

# Annual Report 2020-21

### Digital report

An electronic version of this report is available at [transparency.gov.au](https://transparency.gov.au).

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30 September 2021



The Hon Peter Dutton MP  
Minister for Defence  
Parliament House  
Canberra ACT 2600

Senator the Hon Simon Birmingham  
Minister for Finance  
Parliament House  
Canberra ACT 2600

The Hon Andrew Gee MP  
Minister for 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 2020–21 for the year ended 30 June 2021 (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 2020–21 to 2023–24 and Statement of Corporate Intent 2020–21.

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, landlords, government organisations, 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 blue ink, appearing to read 'Sandy Macdonald', is written over a light blue horizontal line.

**Hon J.A.L. (Sandy) Macdonald AM**  
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 Defence Housing Australia's (DHA) performance against stated objectives and performance measures for the period 1 July 2020 to 30 June 2021 as set out in our Corporate Plan 2020–21 to 2023–24 (Corporate Plan 2020–21) and publicly available Statement of Corporate Intent 2020–21 ([www.dha.gov.au/sci](http://www.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 and achievements over the reporting period.

**Part 2** provides an overview of our purpose, responsibilities, organisational structure, financial structure, services to Defence and landlords, and our property portfolio as at 30 June 2021.

**Part 3** contains our annual performance statement and detailed assessment of our performance in 2020–21.

**Part 4** details our management and accountability processes, including corporate governance, external scrutiny and workforce management.

**Part 5** contains our consolidated financial statements for 2020–21.

**Part 6** contains appendices and reference information.

The appendices provide supplementary information on specific areas of the business, including that 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

2020–21 in summary

Awards and achievements



# Chairman's review



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

## It gives me great pleasure to introduce Defence Housing Australia's (DHA's) Annual Report 2020–21.

Over the previous year, DHA has continued to deliver housing and related services in the face of the ongoing COVID-19 pandemic. The Managing Director will comment more specifically on DHA's operational achievements. However, I wanted to highlight some key areas.

### Operating environment

The context within which DHA operates is constantly evolving. In 2020–21, we began the phased implementation of our revised business model, supported by Shareholder Ministers. While continuing to focus on our core purpose—providing Australian Defence Force (ADF) members and their families with housing services, a phased approach to business model reform has enabled continued delivery of services throughout what has been a disrupted year with significant organisational change. We continue to work closely with the Departments of Defence and Finance to align with government priorities.

### COVID-19 pandemic

The ongoing COVID-19 pandemic continues to challenge us as a country and organisation. In response to this constantly changing environment, DHA encourages flexible and responsive ways of working to deliver services and ensure a safe workplace. On behalf of the Board, I extend special thanks to our staff across the country who continued to meet the needs of our customers throughout the ups and downs of 2020–21. Their tireless efforts, flexibility and dedication was, and continues to be, extraordinary.

### Oversight of DHA's governance

On 14 April 2021, DHA appeared before the Joint Committee of Public Accounts and Audit's (JCPAA) Governance of public resources hearing alongside the Departments of Defence and Finance. The hearing focused on the findings from the Australian National Audit Office's (ANAO) performance audit into the *Management of Defence Housing Australia* published in April 2020, and the progress of implementation of the recommendations made by the ANAO. The ANAO's report highlights the positive work that has been, and continues to be done, to reinforce organisational governance frameworks and the close cooperation with the Department of Defence in ensuring the ongoing good governance of DHA.

### Support of the Australian Government

In 2020–21, DHA worked very 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 \$47.1 million for 2020–21, a substantial effort given the challenges outlined above.

I would like to thank the Minister for Defence, the Hon Peter Dutton MP, the Minister for Finance, Senator the Hon Simon Birmingham, and the outgoing Minister for Defence Personnel, the Hon Darren Chester MP, for their continued support of DHA.

I look forward to working with the newly appointed Minister for Defence Personnel, the Hon Andrew Gee MP, over the coming year.

## Support of the Defence community

DHA's primary purpose is to provide adequate and suitable housing for, and housing related services to, members of the Australian Defence Force (ADF). We are proud members of the broader Defence community and play an important role in supporting Defence capability.

In 2020–21, DHA participated in two major sponsorships. Firstly, DHA continued its proud partnership with Integra Service Dogs Australia and their project that selects, trains and places assistance dogs with ADF veterans or members. Secondly, DHA sponsored a 12 month collaboration with Kookaburra Kids which provides various programs to support young people impacted by family mental illness. Kookaburra Kids now delivers the Defence Kids Program, which is tailored to children of ADF parents with a mental illness as a result of military service.

As well as our major sponsorships, we have a long history of supporting community organisations that play a key role in the Defence community. In

2020–21, we supported the Adelaide Legacy Remembrance Walk, the Military Wives Choir, the Northern Territory Officer's charity ball and the Sydney Legacy Remembrance Day fundraising lunch.

## 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 2020–21, we continued to employ local businesses and tradespeople wherever possible in maintaining our property portfolio, constructing new properties and creating new residential communities.

## Appointments and acknowledgements

### Board

The Australian Government appoints and reappoints the DHA Board members. The current composition of members brings together a diverse range of skills and experience. I thank them for their service.

In 2020–21, I was reappointed as Chair of DHA's Board and am pleased to continue in this role. The Board also welcomed the appointment of Ms Gai Brodtmann as a commercial director, bringing valuable perspectives and experience. I acknowledge and thank former Board member, the Hon Alan Ferguson AM, for his service to DHA since 2015. The Board and I will miss his wise counsel and wish him well in his future endeavours.

### Managing Director

I wish to acknowledge Mr Barry Jackson and his exemplary leadership of DHA over the previous 12 months. The Board and I thank him for his efforts, particularly in relation to implementation of the revised business model, renegotiation of the Defence Services Agreement and oversight of DHA's operations throughout the COVID-19 pandemic.

### Staff

I would like to acknowledge and thank the senior leadership team and all staff for their ongoing efforts and achievements in 2020–21.

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.

There are always challenges in a business as large and complex as DHA, but I am confident we will continue to navigate them and deliver quality outcomes for ADF families, landlords and shareholders in 2021–22.



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



# Managing Director's review



Mr Barry Jackson

In 2020–21, we continued to deliver our core purpose of providing housing for, and housing related services to, ADF members and their families, and build the sustainability of our business.

We focused on supporting Defence capability by meeting the demand for housing, implementing our revised business model and delivering value to our Shareholders through improving efficiency. External factors continued to provide challenges, and opportunities, to our business. We continued to face digital transformation, volatile market and economic conditions, and shifting customer needs and expectations.

The impacts of the COVID-19 global pandemic are still uncertain, but it has changed the way we operate. We were required to adapt service delivery methods, and respond to posting arrangements for ADF members and families in a more agile way. The lessons learnt through this pandemic will help DHA continue to adapt in response to Defence requirements.

## Performance highlights

Some of the highlights and achievements in 2020–21 include:

- › Continuing to support Defence capability by meeting the evolving needs of the ADF, including through supporting the ADF Employment Offer Modernisation program.
- › Implementation of alternative service delivery models and new information technology systems, making it easier for ADF members and their families to do business with us when it suits them.

- › Implementation of regional provisioning strategies that focus on flexibility and reduce exposure to volatile property markets, and working with Defence to provide greater choice in housing options in response to ADF member preferences.
- › Strong financial results that exceeded expectations in part due to refocusing provisioning strategies on lower risk and less capital intensive methods, such as leasing and streamlining operations.
- › Entered into a new business appropriate debt facility with the Australian Government, creating great flexibility and enabling repayment of 12 loan tranches totalling \$324.58 million.
- › Strengthening coordination and decision making processes to maintain a financially sustainable business.
- › Significant progress was made toward aligning revenue to services delivered, ensuring a clear link between DHA activities, their costs and the revenues earned from performing them.

## Priorities for the year ahead

Our primary purpose continues to be to provide housing for, and related services to, ADF members and their families in support of Defence capability. We will continue to focus on building the long term sustainability of our business through:

- › Collaborating with Defence on housing policy to continue supporting the Australian Defence Force Employment Offering Modernisation Project.
- › Operationalising the contemporised Defence Services Agreement ensuring our service levels align with the new agreement.
- › Piloting strategic partnerships to provision properties in a sustainable way that is aligned with policy and customer needs.
- › Continuing our investment in technology enhancements to deliver improved self-service functionality for ADF members and enable our staff to deliver consistent service to all our customers across multiple channels.

- › Building our financial capability through capital management and revised agreements with Shareholders.
- › Implementing improved processes and performance reporting to support sound decision making in response to changes in our operating environment.

The key to achieving our goals will be building staff capability now and into the future, undertaking effective workforce planning that aligns staff capability and resources to embed our revised business operating model and sustain our business in the long term. The first step along this journey is equipping our senior staff to lead through change and sustain a high performance culture, through the Leadership Development Program.

It also remains critical that we drive a compliant and positive workplace culture. Our commitment to maintaining a safe workplace, where all individuals feels welcome, respected, valued and able to fully participate, remains a core value. This commitment is embodied in our reconciliation journey and we launched the 'Innovate' Reconciliation Action Plan (RAP) in late 2020. Through working with an Indigenous advisor we have made great strides to building our engagement with Indigenous businesses and increasing representation of Indigenous employees.

As we continue to make changes to our operations, I am pleased to see the ongoing commitment of DHA staff as they embrace the challenges and opportunities of our new ways of working. Over the coming year we will continue to embed our new operating model and look for opportunities to innovate, improving the housing services we provide.

I would like to thank the Board and our Shareholder Ministers for their continued support through this period of significant reform.



**Mr Barry Jackson**  
Managing Director

# 2020–21 in summary

Quality services for Defence Housing Australia customers



17,503

Properties under management<sup>1</sup>



\$10.95 b

Market value of  
property portfolio managed



59,702

Property inspections undertaken



16,517

ADF members in receipt  
of rent allowance



10,436

Rent allowance applications



24,200

Maintenance Contact  
Centre calls received



1,959

Property additions  
to the portfolio



6,884

Housing allocations



12,706

Leases managed

<sup>1</sup> Properties managed by DHA includes properties owned and leased by DHA, owned by Defence and annuity properties.



2,505

Self-service welcome visits



537

Lease conversions<sup>2</sup>



12,215

Online maintenance requests



199,406

Maintenance work orders raised



28,704

Living in Accommodation calls received



138,327

Living in Accommodation bookings



274

Properties sold through Property Investment Program



\$155.9 m

Revenue raised through Property Investment Program



\$47.1 m

Dividend payments to Australian Government



52,435

Survey invitations released with a 43% response rate



\$1.95 m

Revenue for Defence from property sales



\$196.9 m

Revenue raised from other property sales<sup>3</sup>

<sup>2</sup> Includes properties for Member with Dependants and Member Choice Accommodation provisioning.

<sup>3</sup> Includes Property Investment Program sales, but excludes disposal of Allara Street and Waterloo as they are categorised as land sales.

# Awards and achievements



## **Australian Institute of Architects (NSW Chapter)**

Winner 2020 NSW Architecture Awards Sustainable Architecture

Winner 2020 NSW Architecture Awards People Choice Award for Life – Isolation Oasis

## **Good Design Australia**

Winner 2020 Good Design Awards Sustainability

Winner 2020 Good Design Awards Best In Class – Architectural Commercial and Residential

## **Australian Institute of Landscape Architects**

Winner 2020 National Landscape Architecture Awards Gardens

## **Driven X Design**

Winner Gold in the Sydney Design Awards Pop-ups, Display, Exhibit and Set Design Akuna Vista Sales Office

Gold Winner 2020 Sydney Design Awards Architecture – Multi-Residential Constructed

## **Greater Sydney Commission**

Commendation 2020 Greater Sydney Planning Awards Great new place to live and/or work

## **Think Brick Australia**

Winner 2020 Think Brick Awards Bruce Mackenzie Landscape

## **Urban Taskforce Australia**

Winner 2020 Development Excellence Awards Sustainable Development

## **Banksia Foundation**

Winner 2020 Banksia Sustainability Award Medium Business

## **Frame**

Highly Commended 2020 Frame Awards Best Use of Material and Co-Living Complex

## **ArchiTeam Cooperative**

Commendation 2020 ARCHITEAM Awards Community

## **Australasian Reporting Awards (ARA)**

Winner 2019–20 Best of Industry Sector, Public Administration – National Gold Award in the 2019–20 ARA General Award



## Case study

# A pivotal switch to virtual services

*Throughout 2020–21 we made significant changes to the way we do business. While the effects of COVID-19 provided a catalyst for change, it was the ongoing feedback from Defence members that provided the spur for a speedy pivot to a more digital customer experience for members.*

While Defence members (and landlords) are already using our Online Services platform we recognised an opportunity to further enhance the system by implementing some small but big impact changes.

During 2020, we made it easier for members to interact with DHA by implementing the ability to raise maintenance requests via Online Services at any time of the day or night. These enquiries were then triaged by our systems to ensure that they were addressed in a timely and relevant manner. For Defence members this meant they no longer spent time (during the working day) on our phone queue; for staff it meant less phone calls to our contact centres. A win/win situation. In addition, we provided members the choice to opt-in to our usual in-person welcome visits. Instead of having someone physically arrive at their new home (which during lockdowns was impossible), members could choose a virtual welcome, giving them back some time during the stressful relocation period, and making it safer for both members and our property managers during the global pandemic.



To help Defence members understand the changes, a series of animated videos were developed to guide members through the vital information they require for the posting experience. Central to this series was a video showing Defence members how to self-serve answers to their questions when posting.

When shared across DHA's channels the response was remarkable. In just 48 hours, the video was watched by more than 500 people and shared more than 20 times, showing that Defence members are engaged and like what we are doing.

This engagement comes on the back of a successful launch of lodging enquiries via Online Services. Defence members on our social networks appreciated that they no longer need to phone us to ask a simple question, and that they can do it in their own time, giving members more choice and control over how they interact with DHA.





PART 2

# Agency overview

About us

Organisational structure

Financial structure

Services to Defence

Services to landlords

Housing portfolio

# About us

Defence Housing Australia (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) and *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule). DHA is a statutory agency under the *Public Service Act 1999* (Public Service Act) and is the only GBE to employ staff under the Public Service Act.

Refer to Part 4 – Management and accountability for more information about our legislative framework.



## Our purpose

The 2020–21 Portfolio Budget Statements outline DHA's primary outcome is to contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus. This outcome is broken down into two key purposes.

### **1. Provide quality housing and related services**

We provide housing for, and related services to, Australian Defence Force (ADF) members and their families and administer Defence housing policy in accordance with our Services Agreement with the Department of Defence. Our services under this purpose include:

- › provision a property portfolio, including the management of housing
- › provide assistance to ADF members to find a housing solution
- › provide a booking and allocation service for on-base accommodation
- › administer rent allowance for ADF members occupying private rental accommodation
- › acquire and construct properties to meet Defence housing demands
- › redevelop properties to Defence standards.

### **2. Provide value to 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, and organisational capability that delivers high quality and professional outcomes.

Refer to Part 3 – Performance reporting for our detailed assessment of our performance in 2020–21.



# 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 or their delegate is DHA's responsible Minister. The Minister for Defence has delegated responsibility to the Minister for Defence Personnel. The Minister for Finance is responsible for overseeing DHA funding arrangements and, amongst other things, providing shareholder advice on all Government Business Enterprises, including DHA.

Refer to Part 4 – Management and accountability for more information on our Shareholder Ministers.

## Board

A Board of Directors (the Board) is established in accordance with Part III of the DHA Act and is the accountable authority of DHA under the PGPA Act. The 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 the Corporate Plan.

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), Defence and commercial experience.

Refer to Part 4 – Management and accountability for further details on the Board.

## Managing Director

The Managing Director is appointed 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.

## Leadership Team

The Leadership Team supports the Managing Director in fulfilling DHA's purpose. The Team's broad role is to provide leadership, guide performance, implement and deliver against the Corporate Plan and ensure accountability of our activities.

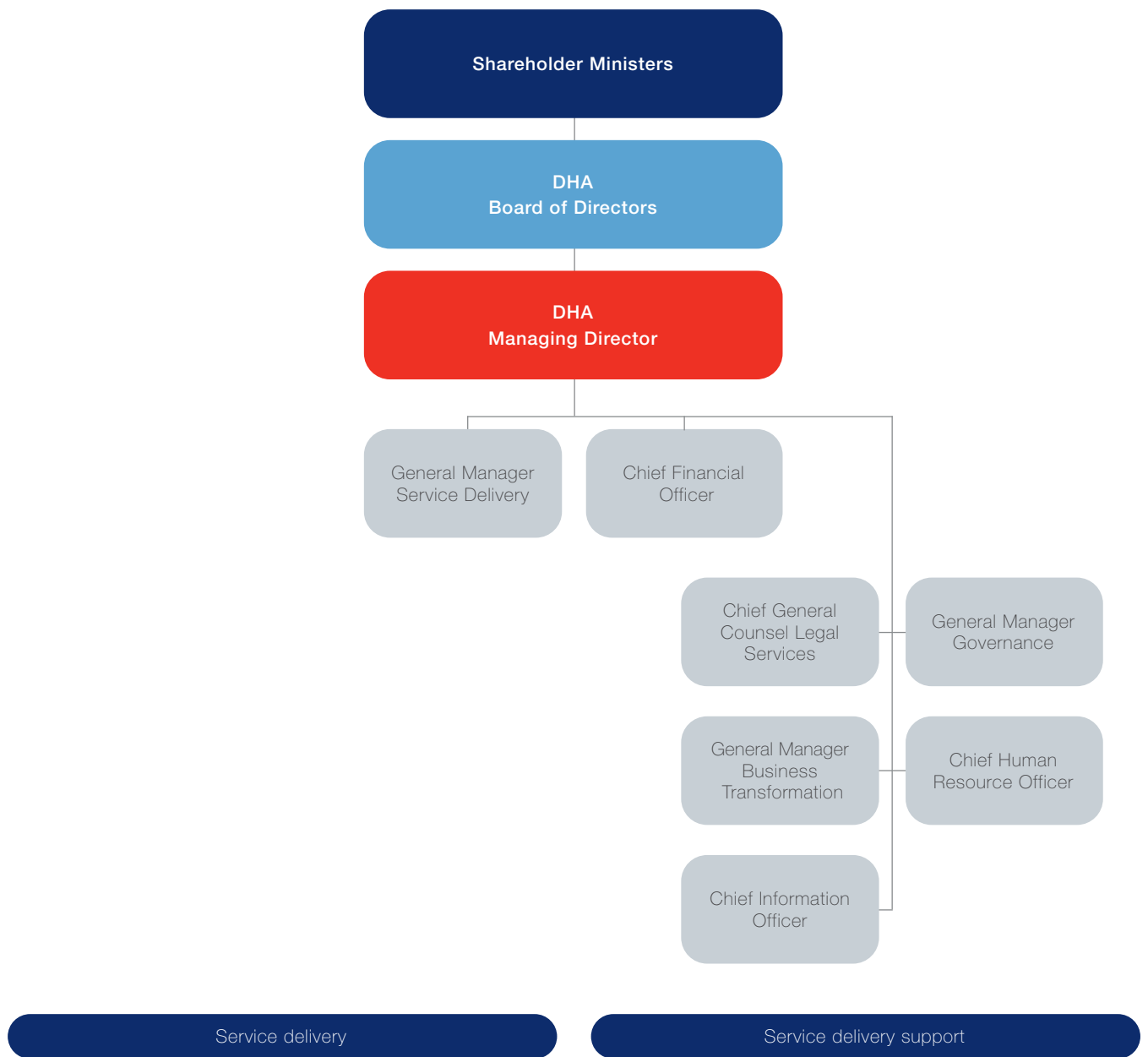
The **Service Delivery Group** is responsible for all additions and subtractions to the DHA housing portfolio, management of housing allocation, tenancy management, property sales and DHA's leasing activities. The Group is made up of two main functions – comprising service operations and property activities.

The service operations area is responsible for property management services including inspections and maintenance, together with the allocation of all properties to ensure maximum utilisation. The property area is responsible for leasing activity, acquisition of residential property, heritage and upgrade projects, construction and development activity, disposals and the DHA Property Investment Program.

The **Service Delivery Support Group** is responsible for supporting the operations of the Service Delivery Group, effective decision making, resource allocation and accountability. This includes strategic planning, financial management, governance frameworks, legal advice, communication, human resources, information technology management and services, and implementation of the revised business model.

Figure 2.1

Organisational structure as at 30 June 2021



## Our office network

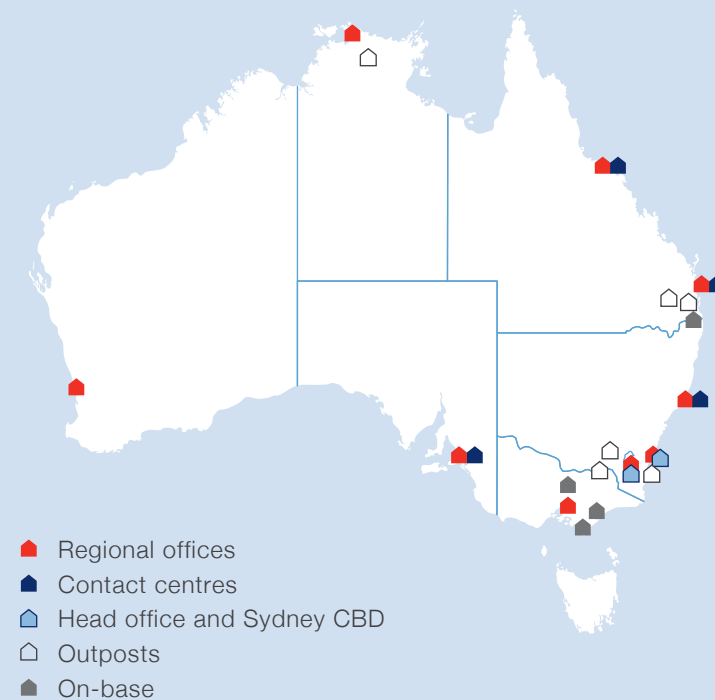
DHA maintains offices in capital cities, major regional centres and on select ADF bases and establishments around Australia. ADF members utilise online services to access a range of housing services including allocations, rent allowance and home maintenance. Staff in our regional offices deliver customer facing services to ADF members and their families. DHA staff are located in four on-base locations at Sale, Puckapunyal, Cerberus (Victoria) and Canungra (Queensland) in accordance with a licence agreement with Defence. Regional office staff are supported by staff in our contact centres.

Our head office is located in Canberra and provides operational, financial, information technology, human resources, communications and corporate support to the organisation.

In 2020–21, we changed our office arrangements in Cairns and Tindal. We continue to provide services to ADF members in these areas through flexible working and shared office arrangements with other organisations.

Figure 2.2

Office network 30 June 2021<sup>4</sup>



<sup>4</sup> The office in Elizabeth Street, Sydney will close on 30 September 2021 with staff relocated to the Parramatta office.

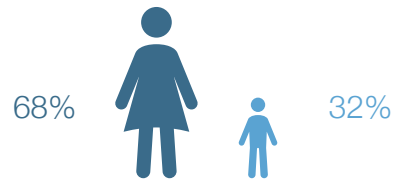
## Our staff

Staff are critical to the organisation's success. As at 30 June 2021, we employed 493 staff across Australia. Figures 2.3 to 2.6 show our staff by gender, employment type, broadband classification and office type. Most of our employees are female, located in regional offices and work full time.

Refer to Part 4 – Management and accountability and Appendix B: Workforce statistics for more information about our workforce.

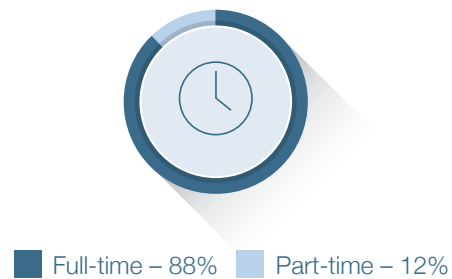
### Figure 2.3

Staff by gender 30 June 2021



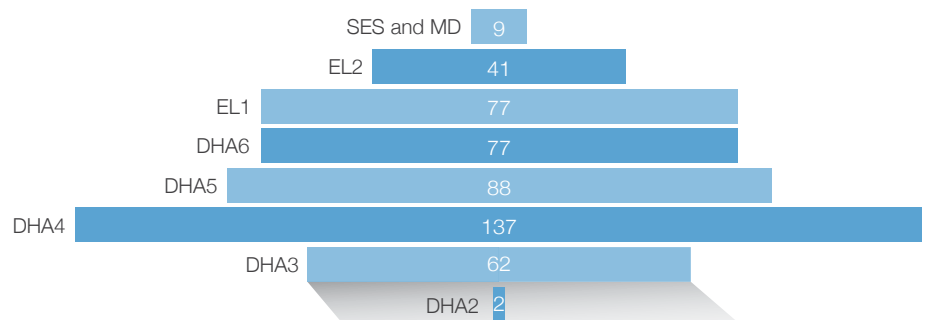
### Figure 2.4

Staff by employment type 30 June 2021



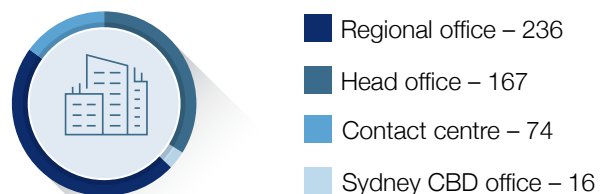
### Figure 2.5

Staff by broadband classification 30 June 2021



### Figure 2.6

Staff by office type 30 June 2021



## Case study

# Diversity and inclusion at work

*In 2020–21, DHA employees and management created a workplace that is fair, accessible, flexible, and inclusive and in which discrimination, bullying, harassment and victimisation are not tolerated.*



DHA's diversity and inclusion strategy sets out how we will build and maintain a workplace in which any individual or group feels welcomed, respected and valued to fully participate and contribute. Our strategy has been developed in consultation with employees, celebrates the characteristics that make us unique and acknowledges that all people are able to make a valued contribution to our organisation.

A major initiative of our diversity and inclusion strategy this year was the launch of a network of affinity groups in August 2020. The affinity groups consist of employees with shared interests or common goals. They are an opportunity to form connections across the business and build relationships to support, appreciate and value our colleagues. The network includes the following affinity groups:

- › Aboriginal and Torres Strait Islanders
- › carers and parents
- › culturally and linguistically diverse
- › employees living with disability
- › LGBTQI+
- › women in leadership.



Together we are building an inclusive culture that encourages and supports equal opportunity and celebrates the diverse voices of our employees and the communities in which we operate. Each affinity group acts as a reference point for policy development, promotes diversity and inclusion in members' own work areas and more broadly across DHA through awareness campaigns.

The affinity groups in partnership with our diversity and inclusion working group supported a lively and vibrant event calendar in 2021. Notable events included:

- › **Wear it Purple Day** – a day to foster supportive, safe, empowering and inclusive environments for rainbow young people. Employees demonstrated their alliance with and respect for young LGBTQI+ people by wearing purple clothing and accessories. While DHA employees were still largely working from home, they took selfies and shared with colleagues through the staff intranet (August 2020).
- › **International Women's Day** – panel discussion with DHA Board members Andrea Galloway, Gai Brodtmann and Kate Louis about women in leadership and achieving an equal future in a COVID-19 world (March 2021).

- › **Harmony Week** – share a recipe for harmony. Teams across the business shared international 'pot luck' lunches featuring dishes from individual's ethnic heritages (March 2021).
- › **National Reconciliation Week** – *More than a word. Reconciliation takes action.* Events and activities were held across our offices with Indigenous cultural awareness trainers and speakers to collectively build relationships and develop a greater understanding of Aboriginal and Torres Strait Islander peoples, histories, cultures and futures (June 2021).

These activities have created a better workplace that fosters new ideas and enhances our ability to provide services to our customers. All employees are able to fully and authentically contribute in the workplace and are valued for their unique characteristics and strengths. By ensuring a diverse and inclusive culture is part of the way we do business, we demonstrate our value and respect for the diversity of our employees and that of the communities in which we operate.

# Financial structure

As a Government Business Enterprise (GBE), DHA's principal financial objective is to provide value to our shareholders by operating efficiently, and sustainably optimise revenue and profit to reinvest in our operations.

## Our funding model

DHA does not receive funding directly from the annual Federal Budget. Operations are funded through three distinct but intertwined functions:

- › delivery of services to Defence
- › ownership of property for the purposes of provisioning
- › disposal of surplus property.

Our revenue is primarily from commercial rents, fees and charges received from the Department of Defence.

DHA's Loan Agreement with the Commonwealth was revised on 1 October 2020. Whilst continuing the commercial basis of the arrangement, DHA now has the ability to re-borrow funds that have been repaid, up to the \$509.58 million debt facility limit. In addition, DHA has the option to extinguish debts prior to their maturity, subject to break costs. Capitalising on these opportunities, DHA has embarked on a debt reduction program. As at 30 June 2021, DHA had seven loans totalling \$185.0 million.

As a GBE and in accordance with the Commonwealth Competitive Neutrality Policy Statement, DHA should not enjoy competitive advantages over private sector competitors. DHA is a full tax paying entity in relation to Australian Government taxes (e.g. corporate income tax, goods and services tax (GST) and fringe benefit tax (FBT)). DHA is also subject to state and territory based tax (e.g. stamp duty, land tax and payroll tax) equivalents.

Refer to Financial performance in Part 3 – Performance reporting for more information about our financial performance in 2020–21.

## Our credit rating

Standard & Poor's Global Ratings (S&P Global) conducts an annual credit rating assessment of DHA. S&P Global affirmed DHA's AA+ long term and A-1+ short term issuer credit ratings on 7 June 2021. This rating is reflective of the effect of government ownership and the likelihood of support implied by that ownership.

S&P Global also provided a standalone credit profile rating for DHA of BBB+. This standalone credit profile rating is consistent with the target for GBEs of BBB as specified in the GBE Guidelines.







# Services to Defence

Defence determines pay conditions for ADF members, including their entitlement to subsidised housing. We contribute to Defence capability by administering Defence housing policy and providing housing solutions and related services to ADF members in accordance with our Services Agreement with Defence.

## Housing solutions

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

### Member with Dependants housing

Each year the Department of Defence provides us with a housing forecast known as the Defence Housing Forecast (DHF). The DHF details the number of Members with Dependants (MWD) requiring housing for the next five years by location, including those housed in service residences and occupying private rental accommodation.

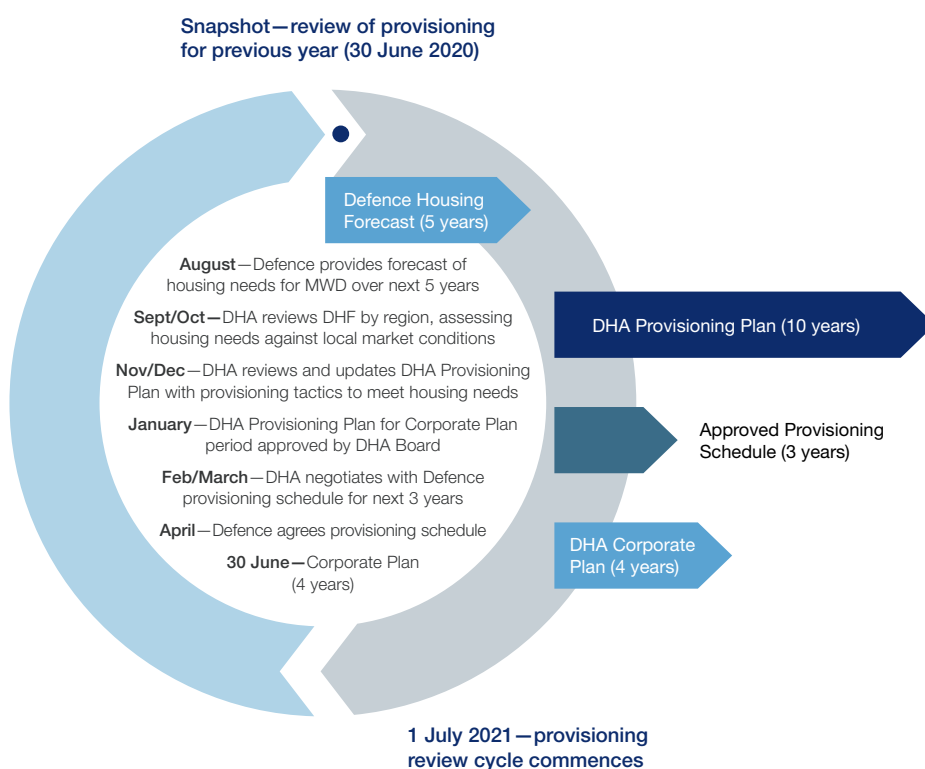
DHA prepares a three year provisioning plan based on the DHF. We provision to approximately 90 per cent of the DHF with service residences, as there is a portion of ADF members who rent accommodation privately, and receive rent allowance, or reside in their own home. Once negotiations are complete and Defence accepts the provisioning plan, it is incorporated into our Corporate Plan. Under contractual arrangements with Defence, our target is to meet 99 per cent of the Approved Provisioning Schedule.

### Member Choice Accommodation

Member Choice Accommodation (MCA) is designed for Members without Dependants (MWOD) as an alternative to the private rental market. Unlike MWD housing, Defence does not provide us with a forecast of the number of 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 plan to supply. It takes into account properties we own, lease and intend to add to our portfolio. Defence reviews the plan annually.

Figure 2.7

Annual provisioning planning cycle



### Rent allowance

Rent allowance is a subsidy payable to ADF members who cannot be provided with service accommodation. DHA administers rent allowance in addition to an annual review of rent allowance entitlements on behalf of Defence.

### Living in Accommodation

We manage the online booking system for approximately 42,853 Defence owned and maintained beds across 53 Defence bases and establishments. Living in Accommodation (LIA) caters for ADF members, reservists and Defence employees who require permanent, transit, temporary and course accommodation to fulfil Defence operational needs.

