

DEFENCE HOUSING AUTHORITY

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OVERVIEW

MISSION

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

OVERVIEW

As a result of the Defence Housing Authority Act 1987 coming into effect, the Defence Housing Authority was established in 1988. Its function is to provide adequate and suitable housing for members of the ADF and their families to meet the operational needs of the ADF and the requirements of Defence. The Authority is required by legislation to perform its function in accordance with the policies of the Government and in accordance with sound commercial practice. At the time of the Authority's establishment, housing provided to Defence personnel was of poor quality and was significantly affecting morale and retention within the ADF. Defence attitudinal data confirms that satisfaction with housing influences members to stay and, generally, satisfaction with the provision of housing is reported as good. From Defence exit survey data, housing issues do not rate highly as a factor that influenced a member's decision to separate.

The Authority provides a coordinated service for ADF members' housing needs. In addition to portfolio management, the Authority undertakes tenancy and property management and the management of relocation services (other than the physical removal of personal effects) provided to ADF personnel. There are currently around 17,300 ADF families being housed by the Defence Housing Authority or through rental allowance arrangements. The Authority provides homes in all states and territories of Australia for the housing of married ADF personnel. Of these properties, approximately 2,000 are located on Defence bases. The Authority employs around 750 staff located in 15 major regional offices and 16 outpost offices, which are in the vicinity of most major military establishments. This enables individual case management for relocating ADF members and their families. The Authority's central management is also supported by a customer support centre.

The Authority lies within the Defence portfolio, and is responsible to the Hon Fran Bailey MP, Parliamentary Secretary to the Minister for Defence. The Hon Eric Abetz, Special Minister of State, is a joint shareholder minister of the Authority.

The composition of the Board of Directors of the Authority is governed by legislation and comprises five commercial directors, five representatives of the Department of Defence, a spouse of a member of the ADF and the Managing Director of the Authority.

It should be noted that the Authority is not required to complete its corporate plan until 31 May 2004 and that the financial projections included in the estimates have yet to be finalised or endorsed by the Authority's Board.

The Board has finalised its review of cash requirements and cash expectations and the scope for the DHA to make special dividend payments this financial year and over the three year planning period. The Board considers that an interest cover of at least five times is a prudent financial measure to be maintained, given the risks facing the Authority, particularly in softening residential property markets. The Board has revised down its proposed special cash dividends for 2003-04 from \$270m to \$150m. Further, at this time the Board is not forecasting any special dividends over the 2004-07 planning period.

The Authority has made special dividend/capital return payments to the Government of \$957m in the past three years. A further special dividend/capital return payment is planned for 2003-04. The Authority has negotiated a loan facility for \$425m with the Department of Finance and Administration. Over the past two years, \$200m has been drawn down. The debt drawdowns have maturities of three to seven years and are based on interest rates that were prevailing at the time the forward rate agreements were struck. A further \$200m is available to be drawn down from June 2004 and is hedged by \$100m being fixed at the rate prevailing in October 2003.

The Authority plans to acquire or construct 1,189 new properties during 2004-05, principally to replace old stock and properties where the lease is expiring. The estimated cost of this is \$440m. It plans to sell 788 houses, under sale and leaseback arrangements, and dispose of a further 516 houses which are no longer required.

OUTCOME AND OUTPUT INFORMATION

Outcome

To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus.

Output

The provisioning of Defence housing services.

Output Performance Indicators

Quality:	Modern housing.
Quantity:	16,959 houses by 30 June 2005.
Price:	Average rental cost to Defence is estimated to be \$339 per week per house.

Achievement of planned performance will be reported in the annual report of the Defence Housing Authority and monitored through the governance arrangements for Commonwealth Government Business Enterprises.

Appropriation

The Authority is a non-budget funded organisation deriving its operating income from charging the Department of Defence for rent and housing-related services.

Evaluations

Proposed amendments to the Authority's enabling legislation have been provided to the shareholder ministers and the Authority will be seeking support for the proposed changes to be tabled in Parliament.

