



Defence Housing Authority
Annual Report 2002–2003



Our Vision

To be recognised as trusted experts and leaders
in Defence housing and relocation services.

Our Mission

To deliver total housing and relocation services that
meet Defence operational and client needs through
a strong customer and business focus.



Annual Report 2002–2003



15 years



Defence Housing Authority Annual Report 2002–2003

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Vantage Point Complex — Darwin.



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15 years



Letter of Transmittal

24 September 2003

The Hon. Danna Vale MP
Minister for Veterans' Affairs and
Minister Assisting the Minister for Defence
Parliament House
CANBERRA ACT 2600

The Hon. Eric Abetz
Special Minister of State and
Liberal Senator for Tasmania
Parliament House
CANBERRA ACT 2600

Dear Ministers

On behalf of the Defence Housing Authority and in accordance with the Commonwealth Authorities and Companies Act 1997, I am pleased to submit to you the Defence Housing Authority Annual Report 2002 - 2003.

This Report covers the Authority's 15th year of operations in providing housing services to Defence Force members and their families. As DHA's new Chairman I am impressed to be joining an organisation with demonstrably high levels of commitment to customer service and the support of the Australian Defence Force.

The standard of relocation services provided by DHA is defined under a series of Key Performance Indicators that are included in a Relocation Services Agreement signed with the Department of Defence in December 2002. DHA performed successfully against these KPIs throughout the year.

DHA has generated very strong financial returns during the year reflecting in large part the level of capital growth currently being experienced in the residential property market. The level of Government equity invested in DHA continues to be reduced with \$307 million of special dividend payments being made during the year, in addition to an annual dividend of \$62.2 million to be paid in respect of the profit generated in the year.

I would like to thank you for your interest and support of the activities of the Defence Housing Authority.

Yours sincerely

The Hon Peter Jones AM
Chairman

Canberra,
4 September 2003

Significant events

There were a number of notable events during the reporting period that were either milestones or significant achievements. Many of these involved Shareholder Ministers, Defence Housing Authority staff, members of the Australian Defence Force and Board Directors.

July 2002	Introduction of Case Management model for relocations
August 2002	Annual Conference in Canberra with the National Consultative Group of Service Families (now Defence Families of Australia)
September 2002	New Housing Management Centre opened in Ipswich to provide support for RAAF Base Amberley
September 2002	National Sales office moved to shopfront at 80 George Street, Parramatta
October 2002	Established shopfront at HMAS CERBERUS at Westernport, Victoria
October 2002	Established shopfront at RAAF Base Williamtown
October 2002	Established shopfront at Lone Pine Barracks, Singleton
November 2002	Consultation with Lessors in Melbourne following the Asset Sales Scoping Study
December 2002	Relocation Services Agreement between DHA and Defence executed
December 2002	DHA Certified Agreement certified by Australian Industrial Relations Commission
January 2003	The Hon. Senator Robert Hill opened Vantage Point complex in Darwin. The complex comprises 95 apartments in three towers
February 2003	Acquired ex-Pitch and Putt site in Furlong Road Queanbeyan for housing development of 50 homes
March 2003	Public Works Committee approved housing development for 72 homes at Adamstown
April 2003	The Hon. Eric Abetz opened 66 new homes at John French Estate, Enoggera, Brisbane
April 2003	Completed 120 house development at RMC Duntroon
May 2003	Melbourne Housing Management Centre relocated to 391 St Kilda Road and formally opened by CDF, General Cosgrove
May 2003	Established shopfront at Adamstown Army Depot, Newcastle
June 2003	Appointment of new Chairman, The Hon. Peter V. Jones, and new Director, Mr Wayne Stokes
June 2003	Acquired ex-Defence site at East Hills for housing development of 160 homes



Chairman and Managing Director's overview

Recognising 15 years of service to ADF members and their families

This year the Defence Housing Authority (DHA) achieved a significant milestone — 15 years of providing housing solutions for Australian Defence Force (ADF) members and their families.

DHA was established by legislation in 1987 at a time when the standard of Defence housing was so poor that it caused the ADF retention problems.

In stories published by DHA as part of its 15th Anniversary program, numerous families recalled the bad old days when they used to take the carpets, curtains and light fittings with them from posting to posting.

Today, most ADF members pre-select their new home and are able to have their furniture moved door-to-door. Defence families usually enjoy a well built and well maintained home with all the facilities for a modern, busy lifestyle. This includes quality kitchens, family rooms, external utility areas, ensuites and garage accommodation — features that put a home on par with community standards.

Community expectations as well as Defence requirements have changed over the last 15 years, and will continue to change. In order to meet its charter, DHA needs to continuously improve its products and services. DHA has a proud record of developing quality housing projects, including significant amenity improvements to the homes it provides in all parts of Australia. In the first half of 2003, amongst other developments DHA opened the Vantage Point triple tower apartment complex in Darwin, the award-winning John French Estate and



Keith Lyon & Peter Jones

Memorial Park in Enoggera and 120 homes at the RMC Duntroon Residential Precinct.

DHA has purposely taken the opportunity to mark 15 years of business operations believing that it is important for organisations to have an historical perspective. It is important for staff to know how the organisation came into being, what it has achieved, and what the future may hold. In 2003 DHA properly recognised that as an organisation it has something to be proud of — an enduring contribution to the lives of Defence personnel and their families.



Peter Jollie

The year in retrospect

After six exciting and productive years as Chairman of the DHA Board, during which time DHA's business changed dramatically, Peter Jollie AM retired on 24 June 2003. During his time as Board Chairman, Mr Jollie's business acumen and experience provided the stability of sound leadership during a time of great change, improved commercial performance and significant increases in the level of ADF member customer satisfaction.

We thank him for his support of DHA and its mission.

Our business — working in partnership

By ensuring a customer focused and efficient delivery of services to our ADF members, DHA has continued to assist the Department of Defence (Defence) in meeting its operational deployment requirements as well as its retention and recruitment targets.

DHA's business activities have grown substantially in recent years as a result of taking over the tenancy management and relocations function from Defence. The consolidation of these business activities with DHA has facilitated substantial improvements to service, reductions in stress on families and has allowed the integration of relocations and housing services, with

resultant service delivery efficiencies. Defence savings resulting from better vacancy management and reduced storage costs have been estimated to total \$20 million compared with costs incurred two years ago.

In December 2002 DHA and Defence signed a Relocation Services Agreement which included a series of Key Performance Indicators (KPIs) aimed at establishing the standard for relocation services to be maintained by DHA. DHA successfully performed against these KPIs during the 2002–03 ADF peak posting period.

Customer satisfaction

The best evidence of how well DHA is providing services to our ADF members is their feedback on their experiences when moving house and living in DHA properties. Results of customer survey feedback undertaken during the year indicate 82 per cent of our ADF members were satisfied with their housing, 84 per cent were satisfied with maintenance services and 85 per cent indicated they were satisfied with DHA's relocation services.

Improved relocation management

The redevelopment of the management process for relocations was implemented in time to capture the full 2002–03 annual Defence member postings cycle. A critically important change was the introduction of local Case Managers whose task is to assist members plan their relocation and to help with finding a new housing solution. These Case Managers are located in DHA Housing Management Centres (HMCs) across the country.

The feedback from ADF members indicates a significant increase in service satisfaction — particularly during the peak period. All performance measures were met.

The previously mentioned Relocation Services Agreement with Defence, which was signed in December, runs to 30 June 2010. This covers all responsibilities for relocation services (i.e. travel bookings, temporary accommodation and allowances) except for the management of furniture and storage, which is Defence's responsibility.

New IT systems are currently being developed to make management of this decentralised case management system more efficient.

Increased housing choice

'Defence Choice Housing' was implemented on 1 November 2002 with approximately 400 choice

properties becoming identified in major metropolitan areas. 'Defence Choice Housing' will over the years provide access for ADF members to a selection of inner city locations without increasing Defence cost. Essentially, Service members will be able to 'trade off' some functional amenity, such as second garage or storage area of a detached dwelling for a smaller townhouse or apartment in a preferred location.

Increased DHA service locations

The addition of a new HMC in Ipswich, and the relocation of Melbourne HMC, together with the establishment of part-time offices on base at RAAF Base Williamtown, HMAS CERBERUS and RAAF Base Amberley will ensure greater ease of access to DHA office locations for ADF members and their families.

Private investors

Lessor investors are an integral component of DHA's financing strategy as they provide DHA with greater flexibility in both acquiring and upgrading its housing stock. This investment also reduces the demand placed upon Commonwealth funds.

DHA is particularly pleased with feedback from its annual Lessor surveys which indicated that 93 per cent of Lessors are satisfied with the manner in which DHA managed their investment. This figure exceeded DHA's target. During the year, DHA sold 1,061 houses on its Sale and Leaseback Program, generating \$355.5 million.

As a result of partnering with Lessor investors this year, DHA made available advances to Lessors totalling approximately \$1.5 million for the specific purpose of upgrading amenities. Some examples of the activities undertaken as part of the upgrade project are the fitting of pergolas, retro-fitting of air conditioning and increased security.





Meeting our commercial responsibilities

Commercial reform

DHA continues to make substantial progress in commercial reform. These reform activities commenced with the development of the Services Agreement in June 2000, a contract Agreement between the Department of Defence and DHA which introduced a more relevant pricing arrangement for services founded on residential market rent. These reforms also involved reaching agreement with the Commonwealth Government on the rate of return expected for shareholder wealth, the payment of taxation, reduced ownership levels for stock holdings and a restructure of the DHA balance sheet involving the payment to Government of substantial special capital and dividend payments including \$307 million during the financial year.

Looking to the future, the Board believes:

- that DHA should be classified off-budget; and
- that DHA legislation should be appropriately modernised consistent with the Government's Government Business Enterprise principles.

DHA continues to hold a Standard and Poors AA+ credit rating — one of the highest credit ratings available.

Our people

At 30 June 2003 DHA employed approximately 770 staff — located in 15 major regional offices and 12 shopfronts, the National Service and Support Centre (NSSC) and a corporate office, which includes the Development and Sales business area.

Key factors in any successful business include the professionalism, quality and enthusiasm of its staff. It was with a great deal of pleasure that management received the result of DHA's annual staff opinion survey — involving feedback from 85 per cent of staff — which showed a dramatic increase in overall staff satisfaction from 49 per cent to 76 per cent. These results have been benchmarked across all industries and indicate that DHA is meeting or exceeding best practice in the majority of areas surveyed.

Good governance supporting good business outcomes

Robust governance practices covering both the Board and management are in place to facilitate good outcomes, including independent assessment of Board performance and risk management.

Independent assessment of Board performance

In accordance with better practice Corporate governance, an independent assessment of Board and

Director performance was undertaken. This assessment found that the Board is operating effectively and in line with the principles of good governance. A number of improvements were suggested including improvements to Directors' induction.

Risk management

Risk management is seen by DHA as another good governance strategy supporting appropriate business outcomes and early intervention when needed.

DHA has developed a detailed risk management plan to underpin the strategic plan and this is reviewed by the Board Audit Committee on a regular basis.

The future

Improved systems for better customer service

The Tenancy and Property Management System (TPMS) Project commenced during the latter half of this financial year. The Project will replace current IT systems which no longer provide sufficient flexibility to allow DHA to respond to changing business demands and risk the ability to improve customer service. The TPMS Project not only includes updated IT systems but also a comprehensive change management and training program to ensure maximisation of potential system benefits. New systems are planned to be rolled out over the next two financial years.

Our capital program

Coming years will see an expenditure in the vicinity of \$1 billion in acquiring new houses — both on and off military bases — to ensure continuous improvement in housing solutions available to ADF members and their families. Anticipated outcomes from future programs include new on-base housing at Puckapunyal, as well as refurbishment activities at RAAF Base Tindal. During the next three years, DHA has major acquisition and construction programs in all major cities and many regional centres Australia-wide.

Public Private Partnerships (PPPs)

As requested by our Shareholder Ministers, DHA is investigating the potential benefits of a PPP approach to providing housing solutions including significant developments on military bases.



Report of Operations

The Directors of the Defence Housing Authority are pleased to present their Annual Report for the financial year ending 30 June 2003.

The Directors are responsible under section 9 of the Commonwealth Authorities and Companies Act for the preparation and content of this Report, in accordance with the Finance Minister's orders. This Report is made in accordance with a resolution of the Directors.

The Hon Peter Jones AM
Chairman

Canberra,
4 September 2003

The Hon Peter Jones AM
Chairman

Keith Lyon
Managing Director

Financial overview

DHA exceeded its EBIT (earnings before interest and tax) targets for the year despite a reduction in the housing requirement as an increasing number of ADF families bought their own homes. The resultant reduction in DHA's rental revenues was more than offset by profits arising from the sale of properties into the market as capital values continued to grow strongly in all markets. The accounting rate of return on assets employed fell and primarily reflects a continuing trend towards lower rental yields being available from the market.

The overall shareholder value added return of \$226 million (pre-tax) or 15.5 per cent exceeds DHA's target rate of return and is also in excess of the returns that have been made during the previous two years. This level of return reflects the continuation of strong capital growth in all property markets during the year. On average the capital value of DHA's portfolio of houses grew by close to 15 per cent during the year.

DHA continued to make significant returns to Government with payments of special dividends of \$307 million during the year and an annual dividend (including tax equivalents) of \$66.5 million in respect of the 2001–02 financial year. An annual dividend of \$62.2 million has been recommended by the Board to be paid to Government in relation to the 2002–03 financial year.

Tax status

DHA made proposals through the Shareholder Ministers to be subjected to Federal income tax and a range of State taxes in line with the Commonwealth's competitive neutrality policy. However, governing legislation must be amended to achieve this. As an interim measure, DHA



has included tax equivalent payments of \$29.1 million in the annual dividend. The Authority has fully complied with FBT and GST legislation, making payments to the Australian Tax Office.

Standard and Poors credit rating

In recognition of its professional management and strength of its financial structure, DHA continues to hold a Standard and Poors Credit Rating of AA+, one of the highest credit ratings available. This credit rating assists DHA in obtaining competitive cost of funds on its borrowing requirements.

Capital structure

During the year Macquarie Bank was engaged to conduct an Asset Sales Scoping Study. This Study, which was carried out on behalf of the Minister for Finance and Administration, addressed issues associated with DHA's property asset ownership and capital structure. Consistent with the recommendations of the Study, DHA will continue to reduce its property ownership levels principally through the further sale of properties to private investors. At 30 June 2003 DHA owns 29.2 per cent of its stock and plans to reduce this to





around 23 per cent by June 2006. Long term ownership levels will be subject to further review by the DHA Board. In addition, DHA will introduce an increased level of debt to the DHA balance sheet and will investigate the potential for the use of Public Private Partnerships in relation to future major housing development projects.

DHA continues to reduce the amount of equity invested by the Government. By June 2003, DHA has made special dividend and capital return payments of \$957 million since the first payment in June 2001. DHA's Corporate Plan involves further payments in future years that will increase the total returns to in excess of \$1.4 billion by June 2006, well in excess of the initial capital provided to DHA when it was established.

Assets under management

DHA manages a portfolio of more than 17,300 properties across Australia. The total value of these assets is \$4.2 billion of which \$1.4 billion is owned by DHA and the Department of Defence whilst the remainder is leased to DHA by private investors.

In meeting the Defence housing requirement, DHA constructed 539 new homes, purchased 421 homes from the market and negotiated 230 new leases directly from the market. Surveys of ADF members continue to show

a high degree of satisfaction with DHA homes. During the year, DHA spent more than \$35 million on repairs and maintenance and house improvements with much of this expenditure being in regional locations. The majority of this work is carried out by small, locally based contracting firms.

The Sale and Leaseback Program continues to be very popular with investors, with high levels of satisfaction and repeat business. As part of this program 1,061 homes were sold generating \$355.5 million in revenue. A further 573 houses no longer required to house ADF members were sold during the year for \$129.3 million.

Rental returns

The average rental cost per house to Defence increased by 2.5 per cent during the 2002–03 financial year and was consistent with relevant market rental and inflationary indices. In recent years DHA has assumed responsibility for the management of housing allocations and has achieved significant reductions in the Defence rent bill by rapidly reducing the portfolio of houses provided to Defence as the housing requirement has fallen and also by reducing the number of vacant properties.

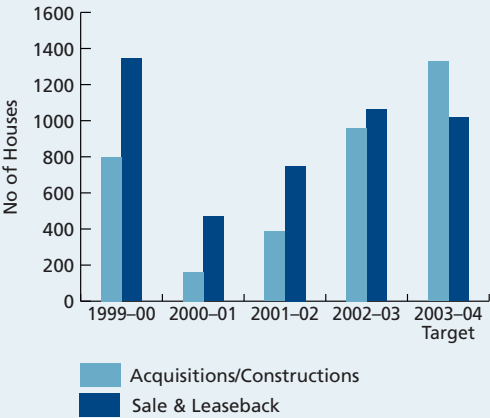
Strategic themes and key achievements

Strategic themes	Objectives	Key performance indicators	Key strategies and activities	Key achievements	Planned activities for 2003–04
<div>DELIGHT THE CUSTOMER</div> <div></div>	Provide homes and related services that anticipate and meet customer expectations	ADF member satisfaction with house and maintenance services	Replace sub-standard stock and acquire housing to agreed Defence standard Responsive high quality maintenance service Amenities upgrade program Defence Choice Housing program	<ul style="list-style-type: none">960 properties acquired at a cost of \$324 million82 per cent of customers were satisfied with their Service Residence83 per cent of customers were satisfied with maintenanceUpgrades to climate control were made in 1,278 DHA owned or leased homesDefence Choice Housing was successfully introduced in November 2002 to provide greater choice for families	Spend \$416 million on house acquisitions, constructions and upgrades Complete amenities upgrade project Expand Defence Choice Housing
	Deliver relocations services that are high quality, hassle free and customer oriented	ADF member satisfaction with relocations services	Provide a personalised service through case management and improved IT systems Improve accessibility to DHA	<ul style="list-style-type: none">Implemented a decentralised relocations case management system. 86 per cent of customers were satisfied with DHA's relocations serviceOpened new HMC at Ipswich. Provided more facilities on base — RAAF Bases Amberley and Williamtown, HMAS CERBERUS, Singleton Army Base and at Adamstown Army Depot	Consolidate relocations performance Investigate opportunities for cost-effective value-add services Provide an electronic interface for ADF members
	Provide value for money to Defence and other Clients	Rent bill change relative to market Vacancy rate Achieve provisioning schedule	Provide new houses within expected rental range Reduce cost of relocations to Defence	<ul style="list-style-type: none">Rent increase limited to 2.5 per cent during year, which was below CPIAcquired 1,710 houses, including 520 lease renewals. This was 500 less than planned but a satisfactory result in a difficult market	Rent increase to be held to 2.7 per cent — a level that will allow Defence to reduce its subsidy by increasing the GRS contribution by a further 2 per cent
	Maintain good working relationships with Clients	Client survey	Pursue an effective partnering relationship with Defence Enhance reporting against the Services Agreement	<ul style="list-style-type: none">Vacancies tightly managed and contained within the targetsEntered a Relocation Agreement with Defence	Improve housing delivery times Maintain vacancy controls Finalise outstanding KPIs related to houses under the Service Agreement
	Provide attractive, well managed investment options to Lessors that increase repeat and referral business	Lessor satisfaction	Provide houses that are investor desirable Provide professional property management services	<ul style="list-style-type: none">Approximately 94 per cent of Lessors are satisfied with DHA's lease management and 94 per cent of Lessors are satisfied with the Lease product	Monitor and refine the Sale and Leaseback Program to ensure it continues to meet financial and Lessor needs
<div>OPERATE ON A COMMERCIAL BASIS</div> <div></div>	Meet Shareholder return expectations	Shareholder value added Return on assets Profit (EBIT) Capital returns	Structure portfolio to optimise returns and capital employed Meet capital project return targets Identify and secure additional profitable sources of income in core business activities	<ul style="list-style-type: none">Shareholder Value Added (SVA) \$226 million (pre-tax), being 15.5 per cent, in excess of target 10 per centReturn on Assets (ROA) 5.6 per centProfit (EBIT) \$81.2 million (\$4 million better than budget)Special Dividend of \$307 million paidAnnual Dividend \$62.2 million including tax equivalents	SVA of 9.7 per cent ROA of 5.2 per cent
	Optimise capital structure	Standards & Poors rating Debt/Equity ratio Reliance on private investment	Maintain AA+ credit rating Active cash flow management Establish and maintain interest rate risk management regime	<ul style="list-style-type: none">AA+ Standard & Poors credit rating was maintainedProperty valuations increased by \$134.7 million to \$1.2 billionAsset ownership reduced to the 29 per cent targetGearing as at 30 June 2003 was 11.9 per cent (on balance sheet)	Maintain AA+ rating Achieve 28 per cent DHA ownership of stock
<div>ACHIEVE OPERATIONAL EXCELLENCE</div> <div></div>	Develop and implement business processes that are customer oriented, effective and efficient	Level of pre-allocations Level of door to door removals Timeliness of movement plan advice Timeliness of entitlement payments	Conduct ongoing business process improvements Introduce change with appropriate change management processes Refine IT systems to support service delivery	<ul style="list-style-type: none">72.5 per cent of moves associated with standard notice postings had housing solutions before members departed their losing localityAchieved 70 per cent door to door removalsAchieved target timeliness for movement plan advice and for payment of entitlements except for minor shortfallsAchieved satisfactory IT support	Further improve the process of helping members find their new home Develop improved property management and tenancy management information systems
	Attract and retain competent and highly motivated staff	Customer perception of staff knowledge	Maintain flexible and attractive work conditions Enhance leadership and management Grow our own people, using Individual Development Agreements	<ul style="list-style-type: none">78 per cent of staff were satisfied with teamwork and moraleOverall staff satisfaction level of 76 per cent achieved, a significant rise from 49 per cent in March 2002Organisational competency framework developedSenior leadership and management program conducted, facilitated by Mt Eliza Business School	Maintain a range of leadership and management programs appropriate for all levels of management from senior management through to team leaders Deliver ongoing training and development aligned to DHA's competency framework and strategic priorities
	Build team culture across DHA	Staff turnover	Build team culture within groups Capture and share corporate knowledge through regular forums to exchange best practice ideas	<ul style="list-style-type: none">78 per cent of customers were satisfied with staff knowledgeStaff turnover was 16 per cent, down from 21 per cent	Form a working group to develop a knowledge management proposal Maintain rewards and recognition system for desired behaviours Conduct annual team building activities
	Promote and maintain a service culture	Staff perception of team work Customer satisfaction with service	Build an internal and external customer service focus through targeted recruitment, education, rewards, business processes, ownership and accountability	<ul style="list-style-type: none">82 per cent of customers were satisfied with DHA's courtesy and helpfulness	

