defence</b>		
Allocation Services Provided	13,149	-
Defence Property Management Services	59,029	-
Construction Services Revenue	19,275	-
Defence Other Charges	7,930	-
<b>Total Revenue from Defence</b>	<b>99,383</b>	<b>-</b>
<b>Revenue from Non-Defence Customers</b>		
Lessor Management Fee Revenue	3,312	-
Non Defence Other Charges	106	-
<b>Total Revenue from Non-Defence Customers</b>	<b>3,418</b>	<b>-</b>
<b>Total Revenue from Contracts with Customers</b>	<b>102,801</b>	<b>-</b>

### 3 Revenue from Contracts with Customers (continued)

#### Accounting Policies

Revenue recognition accounting policies with respect to DHA's business activities within the scope of AASB 15 are as follows:

<b>Revenue from Defence</b>	<b>Timing of revenue recognition</b>
Allocation Services Provided (i)	Over time
Defence Property Management Services (ii)	Over time
Defence Other Charges (iii)	Point in time
Construction Services Revenue (iv)	Over time
<b>Revenue from Non-Defence Customers</b>	
Construction Services Revenue (iv)	Over time
Lessor Management Fee Revenue (v)	Over time

#### i) Allocation Services Provided

DHA provides the service of allocating ADF members to available and suitable accommodation under the Allocation and Tenancy Management contract (ATM) or off-base accommodation and the Living In Accommodation contract (LIA) or on-base accommodation based on Defence's requirements and policies. For these services, DHA receives annual fixed fees from Defence per the ATM and LIA contracts which form part of the overall Services Agreement. The transaction price relating to the provision of each of these services comprises fixed annual amounts which remain unchanged across the contract term and cover a specified number of annual allocations. Additional fees are receivable by DHA should allocations exceed the annual amount. There is also an annual performance payment which DHA may be entitled to receive from Defence should certain KPIs be met. This performance payment relates to all services provided to Defence under the Services Agreement which includes the housing (leasing) services plus the services provided under the ATM and LIA contracts.

##### *AASB 15 Policy*

The provision of the Allocation Services under the ATM and LIA contracts each represent a series of distinct services that are substantially the same and have the same pattern of transfer to Defence and are each treated as one performance obligation satisfied over time. The fixed fees DHA receives for these services are considered to be the stand-alone selling price for the services being provided. All fees receivable under these arrangements will be recognised in full within the financial year.

For allocations above the specified contractual annual amounts, DHA will receive an additional fee. DHA considers the additional services in relation to the ATM contract to be options to purchase additional goods and services. Therefore, these will only be recognised as revenue as and when the additional allocation services are provided. The additional amounts relating to the LIA contract are considered to represent a material right to receive additional services at a discount and hence a separate performance obligation. However, the underlying services and the related revenue are not recognised until the option is exercised (so no amount of consideration for these transactions is estimated and included in the transaction price initially allocated). In all situations, revenue recognised in a year will relate to all allocations performed during that year. DHA invoices Defence on a monthly basis for the services provided and Defence pays within 30 days.

The performance payment is considered variable consideration at contract inception and fully constrained at this date given the nature of the payment. However, by the end of each financial year, the uncertainty for that year is resolved as the performance payment is known and the performance payment is recognised in that year using the variable consideration allocation exemption. It is allocated between the Allocation Services Provided, the other services provided to Defence, and other services which are in scope of AASB 15, i.e., the Defence property management services. DHA invoices Defence for such performance payments and Defence pays within 30 days.

### **3 Revenue from Contracts with Customers (continued)**

#### ***ii) Defence Property Management Services***

DHA receive a range of fees and charges for managing and maintaining residential properties owned by Defence that are also used to house ADF Members. These amounts are either a weekly payment received only if and when a property is tenanted by an ADF member, an amount per property which is paid annually for each year a property is being managed by DHA, or based on actual costs incurred plus a set management fee percentage.

#### *AASB 15 Policy*

The management services provided under this part of the Services Agreement are considered to be a series of distinct services that form a single performance obligation that is recognised over time. The transaction price is variable as it depends on how many properties are managed by DHA and for how many years, how often the property is tenanted and what costs are incurred by DHA in providing certain services. The variable allocation exemption is used to allocate the variable consideration to the services provided in each month. DHA invoices Defence on a monthly basis for the services provided and Defence pays within 30 days.

#### ***iii) Defence Other Charges***

Defence Other Charges include expenses which are recovered from Defence under the Services Agreement. In the prior year, this included amounts such as: Defence funded capital projects; upgrades to the properties; reimbursements of rates, municipal charges, insurance and utilities incurred by DHA on behalf of Defence.

#### *AASB 15 Policy*

When incurring these costs, DHA assesses whether it is principal or agent in such transactions. DHA is the principal if they control the good or service before the good or service is transferred to Defence. Where DHA is principal, the consideration received from Defence is recognised as revenue when the service is performed. Where DHA is assessed as agent, consideration received and the expense incurred will be netted off with no net impact on profit or loss as these amounts are reimbursed by Defence on a cost recovery basis with no margin or commissions being retained by DHA.

Revenue received in relation to Defence funded capital projects has been presented as construction services revenue (refer note 3 (iv) below).

Revenue received to upgrade properties to the required Defence standard is considered to be a distinct performance obligation satisfied at the point in time when the property is first tenanted by an ADF member, as this is when control of the upgrade is transferred to Defence. DHA receives a fixed fee for these services depending on the nature of the property being upgraded. DHA invoice Defence on a monthly basis for the services provided and Defence pays within 30 days.

#### ***iv) Construction Services***

DHA will often manage the construction of property developments on behalf of Defence and sometimes non-Defence customers. These services involve DHA project managing the construction using sub-contractors for on-base housing constructions and certain off-base properties for Defence and other non-Defence customers. The transaction price DHA receives represents the costs incurred plus a management fee.

#### *Defence - Construction Services*

When DHA provides construction services to Defence it either receives cash in instalments over the construction period, or under annuity arrangements whereby Defence makes payments over a fixed period (typically 3-4 years) commencing after construction is completed.

### **3 Revenue from Contracts with Customers (continued)**

#### *Non-Defence Customers - Construction Services*

The construction services DHA provides to non-Defence customers may involve either cash or sometimes non-cash consideration, usually being land DHA can use for future developments. Where non-cash consideration is provided, it is fair valued at the commencement of the contract. If actual construction costs incurred plus the specified margin is less than the fair value of the non-cash consideration determined at contract inception, DHA is required to refund the difference to the customer in cash, if the costs plus the margin are more than the fair value of the non-cash consideration, the customer pays DHA the additional amount in cash.

#### *AASB 15 Policy*

The construction services provided for each project represent a single performance obligation satisfied over time, as DHA is creating or enhancing an asset that is controlled by Defence or other non-Defence customers as the construction occurs. The transaction price is determined based on the estimated construction costs plus a specified margin. It is considered variable as the final transaction price will depend on the actual construction costs incurred. At contract inception, DHA estimates variable consideration using an expected value method and this estimate is updated at each reporting period. Revenue is recognised over time using an input method, being the costs incurred to date on the project compared to total costs expected to be incurred, in determining how much of the performance obligation has been satisfied throughout the construction period. Any adjustment to the transaction price is recognised as part of revenue in the period the adjustment occurs.

With respect to annuity arrangements, DHA has determined there is a significant financing component given the time between performance by DHA and payment by Defence. Interest revenue is recognised on these annuity arrangements and is recognised as Interest revenue.

For construction services involving non-cash consideration, DHA determines the fair value at contract inception using an external market valuation of the land being transferred to DHA.

DHA have applied the contract modification practical expedient available under AASB 15 to construction services contracts. The application of this practical expedient means DHA will not retrospectively account for any contract modifications occurring before the date of initial application. The application of this practical expedient will not have a material impact on DHA at transition or an ongoing basis.

#### **v) Lessor Management Fee Revenue**

DHA receives a fixed percentage management fee based on the rent paid to lessors in exchange for performing management and maintenance services on the property.

#### *AASB 15 Policy*

The lessor management fee that compensates DHA for the provision of separate services is recognised as lessor management fee revenue. DHA considers these services to be a series of distinct services that form a single performance obligation that is recognised over time. The transaction price is variable as it is calculated as a set percentage of the monthly rent paid and will increase when the annual market rents are reset and the variable allocation exemption is used to allocate the variable consideration to the services performed in each month]. These amounts are deducted from the monthly rental bill paid by DHA to the lessor.

**Defence Housing Australia**  
**Notes to the Financial Statements**  
**30 June 2019**  
 (continued)

**4 Sale of Inventories**

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Sale of Inventories</b>	<b>334,256</b>	396,034

DHA develops properties with the primary purpose of using these properties to house ADF members. In the event that DHA has properties which become surplus to its requirements for meeting this purpose, properties will generally be disposed of and sold to third parties.

*AASB 15 Policy*

Where DHA sells property that has been developed as inventory, it considers each sale of property to be single performance obligation which is satisfied at a point in time i.e. when control of the property transfers to the customer. This is deemed to occur upon final settlement. The transaction price is fixed and is determined at completion of the auction process. There are no significant payments terms as cash is exchanged at settlement.

**5 Housing Services Lease Rentals**

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Housing Services Lease Rentals</b>		
Defence Rent	473,796	-
Other Rentals	10,938	-
<b>Total Housing Services Lease Rentals</b>	<b>484,734</b>	-

*Defence Rent*

During the current year, due to the adoption of AASB 15, the Defence property management services revenue and the construction services revenue are considered to be in scope of AASB 15 and have been disclosed separately. See Note 3 (ii) Defence Property Management Services and Note 3 (iv) Construction Services for further discussion. This line item now only represents lease revenue received from Defence for properties provided under the Services Agreement and Members Choice Accommodation Agreement.

*Other Rentals*

Other Rentals comprise rental income 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.

## 6 Allocation Services Provided

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
<b>Allocation Management Fees</b>	-	13,285

DHA has adopted AASB 15 using the modified retrospective approach. Therefore, the 30 June 2018 comparatives have not been restated. Refer Note 1(d) new Australian Accounting Standards for details of the impact of transition.

## 7 Interest Received

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
Interest on Deposits	3,644	4,703
Interest on Annuities	2,116	-
<b>Total Interest Received</b>	<b>5,760</b>	<b>4,703</b>

Interest revenue earned on financial assets is recognised on an accrual basis using the effective interest method taking into account the interest rates applicable to the financial assets.

Interest income is also recognised in relation to construction services DHA provides to Defence under annuity arrangements. It is disclosed with other interest earned on the adoption of AASB 15. Note the prior year comparative for interest on annuities is disclosed in Note 2.

## 8 Gains from Disposal of Investment Properties

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
Proceeds from Sale	20,375	34,139
Carrying Value of Assets Sold	(11,171)	(18,788)
Selling Expenses	(1,528)	(1,185)
<b>Net Gains from Disposal of Investment Properties</b>	<b>7,676</b>	<b>14,166</b>

Profits or losses from the disposal of investment properties is 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 Financial Statements**  
**30 June 2019**  
(continued)

**9 Employee Benefits**

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
Wages and Salaries	<b>50,535</b>	50,048
Superannuation:		
Defined Contribution Plans	<b>8,016</b>	7,939
Defined Benefit Plans	<b>2,681</b>	2,476
Leave and Other Entitlements	<b>7,478</b>	6,346
<b>Total Employee Benefits</b>	<b>68,710</b>	66,809

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

**Superannuation**

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

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

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

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

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

**Leave**

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

**10 Rates, Repairs and Maintenance**

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
Rates and Municipal Charges	<b>11,347</b>	10,834
Stamp Duty and Land Tax Equivalents	<b>34,206</b>	32,501
Repairs and Maintenance	<b>45,822</b>	45,269
Other Property Charges	<b>48,683</b>	106,997
<b>Total Rates, Repairs and Maintenance</b>	<b>140,058</b>	195,601

Rates, Repairs and Maintenance includes expenditure for investment properties of \$20,017,983 (2018: \$21,021,578).

**Rates and Municipal Charges**

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

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

**Stamp Duty and Land Tax Equivalents**

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

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

DHA includes State Tax Equivalent payments in the expenditure items to which they relate. Payroll tax is included in Other Expenses.