Refer to Part 3 – Performance reporting for more information about our housing portfolio, housing solutions, and provisioning in 2020–21.



## Related services

### Tenancy and housing management

We provide a range of suitable properties in key locations that meet the needs of ADF members and their families. We assist ADF members to find suitable housing through our online systems, supported by our customer focused staff. We welcome ADF members and their families into their new home and conduct inspections to ensure the properties are well maintained. We continue to innovate the way we provide these services and provide ADF members choice in how they engage with us, implementing virtual service delivery methods including housing selection, self-service welcome visits, and online maintenance requests.

We manage all maintenance and repairs to properties to ensure they meet Defence standards. We engage external contractors to undertake all maintenance and repairs. Engaging third party providers enables us to provide prompt, quality service while supporting local and regional economies.

### Property upgrades

We coordinate upgrades to Defence owned properties located on-base and in regional and remote areas of Australia. The contemporising of these properties provides an appropriate standard of living to ADF members and their families who occupy these properties, and extends the life span of these properties by 10–15 years.

### Commonwealth Heritage Listed properties

We manage, protect and conserve 72 Commonwealth Heritage Listed properties on behalf of Defence. These properties are located at ADF bases and establishments across Australia. We also own 13 Commonwealth Heritage Listed properties and two listed development sites. There are a further three development sites on the DHA Heritage Register.

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 *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), a heritage management framework and DHA Heritage Strategy in order to transmit to all generations the historical and cultural significance of these sites.

Refer to Part 3 – Performance reporting and Appendix G: Environmental performance for more information on our Commonwealth Heritage Listed properties.

# Services to landlords

Landlords are important to us as they help us sustain a flexible and well located property portfolio and a healthy long term financial structure. We sell and lease back properties through our Property Investment Program, direct lease properties from private owners and negotiate with existing landlords to retain properties through a new lease or lease extension.

## Our lease agreement

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 the lease<sup>5</sup>
- › an extensive range of property care services provided during the lease term in return for a service fee.

Refer to Part 3 – Performance reporting for more information about the proportion of our housing portfolio that is leased.

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<sup>5</sup> Rent may be subject to abatement in limited circumstances.

# Housing portfolio

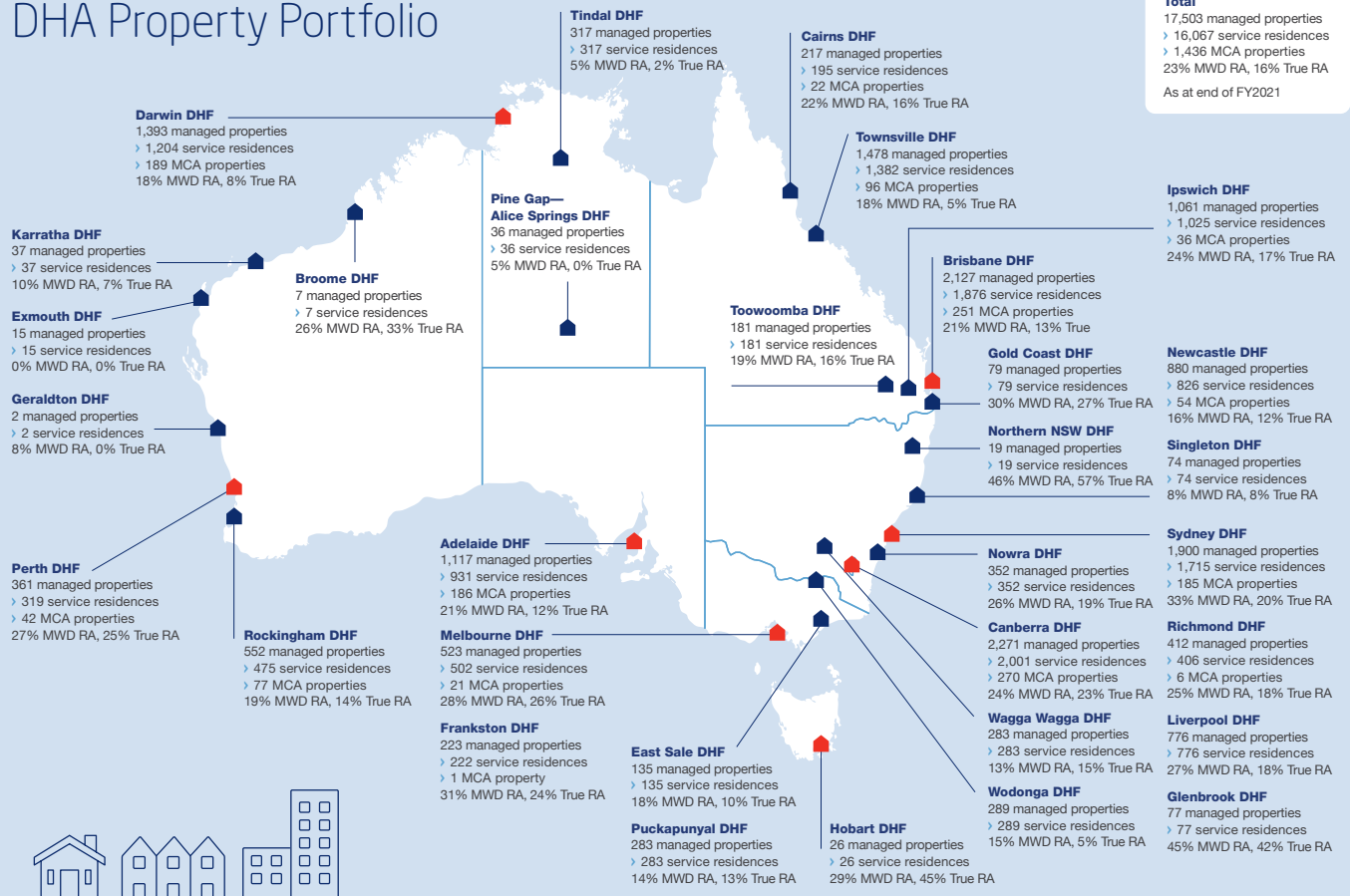
As at 30 June 2021, we managed 17,503 properties in all capital cities, major regional centres and remote locations of Australia where the ADF has a presence (refer to Figure 2.8).<sup>6</sup> We provided a range of housing options to ADF members and their families, integrating properties throughout communities, close to ADF bases and establishments, and amenities and services such as transport, shopping facilities and schools.

Refer to Regional report on operational performance for details on our housing portfolio by region.

Figure 2.8

National housing portfolio 30 June 2021

## DHA Property Portfolio



6 Total portfolio managed by DHA includes properties owned and leased by DHA, owned by Defence and annuity properties.

## 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. We source the majority of our MWD portfolio through lease arrangements with landlords. Depending on the 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 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, service residences must achieve a minimum six star energy efficiency rating (EER).

### Rent Band Choice housing

Our MWD portfolio also includes a portion of properties categorised as Rent Band Choice housing. These properties are generally inner city apartments and townhouses that do not meet Defence policy standards. ADF members typically choose to live in Rent Band Choice housing because the location and amenity better suits their needs.

The majority of our MWD portfolio features modern, freestanding houses that are up to 10 years old and have four bedrooms as shown in Figures 2.9 to 2.11.

Figure 2.9

MWD portfolio by type 30 June 2021

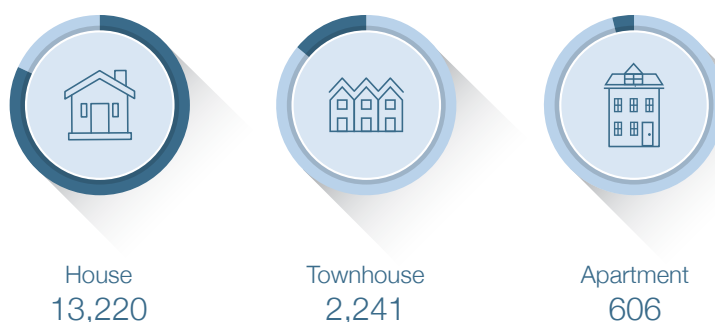


Figure 2.10

MWD portfolio by age (years) 30 June 2021

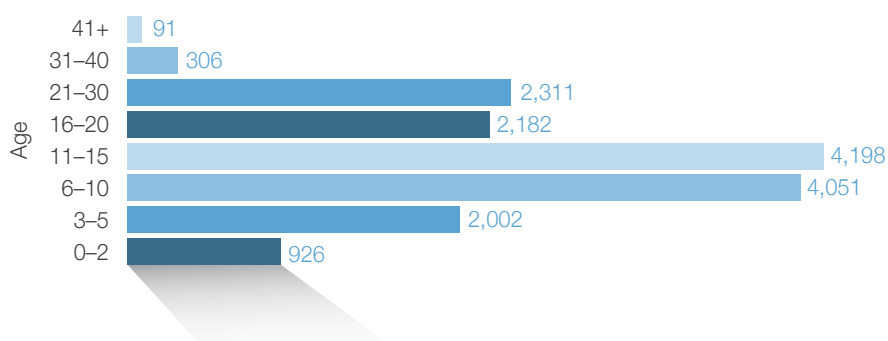


Figure 2.11

MWD portfolio by number of bedrooms 30 June 2021

Number of Bedrooms	Number of Properties
1	1
2	427
3	5,941
4	9,269
5	417
6	10
7	2

**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. Benefits include a simple move in move out process with no bond or rent required in advance. Eligible ADF members may also share MCA properties with other eligible ADF members.

There are no minimum standards defined in Defence policy for MCA properties. The majority of our MCA properties are two bedroom apartments that are up to five years old and provide modern city living as shown in Figures 2.12 to 2.14.

Refer to Part 3 – Performance reporting for more information about our MWD and MCA portfolio provisioning performance in 2020–21.

Figure 2.12

MCA portfolio type 30 June 2021

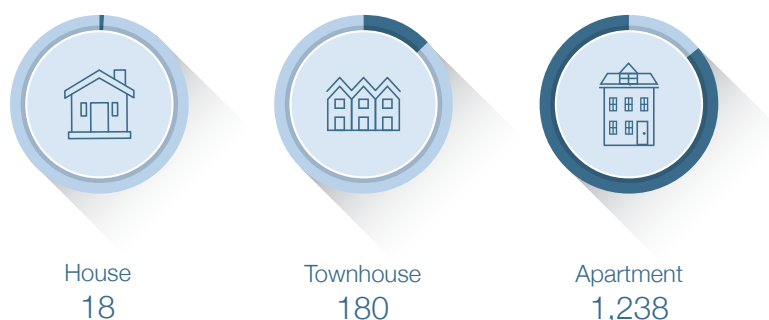


Figure 2.13

MCA portfolio by age (years) 30 June 2021

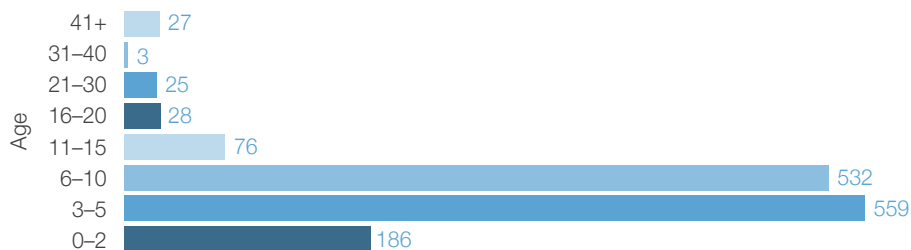


Figure 2.14

MCA portfolio by number of bedrooms 30 June 2021

Number of Bedrooms	Number of Properties
1	200
2	1,177
3	57
4	2



## Portfolio ownership type

Ownership of our portfolio is segmented into four categories.

### Leased

The majority of our portfolio is owned by private landlords and leased to us. This enables us to manage our portfolio in a flexible manner.

### DHA owned

We own 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 benefit.

### Defence owned

Defence owns a portion of our MWD portfolio. These properties are generally located on or near ADF bases or establishments.

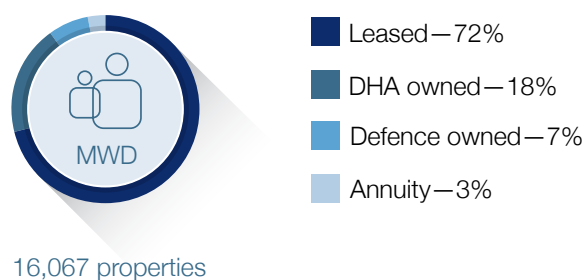
### Annuity

A portion of our portfolio is classified as annuity properties. We construct or acquire these properties on and off base in selected locations as directed by Defence. Defence holds the economic risk associated with holding these properties.

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 2021



## Figure 2.16

MCA portfolio by ownership type 30 June 2021



## Case study

# Connected community living at Torhaven

*Torhaven is a \$78 million master-planned community spread over 27 hectares of prime undulating land located at Deebing Heights, Qld. The project is being developed by DHA to deliver homes for Defence members and their families. When complete Torhaven will comprise 305 homes, 90 of which will be available for Defence housing.*



Torhaven offers residents excellent connectivity and access to a broad selection of amenities within the local region, including a new primary school across the road and a range of parks and play areas. Handy to the Cunningham and Centenary highways, the emerging Ripley Town Centre, Ipswich, Springfield and Brisbane, Torhaven is conveniently situated yet enjoys a serene natural location.

Positioned just 6.5 kilometres from the Ipswich CBD on the edge of the Ripley Valley growth corridor, Torhaven is connected to the broader Priority Development Area spread over 100 square kilometres. A significant investment in amenity is planned in the Ripley Valley with a regional transit hub, serving commuters by bus and rail, and over 40 kilometres of dedicated pedestrian and cycle paths under construction.

The estate has been planned to cater for families of all sizes with a variety of lot types to suit all house designs. Torhaven is currently home to approximately 500 residents with another 380 people expected to call the community home by the time it is complete.

DHA has invested over \$2 million in parks and open spaces at Torhaven, which accounts for approximately 20 per cent of the entire estate. Beautiful tree-lined streets, high-quality landscaping throughout, elevated spaces with local views and a unique wetland park provide areas for residents to relax, unwind and spend quality time with family and friends.



Completed in early 2019 in Stage 1, Torhaven Park frames the entrance to DHA's Torhaven estate. Covering 2.2 hectares the former farmland has been landscaped to incorporate a meandering creek-like catchment descending into and passing through an industry-first, multi-award winning 'ephemeral floodplain wetlands' solution. This replaces the traditional bio-retention stormwater system solutions, and retains the land's slope and existing watercourse.

On the crest of the park is an architect-designed children's adventure playground complete with shade sails, treehouse network with rope bridges, climbing frames, and rock-climbing walls, plus seesaw, spinami, hoop carousel, multi swing and mounded slippery slides.

Walking trails fall away from the playground, dotted by plaques informing users of flora and fauna and the site's heritage, with drawings contributed by children of the Deebing Heights State School. The trails meander through the gum trees, wetlands and floodplain that features 50 native drought-tolerant plant species, attracting native birdlife.

Completed in 2020–21, the estate's second park Rawlings Park sits proudly within Torhaven and features 1.6 hectares of landscaped park, open space and wetlands. The park is a major investment for the community and provides a bounty of recreational options for families to enjoy, including a kick about area with soccer nets, basketball half court with backboard and net, balance beam, nature play, picnic shelter and viewing platform. A new footpath links Rawlings Park to Torhaven Park, providing residents with added connectivity.

In the Torhaven development, 31 new homes were delivered for Defence members and their families in 2020–21, adding to the 36 homes already delivered. The remaining homes will be completed in 2021–22.







PART 3

# Performance reporting

Planning and reporting framework

Annual Performance Statement

Regional report on operational performance



# Planning and reporting framework

As a corporate Commonwealth entity and Government Business Enterprise (GBE), 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 2020–21 Portfolio Budget Statements as we are part of the Defence portfolio. The Defence 2020–21 Portfolio Budget Statements outlines the outcome and the two purposes that DHA works to achieve (see Table 3.1).

**Table 3.1: DHA's outcome and purposes 2020–21**

Outcome	To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus
Purpose 1	Provide quality housing and related services
Purpose 2	Provide value to shareholders

DHA's approach to planning and reporting (refer Figure 3.1) is consistent with the requirements of the *Defence Housing Australia Act 1987* (DHA Act), PGPA Act and associated instruments and policies, and the GBE Guidelines. DHA 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.

## Corporate Plan

In accordance with section 16E(4) of the PGPA Rule, the Board has chosen not to make our Corporate Plan publicly available to protect DHA's commercial interests. Rather, we prepare and publish a Statement of Corporate Intent annually, based on our Corporate Plan. The Statement of Corporate Intent 2020–21 provides a high level, plain English overview of DHA's key objectives and priorities for the financial year and was published in August 2020.

As set out in our Corporate Plan 2020–21 and Statement of Corporate Intent 2020–21, DHA developed a strategic canvas with four strategic priorities, goals, objectives and associated Key Performance Indicators (KPIs). The strategic canvas provides a framework for articulating the work we do to achieve the outcome mandated by Government through the fulfilment of our purposes (refer Figure 3.2).

Figure 3.1

DHA's approach to planning and reporting 2020–21

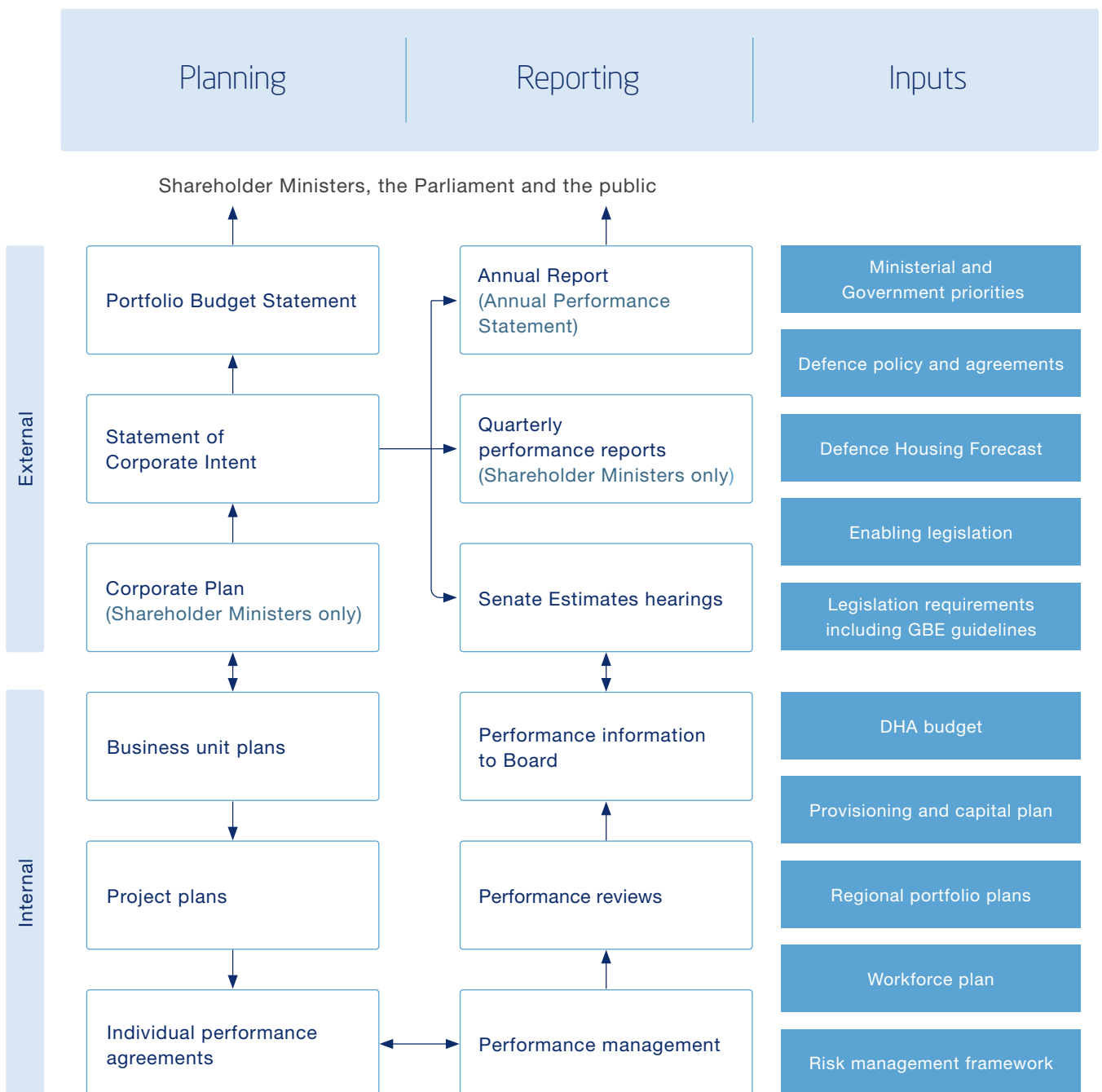
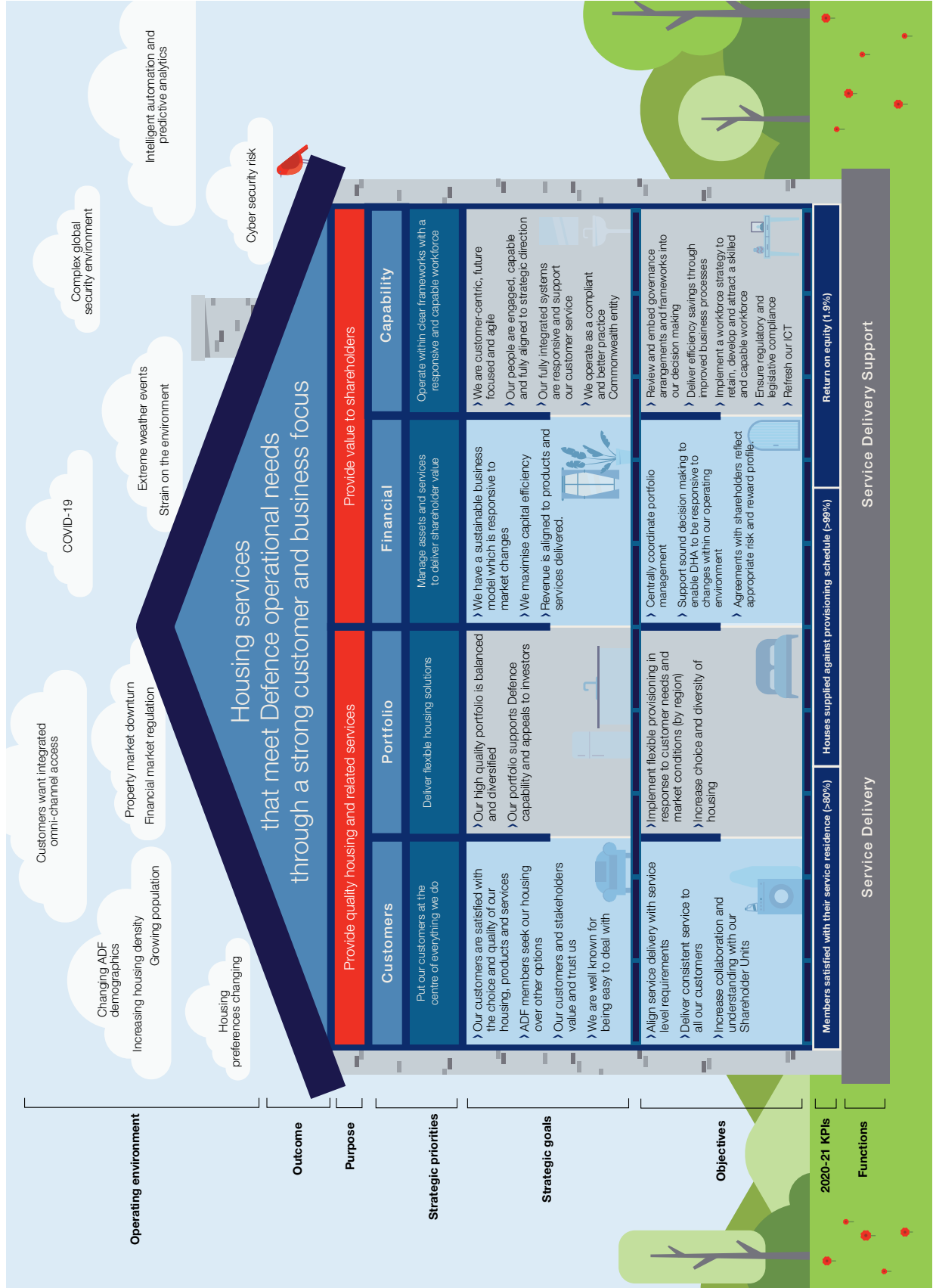


Figure 3.2

DHA's Strategic Canvas 2020-21



# Annual Performance Statement

Our Annual Performance Statement has been prepared in accordance with guidelines provided by the Department of Finance. It shows how we performed against our two purposes, the objectives of our four strategic priorities, and associated KPIs as set out in our 2020–21 Corporate Plan. KPIs are derived from the 2020–21 Defence Portfolio Budget Statements and the Department of Finance Guidelines for Government Business Enterprises (Resource Management Guide 126).

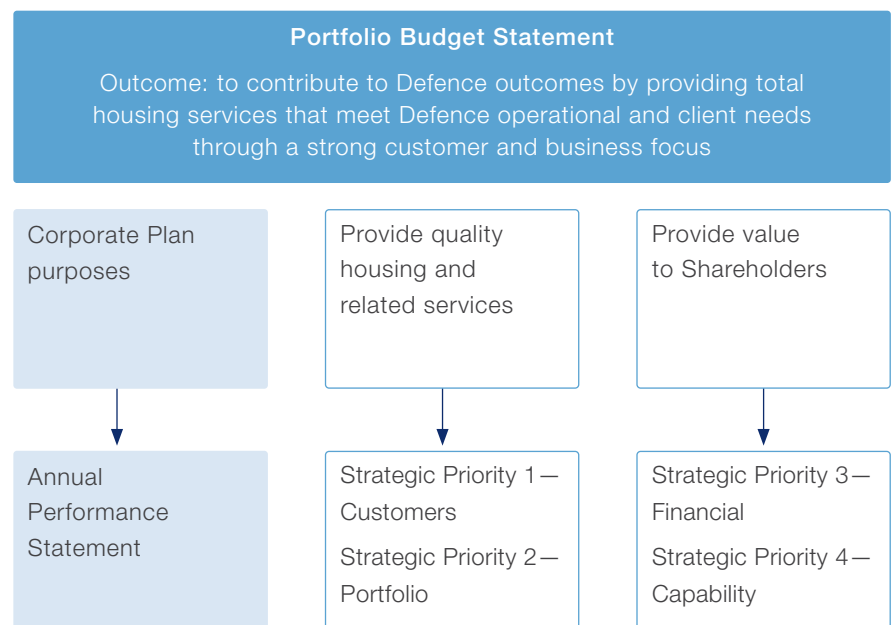
Additional information relating to the housing and related services provided in each region follows the performance results.

## Relationship between our Corporate Plan and Annual Performance Statement

Figure 3.3 sets out the relationship between reporting measures outlined in our Corporate Plan and the Annual Performance Statement for 2020–21.

Figure 3.3

Relationship between the Corporate Plan and Annual Performance Statement



## Statement of preparation

On behalf of the Board, the accountable authority of DHA, we present the agency's 2020–21 Annual Performance Statement, as required under section 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 and Risk 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 AM**  
Chairman

30 September 2021

**Mr Barry Jackson**  
Managing Director

30 September 2021

## Our approach

This statement is presented according to the four strategic priorities in our Corporate Plan 2020–21 and shows our performance in the reporting period against our KPIs and key initiatives.

## Results summary

The combined evidence in this annual performance statement shows that DHA was successful in meeting its purpose in 2020–21, despite marginally missing two targets. Full results are detailed in the following sections.

**Table 3.2: Summary results against key performance indicators for 2020–21**

Performance indicator	2020–21 Target	Result	Met
Strategic Priority 1 – Customers			
Customer satisfaction	>75%	87%	✓
Member satisfaction with their service residence	>80%	83%	✓
Investor satisfaction with their customer service	>90%	92%	✓
Strategic Priority 2 – Portfolio			
Houses supplied against the provisioning schedule <sup>1</sup>	>99%	97.8%	✗
Strategic Priority 3 – Financial			
Total shareholder return	6.3%	8.4%	✓
Return on equity	1.9%	5.3%	✓
Net profit after tax (NPAT)	\$28.8m	\$78.5m	✓
Gearing ratio	<26%	11.0%	✓
Interest cover	>3.2	7.0	✓
Strategic Priority 4 – Capability			
Staff retention and turnover rate	25%	21.5%	✓
Staff engagement <sup>2</sup>	70%	69%	✗
Total recordable injury frequency rate (TRIFR) and OHS incident rate	<7	5.89	✓
Wages and expense ratio	10.4%	9.8%	✓

### Notes

1. Refer to Table 3.5 for explanation of performance results.

2. Refer to Table 3.9 for explanation of performance results.

Results legend: ✓ Met target ✗ Did not meet target



## Summary analysis of performance against our purposes

In 2020–21, we supported Defence capability through the provision of housing and housing related services. The continued impact of COVID-19, and associated State and Territory border restrictions, required us to be agile to maintain consistent services to our customers. ADF members faced a challenging peak posting cycle; we were required to repeatedly adjust delivery of housing and services to meet the fluid timing of ADF member relocations. The implementation of new service delivery methods supported ADF members with easier access to services and information during these uncertain times.

We met Defence needs, providing an adequate number of properties to meet housing demand with a focus on provisioning properties at a regional level in response to region specific market conditions. Revisions to Defence policy allowed us to provision duplex and townhouse properties to meet demand and customer needs in challenging areas. We focused on extending the use of properties through increased leasing, including extending the lease terms of many suitable properties.



We made significant progress in embedding the new business operating model, completing five of the eight initiatives, as detailed below.

- › We established **centrally coordinated portfolio management** strategies and processes to coordinate leasing, building and buying what we need, and selling what we do not. We focused on lease renewals, direct leasing and acquisitions, and reduced capital intensive developments where they were in excess of our operating requirements. We improved the efficiency of how we provision for Defence by adjusting the intended delivery or construction of some properties to better align with peak provisioning requirements.
- › We **simplified procurement** by implementing a consistent model to procure services. This reduced the number of contracts being managed, in turn reducing the administrative and contract management burden. This has resulted in better value outcomes, with improved operational efficiency and reduced procurement risk. Our suppliers also benefit from a better understanding and experience when working with us.
- › We **removed duplicate functions** to simplify how we operate, reduce effort and improve accountability for outcomes. We implemented structural reform to align service operations with the revised business model. As a result we have improved our financial position and operational efficiency due to a reduction in personnel costs without impacting the consistency of service provided to ADF members.
- › We **aligned our KPIs** across all business areas, establishing a clear line of sight across all performance planning and reporting activities. This has ensured that all areas across DHA are now working towards the same outcomes set out in the corporate strategy.
- › We **simplified critical business** processes by defining our core processes and streamlining operations. This created consistency in service delivery, eliminated unnecessary effort and provided clear guidance for staff.
- › Work to **align service delivery with service level requirements** is ongoing. We have implemented enhancements to refocus our services and processes to meet service level requirements in a financially sustainable way. We continue to work closely with Defence to renegotiate our Services Agreement and current policies.
- › We made significant progress to **build our workforce capability**. We are implementing a future workforce plan that defines the profile and skills required, ensuring we have the right skills and people to achieve our corporate strategy. There are a range of learning and development opportunities to help our people have the right skills to contribute to achieving our corporate strategy and are aligned with the new ways of doing business.
- › We continue to **rebuild our ICT** to provide technology that is fit for purpose and operationally efficient. We have delivered a number of improvements through the technology refresh program to deliver a consistent service across all contact points and to make it easier for customers to self-serve through our online portal. The technology improvements have also supported the seven other initiatives designed to refresh our business operating model and position DHA as a leading service delivery organisation.

## 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 Defence policy and agreements. A key planning document under the Services Agreement is the Approved Provisioning Schedule (the Schedule). The Schedule sets out our commitment to housing provisioning, including regional housing requirements. In 2020–21 we substantially met the provisioning requirement focusing on providing adequate housing through leasing activities and provisioning of higher-density properties.

We housed over 16,500 ADF members and families and assisted over 9,500 members in the administration of housing solutions across Australia. Our aim is to reduce the stress of moving, however, COVID-19 presented a range of challenges in this area. The 2020–21 peak posting period was disrupted by state border closures and lockdowns. We were forced to adjust our services to meet government restrictions and keep our customers and staff safe. This resulted in the implementation of new ways of working and service delivery methods across our operations.

### Strategic Priority 1—Customers

We maintained a strong customer focus, exceeding our customer service targets for 2020–21. We continued to implement improvements to enhance the customer experience, undertook a review of housing allocation and property services, and implemented enhancements to our Online Services portal. DHA continued strong collaboration with our shareholder units to facilitate a greater understanding of DHA and its operations.