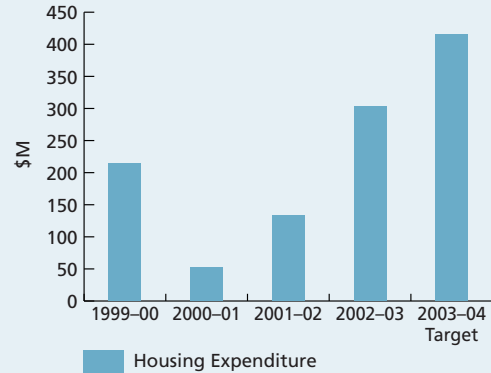


Year Ended 30 June	2001	2002	2003
Shareholder Value Added	13.3%	13.7%	15.5%
Shareholder Value Added	\$216.9m	\$203.0m	\$225.8m
Return on Asset	6.2%	5.9%	5.6%
Earnings Before Income Tax	\$101.9m	\$85.6m	\$81.2m
Annual Dividends	\$88.6m	\$66.5m	\$62.2m
Special Dividends/ Capital Returns	\$400m	\$250m	\$307m
Total Managed Stock	19,538	18,600	17,311
Constructions	93	263	539
Purchases	69	120	421
Leased or re-leased stock	93	101	750
Sale of surplus stock	756	582	573
Revenue generated from sale of surplus stock	\$102.8m	\$108.3m	\$129.3m
Sale and Leaseback program	469	749	1,061
Revenue generated from Sale and Leaseback Program	\$104.6m	\$220.0m	\$355.5m
Contracted maintenance to DHA houses	\$29.5m	\$30.7m	\$33.2m
Number of relocations	NA	31,146	32,256
Peak posting cycle pre-allocations rate	48%	69%	72%
Total staff	462	658	773

Housing Acquisition Program

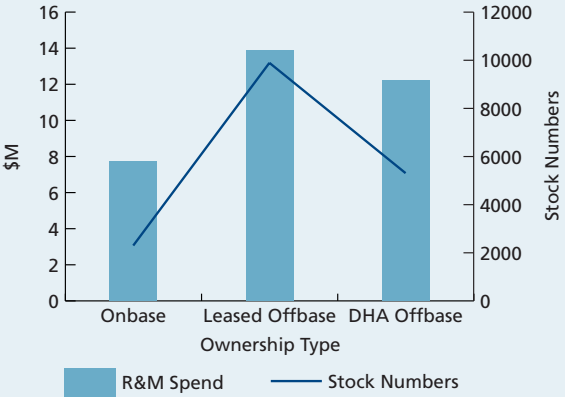


New Housing Investment

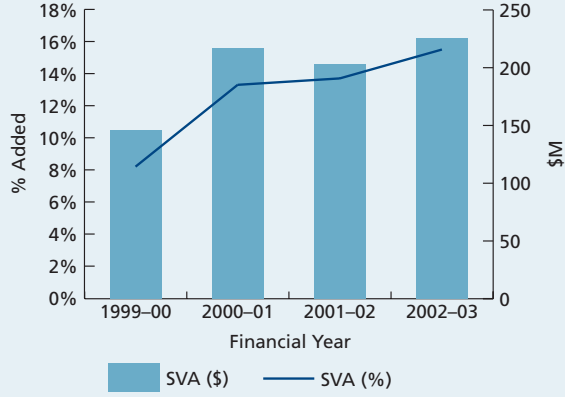


Repairs and Maintenance Expenditure

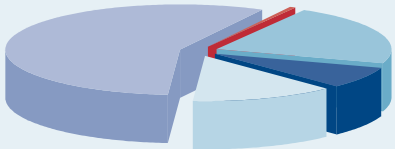
Including Capital Improvements by Ownership type for the Year Ended 30 June 2003



Shareholder Value Added



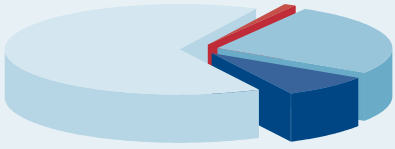
Composition of DHA Housing



Total Managed Stock as at 30 June 2003 — 17,311

- DHA Owned — Metropolitan — 3,768
- DHA Owned — Regional (Annuity) — 1,307
- On Defence Bases (Annuity) — 2,315
- Leased from Investors — 9,843
- Other — 78

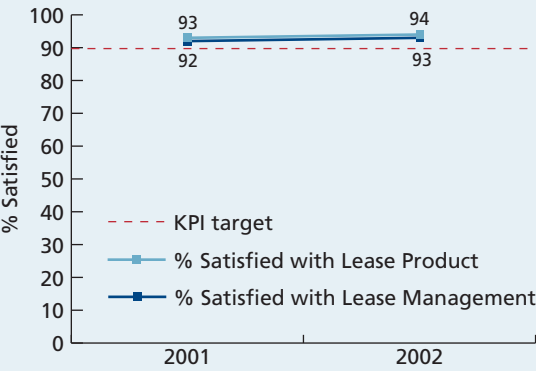
Portfolio Value Breakdown



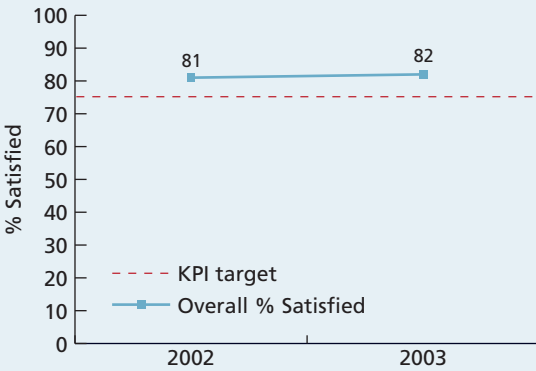
Total Portfolio Value as at 30 June 2003 — \$4.21b

- DHA Owned — Metropolitan — \$1.09b
- Regional and Onbase (Annuity) — \$0.35b
- Leased from Investors — \$2.72b
- Other — \$0.05b

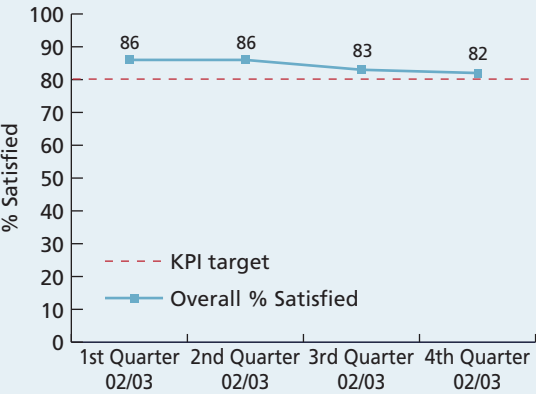
Percentage of Lessors Satisfied with the Lease and Lease Management



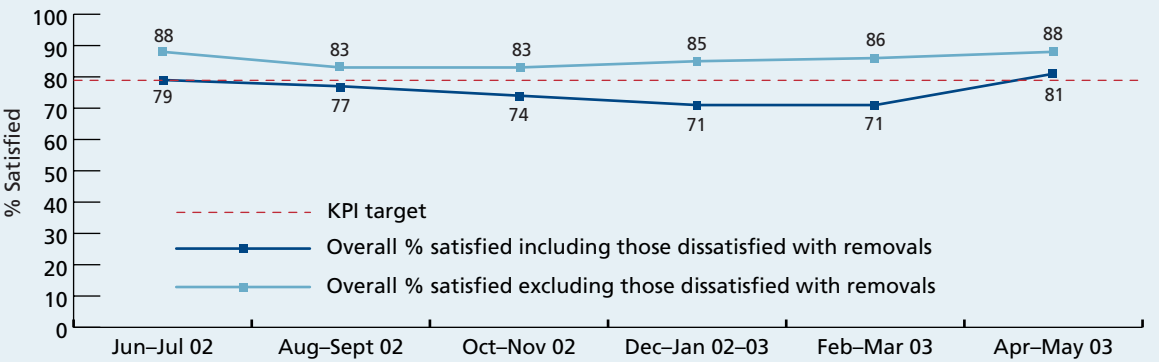
Percentage of Customers Satisfied with Current Accommodation



Percentage of Customers Satisfied with Maintenance Service



Percentage of Customers Satisfied with Total Relocation Experience



* DHA is not responsible for management of the removal and delivery of furniture and effects



Our people

15 years

People management

... the year in summary

As DHA commenced another business year involving Defence relocations, reviews were carried out to ensure that business units were staffed appropriately for ongoing levels of activity and seasonal workloads. Recruitment and training activities remained high throughout the year, with an emphasis on providing quality on-the-job training as well as centrally facilitated training.

Flexible employment arrangements are an important component of DHA's people strategies, with a range of relevant provisions in both the DHA Certified Agreement and the DHA Human Resources Manual.

Staff deployment was maximised during peak periods through such provisions as flexible working hours, increased use of job sharing part-time staff, and a school-holiday child-care subsidy. The use of an extended span of hours in the National Service and Support Centre (NSSC) enabled the Centre to provide support during the whole range of business hours for all clients throughout Australia.

The importance of Defence spouses in the DHA workforce is recognised by DHA's policy of providing three months' employment where possible in new locations for permanent employees whose partner is required to relocate by their employer.

Certified Agreement

The *Defence Housing Authority Certified Agreement 2002* was certified by the Australian Industrial Relations Commission (AIRC) in December 2002. The Agreement will remain current for a period of 21 months.

The Certified Agreement and the DHA Human Resources Manual establish the working conditions that support the Authority's operations.

Negotiations to develop the next Certified Agreement are scheduled to take place, through the Staff Consultative Group (SCG), during the calendar year 2004.

Service conditions

The conditions of service for Senior Executives and Executive-level officers of DHA are set out in Australian Workplace Agreements (AWAs) approved by the Employment Advocate. In addition, AWAs have been offered to all staff employed at the DHA Level 6

classification, and to other staff where appropriate. Standard features contained in AWAs include base salary, superannuation, performance pay and limited non-salary benefits.

Rewarding and recognising staff contributions

DHA is committed to rewarding and recognising high performance amongst staff, and has introduced a three-tier recognition scheme:

1. Staff are acknowledged for exceptional customer service provided to a customer or peer.
2. Each business unit awards an individual or team for exceptional performance related to their job. Each business unit has a Rewards and Recognition Committee which reviews nominations and determines whether an award is appropriate.
3. Managing Director's Awards are made quarterly for exceptional performance and are submitted from throughout DHA. The Managing Director and Executive review the nominations and the Managing Director personally presents the winners with an award.

Kevin Southgate



Robyn Weston, Greg Schmidt and Geraldine Musgrove



Service Award — 5, 10 and 15 year service

DHA recognises the dedication and commitment of its staff by awarding a Service Award, based on length of service (5, 10 and 15 years service).

Staff consultation — DHA Staff Consultative Group

DHA is committed to actively involving staff in workplace relations and human resource initiatives.

The Staff Consultative Group (SCG) was established in early 2001 with a representative from every office around Australia elected by their peers. The SCG represent DHA staff in Certified Agreement negotiations and is involved in every major issue that is expected to impact on staff as well as any change or review of HR guidelines and processes.

Representatives act as a consultative forum to consider organisational initiatives and projects such as:

- the development and communication of the annual DHA Staff Opinion Survey;
- the development of the DHA Service Charter and;

in 2003 have been heavily involved in a major HR project reviewing DHA's current Work Level Standards and identifying an appropriate Business Competency Framework to be used throughout DHA.

Staff are also consulted when changes are contemplated to work practices.



Team development

DHA places significant value on team work.

To assist in developing this approach in the workplace, regular team development activities take place aimed at enhancing the collective staff knowledge about DHA's strategic direction and how teams and individuals contribute to achieving overall organisational performance.

The continuing use of cross-functional project teams is providing continuing opportunities for diverse input to major DHA initiatives and an avenue for sharing and enhancing knowledge and skills.

Staff Opinion Survey 2003

In April 2003, DHA undertook its annual Staff Opinion Survey, conducting the survey on-line for the first time. The comparison from last year's survey showed a significant improvement in results across a comprehensive range of issues affecting staff. This year's results achieved an impressive 76 per cent overall staff satisfaction rate, well above the Australian benchmark (60 per cent), and well above last year's results.

The Staff Consultative Group (SCG) assisted in developing the questionnaire and helped to achieve an outstanding survey response rate of 85 per cent.

DHA's performance has improved in every one of the survey's areas with some core issues including characteristics and values, along with rewards and recognition also achieving 'best practice' against Australian benchmarks.

Key issues of concern for DHA were change management, inter-group communication, and training and development. Corporate strategies to address these issues over the next 12 months include the development of a change management framework, conducting a training needs analysis and increased communication/knowledge sharing between workgroups.

DHA's target for next year is to achieve an overall staff satisfaction rate of 80 per cent.

Staffing profile and related issues

In 2002–03 DHA went through a continuing growth phase consistent with its focus on providing excellent customer service in managing the relocations of ADF members and their families.

DHA is staffed primarily by ongoing employees, with temporary employees engaged to provide operational flexibility and to assist DHA to meet varying work flows.

Overall, the number of staff employed under the *Public Service Act* increased from 658 to 773 people as at 30 June 2003. There were 250 engagements or inward transfers of ongoing employees, including 197 women, and 96 separations of ongoing employees. During the year, 99 staff members were promoted or advanced within DHA, including 73 women. DHA employs a number of non-ongoing employees under the *Public Service Act 1999* and from time to time utilises the specialist skills of contract staff as needs arise.

As at 30 June 2003, there were six staff employed in specialist or relief roles bringing the total headcount of staff to 779, which included 53 staff working part-time under DHA's flexible working arrangements.

Full-time equivalent (FTE) staff, comprising staff employed under the *Public Service Act 1999* and specialist and relief staff totalled 758 on 30 June 2003.

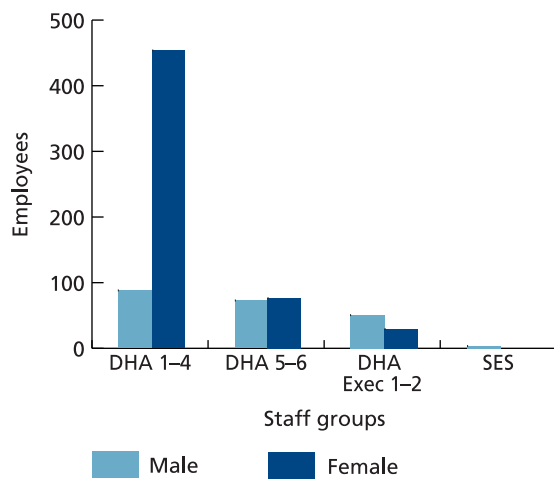
DHA staff location breakdowns across Business Lines as at 30 June 2003

Business Line	Staff numbers headcount	Staff numbers FTE
Development and Sales	26	26
Operations		
Head Office Operations and Business Projects	33	32.8
NSSC	105	101.7
Adelaide HMC	24	23.5
Brisbane HMC	38	34.8
Cairns HMC	11	10.2
Canberra HMC	37	36.7
Darwin HMC	40	39.5
Hunter HMC	30	29.5
Ipswich HMC	16	14.9
Melbourne HMC	44	41.1
Nowra HMC	11	10.2
Perth HMC	31	30.7
Riverina HMC	22	21.2
Sydney HMC	120	119.1
Tindal HMC	12	10.6
Toowoomba HMC	12	12
Townsville HMC	34	34
Total	620	602.5
Head Office		
Executive	3	3
General Counsel	2	2
Business Accounts	10	9.2
Corporate Resources	16	16
Finance	22	21.3
Human Resources	18	16.5
Communications	6	6
IT Services	42	42
Inoperative	14	13.6
Total	133	129.6
Total DHA staff as at 30 June 2003	779	758.1

DHA's staff recruitment practices are based on merit, with due regard to the principles and objectives of Workplace Diversity, consistent with its responsibilities under the *Public Service Act 1999*.

DHA continues to review its staffing structures on an ongoing basis, incorporating knowledge gained during the first two years of the Operations group managing relocations for ADF members and their families. DHA is addressing succession planning issues and strengthening its management structure by providing development opportunities to selected staff members.

DHA – Public Service Act Staffing



Remuneration

Remuneration for DHA staff is set primarily through the Defence Housing Authority Certified Agreement (CA) 2002. As at 30 June 2003 the Agreement covered 604 staff. The duration of the CA is 21 months and includes a remuneration increase of 4 per cent on certification and a further increase of 3.5 per cent to be paid in December 2003.

A significant number of staff (4 SES officers and 164 non-SES) are covered by Australian Workplace Agreements (AWAs).

The table below sets out the normal salary ranges applicable to each classification group for DHA staff, noting that salary may be negotiated on an individual basis when an AWA is entered into:

Classification	Applicable salary range
DHA Level 1	\$25,999–\$33,220
DHA Level 2	\$33,937–\$37,294
DHA Level 3	\$38,223–\$41,000
DHA Level 4	\$42,234–\$45,592
DHA Level 5	\$46,889–\$49,519
DHA Level 6	\$50,373–\$57,946
Executive Level 1	\$64,661–\$69,573
Executive Level 2	\$73,940–\$86,122

Remuneration for employees covered by the CA comprises salary payments and employer superannuation contributions. Staff members covered by an AWA also have access to performance payments and limited non-salary benefits. All staff members have access to salary sacrifice arrangements.

Performance pay

The availability of performance pay is a feature of DHA's remuneration strategy and is used to foster and enhance a performance culture.

Performance pay is a feature of DHA's Workplace Agreements. During the reporting year, over 100 staff received performance pay.



Bob Eames, General Manager of Corporate Resources joined DHA in 1991. Over his 12 years with the Authority, Bob has been a significant contributor to DHA's success and growth. Bob will retire from the Authority on 19th September 2003. The staff and Board Directors thank him for his tireless efforts and wish him well for the future.

Training and development

DHA makes a significant investment in training and development. This investment is a tangible expression of the value DHA places in its people and their professional and career development.

Key components of DHA's training and development program include:

- an induction program for new starters;
- comprehensive development programs to enhance the technical skills of staff in core operational processes; and
- enhancing the management and leadership skills of more senior staff.

Leadership and management

A Senior Leadership and Management program has been developed and successfully piloted in association with Mt Eliza Business School. The program aims to enhance the leadership capabilities and career development of DHA's middle to senior management staff.

A further series of tailored programs are scheduled to occur throughout the coming year.

DHA business processes and systems

DHA continued to enhance its business processes through the year with the release of improved versions of the Relocation and HomeFind systems. This necessitated a major focus on in-house technical training for DHA staff to ensure maximum benefit from the processes and systems. This training also included the further development of customer service skills.

A video titled *An overview of DHA property inspections* was developed as the first component of a comprehensive training package for Property Consultants. This package also included technical reference aids, self-paced material and a coaching toolkit and is an example of DHA's commitment to continuous service improvement through ongoing staff training and development.

Work level standards and competency framework

DHA has developed a comprehensive work level standards and competency framework to provide structure and direction for future staff learning and development initiatives. This framework will assist managers and staff in job design, recruitment and selection, performance, career and succession management, ensuring capability gaps are identified and linked directly to individual development and learning plans.



Shared commitment — DHA staff reflect

Fifteen years after its creation, DHA's original employees reflected on their shared, lasting commitment to housing Australia's military personnel and their families.

Philip Baker, who commenced employment with DHA as a Works Supervisor at Adelaide Housing Management Centre (HMC), believes early challenges developed an organisational culture where "staff got on with the job and delivered results on the ground."

More houses, higher standards, streamlined cleaning, allocations, relocations and technological upgrades are the key achievements to date according to Maria Radojevic and Vicki Marriott who have seen the changes over the years as "providing better service and nicer homes to help keep families happy." Maria began her DHA career as a Maintenance Clerk at Moorebank and is now a Customer Service Coordinator in Sydney. Vicki who originally was an Accounts Clerk, is now the Property Register Officer in DHA's Head Office in Canberra.

The relationship between DHA and its customers has been cemented by the challenges of military life and the experience of our staff according to Jim Parker, Portfolio Officer located at Melbourne and Mel Kleeman from Perth, who keeps his mobile on over weekends in case home-alone tenants need his help. Mel is with our Perth HMC as the Technical Manager, having joined DHA as a Building Supervisor.

Lesley Pothan, Ron Thomson and Kaye Booth have all seen DHA grow in staff and in the services it offers over the past 15 years and have worked hard to deliver the best service possible. Lesley who works in our Head Office began her career there as an Accounts Clerk, and is currently the Business Support Manager. Ron, a Property Consultant in Townsville, joined DHA as a Project/Leasing Officer following discharge from the Army. Kaye who like Mel works from our Perth HMC, began her career there as Receptionist and is now a Maintenance Clerk.