**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 repairs and maintenance, and Defence funded capital project expenses. DHA, in accordance with the Services Agreement, is entitled to recover from Defence these expenses. Note the prior year comparative for Other Property Charges contains rates, municipal charges and insurance costs which are now included as an offset to Revenue (Refer Note 3) in accordance of AASB 15.

Expenses are incurred from external parties and sub-contractors and are expensed in profit or loss in the month they are incurred.

## 11 Depreciation and Amortisation

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Depreciation</b>		
Investment Properties	15,031	13,665
Plant and Equipment	3,355	3,492
<b>Total Depreciation</b>	<b>18,386</b>	<b>17,157</b>
<b>Amortisation</b>		
Software	1,498	1,513
<b>Total Amortisation</b>	<b>1,498</b>	<b>1,513</b>
<b>Total Depreciation and Amortisation</b>	<b>19,884</b>	<b>18,670</b>

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:

	<b>2019</b>	<b>2018</b>
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.

## 12 Finance Costs

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Interest on Loans</b>	<u><b>24,506</b></u>	<u>25,866</u>

Interest is accrued based on effective interest rates on the outstanding balance of the loan. Interest paid is a related party transaction with Defence.

## 13 Net Write-Down and Impairment of Assets

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Non-Financial Assets</b>		
<b>Write-downs and Impairments</b>		
Investment Properties	5,299	5,401
Inventories	<u>11,007</u>	<u>15,717</u>
<b>Total Write-Downs and Impairments</b>	<u><b>16,306</b></u>	<u>21,118</u>
<b>Reversal of Write-Downs and Impairments</b>		
Investment Properties	(1,209)	(1,077)
Inventories	<u>(942)</u>	<u>(1,062)</u>
<b>Total Reversals</b>	<u><b>(2,151)</b></u>	<u>(2,139)</u>
<b>Net Write-Down and Impairment</b>	<u><b>14,155</b></u>	<u>18,979</u>

### **13 Net Write-Down and Impairment of Assets (continued)**

#### **Inventories**

To ensure compliance with *AASB 102 - Inventories*, an independent valuation to assess the net realisable value of inventory properties held by DHA is undertaken by registered valuers as at 31 December 2018. The carrying value of individual properties, where the cost of the property exceeded the net realisable value, are 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 19 for more information.

#### **Investment Properties**

Investment properties are initially recognised at cost. The carrying amount includes the cost of replacing parts of existing investment properties, at the time those costs are incurred. The carrying amount excludes costs of day-to-day servicing and maintenance of the investment property.

Investment properties are subsequently recognised at the lower of carrying value and recoverable amount. The recoverable amount is the higher of an assets' fair value less costs to sell; and value in use where the property is not identified for future sale.

Investment properties are derecognised either when they have been disposed of or when they are withdrawn from use and no future economic value is expected from its disposal.

The fair value of investment properties is assessed annually by independent valuers and a value in use calculation is prepared internally for assets not identified for future sale. Where the fair value less costs to sell and the value in use calculation for an individual property is less than its cost, the carrying value of the property is written down to the higher of the two valuation methods, and the loss is recognised as an impairment loss in the statement of comprehensive income. Refer to Note 20.

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 2.50%.
- 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.

**14 Taxation**

**(a) Income Tax Expense**

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
Current Tax	17,343	16,911
Adjustments for Current Tax of Prior Periods	1,716	1,696
Deferred Tax	(1,520)	(4,412)
Adjustments for Deferred Tax of Prior Periods	(2,064)	(1,584)
<b>Income Tax Expense</b>	<b>15,475</b>	<b>12,611</b>

Income Tax Expense is Attributable to:

Profit from Continuing Operations	<b>15,475</b>	12,611
<b>Income Tax Expense</b>	<b>15,475</b>	<b>12,611</b>

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

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
Profit from Continuing Operations before Income Tax Expense	56,383	56,869
Tax at the Australian Tax Rate of 30.0%	16,915	17,061
Tax Effect of Amounts which are not Deductible/(Assessable) in Calculating Taxable Income:		
Tax Cost Base Valuations	(886)	(4,362)
Adjustments relating to Prior Periods	(349)	112
Other	(205)	(200)
<b>Income Tax Expense</b>	<b>15,475</b>	<b>12,611</b>

**14 Taxation (continued)**

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

	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred Tax Assets/(Liabilities) recognised in the Statement of Comprehensive Income</b>		
Employee Benefits	8,749	8,491
Lease Incentives	234	334
Inventory Properties	(818)	(864)
Investment Properties	(8,933)	(9,223)
Make Good Provisions	29,125	29,725
Provisions - Other	604	549
Property, Plant and Equipment	565	(269)
R&D Expense	(737)	(3,790)
Other	(475)	(215)
<b>Net Deferred Tax Asset</b>	<b>28,314</b>	<b>24,738</b>
<b>Comprising:</b>		
Deferred Tax Assets	39,494	39,335
Deferred Tax Liabilities	(11,180)	(14,597)
<b>Net Deferred Tax Asset</b>	<b>28,314</b>	<b>24,738</b>
<b>Movements:</b>		
Opening balance at 1 July	24,738	18,742
Charged to the Statement of Comprehensive Income	3,576	5,996
<b>Closing balance at 30 June</b>	<b>28,314</b>	<b>24,738</b>

## **14 Taxation (continued)**

### **Accounting Policy**

DHA, following amendment of the DHA Act, became a Commonwealth income tax payer on 1 July 2007.

As a result of DHA becoming a taxable entity on 1 July 2007, an unrecognised temporary difference (Deferred Tax Asset) was created between the accounting carrying value and the tax value for properties held as Investment Properties. The unrecognised value of the temporary difference at 30 June 2019 is \$445,771,382 (2018: \$448,725,757). The tax effect of this temporary difference is \$133,731,415 (2018: \$134,617,727).

### **Income Tax Expense**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### **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.

The permanent benefit arising from the non refundable research and development tax incentive is accounted for in accordance with *AASB 120 - Accounting for Government Grants and Disclosure of Government Grants*, and is capitalised to the extent that it relates to assets in accordance with Part 3 of the FRR. The capitalised amounts are recognised as income based on the underlying assets useful life, or when disposed.

The temporary timing benefit arising from the non refundable research and development tax incentive is accounted for in accordance with *AASB 112 - Income Taxes*.

**Defence Housing Australia**  
**Notes to the Financial Statements**  
**30 June 2019**  
 (continued)

**15 Current Assets - Cash and Cash Equivalents**

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
Cash at Bank	<b>19,924</b>	32,920
Term Deposits	<b>193,000</b>	155,510
<b>Total Cash and Cash Equivalents</b>	<b>212,924</b>	<b>188,430</b>

Cash and cash equivalents means notes and coins held and any deposit held at call or readily convertible to cash with a bank or financial institution. As part of managing working capital, DHA invests in term deposits. These term deposits are classified as cash equivalents as they are readily convertible to a known amount of cash and are not subject to a significant risk of change in value. Cash is recognised at its nominal amount.

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

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Current</b>		
Receivables	<b>5,522</b>	4,799
Provision for Doubtful Debts	-	(154)
Impairment - Expected Credit Loss	<b>(55)</b>	-
	<b>5,467</b>	4,645
Accrued Income	<b>5,020</b>	10,847
Other Receivables	<b>3,514</b>	4
<b>Total Receivables for Goods and Services</b>	<b>14,001</b>	<b>15,496</b>
<b>Good and Services</b>		
Goods and Services - Related Entities	<b>6,034</b>	6,589
Goods and Services - External Parties	<b>7,967</b>	8,907
<b>Total Trade and Other Receivables (Net)</b>	<b>14,001</b>	<b>15,496</b>

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

**(a) Trade and Other Receivables (Net) are expected to be recovered in:**

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
Less than 12 Months	<b>14,001</b>	15,496

Credit Terms are between 7 and 30 days.

**(b) Receivables are aged as follows:**

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
Not overdue	<b>8,478</b>	10,698
0 to 30 Days	<b>4,694</b>	2,026
31 to 60 Days	<b>329</b>	2,344
61 to 90 Days	<b>48</b>	19
More than 90 Days	<b>452</b>	409
	<b>14,001</b>	15,496

Receivables for goods and services are recognised at the nominal amounts due, less any provision for impairment allowance. Collectability of debts is reviewed at 30 June each year. Allowances for expected credit losses (ECL's) are based on a provision matrix that is in accordance with AASB 9 - Financial Instruments.

**(c) Reconciliation of the Impairment Loss Allowance**

	<b>Goods and Services \$'000</b>
<b>Movement in relation to 2019 (AASB 9)</b>	
<b>As at 1 July 2018</b>	
Impairment loss allowance calculated under AASB 139	<b>154</b>
Amounts written off	<b>(7)</b>
Amounts recovered and reversed	<b>(92)</b>
<b>Total as at 30 June 2019</b>	<b>55</b>
<b>Movements in relation to 2018 (AASB 139)</b>	
<b>As at 1 July 2017</b>	
Opening balance	155
Amounts written off	(198)
Increase/(Decrease) recognised	197
<b>Total as at 30 June 2018</b>	<b>154</b>

## 17 Investment Properties Held for Sale

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
Investment Properties	<b>1,918</b>	<b>6,974</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 small proportion of its investment properties for sale. Investment properties are deemed eligible for sale if identified as a sale and lease back property, when they have below average capital growth expectations, carry high repairs and maintenance expenditure, are permanently privately leased out, have no redevelopment opportunities or have low rental yield.

DHA will only classify Investment properties as held for sale once the property is available for immediate sale in its present condition, there is an active programme to locate a buyer and management is committed to selling the investment property. It is expected that the sale will be completed within 12 months.

## 18 Other Current Assets

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Other Current Assets</b>		
Other Prepayments	<b>2,388</b>	2,058
Prepaid Property Rentals	<b>27,466</b>	31,155
<b>Total Other Current Assets</b>	<b>29,854</b>	<b>33,213</b>

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

## 19 Inventories

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
Completed Properties - at Cost	<b>383,949</b>	304,782
Completed Properties - at Net Realisable Value	<b>193,438</b>	196,137
Land Held for Sale - at Cost	<b>30,878</b>	29,235
Land Held for Sale - at Net Realisable Value	-	261
Work in Progress - at Cost	<b>358,782</b>	428,235
Work in Progress - at Net Realisable Value	<b>11,510</b>	12,044
<b>Total Inventories</b>	<b>978,557</b>	970,694
Current Inventories	<b>488,824</b>	454,133
Non-Current Inventories	<b>489,733</b>	516,561
<b>Total Inventories</b>	<b>978,557</b>	970,694

The total fair value of inventory as at 30 June 2019 is \$1,191,844,103 (2018: \$1,125,959,515).

For the period 1 July 2018 to 30 June 2019 DHA disposed of 7 inventory properties at a loss of \$91,696 (2018: 20 properties at a loss of \$162,102).

DHA accounts for inventory properties under *AASB 102 - Inventories*. Inventories are properties which are held to meet Defence provisioning requirements and are available for sale in the short to medium term in order to free capital for reinvestment.

Inventories are initially recognised at cost and are subsequently recognised at lower of cost or net realisable value. Net realisable value is estimated based on the finished product's gross expected realisation less costs to complete and selling costs.

Inventories are separated into the following categories:

- Completed properties - completed properties held for resale on normal trading cycle;
- Land held for sale; or
- Work in progress - incomplete construction projects.

### Work in Progress

Development projects are classified as inventory properties whilst in progress where a significant majority of the property on completion of the development is expected to be sold as inventory stock.

Development project costs include variable and fixed costs as they relate directly to specific contracts, and those costs relating to general contract activity which can be allocated to the project on a reasonable basis.

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

**20 Non-Current Assets - Investment Properties**

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Investment Properties</b>		
Investment Properties - at Cost	1,013,986	1,016,620
Less: Accumulated Depreciation	<u>(122,432)</u>	<u>(110,888)</u>
	<b>891,554</b>	<b>905,732</b>
<b>Investment Properties - Impaired</b>		
Investment Properties - at Cost	166,011	94,263
Less: Accumulated Depreciation	(7,731)	(5,246)
Less: Accumulated Impairment	<u>(12,104)</u>	<u>(7,976)</u>
	<b>146,176</b>	<b>81,041</b>
<b>Total Investment Properties</b>	<u><b>1,037,730</b></u>	<u><b>986,773</b></u>

The total fair value of Investment Properties (including Investment Properties - Held for Sale in Note 17) as at 30 June 2019 is \$2,068,166,322 (2018: \$2,011,022,543).

