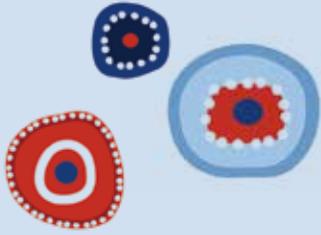


Statement of Corporate Intent 2021-22

31 August 2021



DHA acknowledges the Traditional Owners of the land and communities in which we work. We pay our respects to Elders past, present and future.



Further information please contact:

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This document must be attributed as the Defence Housing Australia Statement of Corporate Intent 2021–22.

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PART 1

Introduction and overview

Introduction

Overview

Our structure

Performance framework



Introduction

Defence Housing Australia's (DHA) Statement of Corporate Intent 2021–22 to 2024–25 sets out how we will achieve our purpose in a sustainable and efficient way to support Defence capability and deliver value to the Australian Government.

We have a clear purpose. DHA was established in 1988 following passage of the *Defence Housing Australia Act 1987* (DHA Act) to provide adequate and suitable housing for, and housing-related services to, members of the Australian Defence Force (ADF) and their families. This primary purpose has remained unchanged over the last 30 years. We continue to put ADF members and their families at the heart of our operations, and our services are highly valued. We are enormously proud of the work we do.

We continue to evolve and adapt to the risks and opportunities brought about by the rapid change and disruption driven by changing market conditions, digital transformation, economic, demographic, macro-regulatory and policy shifts, and an ongoing global health crisis.

Our strategy focusses on completing the implementation of our revised business operating model, ensuring our financial sustainability and building capability to be flexible and innovative in response to our changing operating environment. The 2021–22 Statement of Corporate Intent identifies initiatives addressing the operational challenges for DHA's long term financial sustainability, including capital management.

Our four strategic priorities provide a framework for setting goals to achieve the outcome mandated by government – housing services that meet Defence's operational needs through a strong customer and business focus. We will focus on more efficient, proactive and sustainable ways to do business and deliver services to meet the needs of Defence and the Government as the owner of the business.

Statement of preparation

The Defence Housing Australia's Statement of Corporate Intent was prepared for the reporting period of 2021–22, and covers the financial years from 2021–22 to 2024–25 in accordance with paragraph 35(1) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).



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

31 August 2021



Barry Jackson
Managing Director

31 August 2021

Overview

Supporting Defence capability

During 2020–21 we supported Defence capability through the provision of housing and housing related services. We met the demand for housing through a continued focus on directly accessing leasing opportunities, targeting our marketing campaigns to attract new leases and retaining leased properties through exercising lease options to fulfil housing requirements. To address the risks brought by buoyant property markets, we are exploring strategic partnerships with builders and developers with the aim of securing bulk leasing opportunities. Our strategies will help to slow portfolio churn and enhance efficiency through extended use of properties.

The ongoing COVID-19 pandemic, and associated state and territory border restrictions require us to be agile to ensure supply of housing. In 2020–21, ADF members, and as a result DHA, faced a challenging peak posting cycle, repeatedly adjusting to meet the fluid timing of ADF member relocations resulting from factors beyond DHA's control.

DHA implemented new virtual service delivery methods, including opt-in self-service welcome visits, online videos with key posting information and online maintenance requests. These, together with enhancements to the DHA website, have facilitated easier access to services and information for ADF members and landlords. Satisfaction with DHA's customer service when occupying a service residence remains high and continues to exceed the target.

Implementation of revised business operating model

DHA has undergone significant transformation since the launch of its revised business operating model in February 2020. We have simplified our operations and streamlined our organisational structure, with fewer resources, including by:

- › embedding processes to centralise the management of our portfolio we have improved property utilisation rates and the efficiency of how we provision for Defence. We also adjusted the intended delivery or construction of some properties to better align with peak provisioning requirements.
- › reducing exposure to fluctuations in the property market. We reduced the capital demands associated with development and portfolio churn by extending the use of existing property and focussing on leasing to provide housing. Underperforming assets continue to be divested.
- › delivering a number of improvements for ADF members and staff through the Technology Refresh program. The Technology Refresh has also supported the seven other initiatives designed to refresh our business operating model and position DHA as a leading service delivery organisation.

Review and negotiation of the Defence Services Agreement

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

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

Drafting of the contemporised document concluded in June 2021, and the revised terms and conditions will be executed and implemented in the coming months. Defence and DHA have agreed to continue the ‘modernisation’ process as outlined in point two above.

Enhanced capability

We have restructured and ‘right-sized’ our organisation and built capability through:

- › structural reform to align service operations with the revised business model
- › a new enterprise agreement which came into effect on January 2021 for a duration of three years
- › launch of the Leadership Development Program to equip the organisation to continue to deliver our objectives and improve the way we deliver housing services. The program provides our leadership cohort with future-focused capabilities, knowledge and confidence to lead a responsive and capable workforce through this period of change.

Refreshing information and communications technology is a key focus for DHA over this planning period. We have a roadmap for contemporary communications and technology systems, with many ‘quick-wins’ already implemented. The next phase involves an approach to market to procure new software, build data management capability and roll-out Microsoft Office 365.

Australian National Audit Office (ANAO) performance audit

We continue to work in consultation with Defence to implement the four recommendations from the ANAO Report No. 31 (2019–20) Management of Defence Housing Australia:

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

As at 30 June 2021, work to address recommendations three and four has been completed and the remaining two recommendations are being progressed by Defence, who have primary responsibility, with support provided by DHA. DHA's Board Audit and Risk Committee continues to monitor progress and implementation of the recommendations on behalf of DHA's Board.

Our structure

Shareholder Ministers

Two Shareholder Ministers oversee the Australian Government's interests in DHA, the Minister for Defence and the Minister for Finance. As DHA sits within the Defence portfolio of the Australian Government, the Minister for Defence or their delegate is DHA's responsible Minister. The Minister for Defence has delegated responsibility to the Minister for Defence Personnel. The Minister for Finance is responsible for overseeing DHA funding arrangements and, amongst other things, providing shareholder advice on all Government Business Enterprises, including DHA.

Board

A Board of Directors is established in accordance with Part III of the DHA Act and is the accountable authority for DHA under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The Board is responsible for the proper and efficient performance of DHA's functions. The Board makes decisions on organisational direction and strategy, which are articulated through a Corporate Plan.

Board committees

In accordance with section 24(1) of the DHA Act, the Board has established four committees to assist in the discharge of its duties. Amendments to the DHA Act in 2006 established the DHA Advisory Committee to advise on the performance of DHA's functions (refer to Part III of the Act).

The Board and each of its committees has a charter that sets out its purpose, composition and meeting and administrative arrangements. The Board considers the composition of committees periodically. The committees include:

- › Board Audit and Risk Committee (BARC)
- › Board Investment Committee (BIC)
- › Nomination and Remuneration Committee (N&RC)
- › People and Culture Committee

The establishment of the People and Culture Committee was approved by the Board in March 2021 and will hold its first meeting in September 2021.

Managing Director

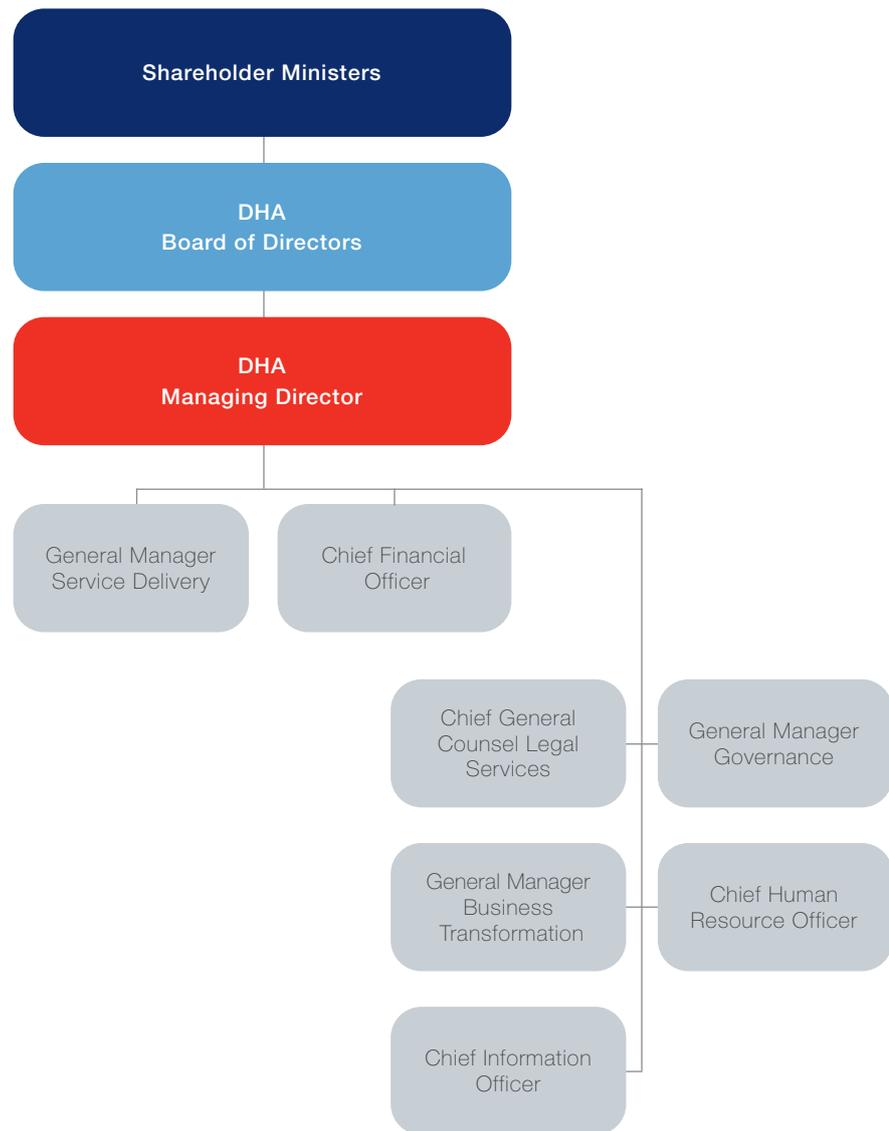
The Managing Director is employed by the Board and is the only executive director of the Board. The Managing Director is responsible for conducting the operational affairs of DHA in accordance with the DHA Act and any policies determined by, and directions given by, the Board. The Managing Director oversees DHA's strategic direction, organisational structure, staff, performance and relationships with key stakeholders.

Leadership Team

The Leadership Team supports the Managing Director in fulfilling DHA's purpose by providing leadership, guiding performance, implementing and delivering against the corporate strategy.

Figure 1:

Organisational structure as at 30 June 2021



Service delivery

Service delivery support

Service Delivery Group

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

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

Service Delivery Support Groups

Chief Financial Officer's Group

The Chief Financial Officer's Group supports effective decision making, resource allocation and accountability through strategic and capital planning, and the delivery of financial management services including performance reporting via the Corporate Plan, monthly and quarterly reports and the annual report also incorporating full year audited financial statements. This group is also responsible for the strategic management of DHA's property portfolio.

Governance Group

The Governance Group is responsible for facilitating and administering compliance with DHA's legislative requirements and overarching governance frameworks.

Legal Services Group

The Legal Services Group is responsible for the provision of high quality, strategic, legal advice on a broad range of property, commercial and corporate issues within DHA, including the provision of advice to the Leadership Team.

Business Transformation Group

The Business Transformation Group is responsible for managing the implementation of the revised business operating model and influencing internal and external stakeholder behaviour to foster ongoing support for the operating model. The group also manages the media and communication function in DHA.

Human Resources Group

Human Resources is responsible for providing services and support to ensure DHA has the human capital to deliver business outcomes. The core functions of the group include recruitment, payroll, reporting, learning and development, case management; including partnering with the business to provide complex case support, workplace relations and human resources aspects of change arrangements.