Staff old and new agree with Gordon Lowe's statement that "there's no better feeling than seeing our customers go away with a smile, satisfied DHA has listened and found the best housing solution available." Gordon who is DHA's Defence Liaison Officer within Defence Plaza, Sydney, joined DHA as Assistant Manager in Sydney, originally working from Head Office in Canberra and being tasked with the job of setting up the Puckapunyal Office. Living in the Mess at Puckapunyal, Gordon was a "Jack of all trades" and has seen many changes over the years. It is this commitment to customer service that DHA values so highly and is essential for DHA's continued success.



Philip Baker



Maria Radojevic



Jim Parker



Gordon Lowe



Lesley Pothan



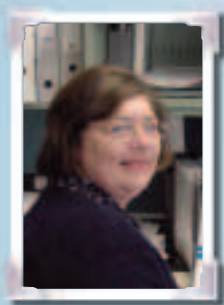
Kaye Booth



Mel Kleeman



Ron Thomson



Vicki Marriott





Customer relationships

15 years

Customer relationships

Defence members and their families

The Australian Defence Force is made up of three Services, the Australian Army, the Royal Australian Air Force and the Royal Australian Navy, consisting of approximately 51,000 permanent (full-time) military personnel. The highly mobile lifestyle of Defence personnel and their families results in the need for the housing and relocations services that DHA provides.

During the year, large numbers of Defence members have been deployed overseas. During these stressful times, DHA's support for the members' families is even more important, including DHA's maintenance service.

One of the most frequent complaints received from Defence members is insufficient choice in houses. DHA is seeking to improve choice for Defence members through the introduction of its Defence Choice Housing product.



Defence Families of Australia

Singles

DHA continues to administer the rent allowance (RA) arrangements for Defence members without dependants (Singles). DHA remains willing to assist Defence with future improvements to accommodation for Singles.

Defence Families of Australia

DHA maintains a strong relationship with Defence Families of Australia (DFA) to ensure that DHA retains a clear understanding of the needs of Defence members and their families. DHA works closely with the DFA in conjunction with Defence on new housing management policies. DHA also consults the DFA's National Convenor on systems and process issues, to optimise alignment with the requirements of Defence members and their families.

Until February 2003 the DFA National Convenor Judy Swann was a member of the DHA Board, having been appointed to the statutory position as the spouse of a full time member of the Defence Force.

Department of Defence

In the late 1980s, immediately prior to DHA taking over the management of Defence's housing, housing was a significant retention issue for Defence. Fifteen years later, housing is no longer a significant retention issue, with the majority of DHA's housing stock progressively having been brought up to a standard that satisfies Defence members and their families.

Agreements between DHA and Defence

DHA operates under two Agreements with Defence: the Services Agreement on Housing and Related Requirements, July 2000 and the Relocation Services Agreement, December 2002. With respect to the former, DHA and Defence have been working towards the

The Defence Housing Forecast and provision of housing against it changed as follows during the year:

	As at July 02	As at June 03	Change (no.)	Change (%)
Defence Housing Forecast (DHF)	19,127	18,207	–920	–5%
Actual Demand (let stock plus RA)	17,338	17,236	–102	–0.6%
Rent Bill — let Stock	15,087	14,575	–512	–3%
Total on Rent Allowance (MWD)	2,231	2,661	+ 430	+ 19.6%
Total provisioning	18,721	18,704	–17	–

inclusion of more precise Key Performance Indicators (KPIs), to facilitate the ongoing management of the Agreement. The more recent Relocation Services Agreement contains KPIs that establish the standard of service that is to be provided by DHA. Since the Relocation Services Agreement was entered into, DHA has met all KPI targets, with only minor shortfalls.

Relationships with clients

DHA recognises the importance of maintaining a close relationship with Defence. During the second half of 2002–03, DHA and Defence engaged in a series of workshops aimed at further developing this relationship, with a view to optimising financial and qualitative outcomes for both parties and for Defence members. A dedicated Client Accounts management team monitors the contract parameters and liaises with Defence on policy initiatives. Regionally, DHA's Housing Management Centre (HMC) Managers work closely with Defence's Client Service Managers — Relocations and with Base Commanders and key Defence personnel in each area.

Providing value for money to Defence

The provision to Defence of value for money is fundamental to DHA's success and is one of DHA's primary objectives. DHA achieves this by:

- a) meeting the housing and relocation needs of Defence members and their families, thereby contributing to the retention of serving members;
- b) managing the Defence rent bill within market rent increases; and
- c) maximising the number of entitled ADF members accommodated in Service Residences while minimising vacancy rates.

Forecast and actual demand have progressively decreased in recent years. The large numbers of ADF members purchasing their own houses has contributed to the drop in demand.

During the year, considerable attention was given to managing vacancies especially as the number of members with dependants on RA grew.

A number of causes contribute to the growing number of members on RA, including some that are not within DHA's control. Recent analysis indicates that two significant causes are: 1) Members Without Dependents (MWODs) who become re-categorised Member With Dependent (MWD) due to de facto recognition or marriage and remain in their current RA accommodation; and 2) MWDs enlisting and re-enlisting while occupying a rental property and having no entitlement to a Service Residence until after completion of initial training. DHA will continue to monitor these trends to identify causes and contributing factors. DHA will continue to tailor its residential portfolio to optimise the matching of supply and demand and to assist Defence with identification of any associated policy issues.

For the reporting year, 70 per cent of removals were door to door. This level of door to door removals is unprecedented in the history of Defence relocations and is estimated to save Defence in the order of



Collaborative development of innovative housing policy

Since October 2001, DHA has been working closely with Defence to develop a new housing management framework to replace the current system, which was introduced in 1990. DHA and Defence are collaborating closely to overcome the many policy challenges and to identify the most suitable outcomes.

The new policy will provide a balance between meeting ADF member needs and community trends in family housing, Defence fiscal requirements and DHA's commercial viability. Most importantly, the new policy will provide much greater choice for ADF families when selecting their accommodation.

\$15 million per annum in temporary accommodation and storage costs.

Under the Relocation Services Agreement, DHA makes payments on behalf of Defence. During the reporting period \$38 million was paid to members of the ADF in the form of relocation allowances. A further \$15 million was paid to relocation service providers in relation to hotel and serviced apartment accommodation and travel. The contract management and payment of removal services is managed from within the Department of Defence.

Our Lessors

DHA's Sale and Leaseback Program, which is an important funding mechanism for DHA and is highly regarded by investors, enables DHA to sell its houses with a long term lease attached. The investment package is targeted towards investors who take a long term perspective with their investment strategies and are looking for a low risk property investment, in which day to day maintenance is taken care of and with no loss of



rental income due to tenant vacancies. Under the lease agreement, DHA provides a management and maintenance service for a single fixed fee. This relieves Lessors from much of the tenancy risk of their investment, while also securing DHA's ability to provide a high standard of maintenance service for its Defence member tenants. Refer to the Our Houses section for more information about the Sale and Leaseback Program.

During the year, 1,400 of the Pre-96 leases, which are unfavourable to DHA, were terminated or converted. Terminations enabled DHA to upgrade housing stock. Those that were converted enabled DHA to enter into new leases on terms that are more closely linked to market.



DHA values the role of its Lessors in enabling DHA to provide quality housing solutions for Defence members and their families. A regular newsletter provides Lessors with information about their DHA leased properties and about effectively managing their DHA housing investments. This includes new office openings, DHA's leasing and sales activities and new housing developments.

Australian Customs Service

In 2001 DHA was requested by the Australian Customs Service (ACS) to provide maintenance services for 56 ACS houses in northern and western Australia, leveraging off management arrangements that have been established for ADF personnel. The amendments to the DHA Act that DHA has proposed will remove any ambiguity about DHA's capacity to provide these services.





Our services
to customers

15 years

Relocations Performance in 2002–03

A success story

Standardising procedures

Following the 2001–02 peak posting cycle, DHA implemented a range of changes to standardise relocation management procedures, making the allocation and removal process run more smoothly for customers, staff and stakeholders. The Relocation Services Agreement was signed in December 2002.

Implementing case management service delivery

Part of the plan to prepare for the 2002 peak posting cycle was to implement a new service delivery model in HMCs using case management to provide direct contact with customers in their location and to simplify the complexity of Defence rules and procedures together with simplifying the process of finding a suitable home in the new location. Approximately 30,000 ADF members, often with families, pets and valuable personal possessions relocate every year and the case management model enhances the effectiveness, and efficiency of DHA's operations.

Preparations for the case management system included improvements to key systems and infrastructure such as telephones, servers, technology platforms, and new standard operating procedures to share better practice across the business. Continuous communication ensured everyone was kept informed of the reason for, and the impact of changes. The National Service and Support Centre (NSSC) continued to support the regional offices by calculating entitlements and allowances, and arranging temporary accommodation and organising travel bookings. This was done for all standard postings (greater than 21 days) and short notice postings for some HMCs.

Benefits of decentralised case management service delivery

The introduction of this decentralised, case management approach has given ADF members a personal point of contact in both their losing and gaining locations. When DHA receives a standard posting order, a Relocation Pack is sent to the member within 21 days. Case Managers from the losing and gaining HMCs are then assigned to each ADF member required to move home.



The Case Managers administer all aspects of the ADF member's move, offering support and advice and assisting with their removal documentation, entitlements, itineraries, travel arrangements, allocation of the new housing solution and other issues.

One of the successes of the system results from the individual attention each customer receives. It allows the Case Manager in the losing locality to assess the member's situation, taking into consideration their classification and rank, number of dependants, and the current availability of housing. Factors such as the member's personal needs and preferences can also be assessed, in order to provide the member with the best service possible. Case management has resulted in more efficient processing of requirements, and better communication between losing and gaining locations.

Case management for the relocation of members posted at short notice, or required to attend training courses, is now also managed entirely by staff at HMCs.

The case management system has worked extremely well to alleviate customer stress, by supporting the customer in this critical time, and providing timely and accurate information.

Operationally, the results were excellent, with a major turnaround in member satisfaction and an absolute minimum of formal complaints. The critical test of the new system was its performance in the 2002 peak posting cycle. Close monitoring of process times, work loads and potential backlogs and resolving internal issues as they arose contributed to the success of the system in the reporting period. Staff training, the revised IT systems and updated Relocation Packs resulted in a more efficient service offered to Defence members through better explanation of the relocation process.

The new system was positively received by staff and customers and can be independently measured by the level of customer satisfaction.

Positive feedback from customer surveys

The Relocation Survey assesses customer satisfaction with the total relocation process including moving out of a DHA home, itinerary management, removals, finding a DHA home and occupying a DHA home.

The upward trend in customer satisfaction since 2001–02 has continued throughout the 2002–03 reporting period, with Key Performance Indicators for customer satisfaction with relocations exceeded. In 2002–03, 85 per cent of those who responded to the survey indicated they were satisfied with DHA's relocation service. Over 32,000 relocations occurred during this period.

Another positive indicator is the low percentage of complaints, with only 37 recorded complaints out of 13,200 relocations in the three months during the 2002 peak posting cycle.

LESSOR SURVEY

The Defence Housing Authority (DHA) leases approximately 45,000 properties from private landlords. We request that owners of our residential leasehold properties take up this part of our Housing portfolio. As one of our valued tenants we ask you to complete the questionnaire to help us better understand your needs and provide:

- Where is your DHA leased property located? (If you have multiple properties, please refer to the survey letter for the property to which this survey relates)
 Property: Street/Address:
- How many properties do you currently lease to DHA?

SATISFACTION WITH YOUR DHA LEASE

3. Overall, how satisfied or dissatisfied are you with the current lease of your property to DHA?

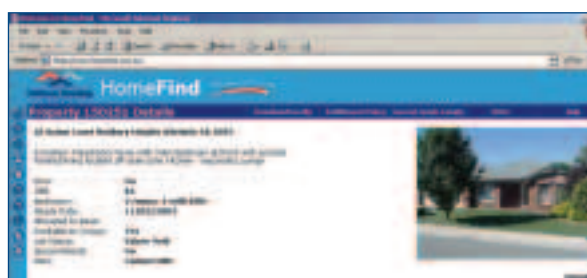
Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied
7	6	5	4	3
2	1	0		

4. Overall, how satisfied or dissatisfied are you with the management of your property leased to DHA?

Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied
7	6	5	4	3
2	1	0		

HomeFind

Another strong contributor to the success of relocations in this reporting period is HomeFind. HomeFind, DHA's online housing selection tool, combined with case management, assisted 68 per cent of ADF members and their families to pre-select their homes, contributing to 71 per cent of members having door to door removals. HomeFind is a user friendly method for finding a home and in 2002–03 was widely promoted by DHA to its customers. Strategies included articles in DHA News and tenant newsletters, information inserted in the Application for Relocation form and promotion by staff. All of these methods were used to create awareness of the HomeFind service and to provide instructions on how to use it. Members were able to inspect houses online, view maps of the local area, and obtain valuable information on schools, shopping, transport and community facilities.



Vantage Point Apartments

DHA rises to new levels

The Vantage Point Apartment complex in Darwin was officially opened on 31 January 2003. The 95 apartment complex marks DHA's exciting venture into the construction and management of high rise apartments for members of all three Services and their families. The complex is part of the Defence Choice Housing initiative introduced in 2002.

Surveys conducted by DHA show that a significant number of ADF members would prefer living in a high-rise apartment complex with appropriate lifestyle amenities. Vantage Point consists of 55 three bedroom, 20 two bedroom and 20 one bedroom apartments. The building is designed to take optimum advantage of the on shore cooling breeze to better deal with the climatic conditions of the tropical north.

As a tribute to Australian war veterans, Vantage Point's three towers are named after distinguished servicemen with strong Darwin connections — Captain Max White, Leading Cook Francis Basset Emms, and Group Captain Arthur. The towers each feature a plaque with a biographical acknowledgement of their military achievements in the Navy, Army and Air Force.

One issue that impacted on the 2002–03 peak posting cycle was the availability of houses through HomeFind.

Also impacting on the usability of HomeFind were late changes being made by members to movement dates, which delayed housing availability for others wanting to select a house.

Emergency hotline for members

An Emergency Relocation Hotline number was reintroduced for members who experienced unexpected health, safety or security problems during relocation to their new home. The service operates 24 hours a day, seven days a week.



Fast Connect — taking the hassle out of service connections

Fast Connect is a new service offered to Defence members to remove the hassle and stress of getting their telephone, electricity and gas services connected and disconnected, all at no cost to the member. Members receive a choice of service providers (if available) and can also elect for Internet, pay TV and message bank services to be connected.

DHA has worked in conjunction with Fast Connect to promote the service to members via various publications and presentations to key Defence groups.

As a result 2,050 ADF members have taken advantage of the Fast Connect service since its inception in September 2002.

Fast Connect will continue to be promoted as a hassle free way to arrange disconnections and connections when relocating. Staff in HMCs will continue to speak to key Defence groups and information is available from HMCs or the Fast Connect website.

Continuing to put the customer first in the future

With DHA having now completed a second relocation cycle, continual internal review has been underway to improve services to best meet customer expectations. The system of coordinating relocations in a decentralised manner is to be continued during the 2003 peak posting cycle and concurrently, the development of streamlined systems will be undertaken to better support the Case Managers in their work. HomeFind will continue to be promoted to members.

In response to customer feedback about the need for increasing housing choice and availability. Future plans include undertaking a comprehensive capital program to ensure housing availability matched member requirements. Over 800 new homes will be constructed in 2003–04 to meet the housing needs of ADF members and their families.

Defence Choice Housing

An initiative in November 2002 was the introduction of Defence Choice Housing, a service endorsed by the Department of Defence. The creation of this service was in response to current community housing expectation for greater flexibility in the choices members are able to make in their housing solution.

This is an additional accommodation option available to eligible members principally in metropolitan regions around the nation. This option provides members from any rank group classification with access to homes and the opportunity to pay a higher or lower rental contribution based on the property classification.

DHA and Defence have introduced this voluntary option to enable members to make lifestyle choices that suit their personal circumstances. Members offered Defence Choice Housing can make a selection from a range of accommodation options, including inner city apartments; selected townhouses (except townhouses in the Sydney metropolitan area, which are standard Service Residences) and selected well located detached houses. This so far has been a very successful service, as seen in Vantage Point in Darwin.

The need for such an option was identified by DHA's annual Tenant Survey in July 2002. Nationally, 28 per cent of respondents in DHA properties and 51 per cent of respondents in RA indicated that they would be prepared to pay higher contributions for a home with less functionality but in more desirable locations.



Defence HomeOwner

Defence HomeOwner is a subsidised home loan scheme that provides assistance to serving and former Defence Force members under the *Defence Force (Home Loans Assistance) Act 1990*.

The objectives of the Defence HomeOwner Scheme are:

- to attract and retain Defence Force personnel;
- to encourage home ownership during service as a cost effective alternative to rent allowance; and
- to assist with the reintegration of Defence Force personnel into the community on return to civilian employment.

The Scheme operates through a 15-year exclusive franchise agreement between the Commonwealth Government and the National Australia Bank. The Commonwealth Government provides an interest subsidy to eligible personnel on a home loan financed by the National Australia Bank.

DHA manages the Scheme on behalf of the Department of Defence and its role is to handle inquiries about the benefits of the Scheme, to assess eligibility and entitlement and to manage the subsidy arrangements.

Accessing the benefits of the Scheme involves a two-stage process: applicants first apply for an Entitlement Certificate which certifies their general eligibility for benefit, and at the stage that they wish to take up the loan, they apply for the subsidy payment.

During the year, 2,271 Applications for Entitlement Certificates were received and 2,186 Entitlement Certificates were issued. There were 1,544 Applications for Payment of Subsidy received, 1,520 of which were approved. There were on average just under 6,500 subsidy recipients each month and as at 30 June 2003 a total of \$7.4 million was paid during the year in subsidy payments.

The number of Entitlement Certificates issued was slightly lower than last year, but remained high in relative terms. This large number of certificates issued and subsidies approved is attributed to a majority of members becoming eligible due to Warlike service in East Timor, Iraq and Afghanistan. Service in Warlike areas waives the five year qualifying period and made the majority of personnel eligible much earlier than would normally be the case. Coupled with the allowances



Relocations — Case Management

Streamlining the process

The changes made for the 2002 peak posting cycle for the management of relocations for members moving to new localities provided a much improved service. Previously, cases were for the most part managed centrally in our National Service and Support Centre. This did not provide for face to face contact, and it proved difficult for members to monitor the progress of relocation arrangements, discuss entitlements, implement itinerary changes, etc.

For the 2002 posting cycle case management was assigned to our regional offices. Individual Case Managers were allocated, and identified by name in both the losing and gaining localities, to each member moving on posting. This enabled members and DHA staff to communicate much more effectively, provided a greater flow of information and enabled both parties to react quickly when unavoidable changes such as family illness and crash postings occurred.

that members received whilst serving in these Warlike areas meant that most members returned with a substantial amount of savings. A majority of personnel were also eligible for the Federal First Homebuyers Grant and the Home Purchase Assistance Scheme. All these factors along with a low interest rate make buying their own property a very attractive option to renting.

There were no complaints regarding the administration of the Scheme.

Residential maintenance service

To promote and sustain a responsive and comprehensive property management and maintenance service, DHA has in place a 24 hour telephone emergency maintenance service for health, safety and security matters and a general maintenance service during normal business hours. To assist the Australian Customs Service in the maintenance of its property portfolio, DHA also provides limited maintenance services to 60 houses in remote locations.

Contractors providing DHA's maintenance service are sourced mainly from the standing DHA Residential Maintenance Service Panel, with a private contractor supplementing this support for maintenance that must be conducted out of normal hours. The Panel was re-tendered during this year in a public tender process, with the selection of contractors being on a value for money basis. Open tender and value for money selection facilitate quality maintenance support from the market, the assurance for which occurs through supervision by regional staff and through survey feedback.

Maintenance works are undertaken on the basis of time and materials, quotations and tenders, depending on the time and value of work. This approach provides flexibility and caters for the wide range of maintenance activities.

The Customer Satisfaction Index for maintenance combines aspects of customer service and contractor performance. Overall, DHA has demonstrated a steady performance in customer satisfaction with maintenance services, the satisfaction level remaining over 80 per cent through the year. The extended drought is an emerging issue that has caused some difficulty in maintaining landscaping in all houses. The age of some DHA owned houses is increasing, notably 'core' stock situated in key locations such as close to Defence bases. This has a flow-on effect of increasing maintenance costs.

The DHA national property group focuses much of its effort on improving processes and procedures, and in

monitoring expenditure within its available budget. It does so with the aim of maintaining both the customer appeal and the real value of all properties. This requires balanced investment in a portfolio that comprises a range of age, location and ownership types to an extent that is unique to DHA. Visibility to the Department of Defence of vacant properties is provided through regular operational and strategic reports at the joint Defence-DHA committee level.

DHA remains committed to continuous improvement of reporting against Key Performance Indicators across housing and relocations business. Its key priorities are to:

- promote national consistency in property standards and solutions,
- ensure the housing portfolio meets the needs of the ADF as its priority client,
- achieve optimum performance from property assets for the owners, and
- provide effective and practical leadership on property issues.

Heritage properties

DHA cares for eighty-four heritage dwellings across the country, with major concentrations located at Victoria Barracks and Garden Island in Sydney, HMAS CRESWELL near Nowra, the Royal Military College in Canberra and adjacent to the RAAF Base in Darwin. To determine the special maintenance needs for these dwellings, DHA engaged heritage architects to develop conservation management plans for all heritage properties, with guidance provided by the Australian Heritage Commission as to the content of the plans. The plans were completed in 2002 and will form the basis of further consultation with the Department of Defence and in planning DHA's maintenance schedules.





Our houses

15 years



Lessor News — keeping our Lessors informed

As part of our commitment to better communication with Lessors, DHA publishes a regular newsletter, Lessor News. In 2002–03 three editions of DHA Lessor News were distributed to Lessors with their end of month statements for the respective months.