The fair value of DHA's investment properties as at 31 December 2018 and 31 December 2017 has been arrived at on the basis of a valuation carried out on the respective date by external independent valuers. On 30 June 2019, DHA has undertaken a review of the fair value determined on 31 December 2018 and determined that there is no material change. The valuers are members of the Institute of Valuers of Australia, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year. The fair value level in accordance with AASB 13 - *Fair Value Measurement* is level 2.

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

	<b>\$'000</b>
<b>At 1 July 2018</b>	
Cost or fair value	1,110,883
Accumulated Depreciation and Impairment	<u>(124,110)</u>
Net book amount	<b>986,773</b>
<b>Year ended 30 June 2019</b>	
Additions	37,589
Transfer from Inventory to Investment Property	38,619
Depreciation Charge	(15,031)
Impairment Loss	(4,090)
Transfer to Assets Held for Sale	(7,094)
Depreciation/ Impairment Written Back on Disposal or Transfer	<u>964</u>
<b>Closing net book amount</b>	<b>1,037,730</b>
<b>At 30 June 2019</b>	
Cost or fair value	1,179,997
Accumulated Depreciation and Impairment	<u>(142,267)</u>
Net book amount	<b>1,037,730</b>
<b>At 1 July 2017</b>	
Cost or fair value	983,203
Accumulated Depreciation and Impairment	<u>(110,548)</u>
Net book amount	<b>872,655</b>
<b>Year ended 30 June 2018</b>	
Additions	32,892
Transfer from Inventory to Investment Property	120,534
Depreciation Charge	(13,665)
Impairment Loss	(4,324)
Transfer to Assets Held for Sale	(25,327)
Other Disposals	(419)
Depreciation/ Impairment Written Back on Disposal or Transfer	<u>4,427</u>
<b>Closing net book amount</b>	<b>986,773</b>
<b>At 30 June 2018</b>	
Cost or fair value	1,110,883
Accumulated Depreciation and Impairment	<u>(124,110)</u>
Net book amount	<b>986,773</b>

## 20 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 strategic long-term provisioning requirements.

Investment properties are separated into the following categories:

- Completed properties;
- Land held for future development; or
- Work in progress - incomplete construction projects.

Transfers from inventory to investment are made when there is a change in use of a property in accordance with AASB 140.

## 21 Finance Lease Receivables

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Current Finance Lease Receivables</b>		
Due not later than one year	-	17,208
<b>Total Current Finance Lease Receivables</b>	-	17,208
<b>Non-Current Finance Lease Receivables</b>		
Due later than one year	-	43,513
<b>Total Non-Current Finance Lease Receivables</b>	-	43,513
<b>Total Finance Lease Receivables</b>	-	60,721

DHA finances on-base housing constructions and certain off-base properties for Defence, under annuity arrangements provided for in the Services Agreement. Monthly payments are split; principal amounts are credited against the relevant receivable and the interest component is recorded as Annuity Revenue under Interest Received (refer to Note 7).

Defence has settled all receivable amounts under annuity arrangements in May 2019.

**Defence Housing Australia**  
**Notes to the Financial Statements**  
**30 June 2019**  
(continued)

**22 Trade and Other Payables**

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
Trade Creditors	<b>15,950</b>	14,552
Accrued Expenses	<b>39,676</b>	37,003
Stamp Duty and Land Tax Payable	<b>5,086</b>	6,139
<b>Total Trade and Other Payables</b>	<b>60,712</b>	57,694

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
<b>Trade payables expected to be settled no more than 12 months:</b>		
Related Entities	<b>8,548</b>	6,229
External Parties	<b>52,164</b>	51,465
<b>Total</b>	<b>60,712</b>	57,694

<b>Total Trade Payables</b>	<b>60,712</b>	57,694
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**23 Final Dividends**

The DHA Board, as a part of the 2018-19 Corporate Plan, approved to pay a dividend of 60 per cent of net profit after tax being \$24,544,517 (2018: \$26,554,650).

**Defence Housing Australia**  
**Notes to the Financial Statements**  
**30 June 2019**  
(continued)

**24 Borrowings**

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
Loans from Commonwealth (Current)	150,000	100,000
Loans from Commonwealth (Non-Current)	359,580	409,580
<b>Total Borrowings</b>	<b>509,580</b>	<b>509,580</b>
	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
<b>Maturity Schedule for Borrowings Payable:</b>		
Within 1 year	150,000	100,000
Between 1 to 5 years	200,000	200,000
More than 5 years	159,580	209,580
<b>Total Borrowings</b>	<b>509,580</b>	<b>509,580</b>

DHA has an unsecured borrowing facility with the Commonwealth, incorporating all borrowings, underpinned by a Loan Agreement dated 21 February 2017, as amended. Finance representatives delivered a letter to DHA extending DHA's Loan Agreement with the Minister for Finance until 21 February 2020. This has been extended with the intention of allowing sufficient time to finalise DHA's future business model and funding requirements. The Loan Agreement affords DHA the flexibility to borrow at either fixed or floating interest rates at market rates which includes a competitive neutrality charge. Note that even though the loan is with the Commonwealth, the Loan Agreement requires DHA to pay interest on the amounts drawn down to Defence.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. Subsequent recognition of loans and borrowings is at amortised cost, and interest is charged as an expense as it accrues. During 2018-19 the interest rate range applied to DHA's borrowings was from 1.78% to 5.89% (2018: 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.

**25 Other Financial Liabilities**

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Current</b>		
Revenue in Advance	19,922	25,246
Lease Incentive	395	418
<b>Total Current</b>	<b>20,317</b>	<b>25,664</b>
<b>Non-Current</b>		
Lease Incentive	386	694
<b>Total Non-Current</b>	<b>386</b>	<b>694</b>
<b>Total Other Financial Liabilities</b>	<b>20,703</b>	<b>26,358</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 2019, 100% of revenue in advance was in relation to payments received from Defence (2018: 100%).

**Other Financial Liabilities**

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

**Defence Housing Australia**  
**Notes to the Financial Statements**  
**30 June 2019**  
(continued)

**26 Provisions**

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Current Provisions</b>		
<b>Employee Benefits</b>		
Annual Leave	5,273	5,266
Long Service Leave	7,932	7,056
Provision for Redundancy	75	-
<b>Total</b>	<b>13,280</b>	<b>12,322</b>
<b>Other</b>		
Make Good Provision	7,258	7,620
Other General Provisions	6,193	6,824
<b>Total</b>	<b>13,451</b>	<b>14,444</b>
<b>Total Current Provisions</b>	<b>26,731</b>	<b>26,766</b>
<b>Non-Current Provisions</b>		
<b>Other</b>		
Make Good Provision	97,010	99,012
Other General Provisions	1,338	1,282
<b>Total</b>	<b>98,348</b>	<b>100,294</b>
<b>Employee Benefits</b>		
Long Service Leave	3,349	2,815
<b>Total</b>	<b>3,349</b>	<b>2,815</b>
<b>Total Non-Current Provisions</b>	<b>101,697</b>	<b>103,109</b>
<b>Total Provisions</b>	<b>128,428</b>	<b>129,875</b>

## 26 Provisions (continued)

### Movements in Provisions

	Make good provision \$'000	Other General Provisions \$'000	Total \$'000
<b>2019</b>			
Carrying Amount at Start of Year	106,632	8,106	114,738
Additional Provisions Recognised	6,921	7,783	14,704
Amount Used	(9,285)	(8,358)	(17,643)
Carrying amount at end of period	<u>104,268</u>	<u>7,531</u>	<u>111,799</u>
<b>2018</b>			
Carrying Amount at Start of Year	105,564	19,464	125,028
Additional Provisions Recognised	11,219	9,081	20,300
Amount Used	(10,151)	(20,439)	(30,590)
Carrying amount at end of period	<u>106,632</u>	<u>8,106</u>	<u>114,738</u>

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.

## **26 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 Financial Statements**  
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(continued)

**27 Commitments**

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000 Restated
<b>By Type</b>		
<b>Commitments Receivable</b>		
Operating Lease Income	<u>2,895,300</u>	3,012,247
<b>Total Commitments Receivable</b>	<u>2,895,300</u>	<u>3,012,247</u>
<b>Commitments Payable</b>		
<b>Capital Commitments</b>		
Construction Commitments	<u>170,915</u>	449,624
<b>Total Capital Commitments</b>	<u>170,915</u>	<u>449,624</u>
<b>Other Commitments</b>		
House Operating Lease Rentals	<u>1,861,329</u>	2,396,133
Other Operating Leases	<u>12,999</u>	15,616
<b>Total Other Commitments</b>	<u>1,874,328</u>	<u>2,411,749</u>
<b>Total Commitments Payable</b>	<u>2,045,243</u>	<u>2,861,373</u>
<b>Net Commitments Receivable/(Payable)</b>	<u>850,057</u>	<u>150,874</u>
<b>By Maturity</b>		
<b>Commitments Receivable</b>		
<b>Operating Lease Income</b>		
One Year or Less	<u>397,578</u>	392,694
From One to Five Years	<u>1,277,271</u>	1,338,730
Over Five Years	<u>1,220,451</u>	1,280,823
<b>Total Operating Lease Income</b>	<u>2,895,300</u>	<u>3,012,247</u>
<b>Total Commitments Receivable</b>	<u>2,895,300</u>	<u>3,012,247</u>

Commitments are GST inclusive where relevant.

**Defence Housing Australia**  
**Notes to the Financial Statements**  
**30 June 2019**  
(continued)

**27 Commitments (continued)**

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000 Restated
<b>By Maturity</b>		
<b>Commitments Payable</b>		
<b>Capital Commitments</b>		
One Year or Less	147,541	273,866
From One to Five Years	20,879	174,273
Over Five Years	2,495	1,485
<b>Total Capital Commitments</b>	<b>170,915</b>	<b>449,624</b>
<b>Operating Lease Commitments</b>		
One Year or Less	280,673	353,499
From One to Five Years	968,597	1,217,509
Over Five Years	625,058	840,741
<b>Total Operating Lease Commitments</b>	<b>1,874,328</b>	<b>2,411,749</b>
<b>Total Commitments Payable</b>	<b>2,045,243</b>	<b>2,861,373</b>

Commitments are GST inclusive where relevant.

The operating lease income commitments receivable is the expected future lease rent to be received from the Department of Defence, taking into consideration the number of properties available for lease by the Department of Defence adjusted for the estimated vacancy based on historical data. DHA has determined that the Defence services agreement is a lease agreement in accordance with AASB 117 leases.

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

Operating Lease Commitments includes payables for both House Services Lease Rentals and Other Operating Leases. For House Operating Services 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.

**Prior Period Restatement**

During the year, it was noted that there was an error identified in relation to the prior period Operating Lease Commitments disclosure. The error was of the result of the incorrect application of a formula in calculating the commitments. The aggregate impact of this error was an overstatement of the disclosed Operating Lease Commitment amount by \$361m. This has been restated in the comparative figures above. 2018 Operating Lease Commitment of \$3.222m was restated to \$2.861m.