Competitive Tendering and Contracting

All contracts for the construction and maintenance of houses are arranged on a competitive basis.

Purchaser/Provider Arrangements

A Services Agreement between the Authority and Defence came into effect on 1 July 2000 for a period of ten years. The Agreement is based on commercial principles with pricing and risk sharing arrangements, with risk allocated to the party best able to manage the risks. A relocation services agreement between the Authority and Defence was signed on 20 December 2002. This agreement, which is an eight-year agreement, covers the provision of allocation and relocation services.

BUDGETED FINANCIAL STATEMENTS

The following budgeted financial statements for the Defence Housing Authority are presented in this section.

Budgeted Statement of Financial Performance

This statement provides the expected financial results for the Authority by identifying full accrual expenses and revenues, which highlight whether the Authority is operating at a sustainable level in the short to medium term.

Budgeted Statement of Financial Position

Shows the financial position of the Authority. It enables decision makers to track the management of the Authority's assets and liabilities.

Budgeted Cash Flow Statement

Budgeted cash flows, as reflected in the statement of cash flows, provide information on the extent and nature of cash flows by categorising them into expected cash flows from operating activities, investing activities and financing activities.

Capital Budget Statement

Shows all proposed capital expenditure funded from internal sources.

Non-financial Assets - Summary of Movement

This statement shows only the budget year 2004-05.

Table 1: Statement of Financial Performance

	Projected Result 2003-04 \$'000	Budget Estimate 2004-05 \$'000	Forward Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000
REVENUE					
Revenue from ordinary activities					
Goods and services	347,622	356,185	392,703	414,916	437,433
Interest	2,520	4,880	4,837	6,921	5,842
Net gain from sale of assets	29,480	10,570	15,811	13,000	13,197
Revenues from ordinary activities	379,622	371,635	413,351	434,837	456,472
EXPENSE					
Employees	44,174	42,839	44,125	45,447	46,811
Suppliers	242,054	254,361	286,918	297,061	308,520
Depreciation and amortisation	16,746	17,000	17,000	17,000	17,000
Expenses from ordinary activities (excluding borrowing costs expense)	302,974	314,200	348,043	359,508	372,331
Borrowing costs expense	14,083	26,000	23,725	24,700	21,100
Operating profit before Income Tax from ordinary activities	62,565	31,435	41,583	50,629	63,041
Income Tax Expense	-	9,430	12,475	15,189	18,912
Net surplus or deficit attributable to the Commonwealth	62,565	22,005	29,108	35,440	44,129
Net credit (debit) to asset revaluation reserve	200,345	176,170	171,759	170,254	62,999
Total revenues, expenses and valuation adjustments attributable to the Commonwealth and recognised directly in equity	262,910	198,175	200,857	205,694	107,128

Table 2: Statement of Financial Position

	Projected Result 2003-04 \$'000	Budget Estimate 2004-05 \$'000	Forward Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000
ASSETS					
Financial assets					
Cash	53,851	42,893	88,171	62,848	25,819
Receivables	378,486	376,767	382,739	382,244	382,853
Other	10,697	10,233	10,887	10,471	11,073
Total financial assets	443,034	429,893	481,797	455,563	419,745
Non-financial assets					
Land and buildings	1,232,993	1,276,232	1,273,509	1,365,301	1,440,565
Infrastructure, plant and equipment	31,803	28,303	24,803	21,303	17,803
Inventories	-	-	-	-	-
Total non-financial assets	1,264,796	1,304,535	1,298,312	1,386,604	1,458,368
Total Assets	1,707,830	1,734,428	1,780,109	1,842,167	1,878,113
LIABILITIES					
Interest bearing liabilities					
Loans	200,000	215,000	180,000	175,000	140,000
Provisions					
Employees	6,383	7,316	7,536	7,762	7,994
Payables					
Suppliers	3,626	4,156	4,280	4,970	5,103
Other	92,963	107,770	118,643	106,956	91,673
Total Payables	102,972	119,242	130,459	119,688	104,770
Total liabilities	302,972	334,242	310,459	294,688	244,770
Equity					
Contributed equity	249,572	249,572	249,572	249,572	249,572
Reserves	1,059,554	1,077,924	1,131,483	1,191,337	1,254,336
Total accumulated results	95,732	72,690	88,595	106,570	129,435
Total equity	1,404,858	1,400,186	1,469,650	1,547,479	1,633,343
Total liabilities and equity	1,707,830	1,734,428	1,780,109	1,842,167	1,878,113