The newsletter is just one method that DHA uses to keep Lessors informed about happenings at DHA. It provides useful information such as details of new office openings, changes of address, new phone and facsimile numbers and also gives DHA the opportunity to inform Lessors about a range of topics such as DHA's leasing and sales activities and new housing developments.

Housing diversity

Keeping pace with the changing needs of Defence members and their families is something that DHA monitors through the Annual Tenant Survey. With the changing demographics of the Defence population and an emphasis placed on lifestyle, DHA no longer builds only traditional family homes. DHA through its construction and acquisition program provides a range of townhouses, apartments, courtyard and high-rise options that suit different family profiles and lifestyle preferences.

The recently completed three tower apartment complex in Darwin known as 'Vantage Point' due to its views of Darwin Harbour has provided Defence members and their families with a choice of high-rise living in an inner city location. The one, two and three bedroom apartments are provided with such facilities as underground secure parking, gymnasium, two pools and barbecue amenities.



Townhouses come in a variety of styles and offer family accommodation with minimal garden and lawn maintenance. Over the past year at locations such as Duntroon Royal Military College in the ACT, a choice of townhouses has been constructed. This includes terrace houses with traditional access lanes for parking to ensure minimal impact on the streetscape and two storey townhouses built in small clusters and sharing a common driveway. Both options provide families with a lifestyle alternative.

Courtyard housing is a popular alternative for the family that would like the amenities of a traditional house, but prefers the lifestyle available from a reduced land allotment.

Traditional housing continues to provide all the features that have historically been provided in DHA houses, including covered outdoor entertainment area, storage space and double garage on a more traditional land allotment size. These houses are generally provided in outer-suburban locations or in regional areas.

Sale of surplus houses

An important element in DHA's asset management strategies is the continuous review of the standard and quality of housing stock to ensure that the level of amenity provided is keeping pace with changing community standards. Over the last 15 years since inception, DHA has gradually disposed of older stock inherited in 1988 that could not be upgraded to modern standards.



Surplus housing stock is therefore identified for sale on the basis that it is:

- no longer required by the Department of Defence due to changes in operational requirements,
- no longer considered to be in a suitable location or of adequate standard, or
- at the end of its economic life.

During the year, DHA sold 573 surplus properties generating \$129.3 million in revenue. DHA owned stock tends to be older than leased stock. DHA stock progressively will be replaced and where appropriate placed on the Sale and Leaseback Program.

Sale and Leaseback Program

Acquisition and funding strategies largely revolve around on-selling newly constructed or directly purchased houses through the Sale and Leaseback Program. Funds generated by the program are re-cycled into new housing projects or returned to Government.

Under the 'Defence Housing Australia' brand, DHA promotes its residential property investment package to the retail market by offering an attractive long term lease-back commitment with benefits including a continuous rental stream throughout the lease period. Lease periods are flexibly arranged between three and 12 years to suit Defence operational requirements across Australia.

Over the last year the program has operated in very favourable market conditions in all metropolitan and regional centres. In the low interest rate environment, demand for the product has far outstripped supply with more investors taking a longer term perspective with their investment and risk management strategies.

The huge success of the Defence Housing Australia sales website has continued to build positive brand equity significantly reducing the need for costly media advertising. The strength of brand awareness is further evidenced by the high referral rate from existing and potential investors. Over 70 per cent of leads are generated from this source.

During the reporting period the program generated \$355.5 million from 1,061 sales against a target of \$333.9 million and 1,055 sales.



National Sales Office — bringing our investment package to you

The National Sales Office relocated to a new shop front at 80 George Street, Parramatta at the end of September 2002.

The new location offers superb street frontage and has allowed the office similar exposure to that of a real estate agency. Window advertising has been well received by the general public and has helped to strengthen brand awareness. The new office also features a conference area which has allowed the Property Sales Consultants to host small information evenings.

This sort of exposure reinforces DHA's commitment to face to face customer service to complement the residential investment national telephone numbers and website — www.invest.dha.gov.au



Amenities Upgrade Project — continuous improvement of houses

During the last year Service Residences have been upgraded in accordance with feedback from Tenant Satisfaction Surveys. Across the country houses have had security upgrades to meet tenant expectations and local community standards. All Service Residences now have security screen doors as a minimum security feature and depending on the location, other security features such as window security screens, deadlocks and window locks have been installed to improve the level of security.

Climate control is another component in the upgrading of houses. In the locations of Adelaide, Perth, Singleton and the Riverina, homes have been upgraded with the installation of evaporative cooling.

Ceiling insulation was upgraded to 30 homes in Tindal and reverse cycle air conditioning was installed to 18 on-base homes at Richmond.

In addition to the cooling upgrades, 28 homes in Tasmania were retro-fitted with ducted gas heating and improved thermal efficiency was completed on 13 heritage homes at Duntroon Royal Military College in the ACT.

Leasing

Each year DHA undertakes a survey to measure Lessor satisfaction. In 2002 DHA surveyed 3,058 Lessors and 43 per cent responded. Of these, 93.6 per cent were satisfied with their lease agreement and 93.3 per cent were satisfied with the management of their leased property. Both results exceeded targets, demonstrating very high levels of Lessor satisfaction.

Existing Lessors are a major source of referral for the Sale and Leaseback Program, with the survey results indicating that over 88 per cent of the Lessors who responded would recommend investing in a DHA property, while 64 per cent would be likely to purchase another property under the Sale and Leaseback Program. In recognition of the importance of this customer base, DHA is continuing efforts to improve customer service and communication with Lessors. DHA also actively seeks feedback from Lessors via email, the DHA website and through direct consultation.

At the beginning of 2002–03 DHA had targeted for termination of around 2,600 old style Pre 96 leases with above-market rent and restrictive lease conditions. Close to 1,400 of these were terminated or converted to new Lease 96 agreements during 2002–03. This program is continuing and by the end of 2003–04 it is anticipated that only approximately 250 Pre 96 leases will remain. The conversion of 520 old style leases to a new Lease 96 agreement has been a major achievement for DHA during 2002–03.

During 2002–03 DHA maintained an active direct leasing program. While DHA receives offers to lease from a wide range of sources, a major source of leasing offers is the DHA website, where information on current leasing requirements is available to members of the public. In 2002–03 954 offers to lease were received via the DHA website and 230 new direct leases were achieved from all sources. In 2003–04 DHA will continue to pursue a direct leasing program to supplement the Sale and Leaseback Program, which is DHA's major source of new leases.





Constructions and acquisitions

Construction continued to be the preferred method of acquisition for the Authority over the 2002–03 period, as it enables houses to be tailored to meet DHA standards of quality and amenity, as well as providing a choice in the type and location of house.

During the past year, DHA completed construction of 539 houses both on and off base, consisting of 228 from major projects over \$5 million and 311 from medium projects under \$5 million. This includes a 95 apartment, three tower complex in Darwin emphasising high-rise inner city living, a 66 house redevelopment in Enoggera, Brisbane specifically designed to accommodate the climate and lifestyle and a 122 house redevelopment at Duntroon Royal Military College in the ACT providing a choice of townhouse and traditional housing alternatives.

On-base construction and refurbishment forms a significant part of the capital program with 143 homes constructed on-base at Duntroon and Puckapunyal during the year. On-base living continues to be a popular choice for Defence members and their families and this is reflected in future programs which include new housing at Puckapunyal and refurbishment of existing housing at RAAF Base Tindal.

DHA concluded one submission to the Joint Standing Committee on Public Works in relation to major projects during the year. The submission was for a 72 house development of land located in Adamstown, Newcastle. The Committee considered the proposal at a public hearing on 7 March 2003 and in its report dated 14 May 2003 recommended the project proceed at a cost of \$21.6 million.

Acquisition of existing houses is another approach used in meeting the capital program. Over the past year 421 houses have been acquired across the major cities and many regional centres across Australia.

The construction and acquisition program will continue to be the main method of meeting the Defence housing requirement, with expenditure of approximately \$1 billion over the next three years.







DHA customer
service centres

15 years

Activity summary

Regional and out-posted offices, located close to the main concentrations of Defence housing and military bases, provide the local contact point between DHA, local Defence representatives and Defence families. There are 15 Housing Management Centres (HMCs) with multiple supporting local shopfronts including a number on ADF bases.

In many locations, DHA and the Defence Community Organisation are collocated, or located close by, to provide a more convenient service at the regional level. The close proximity of locations also provides the opportunity to deliver housing services to customers with a minimum of inconvenience to them.



Dave Trudgian

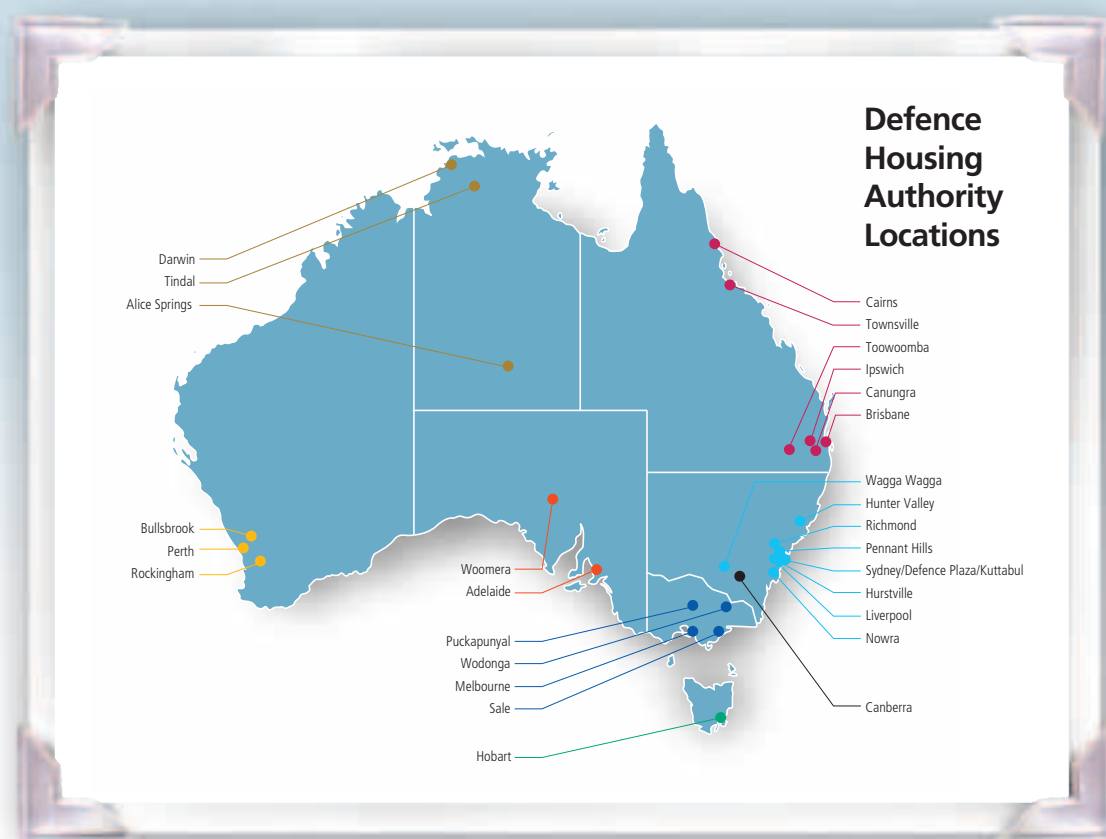
National Service Support Centre (NSSC)

A National Service and Support Centre (NSSC) is located in Canberra to provide wide ranging processing and support functions to external customers and DHA business units. Over 100 staff provide the following services:

- Interpretation of ADF posting orders and initiation of relocations, including the mail out of relocation packs
- Itinerary management including travel and accommodation bookings
- Relocation entitlement calculations and payments
- Lessor and supplier payments processing, including rates and water payments and Lessor statements
- Customer support lines for general enquiries, relocations emergency support and Lessor enquiries
- Defence HomeOwner services
- IT Helpdesk support for DHA staff.

A call centre within the NSSC services a 1800 national customer service line that provides Australia-wide access to DHA from 8.00 am to 6.00 pm Monday to Friday. During these hours the NSSC also services a 24 hour 1800 emergency relocations hotline to provide immediate support to ADF members and their families whilst in transit. The service is managed by an external provider during non-business hours.





Housing management centres national snapshot for the year

Highlights

- Successful case management of Defence members relocating over the peak posting period of November–February
- Ongoing implementation of the amenities upgrade program enhancing security, outdoor entertainment areas, and heating and cooling

Activities

Acquisition and construction — \$324.3m

Purchases		Sales		Housing stock managed	
Existing houses	421	Sold and leased back	1,061	As at 30 June 2003	17,311
Newly constructed houses	539	Other	573	DHA owned	5,075
		Leases		Leased from private investors	9,843
		New leases	230	On-base	2,315
		Lease conversions	520	Other managed stock	78



Left to right: MAJ Todd Everett, Joseph Everett, Mrs Alison Everett, Elleanor Everett, The Hon. Danna Vale MP

April 2003

Housing development RMC Duntroon

The Duntroon redevelopment has a total of one hundred and twenty two houses that were built over two stages. The first stage was opened in May 2002 and the second in March 2003. The development consists of a mix of detached residences, semi-detached residences, terrace houses, duplex and town houses. The majority are four bedroom dwellings, with some three bedroom townhouses.



Australian Capital Territory



Maggie Robinson

Canberra

Highlights

- The Hon Danna Vale MP opened project at Duntroon which made available 100 new houses
- Further constructions initiated at Bruce and Harcourt Hill in addition to substantial home purchases
- Purchase of the 'Pitch and Putt' Golf Course on Furlong Road Queanbeyan to provide land for future construction of approximately 50 houses

Activities

Acquisition and construction — \$49.2m

Purchases	
Existing houses	46
Newly constructed houses	89
Sales	
Sold and leased back	193
Other	17
Leases	
New leases	33
Lease conversions	14
Housing stock managed	
As at 30 June 2003	1,418
DHA owned	220
Leased from private investors	1,042
On-base	156
Other managed stock	–

New South Wales



Matt Chambers

Hunter Valley

Highlights

- A total of 63 Pre 96 leases were converted to Post 96 leases and another 17 extended for the period of the current tenancy with a further 121 handed back to Lessors
- Shopfronts were established at RAAF Base Williamstown, Lone Pine Barracks, Singleton and the Adamstown Army Depot to improve access by ADF members to DHA services
- All DHA owned houses in Singleton had ducted evaporative coolers installed as part of the Amenities Upgrade Program, and window security screens were retrofitted to all DHA owned houses in the HMC's region

Activities

Acquisition and construction — \$20.9m

Purchases	
Existing houses	25
Newly constructed houses	41
Sales	
Sold and leased back	51
Other	6
Leases	
New leases	18
Lease conversions	63
Housing stock managed	
As at 30 June 2003	885
DHA owned	187
Leased from private investors	696
On-base	2
Other managed stock	–



Janine Leonard

Nowra

Highlights

- Appointment of Mrs Janine Leonard as Regional Manager
- Eight new homes were constructed by DHA in the Worrigeer area
- Twelve blocks acquired in the highly sought after area of North Nowra. Construction of homes on these blocks will be phased over the next two years
- An active acquisition and disposal program has resulted in an improvement to housing standards in this region
- Excellent results received from the Sale and Leaseback Program of homes in this region

Activities

Acquisition and construction — \$7.5m

Purchases	
Existing houses	18
Newly constructed houses	8
Sales	
Sold and leased back	57
Other	30
Leases	
New leases	15
Lease conversions	10
Housing stock managed	
As at 30 June 2003	444
DHA owned	107
Leased from private investors	273
On-base	62
Other managed stock	2



Senator The Hon. Robert Hill

January 2003

Vantage Point Complex Darwin

Vantage Point was constructed by Multiplex. It took approximately eighteen months to construct the ninety five apartments, opened in January 2003.

The three towers were named after Service personnel from the Army, Navy and RAAF with strong Darwin connections. They were Wilfrid Stanley Arthur, Francis B. Emms and Max White.





Wayne Wilson

Sydney

Highlights

- Assumed responsibility for processing Fleet Base East relocations
- Roving shopfront established to service bases across eastern Sydney
- Actively pursued the provision of Defence Choice Housing
- National Sales Office moved to shopfront in George Street, Parramatta

Activities

Acquisition and construction — \$103.3m

Purchases	
Existing houses	165
Newly constructed houses	4
Sales	
Sold and leased back	312
Other	118
Leases	
New leases	116
Lease conversions	269
Housing stock managed	
As at 30 June 2003	4,058
DHA owned	1,411
Leased from private investors	2,570
On-base	55
Other managed stock	22



Jeff Davy

Wagga Wagga

Highlights

- Successful case management of a large number of Defence members relocating at short notice as a result of courses
- Relocation of the Wagga Wagga office to central CBD
- Installation of ducted evaporative cooling to all DHA homes
- Continued turnover of A grade stock to new quality homes

Activities

Acquisition and construction — \$10m

Purchases	
Existing houses	19
Newly constructed houses	7
Sales	
Sold and leased back	14
Other	0
Leases	
New leases	2
Lease conversions	11
Housing stock managed	
As at 30 June 2003	386
DHA owned	255
Leased from private investors	121
On-base	10
Other managed stock	—

Northern Territory



Matt Wheeler

Darwin

Highlights

- Excellence in relocations through peak posting cycle with overall satisfaction peaking at 92 per cent
- Opening of Vantage Point three towers housing development
- Established shopfront at 5/7 RAR to manage in excess of 900 movements relating to the deployment to Timor
- Sales department met their target of selling 95 'sale and leaseback' properties and directly sold 68 properties that were no longer required due to age and condition

Activities

Acquisition and construction — \$21.3m

Purchases	
Existing houses	17
Newly constructed houses	95
Sales	
Sold and leased back	95
Other	68
Leases	
New leases	2
Lease conversions	0
Housing stock managed	
As at 30 June 2003	1,859
DHA owned	377
Leased from private investors	722
On-base	747
Other managed stock	13



Corporal John French

*Mrs Ethel Polich,
MAJ Duncan Polich, Angus Polich*

April 2003 **Housing development John French Estate Enoggera**

The Enoggera Estate and Memorial Park in Brisbane was named after Corporal John French VC, a Queensland-born Victoria Cross winner. The sixty-six home development is situated on the land adjoining Gallipoli Army Barracks, currently home to approximately 3,000 ADF members. The Estate was officially opened by Special Minister of State, The Hon. Eric Abetz in April 2003.