## Performance results

Table 3.3: Key performance results for Strategic Priority 1 – Customers

Performance indicator	2020–21 Target	Result	Met
Customer satisfaction	>75%	87%	✓
<p>We met our KPI for customer satisfaction with 87 per cent of survey participants rating their experience with DHA as 'good' or 'very good'. This is a reduction compared to 2019–20 (94 per cent). For ADF members, the result was 83 per cent, and for landlords, the result was 92 per cent.</p> <p>COVID-19 continued to impact our operations and housing services provided to customers. The 2020–21 peak posting cycle was particularly challenging due to multiple state boarder closures occurring at short notice. A Defence joint task force was set up to facilitate mandatory relocations in accordance with state based legislation and quarantine guidelines and assisted the posting moves of ADF members. This gave rise to an increase in case managed relocations and member enquiries received by our contact centres.</p> <p>To facilitate consistent services to our customers we implemented technological improvements, such as increased self-service functionality for members and landlords. Self-service options should improve satisfaction in the long term, however have impacted results in the short term as we manage customer expectations and redirect them to new service methods. Analysis and monitoring of results will continue to ensure we fully understand the factors driving the reduction customer satisfaction.</p>			
Member satisfaction with their service residence	>80%	83%	✓
<p>In 2020–21, we met the KPI with 83 per cent of survey participants being satisfied with their current service residence, compared to 89 per cent in 2019–20. Our property management services were disrupted during 2020–21 as a result of COVID-19 restrictions. We adjusted our processes, deferring non-critical inspections and maintenance where required, to meet government restrictions and ensure ADF members, their families, DHA staff and contractors were safe. This had a minor impact on satisfaction levels with overall accommodation; 78 per cent of ADF members indicated that COVID had no impact on their experience with DHA.</p>			
Investor satisfaction with their customer service	>90%	92%	✓
<p>In 2020–21, 92 per cent of survey participants indicated they were satisfied with their overall customer service experience, compared to 97 per cent in 2019–20. Analysis of the survey results indicate that the reduction in satisfaction was related to the knowledge of DHA staff, and DHA's responsiveness to enquiries. This was a result of an increase in call volumes and disruptions caused by COVID-19 to our service delivery during the year.</p>			

## Performance analysis

### *Aligning service delivery with service level requirements*

We continued to provide housing related services in accordance with Defence policy, the Defence Services Agreement, and lease agreements with landlords (as shown in Table 3.4). A key focus for 2020–21 was reviewing housing allocation and related services to ensure we continued to meet requirements defined in our service agreements.

We revised housing allocation and property service levels, adjusting resources and processes to meet the service levels required under our agreements with Defence. We removed duplicate functions, consolidating the management and support function of our contact centres. This has delivered efficiencies through streamlined operational support processes, and improved consistency in customer experience and service outputs. We engaged with ADF members and shared information on these changes throughout the process.

We continue to work closely with Defence to review and modernise the Defence Services Agreement. The various contracts have been brought together into a single services agreement, creating consistent terms and conditions across the various housing services. The single services agreement will be implemented from 2021–22.

**Table 3.4: National property and tenancy services performance summary for 2019–20 and 2020–21**

Property and tenancy management service	2019–20	2020–21
Housing allocations (service residence and rent allowance)	16,194	17,320
Property inspections	58,446	59,676
ADF members receiving rent allowance	17,313	16,517
Maintenance work orders raised	208,631	199,406
Living In Accommodation bookings	449,443	138,327
Leases managed	13,185	12,706



Figure 3.4

ADF member online service usage per month 2018–19 to 2020–21

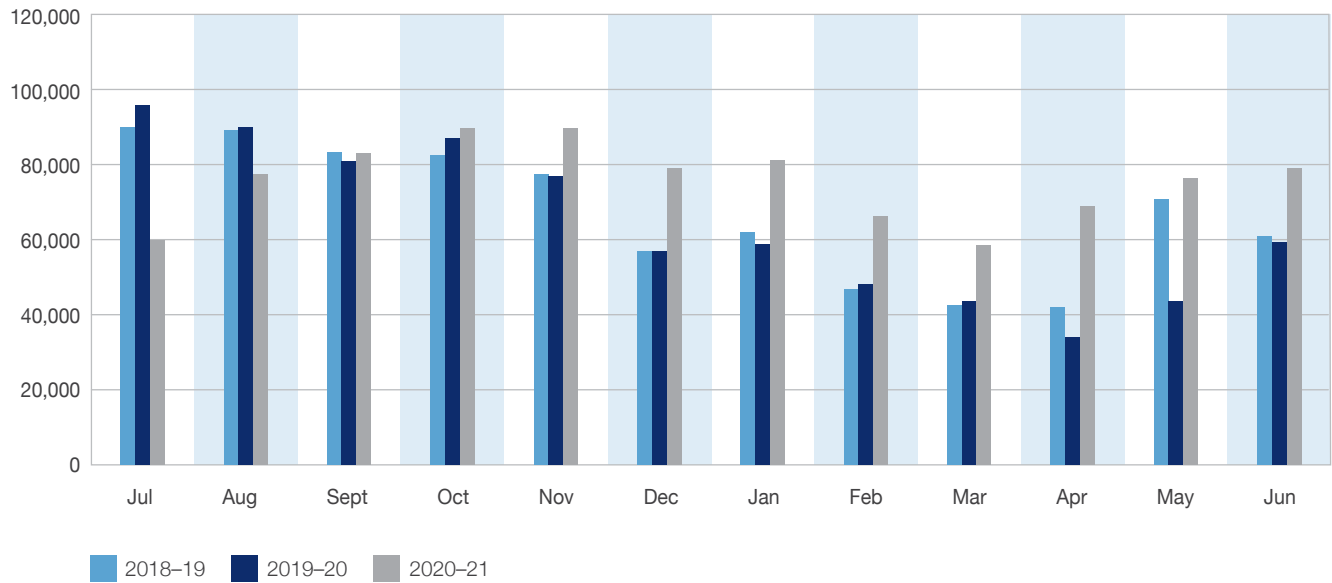
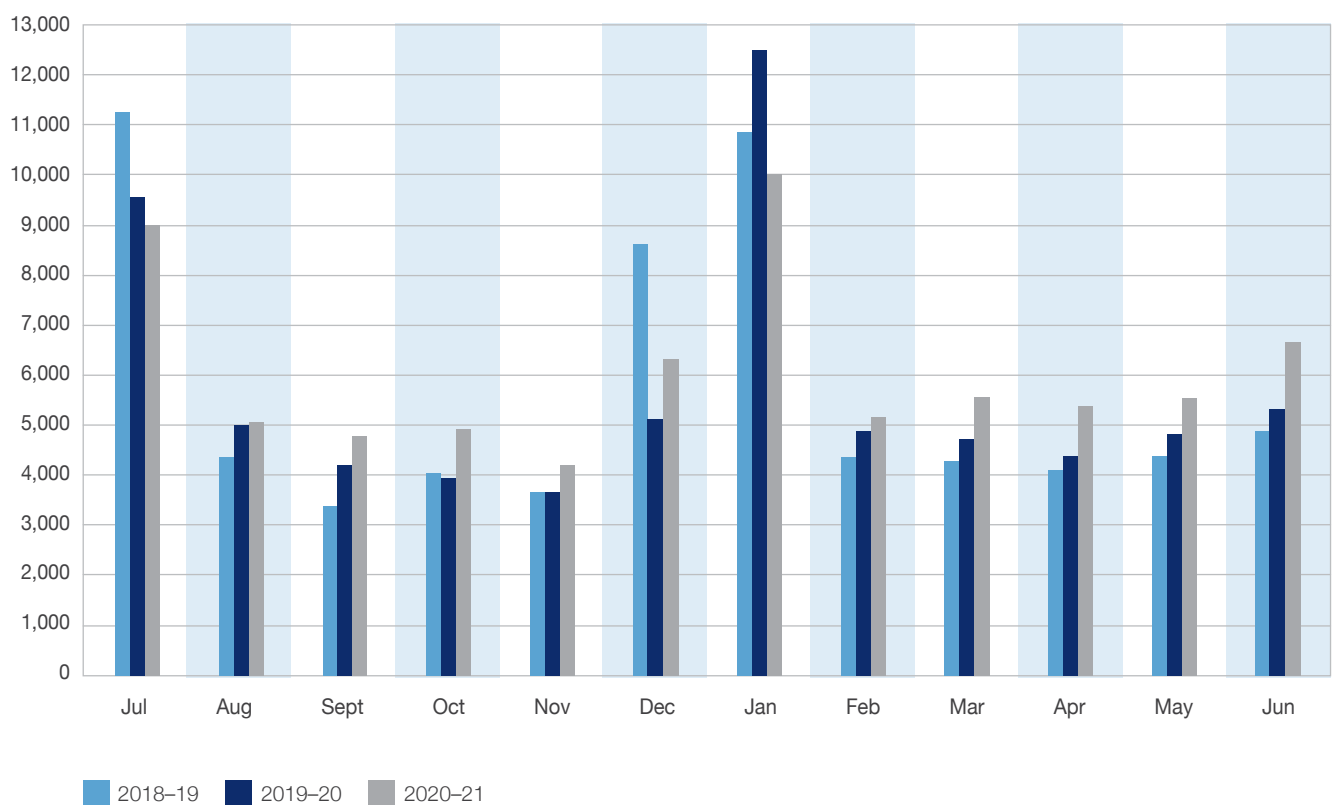


Figure 3.5

Landlord online service usage per month 2018–19 to 2020–21



### *Deliver consistent service to all our customers*

Over 2020–21 we saw an increase in the usage of our online services by ADF members and landlords, as shown in Figure 3.4 and 3.5.

The increase in usage was driven by the enhancements made to our online services to facilitate our customers to access self-serve functionality at a time convenient to them. Key improvements made in 2020–21 include:

- › Opt-in welcome visits by using technology to eliminate the need for ADF members and DHA staff to physically attend the property for welcome visit inspections.
- › ADF members can submit maintenance requests online.
- › Improvements to rent allowance application process including providing ADF members more information, the ability to track their rent allowance application online and more timely pay transactions.
- › Short video tutorials to assist ADF members to navigate their housing and relocation entitlements.
- › Improved information for landlords including online statements and the ability to schedule pest inspections.

Benefits achieved include improvement in the quality of service outputs and cost savings through automation of processes, eliminating the need for manual intervention by a DHA staff member. There are opportunities for further benefits to be realised, supported by the implementation of a fit for purpose contact centre technological solution. The contact centre solution will support omni-channel customer service and additional online self-service functionality to further improve services to our customers and reduce operating costs.

We consistently communicated the changes made to ADF members, landlords and other stakeholders and implemented feedback processes to ensure we continue to deliver our messaging in ways that meets the needs of our customers.

### *Increase collaboration and understanding with our shareholder units*

In 2020–21, we continued to work closely with shareholder units in the Departments of Defence and Finance including through:

- › implementation of the revised business operating model
- › renegotiation of our loan agreement
- › addressing the Australian National Audit Office's (ANAO) recommendations
- › performance reporting in line with our performance framework and the PGPA Act
- › preparation of a joint submission with Defence to the Joint Committee of Public Accounts and Audit (JCPAA).

## Strategic Priority 2—Portfolio

DHA sustainably met housing demand, even though the target number of houses to be supplied against the Approved Provisioning Schedule was not met. We successfully focused on the management of existing leased properties and leveraging the market for new leases which reduced our reliance on acquisitions and construction activities. We focused on regional specific provisioning strategies and tactics to address the varied market conditions and provisioning challenges experienced through the year.

### Performance analysis

#### Provisioning summary

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

The portfolio closing balance was an overall shortfall against Approved Provisioning Schedule (the Schedule) closing balance, as shown in Table 3.6. We maintained a focus on leasing activities, ahead of retail acquisitions and construction programs. We faced challenges in obtaining direct leases in some areas as a result of market conditions, COVID-19 lockdowns, and a lack of available and suitable properties. The fast property value growth recently experienced has decreased the desire for investors to lock into long term lease contracts, as more desirable options are available to investors with greater flexibility, and COVID-19 restrictions impacted our ability to conduct property inspections on potential additions to the portfolio. We mitigated difficulties of securing direct leases by increasing the retention of current stock, resulting in only one DHF area having demand higher than available stock and provisioning targets.

##### *Member Choice Accommodation (MCA)*

Consistent with our focus on provisioning in a sustainable manner and minimising vacancy, we have taken deliberate steps to temper the expansion of the MCA portfolio. This consideration resulted in a small shortfall within the MCA program, as shown in Table 3.7.

##### *Property upgrades*

Some older properties within our portfolio require a refurbishment or upgrade to ensure the property meets current standards.

In 2020–21, we completed upgrade work to 50 properties including:

- ▶ eight properties at Duntroon, Canberra
- ▶ 19 properties in Sydney, New South Wales
- ▶ 23 houses at Puckapunyal Military Area, Victoria.

### Performance results

Table 3.5: Key performance results for Strategic Priority 2—Portfolio

Performance indicator	2020–21 Target	Result	Met
Houses supplied against provisioning schedule	>99%	97.8%	✗
<p>Overall the provisioning requirement was substantially met with an adequate amount of properties provided to meet Defence needs. We made a strategic decision not to provision to the over 99 per cent of the Approved Provisioning Schedule target for 2020–21 (which was approved in April 2020). This was due to high vacancy levels and re-forecasted provisioning numbers aligning with the 2021–22 target of houses required as set in the current approved provisioning schedule, which was approved in April 2021, and better reflects current demand. See provisioning summary above for more detail on our provisioning activities.</p>			

**Table 3.6: National MWD portfolio performance 30 June 2021**

	Approved Provisioning Schedule <sup>1</sup>	Actual 2020–21	Variance
Opening balance 1 July 2020	16,584	16,306	(278)
Acquisitions/constructions	192	117	(75)
Direct leases	323	99	(224)
Lease renewals/options	1,394	1,526	132
Total additions	1,909	1,742	(167)
Lease ends	2,000	1,956	(44)
Disposals/handbacks	59	28	(31)
Total subtractions	2,059	1,984	(75)
Transfers <sup>2</sup>	0	3	3
Closing balance 30 June 2021	16,434	16,067	(367)

## Notes

1. Refers to Provisioning Schedule submitted in February 2020 and approved in April 2020.
2. Transfers refer to portfolio movements due to properties pending sale or disposal, being taken offline for maintenance and transferring between MWD and MCA portfolios.

**Table 3.7: National MCA portfolio performance 30 June 2021**

	Approved Provisioning Schedule <sup>1</sup>	Actual 2020–21	Variance
Opening balance 1 July 2020	1,457	1,415	(42)
Acquisitions/constructions	16	35	19
Direct leases	37	18	(19)
Lease renewals/options	159	161	2
Total additions	212	214	2
Lease ends	193	179	(14)
Disposals/handbacks	1	4	3
Total subtractions	194	183	(11)
Transfers <sup>2</sup>	0	(10)	(10)
Closing balance 30 June 2021	1,475	1,436	(39)

## Notes

1. Refers to the Provisioning Schedule submitted in February 2020 and approved in April 2020.
2. Transfers refer to portfolio movements due to properties pending sale or disposal, being taken offline for maintenance and transferring between MWD and MCA portfolios.

### *Commonwealth Heritage Listed properties*

As at 30 June 2021, DHA managed 72 Commonwealth Heritage Listed (CHL) properties across Australia, on behalf of Defence, including on ADF bases and establishments, in accordance with the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). DHA owns 13 houses and three development sites which are also 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 and properties.

In 2020–21, DHA continued a major program of works to conserve and upgrade Defence owned properties, including:

- › heating and air conditioning installation to properties
- › remediation of asbestos, lead dust and lead paint issues
- › upgrade and refurbishment of properties located on Defence bases.

Refer to Appendix G: Environmental performance for more information on the management of our Commonwealth Heritage Listed properties.

### *Flexible property provisioning*

We continued to improve the flexibility of property provisioning, focusing on provisioning at a regional level in response to customer needs and market conditions. We delivered Regional Provisioning Plans that focused on best fit provisioning methods for sustainable levels of housing.

Our Regional Provisioning Plans were enhanced to facilitate greater utilisation of region specific market indicators and analysis. The incorporation of this information allowed us to identify the most appropriate provisioning method in accordance with region specific conditions and to develop strategies to meet provisioning targets set in the Approved Provisioning Schedule.

To support this process we consolidated our direct leasing and acquisitions functions. This has resulted in a more flexible workforce and provisioning outcomes now, and in the future. This consolidation leveraged existing skills, experience and networks. This team will support the increased leasing targets with a focus on improved capital utilisation and meeting the requirement for homes for ADF members.

We also established a quarterly review process to proactively review the Regional Provisioning Plans, address any provisioning issues and proactively implement strategic actions to achieve desired targets. We are committed to continually improving our provisioning, and will review and improve the process into the future.

### *Housing choice and diversity*

Our key focus for improving choice and diversity of housing provided to ADF members has been the review of the Services Agreement. We worked closely with Defence supporting the ADF Employment Offer Modernisation Program and by providing information on housing preferences and survey data. DHA is also supporting a flexible housing trial being conducted by Defence.

We worked with Defence to review housing risk and reward allocations in the agreements. Our initial review focused on Rent Band Choice Housing. ADF members desire Rent Band Choice properties due to their proximity to amenity compared to traditional service residences. This resulted in the removal of housing caps and allowing DHA to provision properties that do not meet Defence policy. This will increase the diversity of our portfolio and choice to ADF members as we can now increase the provision of duplex and townhouse properties to support Defence.



## Case study

# DHA - investment with a cause

*As a former Defence member and a current investor, Gary Schulz has experienced DHA from both sides of the fence. He shared his thoughts from his residence in Southbank Melbourne.*



'I was born and bred in Melbourne and joined the Army at 18. I spent over 40 years in the Australian Defence Forces and I enjoyed it because it was structured and had so much variety. I really enjoyed my experience with it and have been very lucky. You create your own luck and your own positive aspects of life, and that's what it's all about.'

That was also Gary's introduction to DHA.

'During that time, I've travelled quite a bit throughout Australia and overseas and through those moves I stayed in DHA housing. I suppose that was my first exposure to DHA and I have been very happy with those properties. I thought this would be a good investment opportunity if it ever came up.'

But for Gary it was always more than just an investment.

'Knowing that it is providing service personnel with a house, and knowing that service personnel are in the houses is definitely a positive as far as I'm concerned.'

'DHA has always been positive in my life. There are so many things: the values of the organisation, the people that were staying in the houses, the long term leases, the maintenance aspects, and knowing that you would receive regular income. Another good thing about DHA is that they have properties all over Australia. They don't just have houses, they also have apartments so you can pick and choose virtually what you want.'

'I regularly recommend DHA to friends and family as a pretty 'rock-solid investment', and you don't have to worry about anything. They look after it all and DHA is a very reputable organisation. So I recommend DHA over any sort of normal investment property.'

'As I head into my twilight years I'm looking for sound investments and, at the same time, investments that don't have too much heartache. That, in particular, is the advantage of DHA because they take most of the responsibility. It gives me peace of mind because I don't have to worry about getting another tenant, or fixing the place up before advertising, all those sort of niggly little things that you usually have to worry about.'

'DHA takes a lot of the heartache out of investments and I've found them to be a wonderful organisation.'

## Purpose 2: Provide value to shareholders

Our business is centred on providing value to shareholders through the provision of housing and associated services to support Defence capability, aligning the needs and preferences of Defence and ADF members. Our business is self-funded.

We do not receive funding from the Federal Budget, rather, generating revenues that are sufficient to sustain the delivery of housing and related services. Profit is shared with the Australian Government in the form of a dividend payment. We have declared a dividend of \$47.1 million for 2020–21. Changes in our operating environment have significant influence on our capital strength and financial capability—key factors in our consideration of delivering ongoing value to shareholders.

We aim to operate as a compliant, better practice Commonwealth entity. We embed sound governance and decision making practices, support a capable and productive workforce and are implementing integrated systems to drive efficiency and performance outcomes for our shareholders.

## Strategic Priority 3—Financial

DHA delivered positive financial outcomes for the year; net profit after tax was \$78.5 million. We focussed on maintaining strength of our balance sheet, through business model changes, internal efficiencies, repaying debt and realising benefits of a strong property market.

We realised higher than anticipated revenue on asset sales, property values, and rental income. Our annual valuations reflect an increase in property capital values as at 31 December 2020 and growth in rental incomes from 1 January 2021. This has led to an increase in rental revenue and a net write back of prior year impairment on owned and leased assets.

## Performance results

**Table 3.8: Key performance results for Strategic Priority 3—Financial**

Performance indicator	Target 2020–21	Result	Met
Financial performance			
Total shareholder return	6.3%	8.4%	✓
Shareholder return exceeded the target. We outperformed annual profit forecasts through increased revenue from Property Investment Program and land sales, a reduction in operating costs and a net write back of prior year impairment reflecting an appreciating property market.			
Return on equity	1.9%	5.3%	✓
The return on equity exceeded the target due to higher than forecast net profit as a result of increased revenue from sales, efficiencies in operating costs and net write back of impairment.			
Net profit after tax	\$28.8m	\$78.5m	✓
Net profit after tax (NPAT) exceeded the target due to higher than forecast net profit as a result of increased revenue from sales, efficiencies in operating costs and net write back of impairment.			
Business efficiency			
Operating margin	54.5%	60.9%	✓
Our operating margin exceeded the target due to higher than forecast net profit as a result of increased revenue from sales and rents, efficiencies in operating costs and net write back of impairment.			
Return on capital employed	5.5%	11.0%	✓
Return on capital employed exceeded the target due to higher than forecast net profit as a result of increased revenue from sales, efficiencies in operating costs and net write back of impairment.			
Debtors age (days)	10.10	11.8	✗
The debtor days is slightly higher than target due to a small increase in the value of receivables, in line with higher revenues for the year.			
Leverage/solvency			
Gearing ratio	<26.0%	11.0%	✓
The gearing ratio is lower than target as a result of the repayment of borrowings during the year reducing total debt.			
Interest cover	>3.2	7.0	✓
Interest cover exceeds the minimum requirement of benchmark due to the favourable earnings before interest and tax outcome compared with annual interest expense.			

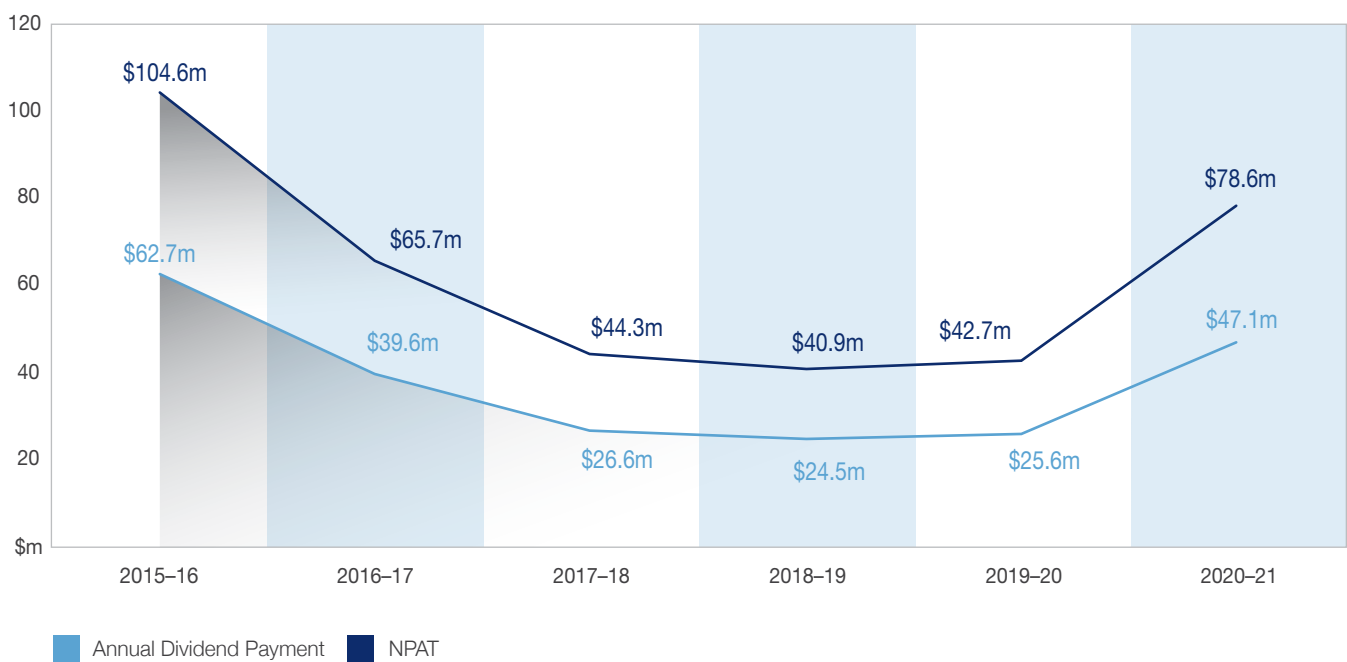
## Performance analysis

### Returns to the Australian Government

In addition to supporting Defence capability, we deliver shareholder value by sharing profits with our shareholders in the form of dividend payments. DHA declared a dividend of \$47.1 million for 2020–21, payable through 2021–22.

Figure 3.6

Net profit after tax (NPAT) and annual dividend payments 2015–16 to 2020–21



### *Taxation*

We make tax equivalent payments with respect to state and territory taxes that would apply if the exemption from state and territory taxation was not in the DHA Act.

Current tax expense comprises amounts paid and payable to the Australian Taxation Office of \$18.4 million for 2020–21. State tax equivalent paid and payable to the Commonwealth totalled \$37.9 million for 2020–21.

### *Management of DHA's loans*

DHA revised its \$509.6 million debt facility with the Commonwealth in September 2020 containing repay/redraw features that allow flexibility in debt and capital management.

In 2020–21, DHA repaid \$135.0 million in loans maturing in the financial year and elected early repayment of a further \$189.6 million. As at 30 June 2021, DHA's loans balance totalled \$185.0 million.

### *Modernisation of the Defence Services Agreement*

We worked closely with Defence to review and modernise the Defence Services Agreement, the benefit of which will accrue in the coming years. Effort has been directed toward two key purposes:

1. Consolidation – combining various contracts into a single services agreement, creating consistent terms and conditions across the various housing services.
2. Modernisation – redefining risk sharing, pricing and services in the agreement to ensure they are modern and sustainable.

Drafting of the revised agreement occurred throughout 2020–21. The revised terms and conditions will be executed and implemented in the coming year. Defence and DHA have agreed to continue the 'modernisation' process as outlined in point two above.

### *Centrally coordinated portfolio management*

We centralised our portfolio management functions to deliver financially viable housing to support Defence needs and maximise operational use and investment return. As part of the annual planning cycle, we identified regions with over provisioned stock. A review at the DHF region level was completed, properties required to maintain appropriate provisioning identified for each region and stock no longer required for Defence provisioning purposes will provide opportunities to generate revenue through asset disposal.

We maximised capital efficiency by decreasing the number of properties sourced from the market to reduce capital expenditure, and retiring stock no longer suitable for Defence needs. We continued to rely on retention of existing leased properties, seeking suitable properties by way of direct lease or increased take out from existing developments where appropriate.

We have embedded new management frameworks and governance arrangements to support the new centralised management function. This included portfolio intent, portfolio principles, and portfolio asset management policies to support collaboration across DHA. This improved governance framework has resulted in clear definitions of responsibility, accountability and roles, aiding a clearer understanding of purpose.



### *Supporting sound decision making*

We reviewed and implemented multiple processes across the business to support sound decision making. This included:

- ▶ Alignment of KPIs across the corporate, financial and operational functions and eliminating conflicting KPIs. This facilitated optimal performance and strategic decision making across the organisation that focuses on delivering corporate strategy as opposed to personal or team goals.
- ▶ Increasing the frequency and utilisation of internal and external data analysis to develop an evidence base for strategic direction and business activities and gain a better understanding of our operating context. This has provided valuable insight into policy and program changes throughout the year.
- ▶ Reviewing and updating our Corporate Project Management Framework and implementing better practice project management techniques to ensure project benefits are fully realised.
- ▶ Implementation of an improved tax risk-adjusted decision making process, tax risk management and financial analysis to provide both short and long term financial benefits (through increased revenue, decreased costs or reduced risk exposure). This resulted in more timely and accurate tax advisory services that supported commercially sound decision making and reflects DHA's stated tax risk profile as per Board Audit and Risk Committee (BARC) endorsed Tax Corporate Governance framework.
- ▶ Development of enhanced budgeting processes to deliver a dynamic forecasting model and measurable activity costing methodology to facilitate rolling forecasts and financial analysis. This has improved the efficiency and robustness of the current forecasting processes by automating budget data loading into our budget systems, reducing dependence on spreadsheets and manual processing. This has set the foundation for automating data loading into the Central Budget Management System, which will deliver further efficiencies.

### *Align revenue with services*

A fundamental component in the provision of services is the execution of repairs and maintenance services on DHA managed properties. DHA incurs over \$40 million of operational and capital expenditure per annum associated with repairs, maintenance and upgrades to properties. In 2020–21 we revised controls on repairs and maintenance expenditure across our service operations. The changes support a standardised service offer, a more consistent customer experience and better alignment of work to contractual requirements to support financial sustainability. As a result, savings of \$7.7 million have been realised with repairs and maintenance expenditure totalling \$33.0 million compared to a forecast of \$40.7 million.

In consultation with Defence, we updated the 2012 study that compared the costs of service residences and rent assistance to Defence, ADF members and DHA. The study was updated in response to a recommendation from the ANAO Report No. 31 (2019–20) *Management of Defence Housing Australia*. Using a similar model to the earlier study, the 2021 study identified individual cost drivers for each housing solution (i.e. service residences and rental assistance) and compared the costs for each party. The study confirms differences in the type of housing solution ultimately drives the cost to each stakeholder group (i.e. DHA, Defence and ADF members).

## Strategic Priority 4—Capability

The implementation of the new operating model and COVID-19 has caused disruptions to our workforce and impacted our staff engagement. DHA staff had to quickly transition to home-based work and adopt new

technologies to facilitate new ways of working. This has also contributed to a high staff retention and turnover rate, albeit below our target. Organisational reform and turnover rate resulted in savings in personnel costs and have

driven a favourable wage and expense ratio. Our proactive approach to Work Health and Safety (WHS) management resulted in the total recordable injury frequency rate target being met and a zero lost time injury frequency rate.

### Performance results

**Table 3.9: Key performance results for Strategic Priority 4—Capability**

Performance indicator	2020–21 Target	Result	Met
Staff retention and turnover rate	25%	21.5%	✓
<p>The staff retention and turnover rate is lower than the Corporate Plan forecast, and is viewed as a positive result. It reflects our continued delivery of efficiency savings through improved business processes, continued rightsizing and alignment of resources to operations. The result also reflects DHA's ability to effectively utilise existing resourcing and redeploy skilled employees into new roles. Natural attrition assisted in minimising the number of job losses occurring as a result of organisational reform and restructuring.</p>			
Staff engagement	70%	69%	✗
<p>The staff engagement target was not met for 2020–21. This is consistent with expectations due to the organisational change associated with the implementation of the new operating business model and the disruptions to our workforce due to COVID-19.</p> <p>Staff engagement was not measured in time for the 2019–20 Annual Report as the Australian Public Service Commission (APSC) delayed conducting the survey due to COVID-19. The survey was conducted in October 2020 instead of May 2020. The staff engagement score for the 2019–20 year was also 69 percent, lower than the target of 70 per cent.</p> <p>Results from both surveys identified change management and communication as key areas to focus on in 2021–22 to lift employee engagement. Focus group discussions with staff were undertaken to identify practical actions to improve staff engagement and culture, and support the continued implementation of our new operating business model.</p>			
Total recordable injury frequency rate (TRIFR) <sup>1</sup>	<7	5.89	✓
<p>TRIFR combines all recorded fatalities (of which there were none), lost time injuries, cases of alternate work and other injuries requiring treatment by a medical professional. In DHA's case, TRIFR includes all employee, contractor and visitor injuries where the incident occurred in a DHA office or DHA property (i.e. DHA managed accommodation or a DHA construction site). In 2020–21, DHA was below the TRIFR target of fewer than seven. The majority of incidents were minor slips, trips and falls and required minimal time off work (DHA's Lost Time Injury Frequency Rate was 0.00 in 2020–21 compared with 3.11 in 2019–20). The result highlights DHA's proactive approach to WHS management.</p>			
Wages and expense ratio	10.4%	9.8%	✓
<p>Total wages and expense, as a proportion of total revenue, is lower than the Corporate Plan forecast due to lower than budget FTE.</p>			

#### Note

1. Total recordable injury frequency rates (TRIFR) has been used instead of lost time injury frequency rate (LTIFR) as it is a more inclusive measure of workplace injuries (i.e. it measures incident severity).

# Case study

## DHA technology program

*DHA's Technology Refresh program will modernise our technology architecture and simplify our business processes to make it easier to deliver fast, clear and simple services to our customers.*

### Multidisciplinary teams

Technology enables every aspect of our business. In September 2020, DHA implemented a technology partnership model and established multidisciplinary teams (MDTs) to deliver our technology refresh program. MDTs bring together IT staff and subject matter experts from across the business to co-design solutions with the end user in mind. We have a number of MDTs collaborating on projects and enhancements, which will drive operational efficiency and deliver more self-service options for our customers. This approach has helped to significantly increase outputs and ensured the products delivered are fit for purpose and delivering greater value to the business.



### Embracing softphones

COVID-19 public health restrictions required our contact centre staff to work from home during parts of 2020–21. The potential for this to impact customer service levels prompted us to reimagine our telephony system. After a successful trial, application-based 'softphones' were rolled out across all our contact centres by the end of 2020. By late 2021, staff across all office locations will have successfully switched to softphones. Softphones are already enabling more flexible working arrangements to meet the expectations of our modern workforce.

### *Technology refresh program*

We continued to transition to a digital workplace, enhance functionality of existing systems and automate business process. We developed, and began implementing, a technology strategy to support our staff to deliver fast, clear and simple services. The technology refresh program is being undertaken through to 2024–25.

Key achievements in 2020–21 include:

- ▶ Implementation of a data governance and management model. This model consists of four key focus areas: executive sponsorship, culture and behaviours, learning and capability and user cases, and is aimed to fuel data-driven decisions. We established data governance principles, forming the foundation of our data program. We began democratising access to data through self-service analysis and visualisation tools for staff, while maintaining appropriate privacy and data protection.
- ▶ Continued to uplift our cybersecurity maturity through the Essential Eight Improvement program and other initiatives in the cybersecurity roadmap. We engaged cybersecurity experts to design and deliver tailored cybersecurity awareness training to equip our workforce with the skills and knowledge they need to protect DHA's valuable information assets and systems.