Business Solutions and Technology Group

Business Solutions and Technology Group provide technology and solutions across business analysis, integration, software development, software support and provision, telephony and networks, technical support, infrastructure and cyber security. The group partners with the business to deliver a suite of initiatives that provide efficiencies to the broader organisation and is responsible for technology strategy and delivering outcomes through the Technology Refresh program.

Performance framework

The Corporate Plan and Statement of Corporate Intent are our primary planning documents and a key component of our performance framework, see Figure 2 below.

They set out how we will work towards the outcomes mandated by the Government in the Portfolio Budget Statements and they are updated annually to reflect changes in DHA's operating environment and reflects the requirements of the PGPA Act.

Performance will be reported through Quarterly Shareholder Reports, and the 2021–22 Annual Report.

Figure 2:
DHA's performance framework



Guide to reading this statement of corporate intent

Figure 3 below sets out how the elements of our planning approach interrelate.

Figure 3:

DHA planning framework







PART 2

Our purpose

Purpose

Our services

Purpose

The DHA Act is our enabling legislation and sets out our functions, powers, corporate structure and delegations. We must operate and deliver our functions in accordance with the DHA Act, contractual agreements with the Department of Defence, as well as a range of additional Australian Government, state and territory legislation.

In accordance with the DHA Act, DHA is responsible for providing adequate and suitable housing for, and housing-related services to, ADF members and their families, and services ancillary to this primary purpose.

The 2021–22 Portfolio Budget Statement outlines DHA's primary outcome is to contribute to Defence outcomes by providing total housing services that meet Defence's operational and client needs through a strong customer and business focus.

This outcome is broken down into two key purposes:

- › provide housing and housing related services, and
- › provide value to shareholders.

The Defence Services Agreement (DSA) specifies that DHA will provide an agreed number of suitable houses as per the Defence Housing Forecast. Suitable houses must comply with standards as set out in the agreement and ADF Pay and Conditions Manual (PACMAN).

We are a corporate Commonwealth entity and a Government Business Enterprise (GBE). We are required to operate in accordance with the requirements of the DHA Act and the PGPA Act and associated Rules, and the Commonwealth Government Business Enterprises Governance and Oversight Guidelines. These Guidelines prescribe additional considerations on corporate and financial governance, planning and reporting. As a GBE, DHA must also operate efficiently and deliver commercial returns to its shareholders – the Ministers for Defence and Finance acting on behalf of the Australian Government.

Our services

We administer some elements of Defence housing policy and provide housing for, and related services to, ADF members and their families in accordance with our agreements with Defence.

For the Australian Defence Force

We support capability of the ADF through:

- › the provision of a portfolio of suitable housing
- › housing services that support the mobility of the ADF following posting orders
- › administration of rent allowance and ADF member contributions for housing
- › managing heritage listed Defence owned properties.

We also provide critical support to the Australian Government, in partnership with Defence, in responding to crises such as flooding and fires. DHA provides national visibility of availability of on-base accommodation and in response to a crisis facilitates rapid temporary accommodation allocation, providing access to vacant housing and communication support.

For Australian Defence Force members and their families

DHA provides a number of housing services to ADF members and their families including:

- › access to a range of housing products in the DHA portfolio
- › tenancy and housing management services, including the management of repairs and maintenance
- › advice and guidance on housing policy and entitlements
- › assistance in finding suitable housing through our online systems supported by customer focused staff
- › booking and allocation service for Defence managed Living in Accommodation
- › administration of allowances to ADF members occupying private rental accommodation
- › refurbishment of properties.



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PART 3

Operating context

Environment

Cooperation

Organisational capability

Risk oversight and management

Environment

DHA operates in a context where many of the factors that influence our business are outside our control. We start the 2021–22 financial year in the midst of continuing uncertainty driven by COVID-19, digital transformation, volatile market and economic conditions, and shifting customer needs and expectations.

We operate in every state and territory across Australia and are proactive in addressing changes in both our national and regional operating environment. Our purpose to support Defence capability by providing housing for, and related services to, ADF members and their families means we seek to be in step with Defence to understand their requirements. These factors present a range of challenges and opportunities.

A growing and more agile Defence force

The 2020 Defence Strategic Update states Australia's military context is in the middle of the most significant strategic realignment since World War II, compounded by technological disruption, the need for military modernisation and a higher risk of state-on-state conflict. The update also calls out that the frequency and intensity of disasters within Australia results in increased reliance on Defence to assist in support of civilian emergency responses.¹ These factors in turn create pressure on DHA to provide housing with greater agility and to support Defence capability with flexible solutions.

The ADF announced plans to increase its workforce across all three services (Army, Air Force, and Navy) by 2024.² This reverses the trend of a decreasing ADF population over the last 10 years³ and will require a proactive and strategic response by DHA to ensure long term housing needs are met.

COVID-19

While the long term impacts of the COVID-19 global pandemic are not yet clear, it has altered the economic trajectory of our region and the world, with implications for Australia's prosperity and security. COVID-19 has changed the way we work, requiring DHA to adapt service delivery methods, and respond to changing posting arrangements for ADF members and families. The lessons learnt through this pandemic will help DHA continue to adapt in response to Defence requirements.

1 2020 ADF Strategic Update.

2 2020 ADF Strategic Update, page 41.

3 2019 ADF Census, page 20.

Evolving demographics of ADF members and their families

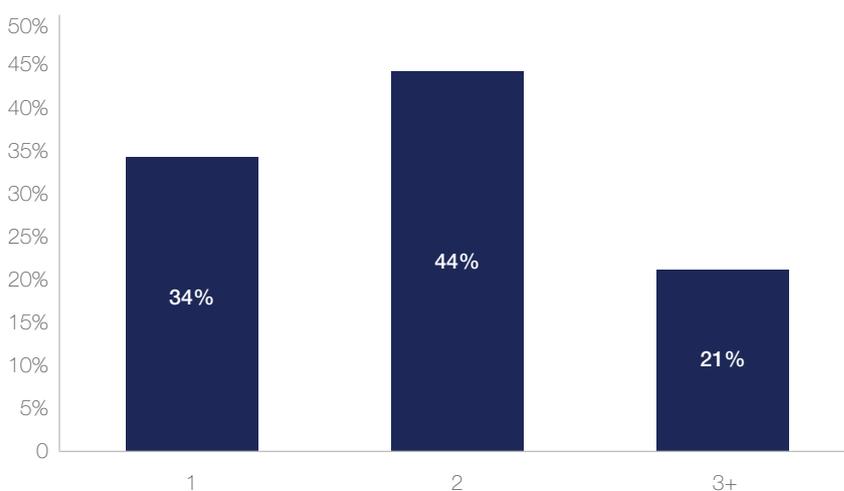
The Australian and ADF population continues to evolve and will influence the type of housing demanded by our customers. The number of children, other dependants and partner employment needs determine the type and location of housing required by ADF members to support their families.

Most ADF members (66 per cent) are married or in a relationship, an increase of two per cent from 2015 to 2019. Over the same period, the proportion of ADF members with dependent children fell one per cent to 38 per cent.

The dependant status of ADF members dictates the size and utility of housing demanded. Of ADF members with dependent children, over 90 per cent have at least one child living with them for at least 90 nights per year. Of these, 34 per cent have one child, 44 per cent have two children and 21 per cent have three or more children, living with them as seen in Figure 4. ADF members with dependants other than a partner or child is increasing, up three per cent from 2015 to 2019 to eight per cent. These 'other' dependants are primarily elderly parents or other relatives.

Figure 4:

Number of dependent children living with ADF members 90+ nights per year



Our ability to provide suitable housing is influenced by proximity to employment opportunities for partners of ADF members. Job dislocation is a common experience for partners of ADF members, with 47 per cent reporting that they changed jobs at least once in the four years to 2019 due to a service-related move. This is an increasingly important consideration as the proportion of partners of ADF members who are employed increases, with 79 per cent of partners employed in 2019 compared to 75 per cent in 2015.

Although the needs and requirements of ADF members and their family will differ, they continue to prioritise choice of properties that suit their lifestyle and family needs. Our in-house surveys have shown that ADF members are highly satisfied residing in residences that do not meet current Defence housing policy standards (i.e. townhouses or units), but are in a more desirable locations.



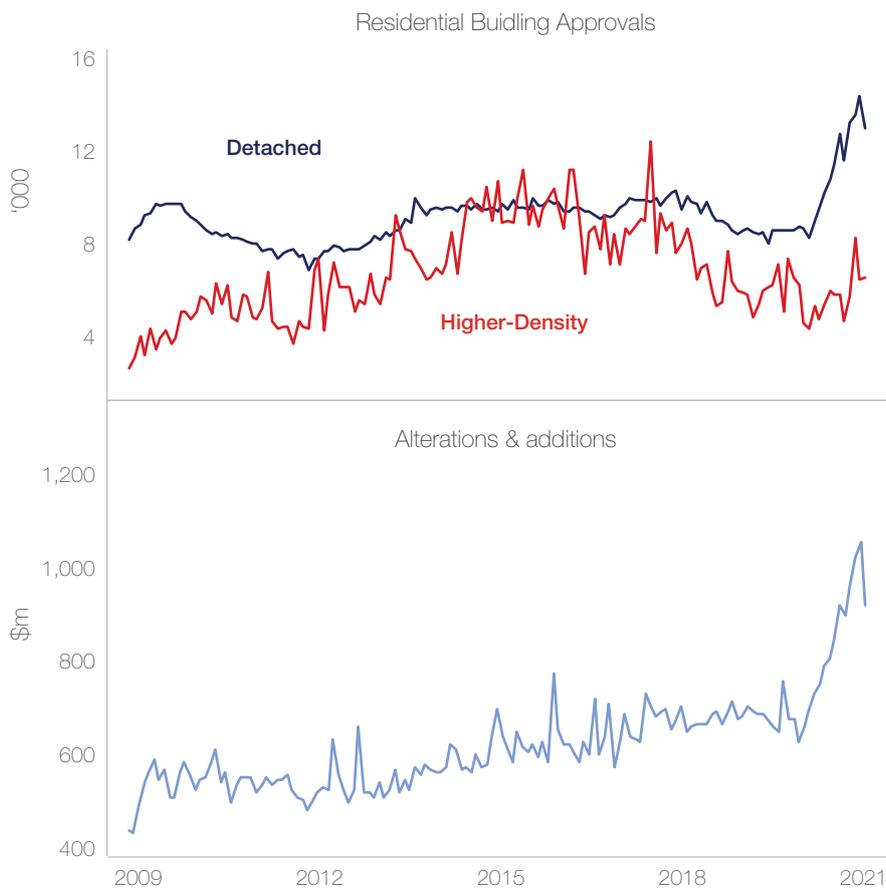
Housing preferences and availability

The housing and amenity preferences of Australian homebuyers and investors influences the composition of Australia's housing stock and impacts the availability of housing that meets current Defence standards.

There has been a strong increase in approvals for detached dwellings (Figure 5). This presents an opportunity to influence the type of housing being developed in the coming years by building strategic partnerships with developers and builders to influence construction to be consistent with Defence requirements and support provisioning activities.

Figure 5:

Building approvals as at May 2021⁴



New constructions coming onto the market are in contrast to Defence housing specifications and DHA investor preferences. Investors continue to overwhelmingly prefer to purchase existing dwellings relative to other options, such as the construction of dwellings or purchase of residential land.⁵ This preference is higher in some states, such as Queensland, Western Australia and Tasmania, demonstrating investor interest in states that have experienced more favourable conditions following the COVID-19 pandemic. Investor preference for existing dwellings supports our direct leasing and our Property Investment Program (PIP) provisioning strategies, notwithstanding DHA's declining reliance on its PIP as a source of provisioning.