Senator The Hon. Eric Abetz with the then Chairman of the DHA Board, Peter Jollie, presenting John French's nieces, Mrs Faye Lowien and Mrs Jackie O'Connor with a memento of the day





Cameron Yin

Tindal

Highlights

- First stage of upgrade to A category houses on RAAF Base Tindal near completion
- Acquired five additional house for NORFORCE members in Alice Springs
- Maintained a high satisfaction rate with members in relation to relocations and maintenance

Activities

Acquisition and construction — \$1.9m

Purchases	
Existing houses	2
Newly constructed houses	0
Sales	
Sold and leased back	0
Other	2
Leases	
New leases	3
Lease conversions	0
Housing stock managed As at 30 June 2003	542
DHA owned	129
Leased from private investors	220
On-base	193
Other managed stock	–

Queensland



Bronwyn Kennedy

Brisbane

Highlights

- Opening of 66 houses at John French Estate in April 2003
- Winner of the Master Builders Award for John French Estate
- Sourcing and acquisition of land 12 km from Enoggera Base with a housing yield potential of 60 new homes over coming years

Activities

Acquisition and construction — \$48.4m

Purchases	
Existing houses	77
Newly constructed houses	94
Sales	
Sold and leased back	80
Other	49
Leases	
New leases	17
Lease conversions	20
Housing stock managed As at 30 June 2003	1,132
DHA owned	265
Leased from private investors	770
On-base	97
Other managed stock	–



Mark Kelly

Cairns

Highlights

- Purchased development land in three estates
- Commenced construction program of new housing
- Satisfactorily integrated the new case management procedures into business process
- Achieved a high rate of satisfaction in housing and maintenance, and relocation services

Activities:

Acquisition and construction — \$2.9m

Purchases	
Existing houses	2
Newly constructed houses	0
Sales	
Sold and leased back	22
Other	3
Leases	
New leases	1
Lease conversions	2
Housing stock managed As at 30 June 2003	252
DHA owned	67
Leased from private investors	171
On-base	3
Other managed stock	11


Mark Wallis

Ipswich

Highlights

- Appointment of Mr Mark Wallis as Regional Manager. Mr Wallis transferred to this position from the Tindal HMC where he was previously the Regional Manager
- Opened new HMC in September 2002 to provide increased level of service to ADF members at RAAF Base Amberley
- Sale of 193 homes from the Amberley Village to Queensland State Housing for removal to western and northern remote areas
- Establishment of a part time shopfront at RAAF Base Amberley

Activities

Acquisition and construction — \$14.3m

Purchases	
Existing houses	16
Newly constructed houses	49
Sales	
Sold and leased back	44
Other	22
Leases	
New leases	4
Lease conversions	2
Housing stock managed	
As at 30 June 2003	437
DHA owned	201
Leased from private investors	236
On-base	–
Other managed stock	–


John Fergusson

Toowoomba

Highlights

- Disposal of older and unsuitable ex commission houses in Oakey almost complete after an ongoing program over 10 years
- The successful development of a multi skilled team to provide a high level of Relocation Services to Defence members
- On going development of a close working relationship with the Defence units based at Oakey and Cabarlah

Activities

Acquisition and construction — \$0.4m

Purchases	
Existing houses	0
Newly constructed houses	0
Sales	
Sold and leased back	20
Other	46
Leases	
New leases	0
Lease conversions	11
Housing stock managed	
As at 30 June 2003	325
DHA owned	80
Leased from private investors	238
On-base	7
Other managed stock	–


Bob Haylett

Townsville

Highlights

- Disposal of 109 older and unsuitable houses in older suburbs of Townsville and Thuringowa
- Large acquisition activity successfully completed to replace older houses, thus limiting the necessity for members to seek rental assistance accommodation
- Successfully managed approximately 3,000 outbound relocations
- Assumed responsibility for provision of housing and relocation services for Thursday Island and Weipa
- On going development of a close working relationship with the various Defence units based in Townsville and outlying regions of Mount Isa, Tully, Mission Beach, Weipa and Thursday Island

Activities

Acquisition and construction — \$12m

Purchases	
Existing houses	4
Newly constructed houses	76
Sales	
Sold and leased back	87
Other	109
Leases	
New leases	2
Lease conversions	2
Housing stock managed	
As at 30 June 2003	1,607
DHA owned	799
Leased from private investors	804
On-base	4
Other managed stock	–

South Australia



Ross Dickens

Adelaide

Highlights

- Successful consolidation of removals functions, particularly in regard to RAAF recruits
- Acquisition of additional Defence Choice Housing in the inner city

Activities

Acquisition and construction — \$10.4m

Purchases	
Existing houses	4
Newly constructed houses	26
Sales	
Sold and leased back	19
Other	12
Leases	
New leases	0
Lease conversions	5
Housing stock managed	
As at 30 June 2003	953
DHA owned	104
Leased from private investors	450
On-base	395
Other managed stock	4

Tasmania

Hobart (managed by the Melbourne Office)

Highlights

- New blocks purchased for construction in order to improve age profile of portfolio

Activities

Acquisition and construction — \$0.00m

Purchases	
Existing houses	0
Newly constructed houses	0
Sales	
Sold and leased back	0
Other	2
Leases	
New leases	0
Lease conversions	1
Housing stock managed	
As at 30 June 2003	57
DHA owned	51
Leased from private investors	1
On-base	5
Other managed stock	—

Victoria



Alistair Capp

Melbourne

Highlights

- The Melbourne HMC relocated to new, larger premises on St Kilda Road. The office was officially opened by General Cosgrove
- A shopfront was established at HMAS CERBERUS in order to better service the base
- A new Regional Manager, Mr Alistair Capp, was appointed replacing Mr John Wilson

Activities

Acquisition and construction — \$7.5m

Purchases	
Existing houses	8
Newly constructed houses	21
Sales	
Sold and leased back	4
Other	29
Leases	
New leases	1
Lease conversions	106
Housing stock managed	
As at 30 June 2003	1,603
DHA owned	398
Leased from private investors	671
On-base	534
Other managed stock	—

Sale (managed by the Melbourne office)

Highlights

- Sale office activities centralised through Melbourne office

Activities

Acquisition and construction — \$0.00m

Purchases	
Existing houses	0
Newly constructed houses	0
Sales	
Sold and leased back	0
Other	3
Leases	
New leases	0
Lease conversions	1
Housing stock managed	
As at 30 June 2003	158
DHA owned	53
Leased from private investors	100
On-base	5
Other managed stock	–

Wodonga (managed by the Wagga Wagga office)

Highlights

- Successful case management of a large number of short notice postings for members completing courses
- Installation of ducted evaporative cooling to all DHA homes
- Continued turnover of A grade stock to new quality homes

Activities

Acquisition and construction — \$4.4m

Purchases	
Existing houses	10
Newly constructed houses	3
Sales	
Sold and leased back	4
Other	8
Leases	
New leases	4
Lease conversions	3
Housing stock managed	
As at 30 June 2003	273
DHA owned	91
Leased from private investors	147
On-base	35
Other managed stock	–

Western Australia



John Murray

Perth

Highlights

- 26 houses were constructed in Rockingham and Atwell
- Highly successful Sale and Leaseback Program achieved
- Successful management of increased number of removal entitlements due to the deployment of SASR troops to Afghanistan and Iraq, and Naval frigates to the Persian Gulf

Activities

Acquisition and construction — \$10.2m

Purchases	
Existing houses	8
Newly constructed houses	26
Sales	
Sold and leased back	59
Other	49
Leases	
New leases	12
Lease conversion	0
Housing stock managed	
As at 30 June 2003	922
DHA owned	280
Leased from private investors	661
On-base	5
Other managed stock	26



Our systems

15 years

Information Technology Services

Introduction

The Information Technology Services (ITS) branch is responsible for the provision and operation of the Information and Communications Technology (ICT) functions. Proven design principles are used to ensure our systems are efficiently developed, maintained and continuously improved to support current business operations and future business initiatives.

Information strategy

ITS also plays an essential role in strategic planning to connect the ICT resources to improvements in business performance. This strategic planning function capitalises on DHA's ICT investments and capabilities to take the greatest advantage of technology.

Best Practice and IT Governance

DHA IT Governance is an essential control for delivering expected return on the ICT investment.

IT Governance will continue to be strengthened to facilitate a better partnership between DHA business units and ITS. This partnership contributes to a strong alignment between the DHA Corporate and ITS objectives.

To achieve operational excellence and business productivity improvement, industry best practice models for service support and delivery are being implemented.

DHA relocations

In support of the Relocations business, systems were enhanced to provide an automatic interface between the Customer Relationship Management (CRM) system and the Relocation system.

This 'customer-centric' system interface provided substantial benefits during the peak posting cycle by reducing transaction processing times, improving workflow management and promoting a higher level of compliance with Standard Operating Procedures. This was a significant contributor in DHA's achievement of its key performance targets under its contract with Defence.

E-Business

DHA's e-Business efforts continued with HomeFind (www.homefind.com.au) and the Investment web site (www.invest.dha.gov.au) continuing to save significant costs and facilitating online interactions with DHA's customers and Lessors.

HomeFind contributed strongly to DHA's 22,451 door to door removals, as 71 per cent of Service Residences were pre-selected through the web site.

The Investment web site also contributed to DHA's e-Business success. Potential purchasers in the Authority's Sale and Leaseback Program can view and register their interest in properties offered for sale on the site. Since its inception in March 2003, over 60,000 people have registered their details as leads for DHA's property sales force.



In 2002–03, work was undertaken to review DHA's current e-Business activities and to create a strategy that will guide future efforts for the next three years. DHA's vision is to significantly increase electronic interactions with its customers. This will be achieved by enabling increased levels of customer self service through electronic channels such as the World Wide Web, email, interactive voice response telephony, and mobile technologies such as short message service (SMS) and multimedia message service (MMS) to communicate and do business with customers and suppliers.

The provision of this self service capacity is expected to have two key benefits: customers will be able to deal with DHA when and how they wish; and improving the Authority's value for money through increased efficiency and customer satisfaction.

Tenant and Property Management System (TPMS)

The TPMS project will provide a fully integrated system that will enhance service delivery and respond to DHA's changing business requirements. The project is being managed to meet the requirements of two business lines: The Tenancy Management System (TMS) and the Property Management System (PMS).

As these systems are highly inter-dependent, a co-ordinated program of work is being undertaken. The project is being led by DHA business representatives with the major development components being subcontracted to industry experts.

The TMS solution is targeted for full implementation by June 2004 with PMS currently scheduled for delivery in June 2005.

TMS will better manage the relocations and customer relationship. It will improve staff productivity when assisting customers with enquiries and when using reports to support service delivery.

The PMS will provide better portfolio and asset management and improve DHA's current reporting ability for Lessors.

Combined, this integrated solution will empower customers with a greater degree of choice and self service. Additionally, it is expected the DHA vision of a 'one-stop' shop for housing solutions and more convenient services will be fulfilled whilst improving customer service levels and portfolio management.



DHA Information Technology Helpdesk

The Helpdesk Team are a group of specialists who provide first level technical support to all DHA staff.

On average 85 percent of issues are resolved at first point of call by our analysts. Issues not resolved at first point of call are then escalated to the appropriate team of technicians within Information Technology Services.

All Helpdesk analysts are certified Workplace Trainers. Training programs are developed in line with DHA staff requirements after a needs analysis has been conducted. Helpdesk works in conjunction with the Learning and Development team within Human Resources in planning the implementation of the training courses.

Helpdesk also provides desktop support for the National Service and Support Centre and the Canberra Housing Management Centre and an after hours support service to all DHA staff for emergency IT issues.





Governance

15 years

Governance Outcomes: Confidence in the organisation

Review and evaluation of governance arrangements through:

- Annual review by the Board of its function, roles and performance
- Annual independent review of the Board's function, role and performance

Information and decision support through:

- Monthly reporting to Board in accordance with Board's requirements
- Effective record keeping, minutes of meetings
- Use of up to date information technology

Internal conformance & accountability through:

- Regulatory Compliance Matrix
- Internal audit review and processes
- Monthly financial reports to Board
- Financial and other delegations

Planning and performance monitoring through:

- Corporate Plan using Balanced Scorecard
- Continuous management reporting against KPIs
- Monthly reporting to Defence against contracts

External conformance & accountability:

- Quarterly reports to Ministers
- Annual Report
- Service Charter

Risk management through Risk Management Plan, updated annually under the oversight of the Board Audit Committee

Stakeholder relationships (external and internal) managed through:

- Stakeholder representation on DHA Board
- Multi-level collaboration and liaison with Defence-related stakeholders, including representatives of Department of Defence, the ADF, Lessors and DHA staff
- Ongoing measurement of satisfaction with DHA's performance, including through Client Survey, Customer surveys, Lessor survey and DHA staff survey

Leadership, ethics and culture:

- Top down informed direction supported by a culture of fearless bottom up advice
- DHA Mission and Vision statements
- DHA Code of Conduct
- APS Values and Code of Conduct

Source: Adaptation from ANAO Better Practice Guide, Public Sector Governance, July 2003

15 years

DHA governance framework

DHA's governance framework provides the framework within which the Authority operates, to ensure accountable business outcomes and enhanced organisational performance.

DHA's business is a changing business. So that DHA can meet the changing needs of its clients and customers, DHA's governance framework is able to adapt to reflect these changing requirements whilst still retaining all aspects of accountability and professionalism.

Code of Ethics

DHA is committed to fair dealings in all its activities, including its interaction with Defence, ADF members and their families, building and maintenance contractors, suppliers, Lessors and Government authorities. High ethical and accountability standards are set and expected of all staff.

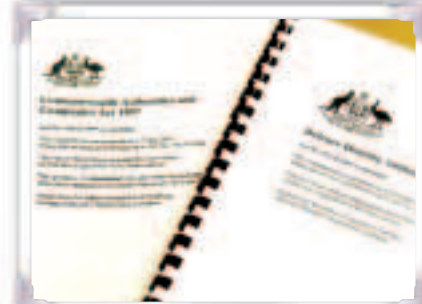
DHA's culture also embraces a strong commitment to meeting the needs of ADF members and their families. The organisation is committed to providing a safe workplace, free of discrimination and harassment and to recognising the individual contributions of its staff members. It is also committed to high standards in its contractual relationships with maintenance and other contractors and private investors with which DHA has property management responsibilities.

DHA business

The statutory function of DHA is to provide adequate and suitable housing for members of the Australian Defence Force and their families, Defence civilians and other persons, in order to meet the operational needs of the Australian Defence Force and the requirements of the Department of Defence.

DHA provides tenancy management and relocation services to Defence and administers the Defence HomeOwner Scheme (subsidised assistance for ADF member home purchase).

In all the above activities, DHA is required to undertake its business activities in a commercial manner and to make appropriate returns on investment to Government.



Legislation

Defence Housing Authority Act 1987

The Defence Housing Authority (DHA) was established under the *Defence Housing Authority Act 1987* (the Act) and commenced operations on 1 January 1988. Under the Act, DHA is required to provide adequate and suitable housing for:

- members of the ADF and their families
- officers and employees of the Department and their families; and
- other persons

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

Commonwealth Authorities and Companies Act 1997

DHA must also comply with the requirements of the *Commonwealth Authorities and Companies Act 1997* (CAC Act) with respect to:

- reporting to Ministers and to Parliament
- contents of the Annual Report
- audit of DHA's financial statements by the Auditor-General
- banking and investments powers of authorities
- compliance with general policies of the Government, and
- conduct of Directors and Officers, including the civil consequences of the Directors and Officers contravening civil penalty provisions.

Shareholder Ministers

DHA is part of the Defence portfolio and is responsible to Senator The Hon. Robert Hill, the Minister for Defence, through The Hon. Danna Vale MP, Minister for Veterans' Affairs and Minister Assisting the Minister for Defence.

Senator The Hon. Nick Minchin, the Minister for Finance and Administration is a Joint Shareholder Minister and has delegated responsibility for DHA issues to Senator The Hon. Eric Abetz, Special Minister of State.



Senator The Hon. Robert Hill



Senator The Hon. Nick Minchin



The Hon. Danna Vale MP



Senator The Hon. Eric Abetz

15 years

DHA Board

During 2002–03, the Board met ten times. Of these meetings three were held outside Canberra in Darwin, Adelaide and Sydney.

One of the highlights for the Board during this year was the meeting held in conjunction with the opening of the Vantage Point complex in Darwin.

The DHA Board comprises 12 Directors:

- Five Directors (including the Chairman) are appointed by the Governor-General for their expertise in housing, management or finance
- One Director, also appointed by the Governor-General, is the spouse of a full-time ADF member
- Five Directors are ex-officio and consist of the staff occupying the positions for the time being of Head Defence Personnel Executive, the Deputy Chief of Navy, the Deputy Chief of Army, the Deputy Chief of

Air Force and the First Assistant Secretary Capability Investment and Resources, and

- the Managing Director of DHA (who is also Chief Executive Officer) appointed by the Board of Directors and who is the only Executive Director.

Directors resigning during 2002–03

The following DHA Board Directors resigned during 2002–03:

- Peter Jollie AM — 24 June 2003
- Air Commodore Roxley McLennan — 25 August 2002
- Ms Helen Ryan — 21 March 2003
- Mrs Judy Swann — 27 February 2003
- Rear Admiral Russ Shalders AO, CSC RAN — 24 July 2002

Board Members for 2002–03 included:

Peter Jollie AM	Chairman
Peter Jones AM	Chairman, appointed 25 June 2003
Keith Lyon	Managing Director DHA
Rear Admiral Brian Adams AO RAN	Director
Bonita Boezeman AO	Director
Air Commodore Roxley McLennan	ADF Ex-officio Director
Rear Admiral Rowan Moffitt RAN	ADF Ex-officio Director
Ralph Neumann	Defence Ex-officio Director
Tom O'Brien AM	Director
John O'Grady	Director
Major General Frank Roberts AM	ADF Ex-officio Director
Helen Ryan	Director
Rear Admiral Russ Shalders AO CSC RAN	ADF Ex-officio Director
Air Vice-Marshal Chris Spence AM	ADF Ex-officio Director
Judy Swann	Defence spouse
Wayne Stokes	Director, appointed 25 June 2003

Board



Peter Jones

Hon. Peter V. Jones AM, FAICD

Mr Jones is currently the Chairman of ARC Energy Limited, AMMTEC Ltd., and several private companies. He is Chairman of the Callaway Foundation for Music Education within the University of Western Australia, and has previously served as Chairman of several listed companies associated with mineral and energy exploration and production.

He has been associated with several Government-owned trading enterprises, including the Western Australian Water Corporation, of which he was the founding Chairman and served for eight years until retiring in December 2002.

Mr Jones was born in Tasmania, where he was farming until 1968 when he moved to Western Australia, and continued his farming operations in the Great Southern Region of the State. Between 1974 and 1986, he was a member of the Western Australia Legislative Assembly, and served as a Minister in several portfolios including Education, Resources Development, Mines and Energy.



Peter Jollie

Peter Jollie

AM, FCA, FCPA, FAICD, Chairman from February 1997 to 25th June 2003

Mr Jollie is currently the Chairman of Heggies Bulkhaul Ltd, Accountants Superannuation Fund, CEO Syndicate and the Judging Panel for the ICA-Zurich Business Leader of the Year Awards. He is an independent Director of Travel.com.au Limited and of other companies.

He was Chairman and CEO of P&O Containers (Australia) from 1988 to 1996, Chairman of Australian Water Services Ltd from 1991 to 1997, and was also a Director of Bovis Australia from 1995 to 2000, P&O Australia Ltd from 1987 to 1997 and P&O Containers Ltd (UK) from 1992 to 1996.

Mr Jollie is a past President of the Institute of Chartered Accountants. He is a Founding Governor of the Australian Naval Aviation Museum and Governor of the Heart Research Institute.



Brian Adams

Rear Admiral Brian Adams AO, RAN

Rear Admiral Adams joined the Navy as a junior recruit in 1968 and was commissioned in 1969. He has served on a range of Australian Navy ships and in 1980 and 1981 he undertook exchange service with the Royal Navy. He commanded HMAS TARAKAN in 1976 and 1977 and HMAS TOBRUK in 1988 and 1989.

Other postings included the Australian Joint Warfare Establishment as the RAN Director and HQ ADF in resource policy and capability development areas. In 1993 and 1994 he commanded HMAS CRESWELL, the RAN College, and in 1995 and 1996 he was the Director of Naval Warfare in Maritime Headquarters.

In 1997 he graduated from the Australian College of Defence and Strategic Studies. He assumed the position of Commandant Australian Defence Force Academy in January 1998 and was appointed Deputy Chief of Navy in 2000.

Rear Admiral Adams is also a graduate of the Australian Army Command and Staff College and the Joint Services Staff College. He holds degrees in Arts and Business Administration. He is a fellow of both the Australian Institute of Management and the Australian Institute of Company Directors.



Bonita Boezeman

Bonita Boezeman AO, PMD Harvard, FAMI, FAICD

Currently Managing Director of Business Benefits International Pty Ltd, Ms Boezeman was formerly an executive with Time Warner Inc (now known as AOL Time Warner) for more than 22 years and was the Chairperson and Chief Executive Officer of Time Life (Australia) Pty Ltd for more than 12 years. This division was responsible for all the book publishing, music and film/entertainment, sales and development.

She has an extensive background in marketing and financial management. Before moving to Australia she was European Director for Subscription Services for Time Inc. (which encompassed 175 locations worldwide), as well as French Area Manager and European Business Manager.

She is a current Board member of the public company Perpetual Trustees, as well as the Deputy Chairman of the NSW State Lottery Corporation. She is also a member of the Advisory Board of the Catholic Development Fund.

For the past 13 years Ms Boezeman has been involved with the Corporate Olympic Committee as well as chairing the East West Foundation which raises money for the Cochlear Implant Centre for Deaf Children and the Opera Artist Programme.

She has previously been on the Boards of Prudential Insurance and Opera Foundation Australia from 1989 to 2000, AIESEC Australia from 1985 to 1995, East Asia Advisory Council for the NSW Government and the Australian Record Industry. She was a founding member of Chief Executive Women and an attaché for the Sydney 2000 Olympic Games.

Ms Boezeman was appointed as a member of the DHA Board in October 2001 for a term of three years.

In the Queen's Birthday 2003 Honours list Bonita was appointed an Officer of the Order of Australia.



Keith Lyon

Keith Lyon BCom (Hons) NSW, FCPA, FAIM, FAICD

Mr Lyon was appointed Managing Director in September 1999. Previously he was the Deputy President of the Repatriation Commission where he played a leading role in developing new health care arrangements for Australian veterans and war widows. He has a strong background in public administration and was a pioneer in introducing purchaser/provider arrangements between the public and private sector.

Since joining DHA Mr Lyon has been responsible for the organisation's growth and for making DHA operate on a fully commercial basis as a Government Business Enterprise. He developed an Agreement with Defence for the provision of housing and negotiated arrangements for DHA to become responsible for tenancy management and relocations. This has enabled most Defence members to preselect their homes and move door to door.

DHA has some 17,300 houses under management valued at about \$4 billion. Mr Lyon has introduced business line management and strong performance management utilising a system of measures. In the last three financial years, DHA has generated an increase in shareholder value of 13.3%, 13.7% and 15.5% and returned to the government \$957 million in special dividends and capital returns. He has also been responsible for the continuing development of the Sale and Leaseback Program under the name of Defence Housing Australia and substantially reducing the Government's equity in the business.

Mr Lyon has a very strong interest in providing customer service and managing substantial change in large organisations.



Rowan Moffitt

Rear Admiral Rowan C Moffitt, RAN

Rowan Moffitt assumed his current duties as Deputy Chief of Navy when he was promoted to Rear Admiral in mid-2002.

Born and schooled in Sydney, Admiral Moffitt graduated from the Royal Australian Naval College, Jervis Bay, at the end of 1975. After Seaman Officer training and award of his Bridge Watchkeeping Certificate in 1978, he was posted to England to be the commissioning Navigator of the first of a new class of patrol boats, HMAS FREMANTLE. In 1980 he joined the staff of the Director of Naval Officer's Postings in Canberra, a posting which included a period as RAN Contingent Commander onboard HM Yacht BRITANNIA during The Queen's visit to Australia for the Commonwealth Heads of Government Meeting in Melbourne. Between 1982 and 1988 he undertook surface warfare and specialist navigation courses in England and Australia and then served as the Navigator on HMA TORRENS, BRISBANE and HOBART and as the Staff Navigator to the patrol boat and mine warfare force Commander.

On promotion to Commander in 1989, he served as Executive Officer (and briefly Commanding Officer) of the destroyer HMAS BRISBANE, on the staff of the Director Joint Plans, Headquarters Australian Defence Force and undertook the Joint Services Staff Course before joining the new frigate HMAS NEWCASTLE as commissioning Commanding Officer in mid 1993. He joined the RAN Surface Warfare School as head of the Warfare Faculty in late May 1995 and on promotion to Captain at the end of 1995, was appointed to Maritime Headquarters in Sydney as the Chief Staff Officer Operations. He completed this posting in mid 1998 and undertook a year of study for a Masters in Business Administration at Monash Mt Eliza Business School. This was followed by command of HMAS BRISBANE before his promotion to Commodore and posting to Navy Headquarters as Director General Navy Capability Management at the end of 1999. In mid-2001 he took command of the Australian Defence Force Warfare Centre located on the RAAF Base at Williamtown.