- ▶ Initiating procurement of new technology encompassing contact centre technology, knowledge management, and account, case and sales management. Delivered through four business releases, the corporate solution will drive consistent customer experiences and replace legacy systems with simpler, flexible architecture.
- ▶ Implementation of modern productivity tools that will reduce barriers to effective communication, knowledge-sharing and collaboration, leading to better productivity and performance outcomes. We rolled out softphone technology, a new way of making and taking phone calls, to 350 staff, which has enabled more flexible working arrangements to meet the expectations of our workforce and customers. We have initiated work to refresh our staff intranet and public website to provide better customer experiences and engagement through ease of access to information.

### *Delivering efficiency savings through improved business processes*

We reviewed a range of business processes and have realised some efficiency savings, implementing an automated recruitment system that can also provide powerful analytics and reporting. Efficiencies were delivered through on demand digital management of all recruitment activities, reducing administrative burden. The new recruitment system was integrated into existing systems, eliminating the need for manual data interventions and providing a single source of truth. This has reduced the time to fill a vacant position from 80 to 21 days.

We implemented an online system for management of maintenance requests, with the aim of reducing our contact centre costs by giving ADF members the ability to lodge routine maintenance requests via online services, rather than call a contact centre. Since implementation in October 2020, the number of routine maintenance requests lodged through the contact centre has declined by 52 per cent. However, efficiency savings have not been realised. Almost all maintenance items submitted by the member via online services, required rework by contact centre staff. Further functionality will be delivered to eliminate rework so that benefits can be fully realised.

### *Workforce strategy*

During 2020–21, we focused on building organisational culture and capability to effectively lead and grow our people, and to support the reform program. The DHA Operational Workforce Plan developed in 2020–21 identifies the critical capabilities, job roles and the functions where organisational needs will change over the next 24 months. To support these requirements a number of initiatives have been implemented. These include DHA's:

- › Strategic Recruitment Plan 2020–21, including a refresh of recruitment process, improving DHA's ability to attract critical talent
- › Capability Framework, which defines the core capabilities required across DHA to reflect emerging needs
- › Learning and Development Strategy 2020–22 setting out the roadmap for developing core skills and critical capabilities.

As we continue to implement a contemporary structure, these strategies will be vital in effectively managing and deploying our people. Refer to Part 4 – Management and accountability for more information on our workforce management.

### *Reviewing and embedding governance arrangements and frameworks into our decision making*

In 2020–21, we embedded a range of frameworks, policies and processes into decision making to support an ethical and high performing culture. This included:

- › Embedding financial controls and accounting criteria across DHA's activities to improve financial integrity and financial data integrity.
- › Improving the quality of information provided to the Board to inform strategic discussion and decisions. The Board now has assurance that DHA is meeting its strategic objectives and risks are being controlled effectively.
- › Review and implementation of project governance models and processes, including roles and responsibilities, and escalation pathways.

### *Ensuring regulatory and legislative compliance*

We increased awareness of DHA's legislative requirements, staff and accountable authority responsibilities across the business. We promoted staff awareness through the ongoing implementation of the Corporate Policy Framework, regular staff communications and updated training modules. A delegations working group continues to consider development of an instrument outlining administration delegations (in conjunction with DHA's existing financial and human resource delegations).



### *Privacy and security*

We improved our privacy maturity as outlined in our Privacy Management Plan (PMP) and in accordance with legislative obligations. We consulted with business areas at the forefront of communication with members, contractors, lessors and other stakeholders to increase privacy awareness. This provided a strong understanding of the circumstances where third party requests for information are being received, and has resulted in a greater understanding of where we have risks of breaches. We now have a greater capacity to undertake a more comprehensive approach to the investigation of privacy breaches, allowing for more effective mitigation strategies to avoid potential breaches.

We continued to foster a positive culture of security, implementing Protective Security Policy Framework (PSPF) security classification reforms, including security classifications on emails. This has assisted in instilling an understanding of the value of DHA's information, and that information security risks will be effectively managed. We began investing in a holistic cyber strategy incorporating Australian Cyber Security Centre's (ACSC) Essential Eight Mitigation Strategies. Investment in cybersecurity is aimed at ensuring our data and information will be secure and protected against threats and commensurate with threat levels.

### *Work health and safety*

We foster a positive health and safety culture, embedding better practice policies that enhance workers' physical and psychological wellbeing. We revised our Health and Safety framework to guide how health and safety is managed across DHA. Key achievements in 2020–21 include:

- ▶ improved WHS communication to foster a more open and transparent workplace and contribute to a positive culture
- ▶ enhanced surveillance of contractor safety management systems
- ▶ engagement of an eLearning developer to produce online WHS learning resources for DHA staff
- ▶ revised employee safe work processes
- ▶ enhanced reporting on WHS performance to include top five risks and control effectiveness ratings
- ▶ establishment of additional Employee Assistance Program (EAP) services that assures a more inclusive workplace
- ▶ effective coordination through central and regional control of DHA's response to COVID-19 issues and restriction.

Our commitment to WHS and quality management is supported by our recertification against ISO 45001 (Occupational Health and Safety) and ISO 9001 (Quality Management). This confirms that we maintain appropriate WHS and quality management systems that support compliance with applicable laws governing our operations. Alignment of our WHS and quality management processes with these standards assures good governance practices by DHA and authorised persons. Refer to Appendix D: Work health and safety for more information on our WHS management.

# Regional report on operational performance

This section summarises our performance by region in 2020–21.

## Northern Territory region

DHA managed 1,746 properties in the Northern Territory (NT) region, as at 30 June 2021. 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 ADF members working at a number of ADF bases and establishments, including RAAF Base Darwin, RAAF Base Tindal and Larrakeyah Barracks.

**Table 3.10: NT region property provisioning and related services 2020–21**

	Darwin	Tindal/Alice Springs	Total
MWD property provisioning			
Acquisitions/constructions	0	0	0
Direct leases	6	0	6
Lease renewals/options	56	0	56
<b>Total additions</b>	<b>62</b>	<b>0</b>	<b>62</b>
Lease ends	77	0	77
Disposal/handbacks	2	0	2
<b>Total subtractions</b>	<b>79</b>	<b>0</b>	<b>79</b>
Transfers <sup>1</sup>	(2)	0	(2)
<b>Closing balance (30 June 2021)</b>	<b>1,204</b>	<b>353</b>	<b>1,557</b>

	Darwin	Tindal/Alice Springs	Total
MCA property provisioning			
Acquisitions/constructions	0	0	0
Direct leases	2	0	2
Lease renewals/options	22	0	22
Total additions	24	0	24
Lease ends	28	0	28
Disposal/handbacks	4	0	4
Total subtractions	32	0	32
Transfers <sup>1</sup>	0	0	0
Closing balance (30 June 2021)	189	0	189
Property and tenancy services 30 June 2021			
Housing allocations	1,390	253	1,643
Property inspections	4,686	1,586	6,272
ADF members receiving rent allowance	298	6	304
Leases managed	877	0	877
Maintenance work orders raised	22,274	6,425	28,699

Note

1. Transfers refer to portfolio movements due to properties pending sale or disposal, being taken offline for maintenance and transferring between MWD and MCA portfolios.

## North Queensland region

DHA managed 1,695 properties in the North Queensland region, as at 30 June 2021. The majority were located in Townsville and Cairns and were freestanding three and four bedroom houses. We managed a number of townhouses and high rise apartments located within close proximity to city centres. Properties in the region accommodated ADF members working at a number of ADF bases and establishments, including Lavarack Barracks and HMAS Cairns.

**Table 3.11: North Queensland region property provisioning and related services 2020–21**

	Townsville	Cairns	Total
MWD property provisioning			
Acquisitions/constructions	0	0	0
Direct leases	0	2	2
Lease renewals/options	128	26	154
<b>Total additions</b>	<b>128</b>	<b>28</b>	<b>156</b>
Lease ends	171	27	198
Disposal/handbacks	2	0	2
<b>Total subtractions</b>	<b>173</b>	<b>27</b>	<b>200</b>
Transfers <sup>1</sup>	0	0	0
<b>Closing balance (30 June 2021)</b>	<b>1,382</b>	<b>195</b>	<b>1,577</b>

	Townsville	Cairns	Total
MCA property provisioning			
Acquisitions/constructions	0	0	0
Direct leases	0	0	0
Lease renewals/options	30	0	30
Total additions	30	0	30
Lease ends	31	0	31
Disposal/handbacks	0	0	0
Total subtractions	31	0	31
Transfers <sup>1</sup>	(1)	0	(1)
Closing balance (30 June 2021)	96	22	118
Property and tenancy services 30 June 2021			
Housing allocations	1,409	224	1,633
Property inspections	5,276	763	6,039
ADF members receiving rent allowance	256	62	318
Leases managed	1,375	180	1,555
Maintenance work orders raised	21,249	2,869	24,118

Note

1. Transfers refer to portfolio movements due to properties pending sale or disposal, being taken offline for maintenance and transferring between MWD and MCA portfolios.

## South Queensland region

DHA managed 3,448 properties in the South Queensland region, as at 30 June 2021. The majority were located in Brisbane and Ipswich and a smaller number were located in Toowoomba and the Gold Coast. The majority of properties were freestanding three and four bedroom houses. We also managed a number of townhouses and high rise apartments. Properties in the region accommodated ADF members working at a number of ADF bases and establishments, including Gallipoli Barracks, Kokoda Barracks and RAAF Base Amberley.

**Table 3.12: South Queensland region property provisioning and related services 2020–21**

	Brisbane	Ipswich	Toowoomba	Total
MWD property provisioning				
Acquisitions/constructions	26	46	0	72
Direct leases	3	13	0	16
Lease renewals/options	145	125	16	286
<b>Total additions</b>	<b>174</b>	<b>184</b>	<b>16</b>	<b>374</b>
Lease ends	163	148	19	330
Disposal/handbacks	0	1	0	1
<b>Total subtractions</b>	<b>163</b>	<b>149</b>	<b>19</b>	<b>331</b>
Transfers <sup>1</sup>	0	(1)	0	(1)
<b>Closing balance (30 June 2021)</b>	<b>1,876</b>	<b>1,104</b>	<b>181</b>	<b>3,161</b>



	Brisbane	Ipswich	Toowoomba	Total
MCA property provisioning				
Acquisitions/constructions	0	0	0	0
Direct leases	0	3	0	3
Lease renewals/options	23	0	0	23
Total additions	23	3	0	26
Lease ends	23	0	0	23
Disposal/handbacks	0	0	0	0
Total subtractions	23	0	0	23
Transfers <sup>1</sup>	0	0	0	0
Closing balance (30 June 2021)	251	36	0	287
Property and tenancy services 30 June 2021				
Housing allocations	2,154	1,276	211	3,641
Property inspections	6,857	3,961	540	11,358
ADF members receiving rent allowance	518	284	43	845
Leases managed	1,769	959	176	2,904
Maintenance work orders raised	24,457	14,601	1,886	40,944

Note

1. Transfers refer to portfolio movements due to properties pending sale or disposal, being taken offline for maintenance and transferring between MWD and MCA portfolios.

## New South Wales region

DHA managed 4,490 properties in the New South Wales (NSW) region, as at 30 June 2021. 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 freestanding three and four bedroom 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 ADF members working at a number of ADF bases and establishments, including Holsworthy Barracks, School of Infantry Singleton, RAAF Base Williamtown, HMAS Creswell and the broader Fleet Base East.

**Table 3.13: NSW region property provisioning and related services 2020–21**

	Sydney	Hunter Valley	Nowra	Total
MWD property provisioning				
Acquisitions/constructions	22	0	0	22
Direct leases	14	3	1	18
Lease renewals/options	187	102	70	359
<b>Total additions</b>	<b>223</b>	<b>105</b>	<b>71</b>	<b>399</b>
Lease ends	296	146	89	531
Disposal/handbacks	7	3	0	10
<b>Total subtractions</b>	<b>303</b>	<b>149</b>	<b>89</b>	<b>541</b>
Transfers <sup>1</sup>	10	(1)	0	9
<b>Closing balance (30 June 2021)</b>	<b>2,974</b>	<b>919</b>	<b>352</b>	<b>4,245</b>

	Sydney	Hunter Valley	Nowra	Total
MCA property provisioning				
Acquisitions/constructions	0	17	0	17
Direct leases	7	1	0	8
Lease renewals/options	22	0	0	22
Total additions	29	18	0	47
Lease ends	28	0	0	28
Disposal/handbacks	0	0	0	0
Total subtractions	28	0	0	28
Transfers <sup>1</sup>	(13)	0	0	(13)
Closing balance (30 June 2021)	191	54	0	245
Property and tenancy services 30 June 2021				
Housing allocations	3,750	1,025	467	5,242
Property inspections	11,753	3,592	1,376	16,721
ADF members receiving rent allowance	1,157	203	146	1,506
Leases managed	1,980	826	284	3,090
Maintenance work orders raised	32,063	12,321	4,226	48,610

Note

1. Transfers refer to portfolio movements due to properties pending sale or disposal, being taken offline for maintenance and transferring between MWD and MCA portfolios.

## Australian Capital Territory and Riverina region

DHA managed 2,843 properties in the Australian Capital Territory (ACT) and Riverina region, as at 30 June 2021. 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 freestanding three and four bedroom houses; however, we managed a number of townhouses and high rise apartments located close to the Canberra CBD. Properties in the region accommodated ADF members working at a number of ADF bases and establishments, including HMAS Harman, Headquarters Joint Operation Command, Kapooka, Latchford Barracks, Royal Military College, Duntroon and the administrative headquarters of the ADF at Russell.

**Table 3.14: ACT and Riverina region property provisioning and related services 2020–21**

	Canberra	Wagga Wagga	Albury/Wodonga	Total
MWD property provisioning				
Acquisitions/constructions	2	0	0	2
Direct leases	42	0	0	42
Lease renewals/options	311	19	37	367
Total additions	355	19	37	411
Lease ends	358	25	46	429
Disposal/handbacks	0	0	1	1
Total subtractions	358	25	47	430
Transfers <sup>1</sup>	(4)	0	1	(3)
Closing balance (30 June 2021)	2,001	283	289	2,573

	Canberra	Wagga Wagga	Albury/Wodonga	Total
MCA property provisioning				
Acquisitions/constructions	0	0	0	0
Direct leases	0	0	0	0
Lease renewals/options	34	0	0	34
Total additions	34	0	0	34
Lease ends	37	0	0	37
Disposal/handbacks	0	0	0	0
Total subtractions	37	0	0	37
Transfers <sup>1</sup>	1	0	0	1
Closing balance (30 June 2021)	270	0	0	270
Property and tenancy services 30 June 2021				
Housing allocations	2,576	339	297	3,212
Property inspections	6,318	1,171	1000	8,489
ADF members receiving rent allowance	689	67	35	791
Leases managed	1,909	177	263	2,349
Maintenance work orders raised	21,343	3,095	3,242	27,680

Note

1. Transfers refer to portfolio movements due to properties pending sale or disposal, being taken offline for maintenance and transferring between MWD and MCA portfolios.

## Victoria and Tasmania region

DHA managed 1,190 properties in the Victoria (VIC) and Tasmania (TAS) region, as at 30 June 2021. The majority were located in Victoria including greater Melbourne, Puckapunyal, Frankston and Sale. We managed 28 properties in Hobart. The majority of properties were freestanding three and four bedroom houses; however, we managed a number of townhouses and high rise apartments located close to the Melbourne CBD. Properties in the region accommodated ADF members working at a number of ADF bases and establishments, including Simpson Barracks, Victoria Barracks, Puckapunyal Military Area, RAAF Williams, HMAS Cerberus, and RAAF Base East Sale.

**Table 3.15: VIC and TAS region property provisioning and related services 2020–21**

	Victoria	Tasmania	Total
MWD property provisioning			
Acquisitions/constructions	10	0	10
Direct leases	6	0	6
Lease renewals/options	48	0	48
Total additions	64	0	64
Lease ends	59	2	61
Disposal/handbacks	0	0	0
Total subtractions	59	2	61
Transfers <sup>1</sup>	0	0	0
Closing balance (30 June 2021)	1,142	26	1,168



	Victoria	Tasmania	Total
MCA property provisioning			
Acquisitions/constructions	0	0	0
Direct leases	0	0	0
Lease renewals/options	0	0	0
Total additions	0	0	0
Lease ends	0	0	0
Disposal/handbacks	0	0	0
Total subtractions	0	0	0
Transfers <sup>1</sup>	0	0	0
Closing balance (30 June 2021)	22	0	22
Property and tenancy services 30 June 2021			
Housing allocations	1,372	38	1,410
Property inspections	3,021	67	3,088
ADF members receiving rent allowance	374	16	390
Leases managed	448	4	452
Maintenance work orders raised	11,437	458	11,895

Note

1. Transfers refer to portfolio movements due to properties pending sale or disposal, being taken offline for maintenance and transferring between MWD and MCA portfolios.

## South Australia region

DHA managed 1,117 properties in the South Australia (SA) region, as at 30 June 2021. The majority were located in and around Adelaide and were freestanding three and four bedroom houses. We managed a number of townhouses and high rise apartments located close to the Adelaide CBD. Properties in the region accommodated ADF members working at a number of ADF bases and establishments including RAAF Base Edinburgh, Keswick Barracks and Woodside Barracks.

**Table 3.16: SA region property provisioning and related services 2020–21**

	Total
MWD property provisioning	
Acquisitions/constructions	9
Direct leases	6
Lease renewals/options	174
<b>Total additions</b>	<b>189</b>
Lease ends	197
Disposal/handbacks	0
<b>Total subtractions</b>	<b>197</b>
Transfers <sup>1</sup>	0
<b>Closing balance (30 June 2021)</b>	<b>931</b>

	Total
MCA property provisioning	
Acquisitions/constructions	18
Direct leases	2
Lease renewals/options	18
Total additions	38
Lease ends	18
Disposal/handbacks	0
Total subtractions	18
Transfers <sup>1</sup>	0
Closing balance (30 June 2021)	186
Property and tenancy services 30 June 2021	
Housing allocations	1,034
Property inspections	4,025
ADF members receiving rent allowance	223
Leases managed	903
Maintenance work orders raised	12,561

Note

1. Transfers refer to portfolio movements due to properties pending sale or disposal, being taken offline for maintenance and transferring between MWD and MCA portfolios.

## Western Australia region

DHA managed 974 properties in the Western Australia (WA) region, as at 30 June 2021. 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 freestanding three and four bedroom houses; however, we managed a number of townhouses and high rise apartments. Properties in the region accommodated ADF members working at a number of ADF bases and establishments including Fleet Base West, RAAF Base Pearce, Irwin Barracks and Campbell Barracks.

**Table 3.17: WA region property provisioning and related services 2020–21**

	Total
MWD property provisioning	
Acquisitions/constructions	2
Direct leases	3
Lease renewals/options	82
<b>Total additions</b>	<b>87</b>
Lease ends	133
Disposal/handbacks	12
<b>Total subtractions</b>	<b>145</b>
Transfers <sup>1</sup>	0
<b>Closing balance (30 June 2021)</b>	<b>855</b>

	Total
MCA property provisioning	
Acquisitions/constructions	0
Direct leases	3
Lease renewals/options	12
Total additions	15
Lease ends	14
Disposal/handbacks	0
Total subtractions	14
Transfers <sup>1</sup>	3
Closing balance (30 June 2021)	119
Property and tenancy services 30 June 2021	
Housing allocations	981
Property inspections	3710
ADF members receiving rent allowance	299
Leases managed	580
Maintenance work orders raised	11,645

Note

1. Transfers refer to portfolio movements due to properties pending sale or disposal, being taken offline for maintenance and transferring between MWD and MCA portfolios.









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.

We operate in accordance with a range of Commonwealth, State and Territory legislation. The most important pieces of legislation by which DHA is governed 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>7</sup> on 1 January 1988 under the *Defence Housing Authority Act 1987*.

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

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

- › members of the Defence Force and their families
- › officers and employees of the Department of Defence and their families
- › persons contracted to provide goods or services to the Defence Force and their families in order to meet the operational needs of the ADF and the requirements of the Department.

Section 6 of the DHA Act states DHA may provide housing and housing related services to non-corporate Commonwealth entities other than Defence in order to meet the requirements of that entity. We did not provide any such services in 2020–21.

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<sup>7</sup> A statutory authority is a generic term for an Australian Government body established through legislation for a public 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 officials relating to the use and management of resources.

DHA is a corporate Commonwealth entity<sup>8</sup> and 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 relevant government policy orders.

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

In accordance with section 19 of the PGPA Act, the Board (as accountable authority of DHA) must notify our responsible Minister as soon as practicable after a significant non-compliance with finance law<sup>9</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.

To assist the Board in fulfilling this requirement, DHA conducts a bi-annual finance law compliance reporting process. Informed by this, the Board did not determine any instances of significant non-compliance with the finance law for the 2020–21 reporting period.

### 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>10</sup> As a GBE, DHA is expected to comply with *Commonwealth Government Business Enterprises– Governance and Oversight Guidelines Resource Management Guide No. 126* (RMG 126).

RMG 126 provides 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 provides value to shareholders. See Part 3 – Performance reporting for detail on how we provided value to shareholders during 2020–21.

**Table 4.1: Significant non-compliance with the finance law**

Description of non-compliance	Remedial action
N/A	N/A

8 A corporate Commonwealth entity is a body corporate, 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.

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

10 A GBE is a commercially-focused government owned business that is established to fulfil a Commonwealth Government purpose.

## 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* (WHS Act).

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

### *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 staff complete FOI Act training as part of their induction training and annually as part of mandatory refresher training.

In 2020–21, DHA received 22 requests for access to documents under the FOI Act. Of these:

- › access was granted in full for two requests, and in part for nine requests
- › access was refused for two requests under section 47F – personal privacy, and section 42 – Legal Professional Privilege
- › six requests were withdrawn by the applicant
- › one request was refused under section 24A – documents do not exist
- › one request was deemed withdrawn.

There was one FOI request outstanding as at 30 June 2021. Consistent with the Information Publication Scheme, an agency plan and FOI disclosure log is published on our website ([www.dha.gov.au/foi](http://www.dha.gov.au/foi)).

### *Privacy Act 1988*

Personal information relating to the administration of DHA's programs and services is protected by the *Privacy Act 1988* (Privacy Act). We also 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 staff complete Privacy Act training as part of their induction training and annually as part of mandatory refresher training.

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

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

When undertaking new projects and programs, we undertake privacy impact assessments to minimise privacy risks, and ensure compliance with statutory obligations.

In 2020–21, we managed 419 privacy queries, 72 of which related to privacy breaches which were largely due to human error. DHA was not the subject of any reviews by the Office of the Australian Information Commissioner (OAIC), however there was one eligible data breach reported to the OAIC under the Notifiable Data Breaches scheme.

#### *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 alleged wrongdoing by public officials<sup>11</sup> and provides protections for individuals who disclose or report suspected wrongdoing.

Our responsibilities and functions under the PID Act are delegated to a core group of staff. All staff are required to complete PID Act training as part of our induction process and undertake mandatory refresher training annually.

We received three disclosures in 2020–21.

#### *Modern Slavery Act 2018*

The *Modern Slavery Act 2018* came into effect on 1 January 2019. The Act established a national modern slavery reporting requirement which applies to entities in the Australian market with an annual consolidated revenue of at least \$100 million. Entities are required to report annually on the risks of modern slavery in their operations and supply chains, as well as actions taken to address those risks. We are on track to submit our 2020–21 statement for publishing by 31 December 2021 in line with the requirements of the Act. All DHA contracts are with Australian suppliers who predominantly provide services rather than goods. We will continue to strengthen procurement and contract management frameworks to reduce the risks of modern slavery further down our supply chains.

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11 A public official includes current and former DHA staff and DHA contracted service providers.

# 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 Part 3 – Performance reporting for more detail.

## Shareholder Ministers

The Australian Government's interests in DHA are overseen by two Shareholder Ministers: the Minister for Defence Personnel 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's operational matters to the Minister for Defence Personnel.

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 2020–21

Our Shareholder Ministers for the reporting period were as follows:

- › Minister for Defence Personnel:  
the Hon Darren Chester MP
- › Minister for Finance:
  - Senator the Hon Mathias Cormann from 1 July 2020 to 30 October 2020.
  - Senator the Hon Simon Birmingham from 30 October 2020.

### Ministerial directions and policy orders

DHA did not receive any new ministerial directions or policy orders in 2020–21. We will achieve 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.

## Board of Directors

The Board is established in accordance with Part III of the DHA Act and is the accountable authority for DHA under the PGPA Act. The 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 APS, Defence and commercial experience
- › one executive member who is also DHA's Managing Director.

Refer to Appendix A: Accountable Authority for further details as required by the PGPA Rule.

## Board members as at 30 June 2021



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

Mr Macdonald was appointed as a member of the Board in July 2008 and was appointed Chair 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 was made a Member of the Order of Australia (AM) in 2021 for significant service to the people and Parliament of Australia and to public administration. He is a wool and beef producer near Quirindi (NSW).



**Mr Barry Jackson**  
Managing Director

Mr Jackson was appointed as Managing Director in May 2019. Prior to DHA he was Deputy Secretary, Service Delivery Operations at the Department of Human Services. His Australian Public Service career includes senior executive roles within the Department of Human Services, the Department of Finance and the Department of Foreign Affairs and Trade. He also has over 25 years' experience in the private sector, primarily in the areas of construction, property management, and strategic and business process management. He was Chief Executive Officer of UGL Services Australia and New Zealand from 2009–11, Australia's largest provider of property management services. He is the Deputy Chair of Goodwin Aged Care Services, the ACT's largest not-for-profit aged care provider. He is also on the Board of Koomarri, an ACT/NSW based not-for-profit organisation specialising in supporting people with an intellectual disability or acquired brain injury to achieve their life goals.



**Brigadier Leigh Wilton AM**  
Director

Brigadier Wilton was appointed to the Board as the nominee of the Chief of the Defence Force in December 2019. She graduated from the Royal Military College to the Royal Australian Army Ordnance Corps in 1991. Her early appointments include regimental and staff positions as a supply officer and as a project manager. Her command experience includes a posting as the Officer Commanding Supply Company, 7th Combat Service Support Battalion and the inaugural Commanding Officer/Chief Instructor of the Army School of Ordnance. Brigadier Wilton has held a range of staff appointments at both Lieutenant Colonel and Colonel. She has held positions as the Senior Officer Manager within the Career Management Agency, directing staff at both the Australian Command and Staff College and the Centre for Defence and Strategic Studies, and as the Chief of Staff for Headquarters 633 – Afghanistan and Chief of Staff for Army Headquarters. Brigadier Wilton was appointed as the Director General Personnel – Army in 2016. In this role she also held the appointment as Deputy Head Army People, and was recognised for her work by being awarded the Member of the Order of Australia (AM) on the Queen's Birthday 2018. In 2019 Brigadier Wilton was appointed to her current position as the Director General Career Management – Army.



**Mr Simon Lewis AO PSM CSC**  
Director

Mr Lewis was appointed to the Board as the nominee of the Department of Finance Secretary in April 2019. He had a 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 (AO) in 2019 for distinguished service to public administration, transformational change and organisational design. He was awarded a Public Service Medal (PSM) 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, Chair of the Military Rehabilitation and Compensation Commission and a member of the ANZAC Centenary advisory board.



**Ms Kate Louis**  
Director

Ms Louis was appointed to the Board as the Secretary of Defence's nominee in June 2020. She has 20 years' experience in the Department of Defence including appointments as Director, Chief of Staff and Assistant Secretary within the Capability Development Group. In 2014, Ms Louis was appointed as the Assistant Secretary White Paper Enterprise Management to develop industry related Defence policy including Shipbuilding and the Defence Industry Policy Statement. Ms Louis was the First Assistant Secretary Defence Industry Policy Division from November 2015. In this role she was responsible for the effective implementation of the Government's approach to Defence Industry policy. Ms Louis joined the Australian Industry Group (AI Group) in August 2017 and is the Head of Defence and National Security.



**Mr Robert Fisher AM**  
Director

Mr Fisher was appointed to the Board as a commercial director in February 2016. He had a distinguished career in the public service spanning more than four decades, 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. She 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 Managing Director of Evolve Housing, one of Australia's largest community housing providers, from 2011 to 2019. She is on the board of Coleman Greig Lawyers and is a member of the Advisory Board for The Salvation Army Australia—NSW/ACT. In 2014 she was awarded the Australian Telstra Business Woman of the Year and the NSW Telstra Business Woman of the Year for Innovation.



**Mr Ewen Jones**

Director

Mr Jones was appointed to the Board as a commercial director in December 2016. He 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 Manager of Business Development at Pickerings Auto Group, a Townsville multi-franchise motor dealership, and a member of the National Film and Sound Archive Australia Board.



**Ms Gai Brodtmann**

Director

Ms Brodtmann was appointed to the board as a commercial director in February 2021. She currently sits on the boards of Old Parliament House, Endometriosis Australia and Fearless Women, and is a member of the Sapien Cyber advisory board, the Australian Strategic Policy Institute and National Security College Futures councils, and the Canberra Business Chamber Policy Taskforce. Ms Brodtmann is also a presenter and panellist at the National Security College, Australian Strategic Policy Institute and Australian Defence College. Elected as the Member for Canberra from 2010 to 2019, Ms Brodtmann served as Shadow Parliamentary Secretary for Defence from 2013 to 2016 and Shadow Assistant Minister for Cyber Security and Defence from 2016 to 2019. She also served on various committees, including the Joint Standing Committee on Foreign Affairs, Defence and Trade and Joint Committee of Public Accounts and Audit. Prior to her political career, Ms Brodtmann was a small business owner from 2000 to 2010, a non-executive director and a federal public servant, mostly with the Department of Foreign Affairs and Trade and the Attorney-General's Department from 1990 to 2000.

### Board and legislated committees

In accordance with section 26(1) of the DHA Act, the Board may establish 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 IIIA of the DHA Act).

The Future Business Committee (FBC) was dissolved by the Board on 22 March 2021. The FBC achieved its purpose of assisting the Board and Managing Director provide strategic input and guidance into DHA's submission to Shareholders on a future business model. The final meeting was held in October 2019.

We established a People and Culture Committee to assist the Board by providing oversight of DHA's people and culture arrangements and initiatives. The committee was approved by the Board in March 2021, with the first meeting held in September 2021.

**Table 4.2: Board committees 2020–21**

Committee	Role	Members
Board Audit and Risk Committee (BARC)	Assist the Board discharge its responsibilities by providing oversight, ensuring appropriateness and review of financial reporting, performance reporting, system of risk oversight and management, and system of internal control	S Lewis (Chair) K Louis A Galloway G Knuckey <sup>1</sup> P Logan <sup>1</sup>
Board Investment Committee (BIC)	Provide advice and assurance and, where appropriate, make recommendations to the Board on investment related proposals, transactions, projects and related issues to ensure decisions take account of our legislative obligations, contractual obligations with Defence and our commercial interests	R Fisher (Chair) A Galloway E Jones G Brodtmann
Nomination and Remuneration Committee (NRC)	Assist the Board to review the Managing Director's remuneration and performance, consider key appointments and inform Shareholder Ministers of impending reappointments or vacancies on the Board, including recommending possible candidates, where appropriate	J Macdonald (Chair) S Lewis R Fisher
DHA Advisory Committee (DHA AC)	Provide general advice and information on the performance of DHA's role	L Wilton (Chair) DHA representative (currently the Managing Director) National Convenor of Defence Families of Australia (DFA) Up to three persons appointed by the Chief of the Defence Force

Note

1. G Knuckey and P Logan are independent members of the BARC appointed by the Board.

## Board and legislated committee meetings 2020–21

Table 4.3: Board and committee meeting attendance 2020–21

Board member	Board	Board Audit and Risk Committee (BARC)	Board Investment Committee (BIC)	Nomination and Remuneration Committee (NRC)	DHA Advisory Committee (DHA AC)
Number of meetings held in 2020–21	8	4	5	4	4
J Macdonald <sup>1</sup>	8	n/a	n/a	4	n/a
B Jackson	8	n/a	n/a	n/a	4
S Lewis	8	4	n/a	4	n/a
L Wilton	7	n/a	n/a	n/a	4
K Louis <sup>2</sup>	8	4	n/a	n/a	n/a
A Ferguson <sup>3</sup>	4	n/a	3	n/a	n/a
R Fisher	5	n/a	4	4	n/a
A Galloway	8	4	5	n/a	n/a
E Jones	7	n/a	5	n/a	n/a
G Brodtmann <sup>4</sup>	4	n/a	1	n/a	n/a
P Logan <sup>5</sup>	n/a	3	n/a	n/a	n/a
G Knuckey <sup>6</sup>	n/a	3	n/a	n/a	n/a

### Notes

1. J Macdonald was reappointed as Chair of the Board on 12 February 2021.
2. K Louis was appointed to the BARC on 31 July 2020.
3. A Ferguson's term on the Board expired on 11 February 2021.
4. G Brodtmann was appointed to the Board on 12 February 2021 and was appointed to the BIC from 22 March 2021. Ms Brodtmann attended all Board and BIC meetings following her appointment.
5. P Logan is an independent member of the BARC appointed by the Board.
6. G Knuckey is an independent member of the BARC and was appointed by the Board in 20 October 2020. Mr Knuckey attended all BARC meetings following his appointment.

## Board member related party transactions 2020–21

DHA Board members did not disclose any related party transactions in 2020–21.

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).



## Board Audit and Risk Committee

Information on DHA's Board Audit and Risk Committee (BARC) is provided below in accordance with section 17BE (taa) of the PGPA Rule.

The charter determining the functions of the BARC is published on our website ([www.dha.gov.au/docs/default-source/governance/barc-charter-june-2021.pdf?sfvrsn=22c96b63\\_2](http://www.dha.gov.au/docs/default-source/governance/barc-charter-june-2021.pdf?sfvrsn=22c96b63_2)).