A growing trend in housing preferences is energy efficient housing. This trend is multilayered, but is underpinned by a desire for lower energy costs and improved the liveability of housing. Where possible, we aim to influence the efficiency and liveability of houses provided to ADF members and their families ensuring our developments achieve specific Energy Efficiency Ratings.

4 Australian Bureau of Statistics, Building Approvals, May 2021.

5 Australian Bureau of Statistics, Lending Indicators, March 2021.

Economic drivers

Our ability to achieve our objectives is impacted by the strength of the economy and regulation across the property industry. Changes to state tenancy legislation, prudential regulation, tax credits, government grants, and subsidies all have the ability to influence our operations both positively and negatively. We seek opportunities to work with regulators and the Department of Defence to pursue changes to legislation and contractual arrangements to enhance our operations.

The economic environment and strength of Australia's property market has positive implications for our ability to provide adequate and suitable housing. The current strength of Australia's property market conditions are influenced by low interest rates, government support programs and a positive economic outlook. This has seen a return of investors to the market providing DHA opportunities for direct leasing and sale and lease back activities (Figure 6); while increased property values are likely to be reflected as higher rents and profit margins, improving results from DHA's sale of surplus stock (Figure 7).

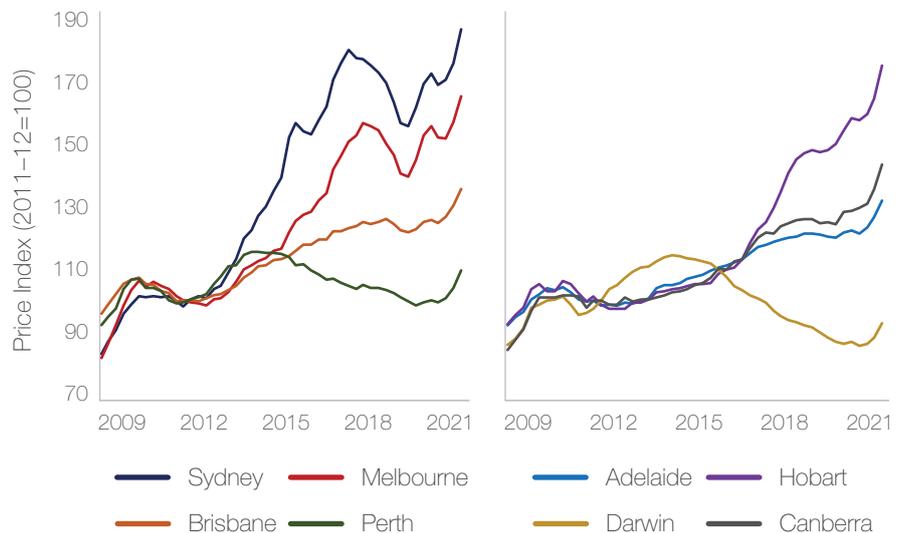
Figure 6:

New loan commitments by value, seasonally adjusted, as at May 2021⁶



Figure 7:

House price index, as at March 2021⁷



6 Australian Bureau of Statistics, Lending indicators, May 2021.

7 Australian Bureau of Statistics, Residential Property Price Indexes: Eight Capital Cities, March 2021.

Expectations for property markets remain uncertain over the long term as Australia experiences its slowest population growth in a century and potential for interest rate raises increase as inflation starts to recover. Higher inflation could erode the current favourable investment environment and potentially dampen investor appetite, negatively impacting on our ability to provide properties through leasing.

Rental markets have an impact on DHA as revenue from Defence for housing is based on market assessed rents. The outlook for rental markets is uncertain and is expected to have a lasting impact on the varied dynamics between regions and property types. Australia's larger rental markets, particularly Sydney and Melbourne, have been experiencing weaker investor demand due to higher vacancy rates and subdued rental growth.⁸ This is, in part, due to high levels of apartment stock, which are likely to remain until international travel resumes. Smaller rental markets, such as Perth and Darwin, experienced greater stability and strong rental growth over the past year,⁹ and will be influential in the extent to which DHA can reduce or eliminate 'rental gap' costs. Rental growth can be expected to influence the gradual re-entry of property investors. Increased interest in property investment would lift rental supply and lead to a rebalancing of rental prices over time.

The rental market in Australia continues to grow as a proportion of housing reflecting the continued strong return prospects for investors which will only be accelerated as the market continues to recover.¹⁰ DHA continues to offer a stable investment option, which should see increased interest as investors re-enter the property market and provides an ideal opportunity for us to expand our housing stock and services.

Greater use of technology

Technology will continue to change the way our customers want to interact with us and the way we deliver our services. Our customers continue to demand a true omni-channel service experience, which requires numerous seamless touch points between us and our customers. Technology will provide opportunities to meet this demand and deliver improved services to our customers.

We have leveraged technology already to implement greater use of self-service technologies and improve the accessibility of information through our Online Services portal. We have further opportunities to continue to improve the service experience for our customers. We are working towards effective management of data and using new technologies to become more proactive in our service delivery.

The rising prevalence of cyber threats are of increasing concern as they pose a risk to our operations and the privacy of our customers. We are committed to taking a proactive approach to security controls and practices through maturing and managing our cyber security capabilities.

8 As at June 2021, rent values increased by 3.2 per cent in Sydney and declined by 1.4 per cent in Melbourne on an annual basis – source: CoreLogic.

9 As at June 2021, rent values increased 21.8 per cent in Darwin and 16.7 per cent in Perth on an annual basis – source: CoreLogic.

10 Australian Bureau of Statistics, Housing Occupancy and Costs, July 2019.

Cooperation

For more than 30 years we have been providing ADF members and their families with the housing and related support services they need, while delivering value to our shareholders, the Department of Defence and Department of Finance on behalf of the Australian Government. We also have a range of key stakeholders that we work with closely to deliver on our purpose.

Figure 8:
Key relationships



DHA works closely with both the Department of Defence and the Department of Finance, through formal and informal mechanisms, including engagement and consultation on planning and performance reporting activities. Regular engagement with Defence occurs in line with arrangements set out in the Defence Services Agreement and to inform Defence policy.

To deliver services for ADF members and their families, DHA seeks advice and feedback from Defence force personnel and key Defence organisations through the DHA Advisory Committee. The DHA Advisory Committee's role is to provide general advice and information on the performance of DHA's role and includes representatives of the National Convenor of Defence Families of Australia and the Chief of the Australian Defence Force and Service Chiefs.

We also work with key industry bodies to enable access to the most up to date industry information that may impact national and regional development and construction activities, which ensures optimal commercial and provisioning outcomes. We collaborate with the private sector to provide suitable housing for ADF members and their families.

We engage with the communities in which we operate, where appropriate, and organise events to support ADF members and their families to build a sense of belonging. In addition, DHA engages a number of small, and small to medium enterprises throughout its supply chains and is seeking opportunities to build its engagement with Indigenous businesses, particularly in the property and construction industry.



Organisational capability

We continue to focus on building strong organisational capabilities so we can deliver on priorities for the ADF and the Government, and are prepared for the challenges and opportunities in our environment.

Our offices

Staff in our regional offices deliver customer facing services to ADF members and their families, and investors in capital cities and major regional centres with an ADF presence. DHA staff are also located in four on-base locations at Sale, Puckapunyal, Cerberus (Victoria) and Canungra (Queensland) in accordance with a license agreement with Defence. Regional office staff are supported by staff in three regional contact centres, who are the first point of contact for housing services, maintenance services and the allocation of on-base Living in Accommodation.

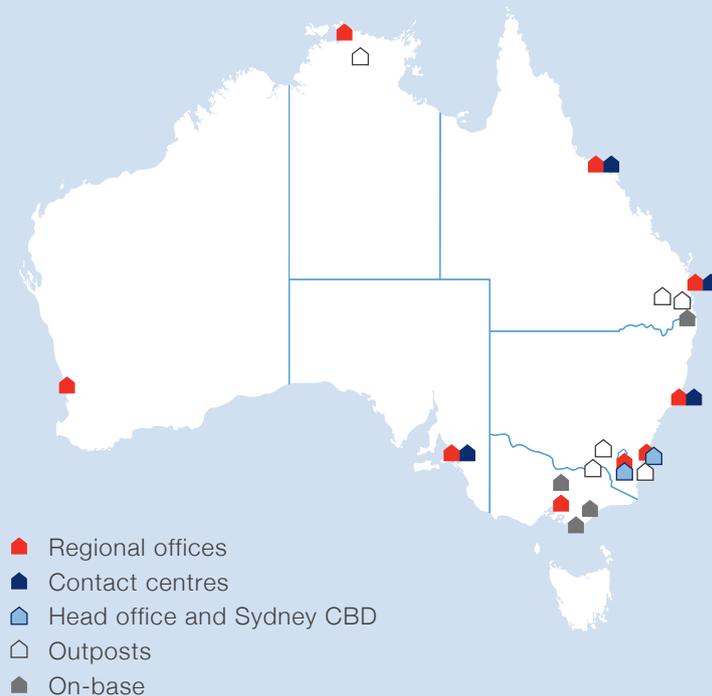
Staff in Canberra's Barton office are responsible for overseeing strategic development, operational programs, corporate governance and corporate support.

Canberra Office relocation to Gungahlin

Following an open approach to the market, DHA engaged G1 DHA Pty Ltd to construct and fit-out office accommodation located in the Gungahlin Town Centre on the site bound by Hibberson, Hinder, Kate Crace and Efkarpidis Streets. The construction of the building commenced in July 2020 and the integrated fit-out commenced in April 2021. DHA's new Gungahlin office accommodation will provide an open workspace that supports agile work practices and enables social distancing. The building will hold a five-star National Australian Built Environment Rating System (NABERS) rating and will accommodate employees currently located at Brisbane Avenue, Barton and Ipswich Street, Fyshwick.

Figure 9:

Office network as at 30 June 2021¹¹



11 The office in Elizabeth Street, Sydney will close on 30 September 2021 with staff relocated to the Parramatta office.

Our workforce

As we continue to implement a leaner structure, it is vital that we effectively manage and deploy our people. The DHA Operational Workforce Plan developed in 2020–21 identified the critical capabilities, job roles and the functions where organisational needs will change over the next 24 months. To support these requirements and changes, a number of supporting interventions are currently being implemented or developed. These include:

- › DHA Strategic Recruitment Plan 2020–21, improving DHA's ability to attract critical talent
- › DHA's Capability Framework, which will define the core capabilities required across DHA to reflect emerging needs
- › DHA Learning and Development Strategy 2020–22 setting out the roadmap for developing core skills and critical capabilities
- › development of a succession management plan for critical roles and priority functions
- › improved employee on boarding process.

Leadership and culture

DHA continues to build a culture and leadership capability to effectively deliver our strategic objectives. Our leaders demonstrate Australian Public Service values and make informed, evidence based decisions. We are creating a workplace where any individual or group can be their authentic selves, feel welcomed, respected and valued, and able to fully participate and contribute. Our priorities in this area are:

- › enhancing our leadership capability through continued delivery of the Leadership Development Program
- › reinforcing employee expectations in regard to performance and behaviours
- › refreshing DHA's Diversity and Inclusion Strategy and continuing work to implement the DHA 'Innovate' Reconciliation Action Plan.

Learning and development

Implementation of the DHA Learning and Development Strategy 2020–22 has commenced. Its purpose is to develop core skills and critical capabilities to deliver our strategic priorities and support the implementation of our new business operating model. The Learning and Development Strategy considers workforce risks and capability gaps identified in the workforce plan, and includes strategies and programs to address these issues.

