



UNCLASSIFIED

Payne: {PDR Number}
Ref: DHA16026

MINISTERIAL ADVICE

Minister for Defence – For action
Assistant Minister for Defence – For information
Copies to: Secretary, Department of Defence and CDF

DEFENCE HOUSING AUSTRALIA’S (DHA) KEY ISSUES IN PREPARATION FOR BUDGET ESTIMATES 2016-17 TO BE HELD ON 6 MAY 2016

Critical Date: 6 May 2016 **Reason:** DHA is scheduled to appear before Budget Estimates on 6 May 2016.

Recommendation:	
1. That you note the attached brief in preparation for Budget Estimates on 6 May 2016 to Option B.	Noted / Please discuss
Minister for Defence Date / /	

Key Points:

1. Defence Housing Australia (DHA) is scheduled to appear before Budget Estimates 2016-17 at 1330 hours on 6 May 2016.
2. DHA’s Acting Managing Director, Jan Mason, will be attending and will be accompanied by key senior executives.
3. Attached are selected topics for your information.

s47F [Redacted]

Jan Mason
Acting Managing Director
Defence Housing Australia
Telephone s47F [Redacted]
2 May 2016

Contact officer: Jeremy Logan
Contact officer phone: s47F [Redacted]

Sensitivity:

No.

Financial Impacts:

Some of the issues contained in the attachment have financial impacts.

Summary of Attachment:

A – The attachment contains a number of key issues which we may be asked questions on at Estimates. These include:

§47(1)(b)

- Forensic Review of DHA

§47(1)(b)


Background:

Nil

Related Briefs:

§47(1)(b)

s47(1)(b)



Consultation:

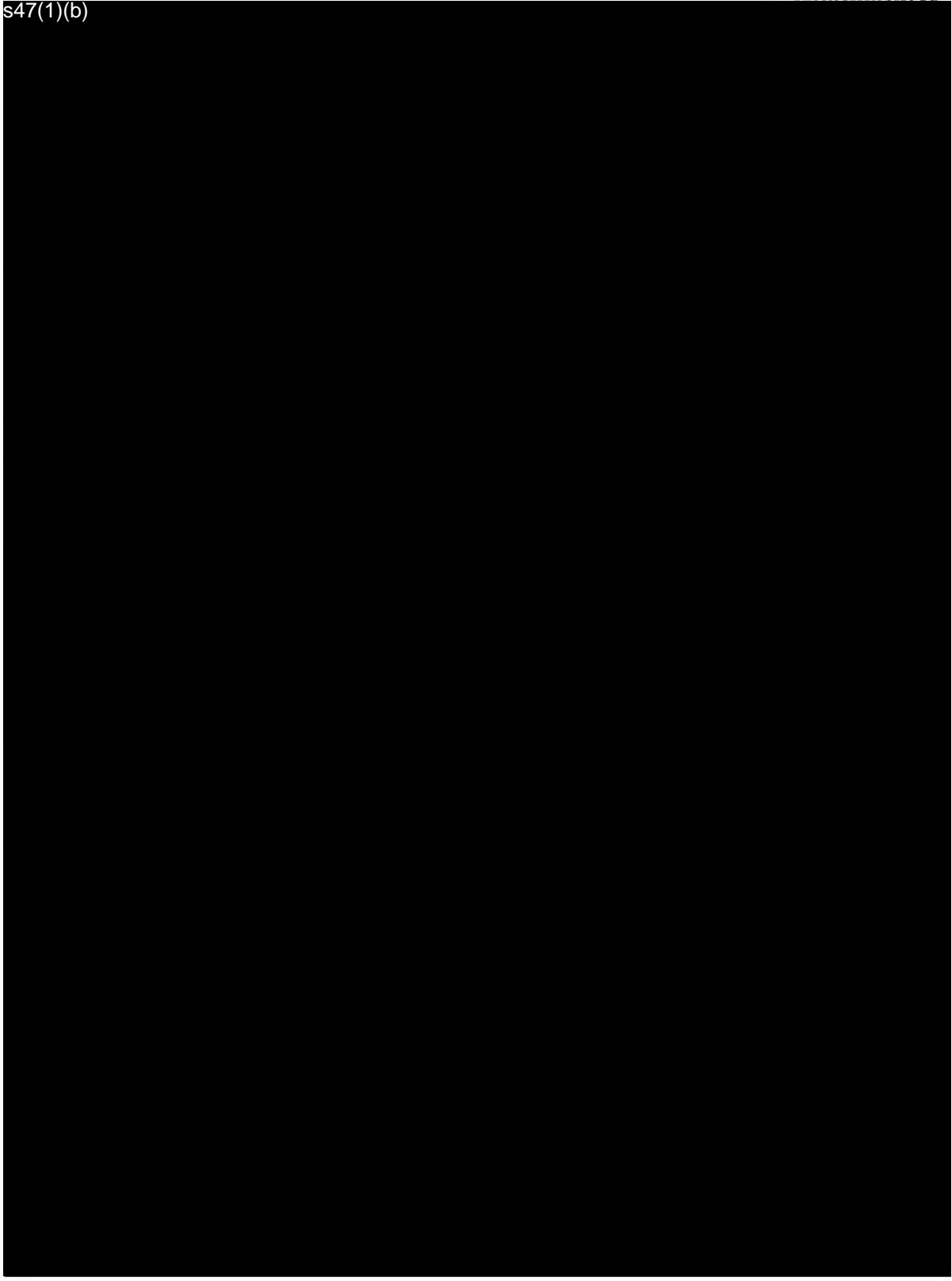
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Attachment A

s47(1)(b)



s47(1)(b)



Forensic Review of DHA

An independent scoping study was requested by the Government as announced in the 2014-15 budget. This followed the National Commission of Audit's (NCOA) recommendations and consideration of the independent scoping study prepared by Lazard and Ashurst.

The Government decided to retain ownership of DHA and the 2015-16 budget included a budget measure for the reform of DHA.

The DHA Reform project measure, as seen in the *2015-16 Budget Papers (Part 2: Expense Matters Finance)* are as follows:

- The Government provided \$4.0 million over two years from 2015-16 to the Department of Finance to undertake a reform of Defence Housing Australia (DHA).
- This includes a review of DHA's accounting, information technology and business reporting systems to improve transparency of the cost of providing DHA's services, as well as a review of DHA's business plans to support the sustainable delivery of quality and accessible housing and accommodation services.

The Forensic Review was commissioned by the Department of Finance and conducted by their appointed service provider, KordaMentha.

The initial terms of reference noted at the tender stage detailed a two phase forensic review, for a full eight year period FY2012-19. The first phase was to conduct a forensic review of DHA's finances, information technology systems and reporting. The second phase was the implementation of the reviews findings.