**Table 4.4: Board Audit and Risk Committee 2020–21**

Member name	Qualifications, knowledge, skills or experience (include formal and informal as relevant)	Number of meetings attended/ total number of meetings	Total annual remuneration <sup>1</sup>
S Lewis	<p><b>Qualifications</b></p> <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> <li>› Graduate of the Australian Institute of Company Directors (AICD)</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>› Various executive and senior roles in the Australian Public Service</li> <li>› Secretary of the Department of Veterans' Affairs (2013 to 2018)</li> <li>› Other board appointments</li> </ul>	4 of 4	\$16,330.51
K Louis	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>› Bachelor of Laws (1st Class Honours)</li> <li>› Bachelor of Arts</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>› 20 years' experience in the Department of Defence including Chief of Staff, Assistant Secretary and First Assistant Secretary roles</li> <li>› Executive Director of the Defence Council and Head of Industry Development for the Australian Industry Group</li> <li>› Member of the Centre for Defence Industry Capability Advisory Board</li> </ul>	4 of 4	\$7,445.59

Member name	Qualifications, knowledge, skills or experience (include formal and informal as relevant)	Number of meetings attended/ total number of meetings	Total annual remuneration <sup>1</sup>
A Galloway	<p><b>Qualifications</b></p> <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> <p><b>Experience</b></p> <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>› Other board appointments</li> </ul>	4 of 4	\$8,165.12
P Logan <sup>2</sup>	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>› Bachelor of Commerce</li> <li>› Fellow Certified Practising Accountant (CPA)</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>› 25+ years' experience in the air traffic management and civil aviation safety industry across finance, senior management and executive roles</li> </ul>	3 of 4	\$0.00
G Knuckey <sup>3</sup>	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>› Fellow of the Institute of Chartered Accountants in Australia</li> <li>› Registered Company Auditor (since 1995)</li> <li>› Graduate Member of the AICD</li> <li>› Member of Institute of Internal Auditors</li> <li>› Bachelor of Economics (ANU)</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>› Significant Board and Audit Committee experience in the private and public sector</li> <li>› Office Managing Partner of Ernst &amp; Young (retired 2009)</li> </ul>	3 of 3	\$0.00

Notes

1. Please note that the figures provided are for the Board Allowance component of their remuneration only.
2. The Commonwealth employs P Logan on a full time basis. For this reason, in accordance with sub-section 7(11) of the *Remuneration Tribunal Act 1973*, he is not entitled to be remunerated as an independent member of the BARC. He can receive travel allowance for official travel associated with fulfilling the requirements of the office.
3. G Knuckey is an independent member of the BARC and was appointed by the Board in 20 October 2020. He attended all BARC meetings following his appointment. He may be remunerated in line with agreed rates, however nil payments were invoiced or paid in the reporting period.

## Leadership

### Managing Director

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

### Leadership Team

The Leadership Team supports the Managing Director in fulfilling DHA's purpose. The team's broad role is to provide leadership, guide performance, implement and deliver against the Corporate Plan and ensure accountability of DHA's activities.

## Executive profiles as at 30 June 2021



### Mr Barry Jackson

#### Managing Director

New Zealand Certificate in Quantity Surveying | Quantity Surveyors Registration Board | Member of the AICD

Mr Jackson was appointed as Managing Director in May 2019. Prior to joining DHA he was Deputy Secretary, Service Delivery Operations at the Department of Human Services. His Australian Public Service career includes senior executive roles within the Department of Human Services, the Department of Finance and the Department of Foreign Affairs and Trade. He also has over 25 years' experience in the private sector, primarily in the areas of construction, property management, and strategic and business process management. He was Chief Executive Officer of UGL Services Australia and New Zealand, Australia's largest provider of property management services, from 2009 to 2011. He is the Deputy Chair of Goodwin Aged Care Services, the ACT's largest not-for-profit aged care provider. He is also on the Board of Koomarri, an ACT/NSW based not-for-profit organisation specialising in supporting people with an intellectual disability or acquired brain injury to achieve their life goals.

#### Key responsibilities:

- › operational affairs in accordance with the DHA Act and policies or directions of the Board
- › strategic direction and achievement against the Corporate Plan
- › compliance oversight with the PGPA Act, Public Service Act and other relevant legislation
- › key stakeholder relationship management with Shareholder Ministers, departmental Secretaries and the Chief of the Defence Force
- › management of the Leadership Team
- › oversight of organisational structure, staff and performance.



### Mr Paul Groenewegen

#### Chief Financial Officer Officer (CFO)

Bachelor of Commerce | Graduate Diploma of Applied Corporate Governance | Certified Practising Accountant | Graduate Member of the AICD

Mr Groenewegen joined DHA in August 2018, initially as interim CFO before being permanently appointed to the position in September 2019. He is an experienced executive and consultant with a background in governance practice, strategy development and implementation, fiscal management, compliance and risk activities and government operations involving regulation and policy. His previous roles include governance and review work with government and industry organisations, executive roles with prudential regulators and several financial management roles involving a range of functions from the oversight of whole of government payments through to the financial management of complex multi-program organisations.

#### Key responsibilities:

- › strategic planning, valuations and capital planning
- › financial management services and budgets
- › investment management and funding strategies
- › financial and taxation compliance
- › performance reporting.



**Mr Brett Jorgensen**

**General Manager, Service Delivery**

Master of Business | Bachelor of Engineering (Honours) | Advanced Business Diploma | Real Estate Management Diploma | 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. In February 2020, he was designated General Manager, Service Delivery. 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:

- › housing portfolio management, including leasing activity, property development, construction, acquisitions, heritage, upgrades, sales and marketing
- › service operations, including property management services, contact centre operations and maintenance
- › strategy and design.

**Executive and national committees or groups**

The Managing Director and the Leadership Team establish executive and national committees as needed 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.

**Table 4.5: Executive and national committees 2020–21<sup>1</sup>**

Committee	Role	Members
Command Activation Team (CAT)	Established to provide a management mechanism that ensured reporting lines and responsibilities were clear following activation of DHA's Business Continuity Plan in response to the COVID-19 pandemic	General Manager, Service Delivery (Chair)  Leadership Team and selected staff

Note

1. Excludes committees and groups that have governance oversight of projects or programs.

# 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 and manage risk at all levels and across all facets of our business. This creates value by encouraging innovation to support the achievement of our purposes, objectives and strategic priorities. We have formal, fit for purpose accountability and responsibility for risk through a co-sourced internal audit function that provides independent assurance of the systems of control.

The Board, as the accountable authority for DHA under the PGPA Act, maintains oversight of organisational risk, management systems and internal controls. The Managing Director and senior leaders are responsible for implementing risk systems, ensuring resources and capability support effective risk management and is integrated in decision making processes.

## Risk management

Risk management is an essential element of DHA's governance framework. It ensures we are able to meet our risk management obligations in accordance with the PGPA Act and the Commonwealth Risk Management Policy issued by the Department of Finance.

We actively consider risk as part of strategic and business planning. A sound understanding of strategic risk enables us to take calculated risks where prudent to do so and identify and address issues that may jeopardise our ability to achieve our purposes. It also ensures resources are prioritised and allocated based on a clear understanding of opportunity and consequences resulting from risk.

We are focused on improving enterprise risk maturity and fostering a positive risk culture at all levels of the organisation. A key element of this will be uplifting organisational risk management capability to ensure we have an empowered workforce, which is able to innovate and engage with risk, and is prepared to meet future challenges. As part of our focus to improve risk maturity, we are working with Shareholder Departments (Departments of Defence and Finance) and industry partners to identify, assess and manage shared risks.

The Risk Management Framework is reviewed every two years (at a minimum) to ensure it is fit for purpose, reflects changes in our environment, treatment strategies and controls are effective, and communication between the Board, senior executives and risk owners is ongoing.



## Fraud control and anti-corruption

As a GBE, we consistently monitor and update our fraud and corruption control framework to be consistent with the Commonwealth fraud control framework (section 10 of the PGPA Rule).

Fraud and corruption control is a subset of DHA's risk portfolio and the disciplines reflect our risk philosophy and principles. We prevent, detect, monitor and encourage our staff to report potential fraudulent or corrupt conduct to mitigate the damage fraud and corruption can have on the performance and reputation of our business. Improved staff awareness has resulted in increased reporting of potential fraudulent or corrupt conduct, with two allegations reported in 2020–21. As at 30 June 2021, there was one active investigation.

## Resilience

Resilience forms part of our overarching risk management portfolio which we are improving as a subset of our maturing risk philosophy and principles. Resilience consists of business continuity, disaster recovery, crisis and emergency management.

In 2020–21, in conjunction with improvements made to our risk management framework, we undertook significant steps to revise our approach to all resilience disciplines. We are undertaking further work to progress the maturity of DHA's approach and ensure it remains consistent with the Government's Protective Security Policy Framework and Australian National Audit Office 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. The program is developed in consultation with the Managing Director, Leadership Team and the BARC, 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 BARC to review systems and processes for managing performance, and to meet its performance reporting obligations in accordance with the PGPA Act.

In 2020–21, EY continued to provide internal audit services under a co-sourced arrangement. They completed reviews on our development and retail acquisition process, delegations, complaints management, repairs and maintenance contractors, fraud risk management, recruitment processes, business continuity management, financial processes and information management systems.

# 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 open approaches to the market via AusTender ([www.tenders.gov.au](http://www.tenders.gov.au)) to procure a range of goods and services. Interested parties can register their details with AusTender to receive push notification about our tender opportunities.

## Senate Order on Entity Contracts

As a corporate Commonwealth entity DHA complies with the Senate Order on Entity Contracts and publishes a list of contracts over \$100,000 (GST inclusive) on our website for the relevant reporting period. Refer to our website ([www.dha.gov.au/entitycontracts](http://www.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 2020–21, we entered into 73 new consultancy contracts worth \$6.2 million (GST inclusive).

The majority of these new contracts related to property provisioning and construction activities, including architectural design, town planning, quantity surveying, impact assessment (heritage, flora and fauna, etc.), social and cultural planning and legal services. Ongoing contracts were for corporate related items, including ICT advisory services and strategic reviews.

# 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 report, in accordance with the PGPA Rule.

## Parliamentary committees

### Senate Standing Committee on Foreign Affairs, Defence and Trade

DHA was not the subject of any inquiries or reports by the Senate Standing Committee on Foreign Affairs, Defence and Trade (the Committee) in 2020–21. DHA officers and the Minister representing the Minister for Veterans Affairs and Minister for Defence Personnel, Senator the Hon Richard Colbeck, appeared before the Committee on 26 October 2020. DHA officers and the Minister representing the Minister for Veterans' Affairs and Minister for Defence Personnel, Senator the Hon Marise Payne appeared before the Committee on 24 March 2021. DHA was excused from appearing before the Committee on 2 June 2021. DHA responded to Questions on Notice as requested.

### Joint Committee of Public Accounts and Audit

DHA was invited to make a submission to the inquiry on Auditor-General Report No. 31 (2019–20), *Management of Defence Housing Australia*, by the Joint Committee of Public Accounts and Audit (JCPAA). A joint submission between DHA and Defence was provided to the JCPAA on 29 January 2021. DHA officers appeared before the JCPAA on 14 April 2021. More details on the inquiry can be found on the Parliament of Australia website ([www.aph.gov.au](http://www.aph.gov.au)).

### 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 for, and related services to, 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 less than \$75 million
- › major works with a proposed cost of more than \$75 million.

In 2020–21, we made one submission to the PWC of the Seaward Village Phase 3 Post Implementation Report. This was noted by PWC at its meeting of 3 May 2021. We also progressed work on Randwick Barrack (NSW), which is a PWC endorsed project.

## Government agencies

### Australian National Audit Office (ANAO) performance audit

DHA was the subject of an ANAO Performance Audit (Management of Defence Housing Australia). On 9 April 2020, the report ANAO Report No. 31 (2019–20) was tabled in the Senate and published on the ANAO website. In its report, the ANAO identified four recommendations and some further findings. DHA's accountable authority agreed with all recommendations (Table 4.6).

DHA worked in consultation with Defence to implement the four recommendations from the ANAO Report No. 31 (2019–20). As at 30 June 2021, work to address recommendations three and four has been completed and the remaining two recommendations are being progressed by Defence, who have primary responsibility, with support provided by DHA. DHA's Board Audit and Risk Committee continues to monitor progress and implementation of the recommendations on behalf of DHA's Board.

**Table 4.6: ANAO identified recommendations**

Recommendation no.1	DHA and Defence align Defence requirements for housing philanthropic organisations assisting the ADF, and foreign exchange and visiting military personnel, with the DHA Act.
Recommendation no.2	DHA and Defence agree key performance indicators that relate to and support the measurement of performance against all the objectives of the service agreements.
Recommendation no.3	DHA, with Defence, update its 2012 study on the comparative costs to DHA, Defence and ADF members of provision of a Service Residence and use of Rent Allowance.
Recommendation no.4	DHA follow the procedural advice it has received on decision making on land development proposals and civilian tenancy to ensure that its activities remain within its statutory powers and within Commonwealth constitutional power, and record its deliberations on such decisions.

### Commonwealth Ombudsman

DHA maintains a collaborative and productive working relationship with the Office of the Commonwealth Ombudsman. We review published reports and monitor the implementation of recommendations. The Commonwealth Ombudsman did not publish any reports relating to DHA under section 15 of the *Ombudsman Act 1976* in the reporting period.

In 2020–21, the Commonwealth Ombudsman received 29 complaints relating to DHA. As at 30 June 2021, 25 complaints were resolved during the period using early resolution tools, including referring complainants to DHA (as they had not previously sought assistance from DHA) or referring complainants to another oversight agency for consideration. Three of the complaints have been responded to by DHA and the Ombudsman office was reviewing the information. One was awaiting a response from DHA.

In addition to seeking feedback via surveys, we invite general feedback from our customers, stakeholders and the public. We manage all complaints in accordance with the resolution process set out in our complaints management policy and framework, which has been developed in accordance with international standard ISO 9001:2018. Wherever possible, complaints are resolved at a local level. We use customer feedback to drive business change and develop future initiatives to improve customer service.

### 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 ([www.dha.gov.au/foi](http://www.dha.gov.au/foi)). The published information includes a disclosure log and information about the FOI Act and DHA's Information Publication Scheme Agency Plan.

### 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.

DHA was not subject to any OAIC reviews in 2020–21. DHA reported one eligible data breach to the OAIC under the Notifiable Data Breaches Scheme.

# Workforce management

At an operational level, the Managing Director and Leadership Team 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.

We continued to focus on building organisational culture and capability to effectively lead and grow our people and to support the implementation of the revised operating model now and into the future.

## Organisational culture

### Reconciliation

DHA is committed to the reconciliation journey and launched the “Innovate” Reconciliation Action Plan (RAP) in late 2020. The RAP sets out the key actions DHA will take to enhance our organisation’s engagement with Indigenous businesses and increase representation of Indigenous employees. Since its launch, DHA has taken tangible steps on the Innovate RAP journey including:

- ▶ Supported two employees to complete the Indigenous Apprenticeship Program (IAP) and employing a further four apprentices to complete the program in 2021–22. The IAP is a whole of government, one year program which sees Indigenous employees complete a nationally recognised qualification while working full time in the public service.
- ▶ Continued participation in the Jawun APS Secondment Program. DHA participants have provided positive feedback of their experience and how life changing they found the program.
- ▶ Aligning the DHA Indigenous procurement strategy with the Australian Government’s Indigenous Procurement Policy.

- ▶ Refreshing acknowledgement of country information in meeting rooms and offices with a supply of new protocol cards for staff to utilise in their daily activities.
- ▶ Launching the SBS online inclusion training program designed to give all DHA staff core skills and knowledge relating to reconciliation and inclusion and diversity.
- ▶ Appointing our Chief Financial Officer as the Indigenous Champion.

To achieve further actions in the Innovate RAP, DHA sought specialist support from an indigenous advisor. Engaging an indigenous advisor has enabled us to articulate and drive clear, tangible deliverables to focus our efforts for quick wins and actions to enable completion of commitments and RAP maturity of DHA. Action undertaken includes reviewing our process and procedures ensuring better practice, and engaging with Aboriginal and Torres Strait Islander stakeholders to develop guiding principles for future engagement and collaboration.

As a result of the work to date, there is greater engagement and involvement from staff in our reconciliation journey, and increased representation of Aboriginal and Torres Strait Islander peoples as a percentage of our workforce (refer Table 4.7).

### Diversity and inclusion

In 2020–21, we supported a diverse and inclusive culture launching a number of affinity groups to ensure all employees feel welcomed, respected and valued to fully participate and contribute to their workplace, regardless of gender, age, culture, religion, ability or sexual orientation.

This has resulted in greater engagement with and understanding of diversity and enables DHA to drive diversity in a more holistic manner.

**Table 4.7: Workforce summary 2019–20 and 2020–21**

Indicator	2019–20	2020–21
Headcount		
Total number of staff employed <sup>1</sup>	541	493
Wages expense ratio	9.3%	9.8%
Diversity (as a percentage of the workforce) <sup>2</sup>		
Identify as a male	35%	32%
Identify as a female	65%	68%
Identified as Aboriginal or Torres Strait Islander	1%	2%
Identified as having a disability	2%	2%
Retention		
Staff retention and turnover rate	16.7%	21.5%
Engagement		
Staff engagement <sup>3</sup>	69%	69%

**Notes**

1. Figures include ongoing and non-ongoing staff at their substantive classification as at 30 June 2020 or 30 June 2021. Inoperative staff (those on long term leave), staff engaged through an employment agency and Board members are excluded.
2. Diversity figures as identified by staff. These figures exclude the Managing Director and Board members. No staff have identified as Indeterminate.
3. As measured by our Engagement Employee Index score in the APSC employee Census. Staff engagement was not reported on in 2019–20 as the APSC delayed conducting the survey due to COVID-19. The survey was conducted in October 2020 instead of May 2020.



## Employment conditions

In 2020–21, we successfully negotiated and implemented a new Enterprise Agreement (EA). The new EA was approved by the Fair Work Commission and came into effect on 22 January 2021. The new agreement provides a suite of employment conditions, including leave entitlements, flexible working arrangements, learning and development opportunities and employee wellbeing and assistance programs. It also provides employees certainty of terms and conditions, including remuneration and pay increases over the life of the agreement (three years). The new EA removed access to lump sum performance bonuses for DHA employees, a previous longstanding feature of remuneration arrangements, and brings these arrangements into line with community expectations.

There was a high level of engagement in the process with 91 per cent of eligible employees participating in the ballot, and 88 per cent of participants endorsing the new enterprise agreement.

### Remuneration

DHA is the only GBE to employ its employees under the *Public Service Act 1999*. Our remuneration strategy is aligned to market practice, and supports the interests of our shareholders. Our remuneration is determined based on level and role. In summary:

- › The EA sets out conditions of service for employees employed from DHA Level 1 to DHA Executive Level 2, including salary rates for new employees.
- › The remuneration and conditions of service of Senior Executive Service (SES) officers is set by the Managing Director in accordance with section 24(1) of the *Public Service Act 1999*.<sup>12</sup>
- › The remuneration of the Managing Director is set by the DHA Board in accordance with the parameters of the Remuneration Tribunal's determination for Principal Executive Office holders (refer to section 50 of the DHA Act).<sup>13</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.
- › Employees are paid allowances (e.g. travel and motor vehicle) in accordance with the EA or Remuneration Tribunal determinations for the Managing Director and Board members. Employees and the Managing Director accrue leave.
- › The new EA removed performance bonus payments for DHA Level 1 to DHA Executive Level 2. Access to performance bonus payments for SES employees has also been removed.

Refer to Appendix C: Workforce statistics for more information about salary rates and full disclosure on executive remuneration.

12 Senior executive service 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.

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

### *Managing Director*

In accordance with the Tribunal's Determination for Principal Executives Offices, the Managing Director is eligible for performance pay of up to 20 per cent 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. Following a request from the DHA Board, the Remuneration Tribunal has removed access to a performance based payment for the Managing Director with effect from 1 July 2021.

### *Senior Executive staff*

The Managing Director reviews performance measures for SES employees every six months as a minimum to ensure alignment with DHA's organisational goals, strategies and workforce resources. Bonuses for SES employees have been phased out.

Refer to Appendix C: Workforce statistics for further detail on performance payments.

### **Salary packaging**

Board members are entitled to salary packaging. 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. 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 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 procurement 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 arrangement**

Staff members employed under the EA may request 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 and be agreed to by DHA and the employee in writing. IFAs are reviewed at least every 12 months.

Refer to Appendix C: Workforce statistics for further details on employment instruments.

### **Rewards and recognition**

We launched a new reward and recognition framework, including revised award criteria, a new policy and local recognition guide. The new approach is better aligned with public sector norms and community expectations, and provides for alternative forms of recognition to support capability uplift.

## Case study

# More than a word. Reconciliation takes action

*In October 2020, we launched our Innovate Reconciliation Action Plan (RAP) The Innovate RAP commits DHA to the reconciliation journey, to enhancing our organisation's engagement with Indigenous businesses and to programs to increase the representation of Indigenous employees.*

Across the Australian Public Service, 3.4 per cent of employees identify as Indigenous. At DHA, currently 2 per cent of our employees identify as Indigenous. In 2020 we took tangible steps to change this profile.

Our first apprentices in the Services Australia Indigenous Apprenticeship Program (IAP) graduated in May 2020. The IAP is a whole of government, 12 month program that sees Indigenous employees complete a nationally recognised qualification while working full time in the public service. The IAP plays a key role in increasing Indigenous employment opportunities across the Australian Public Service. Since 2015, the program has provided opportunities for over 1,200 Aboriginal and Torres Strait Islander people to join the APS.

Our first graduates were two young Indigenous women from the Top End and Torres Straight Islands trained as property managers in our Darwin office. They now have permanent positions in these roles with DHA. Since the success of our first IAP experience, we have welcomed a further four IAP apprentices: two joining the National Housing Network Branch in Townsville and two joining the Property and Tenancy Management Branch in Adelaide.

Our non-Indigenous employees learned an enormous amount about Aboriginal and Torres Strait Islander culture and history from our apprentices. This experience has informed more formal cultural awareness training for our employees in Darwin and across Australia.

Our National Reconciliation Week celebrations explored the 2021 theme *More than a word. Reconciliation takes action* through a range of activities and events conducted with Indigenous cultural awareness trainers and speakers to build relationships and a greater understanding of Aboriginal and Torres Strait Islander peoples, histories, cultures and futures.

In 2021, DHA engaged the National Indigenous Training and Employment Solutions (NITES) as advisors to help us realise some of our actions and commitments of our Innovate RAP. NITES conducted a cultural audit of our human resource and recruitment policies; and facilitated an anti-discrimination workshop for employees. We will continue to work with NITES in the new financial year to develop and implement strategies to retain and progress Aboriginal and Torres Strait Islander employees in our business.

DHA has reconfirmed its partnership with Jawun this year for employee participation in the APS Jawun Secondment Program. Jawun aims to bring government, corporate and philanthropic organisations together with Indigenous people to affect real change. The program consists of a six-week placement with local Indigenous organisations to work on projects and initiatives that make a profound difference to local communities. Although secondments did not take place in 2020–21 due to COVID-19, applications and interviews for placements in 2021–22 have concluded and a DHA employee will be seconded to work with an organisation based in Ceduna, South Australia in the spring of 2021.



## Learning and development

We began implementing the DHA Learning and Development Strategy 2020–22. The purpose of this strategy is to develop core skills and critical capabilities to deliver our strategic priorities and support the implementation of our new business operating model. It considers workforce risks and capability gaps, and details strategies to address issues. COVID-19 was an unexpected challenge resulting in an increase in online and peer to peer learning.

The DHA Learning and Development Strategy drives a centralised and collaborative approach to developing learning resources, managing talent and establishment of learning priorities across the business. The strategy was developed with high levels of engagement across the organisation to actively identify current and emerging capability needs, along with the development of solutions.

The first deliverable of the strategy is the Leadership Development Program, which launched in March 2021. It is designed to equip the leadership cohort with future-focused capabilities, knowledge and confidence to lead a responsive and capable workforce through our organisational change.

**Table 4.8: Learning and development 2019–20 and 2020–21**

Indicator	2019–20	2020–21
Internal learning events completed by staff	10,020	9,891
Staff undertaking supported studies <sup>1</sup>	39	31

Note

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

### Formal learning and development

DHA offers a range of formal learning to employees to develop leadership skills, personal effectiveness or functional capability. In addition, staff must complete mandatory training on matters of legislative and policy compliance.

Programs are delivered in a blended format, dependent on the subject matter and audience. External providers and internal specialists deliver the programs, ensuring we have the right balance of expertise and corporate knowledge.

The in-house Performance and Learning Portal provides access to a wide range of learning opportunities to develop the core capabilities of staff and DHA specific technical skills.

DHA implemented Learn@Lunch sessions that leverage internal and external expertise to present topical learning sessions that staff can participate in and engage with at their desks.

The learning and development team has gone through a period of transformation in response to the COVID-19 pandemic and the changing needs of the business. The learning offering is now better tailored to the changed business needs, and identifies and delivers fit for purpose programs.

### Study 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.



## Contributing to our community

### Response to the COVID-19 pandemic

We continued to safeguard staff and the ensure continuity of service to ADF members and their families in light of the COVID-19 pandemic. In accordance with government and health advice, we implemented various health, safety and welfare policies and procedures to support staff, including an interim COVID-19 home-based work policy which enabled the majority of staff to transition to home-based work. A rostering system allowed critical staff working from DHA offices to adhere to strict Government enforced physical distancing requirements.

### Individual giving

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

- › Workplace Giving Program, whereby all employees have the opportunity to voluntarily donate to charities through a once off or fortnightly donation directly from their pay.
- › Shared Benefits Scheme, whereby employees 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 443 hours of personal leave was donated to the Shared Benefits Scheme during the reporting period.

In 2020–21, DHA employees made donations to the following organisations:

- › Assistance Dogs
- › Beyond Blue
- › Cancer Council Australia
- › Fred Hollows Foundation
- › Indigenous Literacy Foundation
- › Legacy Australia
- › MakeAWish Foundation
- › RSPCA Australia
- › Salvation Army
- › Starlight Children Foundation Australia
- › Soldier On.

### Volunteering

Employees may 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.

## Case study

# DHA supports women and girls united by Defence service to sing together

*The Australian Military Wives Choir first met in a cold Duntroon Chapel in Canberra in 2012. Since then, the choir has grown to a national network of 12 choirs in ADF posting locations across Australia. The choir provides support and kinship for partners, daughters, mothers and sisters connected to currently serving members of the ADF. DHA has proudly sponsored the choir each year since 2015.*



The Australian Military Wives Choir is a not-for-profit organisation and sings together to strengthen and navigate the rigours of Defence family life and the challenges of regular postings to new locations. Participating in the choir helps build enduring connections that provide support during periods of separation and isolation, such as when posting or when partners are deployed. Participants also experience the mental health benefits associated with singing in a group.

In 2020, like many community organisations, the choir faced the challenge of bringing its members together. COVID-19 meant singing in groups became one of the most dangerous things you can do. The choir added online rehearsal for locations in lockdown. They also launched the Australian Military Wives Choir Online, a designated choir for singers in remote locations or situations that don't allow in-person rehearsal.

There are currently over 180 choir members nationally run by a committee of voluntary members, and singer numbers continue to grow. This growth has been helped by online rehearsals, increasing their reach to remote posting locations.

DHA was once again an official supporter of the choir in 2020–21. Our sponsorship helps make the choir possible by providing leadership training to support the choir across its 12 locations. This training is provided both in-person and online and includes the development of choral conducting skills. DHA's support also helps bring the national leadership teams from across Australia together for intensive music training. DHA is honoured to support the choir and help get women and girls united by Defence service together to 'sing from their heart' and provide networking and support for each other.



# Information management and systems

We are committed to improving our information governance and service delivery using technology and making our information and online services accessible to all our customers.

## **Enterprise systems**

The enterprise hardware refresh provides DHA a foundation to future proof its IT offering and leverage industry leading technology with increased flexibility, automation, lower operational costs and simplify support arrangements with vendors. In September 2020, DHA completed the first phase of our enterprise hardware refresh, which delivered contemporary hardware with increased data protection and security. In March 2021, DHA completed the second phase of the enterprise hardware refresh virtualising a number of enterprise application workloads. The project's third phase is underway and will migrate DHA's current on premise commercial-off-the-shelf (COTS) applications including telephony infrastructure onto the new hardware.

In March 2021, DHA completed a scoping study for new corporate solutions for DHA's customer relationship management and contact centre technology. In July 2021, DHA approached the market with a Request for Information (RFI) to explore our technology options. The new corporate solutions will enable DHA to deliver fast, clear and simple services with omni-channel customer engagement and automated processes.

## **Staff remote working capability**

In 2020–21, DHA continued to improve remote working capability for staff. The switch to application-based 'softphones' for staff in all locations is underway, with our contact centres already using this technology. The change will help us to support flexible working arrangements for our staff, while delivering the same high level of service our customers expect.





PART 5

# Financial statements

# Defence Housing Australia

ABN 72 968 504 934

## Annual Report

For the year ended 30 June 2021

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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 the Defence Housing Australia (the Entity) for the year ended 30 June 2021:

- (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 2021 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 as at 30 June 2021 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 Flows; 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 (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

As the Accountable Authority of the Entity, 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 Board is also responsible for such internal control as 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 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 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



Rahul Tejani  
Executive Director  
Delegate of the Auditor-General

Canberra

2 September 2021

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

In our opinion, the attached financial statements for the year ended 30 June 2021 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 AM  
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 2021

Statement of Comprehensive Income

	Notes	2021 \$'000	2020 \$'000
<b>Income</b>			
<b>Revenue</b>			
Revenue from contracts with customers	2	335,947	426,047
Housing services lease rentals	3	488,388	487,815
Interest received	4	1,312	3,450
Other income		4,390	104
<b>Total revenue</b>		<b>830,037</b>	<b>917,416</b>
<b>Gains</b>			
Gains from disposal of investment properties	5	13,930	5,360
Net reversal of write down and impairment of assets	10	23,538	-
Impairment loss reversal on financial instruments		10	-
<b>Total gains</b>		<b>37,478</b>	<b>5,360</b>
<b>Total income</b>		<b>867,515</b>	<b>922,776</b>
<b>Expenses</b>			
Employee expenses	6	67,924	69,880
Rates, repairs and maintenance	7	116,885	142,019
Depreciation and amortisation	8	301,640	299,067
Cost of inventories sold	15	183,578	224,488
Finance costs	9	62,867	53,109
Net write down and impairment of assets	10	-	45,359
Impairment loss on financial instruments		-	56
Other expenses		26,000	29,073
<b>Total expenses</b>		<b>758,894</b>	<b>863,051</b>
Share of joint venture profit/(loss) accounted for using the equity method		(2)	(2)
<b>Profit before income tax on continuing operations</b>		<b>108,619</b>	<b>59,723</b>
Income tax expense	11a	30,069	17,050
<b>Profit after income tax</b>		<b>78,550</b>	<b>42,673</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>78,550</b>	<b>42,673</b>

The above statement should be read in conjunction with the accompanying notes.

Defence Housing Australia  
Statement of Financial Position  
As at 30 June 2021

Statement of Financial Position

	Notes	2021 \$'000	2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	199,285	379,143
Trade and other receivables	13a	20,922	23,557
Investment properties held for sale	14	9,269	13,419
Inventories	15	329,075	428,139
Other current assets		2,252	2,206
<b>Total current assets</b>		<b>560,803</b>	<b>846,464</b>
<b>Non-current assets</b>			
Inventories	15	234,032	327,113
Investment properties <sup>1</sup>	16	2,571,591	2,616,999
Property, plant and equipment <sup>1</sup>	17	20,346	21,837
Intangibles		3,710	4,530
Deferred tax assets	11c	69,368	81,842
Other receivables		253	520
<b>Total non-current assets</b>		<b>2,899,300</b>	<b>3,052,841</b>
<b>Total assets</b>		<b>3,460,103</b>	<b>3,899,305</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	34,785	39,781
Dividend payable	19	47,130	25,604
Borrowings	20	70,000	135,000
Lease liabilities	21	272,598	258,239
Provisions	22	36,712	53,019
Current tax liabilities		6,003	11,839
Other financial liabilities	23	15,543	34,530
<b>Total current liabilities</b>		<b>482,771</b>	<b>558,012</b>
<b>Non-current liabilities</b>			
Borrowings	20	115,000	374,580
Lease liabilities	21	1,251,683	1,387,196
Provisions	22	92,004	107,698
Other financial liabilities	23	15,406	-
<b>Total non-current liabilities</b>		<b>1,474,093</b>	<b>1,869,474</b>
<b>Total liabilities</b>		<b>1,956,864</b>	<b>2,427,486</b>
<b>Net Assets</b>		<b>1,503,239</b>	<b>1,471,819</b>
<b>Equity</b>			
Contributed equity		403,863	403,863
Retained Earnings		1,099,376	1,067,956
<b>Total equity</b>		<b>1,503,239</b>	<b>1,471,819</b>

<sup>1</sup> Right of use assets are included in the Investment properties and Property, plant and equipment balance.

The above statement should be read in conjunction with the accompanying notes.