Information technology

Our technology strategy will support DHA in delivering fast, clear and simple services through the Technology Refresh program being undertaken through to 2024–25. We have a roadmap to guide implementation of this significant reinvestment in our business (Figure 10).

Data management, literacy and access

DHA will implement our data governance and management model to fuel data-driven business decisions. These models will be complemented by a data literacy program that will consist of four key focus areas: executive sponsorship, culture and behaviours, learning and capability and use cases. DHA will also democratise access to data through self-service analysis and visualisation tools, while maintaining appropriate privacy and data protection.

Cyber security

DHA will continue to uplift our cyber security maturity through the Essential Eight Improvement program and other initiatives in the cyber security roadmap. DHA has engaged cyber security experts to design and deliver tailored cyber security awareness training to equip our workforce with the skills and knowledge they need to protect DHA's valuable information assets and systems. Tranche two of the Essential Eight Improvement program is on track for completion over the next 18 months and will deliver maturity level three compliance across a significant number of controls. In addition, annual penetration testing, combined with a rigorous system upgrade schedule contributes to the strengthening of DHA's cyber security posture.

Finance systems

DHA will enhance its finance systems, expanding functionality and embed automation. The enhancements will better enable analysis, decision making and promote efficiency in procurement, creditor management and travel. System integration will be rebuilt to optimise automated workflows to generate operational efficiencies.

Corporate solution

DHA is procuring new technology encompassing contact centre technology, knowledge management, and account, case and sales management. Delivered through four business releases, the corporate solution will drive consistent customer experiences and replace legacy systems with simpler, flexible architecture. Rebuilt system integrations will automate processes and cyber security risks will be better managed as end-of-life applications are decommissioned.

Collaboration and productivity

DHA is implementing modern productivity tools that will reduce barriers to effective communication, knowledge-sharing and collaboration, leading to better productivity and performance outcomes. We are investing in the standardisation of our videoconferencing facilities across all office locations, rolling out Microsoft Office 365 and Teams, and refreshing our staff intranet and public website.

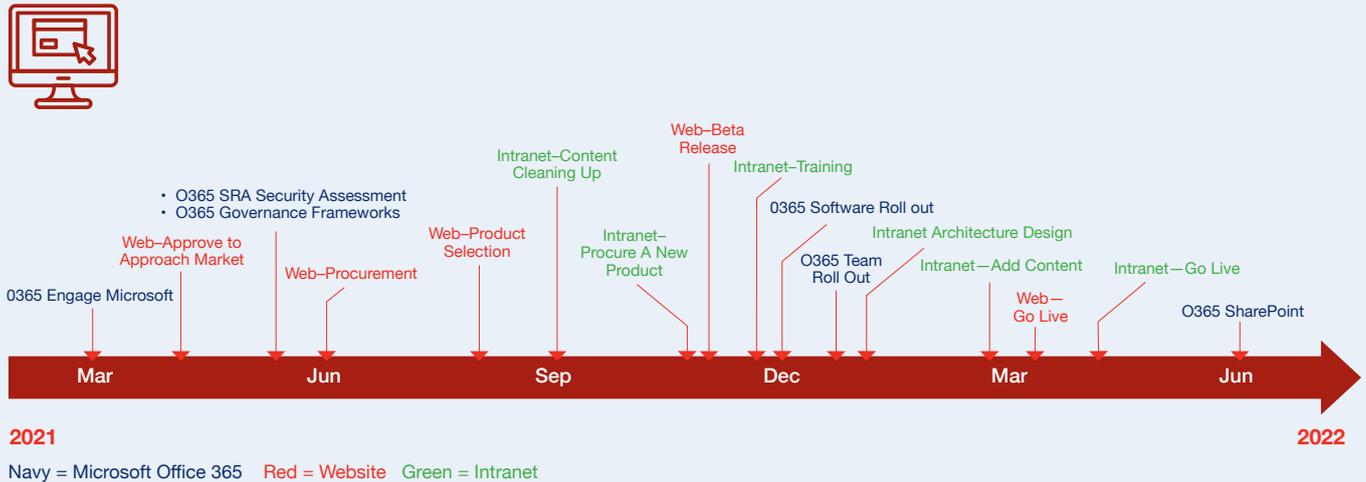
Business application enhancements

DHA continues to improve our suite of bespoke applications while the corporate solution is implemented. This work leverages the technology efficiencies that were implemented in response to COVID-19 to provide better customer experiences and engagement.

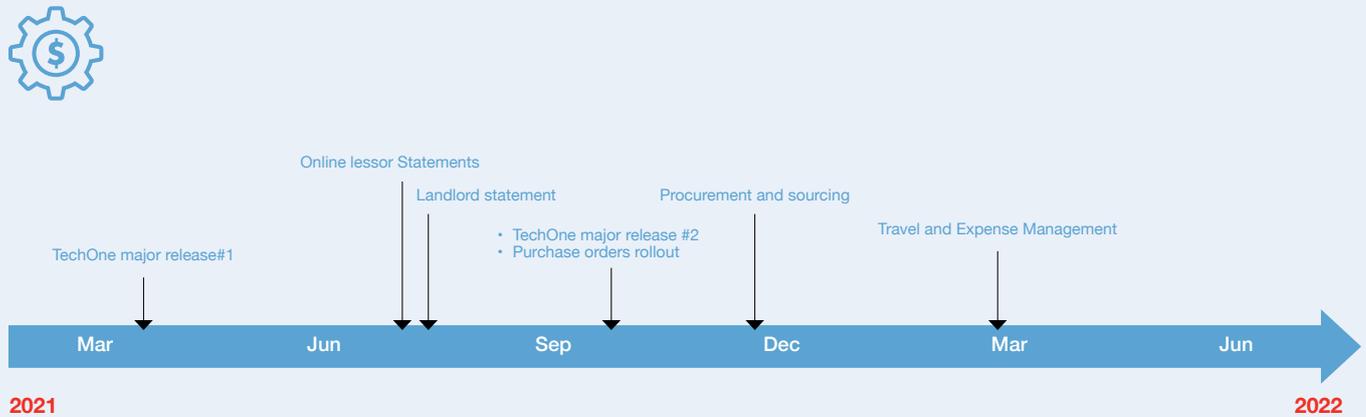
Figure 10:

Technology Refresh roadmap

Microsoft Office 365, Website and Intranet



Finance Systems and TM1



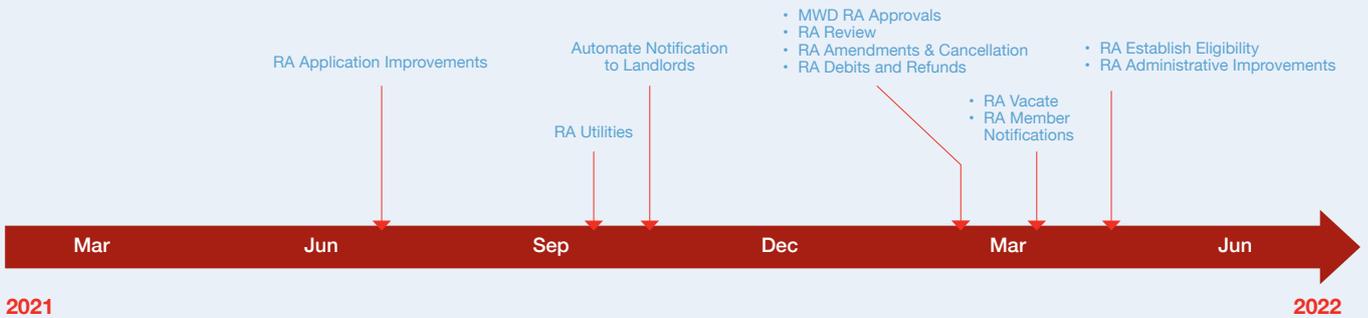
DHA Corporate Solution



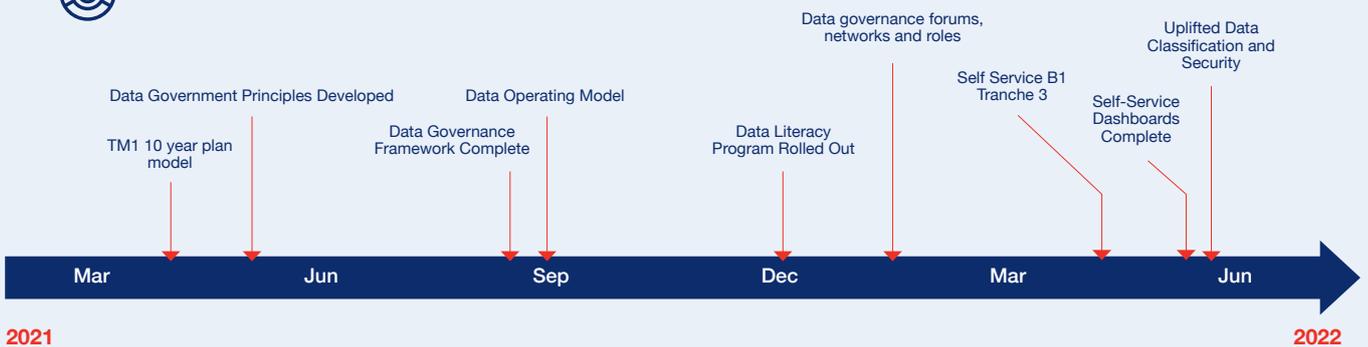
Infrastructure, Security and Cloud



Business Application Enhancements



Data Program



Risk oversight and management

DHA considers risk management to be an essential element of its governance framework, ensuring we meet our PGPA Act obligations and the Commonwealth Risk Management Policy issued by the Department of Finance.

We actively consider risk as a component of strategic and business planning. A sound understanding of our risks enables us to take calculated risks where prudent to do so and identify and address issues that may jeopardise our capability and credibility. DHA also uses its risk management framework to prioritise and allocate resources based on a clear understanding of opportunity, risk and consequences.

We are focused on improving enterprise risk maturity and fostering a positive risk culture. A key element of this will involve uplifting organisational risk management capability to ensure we have an empowered workforce, who are able to innovate and engage with risk, and are prepared to meet future challenges.

Approach to managing risk

We manage risk in accordance with our Risk Management Framework, which is closely aligned with our Performance Framework (Figure 11).

Our Risk Management Policy outlines enterprise risk management expectations, accountabilities and responsibilities (Figure 12). Internal guidelines and our risk matrix provide guidance to support effective and consistent identification and evaluation of risks, including the likelihood of them eventuating, the potential consequence on our operations and strategies for managing them.

Our Risk Appetite Statement outlines the level of risk the Board is willing to accept or retain and informs and guides our decision making. Our risk appetite and tolerance is influenced by our activities, emerging priorities and changes to our operating environment. The Board generally prefers to accept low to medium levels of risk, so far as is reasonably practicable. On occasion, due to the complexity of our operations, we may be required to manage higher levels of risk.

Figure 11:

DHA's approach to managing risk



Figure 12:

DHA's risk governance arrangements

| | |
|--------------------------|---|
| Board of Directors | The Board is the Accountable Authority of DHA. Through its Audit and Risk Committee, the Board determines risk appetite, has oversight of strategic risk and ensures appropriate mitigation plans have been implemented. |
| Audit and Risk Committee | |
| Managing Director | The Managing Director and senior executives are responsible for implementing appropriate risk systems and ensuring resources and capability support effective risk management and its integration in decision making processes. |
| Leadership Team | |
| Risk Team | The Risk Team provides independent risk advice and is responsible for practical implementation of risk management. The Risk Team supports the Board, Managing Director, Leadership Team and key line managers to ensure the Risk Management Framework, treatments and controls are fit-for-purpose, effective, relevant and timely. The Risk Team is supported by the co-sourced internal audit function that provides independent, objective assurance to evaluate and improve the effectiveness of risk management, control and governance processes. |
| Line Managers | Line Managers are responsible for day to day management of risk, for undertaking effective and timely risk assessments for all key activities (i.e. programs, projects and proposals) and identifying and managing appropriate risk treatments and controls. |
| DHA employees | Employees are responsible for managing risk in the course of their day to day activities. This includes identifying emerging risks and elevating them in accordance with the Framework. Contract managers are responsible for ensuring third parties effectively manage risk in accordance with contractual obligations. |
| Third parties | Third parties are expected to manage risk in the course of their day to day activities. This includes identifying emerging risks and elevating them to the contract manager. |

As part of our focus to improve risk maturity, we are also working more closely with our Shareholder Departments (Departments of Defence and Finance) and industry partners to identify, assess and manage shared risks.