**28 Cash Flow Reconciliation**

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
<b>Reconciliation of operating results to net cash from operating activities:</b>		
Profit for the Period	40,908	44,258
Depreciation - Plant and Equipment	3,355	3,492
Amortisation of Software	1,498	1,513
Depreciation - Investment Properties	15,031	13,665
Impairment Expense/(Write Back)	4,090	4,324
Loss/(Gain) on Disposal of Assets	(7,676)	(14,166)
Increase/(Decrease) in other Non Operating Cash Flow Revenue Items	(76)	1
Increase/(Decrease) in other Non Operating Cash Flow Expense Items	2,881	4,568
(Increase)/ Decrease in Net Receivables	61,538	29,292
(Increase)/Decrease in Deferred Tax Assets	(3,576)	(5,996)
(Increase)/ Decrease in Inventories	(49,372)	(72,493)
(Increase)/ Decrease in Prepayments	3,359	122
Increase/ (Decrease) in Provisions	(3,457)	(22,446)
Increase/(Decrease) in Supplier Payments	3,018	10,544
Increase/ (Decrease) in Other Liabilities	(5,655)	(3,821)
Increase/(Decrease) in Tax Liabilities	4,507	3,083
<b>Net Cash from/(used by) Operating Activities</b>	<b>70,373</b>	<b>(4,060)</b>

## 29 Key Management Personnel Remuneration

### (a) Director Remuneration

The aggregate remuneration of the Directors of DHA is set out below:

	30 June 2019 \$	30 June 2018 \$
Short-term Employee Benefits	524,998	512,205
Post-employment Benefits	61,589	59,991
<b>Total</b>	<b>586,587</b>	<b>572,196</b>

The Director's remuneration (excluding the Managing Director) includes fees and benefits, including travel and motor vehicle allowances, as prescribed by the Remuneration Tribunal's determination for part-time public office holders and superannuation payable in accordance with applicable legislation and fund requirements.

## 29. Key Management Personnel Remuneration (continued)

### (b) Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of DHA, directly or indirectly. DHA has determined key management personnel to include the Managing Director, the Chief Financial Officer and other Senior Executive Group members reporting directly to the Managing Director including in an acting capacity.

The aggregate remuneration of key management personnel of DHA during the financial year (including the Managing Director) is set out below:

	30 June 2019 \$	30 June 2018 \$
<b>Short-Term Employee Benefits</b>		
Salary and Allowance	2,066,615	1,904,433
Performance Bonus	280,263	228,034
<b>Total Short-Term Employee Benefits</b>	<b>2,346,878</b>	<b>2,132,467</b>
<b>Post-Employment Benefits</b>		
Superannuation	333,185	259,628
<b>Total Post-Employment Benefits</b>	<b>333,185</b>	<b>259,628</b>
<b>Other Long-Term Employee Benefits</b>		
Annual Leave Accrued	156,145	145,799
Long Service Leave	48,030	65,358
<b>Total Other Long-Term Employee Benefits</b>	<b>204,175</b>	<b>211,157</b>
<b>Termination Benefits</b>		
Termination Benefits	20,545	-
<b>Termination benefits</b>	<b>20,545</b>	-
<b>Total Employment Benefits</b>	<b>2,904,783</b>	<b>2,603,252</b>

The total number of key management personnel that are included in the above table are 11 individuals (2018:10 individuals).

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

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**30 Remuneration of Auditors**

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Amount Received or Due and Receivable by Auditors		
Australian National Audit Office (ANAO) for the Audit of the Financial Statements	<u><b>376,000</b></u>	<u>254,000</u>
	<b>376,000</b>	<b>254,000</b>
Audit Fees relating to the audit of DHA IML are paid to the ANAO	<u>-</u>	<u>19,000</u>
	-	19,000
Audit of the Australian Financial Services License (AFSL) for DHA IML	<u>-</u>	<u>6,000</u>
	-	6,000

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

**31 Related Party Disclosures**

The entity is an Australian Government controlled entity. Related parties to this entity are the Directors, Key Management personnel and Executive, and other Australian Government entities. DHA forms part of the Defence Portfolio. DHA reports to two shareholder ministers; the Minister for Defence and the Minister for Finance.

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. These transactions have not been separately disclosed.

DHA and Defence have entered into a Services Agreement on housing and related matters which details the provision of services to Defence. Transactions between Defence, Finance and DHA are highlighted throughout the financial statement notes.

There have been no financial transactions between the key management personnel and DHA outside the normal employment contracts under the *Public Service Act 1999*.

DHA and DHA IML entered into the Services Agreement on 23 May 2013 to assist in running the business of DHA IML. DHA paid Director's fees on DHA IML's behalf to DHA IML Chairman Martin Brady totalling \$8,588 to 30 June 2019 (2018: \$15,628). DHA IML was wound up and deregistered by ASIC on 13 January 2019.

**32 Economic Dependency**

DHA depends on Defence in accordance with the Services Agreement. DHA received 77.3% of its total revenue from Defence for the year ended 30 June 2019 (2018: 58.5%).

### 33 Contingent Assets and Liabilities

	Guarantees		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Contingent Assets</b>				
Balance from previous period	9,050	9,050	9,050	9,050
New	-	-	-	-
Expired	(6,050)	-	(6,050)	-
<b>Total Contingent Assets</b>	<b>3,000</b>	<b>9,050</b>	<b>3,000</b>	<b>9,050</b>
<b>Contingent Liabilities</b>				
Balance from previous period	14,291	12,951	14,291	12,951
New	8,742	3,612	8,742	3,612
Obligations Expired	(11,585)	(2,272)	(11,585)	(2,272)
<b>Total Contingent Liabilities</b>	<b>11,448</b>	<b>14,291</b>	<b>11,448</b>	<b>14,291</b>
<b>Net Contingent Liabilities</b>	<b>8,448</b>	<b>5,241</b>	<b>8,448</b>	<b>5,241</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 2019, DHA has no unquantifiable contingencies.

#### Remote Contingencies

As at 30 June 2019, DHA has no remote contingencies.

### 34 Financial Instruments

The main risks arising from DHA's financial instruments are interest rate risk, credit risk and liquidity risk. DHA uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring the level of exposure to interest rates and assessments of forecasts for interest rates. Ageing analysis and monitoring of specific credit tolerances are undertaken to manage credit risk. Liquidity risk is monitored through the development of rolling cash flow forecasts.

#### *Financial Assets at Amortised Cost*

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

#### *Effective Interest Method*

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

#### *Impairment of Financial Assets*

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12 month expected credit losses if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the writeoff directly reduces the gross carrying amount of the financial asset.

DHA has adopted AASB 9 Financial Instruments from 1 July 2018, refer to Note 1(d) New Australian Accounting Standards for details of the impact. Financial assets for 2019 are classified at amortised cost and for 2018 were classified as loans and receivables.

#### **Carrying Value**

The carrying value of the DHA's financial assets and liabilities at the reporting date are as follows;

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
<b>Financial Assets</b>		
Cash at Bank	19,924	32,920
Term Deposits	193,000	155,510
Trade and Other Receivables	14,001	15,496
Finance Lease Current	-	17,208
Finance Lease Non-Current	-	43,513
<b>Carrying Amount of Financial Assets</b>	<b>226,925</b>	<b>264,647</b>

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(continued)

**34 Financial Instruments (continued)**

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Financial Liabilities</b>		
Borrowings (Current)	150,000	100,000
Borrowings (Non-Current)	359,580	409,580
Trade and Other Payables	60,712	57,694
Other Financial Liabilities (Non-Current)	386	694
Dividends	24,545	26,555
Other Financial Liabilities (Current)	20,317	25,664
<b>Carrying Amount of Financial Liabilities</b>	<b>615,540</b>	<b>620,187</b>
	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Net Income from Financial Assets</b>		
Interest	3,644	4,703
Annuity Revenue	2,116	1,025
<b>Net Gain Loans and Receivables</b>	<b>5,760</b>	<b>5,728</b>

### 34 Financial Instruments (continued)

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Net Expenses from Financial Liabilities</b>		
Interest Expense	<u>24,506</u>	<u>25,866</u>
<b>Net Loss Financial Liabilities - Amortised Cost</b>	<u>24,506</u>	<u>25,866</u>

#### Fair Value

The fair value of financial assets and liabilities are derived as follows:

- The fair value of government loans is calculated by the Australian Office of Financial Management. The loans are valued by calculating the net present values of all future contracted payments at the relevant interest rate. The fair value of DHA's loans with the Commonwealth was \$550,341,153 for 2019 (2018: \$535,650,410).
- 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. Department of Defence is the primary counterparty. As such collateral is not requested nor is it policy to securitise its trade and other receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that DHA's potential exposure to bad debts is not significant.

There are no significant concentrations of credit risk within DHA and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

#### Liquidity Risk

DHA manages liquidity risk by maintaining an appropriate level of marketable securities on hand to meet outgoing commitments in the event of failure to receive any revenue from the normal course of business and ensuring capacity exists to borrow under the Cash Advance Facility based upon regular cash flow forecasts prepared by DHA.

Other than Commonwealth loans all financial liabilities will mature within one year. Refer to Note 24 for ageing of Commonwealth loans.

#### Market Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. DHA has exposure to interest rate risk arising from fluctuations in interest rates applicable to cash and borrowings.

### 34 Financial Instruments (continued)

#### Market Risk (continued)

DHA manages interest rate risk by ensuring that investments mature commensurate with cash flow requirements to maximise interest income. DHA also seeks to ensure an appropriate mix of maturities across the yield curve to avoid concentration of maturities on any given date and higher volatility inherent in longer dated investments. Interest rate risk on borrowings is managed by ensuring maturing loans are rolled over taking into consideration the interest rate outlook and the maturity profile of existing borrowings.

The table below details the interest rate sensitivity analyses of the entity at the reporting date, holding all other variables constant.

#### Sensitivity analysis of the risk that DHA is exposed to in 2019

	Risk Variable	Change in Risk Variable %	Average Cash \$'000	Effect on Profit and Loss and Equity \$'000
Interest Rate Risk	Interest	0.20	183,366	367

#### Sensitivity analysis of the risk that DHA is exposed to in 2018

	Risk Variable	Change in risk variable %	Average Cash \$'000	Effect on Profit and Loss and Equity \$'000
Interest Rate Risk	Interest	0.20	142,358	285

Interest rate sensitivity analysis has been calculated on a "reasonable possible" basis. The rate of 20 basis points (2018: 20 basis points) was determined by using the standard parameters issued by Finance.

#### Financial Risk Management

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

DHA's Treasury Policy provides a framework to manage core risks, including financial risk management, which pertain to DHA's financial market investments, borrowings and associated activities.

Primary responsibility for the overall financial risk management rests with the Chief Financial Officer, duly supported by the Chief Risk Officer through the identification, assessment and regular reporting to the DHA Board.

### 35 Aggregate Assets and Liabilities

#### Aggregate Assets and Liabilities

	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Assets Expected to be Recovered in:</b>		
No more than 12 months	747,521	716,710
More than 12 months	<u>1,567,232</u>	<u>1,584,572</u>
<b>Total Assets</b>	<u><b>2,314,753</b></u>	<u><b>2,301,282</b></u>
	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Liabilities Expected to be Recovered in:</b>		
No more than 12 months	285,556	236,679
More than 12 months	<u>461,663</u>	<u>513,383</u>
<b>Total Liabilities</b>	<u><b>747,219</b></u>	<u><b>750,062</b></u>

### 36 Subsequent Events

There are no events post 30 June 2019 which would have a material impact on the financial statements or operations of the DHA business.





# Part 6

## Appendices and reference information

Appendix A—Accountable authority

Appendix B—Workforce statistics

Appendix C—Work, health and safety

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Acronyms and abbreviations

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# Appendix A: Accountable authority

This appendix provides details of our Accountable Authority as at 30 June 2019 in accordance with the PGPA Rule.