Defence Housing Australia  
Statement of Changes in Equity  
For the year ended 30 June 2021

Statement of Changes in Equity

	Retained Earnings \$'000	Contributed Equity \$'000	Total Equity \$'000
Balance as at 1 July 2019	1,163,671	403,863	1,567,534
Adjustment on initial application of AASB 16 <sup>1</sup>	(112,784)	-	(112,784)
<b>Adjusted opening balance as at 1 July 2019</b>	<b>1,050,887</b>	<b>403,863</b>	<b>1,447,870</b>
Profit for the year	42,673	-	42,673
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<b>42,673</b>	<b>-</b>	<b>42,673</b>
<b>Transactions with owners</b>			
<b>Return of capital</b>			
<i>Dividends</i>	(25,604)	-	(25,604)
<b>Balance as at 30 June 2020</b>	<b>1,067,956</b>	<b>403,863</b>	<b>1,471,819</b>
Balance at 1 July 2020	1,067,956	403,863	1,471,819
Profit for the year	78,550	-	78,550
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<b>78,550</b>	<b>-</b>	<b>78,550</b>
<b>Transactions with owners</b>			
<b>Return of capital</b>			
<i>Dividends</i>	(47,130)	-	(47,130)
<b>Balance as at 30 June 2021</b>	<b>1,099,376</b>	<b>403,863</b>	<b>1,503,239</b>

1. Adjustment required on initial implementation of AASB 16 Leases.

*The above statement should be read in conjunction with the accompanying notes.*

Defence Housing Australia  
Statement of Cash Flows  
For the year ended 30 June 2021

## Statement of Cash Flows

Notes	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>		
<b>Cash received</b>		
	577,353	608,579
	269,432	375,092
	1,669	3,457
	33,787	25,898
	10,932	13,806
	<b>893,173</b>	<b>1,026,832</b>
<b>Cash used</b>		
	81,954	85,872
	138,197	163,156
	28,973	20,808
	36,063	31,970
	23,028	13,562
	103,048	176,194
	35,202	35,726
	29,905	26,583
	1,341	8,111
	<b>477,711</b>	<b>561,982</b>
	<b>24</b>	<b>464,850</b>
<b>Net cash from operating activities</b>		
<b>Cash flows from investing activities</b>		
<b>Cash received</b>		
	52,447	33,759
	<b>52,447</b>	<b>33,759</b>
<b>Cash used</b>		
	18,455	24,511
	493	3,450
	<b>18,948</b>	<b>27,961</b>
	<b>33,499</b>	<b>5,798</b>
<b>Net cash from investing activities</b>		
<b>Cash flows from financing activities</b>		
<b>Cash used</b>		
	278,635	279,884
	324,580	-
	25,604	24,545
	<b>628,819</b>	<b>304,429</b>
	<b>(628,819)</b>	<b>(304,429)</b>
<b>Net cash (used by) financing activities</b>		
	(179,858)	166,219
	379,143	212,924
	<b>12</b>	<b>379,143</b>
<b>Cash and cash equivalents at end of financial year</b>		

The above statement should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

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## 1. Overview and significant accounting policies

### (a) Objectives of DHA

Defence Housing Australia (DHA) is an Australian Government (Government) controlled for profit entity. The main function of DHA is to provide housing for, and related services to, 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 from Government, and its activities are 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. 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 stated 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.

## 1. Overview and significant accounting policies (continued)

### (c) New and amended accounting standards adopted by DHA

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

In the current year, DHA adopted all new and revised standards issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

Several new standards and amendments apply for the first time from 1 July 2020; these did not have a material impact on the financial statements.

### (d) Future accounting standard requirements

In November 2020, the International Accounting Standards Board (IASB) published *Exposure Draft 2020/4 (AASB ED 305) Lease Liability in a Sale and Leaseback*. The Exposure Draft proposes the method a seller-lessee uses to initially measure the right of use asset and lease liability arising in a sale and leaseback transaction, and how the seller-lessee subsequently measures that liability.

The proposed change, if approved by the AASB, would require a different accounting treatment for Sale and Leaseback leased residential assets compared to all other leased residential assets. The IASB met in late May to consider submissions, and has indicated that an update will be issued later in the year.

### (e) COVID 19 impact risk assessment

DHA has considered the risk arising from the uncertainty surrounding the COVID-19 global risk. Predictions of a significant downturn in the Australian property market and contraction of the rental market have not eventuated. Internal and external market data indicate growth in both the capital and rental markets over the last twelve months. Market uncertainty remains in the medium term as the pandemic is not yet under control. DHA has considered the following potential financial implications:

#### *Valuation of inventory and investment properties*

DHA has relied on independent market valuations at 31 December 2020 to assess any impairment of inventory and investment properties. A significant market downturn after the valuation date could result in an impairment adjustment. To ensure that asset balances are appropriately stated as at balance date, DHA closely monitors independently determined property market indicators and sale price outcomes of DHA properties compared to the 31 December 2020 independent market valuation. Property market reporting at the date of publication of these financial statements support continued growth in property values. The net write back of prior years' impairment at 30 June 2021 reflects the current market conditions.



## 1. Overview and significant accounting policies (continued)

### *Impairment of investment properties and leased investment properties*

Recoverable amount calculations for investment properties and right of use leased investment properties use a discount rate that reflect property market risks. Changes in the market capital values and rental returns could result in asset value changes requiring additional impairment. As noted above, DHA closely monitors independently determined property market reports and internal sales outcomes to ensure there are no significant market downturns since the valuation date of 31 December 2020 that indicate further impairment assessment is required.

### *Expected credit losses*

DHA calculates expected credit losses using historical rates of default rate to estimate future probability of default. DHA does not expect material changes will arise as the majority of rent and associated income is derived from Defence. DHA has factored an increased credit risk on private rental default into the expected credit loss calculation.

### *Going concern*

The financial statements have been prepared on a going concern basis. DHA has implemented revisions to its operating model in 2020-21, to further align service delivery with core purpose of providing housing services to Defence Force members. The directors of DHA are of the opinion that DHA has adequate resources to continue as a going concern and pay its debt when they fall due and payable.

## 2. Revenue from contracts with customers

	2021 \$'000	2020 \$'000
<b>Revenue from Defence</b>		
Allocation services provided	14,341	13,928
Defence property management services	57,023	59,630
Construction services	16,706	32,725
Defence other charges	2,565	6,989
<b>Total revenue from Defence</b>	<b>90,635</b>	<b>113,272</b>
<b>Revenue from other customers</b>		
Sale of inventories	239,289	307,145
Lessor management fee revenue	5,933	5,532
Non-Defence other charges	90	98
<b>Total revenue from other customers</b>	<b>245,312</b>	<b>312,775</b>
<b>Total revenue from contracts with customers</b>	<b>335,947</b>	<b>426,047</b>
<b>Timing of revenue recognition</b>		
Over time	94,093	111,913
At a point in time	241,854	314,134
<b>Total revenue from contracts with customers</b>	<b>335,947</b>	<b>426,047</b>

### Accounting policy

Revenue recognition accounting policies with respect to DHA's business activities within the scope of AASB15 *Revenue from Contracts with Customers* are as follows:

#### **Revenue from Defence**

Allocation services provided  
Defence property management services  
Defence other charges  
Construction services revenue

#### **Revenue from Non-Defence Customers**

Constructions services  
Sales of inventories  
Lessor management fee revenue

#### Timing of revenue recognition

Over time  
Over time  
Point in time  
Over time  
Over time  
Point in time  
Over time

#### *Allocation services provided*

DHA provides the service of allocating ADF members to available and suitable accommodation. For these services, DHA receives annual fixed fees from Defence as per the Allocation and Tenancy Management contract (ATM) and Living in Accommodation (LIA) contract 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.

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. They are 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.

Additional fees are receivable by DHA should allocations exceed the contractual annual amounts. 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.

There is an annual performance payment which DHA may be entitled to receive from Defence should specific KPIs be met. This performance payment relates to all services provided to Defence under the Services Agreement. The performance payment is regarded as 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 of the performance payment is resolved as the performance payment is recognised 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 Revenue from contracts with customers*, i.e., the Defence property management services. DHA invoices Defence for such performance payments and Defence pays within 30 days.

#### *Defence Property Management Services*

DHA receives a range of fees and charges for managing and maintaining residential properties owned by Defence used to house ADF Members. DHA receives payments:

- weekly, when a property is tenanted by an ADF member
- annually, for properties managed by DHA
- ad hoc, on an actual cost incurred basis plus a management fee percentage.

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
- costs incurred by DHA in providing specific 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 is required to pay within 30 days; State Taxes are invoiced quarterly and paid by Defence within 30 days.

*Defence Other Charges*

Defence Other Charges include expenses which are recovered from Defence under the Services Agreement. This includes amounts such as: upgrades to Defence owned properties; reimbursements of rates, municipal charges, insurance and utilities incurred by DHA on behalf of Defence.

When incurring these costs, DHA assesses whether it is principal or agent in such transactions. DHA is the principal if DHA controls the good or service before the good or service is transferred to Defence. Where DHA is the principal, the consideration received from Defence is recognised as revenue when the service is performed.

Where DHA is the agent, the consideration received and the expense incurred will have no net impact on profit or loss as these amounts are reimbursed by Defence on a cost recovery basis with no margin or commissions retained by DHA.

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 is required to pay within 30 days.

*Construction Services - Defence*

DHA will often manage the construction of property developments on behalf of Defence. DHA project manages the construction using sub-contractors for on-base housing constructions and particular off-base properties. The transaction price DHA receives represents the costs incurred plus a management fee. The construction services provided for each project represent a single performance obligation satisfied over time as the construction occurs. Revenue is recognised over time using an input method, being the costs incurred to date plus the management fee.

*Sale of Inventories*

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 be disposed of through sale to third parties.

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.

*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.

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 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 lessor management fees are deducted from the monthly rental bill paid by DHA to the lessor.

**Significant Accounting Judgement and Estimates**

*Lessor Management Fee Revenue*

DHA has analysed the services provided in return for lessor management fees and applied judgement to conclude 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 Revenue from contracts with customers*; while property administration, annual market rent reviews as defined by the lease and maintenance and restoration services are part of the overall lease related to DHA's use of the property and accounted for as a reduction to rental expense under *AASB 16 Leases*.

Judgement was required to determine 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 utilise internal business and product line costing methodologies across historical financial data, to determine the split each financial year.

*Sale of Inventories*

DHA's standard Sale and Leaseback (SLB) arrangements have been assessed to ensure they meet the criteria of a sale under *AASB 15 Revenue from contracts with customers*. These arrangements typically grant DHA, as the seller-lessee, a first right to purchase the property in the event the lessor intends to sell. This option is controlled by the investor and not DHA. DHA has made a key judgement that the conditional repurchase option does not represent a substantive repurchase option that would preclude them from being accounted for as a sale under *AASB 15 Revenue from contracts with customers*.

SLB transactions executed on terms above or below market have specific accounting treatments under *AASB 16 Leases*. All SLB transactions completed after the date of initial adoption are assessed by property with reference to the independent market assessment of price and rent.

In relation to a SLB transaction, *AASB 16 Leases* only refers to the concept of recognising a gain or loss rather than the revenue or expense; DHA has recognised revenue and cost of sales for the portion of the asset that relates to the rights transferred to the buyer-lessor. Estimates are required to determine the portion of revenue and cost of sales to be recognised such that they only reflect the portion of the rights transferred to the buyer-lessor (investor).

### 3. Housing services lease rentals

	2021 \$'000	2020 \$'000
<b>Housing services lease rentals</b>		
Defence rent	480,313	476,347
Other rentals	8,075	11,468
<b>Total housing services lease rentals</b>	<b>488,388</b>	<b>487,815</b>

#### Accounting policy

##### *Defence Rent*

Defence Rent represents lease revenue received from Defence for properties provided under the Services Agreement and Members Choice Accommodation Agreement and is accounted for on a straight line basis over the lease period.

##### *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.

#### Significant Accounting Judgement

*AASB 16 Leases* 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 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 16 Leases*. DHA considers it is necessary to read the Defence Services Agreement (DSA), the Defence Housing Australia Act 1987 (DHA Act) and the Defence Housing Australia Residence Agreement (DRA) as a whole to understand the commercial arrangements between the three parties. DHA has concluded that the DSA between DHA and Defence satisfies the definition of a lease under *AASB 16 Leases*, based on the following key judgements:

- i) In order to understand the arrangements, the DSA should be considered together with the DRA and the DHA Act. On assessing the substance of these arrangements, DHA



considers that the DSA, through the provisioning process, identifies the portfolio of properties that Defence has the right to control the use of, and benefit from.

- ii) The DSA provides Defence the right to control the properties because it directs when the properties are to be used, including the allocations policy and when properties must be vacated. The ADF members only have a right to occupy a DHA property as a result of their employment with Defence and, if the employment is terminated the entitlement under the DRA ends. The DSA is therefore a lease in an arrangement where the property is ultimately occupied by the ADF member.
- iii) Defence does not act as an agent for DHA by collecting rental contributions from members. Defence's obligation to pay rent under the DSA is independent of the member's contribution under the DRA. Defence bears the credit risk on contributions by ADF members, and Defence payments to DHA continue regardless of any default by an ADF member.

#### 4. Interest received

	2021 \$'000	2020 \$'000
<b>Interest received</b>		
Interest on deposits	1,312	3,450
<b>Total interest received</b>	<b>1,312</b>	<b>3,450</b>

##### Accounting policy

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.

## 5. Gains from disposal of investment properties

	2021 \$'000	2020 \$'000
<b>Net gains from disposal</b>		
Proceeds from Sale	42,861	24,486
Carrying value of assets sold	(28,304)	(18,518)
Selling expenses	(627)	(608)
<b>Total gains from disposal of investment properties</b>	<b>13,930</b>	<b>5,360</b>

### Accounting policy

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

## 6. Employee benefits

	2021 \$'000	2020 \$'000
<b>Employee benefits</b>		
Wages and salaries	52,537	51,570
Superannuation		
Defined contribution plans	6,516	7,529
Defined benefit plans	2,223	2,480
Leave and other entitlements	4,370	6,601
Separation and redundancies	2,278	1,700
<b>Total employee benefits</b>	<b>67,924</b>	<b>69,880</b>

### Accounting policy

#### *Superannuation*

DHA staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), 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 an accumulation 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 CSS and PSS 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 – Employee Benefits*.

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

*Leave and other entitlements*

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.

*Separation and redundancy*

Provision is made for separation and redundancy benefit payments. The entity recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

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.

## 7. Rates, repairs and maintenance

	2021 \$'000	2020 \$'000
<b>Rates, repairs and maintenance</b>		
Rates and municipal charges	10,732	11,655
Stamp duty and land tax equivalents	33,105	34,915
Repairs and maintenance	32,971	37,167
Other property charges	40,077	58,282
<b>Total rates, repairs and maintenance</b>	<b>116,885</b>	<b>142,019</b>

**Accounting policy**

Rates, Repairs and Maintenance includes expenditure for investment properties of \$41,048,837 (2020: \$44,941,885).

*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 the period 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*

Repairs and maintenance include 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 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.

Expenses are incurred from external parties and sub-contractors and are expensed in the period they are incurred.

## 8. Depreciation and amortisation

	2021 \$'000	2020 \$'000
<b>Depreciation</b>		
Investment properties <sup>1</sup>	292,695	288,907
Plant and equipment	2,260	3,246
	<b>294,955</b>	<b>292,153</b>
<b>Amortisation</b>		
Software	1,296	1,525
Right of use assets - PPE	5,389	5,389
	<b>6,685</b>	<b>6,914</b>
<b>Total depreciation and amortisation</b>	<b>301,640</b>	<b>299,067</b>

<sup>1</sup> Includes \$274,354,875 depreciation of right of use assets which meet the definition of investment properties under *AASB 140 Investment Properties* (2020: \$272,021,232).

### Accounting policy

Depreciable assets are written down to their estimated residual values over their estimated useful lives using the straight-line method of depreciation. Office fit outs are depreciated 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:

	2021	2020
Investment properties	50 years or the term of the lease	50 years or the term of the lease
Plant and equipment	Term of Lease	Term of Lease
Software	2.5 to 6 years	2.5 to 6 years
Right of use assets - PPE	Term of Lease	Term of lease

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.

9. Finance costs

	2021 \$'000	2020 \$'000
<b>Finance costs</b>		
Interest on loans	28,973	20,809
Interest on lease liabilities	33,894	32,300
<b>Total finance costs</b>	<b>62,867</b>	<b>53,109</b>

**Accounting policy**

DHA has an unsecured borrowing facility with the Commonwealth. On 28 September 2020, an Amended and Restated Loan Facility Agreement was signed, effective from 1 October 2020. This affords DHA the flexibility to borrow at either fixed or floating market interest rates which include a competitive neutrality charge. The amended facility with the Commonwealth requires DHA to pay interest on the amounts drawn down to Department of Finance. Prior to 1 October 2020, interest was paid to Defence.

The Interest on loans is accrued based on effective interest rates on the outstanding balance of the loan. Interest paid on loans is a related party transaction. During 2020-21, DHA incurred break fees of \$12,741,587 and interest of \$1,627,420 on the early repayment of borrowings.

Interest on lease liabilities is the amount that produces a constant rate of interest on the remaining balance of the lease liability.

## 10. Net (reversal of)/write down and impairment of assets

	2021 \$'000	2020 \$'000
<i>Non-financial assets</i>		
<b>Write downs and impairments</b>		
Investment properties	20,655	34,447
Inventories	13,342	40,550
	<b>33,997</b>	<b>74,997</b>
<b>Reversal of write downs and impairments</b>		
Investment properties	(55,383)	(28,138)
Inventories	(2,152)	(1,500)
	<b>(57,535)</b>	<b>(29,638)</b>
<b>Net (reversal of)/write down and impairment <sup>1</sup></b>	<b>(23,538)</b>	<b>45,359</b>

<sup>1</sup>. Includes \$35,290,554 net reversal of impairment on right of use assets which meet the definition of investment properties under *AASB 140 Investment Properties* (2020: net \$2,958,272 impairment).

### Accounting policy

#### *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 a registered valuer as at 31 December 2020. 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 based on internal and external market data, and recognises a further write down or write back where there is evidence of a significant change in property market values. A write back, where applicable, will not exceed cost. Refer to *Note 15 Inventories* for more information.

#### *Investment Properties*

Investment properties include right of use assets that meet the definition of investment properties in accordance with *AASB 140 Investment Property*.

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 or is a leased property.



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

The fair value of investment properties is assessed annually by an independent valuer and a value in use calculation is prepared internally for assets not identified for future sale and for right of use assets. Where the fair value less costs to sell and the value in use calculation for an individual property is less than its cost, the carrying value of the property is written down to the higher of the two valuation methods, and the loss is recognised as an impairment loss in the statement of comprehensive income. Refer to *Note 16 Investment Properties*.

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 or rental growth for the term of the lease 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%.
- A discount rate that is determined in accordance with the requirements of *AASB 136 Impairment*, calculated internally on an individual asset 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.
- Major capital work expenditure estimates including internal and external repainting and replacement of carpets based on the age of the property.

#### **Significant Accounting Judgement and Estimates**

##### *Rental and Capital Growth*

The discounted cash flow model used to determine the value in use of investment properties includes an assumption on the forecast rental and capital growth for the next 20 years or rental growth for the term of the lease. DHA applies judgement to assume a capital growth rate in line with the long term historical average, and estimates a rental growth rate by using long term historical average and reference to forecast growth in major industry publications.

## 11. Taxation

### a) Income tax expense

	2021 \$'000	2020 \$'000
<b>Income tax expense</b>		
Current tax expense	18,374	22,501
Adjustments for current tax of prior periods	(779)	(351)
Deferred tax	11,685	(5,284)
Adjustments for deferred tax of prior periods	789	184
	<b>30,069</b>	<b>17,050</b>
<b>Income tax expense attributable to:</b>		
Profit from continuing operations	108,619	59,723
	<b>108,619</b>	<b>59,723</b>

### b) Reconciliation of income tax expense to prima facie tax payable

	2021 \$'000	2020 \$'000
<b>Reconciliation of income tax expense:</b>		
Profit from continuing operations before income tax	108,619	59,723
Tax expense at the Australian tax rate of 30%	32,585	17,917
Tax effect of amounts not deductible/(assessable):		
Tax cost base valuations	(2,260)	(512)
Adjustments relating to prior periods	10	(168)
Other	(266)	(187)
	<b>30,069</b>	<b>17,050</b>

## 11. Taxation (continued)

### c) Deferred tax assets/(liabilities) recognised in the Statement of Comprehensive Income

	2021 \$'000	2020 \$'000
<b>Net deferred tax assets/(liabilities)</b>		
Employee benefits	4,625	6,191
Revenue in advance	(1,284)	(1,279)
Inventory properties	4,953	2,435
Investment properties	(9,002)	(7,361)
Right of use asset – investment properties	(428,188)	(455,917)
Right of use asset – property, plant and equipment	(4,034)	(5,201)
Lease liabilities	457,413	493,663
Prepayments	9,075	8,859
Make good provisions	27,925	34,094
Provisions - other	5,983	4,226
Property, plant and equipment	1,757	1,691
Other	145	441
<b>Net deferred tax asset</b>	<b>69,368</b>	<b>81,842</b>
<b>Comprising:</b>		
Deferred tax assets	512,142	551,600
Deferred tax liabilities	(442,774)	(469,758)
<b>Net deferred tax asset</b>	<b>69,368</b>	<b>81,842</b>
<b>Movements:</b>		
Opening balance at 1 July	81,842	28,314
<i>Adjustment on initial application of AASB 16 Leases</i> <sup>1</sup>	-	48,428
Charged to the statement of comprehensive income	(12,474)	5,100
<b>Net deferred tax asset</b>	<b>69,368</b>	<b>81,842</b>

<sup>1</sup> Adjustment required on initial implementation of AASB 16 Leases.

#### Accounting policy

DHA became a Commonwealth income tax payer on 1 July 2007, following an amendment of the DHA Act. 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 2021 is \$434,892,319 (2020: \$442,325,907). The tax effect of this temporary difference is \$130,467,696 (2020: \$132,697,772).

#### Income Tax Expense

The income tax expense 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. A deferred tax asset will be

recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- Is not a business combination;
- At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
- At the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

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 Assistance*, 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*.

## 12. Cash and cash equivalents

	2021 \$'000	2020 \$'000
<b>Cash and cash equivalents</b>		
Cash at bank	194,285	118,143
Term deposits	5,000	261,000
<b>Total cash and cash equivalents</b>	<b>199,285</b>	<b>379,143</b>

### Accounting policy

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.

As part of bank management, DHA operates a net settlement arrangement of all operating accounts with its bank. As such, total cash and cash equivalents presented on the Statement of Financial Position is net of bank overdraft.

## 13. Trade and other receivables

### a) Trade and other receivables

	2021 \$'000	2020 \$'000
<b>Current receivables for good and services</b>		
Receivables	5,849	5,492
Impairment – expected credit loss	(101)	(111)
	<b>5,748</b>	<b>5,381</b>
Accrued income	11,797	13,848
Other receivables	3,377	4,328
	<b>20,922</b>	<b>23,557</b>
<b>Current receivables for goods and services from</b>		
Related entities	17,708	16,627
External parties	3,214	6,930
<b>Total trade and other receivables</b>	<b>20,922</b>	<b>23,557</b>

### 13. Trade and other receivables (continued)

#### b) Trade and Other Receivables (Net) expected to be recovered

	2021 \$'000	2020 \$'000
<b>Current receivables (net) expected to be recovered in:</b>		
Less than 12 months	20,922	23,557

#### c) Receivables are aged as follows:

	2021 \$'000	2020 \$'000
<b>Current receivables (net) expected to be recovered in:</b>		
Not overdue	15,073	18,063
0 to 30 days	5,582	5,030
31 to 60 days	29	380
61 to 90 days	9	44
More than 90 days	229	40
<b>Total trade and other receivables</b>	<b>20,922</b>	<b>23,557</b>

#### d) Reconciliation of the impairment loss allowance:

	2021 \$'000	2020 \$'000
<b>Movement in the impairment loss allowance:</b>		
Impairment loss allowance at 1 July	111	55
Impairment loss increase	-	56
Amounts to be recovered and reversed	(10)	-
<b>Total as at 30 June</b>	<b>101</b>	<b>111</b>

#### Accounting policy

Credit terms are between 7 and 30 days.

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*.



#### 14. Investment properties held for sale

	2021 \$'000	2020 \$'000
<b>Current assets</b>		
Investment properties – at cost	6,235	11,332
Investment properties – at cost (less impairment)	3,034	2,087
<b>Total investment properties held for sale</b>	<b>9,269</b>	<b>13,419</b>

##### Accounting policy

DHA applies *AASB 5 Non-Current Assets Held for Sale and Discontinued 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 when they have below average capital growth expectations, carry high repairs and maintenance expenditure, do not meet criteria for ADF member housing, 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 DHA is committed to selling the investment property. It is expected that the sale will be completed within 12 months.

## 15. Inventories

	2021 \$'000	2020 \$'000
<b>Total inventories</b>		
Current inventories	329,075	428,139
Non-current inventories	234,032	327,113
<b>Total inventories</b>	<b>563,107</b>	<b>755,252</b>
<b>Completed properties</b>		
At cost	224,395	348,128
At net realisable value	140,932	182,405
<b>Land held for sale</b>		
At cost	7,520	30,590
At net realisable value	1,223	631
<b>Work in progress</b>		
At cost	170,842	173,528
At net realisable value	18,195	19,970
<b>Total inventories</b>	<b>563,107</b>	<b>755,252</b>

### Accounting policy

The total fair value of inventory as at 30 June 2021 is \$644,071,638 (2020: \$898,685,828).

For the period 1 July 2020 to 30 June 2021, DHA disposed of 254 inventory properties, 22 properties were sold at a loss amounting to \$420,913 (2020: DHA disposed of 409 inventory properties; 25 properties were sold at a loss amounting to \$622,679).

DHA accounts for inventory properties under *AASB 102 - Inventories*. Inventories are properties 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 the 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 sale 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.

#### **Significant Accounting Judgement and Estimates**

##### *Completed inventory properties*

The net realisable value of completed inventory properties is assessed annually by independent valuers at 31 December. 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.

##### *Development inventory sites*

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.

##### *Market Uncertainty*

DHA has considered the ongoing risk to property values arising from the uncertainty surrounding the COVID-19 crisis. A significant downturn in the property market capital values and rental returns could result in a reduction in the net realisable value and additional impairment. DHA closely monitors independently determined property market indicators and sale price outcomes of DHA properties compared to the 31 December 2020 independent market valuation. Property market reports at the date of publication of these financial statements support growth in property values over the twelve months to 30 June 2021. Where property market indicators show a significant decrease in value, carrying values and impairment for affected property assets were updated at 30 June 2021.

## 16. Investment properties

	2021 \$'000	2020 \$'000
<b>Investment properties</b>		
Investment properties at cost	1,760,419	1,400,982
Less: accumulated depreciation	(330,069)	(193,816)
	<b>1,430,350</b>	<b>1,207,166</b>
<b>Investment properties - impaired</b>		
Investment properties at cost	1,635,430	1,805,100
Less: accumulated depreciation	(351,019)	(215,314)
Less: accumulated impairment	(143,170)	(179,953)
	<b>1,141,241</b>	<b>1,409,833</b>
<b>Total investment properties</b> <sup>1</sup>	<b>2,571,591</b>	<b>2,616,999</b>

- <sup>1</sup> Total investment properties includes \$1,427,293,292 (2020: \$1,519,723,629) of right of use assets (measured at cost less accumulated depreciation and impairment) which meet the definition of investment properties under *AASB 140 Investment Properties*.

### Accounting policy

The total fair value of Investment Properties (including Investment Properties - Held for Sale in Note 13) as at 30 June 2021 is \$3,639,989,692 (2020: \$3,645,711,176). The fair value amount disclosed at 30 June 2021 includes \$1,427,293,292 (2020: \$1,519,723,629) of right of use assets measured at cost.

The fair value of DHA's investment properties as at 31 December 2020 and as at 31 December 2019 was on the basis of a valuation carried out on the respective date by external independent valuers. On 30 June 2021, DHA undertook a review of the fair values determined on 31 December 2020 and determined there is no material change from these values.

Independent valuers are members of the Institute of Valuers of Australia, hold appropriate qualifications and have recent experience in the valuation of properties in the relevant locations. The fair value of each property was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of properties, the highest and best use of each property is its 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.

To calculate impairment, the net realisable value of DHA's right of use assets that meet the definition of investment properties in accordance with *AASB 16 Leases* as at 30 June 2021 has been determined based on a discounted cash flow. In determining the net realisable value, DHA applies the following assumptions:

- Rental and capital growth for the next 20 years or rental growth for the term of the lease 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%.
- A discount rate which is calculated internally on an individual asset basis, being the nominal pre-tax discount rate implied by the capital value of the individual property's expected future rent, determined in accordance with the requirement of *AASB 136 Impairment of Assets*.
- 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. The fair value level in accordance with *AASB 13 Fair Value Measurement* is level 3.

#### Significant Accounting Judgement and Estimates

DHA owned 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. *AASB 136 Impairment of Assets* requires that the recoverable amount is the higher of the property's fair value less costs of disposal (FVLCO) and its value in use (VIU).

FVLCO is assessed annually by an independent valuer. VIU is calculated 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.

DHA has applied judgement to determine the discount rate used in the calculation of the VIU. DHA has used a rate that reflects the nominal pre-tax discount rate implied by the capital value of related properties, the expected future rents from the properties and other cash flows for associated property related services.

DHA's right of use assets that meet the definition of investments properties are assessed for impairment as part of a Cash Generating Unit (CGU). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. DHA has determined that individual right of use asset for each property represents a CGU, as each property is capable of generating cash inflows which are largely independent of cash inflows of any other asset/CGU.

DHA has applied judgement to conclude that of the two methods available to determine the recoverable amount on right of use assets, the VIU will consistently generate a higher recoverable amount. DHA uses a VIU approach to assess and measure impairment on the right of use assets.

## 16. Investment properties (continued)

	2021 \$'000	2020 \$'000
<b>As at 1 July</b>		
Cost or fair value	3,206,083	1,179,997
Less: accumulated depreciation and impairment	(589,084)	(142,267)
<b>Net book value at start of period</b>	<b>2,616,999</b>	<b>1,037,730</b>
Recognition of ROU investment properties <sup>1</sup>	-	1,779,584
Less: Opening accumulated impairment on leased properties <sup>1</sup>	-	(159,927)
<b>Adjusted net book value at start of period</b>	<b>2,616,999</b>	<b>2,657,387</b>
<b>For the year ended 30 June</b>		
Additions	84,176	133,492
Lease Adjustments	81,053	62,100
Transfer from inventory to investment property	80,871	101,037
Depreciation charge	(292,695)	(288,907)
Impairment write back/(loss)	34,376	(6,459)
Transfer to assets held for sale	(37,572)	(40,380)
Other disposals or lease expiries	(18,762)	(9,747)
Depreciation/impairment written back on disposal or transfer	23,145	8,476
<b>Movement in net book value for the period</b>	<b>(45,408)</b>	<b>(40,388)</b>
<b>As at 30 June</b>		
Cost or fair value	3,395,849	3,206,083
Less: accumulated depreciation and impairment	(824,258)	(589,084)
<b>Total investment properties</b>	<b>2,571,591</b>	<b>2,616,999</b>

1. Recognition of right of use leased investment properties on initial application of *AASB 16 Leases* on 1 July 2019.

### Accounting policy

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 Investment Property*.

Changes to the term of a lease, or the weekly rental paid on a leased investment property, is treated as a Lease Adjustment.

## 17. Property, plant and equipment

	2021 \$'000	2020 \$'000
<b>Property, plant and equipment</b>		
Property, plant and equipment at cost	25,212	21,551
Less: accumulated depreciation	(18,314)	(17,052)
<b>Net property, plant and equipment</b>	<b>6,898</b>	<b>4,499</b>
<b>Right of use assets</b>		
Motor vehicles and office leases	23,914	22,727
Less: accumulated amortisation	(10,466)	(5,389)
<b>Net motor vehicles and office leases</b>	<b>13,448</b>	<b>17,338</b>
<b>Total property, plant and equipment</b>	<b>20,346</b>	<b>21,837</b>

### Accounting policy

#### *Asset Recognition*

Purchases of property, plant and equipment are recognised at cost in the statement of financial position, except for purchases costing less than \$10,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Following initial recognition at cost, property, plant and equipment is measured at cost less accumulated depreciation.

#### *Right of Use (ROU) Assets*

Right of use leased assets are capitalised at the commencement date of the lease and comprise the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received.



18. Current liabilities – trade and other payables

	2021 \$'000	2020 \$'000
<b>Trade and other payables</b>		
Trade creditors	12,363	13,805
Accrued expenses	18,763	20,333
Stamp duty and land tax payable	3,659	5,643
	<b>34,785</b>	<b>39,781</b>
<b>Trade payables expected to be settled no later than 12 months:</b>		
Related entities	7,761	5,732
External parties	27,024	34,049
<b>Total trade and other payables</b>	<b>34,785</b>	<b>39,781</b>

19. Final dividend

DHA accrued a final dividend for the year ended 30 June 2020 of \$47,129,745 (2020: \$25,603,579), The annual dividend of 60 per cent of net profit after tax is in accordance with DHA's dividend policy as approved by the Shareholder Minister's in the 2020-21 Corporate Plan.

## 20. Borrowings

	2021 \$'000	2020 \$'000
<b>Loans from the Commonwealth</b>		
Current borrowings	70,000	135,000
Non-current borrowings	115,000	374,580
	<b>185,000</b>	<b>509,580</b>
<b>Maturity schedule for borrowings payable</b>		
Within one year	70,000	135,000
Between two and five years	115,000	309,100
More than five years	-	65,480
<b>Total borrowings</b>	<b>185,000</b>	<b>509,580</b>

### Accounting policy

DHA has an unsecured borrowing facility with the Commonwealth. On 1 October 2020, an amended and restated Loan Facility Agreement took effect, affording DHA the flexibility to borrow and repay loans within the maximum facility limit of \$509.6 million.

The facility affords DHA the flexibility to borrow at either fixed or floating interest at market rates which includes a competitive neutrality charge. The facility requires DHA to pay interest on the amounts drawn down to the Department of Finance. Prior to 1 October 2020, interest was paid to the Department of Defence.

All loans and borrowings drawn down under this facility 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 2020-2021 the interest rate range applied to DHA's borrowings was from 0.55% to 5.71% (2020: 0.55% to 5.89%).

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.