We review our Risk Management Framework at least every two years to ensure it is fit-for-purpose, reflects changes in our environment, treatment strategies and controls are effective, and communication between the Board, senior executives and risk owners is ongoing.

Key strategic risks

DHA has identified eight key strategic risks that, if they were to eventuate, may affect our ability to achieve our purpose. These risks reflect our current operating environment, and are subject to change.





PART 4

Strategic priorities and key activities

Achieving our purpose

Strategic Priority 1 – Customers

Strategic Priority 2 – Portfolio

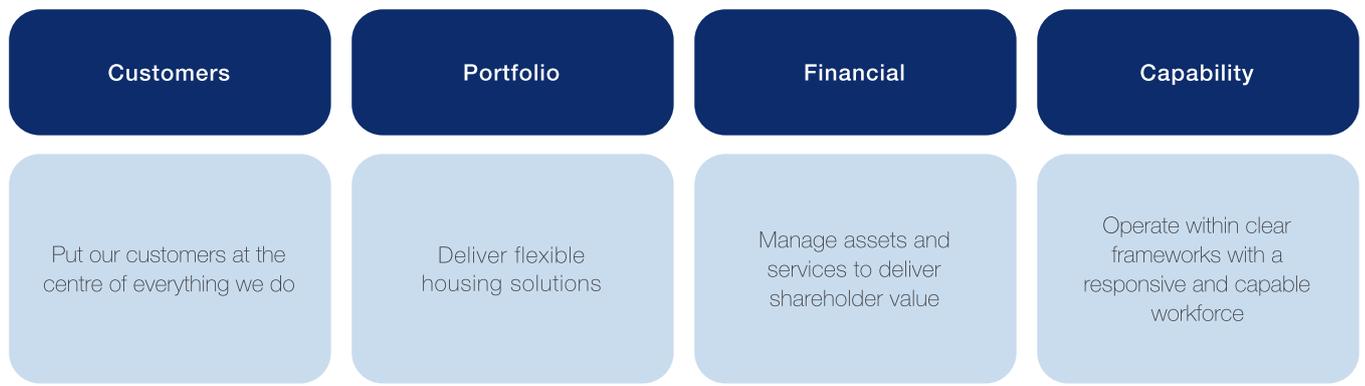
Strategic Priority 3 – Financial

Strategic Priority 4 – Capability

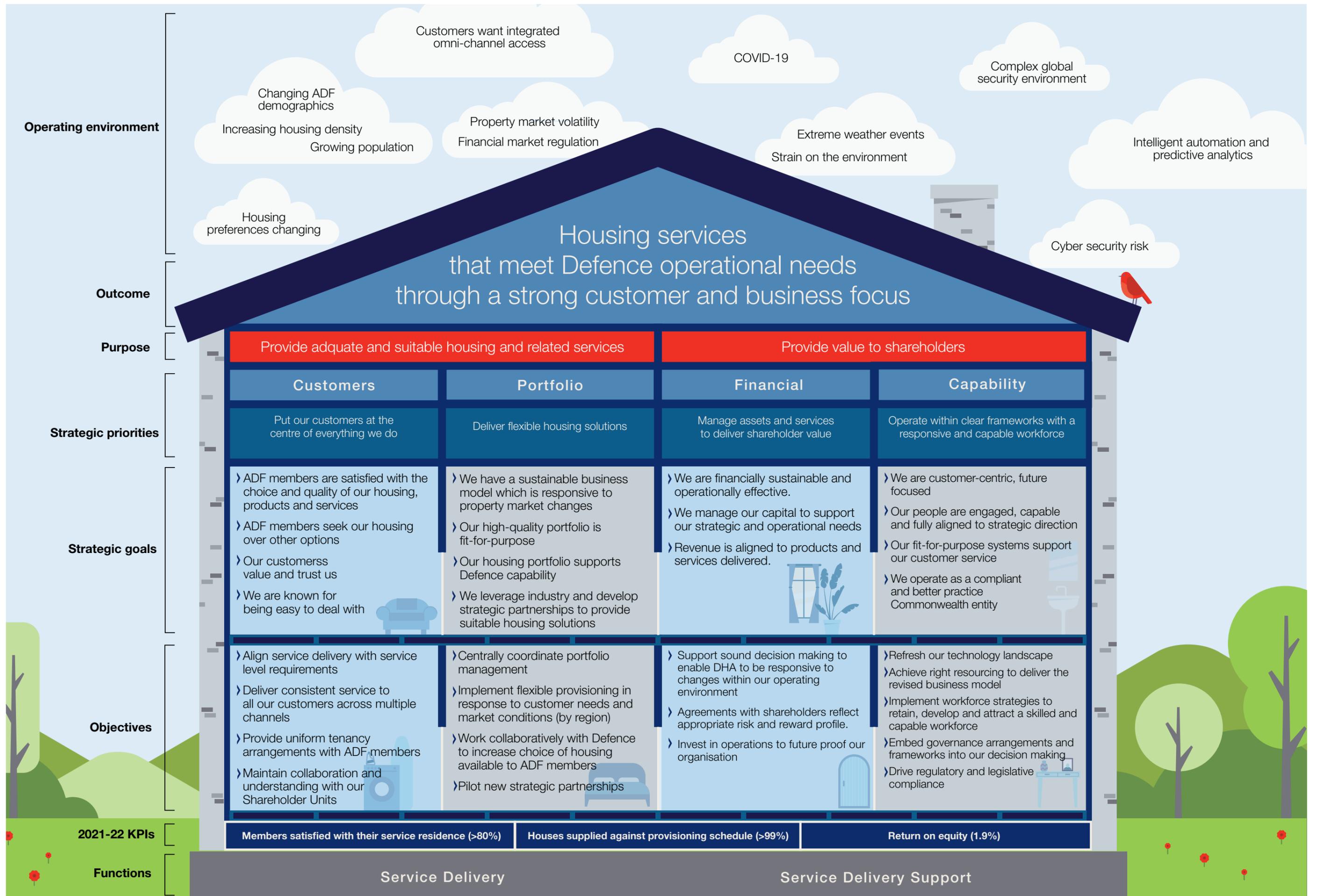


Achieving our purpose

This Statement of Corporate Intent sets out how DHA achieves the outcome mandated by Government through the following four strategic priorities:



These priorities provide a framework for setting goals to articulate what future success looks like and short term objectives to be achieved over the planning period along with the key initiatives and activities to be delivered, as a step on the way to achieving the longer term future state. This framework is articulated in the DHA Strategic Canvas (overleaf).



Strategic Priority 1 – Customers

Put our customers at the centre of everything we do.

We are a service organisation and take a customer centric approach in delivering for our customers and shareholders:

- › ADF members and their families – we provide seamless housing services tailored to member requirements and entitlements.
- › The Minister for Defence and Department of Defence – we support Defence capability by delivering housing when and where it is needed in a responsive and efficient manner.
- › The Minister for Finance – we provide value to the Australian Government as a Government Business Enterprise.

Our focus is on contemporising the customer experience. During the last 12 months, we adapted the way we deliver services to our customers as we implemented our revised business model and in response to COVID-19. There is still further work to do to continue to update our systems and processes so that our customers can access our services when they want to and in the ways that are most convenient to them.

Customers are central to the success of our entire business, therefore, we need to be flexible, responsive and agile to meet their ongoing and changing needs. DHA has set four strategic goals that summarise what success looks like for this strategic priority.

Strategic goals and objectives

- › ADF members are satisfied with the choice and quality of our housing, products and services.
- › ADF members seek our housing over other options.
- › Our customers value and trust us.
- › We are well known for being easy to deal with.

DHA has also set the following objectives to guide our activities for the next four years:

- › Align service delivery with service level requirements.
- › Deliver consistent service to all our customers across multiple channels.
- › Provide uniform tenancy arrangements with ADF members.
- › Maintain collaboration and understanding with our Shareholder Units.

To achieve these strategic goals and objectives, DHA will focus on:

- › implementing changes resulting from the review and contemporisation of the Defence Services Agreement
- › continuing to improve the ADF member experience
- › implementing revised repairs and maintenance policy and developing reporting tools to monitor performance
- › simplifying the rent allowance application and approval process.

Key activities

Defence Services Agreement

DHA and Defence worked closely over 2020–21 to contemporise and consolidate the various Defence Services Agreements (DSA) into a single agreement, creating consistent terms and conditions across the various housing services. Currently in draft form, the revised agreement provides greater clarity for both DHA and Defence, and allows for increased flexibility. As the needs of both Defence and ADF members change, updates can enable DHA to deliver appropriate housing services with appropriate risk and reward allocation. The revised agreement will also support the Australian Defence Force Employment Offering Modernisation Project and increase DHA's ability to provide a diverse housing portfolio.

Further streamlining the services to create more choice of housing solutions, simplifying the fees and charges, and improving managing of, and reporting against, the agreed requirements is dependent on the outcomes from the:

- › ADF Employment Offer Modernisation Program (undertaken by Defence)
- › functional cost model associated with DHA's services (see Strategic Priority 3 – Financial)
- › implementation of DHA's Technology Refresh program (see Strategic Priority 4 – Capability).

As such, DHA and Defence have agreed to undertake the 'modernisation' stream through continuous improvement to capture the outcomes of these activities.

After the revised agreement is executed, DHA will continue to review and redefine processes and systems, in collaboration with Defence, to align to the new requirements. This project will also deliver greater efficiency and improve consistency across service channels. The revised agreement also includes an outcome statement, updated objectives, key performance indicators and aligned performance measures. These updates to the agreement will address recommendation no. 2 from the ANAO performance audit report on the Management of Defence Housing Australia that DHA and Defence agree key performance indicators that relate to and support the measurement of performance against all the objectives of the service agreements. The revised agreement also includes the removal of the Contract Price Rebate DHA pays to Defence from 1 July 2021. These funds will be invested into improving services for ADF members through enhancements to technology and systems.

Strategic Priority 2 – Portfolio

Deliver flexible housing solutions.

Our properties are located in capital cities, major regional centres and in remote parts of Australia. Our portfolio includes more than 1,256 houses located on Defence bases and establishments. We acquire properties through leasing activities, construction and purchase programs, and allocate these in accordance with Defence policy. The majority of the properties we manage are privately owned and leased to DHA.

Of the service residences in our portfolio, 3,226 are owned by DHA as a mix of investment and inventory stock, 1,095 are owned by the Department of Defence, not including annuity properties. The remaining properties have been leased to DHA.

The majority of our portfolio comprises

detached three and four bedroom service residences. These properties are suited to the needs of ADF members with dependants and meet the compliance conditions as set out in the Defence Services Agreement and the Defence Pay and Conditions Manual. We also offer Rent Band Choice properties which provide members with a greater choice in property types, location and amenity. These properties do not meet Defence's housing policy requirements for a service residence, and ADF members are not obliged to accept them as a housing solution within their entitlements. However, there is increased appetite for DHA to supply Members Choice properties in locations where members have indicated a desire to live, particularly in

property markets where there is an increase in medium to high density housing, often close to central business districts or in sought after locations. We also offer Members Choice Accommodation designed for ADF members without dependants, as an alternative to finding housing through the private rental market.