Ralph Neumann

Dr Ralph Neumann PhD, FAICD

Dr Neumann is a long-serving Commonwealth public servant who has spent his career in the Department of Defence. Currently he is First Assistant Secretary, Capability, Investment and Resources.

He joined the Defence Department in 1978. He was appointed to the Senior Executive Service in 1993 and since then has worked in policy areas relating to Defence capability, resources and the major capital equipment plan.

He was a member of the Defence Source Selection Board for over two years, is currently the secretary to the Defence Capability Investment Committee (the senior capability focused committee in Defence) and a member of the Defence Capability Committee, and chairs the Defence Materiel Organisation Vehicles and Land Operations Governance Board. He is also a director of a private company.



Tom O'Brien

Tom O'Brien AM, BCom (Hons) FCA, CPA

Mr O'Brien was the Chief Executive Office for Ernst & Young in Melbourne for 12 years and was the National Chairman of Ernst & Young Australia in 1995 and 1996.

Since retiring from the partnership he has pursued a career as a company director and currently serves on a number of Boards including Advent Limited, Australian Hearing, Fiduciary Trust International Australia Ltd, Mercy Health and Aged Care Inc and Virtual Communities Ltd.

He is Chairman of Church Resources, CCI Investment Management Ltd, Healthpoint Technologies Limited and Triangle Group Pty Ltd.

In January, Mr O'Brien was appointed a Member of the Order of Australia.



John O'Grady

John O'Grady LLB, FAICD

Mr O'Grady is a Special Counsel at the Sydney office of international law firm, Blake Dawson Waldron. Prior to joining Blake Dawson Waldron in April 2000, he was a partner of Fisher Jeffries, an Adelaide commercial law firm, for over 20 years serving the last five years as Chairman of Partners. He is an experienced legal practitioner in the areas of Corporate Governance, Property and Government Tendering and Contracting.

He was admitted as a Fellow of the Australian Institute of Company Directors (AICD) in 2000. He is currently a tutor in the AICD Company Directors' Course and is a member of the AICD Corporate Law Committee.

Mr O'Grady is a past President of the Property Council of Australia (South Australian Division) and served on the National Council for two years. He is currently a member of the Commercial Office Committee of the Property Council of Australia (NSW Division).

He has served on several Boards and Committees, including the Commonwealth Property Committee, the Adelaide Entertainment Centre Board, the Australian Major Events Board and the Barossa Music Festival. He was also Chairman of the South Australian Government Office Accommodation Committee.



Frank Roberts

Major General Frank X Roberts AM

Major General Frank Roberts entered the Royal Military College, Duntroon in 1970, graduating into the Royal Australian Artillery in 1973. Major General Roberts' regimental postings culminated with command of the 1st Field Regiment from January 1991 to December 1992.

After a number of appointments as a colonel, Major General Roberts was promoted to Brigadier in December 1997 to command the 7th Task Force at Enoggera, Brisbane from January 1998 to September 1999. He then went on to command the Peace Monitoring Group Bougainville from September 1999 to March 2000, and the Combined Arms Training and Development Centre from April to December 2000. Major General Roberts was promoted to the rank of Major General and appointed as the Commander Training Command — Army on 15 January 01. He assumed his current appointment as Deputy Chief of the Army in June 2002.

Major General Roberts has attended the Royal School of Artillery and the Royal Military College of Science, the Australian Army Command and Staff College and the Australian College of Defence and Strategic Studies. Major General Roberts holds a Bachelor's Degree in Civil Engineering, a Master of Science Degree in Gun Systems Design and a Graduate Diploma in Management Studies.

Major General Roberts was appointed a Member of the Order of Australia in 2001 in recognition of his service as Commander of the 7th Task Force and the Peace Monitoring Group.



Chris Spence

Air Vice-Marshal Chris Spence AM, BSc, FAICD, FAIM

Air Vice-Marshal Spence joined the Royal Australian Air Force Academy in 1969, graduating with a Bachelor of Science Degree. Following pilot training in 1974, he flew a range of aircraft including Iroquois helicopters, Caribou tactical transport aircraft, C130 Hercules aircraft, Macchi jet trainers and Pilatus PC9 training aircraft.

Air Vice-Marshal Spence's staff appointments include Director Logistics Development at the Logistic Systems Agency at Headquarters Logistics Command and Chief of Staff Support Command Australia. His command appointments include Commanding Officer No. 35 Squadron, Officer Commanding No. 86 Wing and Commander Training — Air Force. He was promoted to Air Vice-Marshal and assumed his present appointment as Deputy Chief of Air Force on 18 June 2001.

Air Vice-Marshal Spence was appointed a Member of the Order of Australia on Australia Day 1998. He is a graduate of the RAAF Staff College and the United States Air Force Air University in Montgomery, Alabama. He is a Fellow of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors.



Wayne Stokes

Wayne Stokes

Wayne Stokes has more than 38 years' experience in the Australian building and development industry and has been a senior contributor to the industry through national roles with a range of professional bodies and Government advisory boards.

Since 1980, Mr Stokes has been managing director of privately-owned NL Stokes Pty Ltd — a company founded by his father as a specialist building contractor which has since earned a reputation as a respected developer of quality subdivisions in South Australia and Queensland.

He has served the industry as National and State President of the Urban Development Institute of Australia and is a National and State Life Member of that organisation.

Mr Stokes also has served on the Council and Housing Council of the Master Builders Federation of Australia, is a former President of the Master Builders Association of SA Inc and a former Chairman of the Association's Housing Committee.

His service to the Federal Government includes membership of the Board of the National Capital Authority and Chairmanship of the Indicative Planning Council for the Housing Industry (SA Division).

At a State level, Mr Stokes is the former Chair of the Urban and Regional Development Advisory Committee and of the Development Advisory Policy Committee in South Australia. He is currently a Board Member of the Land Management Corporation and a former Member of the Independent Gambling Authority.



Judy Swann

Judy Swann

Mrs Swann was appointed as Convenor of the National Consultative Group of Service Families (NCGSF) in April 2000 and had been a Service spouse for 12 years. She had been a member of the NCGSF (now known as Defence Families of Australia) since 1995 and represented the views of Australian Defence Force families in a variety of forums, including tenant consultative groups and Defence committees.

She had previously worked as a financial counsellor with the Australian Red Cross and a regional office manager for the Department of Consumer Affairs.

She is currently studying a bachelor degree in business administration.

Mrs Swann resigned from the Board on 27 February 2003.



Helen Ryan

Helen Ryan LLB (Hons)

Helen Ryan is an independent legal consultant advising on the commercial and strategic aspects of major projects. She was a partner in international law firm Deacons for a period of 16 years until 2002. She is a specialist in banking and finance law and was national head of Deacons' banking and finance division.

In her legal role she advises on the structuring and documenting of financing transactions. While she focuses particularly on the financing of large-scale property projects, she is also on retainer to the Australian leasing subsidiary of one of Japan's largest banks and provides advice to that client on a regular basis on a wide range of corporate and commercial matters.

She is a former director of the Banking Law Association, the Queensland Surf Life Saving Foundation, the Queensland Community Foundation, the Queensland Harness Racing Board (also Vice Chairman) and a member of the Queensland Liquor Licensing Advisory Board.

Helen resigned from the Board on 21 March 2003.



Board Committees

Audit

The Board Audit Committee (BAC) meets quarterly and reports to the full Board at least twice a year. During 2002–03, three meetings were held in Canberra and one in Sydney.

During the reporting year, Committee Membership comprised:

Mr Tom O'Brien (Chairman)
Mr John O'Grady
Mrs Judy Swann
Air Vice-Marshal Chris Spence
Dr Ralph Neumann

The Committee's primary functions as established in its Charter are as follows:

- ensure the appropriate processes are undertaken by the Executive in relation to the system of internal controls, management information systems, and overall risk management practices;
- review DHA's accounting policies and disclosures in the annual financial statements and other disclosures in the Annual Report before release; and
- consider major developments and significant changes in legislation, regulations and government policy and their possible impact on the responsibility and liability of the Board and DHA.

Attendance at Board meetings July 2002 to June 2003

Member	Scheduled Board meetings		Special Board meetings		Board audit committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Peter Jollie	10	10	3	3		
Keith Lyon	10	10	3	3		
Tom O'Brien	10	10	3	3	4	4
John O'Grady	10	10	3	3	4	4
Helen Ryan	7	5	2	2		
Judy Swann	7	6	2	2	3	3
Bonita Boezeman	10	10	3	3		
Brian Adams	9	4	3	2		
Frank Roberts	10	5	3	1		
Chris Spence	10	6	3	3	4	1
Rowan Moffitt	10	5	2	1		
Roxley McLennan	1	1	0	0		
Ralph Neumann	10	8	3	3	4	4



Nomination and Remuneration

The Committee is chaired by The Hon. Peter Jones, Chairman of the DHA Board and members are Bonita Boezeman, John O'Grady, Tom O'Brien, and Wayne Stokes.

The Committee is responsible for:

- advising Ministers on the skills and experience necessary for new Directors;
- overseeing and providing advice to the Managing Director on executive remuneration and overall remuneration strategies;
- assisting the Board in relation to the review of the Managing Director's performance and remuneration; and
- ensuring the provision of appropriate induction and continuing education programs for Directors.

Board Evaluation and Review

In accordance with better practice corporate governance, an independent assessment of Board performance was undertaken by Boardroom Partners during the year. The assessment confirmed that the Board operated effectively and in line with the principles of good governance.

Regular, independent assessment of Board performance provides an opportunity for individual Directors to take stock and to make arrangements to undertake any skills update necessary in line with their requirement to fulfil their duties to the best of their abilities, as required by the Board Charter. Such an assessment also provides an independent confirmation that the Board, as a decision making body, is working within the principles and practices of good governance as detailed in the Board Charter.



Keith Lyon
MANAGING DIRECTOR



Fiona Hopkins
GENERAL COUNSEL



Richard Bear
General Manager
Development & Sales

- Development & construction
- Sales & Leasing
- Defence Housing Australia
- DHA acquisitions & disposals



James Kennedy
General Manager
Operations

- Relocation services
- Property management



Bob Eames
General Manager
Corporate Resources

- Provision of Corporate services
- Risk management
- Internal audit
- Contract management



Bruce Lockyer
Chief Information
Officer

- IT infrastructure
- Business support
- IT projects



15 years



Jon Brocklehurst

Chief Finance Officer

- Investment management
- Corporate planning
- Corporate finance



Neil Smith & Roger Powell

General Manager Business Accounts

- Corporate planning
- Account management
- Customer relations
- Performance measurement



Michael Hobday

Strategic Human Resources Manager

- Human resource services
- Human resource & development
- Communications and change management

Kathryn Brown

Strategic Human
Resources Manager
Resigned March 2003





Richard Bear — General Manager Development and Sales

Mr Richard Bear joined DHA in January 2000, prior to which he was Assistant General Manager of the Child Support Agency for three years and responsible for financial management, information technology services and human resource management.

Richard's earlier career was in the insurance industry, during which time he held various executive positions in Melbourne, New Zealand and the UK. In 1981 he was appointed Director Insurance with the Defence Service Homes Organisation. In 1992 he was appointed Branch Head in

the Department of Veteran Affairs, responsible for the Department's financial accounting and management activities.

Richard has a Bachelor of Commerce with a major in Accounting at Otago University, New Zealand. As General Manager Development and Sales he is responsible for:

- **Development and construction**
- **Sales and leasing**
- **DHA acquisitions and disposals**



James Kennedy — General Manager Operations

Mr James Kennedy was appointed to the position of General Manager Operations in September 2002. His extensive commercial background is property related and he has held executive positions as Client Relationship Manager with Jones Lang LaSalle Asia Pacific Outsourcing and subsequently General Manager Corporate Accounts, and Corporate Real Estate Manager with Telecom New Zealand. For some ten years he was also Company Director for a group specialising in advising on and managing corporate staff transfer issues.

James has a Master of Arts with honours in Political Science from the University of Canterbury and was awarded the Graduate Certificate in Commerce (Valuation and Property Management) from Lincoln University. As the General Manager Operations, he has responsibility for:

- **Relocation Services**
- **Property Management**
- **National Service and Support Centre (NSSC)**
- **Housing Management Centres (HMCs)**



Jon Brocklehurst — Chief Finance Officer

Mr Jon Brocklehurst has been responsible for the management of the finance function for DHA since joining the organisation in November 1999. His extensive previous experience included managing the corporate financial planning and analysis function within ACTEW Corporation and being the manager responsible for Corporate Reporting and Budgeting for EnergyAustralia.

Mr Brocklehurst has an Honours Degree in Economics and Accounting from the University of Bristol (UK) and is a member of the Institute of Chartered Accountants of England and Wales. As the Chief Finance Officer Mr Brocklehurst is responsible for:

- **Investment management**
- **Corporate finance**
- **Corporate planning**



Fiona Hopkins — General Counsel

Appointed as DHA's first General Counsel in 2001, Fiona Hopkins previously worked in the private sector, as a lawyer with three of the top Sydney legal firms and also at Woolworths and Westpac. She has expertise in property, managed investments and compliance and was the company secretary for Westpac Property Trust.

Fiona has a Bachelor of Arts and Bachelor of Laws from ANU and last year completed the Senior Managers Development Program at the NSW

AGSM. She is admitted as a solicitor in New South Wales and the Australian Capital Territory.

As General Counsel, Fiona is responsible for:

- **Coordination and management of Board processes**
- **Delivery of all legal services to the business areas**
- **Corporate Governance and compliance**



Neil Smith — General Manager Business Accounts

Air Vice-Marshal Neil Smith retired from the Royal Australian Air Force in January 2001 and came to DHA in the following month. He is also a member of the Civil Aviation Safety Authority (CASA) Board.

In a career that spanned 39 years, Neil held a wide variety of operational and staff appointments with specific highlights including Support Commander for Air Force with the associated responsibility for the logistic support for all Australian military aircraft and command of RAAF Base Pearce, the country's busiest flying base. Other appointments ranged from staff positions in Canberra to command and technical positions in operational units.

In 1998 Neil was made a member of the Order of Australia. He has a Bachelor of Aeronautical Engineering from the University of Sydney and is a fellow of both the Royal Aeronautical Society and the Australian Institute of Company Directors. He job shares the role of General Manager Business Accounts with responsibilities for:

- **Corporate planning**
- **Account management**
- **Customer relations**
- **Performance measurement**

Roger Powell — General Manager Business Accounts

Major General Roger Powell joined the Executive team at DHA in July 2002 following a 34 year career in the Australian Army. He brings to the role extensive knowledge and experience in leadership, having had exposure at all levels and having served throughout the world in operational, training and staff environments.

Highlights of his military career include leading peacekeeping assignments on Bougainville, PNG in 1998 and as the senior Australian Military Officer in East Timor in 2001 as Deputy Commander on the UN's Peace Keeping

Force Headquarters. He has had extensive experience in strategic planning and performance improvement in senior Defence appointments.

Roger job shares the role of General Manager Business Accounts with responsibilities for:

- **Corporate planning**
- **Account management**
- **Customer relations**
- **Performance measurement**



Bob Eames — General Manager Corporate Resources

Mr Bob Eames joined DHA in 1991 and during his career with the Authority has held the positions of Community Relations Manager, Executive Officer and his current role of General Manager Corporate Resources, a responsibility he has had for the past five years.

Bob's earlier career was that of a Seaman Officer in the Royal Australian Navy for 27 years. Postings as a warfare and communications specialist included some 16 years sea experience in operational and command

postings on a variety of ships, including two years exchange with the Royal Navy, as well as qualifying as a Master Mariner.

As General Manager Corporate Resources, Bob has responsibility for:

- **Provision of corporate services**
- **Risk management**
- **Internal audit and contract management**



Bruce Lockyer — Chief Information Officer

Mr Bruce Lockyer has been the Chief Information Officer for Defence Housing Authority since January 2000. He has been employed with the organisation since 1994 and during that time held various management roles. Prior to joining Defence Housing Authority he was with the Royal Australian Navy where his work encompassed all facets of Information and Communications Technology.

As the Chief Information Officer, Bruce is responsible for the development and implementation of the overall Information and Communications Technology strategy for the organisation. In brief, his responsibilities are:

- **IT Infrastructure**
- **Business support**
- **IT projects**



Michael Hobday — Strategic Human Resources Manager

Michael joined DHA in April 2003 as the Strategic Human Resource Manager. He has extensive experience in the private and public sector at National and State levels over a 25 year period. Michael was previously Chief Executive of the CHR Group and prior to that a division head in Queensland Transport. Michael also has 18 years experience in the Commonwealth sector where he was involved in major reform in the health and industrial relations areas.

Michael has a Bachelor of Arts from ANU and post graduate studies in Industrial Relations and Business. He currently is part way through his

MBA and is a member of the Australian Institute of Company Directors and the Australian Human Resources Institute.

As the Manager of Strategic Human Resources, Michael has the responsibility for:

- **Human resource services**
- **Human resource and development**
- **Communications and Change Management**



Internal and external review

Internal audit

KPMG assumed the responsibility from Deloitte Touche Tohmatsu for the provision of internal audit services in April 2003 subsequent to a tender for the provision of such services. DHA's internal management of the function was also strengthened during the year.

Risk management

Risk management is an important and integral element of Defence Housing Authority's operations. The DHA Board Audit Committee has the responsibility for ensuring that the Strategic Risk Management Plan is regularly reviewed and updated to make sure the contents reflect the current business environment.

The DHA Strategic Risk Management Plan has been developed with the assistance of Comcover and follows the methodology set out in the Australian/New Zealand Standard AS/NZS 4360:1999. It is underpinned by a series of complementary Business Unit risk management action plans that detail how individual risks are managed and/or mitigated. All DHA major projects are required to have their own individual risk management plans.

The management and assessment of risks is an on-going function. Executive Managers are responsible for the implementation of action plans to manage each risk and a timeframe for their implementation. Risks will be continuously reviewed and updated to reflect controls and other strategies that have been, or are proposed to be, implemented to manage and mitigate the identified risk. New risks will also be identified and addressed so that the risk assessment is current at any point in time.

Freedom of Information

Like all other Government organisations, DHA is required to comply with the *Freedom of Information Act 1982*. During 2002–03, three requests were made for access to certain information. In each case, after consideration by DHA's FOI Officer, the requested information was made available to the relevant applicants.

Requests under the *FOI Act 1982* for access to information should be made in writing to:

Freedom of Information Officer
Defence Housing Authority
26 Brisbane Avenue
BARTON ACT 2600

Parliamentary Committees and Government Inquiries

DHA met with members of the Parliamentary Public Works Committee to provide an overview of DHA current and future activities.

The Authority made no submissions to government inquiries during the year.

Ministerial Directions

No Ministerial Directions were received under the *Commonwealth Authorities and Companies Act 1997* or *Defence Housing Authority ACT 1987*.

Privacy

DHA takes very seriously its custodianship of information about its staff and customers and adheres to the policies and procedures for information release, as detailed in the *Privacy Act 1988*, as enforced by the Office of the Federal Privacy Commissioners.

Like all Commonwealth Agencies, DHA lodges an annual Personal Information Digest (PID) entry with the Office of the Federal Privacy Commissioner.

Ombudsman

During this reporting period, the Defence Housing Authority received one Ombudsman enquiry. This was received from the Defence Force Ombudsman and the subject matter was regarding a Defence members' ineligibility for an Entitlement Certificate under the Defence HomeOwner Scheme. This scheme is administered by DHA on behalf of the Department of Defence. The reply provided the correct detail to address the enquiry which afforded the Defence member with a favourable outcome.

Indemnities and insurance

DHA maintains insurance cover for Directors' and Officers' liability and company reimbursement, which is to meet any losses or amounts that a Director or Officer is obligated to pay personally, or payments against which DHA has lawfully indemnified the Director or Officer. The policy has certain exclusions such as for dishonesty or for claims made by DHA against one or more of its Directors or Officers.

A total comprehensive insurance policy for Directors and Officers is provided for both liability and insurance cover.

Customer Service Charter

DHA staff at all levels are committed to providing quality housing and relocation services for members of the ADF community and their families. Copies of DHA's Service Charter can be obtained from any of DHA's offices. Customers can also provide feedback by calling DHA's Customer Service Line — 1800 249 711, via email to clientservices@dha.gov.au or by writing to our Customer Service Manager, 26 Brisbane Avenue, Barton, ACT 2600.

External review

Australian National Audit Office (ANAO) Performance Report — Defence Housing and Relocation Services

The June 2003 ANAO Audit Report was an audit of the Department of Defence's management of its contracts with DHA. It was not an audit of DHA. The audit made five recommendations, three of which related to DHA. These included a recommendation for DHA Board membership to be reconsidered, a recommendation for Defence and DHA to complete outstanding transitional matters agreed to in the Services Agreement and a recommendation to expand information relating to DHA's billings to Defence. Other report comments included a requirement for more visibility of DHA's bills.

Environmentally sustainable development

DHA is conscious of its responsibilities to the environment when undertaking developments and housing construction. All new DHA houses have a four star energy rating.

Response to Commonwealth Disability Action Plan

Wherever possible, DHA ensures that policies, programs and services are as accessible to people with disabilities as they are to every other member of the Australian community.

DHA works with Defence to ensure ADF members and families with special needs have access to a fair and equitable process for modifying DHA homes to provide for special needs.