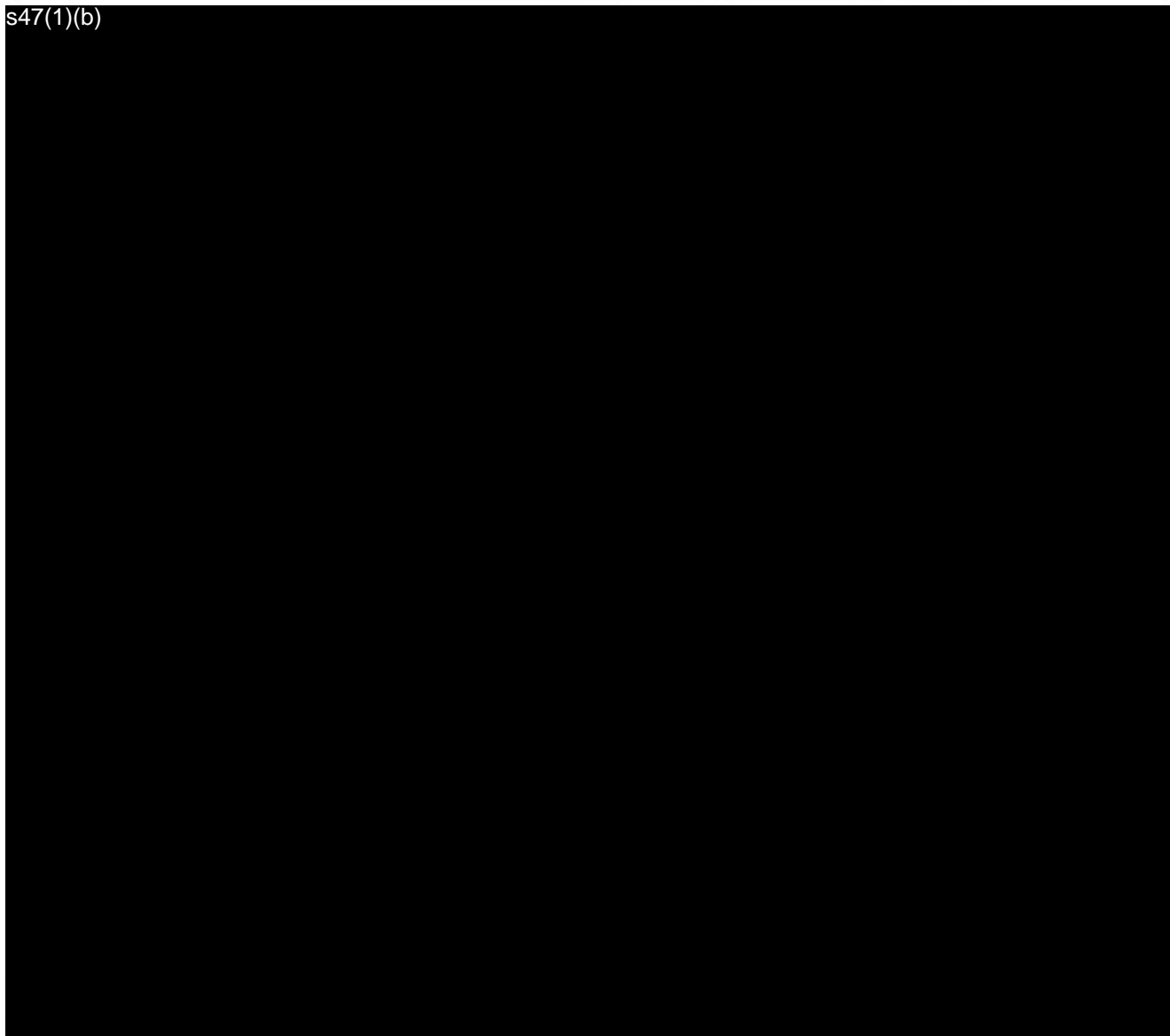
The Forensic Review began in July 2015. Draft review material was provided to DHA in November 2015. KordaMentha presented to the DHA board at meetings in October and December 2015. In November 2015, DHA's board and senior management were provided copies of a fact pack for the purpose of fact checking. DHA initiated a number of steps to address issues arising from the draft material provided in 2015.

A copy of the Forensic Review Report was received by DHA on 8 April 2015 with the 34 recommendations to be implemented by 30 June 2016.

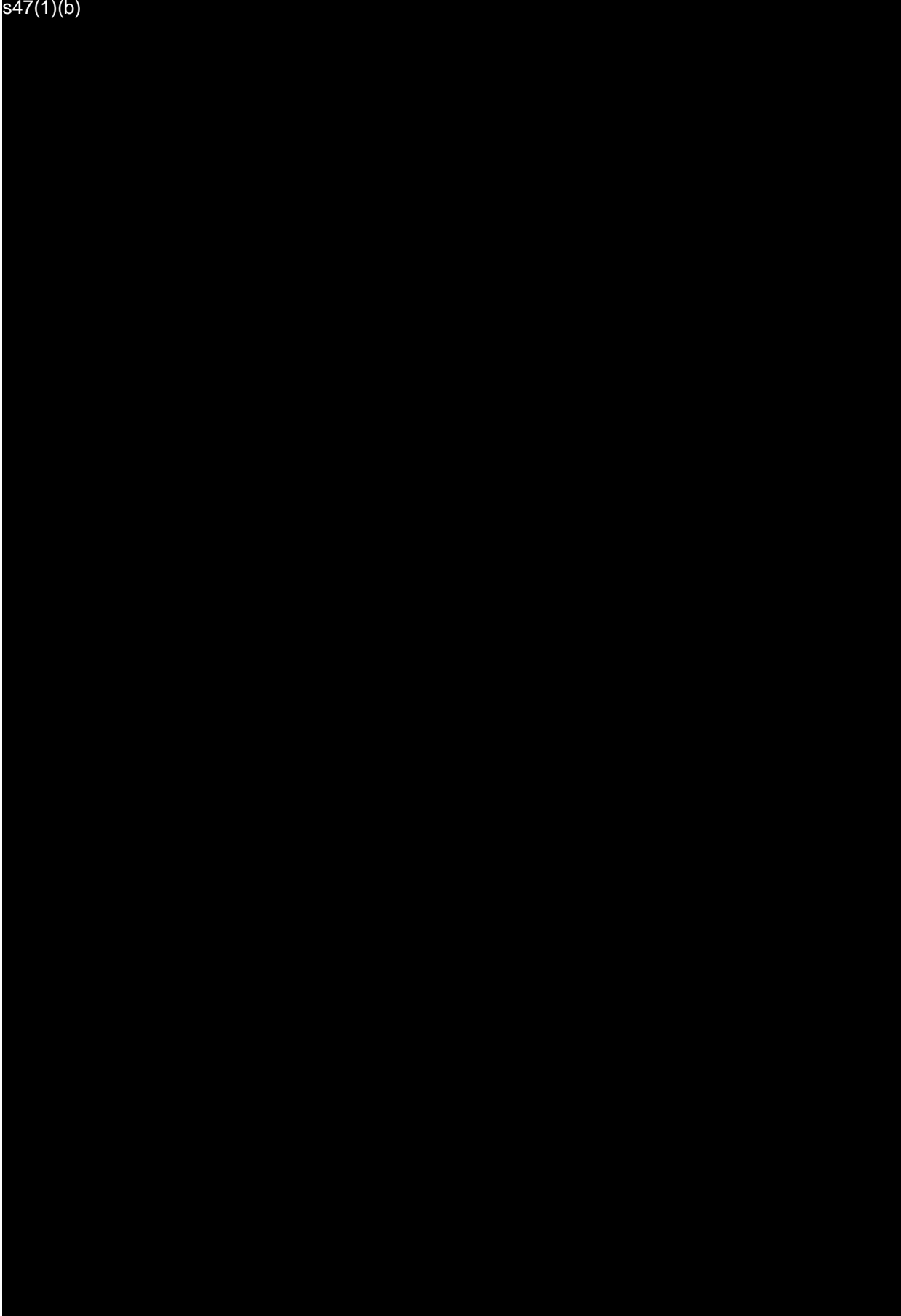
Further action taken towards implementation of the recommendations include:

- Establishing a Steering Committee Chaired by the Acting Managing Director and comprising senior level representatives to be nominated by the Secretaries of the Department of Defence and the Department of Finance.
- Forming a Business Transformation Office comprising DHA, representatives from the Departments of Defence and Finance, C42 Consulting and KordaMentha.

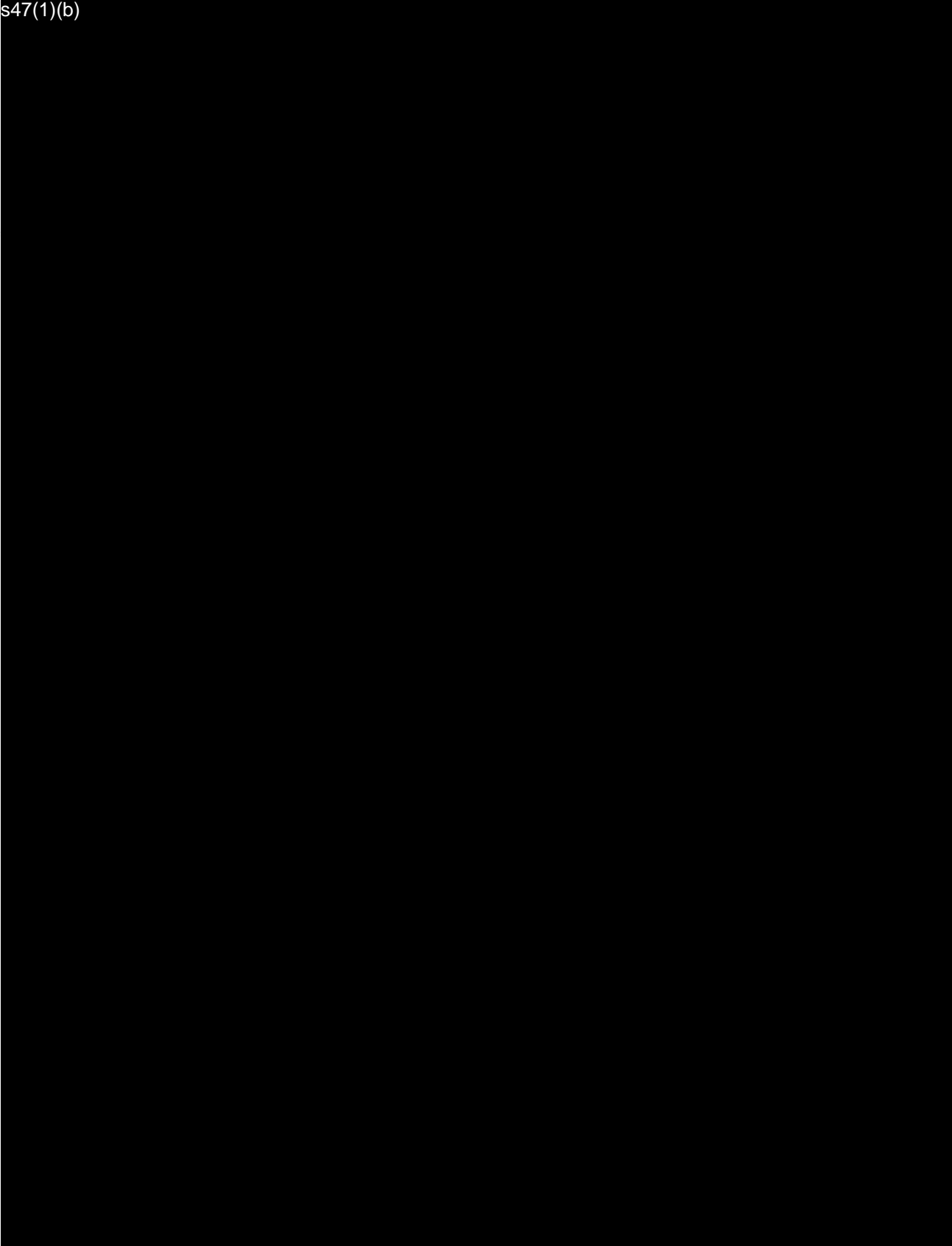