To meet the changing needs of our customers, we continue to build and maintain a portfolio that delivers flexible housing solutions. DHA has set four strategic goals that summarise what success looks like for this strategic priority.

Strategic goals and objectives

- › We have a sustainable business model which is responsive to property market changes.
- › Our high quality portfolio is fit-for-purpose.
- › Our housing portfolio supports Defence capability.
- › We leverage industry and develop strategic partnerships to provide suitable housing solutions.

DHA has also set the following objectives to guide our activities for the next four years:

- › Centrally coordinate portfolio management.
- › Implement flexible provisioning in response to customer needs and market conditions (by region).
- › Work collaboratively with Defence to increase choice of housing available to ADF members.
- › Pilot new strategic partnerships.

To achieve these strategic goals and objectives, DHA will focus on:

- › undertaking quarterly reviews to adjust provisioning programs in order to optimise our portfolio and continue to meet Defence housing needs
- › collaborate with Defence on housing policy and products
- › review and update policies and procedures
- › investigate strategic partnerships to meet provisioning needs.

Key activities

Provisioning housing

DHA provisions housing for ADF members and their families based on the five year forecast of housing requirements provided in the Defence Housing Forecast (DHF). The DHF is updated annually to adjust and confirm requirements for the current year and provide a forecast of housing needs for the following four years. DHA has in place extensive provisioning processes and activities, which occur year round and facilitate a whole of business approach (Figure 13).

This planning process results in an Approved Provisioning Schedule (APS) which sets the closing balance targets for the number of service residences and other housing options required for the next three years (Table 1 below).

Figure 13:

Annual provisioning planning cycle

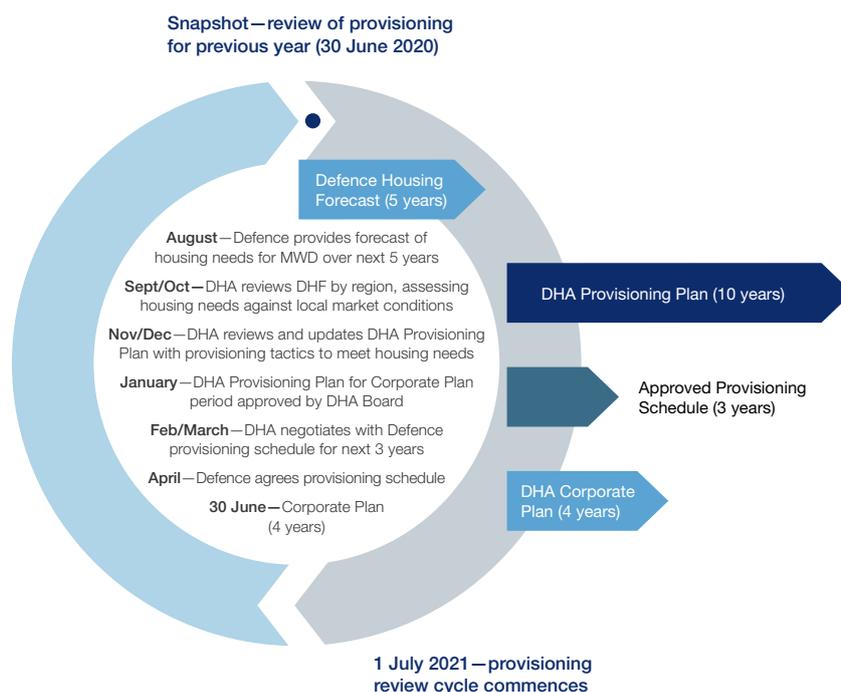


Table 1: Defence Housing Forecast and Approved Provisioning Schedule of housing for ADF Members with Dependants (June 2021)¹²

| Financial Year | Defence Housing Forecast | De facto rent allowance* | DHA Target Demand** | DHA Provisioning Target*** | Opening balance | Total additions | Total subtractions | Closing balance |
|----------------|--------------------------|--------------------------|---------------------|----------------------------|-----------------|-----------------|--------------------|-----------------|
| 2021–22 | 19,861 | 2,286 | 17,575 | 15,818 | 16,156 | 1,978 | 2,218 | 15,916 |
| 2022–23 | 20,041 | 2,286 | 17,755 | 15,980 | 15,916 | 2,233 | 2,204 | 15,945 |
| 2023–24 | 20,143 | 2,286 | 17,857 | 16,071 | 15,945 | 2,534 | 2,471 | 16,008 |

* Members with Dependants rent allowance (MWD RA) recipients approved on basis of Defence policy that recognises the ADF member as a Member with Dependants under Interdependent Partnership (IDP or 'de facto') policy.

** DHF less rent allowance approved on basis of Interdependent Partnership policy (these members are not included in DHA Target Demand for service residences on the assumption they remain housed in rent allowance).

*** Provisioning target agreed between DHA and Defence through the Approved Provisioning Schedule. Generally calculated as 90 per cent of DHA Target Demand for each rent band in each region unless regional requirements determine a different target. This acknowledges that not all MWD will be housed in a service residence and may instead be approved for rent allowance.

¹² DHA needs to be flexible in provisioning housing for ADF members in response to the operating context, environmental factors and changes in Defence requirements.

Portfolio summary

DHA strategically manages the housing portfolio to:

- › deliver services in accordance with the DHA Act and the service standards set out in the Defence agreements, and
- › manage DHA's exposure to property markets by leasing, buying and building what we need to meet operational requirements and disposing of property that is excess to these requirements.

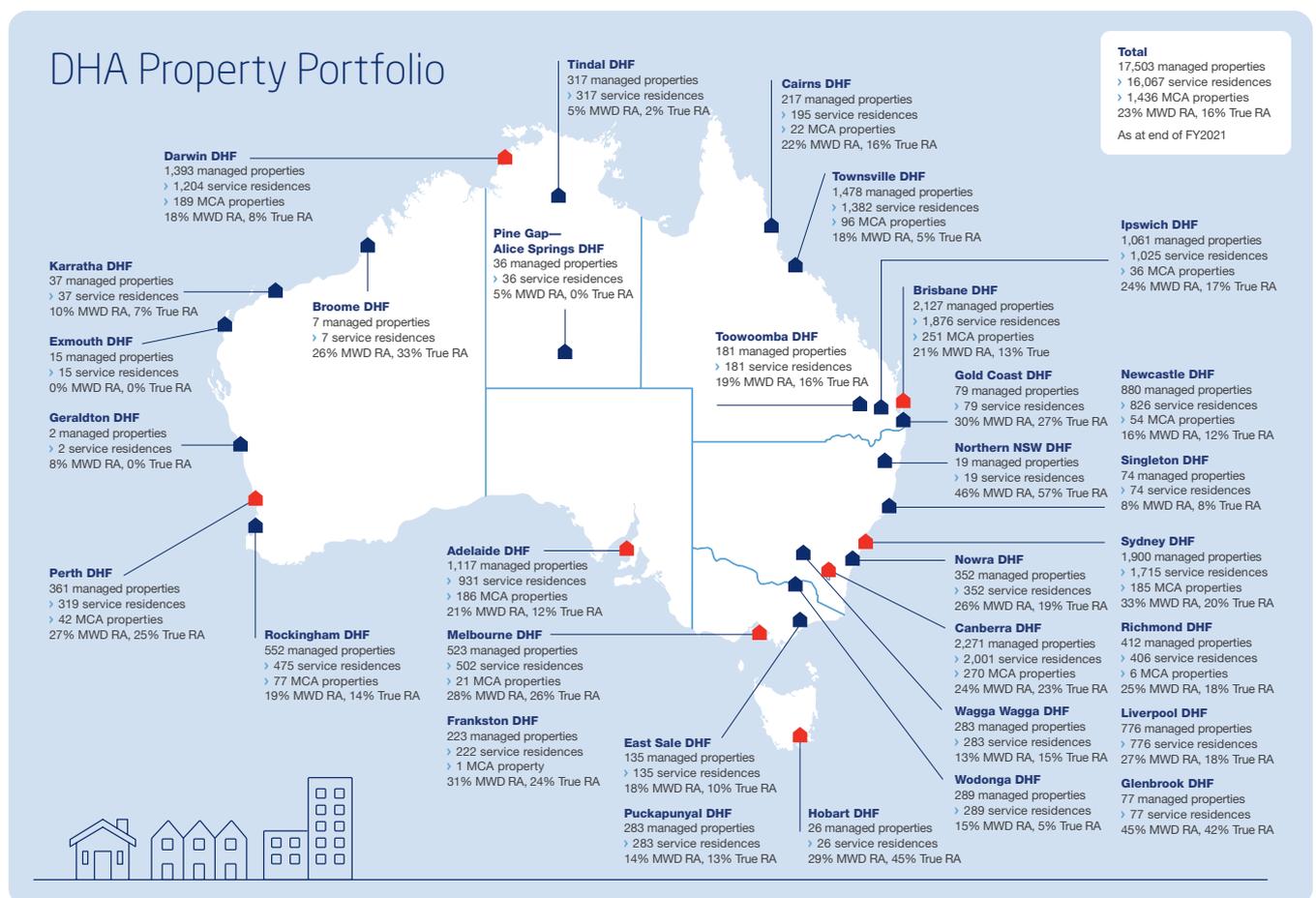
The following principles guide how we centrally manage the housing portfolio:

- › complete all property transactions for the sole or predominant purpose of meeting the housing needs of Defence in accordance with the Defence Services Agreements and APS
- › maintain a property portfolio that meets the needs of Defence as defined by the policies under which we operate
- › manage exposure to property markets

- › operate within a sustainable business model which is responsive to market changes
- › take an efficient, whole-of-life approach to delivering housing products and services
- › continuously improve through capability uplift, innovation, streamlining and simplifying processes, leveraging technology where appropriate.

A summary of the housing portfolio is provided in Figure 14.

Figure 14:
Snapshot of DHA property portfolio as at 30 June 2021



Regular review of portfolio provisioning plans

To deliver on the above portfolio intent and principles DHA has established regular meetings with the Department of Defence. These meetings facilitate collaboration and broader discussion to inform our portfolio planning and review process. They support our supply of best fit provisioning methods with region specific consideration, taking into account utilisation and vacancy, enabling the delivery of flexible customer centric responses and sustainable levels of housing. Further work will also be undertaken to develop and implement financial feasibility models and tools to support provisioning decision making.

Managing heritage properties

DHA is committed to care for any heritage values of DHA property, so as to identify, protect, conserve, present and transfer to all generations any Commonwealth Heritage values of the place, consistent with:

- › DHA's operational obligations arising from legislation
- › good practice in conservation and property management.

On behalf of the Department of Defence, we currently manage and maintain 72 properties with Commonwealth Heritage Listing status in the following locations:

- › The Royal Military College – Duntroon
- › HMAS Creswell – Jervis Bay
- › HMAS Watson – Sydney
- › HMAS Cerberus – Mornington Peninsula
- › Anglesea Barracks – Hobart
- › Victoria Barracks Sydney – Paddington
- › Spectacle Island – Drummoyne
- › RAAF Base Glenbrook
- › RAAF Base Richmond
- › Garden Island Precinct – Sydney
- › Gun House – Fremantle.

DHA own, manage and maintain 13 properties with Commonwealth Heritage Listing status in the following locations:

- › Belconnen Naval Transmitting Station – Lawson
- › Fort Wallace – Stockton
- › Gunners Cottages – Fremantle.

Collaborate with Defence on housing policy and product

DHA will continue to support the work being done through the Australian Defence Force Employment Offering Modernisation Project, providing options for adequate and suitable housing solutions in line with our purpose while also considering community standards and economic and market conditions. Changes to Defence housing policies through this project may provide opportunities for DHA to deliver more flexible housing products increasing choice for ADF members and their families.