**Table 6.1: Accountable authority 30 June 2018**

Name	Qualifications of the Accountable Authority	Experience of the Accountable Authority	Position Title/Position held Executive/Non-Executive	Period as the accountable authority or member		
				Date of Commencement	Date of cessation	Number of meetings of the board of the company
Hon JAL (Sandy) Macdonald	<ul style="list-style-type: none"> <li>➤ Bachelor of Laws (Sydney)</li> <li>➤ Member of the AICD</li> </ul>	<ul style="list-style-type: none"> <li>➤ Senator for New South Wales (1993–2008)</li> <li>➤ Parliamentary Secretary to the Minister for Defence (2006–07)</li> <li>➤ Wool and beef producer</li> <li>➤ Former board appointments</li> </ul>	<ul style="list-style-type: none"> <li>➤ Chairman</li> <li>➤ Chair of the Nomination and Remuneration Committee</li> <li>➤ Non-Executive member</li> </ul>	February 2018	-	9/9
Barry Jackson	<ul style="list-style-type: none"> <li>➤ New Zealand Certificate in Quantity Surveying</li> <li>➤ Quantity Surveyors Registration Board</li> <li>➤ Other board appointments</li> </ul>	<ul style="list-style-type: none"> <li>➤ Various executive and senior roles in the APS and VIC government</li> <li>➤ 25+ years in private sector (construction, property, strategic management and business process management)</li> <li>➤ Other board appointments</li> </ul>	<ul style="list-style-type: none"> <li>➤ Managing Director</li> <li>➤ Executive member</li> </ul>	May 2019	-	1/1
Martin Brady AO	<ul style="list-style-type: none"> <li>➤ Bachelor of Arts (Honours)</li> <li>➤ Bachelor of Fine Arts</li> </ul>	<ul style="list-style-type: none"> <li>➤ 28+ years in the departments of Foreign Affairs and Defence</li> <li>➤ Director of Signals Directorate (1994–19)</li> <li>➤ Chairman of the Defence Intelligence Board (1999–2001)</li> <li>➤ Consultant on intelligence issues, technology requirements and arms exports</li> </ul>	<ul style="list-style-type: none"> <li>➤ Nominee of the Secretary of Defence</li> <li>➤ Chair of the Board Audit Committee</li> <li>➤ Non-Executive member</li> </ul>	June 2017	-	9/9

Name	Qualifications of the Accountable Authority	Experience of the Accountable Authority	Position Title/Position held Executive/Non-Executive	Period as the accountable authority or member		
				Date of Commencement	Date of cessation	Number of meetings of the board of the company
Simon Lewis AO PSM	<ul style="list-style-type: none"> <li>➤ Bachelor of Arts (Economics, Statistics)</li> <li>➤ Graduate Diploma of Computing Studies</li> <li>➤ Graduate Diploma in Administrative Studies</li> <li>➤ Graduate Diploma of Strategic Studies</li> <li>➤ Completed the Harvard and Wharton Business School's Advanced Management Programs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Various executive and senior roles in the APS</li> <li>➤ Secretary of the Department of Veterans' Affairs (2013–18)</li> <li>➤ Other board appointments</li> </ul>	<ul style="list-style-type: none"> <li>➤ Nominee of the Secretary of Finance</li> <li>➤ Non-Executive member</li> </ul>	April 2019	-	2/2
Commodore Vicki McConachie CSC RAN	<ul style="list-style-type: none"> <li>➤ Bachelor of Arts/Law</li> <li>➤ Master of Laws</li> <li>➤ Graduate of the AICD</li> </ul>	<ul style="list-style-type: none"> <li>➤ Member of the Royal Australian Navy Reserve</li> <li>➤ Various senior appointments, including Commanding Officer of HMAS Kuttabul, Director General ADF Legal Service</li> <li>➤ Operational service as Deputy Staff Judge Advocate Multinational Force—Iraq</li> <li>➤ Lead of an Australian Government legal division</li> </ul>	<ul style="list-style-type: none"> <li>➤ Nominee of the Chief of the Defence Force</li> <li>➤ Chair of the DHA Advisory Committee</li> <li>➤ Non-Executive member</li> </ul>	December 2016	-	7/9
Robert Fisher AM	<ul style="list-style-type: none"> <li>➤ Bachelor of Arts</li> <li>➤ Bachelor of Education</li> </ul>	<ul style="list-style-type: none"> <li>➤ 40+ year public service career</li> <li>➤ Member of the Australian Trade Commission Service</li> <li>➤ CEO/Director General of various WA government departments</li> <li>➤ One of five commissioners on the Australian Government's National Commission of Audit</li> <li>➤ Former board appointments</li> </ul>	<ul style="list-style-type: none"> <li>➤ Commercial member</li> <li>➤ Chair of the Board Investment Committee</li> <li>➤ Non-Executive member</li> </ul>	February 2019	-	9/9

Name	Qualifications of the Accountable Authority	Experience of the Accountable Authority	Position Title/Position held Executive/Non-Executive	Period as the accountable authority or member		
				Date of Commencement	Date of cessation	Number of meetings of the board of the company
Hon Alan Ferguson		<ul style="list-style-type: none"> <li>➤ Senator for South Australia (1992–2011)</li> <li>➤ Self-employed insurance consultant</li> <li>➤ Former board appointments</li> <li>➤ Farm owner and joint manager of farming property</li> <li>➤ Other Board appointments</li> </ul>	<ul style="list-style-type: none"> <li>➤ Commercial member</li> <li>➤ Non-Executive member</li> </ul>	February 2018	-	9/9
Andrea Galloway	<ul style="list-style-type: none"> <li>➤ Bachelor of Business Administration</li> <li>➤ Diploma of Computer Networks</li> <li>➤ Graduate of the Executive Program (University of Michigan)</li> <li>➤ Fellow of the AICD</li> <li>➤ Justice of the Peace</li> <li>➤ Licensed Real Estate Agent</li> </ul>	<ul style="list-style-type: none"> <li>➤ 30+ years in executive management for national and multinational commercial organisations</li> <li>➤ Former Managing Director and CEO of Evolve Housing</li> <li>➤ Winner of the Australian and NSW Telstra Women's Award 2014 (Business Innovation category)</li> <li>➤ Member of the Coleman Greig and the Salvation Army Australia – NSW, QLD and ACT boards</li> </ul>	<ul style="list-style-type: none"> <li>➤ Commercial member</li> <li>➤ Non-Executive member</li> </ul>	November 2016	-	9/9
Ewen Jones		<ul style="list-style-type: none"> <li>➤ Federal member for Herbert (2010–16)</li> <li>➤ Government Whip (2015–16)</li> <li>➤ Auctioneer</li> <li>➤ Real estate and corporate finance experience</li> <li>➤ Director of All Points North Advisory Pty Ltd</li> <li>➤ Member of the National Film and Sound Archive Australia board</li> </ul>	<ul style="list-style-type: none"> <li>➤ Commercial member</li> <li>➤ Non-Executive member</li> </ul>	December 2016	-	9/9

Name	Qualifications of the Accountable Authority	Experience of the Accountable Authority	Position Title/Position held Executive/Non-Executive	Period as the accountable authority or member		
				Date of Commencement	Date of cessation	Number of meetings of the board of the company
Janice Williams	<ul style="list-style-type: none"> <li>➤ Bachelor of Social Work (first class honours)</li> <li>➤ Member of the AICD</li> <li>➤ Recipient of University Medal, University of Queensland</li> </ul>	<ul style="list-style-type: none"> <li>➤ Chief Executive and fellow of the Urban Development Institute of Australia</li> <li>➤ 10+ years as Director of Brisbane Housing Company</li> <li>➤ Various senior executive and consulting positions, including Head of Community Services Development for the Queensland Government and significant roles in the Brisbane City Council</li> <li>➤ Director of Jardine Developments</li> <li>➤ Member of the Residential Tenancies Authority board</li> </ul>	<ul style="list-style-type: none"> <li>➤ Former nominee of the Secretary of Finance</li> <li>➤ Former Chair of the Board Investment Committee</li> <li>➤ Non-Executive member</li> </ul>	April 2016	April 2019	7/7
Jan Mason	<ul style="list-style-type: none"> <li>➤ Bachelor of Arts</li> <li>➤ Bachelor of Social Science</li> <li>➤ Diploma in Continued Education</li> <li>➤ Graduate of the Advanced Management Program (Harvard Business School)</li> <li>➤ Member of the AICD</li> </ul>	<ul style="list-style-type: none"> <li>➤ Various executive and senior roles in the APS, including Deputy Secretary at the Department of Finance</li> <li>➤ Consultant with Credit Suisse First Boston &amp; Deutsche Morgan Grenfell</li> <li>➤ Winner of the ACT and national finalist in the Telstra Business Women's Award 2014 (Community and Government category)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Former Managing Director</li> <li>➤ Executive member</li> </ul>	November 2016	January 2019	5/5
Brett Jorgensen	<ul style="list-style-type: none"> <li>➤ Master of Business</li> <li>➤ Bachelor of Engineering (Honours)</li> <li>➤ Advanced Business Diploma</li> <li>➤ Diploma of Real Estate Management</li> <li>➤ Diploma of Contract Management</li> </ul>	<ul style="list-style-type: none"> <li>➤ Various senior executive appointments at DHA and the Department of Defence</li> <li>➤ Member of the Royal Australian Air Force</li> </ul>	<ul style="list-style-type: none"> <li>➤ Former Acting Managing Director</li> <li>➤ Executive member</li> </ul>	February 2019	May 2019	2/2

Name	Qualifications of the Accountable Authority	Experience of the Accountable Authority	Position Title/Position held Executive/Non-Executive	Period as the accountable authority or member		
				Date of Commencement	Date of cessation	Number of meetings of the board of the company
Paul Groenewegen	<ul style="list-style-type: none"> <li>➤ Bachelor of Commerce</li> <li>➤ Graduate Diploma of Applied Corporate Governance</li> <li>➤ Certified Practising Accountant</li> <li>➤ Graduate of the AICD</li> </ul>	<ul style="list-style-type: none"> <li>➤ Chief Financial Officer at DHA</li> <li>➤ Various senior executive and consultative appointments, including the Australian Prudential Regulation Authority and the Private Health Insurance Administration Committee</li> </ul>	<ul style="list-style-type: none"> <li>➤ Former Acting Managing Director</li> <li>➤ Executive member</li> </ul>	January 2019	February 2019	1/1

# Appendix B: Workforce statistics

This appendix provides statistics on our workforce as at 30 June 2018 and 30 June 2019 (unless otherwise stated).<sup>22</sup>

## Staffing profile (by headcount)

Table 6.2: All ongoing employees 2018–19

State/ Territory	Female			Male			Indeterminate <sup>23</sup>			Total
	Full Time	Part Time	Total Female	Full Time	Part Time	Total Male	Full Time	Part Time	Total Indeterminate	
NSW	48	16	64	54	2	56				120
QLD	67	21	88	32	0	32				120
SA	26	7	33	19	1	20				53
TAS	0	0	0	0	0	0				0
VIC	14	0	14	13	0	13				27
WA	9	0	9	7	0	7				16
ACT	111	30	141	71	7	78				219
NT	19	2	21	1	0	1				22
Overseas	0	0	0	0	0	0				0
<b>Total</b>	<b>294</b>	<b>76</b>	<b>370</b>	<b>197</b>	<b>10</b>	<b>207</b>				<b>577</b>

<sup>22</sup> Workforce statistics include ongoing and non ongoing staff at their substantive classification as at 30 June 2019 or 30 June 2018. Inoperative staff (those on long term leave), staff engaged through an employment agency and Board members are excluded.