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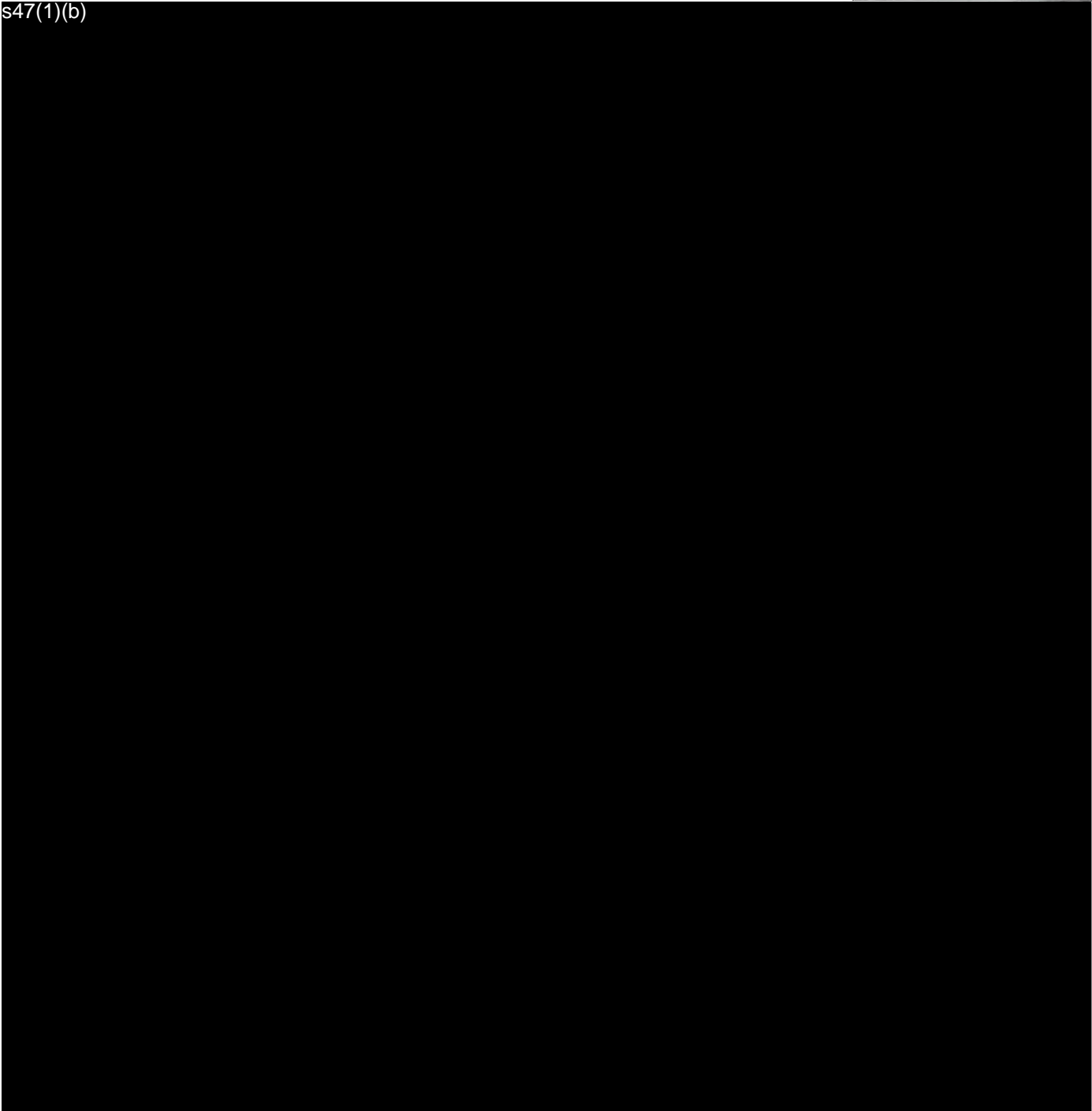
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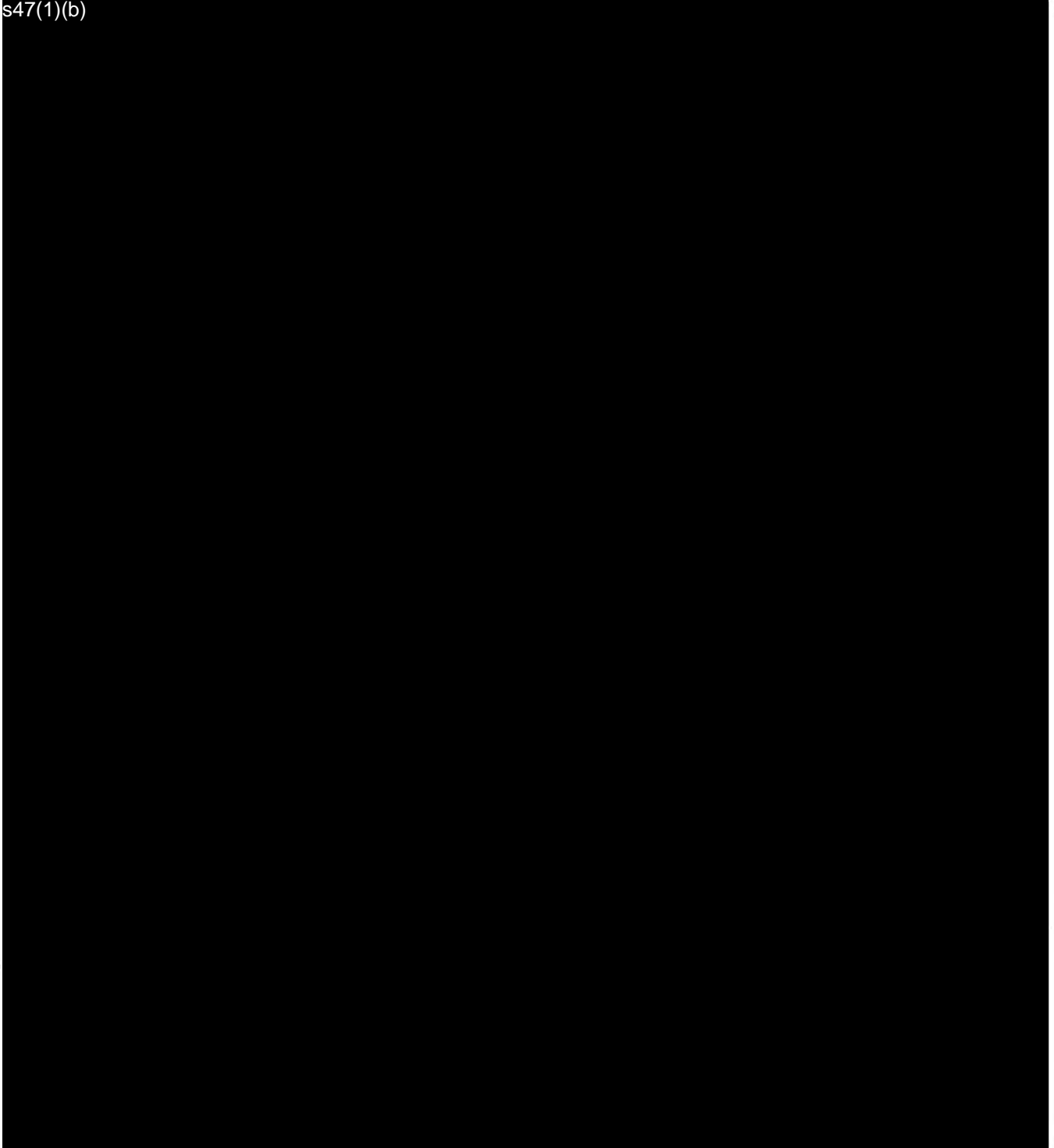
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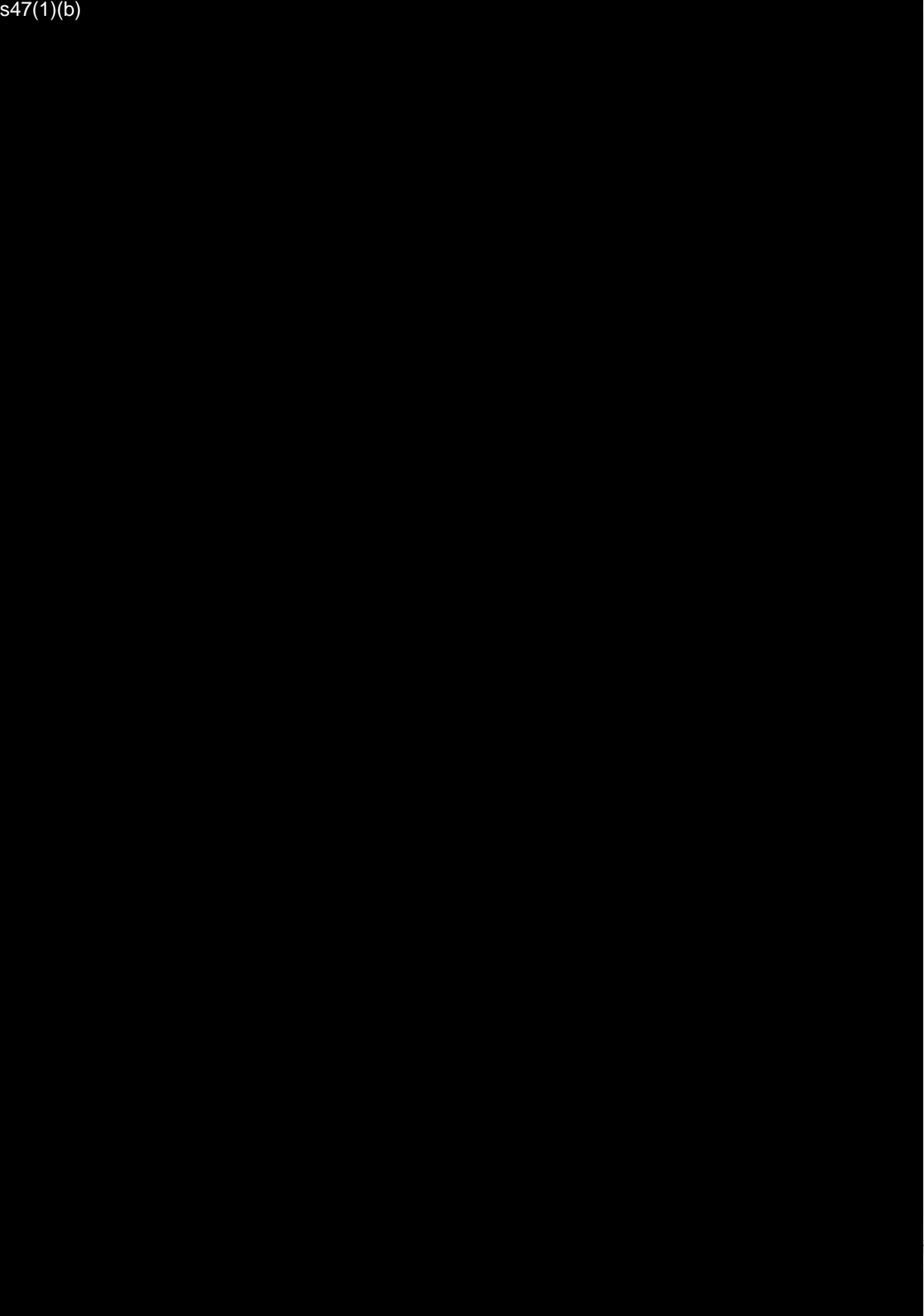
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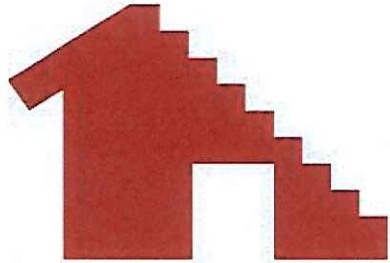