Strategic planning

DHA uses the Balanced Scorecard approach to develop its Corporate Plan, which is a three year plan updated and rolled forward annually. The Corporate Plan forms the basis of Business Plans, which are developed annually by each of DHA's business units. In turn, the Business Plans are cascaded annually into Individual Development Agreements for every staff member. Through this cascading approach, all staff members document their personal role in delivering the Corporate Plan and their performance is measured against their Individual Development Agreement. This approach is effective in focusing staff on DHA's strategic priorities.

Consultancy services

DHA engages the services of a limited number of companies and consultancy services for their expertise. A summary list of such consultancies is presented to the Board Audit Committee on a six monthly basis.

Annual surveys

DHA undertakes the following major surveys each year in accordance with guidelines laid down by the Office of the Federal Privacy Commissioner:

- the Annual Tenant Survey — sent to a random sample of DHA tenants who have been in their home longer than 12 months
- Rent Allowance Survey — sent to a sample of ADF members with dependents receiving rent allowance
- Lessor Survey — sent to owners of DHA leased homes to determine if they are happy with their lease and DHA's leasing services
- Maintenance Survey — a rolling survey sent to a random sample of tenants to gauge DHA's performance in responding to maintenance needs of tenants, and
- the Relocation Survey sent to all DHA tenants approximately four weeks after their move to determine satisfaction with all aspects of DHA's relocation service.

Feedback from these surveys provides DHA with essential information upon which to plan continuous improvement in service delivery.



StaffScan

Defence Housing Authority Maintenance Contractors Survey



Presented by
Mr Robert Munn
Project Co-ordinator 1993-1995

DEFENCE HOUSING AUTHORITY



MAINTENANCE

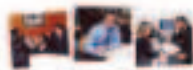
MAINTENANCE QUALITY SURVEY



Customer Service



Customer Service Charter



Defence Housing Authority
Annual Report 2001-2002



Business Overview
2002-2003



Statement of Corporate Intent
2000-2003



Corporate documents

In accordance with the *Commonwealth Authorities and Companies Act 1997* and the *Public Service Act 1999* DHA is required to prepare an Annual Report, Corporate Plan and Statement of Corporate Intent. Financial Statements prepared by DHA are subject to audit by the Australian National Audit Office.

Categories of documents

DHA holds no registers or similar documents that are open to the public upon payment of a fee, nor does DHA hold any documents that are available for purchase.

Access to documents

Copies of the *Defence Housing Authority Act 1987* are available from Ausinfo in all States and Territories. An online version of the Act is available to download from the Scaleplus section of the Attorney General's Department website: www.ag.gov.au

DHA's Annual Report is available free of charge on request from DHA. This Report is also available to download from DHA's website www.dha.gov.au

DHA also produces a bi-annual newsletter and distributes brochures and other promotional material.

Requests for copies of DHA documents can be made in writing to:

Communication Manager
Defence Housing Authority
26 Brisbane Street
BARTON ACT 2600

15 years

Compliance index

The following table shows compliance with *Commonwealth Authorities and Companies (Report of Operations) Orders 2002* issued by the Minister for Finance and Administration on 30 June 2002.

Requirement	Page No
Audit Committee	66
Corporate governance	55
Directors	59
Disability Action Plan	73
Effects of Ministerial Directions	72
Financial performance summary	8
Indemnities and insurance premiums for Officers	72
Judicial decisions and reviews by outside bodies	72
Legislation	57
Organisational structure	68
Report on operations	7
Shareholder Ministers	58

Whilst not required from statutory authorities, DHA has also compiled this report with regard to the *Requirements for Departmental Annual Reports* approved by the Joint Committee of Public Accounts and Audit under subsections 63(2) and 70(2) of the *Public Service Act 1999* on 27 June 1999.

DHA directory

Head Office

Defence Housing Authority
26 Brisbane Avenue
BARTON ACT 2600

General switchboard: (02) 6217 8444
Facsimile: (02) 6217 8500

Residential Investment: 1800 813 621

Website: www.dha.gov.au

Chairman:
The Hon. Peter V. Jones AM

Managing Director:
Keith Lyon

General Counsel:
Fiona Hopkins

Chief Finance Officer:
Jon Brocklehurst

Auditors:
KPMG



Financial Statements

15 years

DEFENCE HOUSING AUTHORITY

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2003

- Statement by Directors
- Audit Report on the Financial Statements
- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cash Flows
- Schedule of Commitments
- Schedule of Contingencies
- Notes to and forming part of the Financial Statements


DEFENCE HOUSING AUTHORITY

Statement by Directors

The Directors state that in their opinion:

- i) the financial statements for the year ended 30 June 2003 give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*; and
- ii) when this statement is made, there are reasonable grounds to believe that the Authority is solvent and 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 of Defence Housing Authority.



The Hon Peter Jones AM
Chairman

Canberra, 4 September 2003



INDEPENDENT AUDIT REPORT

To the Minister Assisting the Minister for Defence and the Minister for Finance and Administration

Scope

I have audited the financial statements of the Defence Housing Authority for the year ended 30 June 2003. The financial statements comprise:

- Statement by Directors;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements.

The Directors of the Defence Housing Authority are responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of the Defence Housing Authority's financial position, its financial performance and its cash flows.

GPO Box 787 CANBERRA ACT 2601
 Centenary House 19 National Circuit
 BARTON ACT
 Phone (02) 6203 7300 Fax (02) 6203 7777

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*; and
- (ii) give a true and fair view, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of the Defence Housing Authority as at 30 June 2003, and its financial performance and cash flows for the year then ended.

Australian National Audit Office



David C. McKean
Executive Director

Delegate of the Auditor-General

Canberra
4 September 2003

DEFENCE HOUSING AUTHORITY**Statement of Financial Performance
for the year ended 30 June 2003**

	Note	2003 \$'000	2002 \$'000
Revenues from ordinary activities			
Services provided		322,320	317,423
Revenue from sale of assets	10	478,212	329,537
Interest income		8,850	6,883
Other		21,112	29,714
Total Revenues from ordinary activities	5	830,494	683,557
Operating expenses from ordinary activities			
Employee expenses	6	(41,916)	(37,066)
Housing lease rental expenses		(154,071)	(151,644)
Rates, repairs & maintenance	7	(52,859)	(47,669)
Depreciation & amortisation	8	(17,550)	(15,773)
Value of assets sold	10	(444,418)	(311,661)
Administration expenses	9	(29,646)	(27,280)
Total operating expenses from ordinary activities		(740,458)	(591,093)
Borrowing costs expense		(6,288)	(480)
Profit result from ordinary activities before income tax		83,748	91,984
Income tax expense	2	-	-
Profit result from ordinary activities after income tax		83,748	91,984
Net profit	11	83,748	91,984
Increase in asset revaluation reserve	12	134,701	108,379
Total revenues, expenses and valuation adjustments recognised directly in equity		134,701	108,379
Total changes in equity other than those resulting from transactions with owners as owners	14	218,449	200,363
Dividends provided for or paid			
Annual dividends provided for or paid	3, 11	-	66,525
Special dividends provided for or paid	4, 11	307,000	166,000
Total dividends provided for or paid		307,000	232,525

The accompanying notes form an integral part of these statements

DEFENCE HOUSING AUTHORITY
Statement of Financial Position
as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
Current Assets			
Cash assets	15	170,404	259,077
Receivables	16	19,888	6,337
Other financial assets	17	10,697	11,211
Land and buildings	20	66,778	88,842
Lease receivables	21	9,709	8,857
Inventories	18	-	468
Total Current Assets		277,476	374,792
Non-Current Assets			
Inventories	18	1,094	355
Plant and equipment	19	12,804	11,647
Land and buildings	20	1,144,433	1,083,133
Lease receivables	21	333,927	351,257
Total Non-Current Assets		1,492,258	1,446,392
Total Assets		1,769,734	1,821,184
Current Liabilities			
Provisions	23	22,760	84,399
Payables	24	3,520	6,059
Other	25	14,454	19,217
Total Current Liabilities		40,734	109,675
Non-Current Liabilities			
Interest bearing liabilities	26	200,000	100,000
Provisions	27	51,288	45,246
Total Non Current Liabilities		251,288	145,246
Total Liabilities		292,022	254,921
Net Assets		1,477,712	1,566,263
Equity			
Contributed Equity	13	249,572	249,572
Reserves	12	1,115,609	980,908
Retained profits	11	112,531	335,783
Total Equity	14	1,477,712	1,566,263

The accompanying notes form an integral part of these statements

DEFENCE HOUSING AUTHORITY
Statement of Cash Flows
for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
OPERATING ACTIVITIES			
<i>Cash Received</i>			
Services provided		312,810	320,845
Interest		9,223	6,428
Other		23,244	26,762
Total cash received		345,277	354,035
<i>Cash Used</i>			
Suppliers		(239,351)	(228,755)
Employees		(40,302)	(35,421)
Interest		(6,288)	(480)
Total cash used		(285,941)	(264,656)
Net Cash From Operating Activities	28	59,336	89,379
INVESTING ACTIVITIES			
<i>Cash Received</i>			
Proceeds from sales of land, building, plant and equipment		466,849	340,140
Other - receipts from joint ventures		621	4,472
Total cash received		467,470	344,612
<i>Cash Used</i>			
Purchase of land, building, plant and equipment		(340,932)	(129,207)
Other - contributions to joint ventures		(621)	(4,472)
Total cash used		(341,553)	(133,679)
Net Cash From Investing Activities		125,917	210,933
FINANCING ACTIVITIES			
<i>Cash Received</i>			
Proceeds from debt		100,000	100,000
Total cash received		100,000	100,000
<i>Cash Used</i>			
Dividends paid		(373,525)	(254,637)
Total cash used		(373,525)	(254,637)
Net Cash From Financing Activities		(273,525)	(154,637)
Net increase (decrease) in cash held		(88,272)	145,675
Cash at 1 July 2002		258,352	112,677
Cash at 30 June 2003	15	170,080	258,352

The accompanying notes form an integral part of these statements

DEFENCE HOUSING AUTHORITY

Schedule of Commitments

as at 30 June 2003

	2003 \$'000	2002 \$'000
BY TYPE		
Capital commitments		
Land and buildings	81,088	40,879
Total capital commitments	81,088	40,879
Other commitments		
Housing lease rentals	685,841	549,906
Other	22,475	18,612
Total other commitments	708,316	568,518
Total commitments	789,404	609,397
BY MATURITY		
Capital commitments		
One year or less	81,088	40,879
From one to five years		
Over five years		
Total capital commitments	81,088	40,879
Other commitments		
One year or less	145,993	143,177
From one to five years	418,284	327,878
Over five years	144,039	97,463
Total other commitments	708,316	568,518
Total commitments		
One year or less	227,081	184,056
From one to five years	418,284	327,878
Over five years	144,039	97,463
Total commitments	789,404	609,397

The accompanying notes form an integral part of these statements

DEFENCE HOUSING AUTHORITY**Schedule of Contingencies**

as at 30 June 2003

	2003 \$'000	2002 \$'000
CONTINGENT LOSSES		
Joint venture guarantees ¹	3,480	3,626
Bank guarantees ²	200	134
Claims for damages/costs ³	39	152
Total contingent losses	3,719	3,912

1. Contract performance guarantees and development works relating to joint ventures;
2. Bank guarantees relating to construction work; and
3. Estimated costs associated with legal matters.

SCHEDULE OF UNQUANTIFIABLE CONTINGENCIES

The Authority is not aware of any unquantifiable contingency gains or losses

The accompanying notes form an integral part of these statements

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

Note	Description
1	Summary of Significant Accounting Policies
2	Tax
3	Dividends
4	Capital Returns and Special Dividends
5	Revenues from Ordinary Activities
6	Employee Expenses
7	Rates, Repairs & Maintenance
8	Depreciation & Amortisation
9	Administration expenses
10	Profit result from Ordinary Activities before income tax expense
11	Retained Profits
12	Reserves
13	Contributed Equity
14	Total Equity
15	Cash Assets
16	Receivables
17	Other Financial Assets
18	Inventories
19	Plant and Equipment
20	Land and Buildings
21	Lease Receivables
22	Movement summary 2002-03 for Land, Buildings, Plant and Equipment
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26	Interest Bearing Liabilities
27	Non Current Provisions
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36	Interest in Joint Venture Developments
37	Financial Instruments
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DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements*for the year ended 30 June 2003***1. Summary of Significant Accounting Policies****1.1 Basis of Accounting**

The financial statements are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (being the *Financial Commonwealth Authorities and Companies (Financial Statements for reporting periods ending on or after 30 June 2003) Orders*);
- Australian Accounting Standards and Accounting Interpretations Issued by the Australian Accounting Standards Board;
- other authoritative pronouncements of the Board; and
- the Consensus Views of the Urgent Issues Group.

The statements have been prepared having regards to the Explanatory Notes to Schedule 1, and Finance Briefs issued by the Department of Finance and Administration.

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

1.2 Changes in Accounting Policy

The accounting policies used in the preparation of the financial statements are consistent with those used in the 2001-2002 financial statements except for the adoption of AASB 1044 Provisions, Contingent Liabilities and Contingent Assets which has required a change in the policy for providing for dividends (refer 1.8 and 3).

1.3 Comparative Figures

Comparative figures have been adjusted to conform to current year presentation of financial statements where required.

1.4 Revenue

Rental revenue from the Department of Defence is received in advance and recognised on an accrual basis. Other revenues are recognised on an accrual basis. Contributions from the Department of Defence towards inclusions in DHA owned properties are recognised as revenue in the periods in which the inclusions are completed, in accordance with UIG 11.

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

Gain or loss from the disposal of non-current assets is recognised when settlement occurs.

1.5 Depreciation

Assets at valuation or cost are depreciated using the straight line method, at rates based upon the following expected useful economic life of the assets.

	2002-2003	2001-2002
Off-base Properties	50 years	50 years
On-base Properties	15 years	15 years
Office Buildings	50 years	50 years
Plant and Equipment	3 - 10 years	3 - 10 years

While depreciation expense has been charged to the statement of financial performance, the accumulated provision for depreciation has been written back on assets subject to revaluation in accordance with Australian Accounting Standard AAS10.

Expenditure of a capital improvement nature for DHA owned properties is capitalised and depreciated over the remaining life of the asset.

1.6 Repairs and Maintenance

Repairs and maintenance costs are written off in the period in which they are incurred.

1.7 Income Tax

The Authority is exempt from all forms of taxation except fringe benefits tax and the goods and services tax. Refer also Note 2.

1.8 Dividends

A provision for dividends is recognised when the dividends are declared, determined or publicly recommended on or before the reporting date.

1.9 Cash

For the purposes of the statement of cash flows, cash includes cash on hand and short term deposits at call.

1.10 Software Development

Costs relating to the development of new products are deferred to future periods to the extent that future benefits are expected. The deferred costs are amortised over future periods to match the costs with the related benefits. The costs are reviewed each year and to the extent that they exceed the recoverable amount are written off.

1.11 Housing and Land Assets

As at 1 January 1988, housing assets were vested in the Authority pursuant to the provisions of Section 60 of the *Defence Housing Authority Act 1987*. A Services Agreement between the Authority and the Department of Defence came into effect on 1 July 2000. Under the Agreement the majority of on-base properties, along with off-base properties in defined regional and remote areas of Australia, were transferred to a finance lease arrangement (refer note 1.14). Amounts in the Revaluation Reserve relating to the finance lease properties were transferred to the Capital Profits Reserve. The housing and land assets retained by the Authority comprise 'off-base' properties in major cities and a few on-base properties and are classified as non-current assets, unless otherwise described.

Revaluations

DHA properties are subject to annual revaluations at 30 June each year.

All properties are recognised at fair value based on Directors valuations. Directors valuations are based on independent valuations performed at 30 June on a third of the total housing stock, with the balance of stock being revalued using an Authority developed index, except for properties identified for disposal. The index is developed from the third of houses that have been independently revalued and the valuations on leased properties completed during the year at 31 December.

Properties identified for disposal are valued using an Authority developed index with an allowance made for the estimate of selling costs that will be incurred on disposal. These properties are classified as current assets on the basis that they are likely to be sold during the 2003-04 financial year.

Properties transferred to DHA as off-base houses where title does not reside with DHA have been valued using the Present Value of future rent stream method (net cash flow) over the expected useful economic life of these properties. The assumptions used in determining this present value include a useful economic life of 15 years (2002: 15 years) and a discount rate of 10.2% (2002: 8.7%).

Increments and decrements are treated on an asset class basis and not on an individual asset basis. Where land and housing stock is disposed, the Revaluation Reserve relating to those assets is transferred to the Capital Profits Reserve.

When properties are handed back to the Department of Defence or identified for hand back, the revaluation increment/decrement is written back to the revaluation reserve and the balance offset against Capital/Commonwealth Contributions.

Works in progress represents vacant land and properties under construction which are carried at cost, other than vacant land which has been held by the Authority for more than three years, which is revalued. All vacant land which was greater than three years old was revalued at 30 June, as Directors valuations, based on Independent valuations. The Authority does not account for development and construction costs as construction projects on the basis that the assets are being constructed for DHA's own use. No profits have been recognised in relation to the work in progress. Work in progress is classified as non-current assets. A portion of these assets held at 30 June will be sold during the subsequent financial year however, neither the particular assets nor the timing of disposal can be specifically identified.

Assets carried at valuation or cost do not result in the carrying value of land or housing stock exceeding the net amount expected to be recovered through the net cash inflows arising from their continued use and subsequent disposal in the normal course of business.

1.12 Inventories

Inventories include joint venture land held for resale. Inventories are stated at the lower of cost and net realisable value.

1.13 Employee Benefits

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non vesting.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June and is recognised at its nominal amount including on-costs. This approximates to the amounts which are expected to be paid when the liability is settled.

The non current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June. The net present value is obtained using a discount rate of 5.3% being the ten year bond rate (2002: 6.4%).

1.14 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership and operating leases under which the lessor retains substantially all such risks and benefits.

Operating Lease

The Authority maintains a Sale and Leaseback program in the provision of housing. The leases are defined as operating leases.

Finance Lease

The Services Agreement between the Authority and the Department of Defence provides for the Department of Defence to assume substantially all the risks and benefits incidental to ownership of particular properties (see 1.11). Consequently these properties are disclosed as finance lease receivables (refer note 21).

Finance lease receivables are recognised at the present value of minimum lease payments receivable. The asset is reduced by the principal component of lease payments as they are received. The interest component is credited to the Statement of Financial Performance as Rental Revenue. If these properties are excess to requirement, the unrecovered capital value is charged to the Department of Defence.

1.15 Sale and Leaseback Provision

This provision records the difference between the selling price and fair values, before allowing for future 'make good' maintenance costs, arising on the sale and leaseback of properties. Actual 'make good' maintenance costs are charged against the provision.

On the basis that it is not possible to reliably estimate profit from sale and leaseback transactions, no profit is separately identified for recording in accordance with AAS 17.

The estimate of future 'make good' maintenance costs is based on an assessment of necessary costs to 'make good' properties at the end of the lease term. This assessment is escalated for inflation at 2.75% and discounted, at 5.3% being the ten year bond rate to present values (2002: 6.4%).

The estimate of future 'make good' maintenance costs is reviewed annually to ensure that the sale and leaseback provision is adequate. Amounts set aside to/from this provision are disclosed in the Notes to the Financial Statements (refer note 10).

1.16 Joint Ventures

Interest in joint venture operations is brought to account by including in the respective financial statement categories:

- the Authority's share in each of the individual assets employed in the joint venture;
- liabilities incurred by the Authority in relation to the joint venture including the Authority's share of any liabilities for which the Authority is jointly and/or severally liable; and
- the Authority's share of revenues and expenses of the joint venture.

1.17 Interest Bearing Liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

1.18 Rounding

Amounts have been rounded to the nearest \$1,000 except in relation to the following:

- remuneration of directors;
- remuneration of officers (other than directors); and
- remuneration of auditors.

2. Tax

In accordance with the Federal Government's Competitive Neutrality Policy, approval has been given by the Minister for Financial Services and Regulation for DHA to comply with a Tax Equivalent Regime (TER). Under this equivalence regime DHA would become subject to Federal income tax and a range of State administered taxes. Section 63 of the *Defence Housing Authority Act 1987* exempts DHA from company and State taxes (refer note 1.7). Changes to the legislation to remove the exempt status and effect a TER are proposed. It is anticipated that the changes to the enabling legislation will be presented to Parliament in the near future. The financial statements from that date would then apply the principles of tax effect accounting. No significant deferred tax assets or liabilities are anticipated on introduction.

3. Dividends

The *Defence Housing Authority Act 1987* exempts DHA from taxation but the Government wishes DHA to comply with TER. Since 30 June the Board has declared a final dividend for the year ending 30 June 2003 of \$62.2m (2002: \$66.5m). In accordance with note 1.8 this dividend has not been provided for in the financial statements as it was declared subsequent to 30 June 2003. The dividend comprises of the following:

- i) \$33.1m (2002: \$37.6m) representing an annual dividend of 60% of profit calculated on the profit for the year less the tax expense that would have been applied if DHA had been subject to taxation. The tax expenses would have included company tax, payroll tax and stamp duty on constructions.
- ii) \$29.1m (2002: \$28.9m) representing a dividend approximately equal to the amount of income and other taxes that would have been payable if DHA had been legally liable to tax during the financial year and which the Authority is required to pay to comply with the Federal Government's Competitive Neutrality policy. The amount of tax equivalent payments includes company tax, payroll tax and stamp duty on new constructions.

