

# Statement of Corporate Intent 2014–15

# About DHA

The main function of DHA is to provide housing and related services to members of the Australian Defence Force (ADF) and their families in response to Defence requirements. In fulfilling its role, DHA contributes to Defence retention, recruitment and operational goals.

DHA is a Government Business Enterprise (GBE) which has been operating under the provisions of the *Commonwealth Authorities and Companies Act 1997* up to 30 June 2014. As from 1 July 2014, DHA will be operating under the *Public Governance, Performance Accountability (PGPA) Act*. It is required to maintain a strong balance sheet and to meet shareholder return obligations including the payment of dividends (\$51m for 2012–13) to Government.

DHA is within the Defence portfolio. It reports to the Minister for Defence and the Minister for Finance as joint Shareholder Ministers.

Through a national network of 19 offices, DHA manages a portfolio of 18,557 properties in all states and territories of Australia, worth approximately \$10 billion. The properties are primarily to accommodate Defence families, but also include off-base accommodation for Defence members in Darwin, Brisbane, Canberra, Sydney and Rockingham. DHA also provides properties for the Australian Maritime Safety Authority (AMSA).

Ownership category	As at 30 June 2014
DHA leased properties	12,600
DHA owned properties	3,707
Defence owned properties	1,816
Defence apartments	425
AMSA	9
<b>Total DHA Portfolio</b>	<b>18,557</b>

## DHA’s Property Portfolio

DHA is a major contractor for the development of housing for Defence members. It is active in Australian residential housing markets, constructing, purchasing and leasing houses for Defence personnel. It acquires land and manages the development and construction of housing to build enduring and sustainable communities of Defence members and private owners and tenants.

DHA has established a subsidiary, DHA Investment Management Limited (DHA IML), to be the Responsible Entity for an unlisted property trust approved by Government. This Statement of Corporate Intent covers the activities of DHA and DHA IML. It is based on a continuation of DHA’s activities and responsibilities as set down in the *Defence Housing Australia Act 1987*.

## Values

**Respect   Innovation   Enthusiasm**  
**Integrity   Excellence   Teamwork**

These values underpin DHA's business and the daily behaviour of managers and staff. They are applied in DHA's recruitment processes and DHA leaders are expected to encourage them in the workplace. They drive the pursuit of business improvement.

## Purpose

To provide housing and accommodation services to Defence and fulfil all the obligations of the Defence Housing Australia Act 1987.

## Vision and Mission

DHA will strive for excellence in the provision of its housing and related services to members of the ADF and their families by supplying quality, integrated community housing; by achieving an exceptional degree of client and customer satisfaction; by providing quality, environmentally sound and economic housing that fits community needs; and by achieving financial results that meet or exceed shareholder and investor expectations.

## Business strategies

In the pursuit of our vision and mission, we will:

1. be the supplier of choice for housing and related services for Defence members and Defence families.
2. provide housing and related services to other federal government departments and non-corporate Commonwealth entities as required.
3. cooperate with state and territory governments in the establishment of mutually beneficial arrangements including, for DHA, suitable land for Defence housing.
4. expand DHA's investment offering and seek other funding options.
5. meet financial return targets and grow shareholder value.
6. support the operational needs of Defence through the provision of high quality tenancy, maintenance and housing allocation services to Defence members and their families.
7. pursue innovation, diversity and sustainability.
8. provide a workplace culture that places a premium on good governance, customer and client satisfaction, stakeholder engagement, internal collaboration and teamwork.
9. deliver working environment and employment conditions that contribute to flexibility and motivation and are positive factors in the recruitment and retention of staff.