## 21. Lease liabilities

	2021 \$'000	2020 \$'000
<b>Lease liabilities</b>		
Current lease liabilities	272,598	258,239
Non-current lease liabilities	1,251,683	1,387,196
	<b>1,524,281</b>	<b>1,645,435</b>
<b>Maturity analysis – lease liabilities</b>		
Undiscounted operating lease payments cash flows		
- Within one year	305,960	308,567
- Between two and five years	919,227	956,705
- More than five years	460,568	542,231
	<b>1,685,755</b>	<b>1,807,503</b>

### Accounting policy

#### (i) DHA's leasing activities

DHA leases residential and commercial properties, vehicles and minor items of office equipment. Rental contracts are typically made for fixed periods of three years to 15 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. DHA allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by DHA.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by DHA under residual value guarantees;
- the exercise price of a purchase option if DHA is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term reflects DHA exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that DHA would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, DHA:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk; and
- makes adjustments specific to the lease, e.g. term and security

DHA is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is expensed over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right of use assets are depreciated over the lease term on a straight-line basis.

*(ii) Extension and termination options*

Extension and termination options are included in a number of property leases and are used to maximise operational flexibility in terms of managing the assets used in DHA's operations. The majority of extension and termination options held are exercisable only by DHA and not by the respective lessor.

#### **Significant Accounting Judgement**

##### *(i) Lease term*

DHA has used judgement in determining where options for extension or termination contained in lease arrangements would or would not be considered reasonably certain of being exercised. DHA makes this judgement on a lease by lease basis and considers all relevant facts and circumstances that create an economic incentive for DHA 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 has included the period covered by those lease extensions in the lease term. DHA's assessment reflects, in part, DHA's past experience in exercising a high proportion of extension options, expectations of the housing needs of the Department of Defence, and costs to source alternative properties.

Generally extension options for motor vehicle leases have not been included in the lease liability, because DHA could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or DHA becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the lessee.

##### *(ii) Renewal of a lease arrangement*

In some instances, DHA may renew a lease with an investor, often 1-2 years before the end of the lease term. DHA will typically incur legal costs to review the lease. DHA has used judgement to conclude that lease renewals are to be accounted for as lease modifications, rather than as new or separate leases under *AASB 16 Leases*. In the absence of specific requirements in *AASB 16 Leases* for costs associated with the modified lease, judgement is required to conclude that modification transaction costs, and associated recoveries will be capitalised by either including amounts in the lease payments, which forms an input to the cost of the right of use asset, or as an adjustment to the cost of the associated right of use asset.

##### *(iii) Make good costs*

A liability is recognised for make good costs to be incurred on the expiry of long term leases. Assumptions have been made, based on historical data, regarding the future economic outflows associated with the make good expenditure. DHA is required under many lease agreements to undertake prescribed maintenance (make good) at the end of the lease period.

At the time of entering into the lease agreement the lease agreement is assessed to determine if DHA has a present obligation to perform make good at the end of the lease, in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*. If a legal obligation is present in the lease agreement 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% (2020: 2.50%) and a discount rate of 0.77% (2020: 0.40%, being the five year Australian Government bond rate as at 30

June 2020). 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.

Judgement has been applied to conclude that obligations that arise during the lease term, when a contractual option is exercised, will be recognised as an adjustment to the related right of use asset. The judgement arises from unclear requirements of AASB 16. The requirements explicitly state that lessees may incur the obligation for such costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. Those provisions are included in relation to the initial measurement of the right of use asset.

DHA's obligation to perform restoration activities at the end of the lease term vary depending on the length of time DHA has held the lease, with no obligation where DHA hold the lease for less than 6 years. Judgement has been applied to conclude DHA does not recognise a make good provision for leases with a current contract lease term of less than 6 years.

*(iv) Incremental borrowing rate (IBR)*

Significant estimation 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 transition method, 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 funds over a similar term, and with a similar security, to obtain an asset of similar value to the right of use asset in a similar economic environment.

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.

*(v) Interest rate implicit in the lease (IRIL)*

The IRIL is the discount rate that, at the inception of the lease, causes the aggregate present value of the lease payments and the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and the initial direct costs of the lessor. The unguaranteed residual value is defined in *AASB 16 Leases* as the portion of the residual value of the underlying asset, the realisation of which is not assured. Determining the unguaranteed residual value is a significant estimate in the IRIL calculation. DHA uses forecast property capital growth, sourced from independent external sources, for each geographical area to determine the estimated unguaranteed residual value of each property.

*(vi) Defence Services Agreement*

DHA has analysed the agreements between DHA, the Department of Defence and the Australian Defence Force Member in order to determine if there is a lease agreement under *AASB 16 Leases*. *AASB 16* 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 Leases* 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:

- (i) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (ii) 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 16 Leases*, as it satisfies the definition of a lease.

*(vii) Lessor management fees*

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 Revenue from Contracts with Customers*; 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.

## 22. Provisions

	2021			2020		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Employee benefits:						
Annual leave	5,051	-	5,051	5,253	-	5,253
Long service leave	800	9,115	9,915	7,981	3,156	11,137
Redundancy	452	-	452	75	-	75
	<b>6,303</b>	<b>9,115</b>	<b>15,418</b>	<b>13,309</b>	<b>3,156</b>	<b>16,465</b>
Other provisions:						
Make good	11,581	81,501	93,082	11,475	102,172	113,647
Lease capital upgrades	17,123	-	17,123	11,415	-	11,415
Other general	1,705	1,388	3,093	16,820	2,370	19,190
	<b>30,409</b>	<b>82,889</b>	<b>113,298</b>	<b>39,710</b>	<b>104,542</b>	<b>144,252</b>
<b>Total provisions</b>	<b>36,712</b>	<b>92,004</b>	<b>128,716</b>	<b>53,019</b>	<b>107,698</b>	<b>160,717</b>

### Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, is set out below:

	Make good provision \$'000	Lease capital upgrades \$'000	Other general provision \$'000	Total \$'000
<b>Carrying amount at 1 July 2020</b>	113,647	11,415	19,190	144,252
Additional provisions recognised	5,153	21,336	8,290	34,779
Amounts used/reversed during the year	(25,718)	(15,628)	(24,387)	(65,733)
<b>Carrying amount at 30 June 2021</b>	<b>93,082</b>	<b>17,123</b>	<b>3,093</b>	<b>113,298</b>

#### Accounting policy

##### *Employee benefits*

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 leave 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 the reporting date.

DHA applies the Australian Government Actuary shorthand model to calculate the long service leave liability. The revised model recognises the expected utilisation over the next twelve months as a current provision. In the prior year, entitlements of employees with nine years of service were recognised as a current provision.

*Make good provision*

DHA assesses each lease agreement to determine if it is required to undertake prescribed maintenance (make good) at the end of the lease period, where the lease term is more than six years. The make good provision provides for the cost of refurbishing the leased property as set out in the lease agreement.

*Lease capital upgrades provision*

DHA is required to undertake capital upgrades on leased properties which were agreed to at the time the lease was signed. The capital upgrade provision provides for the costs of these obligations as set out in the lease.

*Other general provisions*

Other general provisions include amounts set aside for:

- Fringe Benefits Tax and Goods and Service Tax;
- Employee performance bonuses

*Recognition of 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.

23. Other financial liabilities

	2021 \$'000	2020 \$'000
<b>Current other financial liabilities</b>		
Revenue in advance	15,543	34,530
	<b>15,543</b>	<b>34,530</b>
<b>Non-current other financial liabilities</b>		
Revenue in advance	15,406	-
	<b>15,406</b>	-

**Accounting policy**

*Revenue in advance*

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 2021, 69.52% of revenue in advance was in relation to payments received from Defence (2020: 72.73%).

The majority of revenue in advance received from non-Defence sources relates to development project income. In the 2020-21 year the development project income received in advance has been assessed as non-current and recognised accordingly.

## 24. Cash flow reconciliation

	2021 \$'000	2020 \$'000
<b>Reconciliation of operating results to net cash from operating activities</b>		
Profit for the period after tax	78,550	42,673
Depreciation – plant and equipment	2,260	3,246
Depreciation – investment properties	292,695	288,907
Depreciation – right of use assets	5,389	5,389
Amortisation – software	1,296	1,525
Impairment expense/(write back)	(34,728)	6,309
Gain on disposal of investment properties	(13,930)	(5,360)
Increase/(decrease) in other non-operating cash flow revenue items	2	2
Increase/(decrease) in other non-operating cash flow expense items	(3,595)	(224)
Increase/(decrease) in supplier payments	(4,996)	(20,931)
Increase/(decrease) in provisions	(30,381)	33,348
Increase/(decrease) in other liabilities	(3,581)	13,827
Increase/(decrease) in tax liabilities	(5,836)	8,588
(Increase)/decrease in net receivables	2,902	(9,398)
(Increase)/decrease in net deferred tax assets	12,474	(53,528)
(Increase)/decrease in inventories	116,987	122,829
(Increase)/decrease in prepayments	(46)	27,648
<b>Net cash from operating activities</b>	<b>415,462</b>	<b>464,850</b>

## 25. 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:

- (i) the financial asset is held in order to collect the contractual cash flows; and
- (ii) 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 de-recognition event where the write-off directly reduces the gross carrying amount of the financial asset.

## 25. Financial instruments (continued)

### Carrying value

The carrying value of DHA's financial assets and liabilities at the reporting date are as follows:

	2021 \$'000	2020 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	199,285	379,143
Trade and other receivables	20,922	23,557
<b>Carrying value of financial assets</b>	<b>220,207</b>	<b>402,700</b>
<b>Financial liabilities</b>		
Borrowings - current	70,000	135,000
Borrowings – non-current	115,000	374,580
Trade and other payables	34,785	39,781
Other financial liabilities - current	15,543	34,530
Other financial liabilities – non-current	15,406	-
Final dividend	47,130	25,604
<b>Carrying value of financial liabilities</b>	<b>297,864</b>	<b>609,495</b>
	2021 \$'000	2020 \$'000
<b>Net income from financial assets</b>		
Interest	1,312	3,450
<b>Net gain on loans and receivables</b>	<b>1,312</b>	<b>3,450</b>
<b>Net expenses from financial liabilities</b>		
Interest on borrowings	28,973	20,809
<b>Net loss on financial liabilities – amortised cost</b>	<b>28,973</b>	<b>20,809</b>

### Accounting policy

#### 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 value of all future contracted payments at the relevant interest rate. The fair value of DHA's loans with the Commonwealth was \$193,912,236 for 2021 (2020: \$554,942,788).
- 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 counterparty, 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 cash and cash equivalents 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 20 Borrowings* 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.

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 paid or rolled over taking into consideration the interest rate outlook and the maturity profile of existing borrowings.

*Financial Risk Management*

DHA's principle financial instruments comprise receivables, payables, government loans, leases, cash and cash equivalents.

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, supported by the Chief Risk Officer through the identification, assessment and regular reporting to the DHA Board.

**Sensitivity analysis of the risk that DHA is exposed to in 2021 and 2020**

The table below details the interest rate sensitivity analysis of the entity at the reporting date, holding all other variables constant.

Interest rate risk	Risk Variable	Change in risk variable %	Effect on	
			Average cash \$'000	Profit & loss and equity \$'000
2021	Interest	0.74	331,869	2,456
2020	Interest	0.09	282,076	254

Interest rate sensitivity analysis has been calculated on a "reasonable possible" basis. The rate of 74 basis points (2020: 9 basis points) was determined by using the standard parameters issued by the Department of Finance.

## 26. Current/non-current distinction for assets and liabilities

	2021 \$'000	2020 \$'000
<b>Assets expected to be recovered in:</b>		
<b>No more than 12 months</b>		
Cash and cash equivalents	199,285	379,143
Trade and other receivables	20,922	23,557
Investment properties held for sale	9,269	13,419
Inventories	329,075	428,139
Other current assets	2,252	2,206
<b>Total no more than 12 months</b>	<b>560,803</b>	<b>846,464</b>
<b>More than 12 months</b>		
Inventories	234,032	327,113
Investment properties	2,571,591	2,616,999
Property, plant and equipment	20,346	21,837
Intangibles	3,710	4,530
Deferred tax assets	69,368	81,842
Other receivables	253	520
<b>Total more than 12 months</b>	<b>2,899,300</b>	<b>3,052,841</b>
<b>Total assets</b>	<b>3,460,103</b>	<b>3,899,305</b>
<b>Liabilities expected to be settled in:</b>		
<b>No more than 12 months</b>		
Trade and other payables	34,785	39,781
Dividend payable	47,130	25,604
Borrowings	70,000	135,000
Lease liabilities	272,598	258,239
Provisions	36,712	53,019
Current tax liabilities	6,003	11,839
Other financial liabilities	15,543	34,530
<b>Total no more than 12 months</b>	<b>482,771</b>	<b>558,012</b>
<b>More than 12 months</b>		
Borrowings	115,000	374,580
Lease liabilities	1,251,683	1,387,196
Provisions	92,004	107,698
Other financial liabilities	15,406	-
<b>Total more than 12 months</b>	<b>1,474,093</b>	<b>1,869,474</b>
<b>Total liabilities</b>	<b>1,956,864</b>	<b>2,427,486</b>



27. Auditors remuneration

	2021	2020
	\$	\$
<b>Amount received or due and receivable by auditors</b>		
Australian National Audit Office (ANAO) for the audit of the financial statements	300,000	355,000

## Unrecognised Items

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy recognition criteria.

- 28. Commitments
- 29. Contingent assets and liabilities
- 30. Events occurring after the reporting period

## 28. Commitments

	2021 \$'000	2020 \$'000
<b>Commitments receivable</b>		
Undiscounted operating lease income receivable		
- Within one year	405,395	406,703
- One to two years	379,724	370,470
- Two to three years	350,849	338,372
- Three to four years	311,758	304,055
- Four to five years	276,458	260,618
- More than five years	1,067,081	1,026,063
	<b>2,791,265</b>	<b>2,706,281</b>
<b>Commitments payable – capital expenditure</b>		
- Within one year	68,551	78,060
- Between two and five years	11,430	17,225
- More than five years	796	624
	<b>80,777</b>	<b>95,909</b>
<b>Total commitments payable</b>	<b>80,777</b>	<b>95,909</b>
<b>Net Commitments Receivable/(Payable)</b>	<b>2,710,488</b>	<b>2,610,372</b>

Commitments are GST inclusive where relevant.

### Accounting policy

Commitments are GST inclusive where relevant.

#### *Operating Lease Income Receivable*

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 16 Leases*.

#### *Capital expenditure commitments*

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

### Significant Accounting Judgement and Estimates

#### *Operating Lease Income Receivable*

DHA is reasonably certain that all options to extend the lease term will be exercised and applies judgement to estimate rental growth and property vacancy rates based on historical long term averages.

## 29. Contingent assets and liabilities

	Guarantees		Total	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Contingent assets</b>				
Balance from previous period	-	3,000	-	3,000
New	-	-	-	-
Expired	-	(3,000)	-	(3,000)
	-	-	-	-
<b>Contingent liabilities</b>				
Balance from previous period	14,723	11,448	14,723	11,448
New	10,684	10,309	10,684	10,309
Expired	(6,136)	(7,034)	(6,136)	(7,034)
	<b>19,271</b>	<b>14,723</b>	<b>19,271</b>	<b>14,723</b>
<b>Net contingent liability</b>	<b>(19,271)</b>	<b>(14,723)</b>	<b>(19,271)</b>	<b>(14,723)</b>

### Accounting policy

#### *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 2021, DHA has no unquantifiable contingencies.

#### *Remote Contingencies*

As at 30 June 2021, DHA has no remote contingencies.

### 30. Events occurring after the reporting period

#### *Australian Property Market*

DHA closely monitors a range of property market indicia to ensure that the values ascribed to its inventory and investment properties, including leased residential properties, are subject to fair value assessment.

Property market indicia published in July 2021 show strong market growth, with the national average clearance rates consistent with the 10 year averages. Rental market growth is positive with overall vacancy rates lower than previous years.

The medium to long term impact on the Australian Property market remains uncertain. DHA considers that current market indicia does not indicate that change required to the fair values recorded at 30 June 2021.

#### *Other*

There are no other events post 30 June 2021 which would have a material impact on the financial statements or operations of the DHA business.

## Key management personnel and related parties

This section of the notes provides other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

- 31. Key management personnel disclosures
- 32. Related party transactions

### 31. Key management personnel remuneration

#### a) Director remuneration

The aggregate remuneration of the Directors of DHA is set out below:

	2021 \$	Original 2020 \$	Restated <sup>1</sup> 2020 \$
<b>Director remuneration</b>			
Short term employee benefits	515,101	534,165	518,836
Post-employment benefits	72,220	64,837	64,837
<b>Total director remuneration</b>	<b>587,321</b>	<b>599,002</b>	<b>583,673</b>

The Director's remuneration 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.

<sup>1.</sup> **Correction of prior period error**

The 2019-20 short term benefits were overstated by \$15,329, due to overpayments made to two Directors. The restated column has been adjusted for this error and the correct amount of Directors remuneration disclosed. DHA has put arrangements in place to recover these amounts during the 2021-22 financial year.

### 31. Key management personnel remuneration (continued)

#### b) Key management personnel remuneration

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, General Manager – Service Delivery, Chief Financial Officer and Senior Legal Counsel, including in an acting capacity.

The aggregate remuneration of key management personnel of DHA during the financial year is set out below:

	2021 \$	Original 2020 \$	Restated <sup>2</sup> 2020 \$
<b>Short-term employee benefits</b>			
Base salary	1,258,204	1,345,243	1,345,243
Performance bonus	131,302	86,774	86,774
Other benefits and allowances	19,669	6,125	12,098
	<b>1,409,175</b>	<b>1,438,142</b>	<b>1,444,116</b>
<b>Post-employment benefits</b>			
Superannuation	221,994	240,319	240,319
	<b>221,994</b>	<b>240,319</b>	<b>240,319</b>
<b>Other long-term employee benefits</b>			
Long service leave	32,603	23,548	23,548
	<b>32,603</b>	<b>23,548</b>	<b>23,548</b>
<b>Total employment benefits</b>	<b>1,663,772</b>	<b>1,702,009</b>	<b>1,707,982</b>

<sup>2.</sup> **Correction of prior period error**

The 2019-20 other benefits and allowances were understated by \$5,974, as the disclosure did not include non-monetary car parking benefits provided to key management personnel. The restated column has been adjusted for this error and the correct amount of key management remuneration disclosed.

**Accounting policy**

The total number of key management personnel that are included in the above table are 4 individuals (2020: 5 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.



### 32. Related party disclosures

DHA 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 Personnel 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.





PART 6

# Appendices and reference information

Appendix A: Accountable Authority

Appendix B: Board Audit and Risk committee

Appendix C: Workforce statistics

Appendix D: Work health and safety

Appendix E: Five year financial summary

Appendix F: Advertising and market research

Appendix G: Environmental performance

Office directory

Acronyms and abbreviations

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# Appendix A: Accountable Authority

This appendix provides details of our Accountable Authority for 2020–21 in accordance with the PGPA Rule.

**Table 6.1: Accountable Authority 2020–21**

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 within the reporting period		
				Date of Commencement	Date of Cessation	Number of meetings of Accountable Authority attended
Hon J.A.L. (Sandy) Macdonald AM	<ul style="list-style-type: none"> <li>➤ Bachelor of Laws (Sydney)</li> <li>➤ Member of the Australian Institute of Company Directors (AICD)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Senator for New South Wales (1993 to 2008)</li> <li>➤ Parliamentary Secretary to the Minister for Defence (2006 to 2007)</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  Re-appointed February 2021	February 2021  -	8 of 8
Mr Barry Jackson	<ul style="list-style-type: none"> <li>➤ New Zealand Certificate in Quantity Surveying</li> <li>➤ Quantity Surveyors Registration Board</li> <li>➤ Member of the AICD</li> </ul>	<ul style="list-style-type: none"> <li>➤ Various executive and senior roles in the Australian Public Service (APS) and Victorian government</li> <li>➤ 25+ years in private sector (construction, property, strategic 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	-	8 of 8



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 within the reporting period		
				Date of Commencement	Date of Cessation	Number of meetings of Accountable Authority attended
Mr Simon Lewis AO PSM	<ul style="list-style-type: none"> <li>&gt; Bachelor of Arts (Economics, Statistics)</li> <li>&gt; Graduate Diploma of Computing Studies</li> <li>&gt; Graduate Diploma in Administrative Studies</li> <li>&gt; Graduate Diploma of Strategic Studies</li> <li>&gt; Completed the Harvard and Wharton Business School's Advanced Management Programs</li> <li>&gt; Graduate of the AICD</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Various executive and senior roles in the APS</li> <li>&gt; Secretary of the Department of Veterans' Affairs (2013 to 2018)</li> <li>&gt; Other board appointments</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Nominee of the Secretary of Finance</li> <li>&gt; Chair of the Board Audit and Risk Committee</li> <li>&gt; Non-Executive member</li> </ul>	April 2019	-	8 of 8
BRIG Leigh Wilton AM	<ul style="list-style-type: none"> <li>&gt; Master of Arts (Strategic Studies)</li> <li>&gt; Master of Management</li> <li>&gt; Bachelor of Business</li> <li>&gt; Graduate Diploma in Information Systems</li> <li>&gt; Graduate of the Australian Command and Staff College</li> <li>&gt; Graduate of the Centre for Defence and Strategic Studies</li> <li>&gt; Graduate of the AICD</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Member of the Australian Army</li> <li>&gt; Various senior appointments including</li> <li>&gt; Commanding Officer and Chief Instructor of the Army School of Ordnance and Director</li> <li>&gt; General Career Management – Army</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Nominee of the Chief of the Defence Force</li> <li>&gt; Chair of the DHA Advisory Committee</li> <li>&gt; Non-Executive member</li> </ul>	December 2019	-	7 of 8

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 within the reporting period		
				Date of Commencement	Date of Cessation	Number of meetings of Accountable Authority attended
Ms Kate Louis	<ul style="list-style-type: none"> <li>&gt; Bachelor of Laws (1st Class Honours)</li> <li>&gt; Bachelor of Arts</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 20 years' experience in the Department of Defence including Chief of Staff, Assistant Secretary and First Assistant Secretary roles</li> <li>&gt; Executive Director of the Defence Council and Head of Industry Development for the Australian Industry Group</li> <li>&gt; Member of the Centre for Defence Industry Capability Advisory Board</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Nominee of the Secretary of Defence</li> <li>&gt; Non-Executive member</li> </ul>	June 2020	-	8 of 8
Mr Robert Fisher AM	<ul style="list-style-type: none"> <li>&gt; Bachelor of Arts</li> <li>&gt; Bachelor of Education</li> <li>&gt; Member of the AICD</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 40+ year public service career</li> <li>&gt; Member of the Australian Trade Commission Service</li> <li>&gt; CEO/Director General of various WA government departments</li> <li>&gt; One of five commissioners on the Australian Government's National Commission of Audit</li> <li>&gt; Former board appointments</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Commercial member</li> <li>&gt; Chair of the Board Investment Committee</li> <li>&gt; Non-Executive member</li> </ul>	February 2019	-	5 of 8
Ms Andrea Galloway	<ul style="list-style-type: none"> <li>&gt; Bachelor of Business Administration</li> <li>&gt; Diploma of Computer Networks</li> <li>&gt; Graduate of the Executive Program (University of Michigan)</li> <li>&gt; Fellow of the AICD</li> <li>&gt; Justice of the Peace</li> <li>&gt; Licensed Real Estate Agent</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 30+ years in executive management for national and multinational commercial organisations</li> <li>&gt; Former Managing Director and CEO of Evolve Housing</li> <li>&gt; Winner of the Australian and NSW Telstra Women's Award 2014 (Business Innovation category)</li> <li>&gt; Other board appointments</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Commercial member</li> <li>&gt; Non-Executive member</li> </ul>	November 2019	-	8 of 8

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 within the reporting period		
				Date of Commencement	Date of Cessation	Number of meetings of Accountable Authority attended
Mr Ewen Jones	<ul style="list-style-type: none"> <li>➤ Member of the AICD</li> </ul>	<ul style="list-style-type: none"> <li>➤ Federal member for Herbert (2010 to 2016)</li> <li>➤ Government Whip (2015 to 2016)</li> <li>➤ Auctioneer</li> <li>➤ Real estate and corporate finance experience</li> <li>➤ Manager of Business Development at Pickering's Auto Group</li> <li>➤ Other board appointment</li> </ul>	<ul style="list-style-type: none"> <li>➤ Commercial member</li> <li>➤ Non-Executive member</li> </ul>	December 2019	-	7 of 8
Ms Gai Brodtmann	<ul style="list-style-type: none"> <li>➤ Bachelor of Arts (Politics, Sociology and English)</li> <li>➤ Bachelor of Arts (Public Relations)</li> <li>➤ Graduate Certificate in Business</li> <li>➤ Graduate of the Australian Institute of Company Directors</li> <li>➤ Fellow of the Public Relations Institute of Australia</li> </ul>	<ul style="list-style-type: none"> <li>➤ Federal Member for Canberra 2010 to 2019</li> <li>➤ Shadow Parliamentary Secretary for Defence 2013 to 2016</li> <li>➤ Shadow Assistant Minister for Cyber Security and Defence 2016 to 2019</li> <li>➤ Other board appointments</li> </ul>	<ul style="list-style-type: none"> <li>➤ Commercial member</li> <li>➤ Non-Executive member</li> </ul>	February 2021	-	4 of 4
Hon Alan Ferguson AM		<ul style="list-style-type: none"> <li>➤ Senator for South Australia (1992 to 2011)</li> <li>➤ President of the Senate 2007 to 2008</li> <li>➤ Self-employed insurance consultant</li> <li>➤ Farm owner and joint manager of farming property</li> <li>➤ Other board appointment</li> </ul>	<ul style="list-style-type: none"> <li>➤ Commercial member</li> <li>➤ Non-Executive member</li> </ul>	February 2018	February 2021	4 of 4

# Appendix B: Board Audit and Risk Committee

This appendix provides details on our Board Audit and Risk Committee for 2020–21 in accordance with the PGPA Rule.

**Table 6.2: Board Audit and Risk Committee 2020–21**

Name	Qualifications of the Audit Committee	Experience of the Audit Committee	Position Title / Position held Executive / Non-Executive	Period as the Audit Committee or member within the reporting period		
				Date of Commencement	Date of Cessation	Number of meetings of Audit Committee attended
Mr 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> <li>➤ Graduate of the AICD</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 to 2018)</li> <li>➤ Other board appointments</li> </ul>	<ul style="list-style-type: none"> <li>➤ Nominee of the Secretary of Finance</li> <li>➤ Chair of the Board Audit and Risk Committee</li> <li>➤ Non-Executive member</li> </ul>	April 2019	-	4 of 4
Ms Kate Louis	<ul style="list-style-type: none"> <li>➤ Bachelor of Laws (1st Class Honours)</li> <li>➤ Bachelor of Arts</li> </ul>	<ul style="list-style-type: none"> <li>➤ 20 years' experience in the Department of Defence including Chief of Staff, Assistant Secretary and First Assistant Secretary roles</li> <li>➤ Executive Director of the Defence Council and Head of Industry Development for the Australian Industry Group</li> <li>➤ Member of the Centre for Defence Industry Capability Advisory Board</li> </ul>	<ul style="list-style-type: none"> <li>➤ Nominee of the Secretary of Defence</li> <li>➤ Non-Executive member</li> </ul>	June 2020	-	4 of 4



Name	Qualifications of the Audit Committee	Experience of the Audit Committee	Position Title / Position held Executive / Non-Executive	Period as the Audit Committee or member within the reporting period		
				Date of Commencement	Date of Cessation	Number of meetings of Audit Committee attended
Ms 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>➤ Other board appointments</li> </ul>	<ul style="list-style-type: none"> <li>➤ Commercial member</li> <li>➤ Non-Executive member</li> </ul>	November 2019	-	4 of 4
Mr Paul Logan	<ul style="list-style-type: none"> <li>➤ Bachelor of Commerce</li> <li>➤ A Fellow Certified Practising Accountant (CPA)</li> </ul>	<ul style="list-style-type: none"> <li>➤ 25+ years' experience in the air traffic management and civil aviation safety industry across finance, senior management and executive roles</li> </ul>	<ul style="list-style-type: none"> <li>➤ Independent member</li> </ul>	September 2017	-	3 of 4
Mr Geoff Knuckey	<ul style="list-style-type: none"> <li>➤ Fellow of the Institute of Chartered Accountants in Australia</li> <li>➤ Registered Company Auditor (since 1995)</li> <li>➤ Graduate Member of AICD</li> <li>➤ Member of Institute of Internal Auditors</li> <li>➤ Bachelor of Economics (ANU)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Significant Board and Audit Committee experience in the private and public sector</li> <li>➤ Office Managing Partner of Ernst &amp; Young (retired 2009)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Independent member</li> </ul>	October 2020	-	3 of 3

# Appendix C: Workforce statistics

This appendix provides statistics on our workforce as at 30 June 2021 and 30 June 2020 for comparison (unless otherwise stated).<sup>14</sup>

## Staffing profile (by headcount)

Table 6.3: All ongoing employees current reporting period 30 June 2021

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
NSW	39	0	39	47	11	58	0	0	0	97
Qld	20	0	20	62	15	77	0	0	0	97
SA	19	1	20	27	10	37	0	0	0	57
Tas	0	0	0	0	0	0	0	0	0	0
Vic	10	0	10	9	0	9	0	0	0	19
WA	3	0	3	11	0	11	0	0	0	14
ACT	53	3	56	78	15	93	0	0	0	149
NT	1	0	1	13	2	15	0	0	0	16
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>145</b>	<b>4</b>	<b>149</b>	<b>247</b>	<b>53</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>449</b>

<sup>14</sup> Workforce statistics include ongoing and non-ongoing staff at their substantive classification as at 30 June 2020 or 30 June 2021. Inoperative staff (those on long term leave), staff engaged through an employment agency and Board members are excluded.

Table 6.4: All non-ongoing employees current reporting period 30 June 2021

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
NSW	0	0	0	2	1	3	0	0	0	3
Qld	2	0	2	1	0	1	0	0	0	3
SA	0	0	0	0	0	0	0	0	0	0
TAS	0	0	0	0	0	0	0	0	0	0
VIC	2	0	2	1	0	1	0	0	0	3
WA	1	0	1	0	0	0	0	0	0	1
ACT	4	1	5	26	1	27	0	0	0	32
NT	0	0	0	2	0	2	0	0	0	2
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	9	1	10	32	2	34	0	0	0	44

Table 6.5: All ongoing employees previous report period 30 June 2020

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
NSW	43	1	44	49	10	59	0	0	0	103
Qld	24	0	24	60	26	86	0	0	0	110
SA	17	1	18	21	5	26	0	0	0	44
TAS	0	0	0	0	0	0	0	0	0	0
VIC	11	0	11	7	1	8	0	0	0	19
WA	5	0	5	8	0	8	0	0	0	13
ACT	68	6	74	99	22	121	0	0	0	195
NT	1	0	1	16	0	16	0	0	0	17
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	169	8	177	260	64	324	0	0	0	501

Table 6.6: All non-ongoing employees previous report period 30 June 2020

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
NSW	2	0	2	2	1	3	0	0	0	5
Qld	0	0	0	2	1	3	0	0	0	3
SA	1	0	1	0	2	2	0	0	0	3
Tas	0	0	0	0	0	0	0	0	0	0
VIC	1	0	1	1	0	1	0	0	0	2
WA	0	0	0	3	0	3	0	0	0	3
ACT	6	2	8	13	2	15	0	0	0	23
NT	0	0	0	1	0	1	0	0	0	1
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	10	2	12	22	6	28	0	0	0	40

Table 6.7: Staff by classification and gender 2019–20 and 2020–21

Classification	2019–20		2020–21	
	Female	Male	Female	Male
DHA1	0	0	0	0
DHA2	0	0	2	0
DHA3	47	12	49	13
DHA4	126	34	107	30
DHA5	66	34	65	23
DHA6	53	28	55	22
EL1	35	42	37	40
EL2	21	33	16	25
SES and MD	4	6	3	6
Total	352	189	334	159

**Table 6.8: Staff by classification and employment type 2019–20 and 2020–21**

Classification	2019–20		2020–21	
	Full-time	Part-time	Full-time	Part-time
DHA1	0	0	0	0
DHA2	0	0	2	0
DHA3	45	14	50	12
DHA4	134	26	116	21
DHA5	89	11	79	9
DHA6	65	16	67	10
EL1	67	10	71	6
EL2	52	2	40	1
SES and MD	9	1	8	1
Total	461	80	433	60

**Table 6.9: Ongoing staff by length of service and classification 2019–20 and 2020–21**

Length of service	2019–20			2020–21		
	DHA1–4	DHA5–6	EL1–MD	DHA1–4	DHA5–6	EL1–MD
<2 years	51	33	30	47	39	24
2-5 years	90	48	43	80	37	39
6-10 years	35	42	24	34	49	25
≥11 years	43	58	44	40	40	39
Total	219	181	141	201	165	127

**Table 6.10: Staff by office type 2019–20 and 2020–21**

Office type	2019–20	2020–21
	Total	Total
Head office	199	167
Sydney CBD office	24	16
Regional office	234	236
Contact centre	84	74
Total	541	493

**Table 6.11: Staff by location 2019–20 and 2020–21**

State	Office Type	2019–20	2020–21
ACT	Head Office	199	167
	Canberra regional office	19	14
NSW	Hunter regional office	39	37
	Nowra regional office	4	6
	Sydney regional office	37	38
	Sydney CBD office	24	16
	Wagga Wagga regional office	4	3
NT	Darwin regional office	17	16
	Tindal regional office	1	2
QLD	Brisbane regional office	49	43
	Cairns regional office	1	1
	Canungra regional office	1	1
	Ipswich regional office	11	9
	Toowoomba regional office	1	1
	Townsville regional office	50	45
SA	Adelaide regional office	47	57
VIC	Cerberus regional office	1	1
	Melbourne regional office	17	16
	Puckapunyal regional office <sup>1</sup>	0	1
	Sale regional office	1	1
	Wodonga regional office	2	3
WA	Perth regional office	16	15

Note

1. Defence personnel only.

**Table 6.12: Staff by employment instrument 2019–20 and 2020–21**

	2019–20	2020–21
Employment instrument	Number	Number
Enterprise Agreement (EA)	452	439
EA with individual flexibility agreement <sup>1</sup>	79	45
Common law contract	0	0
Public Service Act Section 24(1) determination <sup>2</sup>	9	8
Remuneration Tribunal determination	1	1
<b>Total</b>	<b>541</b>	<b>493</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 is entered into. Refer to our website ([www.dha.gov.au/ea](http://www.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. Remuneration and conditions of service for Senior Executive Service (SES) staff in DHA are determined in this way.