Presentation to the GLO Conference

Ms Jan Mason
Acting Managing Director

3 April 2016

2014-15 year in review



Acquired and constructed 1,154 properties



Contractors completed more than **258,000** individual maintenance items



Prepared 7,293 properties for new tenants

Acquired land to deliver approximately

3,500

allotments for future Defence housing

Upgraded 145

Department of Defence owned properties

Won two

industry awards for construction and one industry award for residential development marketing



Managed

13,099

properties on behalf of lessors

2014-15 year in review

Strong closing balance sheet
with net assets of

\$1.5 billion



Generated
\$29.7 million
in revenue from
development property sales

Increased
mobile solutions
for staff, ADF members and
contractors



Achieved earnings before
interest and tax of

\$140.8 million



\$6.7 million
savings in operational expenses

Generated revenue of

\$498 million

from the SLB program



Generated revenue of

\$97.4 million

from development land sales

Paid
\$54.6 million

annual dividend for the year

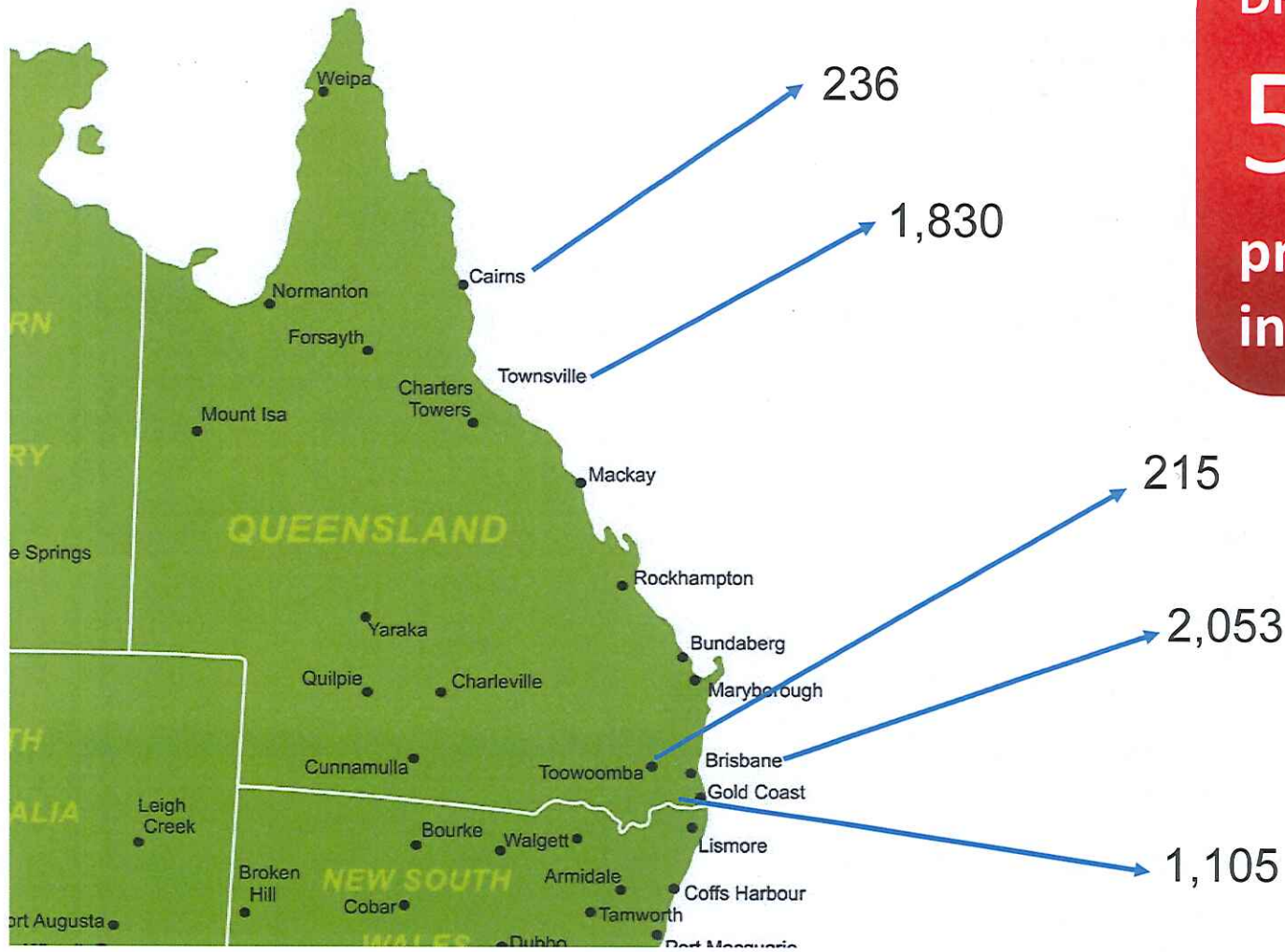
Our business outlook

- Privatisation – off the agenda.
- Forensic review conducted.
- Implement strategies to ensure long-term sustainability of the business.