Strategic Priority 3 – Financial

Manage assets to deliver shareholder value.

DHA delivers value to shareholders through the provision of housing services for ADF members and investment in related housing activities.

As at 30 June 2021, DHA's net assets were valued at \$1.494 billion. DHA's capital is comprised of \$404 million equity contributed by its Government Shareholders, internally generated equity from profits of \$1.090 billion. DHA has a \$509.58 million Commonwealth loan facility. DHA's loan balance at 30 June 2021 was to \$185.0 million.

In order to support a housing portfolio valued (at market) at \$10.95 billion, DHA sources a large proportion of its housing portfolio from private homeowners, reducing our capital requirement for investment.

Our operations are principally funded through rents, fees and charges for our services from Defence, and other revenue related to maintaining our housing portfolio, including:

- ▶ repatriating invested capital by selling and leasing back properties through our Property Investment Program
- ▶ the disposal of excess land and finished product from our developments
- ▶ the disposal of properties that no longer meet minimum Defence standards or requirements.

Under its revised business model, DHA has focused on leasing as a key provisioning strategy. This change from a heavy reliance on acquisitions, developments and then selling stock through the Property Investment Program has helped DHA to reduce the need for large amounts of capital.

Our environment is complex and disrupted. Property markets are volatile, the expectations of ADF members and their families, as well as our staff, have changed, and we are in the midst of a global health crisis which will have unknown economic consequences. The context in which we operate will continue to evolve and we are focussed on continuing to move toward more contemporary, efficient, proactive and sustainable ways to deliver housing services.

To respond to these factors and ensure we can achieve and sustain a business model which delivers the housing required to support Defence needs, DHA has set three strategic goals that summarise what success looks like for this strategic priority.

Strategic goals and objectives

- › We are financially sustainable and operationally effective.
- › We manage our capital to support our strategic and operational needs.
- › Revenue is aligned to products and services delivered.

DHA has also set the following objectives to guide our activities for the next four years:

- › Support sound decision making to enable DHA to be responsive to changes within our operating context.
- › Agreements with shareholders reflect appropriate risk and reward profile.
- › Invest in operations to future proof our organisation.

To achieve these strategic goals and objectives, DHA will focus on:

- › improving efficiency of processes across the business
- › revising operations and controls to minimise vacancy risk
- › negotiating a revised dividend policy
- › improvements to timing and delivery of data for ease of use and greater utilisation in decision making
- › continuous improvements to ongoing performance reporting internally and externally.

Key activities

Sustaining financial capability

The mid-long term objective associated with sustaining financial capability is to, at least, maintain the capital strength of DHA's balance sheet.

DHA delivers value to shareholders through the provision of housing services for ADF members and investment in related housing activities. This Corporate Plan builds on the previous plan by addressing the underlying operational and financial challenges for DHA's long term financial sustainability, including capital outflows and approach to the payment of dividends.

DHA's revised business model includes reform of practice and procedure to right-size the business that has delivered significant financial benefits to date. The financial objectives of this Corporate Statement of Intent build on ongoing reform measures to include a strong focus on the management of DHA's capital – and the sources of profitability within DHA's business from which it is derived – to sustain its capital strength.

As a capital intensive business, maintenance of capital strength is critical for DHA to support its business and ensure:

- ▶ we have the financial capacity to deliver the housing required by Defence over time
- ▶ provisioning capability and mitigate the risks associated with extensive reliance on leasing
- ▶ responsiveness to changes in housing needs
- ▶ opportunities relevant to housing and housing related services can be pursued
 - trial of alternative housing design styles
 - development or joint venture opportunities
 - investment in technology or other operational enhancements
- ▶ coverage of operational financial fluctuations and, in the short term, to fund reform implementation.

Reducing capital needs through direct market leasing

DHA has implemented measures that seek to extend the application of its existing housing portfolio and seeks to leverage the leased property market for continuing provisioning purposes, lessening owned and leased portfolio churn. As a result DHA no longer requires more than 900 property investments over the 2021–22 to 2024–25 years, reducing the need to generate approximately \$500 million in capital from asset sales and avoiding the associated operational costs and capital loss occurring through transaction fees, tax and dividends.

Efficiency in asset holdings

In 2020–21 DHA implemented measures focussed on the better and more efficient use of its assets. DHA's program of rationalising unproductive, unsuitable or not needed for provisioning assets will continue. With most major value assets now disposed, further efficiency gains will be the principal benefit arising from the disposal program.

The efficiency benefits will contribute to the right-sizing of DHA's housing portfolio and other reform measures such as vacancy costs reductions.

Strengthen the treasury, cash and capital management regime

DHA's ability to closely influence its treasury and cash management was enhanced on the review and implementation of revised Commonwealth Loan Facility arrangements. In 2020–21 the DHA Board approved a revised Treasury Management Policy which is now being applied. DHA has reduced its debt by approximately \$325 million in 2021–22.

Over the coming year, DHA will link its treasury management actions with its activities to manage its capital going forward, ensuring that the capital position, needs, sources and distributions of capital are considered holistically. Cash balances in excess of target and capital needs will be directed to further reduce debt.

Improving efficiency

We will deliver efficiencies across the business, with the initial focus on establishing improved operations associated with implementation of systems that will support financial forecasting, budgeting and reporting. This work has strong linkages with the Technology Refresh program as achieving anticipated benefits in this space is dependent on technology solutions being implemented.

Technology solutions will create efficiencies by automating a number of manual operations, creating more flexibility in the way we work and ensuring compliance. Specific improvements being implemented include:

- › development of a multi-purpose asset register to support tax and accounting
- › building an integrated cash flow forecasting tool
- › establish long term (fit-for-purpose and cost effective) comprehensive banking contract inclusive of all services and facilities required
- › improvements to our travel systems
- › a procure to pay systems solution.

Reviewing operations and controls

We will review our operations and controls on an ongoing basis in order to future proof DHA. Our initial focus will be to review our operations across Service Delivery, with a key priority to minimise vacancy risk associated with Members with Dependents living on rent allowance. This will present us with an opportunity to work closely with Defence to obtain alignment for current and future needs.

We will review business rules and processes relating to our landlord billing and charges. This will involve establishing clear and consistent operations around the end of lease relocation billing agreement process, and other charges associated with quoting, invoicing, debt, recovery, statements and bill paying services.

Capital management

DHA has pursued property sales for a number of reasons, including capital repatriation, profit, funding of service operations, capital investment and portfolio renewal purposes. Typically, properties are sold via sale and leaseback, maintaining provisioning requirements for six to twelve years, while capital is applied to either service operations or capital based activities that deliver housing back to the DHA owned property portfolio.

DHA's tax and dividend obligations divert much of the profit from these sales away from DHA. Together with capital used to support operations, the residual capital generated from the sale of one property is insufficient to fund investment in a replacement property. This circumstance has led to a decline in DHA's owned portfolio over time. The extent of loss is relative to the extent of profit. DHA has sought to maximise property sales profits, which has quickened the loss of capital.

Additionally, forecast surplus cash flows from development activity – cash generated in excess of reinvestment requirements – are expected to reduce to, on average, close to zero after the 2022–23 financial year. The recent and anticipated cash flows to support the service operations shortfall will soon not be available as all funds will be reinvested in the development program to augment the supply of housing.

To address these issues the following measures have been undertaken or are underway:

- › focusing on lean delivery of a simplified and better coordinated business
- › simplifying the Defence Services Agreement including the successful removal of the Defence Rebate paid to Defence and in principle agreement on vacancy risk sharing and project management compensation
- › housing costs (repairs and maintenance) measures: ensuring DHA and landlords responsibilities are identified and adhered to with more stringent criteria around discretionary maintenance expenditure.
- › operating costs efficiencies such as travel and business projects
- › new Enterprise Bargaining Agreement which delivers savings from year four
- › reducing debt to minimise interest costs on under utilised debt facilities
- › investment in digitalisation and self-service capability which opens significant opportunity for movement to a lower cost base and greater consistency in services delivered.

Strategic Priority 4 – Capability

Operate within clear frameworks with a responsive and capable workforce.

DHA's organisational capability is the combination of our people, culture, governance principles, processes, technology, systems and knowledge. One of DHA's key strengths is the engagement and commitment of our staff. Our services are highly valued by ADF members and their families, and we are proud of the support we provide to them.

However, customer needs are evolving and new technologies are emerging every day. During 2020–21 we illustrated our capacity to adapt as we implemented the revised business model in the face of challenges such as the COVID-19 global pandemic.

Moving forward we will support our people to thrive in an environment of ongoing change. We recognise the importance of maintaining staff engagement to sustain the momentum of change being undertaken across DHA.

We will continue to focus on creating efficiencies through smarter use of technology that will contemporise our service delivery and address risks through improved governance and processes. We will also continue to right-size the organisation while addressing any capability gaps and aligning our workforce profile to our operational needs.

To ensure DHA continues to be agile and able to respond to changing priorities, we will build and maintain a capable workforce, supported by systems, processes and governance frameworks to perform at the highest levels. DHA has set four strategic goals that summarise what success looks like for this strategic priority.

Strategic goals and objectives

- › We are customer centric, future focused and agile.
- › Our people are engaged, capable and fully aligned to strategic direction.
- › Our fit-for-purpose systems support our customer service.
- › We operate as a compliant and better practice Commonwealth entity.

DHA has also set the following objectives to guide our activities for the next four years:

- › Refresh our technology landscape.
- › Achieve right resourcing to deliver the revised business model.
- › Implement workforce strategies to retain, develop and attract a skilled and capable workforce.
- › Embed governance arrangement and frameworks into our decision making.
- › Drive regulatory and legislative compliance.

To achieve these strategic goals and objectives, DHA will focus on:

- › refreshing our technology through a roadmap of contemporary communications that are industry standard
- › improving staff engagement and building capability
- › amendments to the DHA Act
- › improving governance maturity and capability.

Key activities

Technology Refresh program

The Technology Refresh program will deliver technological shifts to deliver fast, clear and simple services through scalable and efficient technologies. We will implement contemporary communications and technology systems that are industry standard, helping us to do our jobs better and expanding the options for ADF members and their families to engage with us. The program is being delivered in tranches across six work streams.

Business application enhancements

We will deliver new technologies that will improve outcomes for ADF members through improved self-service. Tranche one was delivered in 2020–21 which included improvements to processes associated with maintenance, rent allowance, leasing, valuations and contact centre operations. Tranche two will be delivered by December 2022 and will be focused on embedding improvements delivered to date and service enhancements to our bespoke applications.

Website, intranet, Microsoft Office 365 and records management

The Microsoft Office 365 project is underway and will be delivered within the next 12 months. It will provide an updated suite of Microsoft Office applications and a cloud based Software-as-a-Service public website, which will support improvements in efficiency and support the secure automation of business processes.

The public website will also be reimagined to improve the user experience for all of DHA's stakeholders. The public website project is heavily reliant on technologies being delivered by the corporate solution.

Corporate solution

The implementation of a new corporate solution will automate significant manual processing that is preventing DHA from providing fast, clear and simple services in a financially sustainable manner. Legacy systems will be replaced with fit-for-purpose systems, including customer relationship management, knowledge management and contact centre telephony. The corporate solution will be implemented over the next four years and will deliver:

- ▶ a seamless experience for DHA staff through a solution that creates a simple and standardised process that provides consistent information allowing them to focus on delivering improved outcomes for ADF members

- ▶ operational efficiencies by providing a multi-channel experience for ADF members and their families by reducing time DHA spend on repetitive and manual tasks
- ▶ a simpler process for ADF members and investors to receive services and information they need so they can focus on what is important.