Table 3: Statement of Cash Flows

	Projected Result 2003-04 \$'000	Budget Estimate 2004-05 \$'000	Forward Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	364,663	378,772	391,805	416,681	441,080
Interest	2,520	4,880	4,837	6,921	5,842
Total cash received	367,183	383,652	396,642	423,602	446,922
Cash used					
Taxes Paid	-	20,000	29,430	32,475	35,189
Employees	44,173	42,839	44,124	45,448	46,811
Suppliers	248,806	247,925	264,475	291,399	311,994
Borrowing costs	14,083	26,000	23,725	24,700	21,125
Total cash used	307,062	336,764	361,754	394,022	415,119
Net cash from/(used by) operating activities	60,121	46,888	34,888	29,580	31,803
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	488,082	411,111	576,676	431,581	431,581
Total cash received	488,082	411,111	576,676	431,581	431,581
Cash used					
Purchase of property, plant and equipment	435,068	438,910	518,083	464,019	444,149
Total cash used	435,068	438,910	518,083	464,019	444,149
Net cash from (used by) investing activities	53,014	(27,799)	58,593	(32,438)	(12,568)
FINANCING ACTIVITIES					
Cash received					
Proceeds from loans	-	50,000	-	-	-
Total cash received	-	50,000	-	-	-
Cash used					
Repayment of loans	-	35,000	35,000	5,000	35,000
Dividends paid	229,364	45,047	13,203	17,465	21,264
Total cash used	229,364	80,047	48,203	22,465	56,264
Net cash from/(used by) financing activities	(229,364)	(30,047)	(48,203)	(22,465)	(56,264)
Net increase/(decrease) in cash held	(116,229)	(10,958)	45,278	(25,323)	(37,029)
Cash at the beginning of the reporting period	170,080	53,851	42,893	88,171	62,848
Cash at the end of the reporting period	53,851	42,893	88,171	62,848	25,819

Table 4: Capital Budget Statement

	Projected Result 2003-04 \$'000	Budget Estimate 2004-05 \$'000	Forward Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000
CAPITAL APPROPRIATIONS					
Total loans	-	-	-	-	-
Total	-	-	-	-	-
PURCHASE OF NON CURRENT ASSETS					
Funded internally by Departmental resources	435,068	438,910	518,083	464,019	444,149
TOTAL	435,068	438,910	518,083	464,019	444,149

Table 5: Non-financial Assets – Summary of Movement (Budget Year 2004-05)

	Land \$'000	Buildings \$'000	Total Land and Buildings \$'000	Other infrastructure plant and equipment \$'000	Total \$'000
Gross Value as at 1 July 2003	701,523	531,470	1,232,993	46,685	1,279,678
Additions	248,869	188,541	437,410	1,500	438,910
Disposals	(231,940)	(175,717)	(407,657)	-	(407,657)
Revaluation increments	24,742	18,744	43,486	-	43,486
Other Movements	(17,069)	(12,931)	(30,000)	-	(30,000)
Gross value 30 June 2004	726,125	550,107	1,276,232	48,185	1,324,417
Accumulated Depreciation as at 1 July 2003	-	-	-	14,882	14,882
Charge for the reporting period	-	12,000	12,000	5,000	17,000
Disposals	-	(7,116)	(7,116)	-	(7,116)
Revaluations	-	(4,884)	(4,884)	-	(4,884)
Accumulated Depreciation as at 30 June 2004	-	-	-	19,882	19,882
Net Book Value as at 30 June 2004	726,125	550,107	1,276,232	28,303	1,304,535