Defence Housing Australia: In Queensland

Managed properties in the state



DHA has more than

5,400

properties
in Queensland.



Current projects in the state



WARNER LAKES
THE RESERVE



THE
LANDING

Clunies Ross

There are

FIVE

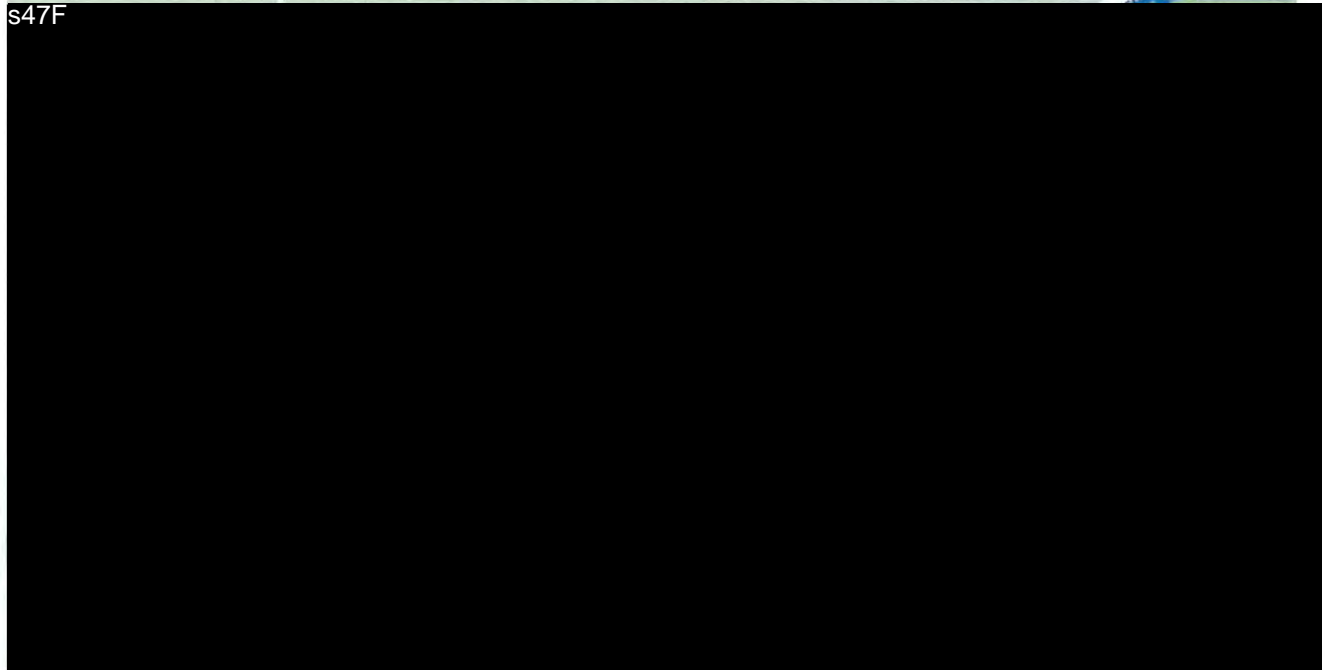
major developments in progress or nearing completion, with an additional five in the pipeline.

BLUEWATTLE

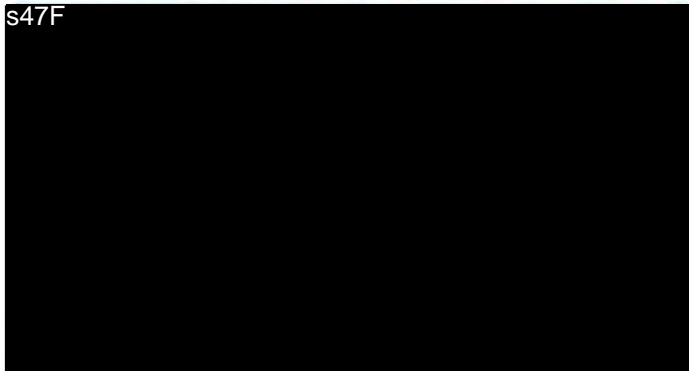
Located next to the Ross River, Bluewattle is set to become a thriving masterplanned community that is surrounded by the natural vistas of Mt Stuart to the east and Hervey's Range to the west.

- 21 kilometres to Townsville CBD
- 12 kilometres to RAAF Base Townsville and 11 kilometres to Lavarack Barracks
- 1,300 dwellings in total

s47F



s47F



CANTERFIELD

Located in the Ipswich suburb of Raceview, this development will see a former racehorse training circuit redeveloped into a residential community.

- 6 kilometres to Ipswich CBD
- 19 kilometres to RAAF Base Amberley
- 80 dwellings in total

s47F

- It is expected that the first 40 homes will be completed by October 2016, with the remaining 40 homes to be finished in 2017.

s47F

s47F

CLUNIES-ROSS

Located in the Brisbane suburb of Enoggera, close to Gallipoli Barracks, this residential development is within walking distance to Ferguson Park and Banks Street Reserve.

- 8 kilometres to Brisbane CBD
- 2 kilometres to Gallipoli Barracks
- 44 dwellings in total

s47F



s47F



Clunies Ross



THE LANDING

Located in the Brisbane suburb of Enoggera, this residential development adjoins Gallipoli Barracks and features innovative new technology including keyless entry, central controls for lighting and energy efficiency, communal Wi-Fi and more.

- 8 kilometres to Brisbane CBD
- 1 kilometre to Gallipoli Barracks
- 55 dwellings in total

s47F



s47F



s47F

WARNER LAKES THE RESERVE

Located in the Brisbane suburb of Warner, Warner Lakes The Reserve is a stunning masterplanned community overlooking the tranquil Lake Reflections.