4. Capital Returns and Special Dividends

a) Special Dividends

During the year special dividends were paid of \$157m in October 2002 and \$150m in June 2003 (2002: \$166m).

b) Capital Return - Transfer of Properties to Defence relating to the Sydney Harbour Federation Trust

Properties held by the Authority and identified for transfer to the Sydney Harbour Federation Trust were transferred back to the Department of Defence in accordance with a request to the Board of DHA by the Shareholder Ministers received on 29 June 2001. The legal and physical transfer occurred with effect from 8 March 2002 and the transfer of these properties, which had a current book value of \$84.4m, was accounted

for as a return of capital to the owner in the financial year ended 30 June 2002 in accordance with LIG 38. No capital returns were made during the current financial year.

The Corporate Plan of the Authority, which is subject to endorsement by the Shareholder Ministers, envisages further capital returns or special dividends may be paid over the three years ending 30 June 2006.

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

	2003 \$'000	2002 \$'000
5. Revenues from ordinary activities		
Rental revenue	300,198	304,221
Relocation and Allocation income	22,122	13,202
Revenue from sale of assets	478,212	329,537
Interest income	8,850	6,883
Other revenue	21,112	29,714
Total revenues from ordinary activities	830,494	683,557
6. Employee expenses		
Remuneration for services provided	41,717	36,784
Separation and redundancy	199	282
Total employee expenses	41,916	37,066
7. Rates, repairs & maintenance		
Rates & taxes	9,708	11,833
Repairs & maintenance	38,202	31,827
Other	4,949	4,009
Total rates, repairs & maintenance	52,859	47,669
8. Depreciation and amortisation		
Depreciation - housing stock	13,661	13,880
Depreciation - plant and equipment	3,889	1,893
Total depreciation and amortisation	17,550	15,773
9. Administration expenses		
Administration expenses	29,646	27,280
Total other expenses from ordinary activities	29,646	27,280

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

	2003 \$'000	2002 \$'000
10. Profit result from ordinary activities before income tax expense		
Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Authority.		
Revenue from sale of land, building, plant and equipment	437,790	296,386
Revenue from sale of lease receivables	40,422	33,151
Revenue from sale of assets	476,212	329,537
Expenses from sale of land, building, plant and equipment	(396,290)	(272,721)
Expenses from sale of lease receivables	(40,422)	(33,151)
Movement in sale and leaseback provision	(7,704)	(5,789)
Value of assets sold	(444,416)	(311,661)
Gain on sale of assets	33,796	17,876
11. Retained profits		
Retained profits at the beginning of the reporting period	335,783	476,324
Net profit attributable to members of the Authority	83,748	91,984
Annual dividends recognised as a liability (note 3)	-	(66,525)
Special dividends recognised as a liability (note 4a)	(307,000)	(166,000)
Retained profits at 30 June 2003	112,531	335,783
12. Reserves		
Reserves at the beginning of the reporting period	980,908	872,529
Increase recognised in the statement of financial performance on revaluation of assets	134,701	108,379
Reserves at 30 June 2003	1,115,609	980,908
The reserves comprise of the following:		
a) Asset revaluation reserve		
Opening balance	496,272	515,204
Increase recognised in the statement of financial performance on revaluation of assets	134,701	108,379
Transfer to capital profits reserve on realisation of disposed assets	(104,464)	(127,311)
	526,509	496,272
b) Capital profits reserve		
Opening balance	483,636	356,325
Transfer from asset revaluation reserve on realisation of disposed assets	104,464	127,311
	588,100	483,636
c) Insurance reserve	1,000	1,000
Total reserves at 30 June 2003	1,115,609	980,908
13. Contributed Equity		
Commonwealth contributions		
Opening balance	249,572	333,962
Return of properties relating to the Sydney Harbour Federation Trust (Note 4b)	-	(84,410)
Balance as at 30 June 2003	249,572	249,572

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

	2003 \$'000	2002 \$'000
14. Total equity		
Total equity at the beginning of the reporting period	1,566,263	1,682,835
Total changes in equity recognised in the statement of financial performance	218,449	200,363
Transactions with owners as owners		
Return of properties relating to the Sydney Harbour Federation Trust (Note 4b)	-	(84,410)
Dividends proposed/paid	(307,000)	(232,525)
Total equity at 30 June 2003	1,477,712	1,566,263
15. Cash assets		
At bank	28,153	14,398
On hand	11	11
Short term investments	142,240	244,668
	170,404	259,077
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Total cash	28,164	14,409
Deduct interest in joint venture cash	(29)	(58)
Add short term investments	142,240	244,668
Deduct accrued interest on short term investments	(295)	(867)
Balances per Statement of Cash Flows	170,080	258,352
16. Receivables		
Amounts receivable from the Department of Defence	8,616	899
House sales receivables	4,273	563
Accrued income	3,423	2,761
Other debtors	3,576	2,114
Total receivables	19,888	6,337
Receivables are aged as follows:		
Due in:		
Less than 30 days	9,399	5,281
30 to 60 days	8,954	81
60 to 90 days	301	339
More than 90 days	1,234	636
	19,888	6,337
17. Other financial assets		
Prepaid property rentals	10,328	10,538
Other prepayments	369	673
Total other financial assets	10,697	11,211

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

	2003 \$'000	2002 \$'000
18. Inventories		
Inventories - current		
Land held for resale - cost of acquisition	-	468
Total current inventories	-	468
Inventories - non-current		
Land held for resale, development costs - cost of acquisition	1,094	355
Total non-current inventories	1,094	355
19. Plant and equipment		
Furniture, fixtures, plant, equipment and software development at cost	22,940	17,892
Accumulated depreciation	(10,136)	(6,245)
Total plant and equipment	12,804	11,647
20. Land and buildings		
Houses at fair value - off base	520,372	573,393
Land at fair value	570,520	529,717
	1,090,892	1,103,110
Houses at fair value - on base	1,709	1,222
	1,709	1,222
Works in progress		
Land at cost and fair value	57,259	14,217
Development and construction costs	61,351	53,426
	118,610	67,643
Total housing land and buildings	1,211,211	1,171,975
Shown as:		
Current	66,778	88,842
Non-Current	1,144,433	1,083,133
	1,211,211	1,171,975
21. Lease receivables		
Current finance lease receivables		
Due not later than 1 year	9,709	8,857
Total current finance lease receivables	9,709	8,857
Non-current finance lease receivables		
Due later than 1 year not later than 5 years	46,662	42,569
Due later than 5 years	287,265	308,688
Total non-current finance lease receivables	333,927	351,257
Total Lease receivable	343,636	360,114

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

22. Movement summary 2002-03 for Non Current Land, Buildings, Plant and Equipment

Item	Land	Buildings	Total land and buildings	Other plant & equipment	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Gross value as at 1 July 2002	602,320	569,655	1,171,975	17,892	1,189,867
Additions	163,047	165,576	328,623	6,719	335,342
Revaluations	109,407	15,387	124,794	-	124,794
Disposals	(185,644)	(228,537)	(414,181)	(1,871)	(416,052)
Gross value as at 30 June 2003	689,130	522,081	1,211,211	22,940	1,234,151
Accumulated Depreciation / Amortisation as at 1 July 2002	-	-	-	6,245	6,245
Depreciation / amortisation	-	13,661	13,661	3,889	17,550
Adjustment for revaluations	-	(9,907)	(9,907)	-	(9,907)
Adjustment for disposals	-	(3,754)	(3,754)	2	(3,752)
Accumulated depreciation / Amortisation as at 30 June 2003	-	-	-	10,136	10,136
Net book value as at 30 June 2003	689,130	522,081	1,211,211	12,804	1,224,015
Net book value as at 1 July 2002	602,320	569,655	1,171,975	11,647	1,183,522

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

	2003 \$'000	2002 \$'000
23. Provisions		
Provisions:		
Liabilities to employees		
Long service leave	1,909	1,386
Annual leave	3,245	2,239
	5,154	3,625
Others		
Dividends (refer note 3)	-	66,525
Accrued expenses	11,146	9,622
Accrued repairs and maintenance	2,777	3,819
Other	3,683	809
	17,606	80,774
Total provisions	22,760	84,399
24. Payables		
Suppliers		
Trade creditors	3,520	6,059
Total payables	3,520	6,059
Total current provisions and payables	26,280	90,458
25. Other current liabilities		
Rental receipts in advance from the Department of Defence	14,454	19,217
	14,454	19,217
26. Interest bearing liabilities		
Loan from Government (refer note 37)	200,000	100,000
Maturity schedule for loans:		
Payable:		
Within one year	-	-
In one to five years	140,000	70,000
In more than five years	60,000	30,000
	200,000	100,000
27. Non-current provisions		
Liabilities to employees		
Long service leave	1,043	682
	1,043	682
Other		
Sale and leaseback provision	50,245	44,564
	50,245	44,564
Total non-current provisions and payables	51,288	45,246

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

	2003 \$'000	2002 \$'000
28. Cash Flow Information		
Reconciliation of net cash flows from operating activities to operating profit		
Operating profit	83,748	91,984
Depreciation - housing stock	13,661	13,880
Depreciation - other	3,889	1,893
Increase in employee provisions	1,059	892
Gain on sale of assets	(33,796)	(23,871)
Share of net (profits)/losses from joint ventures	132	(1,969)
Changes in operating assets and liabilities		
(Increase) in accounts receivable	(10,488)	(1,398)
(Increase)/decrease in prepayments	210	(231)
Increase in creditors	921	8,199
Net cash provided by operating activities	59,336	89,379
Non-cash financing and investing activities		
Movement in Commonwealth contributions	-	(84,410)

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

29. Superannuation

Staff of the Authority are employed under the *Public Service Act 1999* and are entitled to benefits from the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) and under the Superannuation (Productivity Benefit) Act 1988. The Authority meets its liability for the employer share of benefits payable under the superannuation Acts by fortnightly payments to the Commonwealth Superannuation Administrator (COMSUPER) in accordance with Section 159(2) of the *Superannuation Act 1976* and Section 15 of the *Superannuation Act 1990*, or to other superannuation funds nominated by employees.

The Department of Finance and Administration has advised the Commonwealth Superannuation Administrator that for the purpose of actuarial costing of the CSS and PSS, it is essential to be able to identify employer superannuation contributions made under each scheme by the organisation. The separate CSS and PSS employer superannuation contribution rates and contributions paid or payable by the Authority for the reporting period are:

- CSS members: Contributions at the rate of 18.1% (2002: 33.7%) of salary for superannuation purposes, amounting to \$0.258 million (2002, \$0.412 million), and
- PSS members: Contributions at the rate of 10.9 % (2002: 11.6%) of salary for superannuation purposes, amounting to \$4.068 million (2002, \$3.185 million).

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

30. Directors' and Executives' Remuneration

a) Remuneration of Directors

Number of directors whose total remuneration received or due and receivable from the Authority falls within the following bands:

\$ 0	-	\$ 10,000
\$ 10,001	-	\$ 20,000
\$ 20,001	-	\$ 30,000
\$ 30,001	-	\$ 40,000
\$ 50,001	-	\$ 60,000
\$270,001	-	\$280,000
\$280,001	-	\$290,000

Total income received, or due and receivable
by all directors (including the Managing Director).

Nine directors (2002 - nine) did not receive any remuneration from the Authority.

2003	2002
Number	Number
9	9
1	1
2	2
2	2
1	1
0	1
1	0

\$475,434	\$473,528
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b) Remuneration of Executives

Number of executives whose total remuneration received or due and receivable from the Authority falls within the following bands:

\$100,001	-	\$110,000
\$120,001	-	\$130,000
\$130,001	-	\$140,000
\$140,001	-	\$150,000
\$150,001	-	\$160,000
\$160,001	-	\$170,000
\$170,001	-	\$180,000
\$180,001	-	\$190,000
\$190,001	-	\$200,000

The aggregate of the remuneration received or receivable from the Authority by executive officers (excluding the Managing Director) whose income exceeds \$100,000, including performance based payments.

The aggregate amount of separation and redundancy payments during the year to executive officers included above.

2003	2002
Number	Number
2	0
1	1
0	1
1	0
0	1
0	1
0	3
2	0
1	0

\$1,042,378	\$1,095,996
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\$0	\$248,018
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Executive remuneration includes performance pay relating to the prior year.

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements*for the year ended 30 June 2003***31. Audit Remuneration**Amount received or due and receivable by auditors¹:

Australian National Audit Office for the

Audit of financial statements²

Ernst & Young have been contracted by the Australian National Audit Office to provide audit services on the ANAO's behalf. Fees for these services are included above. In addition Ernst & Young have earned the following fees for engagements where they have been separately contracted by Defence Housing Authority. No other services were provided by Ernst & Young whilst contracted by ANAO to provide audit services.

Audit fees relating to the audit of joint ventures: ANAO

The Authority is liable for 50% of these fees.

No other benefits were received by the ANAO.

2003 \$	2002 \$
146,300	143,550
-	-
27,000	29,700

1. The amounts are GST inclusive.

2. No other services were provided by the ANAO during the reporting period.

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

32. Related Parties

Directors

The names of each person holding the position of director of the Authority during the financial year are:

ADAMS, Rear Admiral, Brian AO RAN

BOEZEMAN, Bonita AO

JOLLIE, Peter AM (resigned 24 June 2003)

JONES, The Hon Peter AM (appointed 25 June 2003)

LYON, Keith

MOFFITT, Rear Admiral, Rowan RAN (appointed 2 August 2002)

NEUMANN, Dr Ralph

O'BRIEN, Thomas AM

O'GRADY, John

ROBERTS, Major General, Frank, AM

MCLENNAN, Air Commodore, Roxley (appointed 2 August 2002, resigned 25 August 2002)

RYAN, Helen (resigned 21 March 2003)

SHALDERS, Rear Admiral, Russ AO, CSC, RAN (resigned 24 July 2002)

SPENCE, Air Vice-Marshal, Christopher AM

STOKES, Wayne (appointed 25 June 2003)

SWANN, Judy (resigned 27 February 2003)

Transactions of Directors and Director-Related Entities

Blake Dawson Waldron, which employs John O'Grady as a Special Counsel, was engaged by the Authority during the reporting period to provide legal services. These services were provided based on normal commercial terms and conditions. John O'Grady was not personally involved in providing any of those services, nor was he involved in any way in any decision by the Authority to engage Blake Dawson Waldron.

33. Economic Dependency

The Authority depends on the Department of Defence in accordance with the Service Agreement between Defence and DHA.

34. Segment Reporting

DHA operates only within Australia and there are no segments to report.

35. Joint Venture Developments

The Sanctuary Development

The Authority holds a 50% interest in The Sanctuary development (formerly referred to as Wattle Grove Development) near Moorebank in Sydney. The principal activity of the joint venture project is to develop housing sites for Defence and private sector housing.

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

35. Interest in Joint Venture Developments

The following represents the Authority's total interest in the joint venture developments at 30 June. The profit and statement of financial position items have been incorporated in the financial statements under their respective classifications.

	2003 \$'000	2002 \$'000
Profit		
Revenues	2	4,873
Expenses	(134)	(2,904)
Total Profit	(132)	1,869
Current assets		
Cash	29	58
Receivables	9	29
Inventories	-	540
	38	627
Non-current assets		
Property, plant and equipment	1	21
Inventories	1,094	355
	1,095	376
Current liabilities		
Creditors	163	205
Net Assets	970	798

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

37. Financial Instruments

a) Interest Rate Risk

The following table provides information on the Authority's exposure to interest rate risk at 30 June 2003.

	Note	Floating		Fixed 1 year or less		Fixed more than 1 year		Non Interest Bearing		Total		Average interest rate		
		02-03 \$'000	01-02 \$'000	02-03 \$'000	01-02 \$'000	02-03 \$'000	01-02 \$'000	02-03 \$'000	01-02 \$'000	02-03 \$'000	01-02 \$'000	02-03	01-02	01-02
Financial Assets														
Cash	15	28,164	14,409	142,240	244,668					170,404	259,077			
Receivables for goods and services	16							19,888	6,337	19,888	6,337			
Finance Lease Receivables	21, 1, 14			9,709	8,657	333,827	351,257			343,536	360,114			
Total Financial Assets		28,164	14,409	151,949	253,325	333,827	351,257	19,888	6,337	533,828	625,528			
Financial Liabilities														
Trade creditors	24													
Loan	26					35,000	35,000	3,520	6,059	3,520	6,059			5.41%
	26					35,000	35,000			35,000	35,000			5.81%
	26					30,000	30,000			30,000	30,000			6.12%
	26					35,000	-			35,000	-			-
	26					35,000	-			35,000	-			-
	26					30,000	-			30,000	-			-
Total Financial Liabilities						200,000	100,000	3,520	6,059	203,520	106,059			

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

37. Financial Instruments (continued)**b) Credit Risk**

Represents the extent of credit related losses that the Authority may be subjected to on amounts to be received from financial assets. These are considered not material.

c) Loan Agreement with Minister for Finance and Administration

On 28 May 2001 DHA entered into a 10 year Loan Agreement with the Minister for Finance and Administration. The Agreement provides DHA with a \$425m loan facility which can be drawn down based on fixed or floating interest rates.

d) Loans

i) DHA drew down \$100m of debt on 1 June 2002 with the following maturity profile:

	Interest Rate
\$35m for 3 years (expiring 1 June 2005)	5.410%
\$35m for 5 years (expiring 1 June 2007)	5.805%
\$30m for 7 years (expiring 1 June 2009)	6.115%

ii) DHA drew down \$100m of debt on 1 June 2003 with the following maturity profile:

	Interest Rate
\$35m for 3 years (expiring 1 June 2006)	6.130%
\$35m for 5 years (expiring 1 June 2008)	6.365%
\$30m for 7 years (expiring 1 June 2010)	6.565%

DEFENCE HOUSING AUTHORITY

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

37. Financial Instruments (continued)

e) Net Fair Values of Financial Assets and Liabilities

	Note	2003		2002	
		\$'000	\$'000	\$'000	\$'000
		Total Carrying Amount	Aggregate Net Fair Value	Total Carrying Amount	Aggregate Net Fair Value
Financial Assets					
Cash at bank	15	28,153	28,153	14,398	14,398
Cash on hand	15	11	11	11	11
Short term investments	15	142,240	142,240	244,668	244,668
Receivables for goods and services	16	19,888	19,888	3,576	3,576
Other financial assets	17	10,697	10,697	13,972	13,972
Total Financial Assets		200,989	200,989	276,625	276,625
Financial Liabilities (Recognised)					
Trade creditors	24	3,520	3,520	6,059	6,059
Loans	26	200,000	207,659	100,000	98,092
Total Financial Liabilities (Recognised)		203,520	211,179	106,059	104,151
Financial Liabilities (Unrecognised)					
Forward Start Arrangement for \$100 million loan drawn down on 1 June 2003		-	-	100,000	100,327
Total Financial Liabilities (Unrecognised)		-	-	100,000	100,327

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash, cash equivalents and short term investments:

The carrying amount approximates fair value because of their short-term to maturity.

Long-term bank borrowings:

The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

	2003 \$'000	2002 \$'000
Available and Unused Facilities:		
Available	425,000	425,000
Used	200,000	100,000
Unused	225,000	325,000

38. Average Staffing Levels

The average staffing levels for the Authority during the year were:

	2003	2002
	774	651

Housing Management Centres, shopfronts and National Service and Support Centre

ACT

Canberra

Ground Floor
26 Mort Street
BRADDON ACT 2612
Telephone: (02) 6268 3700
Fax: (02) 6268 3760

National Service and Support Centre

24 Mort Street
BRADDON ACT 2612
Telephone: (02) 6268 3800
Fax: (02) 6279 3963
Customer Service Line: 1800 249 711

New South Wales

Sydney

Level 5, 79 George Street
PARRAMATTA NSW 2124
Telephone: (02) 8836 5700
Fax: (02) 8836 5790

National Sales Office

80 George Street
PARRAMATTA NSW 2124
Telephone: (02) 9762 5800
Fax: (02) 9762 5688
Toll free line: 1800 813 621

Hurstville

Suite 107, Level 1
9 Gloucester Road
HURSTVILLE NSW 2220
Telephone: (02) 8567 1200
Fax: (02) 8567 1209

Pennant Hills

Suite 9, 380 Pennant Hills Road
PENNANT HILLS NSW 1715
Telephone: (02) 9875 8600
Fax: (02) 9857 8660

Richmond

14 McNamara Avenue RAAF Base
RICHMOND NSW 2755
Telephone: (02) 4588 1000
Fax: (02) 4588 1060

Defence Plaza

270 Pitt Street
SYDNEY NSW 2000
Telephone: (02) 9377 2167
Fax: (02) 9377 2175

HMAS KUTTABUL Shopfront

14 Wylde Street
POTTS POINT NSW 2011
Telephone: (02) 9359 2944
Fax: (02) 9359 2394

Hunter Valley

Jacaranda Heritage Centre
Unit 1, 1 Jacaranda Street
RAYMOND TERRACE NSW 2324
Telephone: (02) 4983 5300
Fax: (02) 4983 5361

Nowra

Suite 3, Level 2, Bridgeton House
55–57 Berry Street
NOWRA NSW 2541
Telephone: (02) 4421 1500
Fax: (02) 4421 1560

Wagga Wagga

11–15 Fitzmaurice Street
WAGGA WAGGA NSW 2650
Telephone: (02) 6933 7200
Fax: (02) 6933 7260

Queensland

Brisbane

Defence Relocations Centre
S7 Gallipoli Barracks
ENOGERRA QLD 4051
Telephone: (07) 3355 8800
Fax: (07) 3355 8860

Canungra

Kakoda Barracks
CANUNGRA QLD 4275
Telephone: (07) 5543 4554
Fax: (07) 5543 4417

Cairns

“Grove House”
10 Grove Street
CAIRNS QLD 4870
Telephone: (07) 4041 4700
Fax: (07) 4041 0886

Ipswich

Shop 12, Yamanto Shopping Centre
Cnr Warwick and Powells Road
YAMANTO QLD 4305
Telephone: (07) 3294 2600
Fax: (07) 3294 2660

Toowoomba

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