**Table 6.13: Staff gross salary ranges by classification 2019–20 and 2020–21**

	2019–20	2020–21
Classification	Salary range <sup>1</sup>	Salary range <sup>1</sup>
DHA1	\$49,614 – \$55,481	\$49,614 – \$57,700
DHA2	\$53,325 – \$60,985	\$53,325 – \$63,424
DHA3	\$61,620 – \$67,879	\$61,620 – \$71,748
DHA4	\$67,687 – \$75,637	\$67,687 – \$78,662
DHA5	\$76,259 – \$83,235	\$76,259 – \$86,564
DHA6	\$84,183 – \$96,793	\$84,183 – \$100,665
EL1	\$102,205 – \$124,73	\$102,205 – \$129,722
EL2	\$121,458 – \$155,842	\$121,458 – \$162,076
SES and MD	\$210,000 – \$401,722	\$210,000 – \$401,722

Note

1. Under DHA's new enterprise agreement, employees received a four per cent increase effective from 22 January 2021 as part of the buyout of performance pay. In accordance with the Government's six month wage increase deferral for non-SES employees, the first pay increase under the enterprise agreement was deferred for six months. SES employees also received a four per cent increase associated with the buyout of performance pay for SES employees. SES employees and the Managing Director received no general pay increase during the reporting period.

## Performance payments

**Table 6.14: Maximum potential performance bonus by classification 2019–20 and 2020–21**

Classification	Maximum potential performance payment
DHA1–DHA4 <sup>1</sup>	7.5%
DHA5–EL1 <sup>2</sup>	12.5%
EL2–SES <sup>3</sup>	15%
MD <sup>4</sup>	20%

### Notes

1. In accordance with the EA 2015, DHA1–DHA4 staff may be eligible for performance pay of up to 7.5 per cent of their annual gross base salary. Under the EA 2021, which came into effect on 22 January 2021, there is no provision for a performance payment.
2. In accordance with the EA 2015, DHA5–EL1 staff may be eligible for performance pay of up to 12.5 per cent of their annual gross base salary. Under the EA 2021, which came into effect on 22 January 2021, there is no provision for a performance payment.
3. In accordance with the EA 2015 and section 24(1) of the *Public Service Act 1999*, EL2–SES staff may be eligible for performance pay of up to 15 per cent of their annual gross base salary. Under the EA 2021, which came into effect on 22 January 2021, and new SES determinations under section 24(1) of the *Public Service Act 1999*, there is no provision for a performance payment.
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 20 per cent of total gross remuneration. From 1 July 2021, the Remuneration Tribunal has withdrawn the Managing Director's access to performance pay.

**Table 6.15: Performance pay by classification for 2019–20 paid in 2020–21<sup>1</sup>**

Classification	Number of payments	Aggregated amount	Average amount	Range of payments
DHA1	0	\$0	\$0	\$0
DHA2	0	\$0	\$0	\$0
DHA3	56	\$163,825.14	\$2,925.45	\$751.26 – \$4,302.18
DHA4	167	\$566,086.86	\$3,389.74	\$203.81 – \$5,559.32
DHA5	102	\$644,574.64	\$6,319.36	\$1,762.71 – \$10,139.82
DHA6	83	\$580,333.07	\$6,991.96	\$1,897.03 – \$11,298.21
EL1	79	\$729,532.28	\$9,234.59	\$1,388.29 – \$15,591.63
EL2	54	\$870,225.43	\$16,115.29	\$9,310.33 – \$23,376.30
SES	6	\$178,776.08	\$29,796.01	\$25,002.75 – \$38,831.25
MD	1	\$92,471.00	\$92,471.00	\$92,471.00 – \$92,471.00

### Note

1. This table sets out performance pay for the 2019–20 performance cycle that was paid to eligible employees in 2020–21.



## Executive remuneration

### Information about remuneration for Key Management Personnel (KMP)

During the reporting period ended 30 June 2021, DHA had nine non-executive Board members and four senior executives who met the definition of Key Management Personnel (KMP). In the notes to the financial statements for the period ending 30 June 2021, DHA disclosed the following KMP expenses:

**Table 6.16: Key management personnel remuneration for the reporting period 2020–21**

<b>Key management personnel remuneration for the reporting period</b>	<b>\$</b>
Base Salary	\$1,735,913.99
Bonus	\$131,302.25
Other benefits and allowances	\$57,059.87
<b>Total short term benefits</b>	<b>\$1,924,276.11</b>
Superannuation	\$294,214.71
<b>Total post-employment benefits</b>	<b>\$294,214.71</b>
Other long term benefits	\$0.00
Long service leave	\$32,602.59
<b>Total long term benefits</b>	<b>\$32,602.59</b>
Termination benefits	\$0.00
<b>Total key management personnel remuneration</b>	<b>\$2,251,093.41</b>

In accordance with the PGPA Rule, Tables 6.17 to 6.20 comply with GBE remuneration disclosure requirements specified in Resource Management Guide No. 138 *Commonwealth entities Executive Remuneration Reporting Guide for Annual Reports*.

**Table 6.17: Details and length of term for key management personnel**

<b>Name</b>	<b>Position</b>	<b>Term as KMP</b>
J.A.L. (Sandy) Macdonald	Board Chair	Full term
Alan Ferguson	Board Member	1 Jul 2020 – 11 Feb 2021
Robert Fisher	Board Member	Full term
Andrea Galloway	Board Member	Full term
Ewen Jones	Board Member	Full term
Simon Lewis	Board Member	Full term
Kate Louis	Board Member	Full term
Leigh Wilton	Board Member	Full term
Gai Brodtmann	Board Member	12 Feb 2021 – 30 Jun 2021
Barry Jackson	Managing Director	Full term
Paul Groenewegen	Chief Financial Officer	Full term
Brett Jorgensen	General Manager, Service Delivery	Full term
Lisa Barlin	Chief General Counsel	Full term

As per the PGPA Rule, this information is further disaggregated in Table 6.18.

Information about remuneration for key management personnel

Table 6.18: Details of executive remuneration for KMP 30 June 2021

Name	Position title	Short term benefits			Post-employment benefits		Other long term benefits		Termination benefits	Total remuneration
		Base salary	Bonuses	Other benefits and allowances	Superannuation contributions	Long service leave	Other long term benefits			
J.A.L. (Sandy) Macdonald	Board Chair	\$119,256.12	0	\$3,263.04	\$11,285.82	0	0	0	0	\$133,804.98
Alan Ferguson	Board Member	\$37,010.52	0	\$460.80	\$5,506.18	0	0	0	0	\$42,977.50
Robert Fisher <sup>1</sup>	Board Member	\$59,628.06	0	0	\$6,415.76	0	0	0	0	\$66,043.82
Andrea Galloway	Board Member	\$59,628.06	0	\$9,698.40	\$10,433.54	0	0	0	0	\$79,760.00
Ewen Jones <sup>1</sup>	Board Member	\$59,628.06	0	0	\$10,433.54	0	0	0	0	\$70,061.60
Simon Lewis	Board Member	\$59,628.06	0	\$16,679.78	\$11,690.12	0	0	0	0	\$87,997.96
Kate Louis	Board Member	\$60,313.44	0	\$7,289.17	\$12,749.34	0	0	0	0	\$80,351.95
Leigh Wilton <sup>2</sup>	Board Member	0	0	0	0	0	0	0	0	0
Gai Brodtmann	Board Member	\$22,617.54	0	0	\$3,706.08	0	0	0	0	\$26,323.62
Barry Jackson	Managing Director	\$432,751.14	\$92,471.00	\$10,687.04	\$68,932.97	\$10,752.84	0	0	0	\$615,594.99
Paul Groenewegen	Chief Financial Officer	\$303,193.65	0	\$6,091.64	\$57,183.27	\$8,109.35	0	0	0	\$374,577.91
Brett Jorgensen	General Manager, Service Delivery	\$289,515.26	\$38,831.25	\$1,445.00	\$52,471.96	\$7,584.79	0	0	0	\$389,848.26
Lisa Barlin	Chief General Counsel	\$232,744.08	0	\$1,445.00	\$43,406.13	\$6,155.61	0	0	0	\$283,750.82

Notes

1. Short term benefits are overstated due to overpayments made to Robert Fisher and Ewen Jones. DHA has put arrangements in place to recover these amounts during 2021–22.
2. Leigh Wilton is remunerated by the Department of Defence.

### Information about remuneration for senior executives

During the reporting period ended 30 June 2021, DHA had six senior executives who are not key management personnel.

**Table 6.19: Details of remuneration for six senior executive members who are not key management personnel 30 June 2021**

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		
\$0 - \$220,000	1	\$36,277.31	\$25,312.50	0	\$7,160.68	\$6,054.88	0	0	\$74,805.37	
\$220,001 - \$245,000	0	0	0	0	0	0	0	0	0	
\$245,001 - \$270,000	2	\$207,503.62	\$12,501.38	0	\$34,966.48	\$2,810.17	0	0	\$257,781.65	
\$270,001 - \$295,000	0	0	0	0	0	0	0	0	0	
\$295,001 - \$320,000	3	\$227,008.98	\$29,876.53	\$1,790.38	\$39,554.32	\$6,151.33	0	0	\$304,381.54	
\$320,001 - \$345,000	0	0	0	0	0	0	0	0	0	
\$345,001 - \$370,000	0	0	0	0	0	0	0	0	0	
\$370,001 - \$395,000	0	0	0	0	0	0	0	0	0	
\$395,001 - \$420,000	0	0	0	0	0	0	0	0	0	
\$420,001 - \$445,000	0	0	0	0	0	0	0	0	0	
\$445,001 - \$470,000	0	0	0	0	0	0	0	0	0	
\$470,001 - \$495,000	0	0	0	0	0	0	0	0	0	
\$495,001 - ...	0	0	0	0	0	0	0	0	0	

### Information about remuneration for other highly paid staff

During the reporting period ended 30 June 2021, DHA had 13 other highly paid staff.

**Table 6.20: Details of remuneration for 13 other highly paid staff 30 June 2021**

Total remuneration bands	Number of other highly paid staff	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		
\$230,001 - \$245,000	4	\$161,625.21	\$16,129.65	\$29,872.30	\$28,948.56	\$4,337.73	0	0	\$240,913.44
\$245,001 - \$270,000	4	\$165,341.23	\$19,195.97	\$27,086.72	\$31,025.85	\$4,407.50	0	0	\$248,210.03 <sup>1</sup>
\$270,001 - \$295,000	1	\$171,059.70	\$21,739.96	\$46,830.48	\$28,889.53	\$4,337.73	0	0	\$272,857.40
\$295,001 - \$320,000	2	\$196,482.22	\$33,713.17	\$29,606.27	\$39,157.23	\$5,426.74	0	0	\$307,327.65 <sup>1</sup>
\$320,001 - \$345,000	0	0	0	0	0	0	0	0	0
\$345,001 - \$370,000	1	\$158,666.23	\$55,338.67	\$96,158.31	\$38,205.87	\$4,337.73	0	0	\$352,706.81
\$370,001 - \$395,000	0	0	0	0	0	0	0	0	0
\$395,001 - \$420,000	0	0	0	0	0	0	0	0	0
\$420,001 - \$445,000	0	0	0	0	0	0	0	0	0
\$445,001 - \$470,000	1	\$158,666.23	\$100,591.30	\$149,359.00	\$45,991.66	\$4,337.73	0	0	\$458,945.92
\$470,001 - \$495,000	0	0	0	0	0	0	0	0	0
\$495,001 - ...	0	0	0	0	0	0	0	0	0

**Note**

1. Consistent with Commonwealth entities' executive remuneration reporting guide for annual reports Resource Management Guide No. 138 total remuneration includes taxable value of fringe benefits tax which are not included elsewhere in the table.

# Appendix D:

## Work health and safety

### WHS performance 2019–20 and 2020–21

This appendix outlines our Work Health and Safety (WHS) performance in accordance with the *Work Health and Safety Act 2011* (WHS Act).

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. Table 6.21 compares our WHS performance in 2019–20 and 2020–21.

**Table 6.21: WHS performance 2019–20 and 2020–21**

Indicator	2019–20	2020–21
Incident reporting <sup>1</sup>		
Total incidents reported	473	290
WHS incidents	174	77
Staff	57	22
Contractors	23	20
Others <sup>2</sup>	94	35
Recordable injury rate		
Total recordable injury frequency rate	8.54	5.89
Lost time rate		
Lost time injury frequency rate	3.11	0.00
Audits and office inspections		
Contractor and internal audits conducted	192	280
Desktop	156	272
Onsite	36	8
Safety interaction	460	330
Office inspections conducted	62	36
Workers' compensation		
Workers' compensation claims (accepted in financial year)	1	1

#### Notes

- Incidents (WHS and non-WHS) are reported from the date of occurrence. Figures in this table can vary from previous DHA Annual Reports as incidents which occurred in one financial year may be reported in another year, incidents may be reclassified following investigation, or figures may be varied following greater data analysis (i.e. to remove duplicate reports). The variances are not considered material or statistically significant.
- Under Section 19(2) of the WHS Act, DHA has an obligation to ensure the health and safety of other persons is not put at risk from work carried out as part of DHA's business or undertaking. Others includes visitors and DHA managed housing tenants.

## Reported incidents

The total number of incidents reported and the total number of WHS incidents declined in 2020–21 (see Figure 6.1).

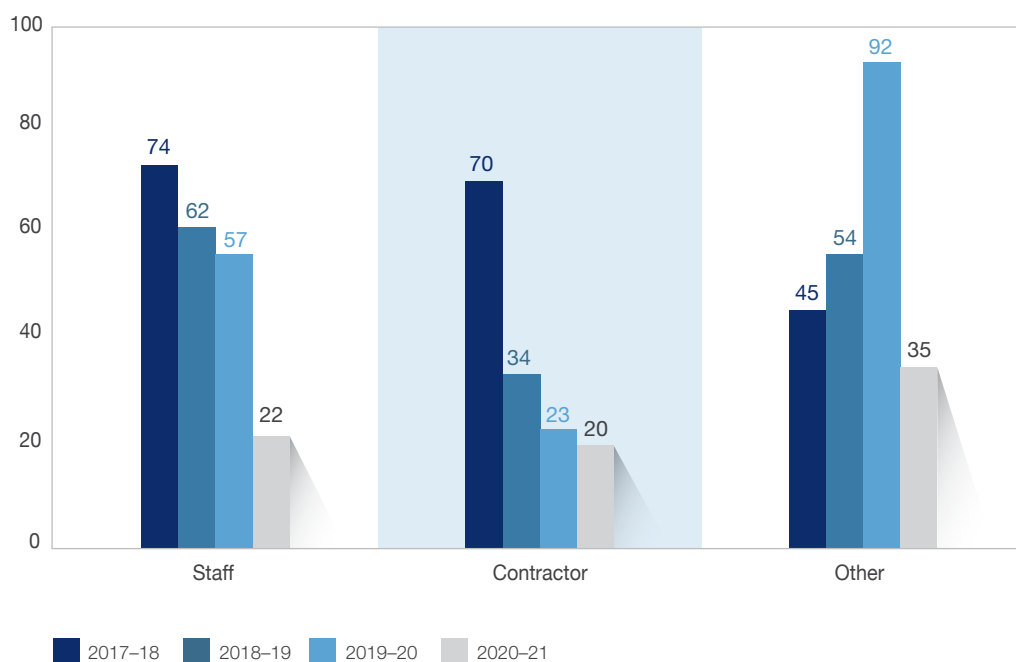
The reduction is largely due to the impact of COVID-19 restrictions on DHA's operations (i.e. staff working from home, reduced onsite property inspections, reduced construction and repairs and maintenance works being undertaken) and increased verification activities by the WHS team to assess and confirm whether or not a reported incident was WHS related.

In 2020–21, DHA notified Comcare of seven incidents as required by the WHS Act. Of these, five incidents involved contractors and two incidents involved staff. DHA conducted a safety investigation of each incident to determine the root cause and identify any contributing factors or failures. DHA implements and/or recommends contractors to implement corrective actions as needed to ensure safe systems of work and minimise the risk of repeated incidents.

Additionally, Comcare investigated and closed each incident. Comcare did not issue any notices to DHA. Further, Comcare reviewed DHA's contractor engagement framework and did not recommend any corrective or improvement actions.

Figure 6.1

WHS incidents by person involved 2017–18 to 2020–21<sup>1</sup>



Note

1. Incidents are reported from the date of occurrence. The data in this figure can vary from previous DHA Annual Reports as incidents which occurred in one financial year may be reported in another year, incidents may be reclassified following investigation, or figures may be varied following greater data analysis (i.e. to remove duplicate reports). The variances are not considered material or statistically significant.

### **Safety audits and inspections**

DHA undertook 280 contractor audits and 36 office inspections as part of our regular WHS assurance program in 2020–21. The significant variance in contractor auditing (192 audits in 2019–20 compared to 280 audits in 2020–21) is due to an increase in desktop audits within the constraints imposed by COVID-19 restrictions.

### **Certification**

DHA maintained certification against the AS NZS 4801 (Health and Safety) and ISO 9001 (Quality) management system certifications. Ongoing certification is subject to external audit verification.

### **Worker's compensation**

Three workers' compensation claims were lodged with Comcare, the Australian Government's insurer, regulator and scheme manager. Of these, two claims related to trauma injuries and one claim involved a fracture injury. One claim (fracture) was accepted as a compensable injury but did not meet DHA's criteria as a lost time injury. The remaining two claims were closed as non-compensable by Comcare.



# Appendix E: Five year financial summary

This appendix provides a comprehensive overview of DHA's key financial performance results for the last five financial years.

**Table 6.22: Financial performance 2016–17 to 2020–21**

	2016–17	2017–18	2018–19	2019–20	2020–21
Financial performance					
Net profit after tax (\$m)	\$65.7	\$44.3	\$40.9	\$42.7	\$78.5
Annual dividend (\$m)	\$39.6	\$26.6	\$24.5	\$25.6	\$47.1
Return on equity	4.3%	2.9%	2.4%	2.7%	5.3%
Property investment revenue (\$m) <sup>1</sup>	\$363.9	\$278.5	\$156.6	\$167.2	\$155.9
Disposal program revenue (\$m)	\$64.2	\$32.2	\$35.4	\$10.8	\$18.4
Development land and property sales revenue (\$m)	\$116.4	\$104.9	\$140.1	\$204.5	\$156.6
Business efficiency					
Return on capital employed	5.9%	4.2%	3.8%	6.3%	11.0%
Leverage/solvency					
Gearing ratio	24.9%	24.7%	24.5%	25.7%	11.0%
Interest times cover	5.2	4.7	4.7	8.5	7.0
Current ratio	6.2	3.4	7.5	2.3	1.4
Liquidity ratio <sup>2</sup>	6.2	5.8	2.1	1.0	0.5
Portfolio management					
Value of portfolio under management (\$b)	\$11.0	\$11.1	\$11.2	\$11.0	\$10.95
Total properties under management <sup>3</sup>	18,841	18,395	18,112	17,925	17,503
New constructions and acquisitions	940	473	641	450	152

#### Notes

1. Property investment revenues reported are the gross sale proceeds, excluding GST. In 2019–20, the accounting treatment under AASB 16 Leases reports the net gain \$15.2 million, with a portion of the gain deferred over the term of the lease.
2. Liquidity ratio excludes current borrowings as borrowed items are rolled on maturity and not considered to be a risk. The liquidity ratio for 2020–21 is lower than previous years due to the repayment of maturing loans and the early repayment of \$189.6 million in loans, with a corresponding reduction in the cash balance as at 30 June 2021.
3. Figures include all properties managed by DHA (leased and owned).

## Appendix F: Advertising and market research

In accordance with section 311A of the *Commonwealth Electoral Act 1918*, this appendix discloses payments of \$14,300 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 2020–21.

**Table 6.23: Advertising expenditure 2020–21**

Organisation	Purpose of services	Expenditure (\$ inc GST)
Campaign Edge Sprout	Lee Point and Breezes Muirhead creative and account management	\$129,128.28
Heard Agency	Akuna Vista creative and account management	\$35,244.86
Audience Group	Torhaven creative and account management	\$16,054.50
McCann World Group	Property Investment Program creative development	\$75,130.00
Simple	Northwest Quarter creative and account management	\$33,675.84

**Table 6.24: Direct mail expenditure 2020–21**

Organisation	Purpose of creative services	Expenditure (\$ inc GST)
n/a	n/a	\$0

**Table 6.25: Media advertising expenditure 2020–21<sup>1</sup>**

Organisation	Purpose of services	Expenditure (\$ inc GST)
Campaign Edge Sprout	Media placement and booking for Breezes development	\$101,627.07
Audience Group	Media placement and booking for Torhaven and Miramor developments	\$223,600.48
Bishopp Advertising	Media placement and booking for Torhaven development	\$36,826.00
Universal McCann	Media placement and booking for Direct Leasing Campaign and Property Investment Program	\$490,318.84
REA Group	Media placement and booking Property Investment Program Campaign	\$66,001.01
CCT Marketing Pty Ltd	Media placement and booking Property Investment Program Campaign	\$26,620.00
Taboola Australia Pty Ltd	Media placement and booking Property Investment Program Campaign	\$21,998.48
Dethridge Groves Real Estate	Media placement and booking for Liv Apartments	\$55,680.00
Creative.adm	Media placement and booking for Liv Apartments	\$98,569.75

Note

1. Media advertising expenditure includes placement.

**Table 6.26: Market research expenditure 2020–21**

Organisation	Purpose of services	Expenditure (\$ inc GST)
Colmar Brunton	Brand tracking for DHA Investment marketing program	\$51,150.00

# Appendix G:

## 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.

### Heritage properties

#### Commonwealth Heritage Listed properties

On behalf of Defence, DHA manage and conserve 72 Commonwealth Heritage Listed properties at ADF bases and establishments across Australia in accordance with the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). We also own 13 Commonwealth Heritage Listed properties and two Commonwealth Heritage Listed development sites. There are a further three development sites on the DHA Heritage Register. These properties are an important piece of Australia's history, as well as the history of the ADF. We plan and undertake conservation activities in accordance with the EPBC Act, a heritage management framework and a heritage strategy.

#### Maintenance and conservation of any identified heritage property

DHA has several development sites that are currently under various stages of planning. Each project has allowed for the ongoing maintenance and protection of the heritage values. We have an obligation to protect the sites from vandalism and damage whilst they are in the planning stages.

#### 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

Each project has allowance for the necessary Conservation Management Plans or Heritage Management Plans that enable the continued management of the sites during and after delivery.

#### Identification of heritage values

No new sites were reviewed as part of the DHA Heritage Strategy in 2020–21.

#### Development and maintenance of the DHA Heritage Register

The DHA Heritage Register is updated when any change in heritage values are identified, or a new site is identified as having heritage values. The DHA Heritage Register is detailed on our website (<https://www.dha.gov.au/housing/heritage-properties>).

#### Preparation and review of Conservation Management Plans

We undertake a review of Conservation Management Plans every five years in accordance with the EPBC Act or within two years of purchasing a known listed Commonwealth Heritage Listed place. DHA is currently reviewing the first draft of the Conservation Management Plan for our Fort Wallace site. The Lawson Conservation Management Plan has been reviewed and is being prepared for submission to the Heritage Council of Australia for review and endorsement. Fort Wallace Stockton has recently commissioned a Heritage Management Plan that is currently under DHA review.

**Table 6.27: Maintenance work expenditure 2020–21**

Project/Property	Maintenance	Management Plans
Gunners Cottages, WA	\$16,896	\$0
Mount Lofty, QLD	\$71,474	\$0
Stockton Rifle Range, NSW	\$4,648	\$0
Fort Wallace, NSW	\$54,184	\$34,165
Lawson, ACT	\$107,256	\$67,115
Total	\$254,458	\$101,280

#### Maintenance and works expenditure on properties with heritage values

In 2020–21, we invested \$355,738 on maintenance and management of properties with heritage values (refer Table 6.27).

#### Disposal or acquisition of property with heritage values

DHA disposed six properties with heritage values, all located in Burt Street, Fremantle. These properties were excess to DHA needs and were subject to the referral made under the EPBC Act last year, and subsequently approved for disposal.

#### Office energy use

DHA does not have control over the energy efficiency of fixtures and fittings within our offices as they are all commercially leased. Where possible, we reduce energy consumption through the use of automated essential lighting, heating and cooling outside of business hours. Our ICT equipment, including printers, monitors and laptops/tablets are set to go into standby mode when not in use. Desk phones and meeting room screens go into sleep mode outside of business hours.

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

DHA's travel program has significantly reduced due to the COVID-19 restrictions. We have adopted the Whole of Government Travel Services across air travel, accommodation, car hire and travel booking management. During the course of the year DHA has taken up two additional arrangements—accommodation and car hire. The Whole of Government Travel Services provide excellent cost and efficiency savings.

DHA has further rationalised use of leased vehicles reducing the fleet from 193 vehicles at 30 June 2020 to 175 at 30 June 2021.

# Office directory

## ACT

### Head office

24–26 Brisbane Ave  
Barton ACT 2600

### Canberra regional office

Tenancy 12, 26 Ipswich Street  
Fyshwick ACT 2609

## NSW

### Hunter regional office

Suite 2, 45D Fitzroy Street  
Carrington NSW 2294

### Nowra regional office

Suite 3, Level 2 Bridgeton House  
55–57 Berry Street  
Nowra NSW 2541

### Sydney regional office

Level 5, 111 Phillip Street  
Parramatta NSW 2150

### Sydney CBD office

Suite 201, Level 2  
287 Elizabeth Street  
Sydney NSW 2000

### Wagga Wagga regional office

Ground Floor T3  
193–195 Morgan Street  
Wagga Wagga NSW 2650

## NT

### Darwin regional office

Level 1, Building 4  
631 Stuart Highway  
Berrimah NT 0828

### Tindal regional office

By appointment only  
42 Katherine Terrace  
Katherine NT 0828

## SA

### Adelaide regional office

Level 1, 1 Main Street  
Mawson Lakes SA 5095

## WA

### Perth regional office

Level 2, 1 Swan Street  
North Fremantle WA 6159

## QLD

### Brisbane regional office

Level 4, 76 Skyring Terrace  
Newstead QLD 4006

### Toowoomba regional office

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

### Ipswich regional office

Level 1, 15 Gordon Street  
Ipswich QLD 4305

### Townsville regional office

63–65 Bamford Lane  
Kirwan QLD 4817

### Canungra outpost office

Defence personnel only  
Building No. 3, Papang Road  
Kokoda Barracks  
Canungra QLD 4275

## VIC

### Melbourne regional office

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

### Wodonga regional office

83 Hume Street  
Wodonga VIC 3690

### Cerberus outpost office

Defence personnel only  
Building 192, Cook Road  
HMAS Cerberus  
Cerberus VIC 3920

### Puckapunyal outpost office

Defence personnel only  
Building A0548, Vivi Street  
Puckapunyal VIC 3662

### Sale outpost office

Defence personnel only  
Building 115, Catalina Street  
RAAF Base East Sale VIC 3662

# Acronyms and abbreviations

AASB	Australian Accounting Standards Board
ACT	Australian Capital Territory
ACSC	Australian Cyber Security Centre
ADF	Australian Defence Force
AM	Member of the Order of Australia
AICD	Australian Institute of Company Directors
ANAO	Australian National Audit Office
AO	Officer of the Order of Australia
APS	Australian Public Service
APSC	Australian Public Service Commission
BARC	Board Audit and Risk Committee
Board	Board of Directors
BIC	Board Investment Committee
CAT	Command Activation Team
CFO	Chief Financial Officer
CHL	Commonwealth Heritage Listed
COTS	commercial-off-the-shelf
Cth	Commonwealth
Defence	Department of Defence
DHA	Defence Housing Australia
DHA AC	DHA Advisory Committee
DHA Act	<i>Defence Housing Australia Act 1987</i>
DHF	Defence Housing Forecast
DSA	Defence Services Agreement – Services Agreement with Defence on housing and related matters
EA	Enterprise Agreement
EER	Energy Efficiency Rating
EPBC Act	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
EY	Ernst & Young (professional services company)

FBC	Future Business Committee
FBT	Fringe Benefits Tax
FOI	<i>Freedom of Information Act 1982</i>
GBE	Government Business Enterprise
GBE Guidelines	<i>Commonwealth Government Business Enterprise Governance and Oversight Guidelines</i>
GST	Goods and Services Tax
Hon	Honourable
IAP	Indigenous Apprenticeship Program
IT	information technology
JCPAA	Joint Committee of Public Accounts and Audit
KMP	Key management personnel
KPI	key performance indicator
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
NITES	National Indigenous Training and Employment Solutions
NPAT	Net Profit After Tax
NRC	Nomination and Remuneration Committee
NSW	New South Wales
NT	Northern Territory
OAIC	Office of the Australian Information Commissioner
PBS	Portfolio Budget Statements
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	<i>Public Governance, Performance and Accountability Rule 2014</i>
PSM	Public Service Medal



PSPF	Protective Security Policy Framework
PWC	Parliamentary Standing Committee on Public Works
QLD	Queensland
RA	Rent Allowance
RAP	Reconciliation Action Plan
Rent Bands	Classification of service residences by market rent
RFI	Request for Information
SA	South Australia
Services Agreement	Services Agreement with Defence on housing and related matters
SES	Senior Executive Service
TAS	Tasmania
TRIFR	Total recordable injury frequency rate
VIC	Victoria
WA	Western Australia
WHS	work, health and safety
WHS Act	<i>Work Health and Safety Act 2011</i>

# 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 *Annual report for corporate Commonwealth entities Resource Management Guide No. 136* (as published by the Department of Finance).

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BB	Approval of annual report by 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.	
18BD	Plain English and clear design			
	Contents	iv	Table of contents	
	Alphabetical index	213	Index (alphabetical)	
	Acronyms and abbreviations	205	Glossary (acronyms and abbreviations)	
	Contact details Contact details Digital report	Inside front cover	Details of contact officer Entity's website address Electronic address of the annual report	
	Index of annual report requirements	208	List of requirements	
17BE	Contents of annual report			
17BE(a)	Legislative framework	78	Details of the legislation establishing the body	Mandatory
17BE(b)(i)	Legislative framework	78	A summary of the objects and functions of the entity as set out in legislation	Mandatory
17BE(b)(ii)	Planning and reporting framework	34	The purposes of the entity as included in the entity's corporate plan for the reporting period	Mandatory
17BE(c)	Shareholder Ministers	14 82–83	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

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BE(d)	Shareholder Ministers	82–83	Directions given to the entity by the Minister under an Act or instrument during the reporting period	If applicable, mandatory
17BE(e)	Shareholder Ministers	82–83	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)	Not applicable	–	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	37	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	79	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	82–86 178	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period	Mandatory
17BE(k)	Organisational structure	14	Outline of the organisational structure of the entity (including any subsidiaries of the entity)	Mandatory
17BE(ka)	Appendix C: Workforce statistics	184	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)	Our office network Office directory	16 204	Outline of the location (whether or not in Australia) of major activities or facilities of the entity	Mandatory
17BE(m)	Corporate governance structure	82	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(n), 17BE(o)	Board member related party transaction 2020–21	88	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 Summary analysis of performance against our purpose Purpose 1: Provide quality housing and related services Purpose 2: Provide value to shareholders External scrutiny	4 29–40 41–48 50–59 97	Any significant activities and changes that affected the operation or structure of the entity during the reporting period	If applicable, mandatory
17BE(q)	Not applicable	–	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	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
17BE(s)	Not applicable	–	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

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BE(t)	Not applicable	–	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(taa)	Board Audit and Risk Committee Appendix B: Board Audit and Risk Committee	89 182	The following information about the audit committee for the entity: (a) a direct electronic address of the charter determining the functions of the audit committee; (b) the name of each member of the audit committee; (c) the qualifications, knowledge, skills or experience of each member of the audit committee; (d) information about each member's attendance at meetings of the audit committee; (e) the remuneration of each member of the audit committee	Mandatory
17BE(ta)	Executive remuneration	191–195	Information about executive remuneration	Mandatory
17BF	Disclosure requirements for government business enterprises			
17BF (1)(a)(i)	Managing Director's review Financial structure Purpose 2: Provide value to shareholders Strategic Priority 3–Financial	4 20 50 50–54	An assessment of significant changes in the entity's overall financial structure and financial conditions	If applicable, mandatory
17BF (1)(a)(ii)	Purpose 2: Provide value to shareholders Strategic Priority 3–Financial	50 50–54	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

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BF(1)(b)	Returns to the Australian Government Appendix E: Five year financial summary	52 199	Information on dividends paid or recommended	If applicable, mandatory
17BF(1)(c)	Not applicable	–	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	34	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
Other legislation				
	Appendix D: Work health and safety	196	Work health and safety (schedule 2, Part 4 of the WHS Act)	
	Appendix F: Advertising and market research	200	Advertising and market research (section 311A of the <i>Commonwealth Electoral Act 1918</i> )	
	Appendix G: Environmental performance	202	Ecologically sustainable development and environmental performance (section 516A of the EPBC Act)	

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