Data program

The data program will deliver on our vision to leverage data as a strategic asset to support, enhance and transform the provision of housing and related services. Tranche one was delivered in 2020–21 with tranches two and three delivered over the next 18 months.

We will focus on upskilling our workforce in data analysis and mature data literacy, establishing an organisation wide understanding of data value and improving self-service access to data to enable business decisions to be made based on evidence and data insights.

The data program will also deliver a robust data governance framework that leverages ongoing collaboration and adoption of data technologies that enable reuse, automation, analysis and insights.

Infrastructure, security and cloud

We will continue to enhance our cyber security capability, implementing future focused infrastructure to enable our cloud transition. Tranche one has been delivered and was the first phase of our security uplift, (Essential Eight) and preparation activities for the Head Office move to Gungahlin. Tranche two will be delivered in the next six months.

Valuable data and information will be protected through ongoing investment in cyber security. The development of a holistic cyber security strategy combining controls such as multi-factor authentication with staff awareness training and well defined response playbooks will augment the implementation of the existing cyber security roadmap. We will continue to implement plans to support our move to the cloud. This will enable us to leverage cloud technology for contact centre, customer and relationship management system, financial information management system, service desk management, public website and Microsoft Office 365 productivity suite.

Finance systems and processes

The finance systems program will deliver a series of finance system enhancements and technology improvements that will improve efficiency through automation and improve data quality and reporting capabilities through enhanced modelling functionality.

The first tranche of this work was delivered in 2020–21 and included a finance system audit and refresh. The second tranche will be delivered over the next 12 months and will include moving landlord statements online, establishing proof of concept for purchase order to pay, improved travel and expense management and implementing BPAY for accounts receivable.

Staff engagement and change management

We are focused on ensuring our staff feel supported and inspired to do their best work every day. The 2020 Australian Public Service employee census showed that staff are clear about what is expected of them as part of their duties and responsibilities and find our workplace culture inclusive. The survey also identified a need to focus on improving consultation and communication of change across the business. This is of increasing importance as we embed our revised business operating model.

Focused on facilitating greater cross-communication between areas and improving understanding of the different functions of the business, we will implement regular, DHA wide, communication using a range of channels, increasing visibility of senior executive staff and prioritising refreshing our intranet to be the single source of truth across DHA.

Improving change management across the business will focus on ensuring the reasons for change are clear and ensuring change is implemented methodically. We will look for opportunities for staff to be more involved in change processes, facilitating early, transparent consultation across the business. Leaders across the business will be more visible in leading and driving change, focusing on meaningful conversations on the driving factors behind change.

We will continue to support staff engagement with a focus on staff wellbeing. We will support greater rapport between teams across the business and supporting reward and recognition through a revised framework. We will update our work from home policy and processes to support flexible working arrangements and provide the use of employee wellbeing support activities. The newly established People and Culture Committee will provide more oversight and guidance on people matters in this space.

Building staff capability

We are focused on building our staff capability now and into the future, undertaking effective workforce planning that aligns staff capability and resourced implement the revised business operating model and sustain our business in the long term. We will continue to implement our Operational Workforce Plan 2020–21. The workforce plan identifies core skills and organisational capability gaps, and workforce risks that need to be addressed to deliver our objectives.

We will continue to implement the DHA Strategic Recruitment Plan (2020–21). This will assist us to attract and retain the right people for the right jobs. It will include overhauling our on boarding and training programs to build capability and employee effectiveness as quickly as possible. Our initial focus is on critical ADF member facing roles.

We are implementing the DHA Learning and Development Strategy (2020–21) to address skill requirements and capability gaps. The strategy outlines the action required to address organisational capability gaps and build the core skills and critical capabilities identified in the workforce plan that are required to deliver our objectives. To begin we are investing in our leadership group capabilities through our Leadership Development Program. The program will build our capability and contribute to building a workplace culture where our people are engaged and have the capability to deliver our strategic objectives. The program commenced in March 2021 and will be progressively rolled out to leaders across DHA. The first cohort includes all of DHA's Senior Executive Staff.

Amendments to the *Defence Housing Australia Act 1987* (DHA Act)

DHA is working closely with Defence to:

- a. address ANAO audit recommendation 1 – that DHA and Defence align Defence requirements for housing philanthropic organisations assisting the Australian Defence Force and foreign exchange and visiting military personnel, with the DHA Act
- b. agree and prepare strategies to actively progress amendments to the DHA Act that may:
 - i. enhance mobility of ADF Personnel by allowing them to relocate between states and territories on short notice and to experience uniform property care arrangements
 - ii. ensure national consistency, ease of administration and operational efficiencies in relation to DHA landlord leases including uniform property care arrangements and appropriate dispute resolution processes, that will apply notwithstanding state and territory lease legislation
 - iii. improve governance arrangements for the DHA Board.

Improving governance maturity and capability

We are focused on driving a compliant and positive culture, particularly in the areas of risk, quality, privacy, freedom of information, workplace health and safety and security. Priorities will include:

- › increasing our maturity in relation to risk and building a positive risk culture. We will be building capability and accountability across all levels of the business, with a particular focus on upskilling members of our Board Audit and Risk Committee.

- › increasing business continuity and disaster recovery maturity through better practice methodologies and organisational uplift. Through development of a fit-for-purpose framework, conducting regular workshops to test and continuously improve our preparedness and resilience, and implementing internal audit findings and lessons learned.

- › development and implementation of a fit-for-purpose records and information governance framework.

We will maintain fit-for-purpose frameworks, policies and initiatives that support compliance, by investigating and addressing areas of non-compliance through our internal audit programs, maintaining certifications with international standards and implementing better practice methodologies.

Activity timeframes

| Activities | 2021–22 | 2022–23 | 2023–24 | 2024–25 |
|---|---------|---------|---------|---------|
| ICT Refresh – Transition to digital workplace | | | | |
| ICT Refresh – Transition to cloud based website and refresh intranet | | | | |
| ICT Refresh – Upgrade JIRA and transition to cloud based IT services | | | | |
| ICT Refresh – Implement tranche 2 of Essential Eight program | | | | |
| ICT Refresh – Enhance TechnologyOne functionality | | | | |
| ICT Refresh – Deliver corporate solution for contact centres, knowledge management and portfolio management | | | | |
| Implement recruitment strategy and develop a succession planning framework | | | | |
| On boarding and training programs for critical roles in Service Delivery | | | | |
| Amendments to the DHA Act | | | | |
| Develop and implement fit-for-purpose records and information governance framework | | | | |





PART 5

Measuring performance

Measuring performance

DHA aligns performance measures with the strategic canvas and service agreements with Defence to ensure clarity and consistency in service delivery and to drive continuous improvement.

The performance measures in this Corporate Plan are derived from the 2020–21 Portfolio Budget Statements for the Defence Portfolio and the Department of Finance *Resource Management Guide – 126: Commonwealth Government Business Enterprise – Governance and Oversight Guidelines*. Targets align with standards set in the service agreement between Defence and DHA and Australian Public Service benchmarks where applicable.

DHA measures performance using various methods including analysis of internal data as well as internal and external surveys. Progress on key initiatives and activities set out in this document will be shared with shareholders through quarterly reporting and meetings, in-line with GBE reporting requirements. DHA also publishes an Annual Report in-line with the requirements of the PGPA Act.

Table 2: Key performance indicators and performance targets

| Strategic priority | Performance indicator | Actual ¹³ | Performance target | | | |
|--------------------|--|----------------------|--------------------|---------|---------|---------|
| | | 2020–21 | 2021–22 | 2022–23 | 2023–24 | 2024–25 |
| Customer | Customer satisfaction | 87% | >80% | >80% | >80% | >80% |
| Portfolio | Houses supplied against provisioning schedule | 97.8% | >99% | >99% | >99% | >99% |
| Capability | Staff retention and turnover rate | 21.5% | 25% | 25% | 20% | 15% |
| | Staff engagement | 69% | 70% | 70% | 70% | 70% |
| | Total recordable injury frequency rate (TRIFR) and OHS incident rate | 5.89 | <7 | <7 | <7 | <7 |

¹³ Pre-audit financial results for 2020–21.







PART 6

Appendices

Appendix A – Board and decision making committees

Appendix B – List of requirements

Appendix C – Acronyms and abbreviations

Appendix A – Board and decision making committees

Figure 15:

DHA Board and executive decision making bodies (as at 30 June 2021)



Board committees as at 30 June 2021

| Committee | Role |
|--|---|
| Board Audit and Risk Committee (BARC) | Assist the Board discharge its responsibilities by providing oversight ensuring appropriateness and review of financial reporting, performance reporting, system of risk oversight and management, and system of internal control |
| Board Investment Committee (BIC) | Provide advice and assurance and, where appropriate, make recommendations to the Board on investment related proposals, transactions, projects and related issues to ensure decisions take account of DHA's legislative obligations, contractual obligations with Defence, and DHA's commercial interests |
| Nomination and Remuneration Committee (N&RC) | Assist the Board to review the Managing Director's remuneration and performance, considering key appointments, and informing Shareholder Ministers of impending reappointments or vacancies on the Board, including recommending possible candidates where appropriate |
| People and Culture Committee | Assist the Board by providing oversight of DHA's people and culture arrangements and initiatives |
| DHA Advisory Committee | Provide general advice and information on the performance of DHA's role |

Appendix B – List of requirements

This Corporate Plan has been prepared in accordance with the requirements of:

- › subsection 35(1) of the PGPA Act; and
- › the PGPA Rule 2014.

The table details the requirements met by DHA's Corporate Plan 2021–22 to 2024–25 and the page reference(s) for each requirement.

| Requirement | Page(s) |
|---|-------------------------|
| Introduction | |
| › statement of preparation | 3 |
| › the reporting period for which the plan is prepared | 3 |
| › the reporting periods covered by the plan | 3 |
| Purposes | 14 |
| Key activities | 42, 46, 52 and 58 |
| Operating context | |
| › Environment | 18 |
| › Capability | 26 |
| › Risk oversight and management | 32 |
| › Cooperation | 24 |
| › Subsidiaries | na |
| Performance | 64 |

Appendix C – Acronyms and abbreviations

| | |
|----------------|--|
| ADF | Australian Defence Force |
| ANAO | Australian National Audit Office |
| APS | Approved Provisioning Schedule |
| APS | Australian Public Service |
| BARC | Board Audit and Risk Committee |
| BIC | Board Investment Committee |
| CBD | Central Business District |
| DHA | Defence Housing Australia |
| DHA Act | Defence Housing Australia Act 1987 |
| DHF | Defence Housing Forecast |
| Disposal | The sale of property |
| DSA | Defence Services Agreement |
| GBE | Government Business Enterprise |
| Leased/leasing | Leasing activity comprises direct leasing, renewals, lease options, variations and extensions |
| LIA | Living in Accommodation |
| Inventory | A property that has been identified as having a strategic intention to be disposed |
| Investment | A property that is held as a strategic asset for the primary purpose of long term provisioning |
| KPI | Key performance indicator |
| MCA | Member Choice Accommodation |
| MWD | Member with Dependants |
| MWD(U) | Member with Dependants (unaccompanied) |
| MWOD | Member without Dependants |
| N&RC | Nomination and Remuneration Committee |
| PACMAN | ADF Pay and Condition Manual |

| | |
|-------------------|---|
| PGPA Act | <i>Public Governance, Performance and Accountability Act 2013</i> |
| POTD | Provisioning over target demand |
| PIP | Property Investment Program |
| RA | Rent allowance - an amount paid by Defence to a member to secure a private rental where DHA is unable to provide a suitable service residence and they do not own an own home |
| RBCH | Rent Band Choice Housing |
| Service residence | Service residence – a Property provisioned for entitled ADF Members which is compliant with Defence Minimum Housing Standards and required capital inclusions |
| TFIFR | Total recordable injury frequency rate |