## Major achievements in 2013–14

Major achievements for DHA in the 2013–14 financial year were:

1. provided a total portfolio of 17,521 dwellings for Defence families which met the key performance measure for housing provisioning.
2. provided apartments for 425 Defence members.
3. received a contract extension from Defence for the Member Choice Accommodation (MCA) Agreement for the period December 2017 to December 2022.
4. broadened DHA's business with the expansion of MCA, a new contract to provide booking and allocation for Defence Living-In-Accommodation (LIA) and the extension of the Services Agreement until 2023.
5. launched a new website providing significant improvements to Online Services and expanded our internal methods of communication.
6. achieved an overall score of 7.72 (out of 10) in the Customer Service Institute of Australia recertification, an improvement on the previous score and an excellent outcome.
7. implemented mobile computing for DHA's property managers which has improved effectiveness and responsiveness to client needs.
8. achieved or exceeded all Key Performance Indicators (KPIs) including a 92% overall satisfaction with customer service (against a KPI of 90%) in the quarterly housing survey, 95% satisfaction with maintenance services (against a KPI of 95%) and 88% property satisfaction (against a KPI of 80%).
9. managed residential development projects of over \$1b.
10. established our first fund, the DHA Residential Property Fund No.1, which closed at \$47.1 million.
11. received exemption from the Parliamentary Works Committee.
12. purchased land at Lee Point, Northern Territory, from the Department of Defence. It will provide about 400 residential allotments with the construction of dwellings expected from 2017. DHA will retain at least 30% of the allotments.
13. implemented more cost-effective services. The most significant is the consolidation of housing allocation functions within two regional service delivery centres in Adelaide and Townsville, as part of a wider review of our service delivery structure.
14. signed Memoranda of Understanding with the Northern Territory Government and ACT Governments to acquire land for housing for Defence members.
15. exceeded financial targets in the 2013–14 Financial Year.
16. met key financial measures of performance and paid a dividend to Government of \$51.1 million which was \$5.1 million above the forecast.

## Corporate Intent 2014–15

In 2014–15, DHA will continue to meet Defence housing needs for Defence families while expanding its off-base MCA program and maintaining a strong balance sheet. Critical to success will be land development and increased sales of DHA properties, mainly through the property investment program. Subject to certainty about the status of DHA, the 2014–15 outlook for property investment is positive. As the off-base portfolio grows for Defence members, DHA will increase the number of apartments available to investors.

For several years off-base accommodation for Defence members has been an adjunct activity; by 2015–16, DHA is aiming for a portfolio of 1,000 apartments and, by 2017–18, increased to 2,400 apartments. There are more than 10,000 Defence members living off-base. As DHA expands its portfolio, an increasing number of them will benefit from DHA housing as Defence families do. The LIA allocation services for on-base accommodation are progressing. This activity will complement DHA's off-base business for Defence members and increase awareness of DHA across Defence.

After successive years of growth in the Defence housing requirement, the latest forecast from the Department of Defence flattens demand to around 19,074 over the next three years. Even so, the overall size of DHA's portfolio will increase over the next three years as DHA seeks to reduce the number of members housed in the private rental market who receive their housing subsidy as Rent Allowance (RA). The plan envisages a reduction of 226 by 2015–16, bringing the percentage on RA to 16% nationally.

DHA will continue a \$300 million program to upgrade and replace Defence-owned housing on-base and off-base to meet the 2017 deadline for all housing to comply with the Defence minimum standard.

Over the next three years it is estimated that DHA's capital expenditure will exceed \$2 billion. The program will be funded by increased sales to retail and institutional investors including through unlisted property trusts if these are approved by Government. The sale of surplus lots from DHA's major developments will also contribute. DHA will seek to preserve its Standard & Poor's credit rating of AA+.

DHA will deliver a strong financial return to Government with Earnings Before Interest and Tax to Government estimated at \$132 million in 2014–15.

The Government has announced a scoping study into future ownership options for DHA. Through this study and any subsequent decisions, the ownership and/or business model of DHA may change. The DHA Corporate Plan and this Statement have been developed on the basis of current known arrangements for DHA. Because the Corporate Plan is prepared on a rolling three year basis, any such decisions can be reflected in the 2015–16 to 2017–18 plans.