- 21 kilometres to Brisbane CBD
- 14 kilometres to Gallipoli Barracks
- 465 dwellings in total

s47F

- More than 20 hectares of parkland with walking trails and open spaces.

s47F



s47F



s47F

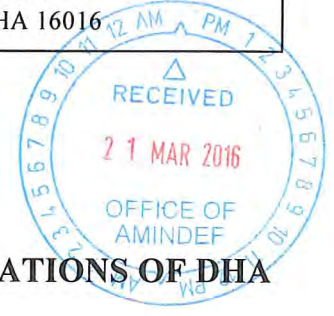
Questions and discussion



DHA DC

3

Assistant Minister for Defence – For action
Minister for Defence – For information



SENATE COMMITTEE PUBLIC HEARING: INQUIRY INTO OPERATIONS OF DHA

Critical Date: 1 APR 2016 **Reason:** Routine

Recommendation/s:

1. That you note DHA representatives have been invited to attend and give evidence at the Senate Committee's public hearing concerning its inquiry into the operations of Defence Housing Australia. Noted / Please discuss

Assistant Minister for Defence s47F Date 14 / 4 / 16

Key Points:

1. On 2 December 2015, the Senate referred the following matter to the Foreign Affairs, Defence and Trade References Committee for inquiry and report by 30 April 2016: Operations of Defence Housing Australia.
2. DHA made a submission to the Committee on 26 February 2016. A draft version of this submission was provided to you on 19 February 2016 and the final draft submission to you on 26 February 2016, prior to lodgement with the Committee.
3. Representatives from all organisations that made submissions to the Inquiry have been invited to attend and give evidence at the Committee's public hearing on 23 March 2016, along with the Department of Finance (which did not make a submission).

s47F

Name: Jan Mason
Title: Acting Managing Director
Group: Defence Housing Australia
Telephone: (02) s47F
16 March 2016

Contact officer: Ross Jordan
Contact officer phone: (02) s47F

Sensitivity:

Yes. The recent reviews into future ownership options of DHA (by Lazard) and the forensic review of DHA (by KordaMentha) have been sensitive for the Government and generated significant media interest.

Financial Impacts:

There are no financial impacts.

Summary of Attachments:

Nil.

Background:

On 2 December 2015, the Senate referred the following matter to the Foreign Affairs, Defence and Trade References Committee for inquiry and report by 30 April 2016: Operations of Defence Housing Australia.

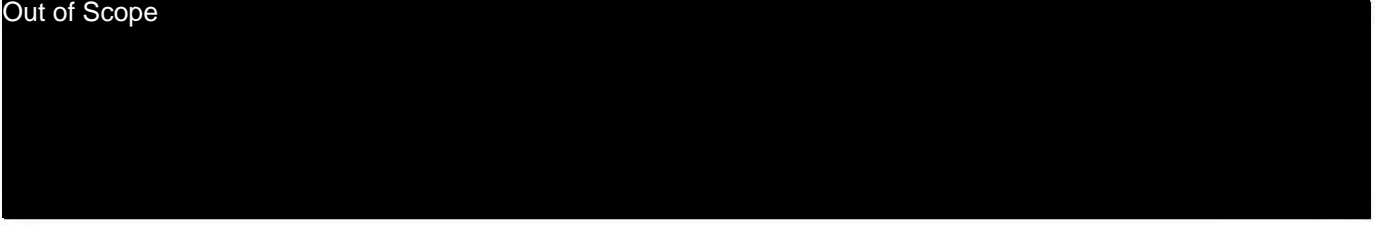
The terms of reference are:

‘Inquiry into the operations of Defence Housing Australia, with particular reference to:

- a. senior management arrangements and board composition;
- b. whether the requirements of the *Defence Housing Australia Act 1987* have been met;
- c. how the review announced by the Minister for Finance on 11 May 2015 will affect the accounting, information technology and business reporting systems;
- d. what role land sales will play in future business planning, and what implications there are for current residents if existing housing stock is sold; and
- e. any other related matter.’

Related Briefs:

Out of Scope

**Consultation:**

DHA consulted the Shareholder Advice Units in the Departments of Defence and Finance in the preparation of the submission.



MEMORANDUM

DATE: Wednesday 16 September 2015
TO: Peter Howman
CC: Bev Corcoran
SUBJECT: MD Message for approval

Dear Peter

Please find attached your review and approval an MD Message requested by the Board in relation to the forensic review.

Kind regards

s47F
[Redacted signature]

Rachael Whiteley-Black

APPROVALS

I approve

- without changes
- with marked changes (no second proof required)
- with marked changes and require a second proof

s47F
[Redacted signature]

Date: 16/9/15

A message from the Managing Director



Dear colleagues

Last week the Board discussed the progress of the forensic review. I was able to explain to the Directors how the review was progressing and the impact on our business-as-usual functions. In light of this meeting the Directors have asked that I pass on the below message to you.

The Board acknowledges the extra work load in meeting the requirements of the forensic review in addition to the ongoing commitment to business-as-usual. The Board reiterates that it expects unequivocal commitment at all levels to assist KordaMentha to complete the forensic review as commissioned by Government.

Once again, thank you for your dedication and for your hard work to fulfilling DHA's mission.

Regards

Peter Howman

**HOLDING STATEMENT**

Subject:	Speculation in relation to privatisation following the change in Managing Director
Date:	3 November 2015
DHA media officer:	Rachael Whiteley-Black

I am not aware of any plans to privatise DHA following ~~on from~~ the Government's consideration of a scoping study report in the 2014-15 budget context. Rather, the Government decided not to proceed with a sale of DHA.

↑ it is my understanding

DHA will continue to focus on business-as-usual activities ^{that} to meet the accommodation needs of Defence members. Every effort will be made to ensure the outstanding service DHA provides its clients, customers and contractors will be maintained.

I hope that my experience in both the public and private sector will help enhance these services, and ~~to~~ ensure that the business ~~to~~ ^s provide value for money for all of our stakeholders.

All comments can be attributed to DHA Acting Managing Director Jan Mason.

Approval

I approve the above content:

- with changes
 without changes

Signed:

Date:

HOLDING STATEMENT

Subject:	Statement in regards to privatisation rumours for staff
Date:	4 November 2015
DHA media officer:	Rachael Whiteley-Black

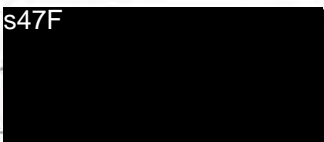
We are not aware of any plans to privatise DHA. In May 2015, following the consideration of a scoping study report in the 2014-15 budget, the Government announced it would not proceed with a sale of DHA.

For members:

We will continue to focus on business-as-usual activities to meet the accommodation needs of Defence members. Every effort will be made to ensure that the outstanding service DHA provides its clients, customers and contractors will be maintained.

For investors/contractors:

The continuation of the highly successful SLB program remains essential to providing above community standard Defence compliant residence to the Australian Defence Force

Approval	
I approve the above content:	
<input type="checkbox"/> with changes	
<input checked="" type="checkbox"/> without changes	
Signed:	
Date:	4/11/15



Chairman

22 September 2015

Hon Kevin Andrews MP
Federal Member for Menzies
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr Andrews 

Thank you for your support of Defence Housing Australia (DHA) during your time as the Minister for Defence.