<sup>23</sup> As at 30 June 2019 no staff have identified as Indeterminate

Table 6.3: All non-ongoing employees 2018–19

State/Territory	Female			Male			Indeterminate			Total
	Full Time	Part Time	Total Female	Full Time	Part Time	Total Male	Full Time	Part Time	Total Indeterminate	
NSW	10	1	11	7	0	7				18
QLD	6	2	8	0	0	0				8
SA	0	1	1	1	0	1				2
TAS	0	0	0	0	0	0				0
VIC	2	0	2	2	0	2				4
WA	2	0	2	0	0	0				2
ACT	15	3	18	13	3	16				34
NT	1	0	1	0	0	0				1
Overseas	0	0	0	0	0	0				0
Total	36	7	43	23	3	26				69

Table 6.4: All ongoing employees previous report period 2017–18

State	Female			Male			Indeterminate			Total
	Full Time	Part Time	Total Female	Full Time	Part Time	Total Male	Full Time	Part Time	Total Indeterminate	
NSW	60	13	73	56	1	57				130
QLD	76	24	100	32	0	32				132
SA	30	4	34	19	1	20				54
TAS	0	0	0	0	0	0				0
VIC	16	0	16	13	1	14				30
WA	11	0	11	9	0	9				20
ACT	128	33	161	83	8	91				252
NT	22	3	25	2	0	2				27
Overseas	0	0	0	0	0	0				0
Total	343	77	420	214	11	225				645

Table 6.5: All non-ongoing employees previous report period 2017–18

State	Female			Male			Indeterminate			Total
	Full Time	Part Time	Total Female	Full Time	Part Time	Total Male	Full Time	Part Time	Total Indeterminate	
NSW	2	2	4	7	0	7				11
QLD	7	0	7	2	0	2				9
SA	5	0	5	2	0	2				7
TAS	0	0	0	0	0	0				0
VIC	2	0	2	1	0	1				3
WA	1	0	1	0	0	0				1
ACT	10	3	13	13	1	14				27
NT	0	0	0	1	0	1				1
Overseas	0	0	0	0	0	0				0
Total	27	5	32	26	1	27				59

Table 6.6: Staff by classification and gender<sup>24</sup> 2017–18 and 2018–19

Classification	2017–18		2018–19	
	Female	Male	Female	Male
DHA1	1	1	0	2
DHA3	58	15	54	12
DHA4	141	35	126	36
DHA5	74	41	81	44
DHA6	65	36	67	30
EL1	48	41	48	52
EL2	28	49	32	49
SES and MD	5	7	6	7
Total	420	225	414	232

24 As at 30 June 2019 no staff have identified as Indeterminate.

**Table 6.7: Staff by classification and employment type 2017–18 and 2018–19**

Classification	2017–18		2018–19	
	Full-time	Part-time	Full-time	Part-time
DHA1	2	0	2	0
DHA3	58	15	54	12
DHA4	154	22	136	26
DHA5	105	10	110	15
DHA6	87	14	79	18
EL1	73	16	86	14
EL2	69	8	71	10
SES and MD	11	1	12	1
<b>Total</b>	<b>559</b>	<b>86</b>	<b>550</b>	<b>96</b>

**Table 6.8: Ongoing staff by length of service and classification 2017–18 and 2018–19**

Length of service	2016–17			2017–18		
	DHA 1–4	DHA 5–6	EL 1– MD	DHA 1–4	DHA 5–6	EL 1–MD
<2 years	68	37	29	77	32	38
2–5 years	71	41	37	78	73	42
6–10 years	47	56	51	28	46	45
>11 years	38	62	48	47	71	69
<b>Total</b>	<b>224</b>	<b>196</b>	<b>165</b>	<b>230</b>	<b>222</b>	<b>194</b>

**Table 6.9: Staff by office type 2017–18 and 2018–19**

	2017–18	2018–19
Office type	Total	Total
Head office	228	233
Sydney CBD office	38	36
Regional office	283	269
Contact centre	96	108
<b>Total</b>	<b>645</b>	<b>646</b>

**Table 6.10: Staff by location 2017–18 and 2018–19**

State	Office Type	Comments	2017–18	2018–19
ACT	Head Office		228	235
	Canberra regional office		26	24
NSW	Hunter regional office		45	46
	Nowra regional office		7	7
	Sydney regional office		36	43
	Sydney CBD office		38	37
	Wagga Wagga regional office		2	5
NT	Darwin regional office		25	21
	Tindal regional office		2	2
QLD	Brisbane regional office		58	58
	Cairns regional office		0	0
	Canungra regional office	Defence personnel only	0	0
	Ipswich regional office		14	14
	Toowoomba regional office		0	0
	Townsville regional office		60	54
SA	Adelaide regional office		54	54
VIC	Cerberus regional office	Defence personnel only	1	1
	Melbourne regional office		18	24
	Puckapunyal regional office	Defence personnel only	1	1
	Sale regional office	Defence personnel only	1	1
	Wodonga regional office		0	0
WA	Perth regional office		20	19

**Table 6.11: Staff by employment instrument 2016–17 and 2017–18**

	2017–18	2018–19
Employment instrument	Number	Number
Enterprise Agreement (EA)	503	511
EA with individual flexibility agreement <sup>1</sup>	130	121
Common law contract	0	0
Public Service Act section 24(1) determination <sup>2</sup>	11	13
Remuneration Tribunal determination	1	1
<b>Total</b>	<b>645</b>	<b>646</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 6.12: Staff gross salary ranges by classification 2017–18 and 2018–19<sup>25</sup>**

	2017–18	2018–19
Classification	Salary range	Salary range
DHA1	\$47,686–\$53,326	\$48,640–\$54,393
DHA3	\$58,881–\$65,243	\$60,059–66,548
DHA4	\$65,059–\$72,700	\$66,360–\$74,154
DHA5	\$73,298–\$80,003	\$74,764–\$81,603
DHA6	\$80,914–\$93,034	\$82,532–\$94,895
EL1	\$98,236–\$119,889	\$100,201–\$122,287
EL2	\$116,741–\$149,790	\$119,076–\$152,786
SES and MD	\$210,000–\$434,537 <sup>26</sup>	\$149,323–\$394,200

25 In accordance with the EA, a two percent salary increase was payable on 18 January 2018 and is reflected in the 2017–18 figures. In a determination under section 24(1) of the *Public Service Act 1999*, the Managing Director provided employees with a further two percent increase effective on 18 January 2019 and this is reflected 2018–19 figures. The Managing Director chose to nominally increase the salary of SES employees in line with the timing of increases to other DHA employees. The Board increased the remuneration of the Managing Director in line with recommendations from the Remuneration Tribunal.

26 In 2017–18 remuneration reporting for the Managing Director included an amount for employer superannuation. This component has not been included in the 2018–19 figure.

## Performance payments

**Table 6.13: Maximum potential performance bonus by classification 2017–18 and 2018–19**

Classification	Maximum potential performance payment
DHA1–DHA4	7.5%
DHA5–EL1	12.5%
EL2–SES	15%
MD	15%

### NOTES

1. In accordance with the EA, DHA1–DHA4 staff may be eligible for performance pay of up to 7.5 percent 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 percent 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 percent 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 percent of total gross remuneration.

**Table 6.14: Performance pay by classification 2017–18 and 2018–19<sup>27</sup>**

Classification	Number of payments	Aggregated amount (\$)	Average amount (\$)	Range of payments (\$)
DHA1	0	\$0	\$0	\$0
DHA2	0	\$0	\$0	\$0
DHA3	73	\$220,294	\$3,017	\$0–\$3,153
DHA4	178	\$637,988	\$3,584	\$0–\$3,817
DHA5	111	\$824,949	\$7,431	\$0–\$8,893
DHA6	103	\$833,496	\$7,998	\$0–\$6,553
EL1	89	\$981,900	\$11,032	\$2,003–\$12,898
EL2	74	\$1,364,890	\$18,496	\$6,773–\$20,383
SES and MD	10	\$393,032 <sup>28</sup>	\$39,303	\$28,620–\$101,637

<sup>27</sup> Table 6.14 sets out performance pay for the 2017–18 performance cycle that was paid to eligible staff in 2018–19. The table excludes 8 staff who were otherwise eligible for a performance bonus but did not receive a payment as they were rated as 'meeting expectations/target'. Aggregated amount is rounded to the nearest thousand, average amount and range of payment figures are all rounded up to the nearest dollar.

<sup>28</sup> The former Managing Director, Jan Mason, retired on 4 January 2019 and became eligible for pro rata performance pay in respect of service during the period from 1 July 2018 until the date of retirement. This pro rata payment was made in the 2018–19 financial year and is included in the figures in Table 6.14.

## Executive remuneration

During the reporting ended 30 June 2019, DHA had eight non-executive Board members and eleven senior executives who meet the definition of key management personnel (KMP). In the notes to the financial statements for the period ending 30 June 2019, DHA disclosed the following KMP expenses:

### Key management personnel remuneration for the reporting period 2019

Key management personnel remuneration for the reporting period	\$
Short-term benefits:	
Base Salary	2,673,458
Bonus	280,263
Other benefits and allowances	74,298
<b>Total short-term benefits</b>	<b>3,009,725</b>
Superannuation	394,776
<b>Total post-employment benefits</b>	<b>394,776</b>
Other long-term benefits	
Long Service Leave	48,030
<b>Total long-term benefits</b>	<b>48,030</b>
Termination benefits	20,545
<b>Total key management personnel remuneration</b>	<b>3,491,370</b>

In accordance with the PGPA Rule, Tables 6.15 to 6.17 comply with GBE remuneration disclosure requirements specified in Resource Management Guide No. 138 *Commonwealth entities Executive Remuneration Reporting Guide for Annual Reports*.

#### Details and length of term for key management personnel

<b>Name</b>	<b>Position</b>	<b>Term as KMP</b>
Barry Jackson	Managing Director	Part Year—Appointed 13/05/2019
Paul Groenewegen	Chief Financial Officer	Part Year—Appointed 09/08/2018
Jo Abbot	Chief Financial Officer	Full Year
Ross Jordan	General Manager Governance	Full Year
Suzanne Pitson	GM Portfolio Management	Full Year
Jan Mason	Managing Director	Part Year—Terminated 04/01/2019
Brett Jorgensen	GM Property Provisioning Group	Full Year
Shane Nielsen	GM People and Corp Capability	Full Year
Tom Cummins	A/GM Property Provisioning Group	Part Year—Ceased 12/05/2019
Christine Steele	A/GM Property and Tenancy Serv	Part Year—Appointed 06/08/2019
Michael Kelly	A/GM Property and Tenancy Serv	Part Year
JAL Macdonald	Board Chairman	Full Year
Martin Brady	Board Member	Full Year
Alan Ferguson	Board Member	Full Year
Robert Fisher	Board Member	Full Year
Andrea Galloway	Board Member	Full Year
Ewen Jones	Board Member	Full Year
Simon Lewis	Board Member	Part Year—Appointed 28/04/2019
Jan Williams	Board Member	Part Year—Terminated 27/04/2019

As per the PGPA Rule, this information is further disaggregated in Table 6.15.

Table 6.15: Details of executive remuneration for KMP 30 June 2019<sup>29</sup>

Name	Position title	Short term benefits				Post-employment benefits	Other long term benefits		Termination benefits	Total remuneration
		Base salary	Bonuses <sup>30</sup>	Other benefits and allowances	Superannuation contributions		Long service leave	Other long-term benefits		
		\$	\$	\$	\$	\$	\$	\$	\$	
Barry Jackson	Managing Director	54,002	0	0	10,326	1,146	0	0	65,474	
Paul Groenewegen	Chief Financial Officer	252,039	0	2,036	44,340	3,302	0	0	301,717	
Jo Abbot	Chief Financial Officer	192,826	33,075	0	37,789	6,353	0	0	270,043	
Ross Jordan	General Manager Governance	234,062	28,620	2,438	40,319	5,500	0	0	310,939	
Suzanne Pitson	GM Portfolio Management	252,432	35,625	0	47,578	6,501	0	0	342,136	
Jan Mason <sup>31</sup>	Managing Director	316,190	101,637	602	11,394	4,308	0	20,545	454,676	
Brett Jorgensen	GM Property Provisioning Group	298,710	37,121	10,279	49,495	6,814	0	0	402,420	
Shane Nielsen	GM People and Corp Capability	279,962	35,259	2,939	39,640	6,526	0	0	364,326	
Tom Cummins	A/GM Property Provisioning Group	45,716	6,049	0	12,131	1,581	0	0	65,477	
Christine Steele	A/GM Property and Tenancy Serv	249,505	0	0	36,442	5,420	0	0	291,367	
Michael Kelly	A/GM Property and Tenancy Serv	29,022	2,877	0	3,732	579	0	0	36,210	
JAL Macdonald	Board Chairman	116,449	-	3,658	11,063	-	-	-	131,170	
Martin Brady	Board Member	58,224	-	18,281	7,874	-	-	-	84,379	

		Short term benefits		Post-employment benefits	Other long term benefits	Termination benefits	Total remuneration
Alan Ferguson	Board Member	58,224	-	1,523	-	-	68,710
Robert Fisher	Board Member	58,224	-	7,973	-	-	72,486
Andrea Galloway	Board Member	58,224	-	8,623	-	-	76,944
Ewen Jones	Board Member	58,224	-	7,973	-	-	76,286
Simon Lewis	Board Member	9,631	-	1,319	-	-	12,917
Jan Williams	Board Member	51,791	-	6,654	-	-	63,693

29 The Commonwealth employs CDRE McConachie and P Logan on a full time basis. For this reason, in accordance with Determination 2017/10, they are not entitled to be remunerated as a part time office holder or independent member of the Board Audit Committee respectively.

30 Bonus amounts reflect performance pay in respect of the 2017–18 financial year which were paid in the 2018–19 financial year. All other payments represent the actual value of salary and other entitlements paid in respect of the 2018–19 financial year.