## Selected initiatives for 2014–15

The following major initiatives have been selected for 2014–15:

1. provide a Defence portfolio of 17,631 dwellings for Defence families (including DHA-owned and leased properties and Defence on-base and off-base dwellings) and accommodation for 675 Defence off-base members.
2. construct or acquire 951 new dwellings.
3. continue to achieve and/or exceed KPIs.
4. manage development projects, where appropriate land is available, valued in excess of \$1 billion including at Muirhead (Darwin), Ermington and Lindfield (Sydney), Warner Lakes (Brisbane) and Rasmussen (Townsville).
5. add approximately 240 off-base apartments for Defence members to achieve a total portfolio of 675 in 2014–15 with a view to a portfolio of 1,000 apartments by the end of 2015–16.
6. manage major upgrades of existing housing stock on RAAF Base Tindal in a \$30 million project.
7. provide a \$300 million program of investment in Defence-owned housing stock.
8. continue to negotiate the purchase of surplus Defence land likely to be suitable for housing for Defence members in areas where industry cannot provide retail land.
9. pursue arrangements with state and territory governments for transfer to DHA of well located land suitable for Defence housing.
10. preserve balance sheet strength by meeting key financial targets including Net Profit After Tax of \$83.5 million and Return on Equity of 5.8%.
11. increase property investment revenues to \$412 million.
12. successfully implement the DHA Enhanced Services project which will provide a more efficient and effective service for Defence members.
13. negotiate and implement a new Enterprise Agreement.
14. continue to expand DHA credentials as a best practice environmental developer of housing.
15. implement the *PGPA Act*.
16. contribute to the scoping study into the future ownership options for DHA.

## DHA portfolio—forecast summary of additions and subtractions 2014–15

	Defence housing <sup>1</sup>	Off-base apartments	Other housing <sup>2</sup>	Total DHA portfolio <sup>3</sup>
Opening balance	17,521	427	622	18,570
Acquisitions and constructions	951	216	46	1,213
Leasing additions	1,540	55	-	1,595
Subtractions				
Lease ends	2,134	23	7	2,164
Disposals, Defence hand-backs and other movements (net)	247	-	20	267
<b>Closing balance</b>	<b>17,631</b>	<b>675</b>	<b>641</b>	<b>18,947</b>

Notes:

1. Defence housing includes stock held in satisfaction of DHA obligations under the Services Agreement for Defence families.
2. Other housing includes stock held for AMSA and stock held pending disposals or transfer to the DHA portfolio.
3. The 2014–15 portfolio numbers are based on forecast done at 30 June 2014.

# Governance

The DHA board has nine Directors—a Chairman appointed by the Shareholder Ministers; four directors with expertise in residential property, real estate, building, social planning or finance; three directors nominated respectively by the Chief of the Defence Force, and the Secretaries of the Departments of Defence and Finance; and the Managing Director appointed by the board (the only Executive Director).

DHA prepares a Corporate Plan each year that sets out its strategic direction for the next three years. Once approved, a Statement of Corporate Intent (SCI) is tabled in the Commonwealth Parliament. The SCI sets out, among other things, the Key Performance Indicators against which DHA reports on a quarterly basis to the Shareholder Ministers. DHA also prepares an Annual Report which is tabled in the Commonwealth Parliament.

## Key Performance Indicators 2014–15

	Key performance indicator	2014–15
Housing supply	Houses supplied against provisioning schedule	>99%
	New houses constructed or purchased	951
Customer service	Members satisfied with their service residence	>80%
	Members satisfied with overall customer service	>80%
	Members satisfied with completed maintenance	>80%
	Lessors satisfied with overall customer service	>90%
	Defence community sponsorship	10 Defence-related programs
Staff	Staff retention and turnover rate	>85%
	Total reportable injury frequency rate	15.5%
	Percentage of salaries spent on training staff	>1.5%
	Wages expense ratio	5.5%
Financial performance	Total shareholder return	8.0%
	Dividend payout ratio	60%
	Dividend yield	2.0%
	Return On Equity (ROE)	5.8%
	Net Profit After Tax (NPAT) <sup>1</sup>	\$83.5m
	Return On Capital Employed (ROCE)	7.6%
	Inventory (property investment) turnover	1.7
	Gearing ratio	34.5%
	Interest cover	5.3
	Liquidity ratio	1.3
	Current ratio	2.7