You were generous to DHA, and to me in my capacity as Chairman, even though DHA was a small part of your broad and onerous portfolio responsibilities. This was much appreciated as DHA continues to go through a challenging period with the Scoping Study into future ownership options, and the Forensic Review.

I will continue to seek your support for DHA in your capacity as a Member of Parliament. As you know, it is a successful organisation with a strong track record of delivering housing for Defence members and their families and, indeed, financial returns to Government.

Congratulations for your fine stewardship of the Department of Defence.

Yours sincerely 

s47F

Hon J.A.L Macdonald
Chairman



Chairman

22 September 2015

Hon Stuart Robert MP
Minister for Veterans' Affairs
Minister Assisting the Prime Minister for the Centenary of ANZAC
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr Robert 

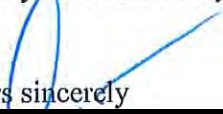
Thank you for your support of Defence Housing Australia (DHA) during your time as the Assistant Minister for Defence.

You were generous to DHA with your time and attention. It was clear you had a genuine interest in DHA's operations and, in particular, on our impact on the daily lives of Defence members and their families. This was appreciated as DHA was, and still is, going through a challenging period with the Scoping Study into future ownership options and the Forensic Review.

I will continue to seek your support for DHA in your new roles, notwithstanding that DHA is no longer to be directly part of your portfolio responsibilities. As you know, DHA is a successful organisation with a strong track record of delivering housing for Defence members and their families and, indeed, financial returns to Government.

Might I add that your staff were always very accessible to DHA officers when issues arose and this was appreciated. Please pass on my thanks to your Chief of Staff, Robert McKellar, and your Adviser, Douglas Ridd.

I wish you the best for your future endeavours, and thank you again for your stewardship of DHA.

Yours sincerely s47F 

Hon J.A.L Macdonald
Chairman

Frequently Asked Questions—Recruitment

11 November 2015

Background

Ms Jan Mason started with Defence Housing Australia (DHA) on 2 November 2015.

Below are some frequently asked questions and answers for staff, recruitment consultants, job applicants and potential applicants.

Why did DHA's Board of Directors appoint Ms Mason as Acting Managing Director?

Ms Mason's appointment follows the departure of Mr Peter Howman, who left DHA and is pursuing other opportunities.

What is Ms Mason's background?

Ms Mason has significant experience in both the public and private sector, particularly in her recent role as a Deputy Secretary at the Department of Finance.

Ms Mason is a highly respected senior public service leader. She has overseen a range of major projects and successfully delivered them to Government.

To find out more about Ms Mason, you can read a short biography on our website: dha.gov.au/about-us/our-organisation/board-of-directors

Will DHA's Board of Directors or Ms Mason restructure DHA?

DHA's Board is keen to ensure that the outstanding service DHA provides our clients, customers and contractors, as well the support for our 600 staff across Australia, continues and improves under Ms Mason's leadership.

DHA will continue to operate under our current organisational structure and focus on our business-as-usual activities. More information about the structure is available on our website: dha.gov.au/about-us.

There has been media reports that the Government is going to privatise DHA. Is that the case?

In 2014–15, the Government conducted an independent scoping study into future ownership options of DHA, including possible privatisation.

In May 2015, after considering the study's findings, the Government confirmed that they would not sell DHA at that time.

The Government has not given any indication to DHA's Board of Directors that they are reconsidering their position.

Frequently Asked Questions—Recruitment

11 November 2015

Will the change in Managing Director affect DHA's recruitment activities?

No. DHA will continue to complete the selection process of advertised roles in line with the *Public Service Act 1999* and its business-as-usual activities.

This includes roles that DHA advertised before Ms Mason became Acting Managing Director, those that have closed since her appointment, and those currently advertised.

How and when will you advise me of the status of my application?

You should allow around two weeks from the closing date, but be aware that the time it takes to complete recruitment processes varies depending on the number of applicants and the selection process used. For example, individual interviews versus a group interview and/or skills assessment.

If you are shortlisted for interview, a DHA representative or third party recruitment consultant will advise you verbally, usually via telephone.

If you are unsuccessful, a DHA representative or third party recruitment consultant will advise you in writing, usually via email.

To confirm the status of your application, you should seek an update from the nominated Contact Officer.

If I wish to withdraw my application, what should I do?

You can withdraw your application at any time. Please advise the nominated Contact Officer of your decision, preferably in writing.

How and when will DHA's Board of Directors fill the Managing Director role?

DHA's Board plans to begin a formal process before Christmas 2015 and appoint someone to the role on a permanent basis during 2016.

The views of DHA's Shareholder Ministers, the Minister for Defence and the Minister for Finance, will be important.

DHA will communicate more information following a permanent appointment. Details will be available on our website: dha.gov.au/about-us-news-and-events.

A message from the Managing Director



Dear colleagues

As you all know in May this year the Minister for Finance, the Hon. Matthias Cormann, announced that the Government would not proceed with the sale of Defence Housing Australia. At the time the Minister also announced that the Government would review DHA's accounting, information technology and business reporting systems to improve the transparency of the cost of providing services.

Advisory and investment firm, KordaMentha, has been appointed to conduct the forensic review of our operations. I met with the CEO of KordaMentha last week to provide an overview of DHA, our core objectives and business practices. The review team is now working with, and interviewing, several staff to complete the review.

The review will assist us to improve our business practices, as well as improve transparency in our reporting back to your shareholders. I look forward to seeing the results of the review and I encourage you all to assist the KordaMentha team throughout this process.

Regards

Peter Howman

s47F

A large black rectangular redaction box covering the bottom portion of the page.

Chairman



23 March 2016

s47F

Dear s47F

On behalf of Defence Housing Australia's (DHA) Board of Directors, thank you for your service to DHA from October 2007, in particular your service as s47F from January 2013.

DHA has benefited greatly from your business acumen, strategic vision and innovative thinking. Your passion for service delivery and creating vibrant and sustainable communities has been invaluable to DHA's growth. It contributed to DHA winning many industry awards, as well as you being personally recognised as s47F

s47F

While you were s47F and s47F DHA expanded its Members' Choice Accommodation program, won the Living-in Accommodation business, became exempt from the Parliamentary Standing Committee on Public Works and remained in government ownership following a formal review.

You were instrumental in helping to establish DHA Investment Management Limited (DHA IML)—a subsidiary of DHA—and its first unlisted property trust. Your service as an s47F of the DHA IML Board since December 2012 was impressive.

You have helped to transform DHA into a more professional, dynamic and service-orientated organisation. This is evident through DHA's high levels of performance, the quality homes it provides Australian Defence Force members and their families, and its consistent payment of dividends to shareholders.

The Board wishes you s47F and your family good health and good fortune for the future.

Yours sincerely

s47F

Hon J.A.L Macdonald

s47F

*You have been a wonderful
mate and I wish you
the very best*

s47F

26 Brisbane Ave Barton ACT 2600
dha.gov.au
ABN 72 968 504 931