31 Jan Mason, the former Managing Director retired on 4 January 2019 and became eligible for a pro-rata performance bonus in respect of service during the period from 1 July 2018 until the date of her retirement. The bonus therefore includes performance pay for 2017–18 year and the pro-rata bonus for 2018–19 paid in this financial year.

Senior executive

Table 6.16: Details of remuneration for six senior executive members 30 June 2019

Total remuneration bands	Number of senior executives	Short term benefits			Post-employment benefits	Other long term benefits		Termination benefits	Total remuneration
		Average base salary	Average bonuses	Average other benefits and allowances		Average long service leave	Average other long term benefits		
\$0- \$220,000	3	\$ 120,803	\$ 19,988	\$ 1,202	\$ 17,741	\$ 1,419	\$	\$ 161,153	
\$220,001 – \$245,000									
\$245,001 – \$270,000									
\$270,001 – \$295,000	3	\$ 215,771	\$ 24,040	\$ 723	\$ 34,826	\$ 3,729		\$ 279,089	
\$295,00 – \$320,000									
\$320,001 – \$345,000									
\$345,001 – \$370,000									
\$370,001 – \$395,000									
\$395,001 – \$420,000									
\$420,001 – \$445,000									
\$445,001 – \$470,000									
\$470,001 – \$495,000									
\$495,001 – ....									

Other highly paid staff remuneration

Table 6.17: Details of remuneration for 14 other highly paid staff 30 June 2019

Total remuneration bands	Number of senior executives	Short term benefits			Post-employment benefits		Other long term benefits		Termination benefits	Total remuneration
		Average base salary	Average bonuses	Average other benefits and allowances	Average superannuation contributions	Average long service leave	Average other long term benefits	Average total remuneration		
\$220,001-\$245,000		\$	\$	\$	\$	\$	\$	\$	\$	\$
\$245,001-\$270,000	7	\$157,338	\$19,913	\$37,269	\$29,872	\$3,121				\$247,513
\$270,001-\$295,000										
\$295,001-\$320,000										
\$320,001-\$345,000	3	\$211,464	\$19,372	\$64,075	\$31,247	\$2,747				\$328,905
\$345,001-\$370,000										
\$370,001-\$395,000										
\$395,001-\$420,000										
\$420,001-\$445,000	4	\$250,522	\$44,547	\$94,468	\$37,349	\$3,202				\$430,088
\$445,001-\$470,000										
\$470,001-\$495,000										
\$495,001-....										

# Appendix C: Work, health and safety

This appendix outlines our work, health and safety (WHS) performance in accordance with the *Work Health and Safety Act 2001* (WHS Act).

**Table 6.18: WHS performance 2017–18 and 2018–19**

Indicator	2017–18	2018–19
Incident reporting		
Total incidents reported	681	673
WHS incidents	191	152
Staff	74	61
Contractors	71	34
Tenants and others	46	57
Recordable injury rate		
Total recordable injury frequency rate	5.49	7.05
Lost time rate		
Lost time injury frequency rate	2.35	4.70
Audits and office inspections		
Contractor and internal audits conducted	790	755
Desktop	698	675
Onsite	92	80
Safety interaction	350	670
Office inspections conducted	76	78
Workers' compensation		
Workers' compensation claims (accepted in financial year)	2	2

## Notifiable incidents

As shown in Figure 6.1, the number of all incidents reported continues to increase as DHA's reporting culture matures. The 2018–19 results, demonstrate WHS is now embedded in everything we do and that we have a strong reporting culture. Importantly, while the number of incidents reported decreased by 1 percent in 2018–19, the percentage of those deemed to involve DHA staff decreased by 19 percent. Consequently, there was no increase in accepted workers compensation claims.

Of the 151 incidents deemed WHS related in 2018–19, nine were notified to an authority in line with the WHS Act as they were classified as serious injury or dangerous incidents.

Figure 6.1

WHS incidents by person involved 2016–2017, 2017–2018 and 2018–2019

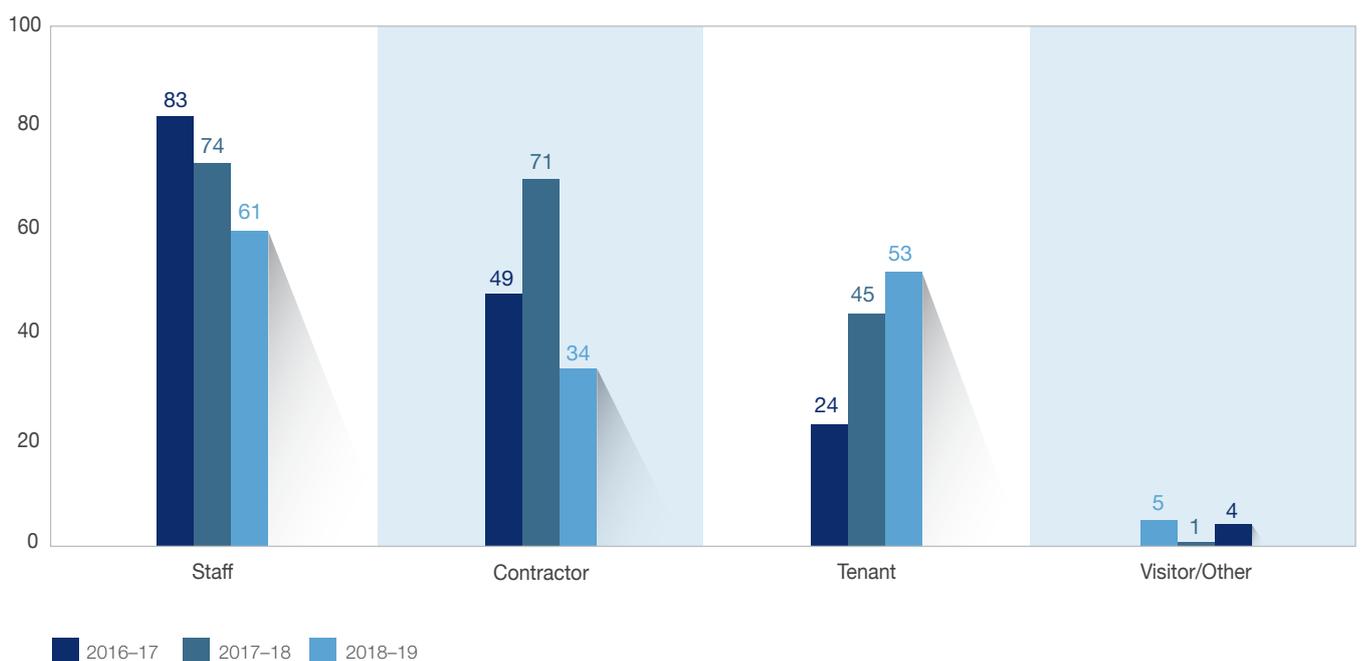
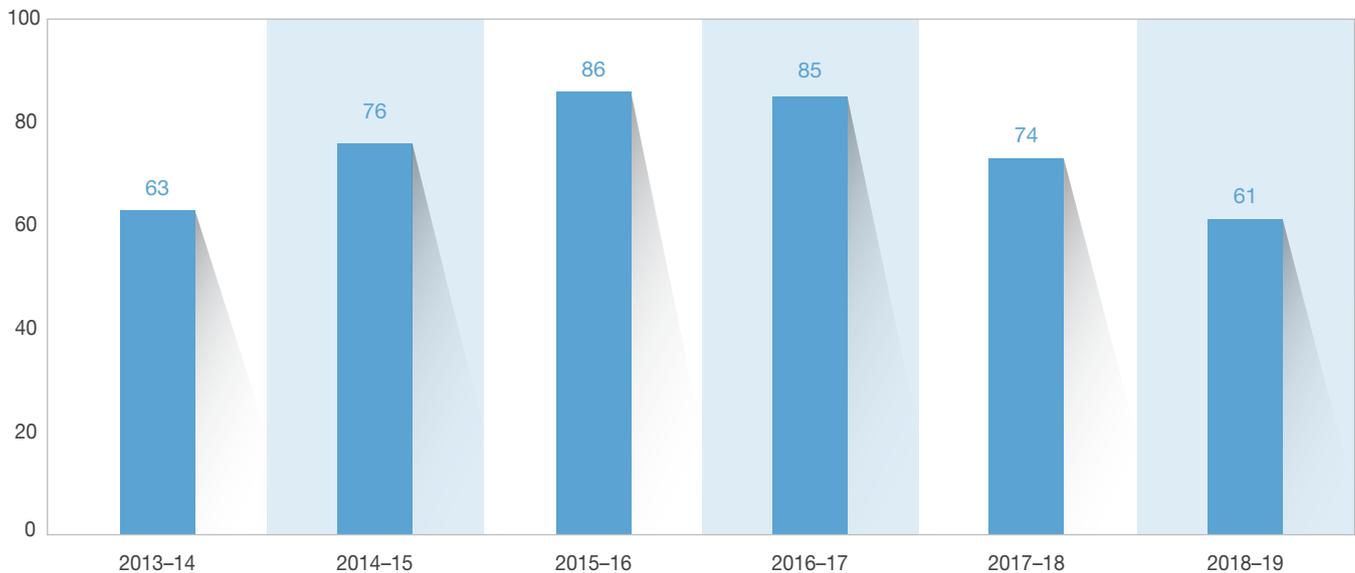


Figure 6.2

Number of staff WHS incidents 2013–14 to 2018–2019



### Safety audits and inspections

We undertook 755 contractor and safety audits and 78 office inspections as part of our regular Health, Safety, Environment and Quality program in 2018–19. A total of 413 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 2018–19, we were recertified against two international standards, ISO45001 Occupational Health and Safety, and ISO9001 Quality Management for our integrated Safety, Health, Environment and Quality Management System. Our continuing effort in the program included the extension of the psychosocial wellbeing program through

reinvigorated mental health training; implementation of an alternative dispute resolution framework; successful completion of the Comcare Rehabilitation Management System; and development of an internal case management manual.

### Worker's compensation

During 2018–19, six worker's compensation claims were lodged with Comcare, the Australian Government's insurer, regulator and scheme manager. Of the six claims, three musculoskeletal injuries were accepted as compensable injuries. Comcare rejected one claim; one claim was non-compliant; and one claim was withdrawn.

# Appendix D: Five year financial summary

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

**Table 6.19: Financial performance 2014–15 to 2018–19**

	2014–15	2015–16	2016–17	2017–18	2018–19
Financial performance					
Net profit after tax (\$m)	\$91.1	\$104.6	\$65.7m	\$44.3m	\$40.9m
Annual dividend (\$m)	\$54.6	\$62.7	\$39.6m	\$26.6m	\$24.5m
Return on equity (%)	6.3%	7.0%	4.3%	2.9%	2.4%
Property investment revenue (\$m)	\$498.0m	\$428.8m	\$363.9m	\$278.5m	\$156.6m
Disposals program revenue (\$m)	\$44.4m	\$59.0m	\$64.2m	\$32.2m	\$35.4m
Development land and property sales revenue (\$m)	\$127.1m	\$238.5m	\$116.4m	\$104.9m	\$140.1m
Business efficiency					
Return on capital employed (%)	8.4%	9.2	5.9	4.2	3.8%
Leverage/solvency					
Gearing ratio (%) <sup>1</sup>	34.8%	25.8%	24.9%	24.7%	24.5%
Interest times cover	5.8	7.0	5.2	4.7	4.7
Current ratio	3.1	4.7	6.2	3.4	7.5
Liquidity ratio <sup>2</sup>	4.0	4.7	6.2	5.8	2.1
Portfolio management					
Value of portfolio under management (\$b)	\$10b	\$10.6b	\$11.0b	\$11.1b	\$11.2b
Total properties under management <sup>3</sup>	18,872	18,767	18,841	18,395	18,112
New constructions and acquisitions	1,154	864	940	473	641

## NOTES

1. In 2014–15 the gearing ratio was based on total liabilities over total assets. From 2015–16, the methodology was revised to total liabilities over equity plus total liabilities.
2. Liquidity ratio excludes current borrowings as borrowed items are rolled on maturity and not considered to be a risk.
3. Figure includes all properties managed by DHA.

# Appendix E: Advertising and market research

In accordance with section 311A of the *Commonwealth Electoral Act 1918*, this appendix discloses payments of \$13,201 or more (including GST) for advertising and market research services provided during the reporting period. There was no direct mail expenditure to be reported against for 2018–19.

**Table 6.20: Advertising expenditure 2018–19**

Organisation	Purpose of creative services	Expenditure (\$, inc GST)
McCann	Agency creative services—property investment program and brand advertising	\$463,617.96
Heard Agency	Sales campaign for Akuna Vista	\$122,475
Campaign Edge Sprout	Sales campaign for Breezes Muirhead	\$77,991

**Table 6.21: Direct mail expenditure 2018–19**

Organisation	Purpose of direct mail	Expenditure (\$, inc GST)
N/A	N/A	0

**Table 6.22: Media advertising expenditure 2018–19**

Organisation	Purpose of media placement	Expenditure (\$, inc GST)
Dentsu X	Property investment program and brand advertising	\$16,784.63
Universal McCann	Property investment program and brand advertising	\$203,441.39
Heard Agency	Media management for Akuna Vista	\$55,140
Campaign Edge Sprout	Media management for Breezes Muirhead	\$22,618.71

**Table 6.23: Market research expenditure 2018–19**

Organisation	Purpose of market research	Expenditure (\$, inc GST)
Colmar Brunton	DHA brand campaign tracking	\$105,600
Field Works Market Research	CATI services for surveying of Defence members and DHA investors	\$106,636.20

# Appendix F: 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 and use a range of communication methods, including all staff messages and intranet content, to support staff to mitigate environmental impacts.

## Property portfolio

We are committed to creating healthy and sustainable communities for ADF members, their families and the broader community.

### Design and construction

DHA's design and construction process for properties and communities focuses 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>32</sup> Where possible, housing in our new developments additionally:

- › complies with the Australian Government's Liveable 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).

During 2018–19, DHA constructed the first properties in Australia to achieve a 6 Star Green Star Design Rating, from the Green Building Council of Australia for the following development projects:

- › 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.

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<sup>32</sup> EER must be certified by an independent accredited accessor, 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.

## 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). DHA owns 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.

## 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 taken into account when considering new commercial premises for leasing when a current lease is due to expire.

## Travel and transport

We encourage staff to use videoconferencing and teleconference technologies as effective alternatives to air travel or the use of fleet vehicles and hire cars. DHA books travel under the Whole of Government, Travel Services—Phase 1 agreement.

With the exception of Board members and the Managing Director, all travel bookings are managed by a centralised team. Staff must demonstrate a genuine business need to travel and seek delegate approval before requesting a booking. DHA has continued to see its travel budget reduced and with further reduction targets in place, travel and transport continues to be a focus for the organisation in maximising our resources effectively.

As at 30 June 2019, we leased 204 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

DHA continues a number of regular practices to reduce our environmental footprint:

- › Each of our offices use recycling systems, including general paper, secure paper, cardboard, plastics, toner cartridges, mobile phones and other equipment.
- › Staff use dual monitors in the office, as well as mobile tablet devices, to reduce paper consumption.
- › Where printing is needed, the default setting is two sided printing in grayscale.
- › We continue to increase the number of transactions staff, customers, contractors and prospective investors can complete online to reduce reliance on printed documentation.

# Service and office directory

## Services

### Housing enquiries

T. 139 342  
083–1700  
Monday to Friday

### Maintenance enquiries

T. 139 342  
General maintenance  
0830–1630  
Monday to Friday  
Emergency maintenance  
24-hour service

### Investor enquiries

T. 133 342  
0830–1700  
Monday to Friday  
E. lessormanagement@dha.gov.au

### Property investment enquiries

T. 133 342  
0830–1700  
Monday to Friday  
E. sales@dha.gov.au

### Development enquiries

E. developments@dha.gov.au

### Contractor enquiries

E. contractors@dha.gov.au

### Media enquiries

E. media@dha.gov.au

### International enquiries

T. +61 2 6268 3700

## Offices

### Head office

26 Brisbane Ave  
Barton ACT 2600

### Canberra regional office

Tenancy 12, 26 Ipswich St  
Fyshwick ACT 2609

## NSW

### Hunter regional office

Suite 2, 45D Fitzroy St  
Carrington NSW 2294

### Nowra regional office

Suite 3, Level 2 Bridgeton House  
55–57 Berry St  
Nowra NSW 2541

### Sydney regional office

Level 5, 111 Phillip St  
Parramatta NSW 2150

### Sydney CBD office

Suite 201, Level 2,  
287 Elizabeth St  
Sydney NSW 2000

### Wagga Wagga regional office

Ground Floor T3,  
193–195 Morgan St  
Wagga Wagga NSW 2650

## NT

### Darwin regional office

Level 1, Building 4  
631 Stuart Hwy  
Berrimah NT 0828

### Tindal regional office

By appointment only  
Unit 2, 42 Katherine Terrace  
Katherine NT 0828

## QLD

### Brisbane regional office

Level 4, 76 Skyring Terrace  
Newstead QLD 4006

### Cairns regional office

26 Florence St  
Cairns QLD 4870

### Canungra regional office

Defence personnel only  
Building No. 3, 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 Lane  
Kirwan QLD 4817

## SA

### **Adelaide regional office**

Level 1, 1 Main St  
Mawson Lakes SA 5095

## WA

### **Perth regional office**

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

## 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 548, Vivi St  
Puckapunyal VIC 3662

### **Sale regional office**

Defence personnel only  
Building 115, Catalina St  
RAAF Base East Sale VIC 3662

### **Wodonga regional office**

83 Hume St  
Wodonga VIC 3690

# Acronyms and abbreviations

ACT	Australian Capital Territory
ADF	Australian Defence Force
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
BAC	Board Audit Committee
Board	Board of Directors
CHL	Commonwealth Heritage Listed
CSC	Conspicuous Service Cross
CSIA	Customer Service Institute of Australia
DCO	Defence Community Organisation
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>
DHF	Defence Housing Forecast
DPS	Draft Provisioning Schedule
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>
ERMF	Enterprise Risk Management Framework
Finance	Department of Finance
FBT	Fringe Benefits Tax
FOI	<i>Freedom of Information Act 1982</i>
GBE	Government Business Enterprise
GBE Guidelines	Commonwealth Government Business Enterprise Governance and Oversight Guidelines
GST	Goods and Services Tax
Hon	Honourable
ICT	Information Communication and Technology
ISO	International Organisation for Standardisation
Investor	Owner of a DHA investment (formerly referred to as a lessor)
KPI	Key Performance Indicator
Lessor	Owner of a DHA investment property now referred to as an investor
LIA	Living in Accommodation
MCA	Member Choice Accommodation
MD	Managing Director
MP	Member of Parliament
MWD	Member with Dependants
MWD(U)	Member with Dependants (Unaccompanied)
MWOD	Member without Dependants
NatHERS	Nationwide House Energy Rating Scheme (replaced by ACCURate)
N&RC	Nomination and Remuneration Committee
NQLD	North Queensland
NPAT	Net Profit After Tax
NSW	New South Wales
NT	Northern Territory
PBS	Portfolio Budget Statements
PDA	Performance Development Agreement

PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	<i>Public Governance, Performance and Accountability Rule 2014</i>
Property Investment Program	Formerly known as the Sale and Leaseback or SLB program
Public Service Act	<i>Public Service Act 1999</i>
PWC	Parliamentary Standing Committee on Public Works
OAIC	Office of the Australian Information Commissioner
QLD	Queensland
QMS	Quality Management System
RA	Rent Allowance
RAAF	Royal Australian Air Force
RAN	Royal Australian Navy Reserve
RAP	Reconciliation Action Plan
RBCH	Rent Band Choice Housing
Rent Bands	Classification of service residences by market rent
Rtd	Retired
SA	South Australia
SCI	Statement of Corporate Intent
SEG	Senior Executive Group
Services Agreement	Services Agreement on Housing and Related Matters
SES	Senior Executive Service
SHEQ	Safety, Health, Environment and Quality
SQLD	South Queensland
SR	Service residence
TAS	Tasmania
TRIFR	Total recordable injury frequency rate
VIC	Victoria
WA	Western Australia
WGP	Workplace Giving Program
WHS	Work, Health and Safety
WHS Act	Work Health and Safety Act 2011

# 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 May 2019).

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BB	Approval of annual report by the accountable authority			
	Letter of transmittal	i	Detail of how and when the report was approved by the accountable authority and confirmation that the report has been prepared in accordance with section 46 of the PGPA Act	
17BD	Plain English and clear design (aids to access)			
	Contents	iv	Table of contents	
	Alphabetical index	211	Index [alphabetical]	
	Acronyms and abbreviations	203	Glossary [acronyms and abbreviations]	
	Contact details Cover Digital report	ISFC	Details of contact officer Entity's website address Electronic address of the annual report	
	Index of annual report requirements	206	List of requirements	
17BE	Contents of annual report			
	Organisational structure Shareholder Ministers	23	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers	Mandatory
17BE(d)	Shareholder Ministers	81	Directions given to the entity by the Minister under an Act or instrument during the reporting period	If applicable, mandatory

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BE	Contents of annual report			
17BE(e)	Shareholder Ministers	81	Any government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(f)	N/A	N/A	Particulars of non-compliance with: (a) a direction given to the entity by the Minister under an Act or instrument during the reporting period; or (b) a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(g)	Annual Performance Statement	43	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule	Mandatory
17BE(h), 17BE(i)	Significant issues relating to non-compliance with finance law	77	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non-compliance	If applicable, mandatory
17BE(j)	Board of directors  Appendix A: Accountable Authority	82  176	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period	Mandatory
17BE(k)	Organisational structure	23	Outline of the organisational structure of the entity (including any subsidiaries of the entity)	Mandatory
17BE(ka)	Appendix B: Workforce statistics	181	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees; (b) statistics on part-time employees; (c) statistics on gender; (d) statistics on staff location	Mandatory
17BE(l)	Office network	24	Outline of the location (whether or not in Australia) of major activities or facilities of the entity	Mandatory
17BE(m)	Corporate governance structure	80	Information relating to the main corporate governance practices used by the entity during the reporting period	Mandatory

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BE	Contents of annual report			
17BE(n), 17BE(o)	Board of Directors	85–87	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than \$10,000 (inclusive of GST): (a) the decision-making process undertaken by the accountable authority to approve the entity paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and (b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions	If applicable, mandatory
17BE(p)	Managing Director's review	4–5	Any significant activities and changes that affected the operation or structure of the entity during the reporting period	If applicable, mandatory
	Overarching analysis of performance against our purposes	47–48		
	Performance analysis	52–57		
	Financial performance	64–65		
	External scrutiny	97–98		
17BE(q)	N/A	N/A	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the entity	If applicable, mandatory
17BE(r)	External scrutiny	97–98	Particulars of any reports on the entity given by: (a) the Auditor-General (other than a report under section 43 of the Act); or (b) a Parliamentary Committee; or (c) the Commonwealth Ombudsman; or (d) the Office of the Australian Information Commissioner	If applicable, mandatory

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BE(s)	N/A	N/A	An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report	If applicable, mandatory
17BE	Contents of annual report			
17BE(t)	N/A	N/A	Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs)	If applicable, mandatory
17BE(ta)	Appendix B: Workforce statistics	188	Information about executive remuneration	Mandatory
17BF	Disclosure requirements for government business enterprises			
17BF(1)(a)(i)	Managing Director's review  Overarching analysis of performance against our purposes  Performance Analysis	4-5  47-48  64	An assessment of significant changes in the entity's overall financial structure and financial conditions	If applicable, mandatory
17BF(1)(a)(ii)	Overarching analysis of performance against our purposes	47-48	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial conditions	If applicable, mandatory
17BF(1)(b)	Purpose 2: Provide a commercial rate of return for its Shareholders  Performance analysis  Appendix D: Five year financial summary	60  64  197	Information on dividends paid or recommended	If applicable, mandatory

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BF(1)(c)	N/A	N/A	Details of any community service obligations the government business enterprise has including: (a) an outline of actions taken to fulfil those obligations; and (b) an assessment of the cost of fulfilling those obligations	If applicable, mandatory
17BF(2)	Corporate Plan	42	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise	If applicable, mandatory
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